

CHAPTER I

INTRODUCTION

1.1 Background

Dividend policy applied in a company is important, because dividend policy is the main factor for investor, creditors and external parties in determining investment decisions for funds and good for a company. According to Kusuma and Wiyono (2017:167) dividend is the distribution of profits provided by the company and comes from the profits generated by the company. Sutrisno (2017:05) dividends are part of the profits the company has to its shareholders.

The policy taken by management in deciding whether the profit generated by the company during one period will be divided entirely or partly for retained earnings is called dividend policy (Sutrisno, 2017:255). Musthafa (2017:141) dividend policy includes a decision on whether the profits earned by the company will be distributed or retained to be reinvested in the company. In determining dividend policy, it must be based on several factors and discussed together.

Dividend policy can be seen from the dividend payout ratio in the form of a percentage. Profits are distributed in the form of cash dividends, meaning the size of the dividends payout ratio will affect the investment decisions of shareholders and on the other hand can affect the company's financial condition. The more the large level of profit distributed in the form of dividends will make candidates investors are increasingly attractive and it can show the condition of the company healthy and have good prospects for the future. company that choosing to distribute

profits as dividends will reduce the total resources internal funds. Companies that choose to hold on to the profits earned will resulting in a greater ability to form internal funds (Sartono, 2012:281).

Wibowo and Abubakar Arief (2016: 61) list the types of dividends distributed by the company to shareholders are Cash Dividend, Asset Dividend, Script Dividend or Debt Dividend, Stock Dividend and Liquidity Dividend. Based on the type of dividend payment, the most common payments made by companies are in cash paid to shareholders.

Before Covid-19 pandemic, several companies experienced profit fluctuations which had an impact on Dividend Policy. The Soho Global Health Company experienced a decline in profit before the Covid-19 pandemic, but during the new normal period experienced a 100 percent increase in profits. This increase had positive impact on increasing dividend policy even though the company's profits go up and down, besides that the company is able to fulfill all its obligations. Soho Global Health company is able to overcome obligations when company profits decline, besides that the company continues to distribute dividends from internal funds. Based on this data, there are differences in dividend policy before the pandemic and pandemic. In deciding dividend policy, it is necessary to consider several factors so that the company continues to grow and stabilize. (www.idx.co.id annual report, accessed 2022)

Percentage of Dividend Payout Ratio in Pharmaceutical Companies on the Stock Exchange distribute dividends consecutively in the 2016-2021 period can shown in the following table:

Table 1. 1
Distribution of Dividend In 2016-2021

No.	Code		Dividend Payout Ratio (%)					
	Stock	Emitten	2016	2017	2018	2019	2020	2021
1	DVLA	Darya Varia Laboratoria	50	53	38	36	17	44
2	INAF	Indofarma	0	0	0	0	0	0
3	KAEF	Kimia Farma	20	20	20	3	3	3
4	KLBF	Kalbe Farma	45	49	50	49	37	41
5	MERK	Merck	80	181	154	74	76	39
6	PEHA	Phapros	50	70	70	70	70	210
7	PYFA	Pyridam Farma	0	0	0	0	0	0
8	SCPI	Organon Pharma Indonesia	45	235	35	28	30	35
9	SIDO	Industri Jamu dan Farmasi Sido Muncul	84	82	81	80	90	50
10	SOHO	Soho Global Health	86	80	104	15	98	98
11	TSPC	Tempo Scan Pasific	252	90	161	164	458	27
12	SDPC	Millenium Pharmacon International	15	52	31	60	58	50

The Data Source : www.idx.co.id (data processed by the author, 2023)

From table 1.1. we can see that the distribution of the Dividend Payout Ratio of each company fluctuates. This is caused by several factors, including increased sales or decreased sales, increased debt, even some companies that choose not to distribute dividends in certain years and many other factors. President Director of Indofarma Arief Pramuhanto at the General Meeting of Shareholders July 29, 2020, from 2016-2018 Indofarma experienced losses and only received profits in 2019. Thus the company will not distribute dividends because dividends are used for business development. In 2020, Indofarma's financial performance was under quite heavy pressure. As of the third quarter, Indofarma recorded a loss of Rp 18.9 billion.

Pyridam Farma during 2019 continued to experience an increase in sales but chose to make retained earnings with the aim of increasing production. In its annual financial report, Organon Pharma Indonesia chooses to include a Dividend Per Share instead of a Dividend Payout Ratio (www.idx.co.id : accessed 2022).

The capital market itself is defined as a market for various financial instruments long-term (securities) that can be traded, either in the form of debt as well as the capital itself, whether issued by the government, public authorities, or private companies. The purpose of investors investing their funds in the capital market is to seek maximum profit by combining various investment risks. One of the capital market products is stock. Stock price movements that occur can make investors earn income or returns. The return that investors get on their funds invested in shares in the form of a share of profits (dividends) and the difference between the selling price of the shares and the purchase price capital gains (Husnan, 2015: 1).

Hartono (2016: 58), investment opportunities or investment Opportunity Set (IOS) describes the breadth of opportunities or opportunities investment for a company. The value of Investment Opportunities can be calculated by a combination of various types of proxies implies the value of assets in place, namely in the form of book values of assets and equity and value the opportunity to grow for a company in the future. This matter due to the Investment Opportunity Set (IOS) or the investment opportunity set of an companies affect the views of managers, owners, investors and creditors against the company.

Percentage of Investment Opportunities in Pharmaceutical Companies on the Stock Exchange distribute consecutively in the 2016-2021 period can shown in the following table:

Table 1. 2
Investment Opportunities In 2016-2021

No.	Code		Price Earning Ratio (%)					
	Stock	Emitten	2016	2017	2018	2019	2020	2021
1	DVLA	Darya Varia Laboratoria	129	135	108	114	167	190
2	INAF	Indofarma	(45)	(40)	(62)	253	224	(108)
3	KAEF	Kimia Farma	6	5	3	44	115	115
4	KLBF	Kalbe Farma	3	3	3	3	3	6
5	MERK	Merck	9	2	9	21	13	13
6	PEHA	Phapros	69	76	99	108	100	84
7	PYFA	Pyridam Farma	16	14	12	11	24	52
8	SCPI	Organon Pharma Indonesia	45	58	84	70	72	69
9	SIDO	Industri Jamu dan Farmasi Sido Muncul	52	2	2	2	3	6
10	SOHO	Soho Global Health	52	48	47	68	48	48
11	TSPC	Tempo Scan Pasific	17	15	12	11	8	8
12	SDPC	Millenium Pharmacon International	21	14	12	11	24	30

The Data Source : www.idx.co.id (data processed by the author, 2023)

Based on table 1.2 investors can assess whether or not a company is feasible to be used as a place of investment. By looking at the value of the Price Earning Ratio, investors can also understand the stock value of each company. The share price that has decreased from 2016-2021 is Indofarma. Indofarma's stock market price declined because the company continued to suffer losses, but in 2020 it showed an improving

condition even though in 2021 it experienced a decline in revenue again. Meanwhile, the share price of the Pharmaceutical Industry Company SIDO Muncul continues to increase from year to year. This causes a good market response and better investment opportunities for investors.

Research conducted by April *et al* (2018) showed that Investment Opportunity Sets (IOS) had a negative and significant relationship towards Dividend Payout Ratio. Yuzril and Khairunnisa (2020) Investment Opportunities have not effect to Dividend Policy. Wulandari and Suardana (2017) have negative significant effect on dividend policy. Chintya *et al* (2018) Investment Opportunity Sets (IOS) had a negative and significant relationship towards Dividend Payout Ratio.

Percentage of Investment Opportunities in Pharmaceutical Companies on the Stock Exchange distribute consecutively in the 2016-2021 period can shown in the following table:

Table 1. 3
Liquidity In 2016-2021

No.	Code		Current Ratio (%)					
	Stock	Emitten	2016	2017	2018	2019	2020	2021
1	DVLA	Darya Varia Laboratoria	308	266	289	291	252	217
2	INAF	Indofarma	98	104	105	188	136	135
3	KAEF	Kimia Farma	171	173	134	99	90	105
4	KLBF	Kalbe Farma	451	451	466	435	412	445
5	MERK	Merck	422	308	137	251	255	271
6	PEHA	Phapros	301	414	104	103	94	130
7	PYFA	Pyridam Farma	216	352	276	353	289	129
8	SCPI	Organon Pharma Indonesia	104	89	67	54	134	135

No.	Code		Current Ratio (%)					
	Stock	Emitten	2016	2017	2018	2019	2020	2021
9	SIDO	Industri Jamu dan Farmasi Sido Muncul	832	781	419	412	366	410
10	SOHO	Soho Global Health	8	216	130	190	202	202
11	TSPC	Tempo Scan Pasific	265	252	252	278	296	329
12	SDPC	Millenium Pharmacon International	9	13	37	14	13	114

The Data Source : www.idx.co.id (data processed by the author, 2023)

Based on table 1.3 the value of the Current Ratio of Pharmaceutical companies per year is not stable or fluctuates. This can be caused by several factors, one of which is the utilization of the company's assets. In the financial statements of the Organon Pharma Indonesia company. There was an increase after the pandemic 2020-2021. Meanwhile, the Millennium Pharmacon International Company experiencing fluctuations.

Research conducted by Avynda Melati (2019), liquidity has no significant effect on dividend policy. Prasetya (2020) liquidity is not significant because when a company can repay its debt with assets owned it does not reflect that the company is in good condition because it can occur when cash in the company is not used as well as possible. Putri and Susetyo (2020) the analysis shows that leverage and liquidity have a negative effect on dividend policy. Adityo and Heykal (2020) liquidity, leverage, and growth have no significant effect on dividend policy. Aqel, Saher (2016) Liquidity appeared to have a negative association with dividends payout but not statistically significant.

Table 1. 4
Profitability In 2016-2021

No.	Code		Return On Asset (%)					
	Stock	Emitten	2016	2017	2018	2019	2020	2021
1	DVLA	Darya Varia Laboratoria	10	10	12	12	8	7
2	INAF	Indofarma	(9)	(3)	(2)	1	(1)	(2)
3	KAEF	Kimia Farma	6	5	4	4	4	2
4	KLBF	Kalbe Farma	14	14	14	12	12	13
5	MERK	Merck	21	17	92	9	8	13
6	PEHA	Phapros	10	11	7	5	3	6
7	PYFA	Pyridam Farma	8	4	5	5	10	1
8	SCPI	Organon Pharma Indonesia	87	98	56	56	57	65
9	SIDO	Industri Jamu dan Farmasi Sido Muncul	16	17	20	23	24	31
10	SOHO	Soho Global Health	12	12	49	140	41	14
11	TSPC	Tempo Scan Pasific	8	7	7	7	9	9
12	SDPC	Millenium Pharmacon International	7	9	14	9	65	71

The Data Source : www.idx.co.id (data processed by the author, 2023)

Based on table 1.4, it can be seen that the ROA value of each company fluctuates, which means that the income and profit of each company changes every year. The company that experiences an increase in ROA value every year is SIDO. But the company consistent dividend payout.

Research conducted Adityo and Heykal (2020) profitability has a significant negative effect on dividend policy towards DPR. Putri and Andayani (2017) debt policy and profitability does not give any influence to the dividend policy. Sudarmono and Khairunnisa (2020) investment opportunities and profitability not

have partial effect on dividend policy. Wulandari and Suardana (2017) profitability have significant negative on dividend policy. Avynda Melati (2019) profitability negative effect on dividend policy.

Table 1.5
Leverage In 2016-2021

No.	Code		Debt to Equity Ratio (%)					
	Stock	Emitten	2016	2017	2018	2019	2020	2021
1	DVLA	Darya Varia Laboratoria	42	47	40	40	50	51
2	INAF	Indofarma	97	192	190	174	298	295
3	KAEF	Kimia Farma	103	122	173	148	147	146
4	KLBF	Kalbe Farma	2	2	2	5	6	2
5	MERK	Merck	28	38	144	52	52	5
6	PEHA	Phapros	42	68	137	155	159	148
7	PYFA	Pyridam Farma	77	47	57	53	45	38
8	SCPI	Organon Pharma Indonesia	137	201	99	90	115	100
9	SIDO	Industri Jamu dan Farmasi Sido Muncul	8	9	15	15	19	17
10	SOHO	Soho Global Health	8	9	9	7	8	1
11	TSPC	Tempo Scan Pasific	42	46	45	45	43	4
12	SDPC	Millenium Pharmacon International	74	43	58	64	241	202

The Data Source : www.idx.co.id (data processed by the author, 2023)

Based on table 1.5, it can be concluded that Pharmaceutical Companies with issuer code SCPI still at number that is not too far from the previous year. This means that the company still needs debt for business capital.

Research conducted by Avynda Melati (2019) in her research examines four variables related to dividend policy, namely profitability, growth, leverage, liquidity, and obtaining the results of profitability, negative effect on dividend policy, growth

negative effect on dividend policy, leverage has no significant effect on dividend policy, liquidity has no significant effect on dividend policy. Net profit generated by the company is getting bigger, the dividend value distributed will also increase. Meanwhile, if the debt value owned by the company is high, then investors will not be interested in buying the company's shares because it is not in accordance with investors' expectations, namely dividend distribution. In previous studies there were still inconsistencies in the results regarding whether investment opportunities, profitability and leverage have an effect on dividend policy.

Research conducted by Prasetya (2020) result of this study indicated that only profitability has a positive significant relation to company value. Liquidity is not significant because when a company can repay its debt with assets owned it does not reflect that the company is in good condition because it can occur when cash in the company is not used as well as possible. Then for leverage does not affect because companies use their capital rather than using debt. The dividend policy can moderate the relationship between liquidity and profitability to the value of the company. Dividend policy cannot moderate the relationship of leverage to the value of the company due to a prohibition on dividend payments with a reduction in company capital.

Research conducted by April *et al.*, (2018) showed that profitability (ROA) as an independent variable had a positive and significant relationship towards DPR, while Investment Opportunity Sets (IOS) had a negative and significant relationship towards Dividend Payout Ratio.

Based on the background regarding the increase and decrease in profits by pharmaceutical companies that have an impact on the distribution of dividend payout ratios, the authors are interested in studying and conducting further research in the form of research with the title "Analysis of the Influence of Investment Opportunities, Liquidity, Profitability and Leverage On Dividend Policy of Pharmaceutical Companies In IDX 2016-2020."

1.2 The Scope

This research limits the scope of research with research objectives. With the boundary criteria defined as :

1. The dependent variables in this research is Dividend Policy
2. The independent variables in this research are Investment Opportunities, Liquidity, Profitability and Leverage
3. This research was conducted on Pharmaceutical Companies listed on the Indonesian Stock Exchange 2016-2020
4. This research was conducted for two months after the proposal was approved, namely in July 2022

1.3 Formulation of The Problem

Based on business phenomenon and background presented by the author, the formulation of the problem are :

1. The profit of each pharmaceutical company from 2016-2021 fluctuated.
(www.idx.co.id annual report, accessed 2022)

2. Some companies choose to distribute dividends regularly per year, but there are also those who choose retained earnings. (www.idx.co.id annual report, accessed 2022)
3. Some companies have a deficit (www.idx.co.id annual report, accessed 2022)
4. In the midst of the COVID-19 pandemic, several pharmaceutical companies have experienced an increase in income. This may be can be utilized by investors who want to invest. (www.gpfarmasi.id , accessed 2022)

Based on the problem formulation, the following research questions can be formed :

1. Does Investment Opportunities Have An Influence On Dividend Policy In Pharmaceutical Companies Listed On the Indonesian Stock Exchange In 2016-2020?
2. Does Liquidity Have An Influence On Dividend Policy In Pharmaceutical Companies Listed On the Indonesian Stock Exchange In 2016-2020?
3. Does Profitability Have An Influence On Dividend Policy In Pharmaceutical Companies Listed On the Indonesian Stock Exchange In 2016-2020?
4. Does Leverage Have An Influence On Dividend Policy In Pharmaceutical Companies Listed On the Indonesian Stock Exchange In 2016-2020?
5. Does Investment Opportunities , Liquidity, Profitability and Leverage Have Influence On Dividend Policy In Pharmaceutical Companies Listed On the Indonesian Stock Exchange In 2016-2020?

1.4 The Research Objects

Based on the background and formulation of the problem above, this research has objectives to be achieved, including :

1. To analyze the effect of Investment Opportunities on Dividend Policy in Pharmaceutical Companies listed on the Indonesian Stock Exchange in 2016-2020
2. To analyze the effect of Liquidity on Dividend Policy in Pharmaceutical Companies listed on the Indonesian Stock Exchange in 2016- 2020
3. To analyze the effect of Profitability on Dividend Policy in Pharmaceutical Companies listed on the Indonesian Stock Exchange in 2016- 2020
4. To analyze the effect of Leverage on Dividend Policy in Pharmaceutical Companies listed on the Indonesian Stock Exchange in 2016- 2020
5. To analyze the effect of Investment Opportunities, Liquidity, Profitability And Leverage On Dividend Policy In Pharmaceitucal Companies Listed On the Indonesian Stock Exchange In 2016-2020

1.5 The Research Benefits

In the research of course it has uses that are achieved in order to provide benefits to various parties, such as:

1. Theoretical Benefits

The results of this study are expected to develop or explain knowledge related to the factors that affect dividend policy:

- a. This research is expected to contribute to the development of management literature related to the influence of Investment Opportunities, Liquidity,

Profitability and Leverage on Dividend Policy at pharmaceutical companies listed on the Indonesia Stock Exchange; and

- b. The results of this study are expected to be used as a reference and for future researchers related to the influence of Investment Opportunities, Liquidity, Profitability and Leverage on Dividend Policy at Pharmaceutical Companies listed on the Indonesia Stock Exchange.

2. The Practical Benefits

The practical use to be achieved in the application of knowledge as a result of the research that has been carried out are:

This research can provide information to investors in investing with the influence of Investment Opportunities, Liquidity, Profitability and Leverage on Dividend Policy at pharmaceutical companies listed on the Indonesia Stock Exchange.

