Factors Affecting the Dividend Payout Ratio in Pharmaceutical Companies

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Abstract

This research was conducted to examine the effect of current ratio, debt to equity ratio, and return on asset on dividend payout ratio. The types of data that used are secondary data from the annual reports of pharmaceutical companies listed on the Indonesian Stock Exchange period 2013-2021. The sample selection technique used purposive sampling and there are 6 (six) sample of pharmaceutical companies. Data analysis in this study used panel data regression with fixed effects as the selected model and processed using Eviews 10 software. The result of the research shows that the current ratio and debt to equity ratio have a positive significant effect to dividend payout ratio, but return on assets has no significant effect on dividend payout ratio. In addition, the current ratio, debt to equity ratio, and return on assets have a simultaneously effect on the dividend payout ratio. The adjusted R-Squared result was 0.418615 or 41.86 percent.

***Keywords**: current ratio, debt to equity ratio, dividend payout ratio, return on asset*

INTRODUCTION

In the current era of globalization, competition in the business world is increasingly competitive, requiring companies to determine policies that support the progress of all elements in the company so that they can survive and develop and be able to compete with other companies. Management as the party that manages the company is expected to be able to make decisions to support the progress of the company so as to get maximum profit (Hidayat, 2019). After achieving the maximum profit, the company must implement an investment policy.

Investing in a company is an activity that involves various risks and uncertainties that are difficult for investors to predict, but can be overcome with information on the company's performance. Based on data from the Indonesia Stock Exchange (2021), the growth of Single Investor Identification (SID) for Indonesian capital market investors as of August 31 2021, reached 6.1 million SID. This number has increased by almost 2 (two) times from last year's achievement. Along with the increasing number of investors, the strength of investor development is obtained through technological advances that are adapted to the current situation in Indonesia.

The Ministry of Investment of the Republic of Indonesia (2020) states that the COVID-19 virus is a serious threat that will affect the stability of a country, including Indonesia. Facing this situation, the Investment Coordinating Board (BKPM) pursued a special strategy to overcome the economic recession, namely through investment. In investing, investors need company financial reports that help make investment decisions. Investors hope that the increase in profits from each company will affect the distribution of dividends to each investor.

Dividends are profits that companies get from their business and have the choice of using these profits to develop the business in the form of retained profits or distribution to investors (Wahyuni & Hafiz, 2018). The amount of dividends to be distributed is decided by the RUPS. To reduce investment uncertainty, the company implements a dividend policy.

A manufacturing company is a company that produces raw goods which are then processed to become finished goods ready for distribution to consumers. One of the manufacturing sub-sectors that has large market potential and the opportunity to attract investors in Indonesia is a pharmaceutical company (Ministry of Industry of the Republic of Indonesia, 2018). The COVID-19 pandemic situation has made the demand for medicines, vitamins and supplements generally increase so that the pharmaceutical sector has experienced considerable growth. With the pandemic, more and more investors are investing their share capital in pharmaceutical companies.

One assessment of the success of a company can be seen from its financial performance. The quality of a good company's financial performance will have a positive influence on the company's development so that it can attract investors. The company's financial performance can be measured using financial ratios consisting of liquidity ratios, solvency, activity, profitability, growth, and valuation (Kasmir, 2016). The value of these ratios will affect the size of the dividends to be distributed.

The Current Ratio (CR) is a liquidity ratio that is useful for measuring a company's ability to pay debts that are due soon with current assets (Kasmir, 2016). The greater the current ratio, the greater the company's ability to pay dividends to investors (Fadillah & Eforis, 2020).

The Debt to Equity Ratio (DER) is part of the solvency ratio, namely the company's ability to measure debt to equity by comparing all debt, including current liabilities to total equity (Kasmir, 2016). The higher the DER, the greater the company's debt which reduces the company's ability to pay dividends to shareholders (Astutik, 2020).

In measuring profitability with all the assets owned by the company can use Return on Assets (ROA). In measuring this ratio, the income used is income after tax (Nurlaela, 2019). The higher the company's ROA, the better its performance, which means that investors' profits from dividend payments will be higher (Budiman, 2018).

There are phenomena and differences or inconsistencies in the results of previous studies so that they cannot prove the effect of the current ratio, debt to equity ratio and return on assets on the dividend payout ratio. Therefore, the researcher is interested in conducting further similar research. The purpose of this study was to analyze the effect of the current ratio, debt to equity ratio and return on assets on the dividend payout ratio in pharmaceutical companies listed on the IDX in 2013-2021.

Literature Review
Dividend Policy

The company carries out a dividend policy as a determination of the portion of profits for investors in the form of cash dividends, smoothing dividends, stock dividends, stock splits, and cancellation of outstanding shares (Darmawan, 2018). In this study, dividend policy is represented by the Dividend Payout Ratio (DPR). Muslih & Eviriswanti (2021) explain DPR is the ratio of dividends paid to net income. Fadillah & Eforis (2020) states that the higher the dividend payout ratio, the smaller the retained earnings will result in hampering the company's growth rate, thereby benefiting the shareholders. Conversely, if the retained earnings are higher, the dividend payout ratio will be smaller, which will create a bad signal and harm shareholders because the company's finances are getting stronger.

Financial Performance

Hutabarat (2021) explains that, financial performance as an analysis is carried out to see the extent to which the company implements financial rules properly and correctly. Whether a company's performance is good or not is reflected in the financial statements that become the company's financial performance. Harmono (2016) states that company performance can be calculated through net income or profits. In evaluating financial performance, one of which can be done by using financial ratios. The benefit of financial ratio analysis for management and interested parties is to accelerate evaluation by showing whether the condition of the company's financial ratios is good or not.

Current Ratio (CR)

In analyzing company finances, the most commonly used liquidity ratio is the current ratio. According to Kasmir (2016), the current ratio functions in measuring a company's ability to pay short-term obligations that are due soon when billed as a whole. The current ratio is said to be a measure of a company's margin of safety (Firdaus & Purba, 2019). Fadillah & Eforis (2020) explained that a higher current ratio indicates a company's ability to pay short-term debt with higher current assets. However, a current ratio that is too high indicates a bad situation, because the company cannot manage current assets effectively.

Debt to Equity Ratio (DER)

Kasmir (2016) explains that DER is the ratio used in assessing debt to equity. According to Herawati & Fauzia (2018), the large debt to equity ratio results in less own capital being used to pay debts. The lower the DER, the higher the company's ability to fulfill its obligations. The debt to equity ratio must be regulated in such a way as to ensure the company's financial stability and the company's survival (Muslih & Eviriswanti, 2021). This ratio is obtained by comparing all debt, including current debt with all equity (Firdaus & Purba, 2019).

Return on Asset (ROA)

Return on assets is included in the profitability ratio. The profitability ratio is intended to measure how far the company's ability to generate profits with the entire investment invested in the assets used to operate (Hasibuan & Ikatrinasari, 2020). The function of return on assets is to measure the ability to generate profits and help select assets, so that turnover becomes better. Firdaus & Purba (2019) stated that return on assets is important for management to assess a company's profitability in managing total assets. The higher the return on assets, the higher the company's profitability and the better the profit generated by the company (Budiman, 2018).

Previous Research

Research conducted by Wahyuni and Hafiz (2018) entitled "The Influence of the Current Ratio (CR), Debt to Equity Ratio (DER), and Return on Assets (ROA) on the Dividend Payout Ratio (DPR) in Manufacturing Companies on the Indonesia Stock Exchange period 2011-2015". The results of this study indicate that the current ratio has no significant effect on the dividend payout ratio. Meanwhile, the debt to equity ratio and return on assets have a significant positive effect on the dividend payout ratio.

Herawati and Fauzia (2018) examined the effect of the current ratio, debt to equity ratio, return on assets on the dividend payout ratio in Automotive and Component sub-sector companies listed on the Indonesia Stock Exchange for the 2012-2016 period. The result obtained is that the current ratio has no significant effect on the dividend payout ratio. Conversely, the debt to equity ratio and return on assets have a significant positive effect on the dividend payout ratio.

In the same year, Hardi and Andestiana's research (2018) analyzed the effect of profitability, debt policy, and asset growth on dividend policy. This research was conducted at food and beverage companies listed on the Indonesia Stock Exchange for the 2013-2017 period. The results of the analysis show that profitability (ROA) has no significant effect on dividend policy. Meanwhile, debt policy (DER) and asset growth (AG) have a significant positive effect on the dividend payout ratio.

Firdaus and Purba (2019) conducted research with the title "The Influence of Company Financial Performance on the Dividend Payout Ratio for the 2012-2016 period". This research was conducted using the current ratio, return on assets, debt to equity ratio, and sales growth as independent variables. The conclusion from this study is that the variable return on assets has a significant positive effect on the dividend payout ratio, while the current ratio, debt to equity ratio, and sales growth have no significant effect on the dividend payout ratio.

Other research conducted by Ibrahim (2019) concerning the effect of the debt to equity ratio, return on assets, current ratio on the dividend payout ratio in pharmaceutical sub-sector companies in the 2014-2017 period. The result is that the debt to equity ratio and the current ratio have no significant effect on the dividend payout ratio. Meanwhile, return on assets has a significant positive effect on the dividend payout ratio.

Furthermore, Simorangkir, et al (2020) research entitled "The Effect of Current Ratio, Debt to Equity Ratio, and Return on Assets on Dividend Policy in Property and Real Estate Companies Listed on the Indonesia Stock Exchange for the 2015-2017 period". The indicator used to measure dividend policy in this study is the dividend payout ratio. The results of their research stated that the current ratio has a significant effect on the dividend payout ratio. In contrast, the debt to equity ratio and return on assets have no significant effect on the dividend payout ratio.

Fadillah and Eforis (2020) in their research entitled "The Effects of Return on Assets, Debt to Equity Ratio, Earning Per Share, and Current Ratio to Dividend Payout Ratio (Study of Manufacturing Companies Listed on the Indonesia Stock Exchange in 2013-2017)". The results of this study stated that return on assets, debt to equity ratio, and current ratio had no significant effect on the dividend payout ratio. Meanwhile, earnings per share has a significant positive effect on the dividend payout ratio.

In the same year, Tiurma and Widjaja's research (2020) analyzed the effect of the current ratio, return on assets, debt equity ratio, and cash position on the dividend payout ratio. This research was conducted at consumer goods manufacturing companies listed on the IDX for the 2013-2017 period. The results of the analysis show that the current ratio, debt equity ratio, and cash position have no significant effect on the dividend payout ratio. Meanwhile, return on assets has a significant negative effect on the dividend payout ratio.

Purnasari, et al (2020) researched "The Influence of Current Ratio, Debt to Equity Ratio, Return on Assets, Total Asset Turnover, and Asset Growth on Dividend Policy in Manufacturing Companies Listed on the Indonesia Stock Exchange for the 2013-2017 Period". The conclusion of this study is that the variable current ratio and debt to equity ratio have a significant negative effect on the dividend payout ratio, while return on assets has a significant positive effect on the dividend payout ratio. The total asset turnover and asset growth variables have no significant effect on the dividend payout ratio.

Novyarni and Permana (2020) examined the effect of the current ratio, return on assets, net profit margin, and debt to equity ratio on the dividend payout ratio in companies listed in LQ45 on the Indonesia Stock Exchange for the 2013-2018 period. This study concluded that the current variable ratio has a significant effect on the dividend payout ratio. Conversely, return on assets, net profit margin, and debt to equity ratio have no significant effect on the dividend payout ratio.

Another study was conducted by Maharani, et al (2021) regarding the effect of the current ratio, debt to equity ratio, and return on assets on the dividend payout ratio of high dividend index 20 companies on the IDX for the 2017-2019 period. The results obtained from their research are the variable current ratio and return on assets have a significant positive effect on the dividend payout ratio. Meanwhile, the debt to equity ratio has no significant effect on the dividend payout ratio.

Then, Nehe, et al (2021) researched under the title "The Influence of Current Ratio, Return on Assets, and Debt to Equity Ratio on the Dividend Payout Ratio of Manufacturing Companies for the 2011-2020 period". The conclusion from their research is that the current ratio and return on assets have no significant effect on the dividend payout ratio. Meanwhile, the debt to equity ratio has a significant positive effect on the dividend payout ratio.

Furthermore, Muslih and Eviriswanti's research (2021) entitled "The Effect of Return on Assets, Debt to Equity Ratio, and Current Ratio on Dividend Payout Ratio in Manufacturing Companies Listed on the

Indonesia Stock Exchange for the 2013-2020 period". From the results of their research, it was concluded that return on assets, debt to equity ratio and current ratio have no significant effect on the dividend payout ratio.

Finally, Carolina and Siswanti's research (2022) entitled "The Influence of Return on Assets, Current Ratio, and Debt to Equity Ratio on Dividend Policy (Empirical Study of Real Estate and Property Companies Listed on the Indonesia Stock Exchange in 2017-2019)". In this study dividend policy is proxied by the dividend payout ratio. The results obtained are return on assets, current ratio, and debt to equity ratio do not have a significant effect on the dividend payout ratio.

Research Hypothesis

The results of the research by Simorangkir, et al (2020), Novyarni & Permana (2020), and Maharani, et al (2021) state that the current ratio has a significant positive effect on the dividend payout ratio. Based on this description, the following research hypothesis can be formulated:

H1: Current Ratio has a positive effect on the Dividend Payout Ratio of pharmaceutical companies listed on the IDX

Research by Firdaus & Purba (2019), Purnasari, et al (2020), and Muslih & Eviriswanti (2021) concluded that the Debt to Equity Ratio has a significant negative effect on the Dividend Payout Ratio. Therefore, the research hypothesis is proposed:

H2: Debt to Equity Ratio has a negative effect on the Dividend Payout Ratio of pharmaceutical companies listed on the IDX

Research conducted by Wahyuni & Hafiz (2018), Herawati & Fauzia (2018), Firdaus & Purba (2019), Ibrahim (2019), Purnasari, et al (2020), and Maharani, et al (2021) found that return on assets has a significant effect positive on the dividend payout ratio. Thus the following hypothesis can be formulated:

H3: Return on Assets has a positive effect on the Dividend Payout Ratio of registered pharmaceutical companies on the IDX

The conclusions of Ibrahim's research (2019) state that the debt to equity ratio, return on assets, and current ratio simultaneously affect the dividend payout ratio in pharmaceutical sub-sector companies that go public on the Indonesia Stock Exchange. Based on this, the research hypothesis is formed:

H4: Current Ratio, Debt to Equity Ratio and Return on Assets simultaneously affect Dividend Payout Ratio

RESEARCH METHOD

The type of research used by the author is the associative method. The associative method is the formulation of a research problem between the relationship of two or more variables (Siyoto & Sodik, 2015). In this study using quantitative analysis with inferential statistical approach. This study uses data analysis methods in the form of panel data regression, which is a combination of time series and cross section.

The dependent variable in this study is the Dividend Payout Ratio (DPR) for pharmaceutical companies listed on the IDX for the period 2013 to 2021. Meanwhile, the independent variables are Current Ratio (CR), Debt to Equity Ratio (DER), and Return on Assets (ROA). This research originates from secondary data, namely the annual financial reports of pharmaceutical companies for the 2013-2021 period published by the Indonesia Stock Exchange. Processing and analysis of the data used in this study was computerized using the Econometric Views (Eviews) version 10 program.

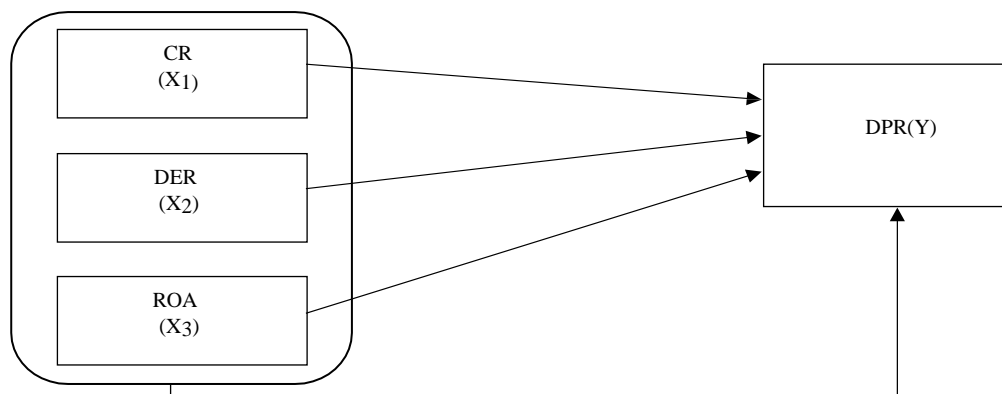The research framework is systematically illustrated as follows:

Figure 1 Research Framework

Sampling in this study using purposive sampling method. Pharmaceutical companies listed on the Indonesia Stock Exchange consist of 11 companies, however, only 6 (six) companies met the criteria to be sampled in this study. The following is the sample selection process.

Table 1. Sample Selection Process

No	Criteria	Quantity
1	Pharmaceutical companies listed on the IDX	11
2	Pharmaceutical companies that do not have a complete annual financial report	-2
3	Pharmaceutical companies that suffer losses	-1
4	Pharmaceutical companies that do not pay dividends	-2
	Companies that meet the criteria	6

Source: Researcher (2023)

The following are the names of pharmaceutical companies that will be sampled in this study:

Table 2. Research Sample

No	Exchange Code	Company Name
1	DVLA	PT Darya Varia Laboratoria Tbk
2	KLBF	PT Kalbe Farma Tbk
3	MERK	PT Merck Tbk
4	PEHA	PT Phapros Tbk
5	SIDO	PT Industri Jamu & Farmasi Sido Muncul Tbk
6	TSPC	PT Tempo Scan Pasific Tbk

Source: www.idx.com

RESULT AND DISCUSSION
Descriptive Statistics
The results of the descriptive analysis of the research variables are presented below.

Table 3. Descriptive Statistics

Value	DPR (Y)	CR (X_1)	DER (X_2)	ROA(X_3)
Mean	0,640284	3,655,031	0,450304	0,140628
Median	0,493812	3,044,107	0,401578	0,118555
Maximum	3,303,797	1,025,425	1,585,998	0,920997
Minimum	0,107592	0,942586	0,074316	0,006145
Std. Deviation	0,478933	1,881,602	0,364120	0,124362

Source: Processed Data (2023)

From Table 3, it is known that the average Dividend Payout Ratio (DPR) for pharmaceutical companies listed on the Indonesia Stock Exchange for the period 2013 to 2021 is 0.640284 and the median is 0.493812. Pharmaceutical companies have the lowest DPR value of 0.107592 in 2015 and the highest value of 3.303797 in 2018 with a standard deviation of 0.478933.

The average CR of Pharmaceutical Companies listed on the IDX from 2013 to 2021 is 3.655031 and the median is 3.044107. The lowest CR value for Pharmaceutical Companies is 0.942586 in 2020 and the highest value is 10.25425 in 2014 with a standard deviation of 1.881602.

Pharmaceutical companies listed on the Indonesia Stock Exchange for the period 2013 to 2021 have an average Debt to Equity Ratio (DER) value of 0.450304 and a median value of 0.401578. The lowest DER

value for a Pharmaceutical Company was 0.074316 recorded in 2014 and the highest value was 1.585998 recorded in 2020.

Return on Assets (ROA) for Pharmaceutical Companies listed on the IDX from 2013 to 2021 has an average value of 0.140628 and a median value of 0.118555. The lowest ROA value for Pharmaceutical Companies is 0.006145 shown in 2021 and the highest value is 0.920997 shown in 2018.

Model Selection Test

The test in selecting the panel data estimation method was carried out with 3 (three) tests, namely the Chow test, Hausman test, and the Lagrange Multiplier (LM) test. The purpose of this test is to choose the most appropriate approach among the common effect, fixed effect, and random effect models. After testing, the most appropriate model is the fixed effect. The results of the fixed effect model can be seen as follows:

Table 4. Fixed Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.369257	0.223816	6.117783	0.0000
CR	0.184767	0.067368	2.742666	0.0087
LOG(DER)	1.200520	0.263571	4.554832	0.0000
ROA	-1.053891	0.538833	-1.955875	0.0567
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.506371	Mean dependent var		0.640284
Adjusted R-squared	0.418615	S.D. dependent var		0.478933
S.E. of regression	0.365180	Akaike info criterion		0.974156
Sum squared resid	6.001024	Schwarz criterion		1.305654
Log likelihood	-17.30222	Hannan-Quinn criter.		1.102002
F-statistic	5.770202	Durbin-Watson stat		2.819789
Prob(F-statistic)	0.000046			

Source: Processed Data (2023)

Classic Assumption Test

This classic assumption test is intended to produce a regression model that meets the Best Linear Unbiased Estimator (BLUE) criteria (Kusumaningtyas et al, 2022). According to Basuki & Prawoto (2017), the classical assumption test consists of 4 (four) tests, namely the normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test, but in panel data regression not all classic assumption tests need to be performed. In this study, only 3 (three) classical assumption tests were used, namely the normality test, multicollinearity test, and heteroscedasticity test. The classical assumption test in this study resulted in normally distributed data, there was no multicollinearity between the independent variables, and overall the independent variables in the regression model did not show signs of heteroscedasticity.

Hypothesis Test (Coefficient of Determination R^2)

The value of the coefficient of determination can describe how strongly the dependent variable is explained by the independent variable (Sa'adah et al, 2020). The coefficient of determination seen from the adjusted R-Squared is 0.418615 or equal to 41.86 percent. This shows that the independent variables (current ratio, debt to equity ratio, and return on assets) of 41.86 percent can explain the dependent variable (dividend payout ratio), while the remaining 58.14 percent is explained by other variables outside this study.

Hypothesis Test (The t Test and The F test)

The t test serves to determine how much the independent variables (current ratio, debt to equity ratio, and return on assets) are partially influenced by the dependent variable (dividend payout ratio). The significance level used in the t test is 0.05. If the probability is less than 0.05, the independent variable can be said to have a significant effect on the dependent variable. Based on Table 4, the probability value of CR and DER is less than 0.05 so that it affects the DPR. Conversely, ROA has no significant effect on the DPR.

Simultaneous test (F test) is useful to determine the significance of the effect of the independent variables together (simultaneously) on the dependent variable. The criterion in the F test compares the probability of the F statistic with (α = 0.05). If the probability statistic F < value α, then the independent variables affect the dependent variable simultaneously. The statistical probability value F in table 4 is 0.000046 <0.05. This shows that there is a significant influence between the independent variables (CR, DER, and ROA) simultaneously on the DPR.

Interpretation of the Results

The analysis used in this study is panel data regression with the selected fixed effect model. The following is the equation for the results of the panel data regression analysis:

$$\text{DPR} = 1,369257 + 0,184767 \text{ CR} + 1,200520 \text{ DER} - 1,053891 \text{ ROA} + \varepsilon$$

Effect of Current Ratio on Dividend Payout Ratio

The current ratio probability value is 0.0087 < α value = 0.05 with a positive coefficient value of 0.184767. These results indicate that CR has a significant positive effect on the DPR in pharmaceutical companies for the 2013-2021 period. The standard current ratio in practice is 200% (2:1), considered a good enough measure for the company (Kasmir, 2016).

In this study, the current ratio should be taken into consideration by pharmaceutical companies for the 2013-2021 period in determining the dividend payout ratio. Availability of cash can be obtained through company cash, accounts receivable, securities, and inventories contained in the current ratio. Cash can also be obtained through debt or loans. Maharani, et al (2021) stated that the higher the CR value, the better the company's ability to settle its short-term debt, so that the ability to pay dividends is getting stronger. This is because dividends show cash outflows, where the stronger the cash position and liquidity of the company as a whole, the higher the company's cash position in paying dividends.

The results of this study are in line with research conducted by Simorangkir, et al (2020), Novyarni & Permana (2020), and Maharani, et al (2021) which state that CR has a significant positive effect on the DPR. However, different results were shown by the research of Muslih & Eviriswanti (2021) and Carolina & Siswanti (2022).

Effect of Debt to Equity Ratio on Dividend Payout Ratio

The DER probability value is 0.0000 < α = 0.05 with a positive coefficient value, namely 1.200520. The results obtained are that DER has a significant positive effect on the DPR in pharmaceutical companies for the 2013-2021 period. This means that the size of the debt to equity ratio in pharmaceutical companies will affect the dividend payout ratio.

Wahyuni & Hafiz (2018) explain that the Debt to Equity Ratio (DER) is an illustration of the extent to which owner's capital can cover debts to outsiders until the company is financed by debt. This study produces a high corporate debt value which is an indication that the company has a responsibility to pay off debts to creditors. The high use of debt indicates the need for additional company capital to improve its operations so that profits are greater. Investors consider this reasonable because companies are trying to achieve better returns. However, companies must maintain the value of their debt to equity ratio, because the use of too much debt makes investors reluctant to take debt risks.

An increase in the debt ratio will not reduce the ability of pharmaceutical companies for the 2013-2021 period to pay dividends to investors. This is in accordance with Hardi & Andestiana's research (2018) which states that the higher the leverage policy, the more DER is used by the company's capital structure. Higher dividend payments will have the opportunity to raise capital from sources outside the company, such as debt. In addition, it can present promising investment opportunities for investors.

The results of this study are in line with research conducted by Wahyuni & Hafiz (2018), Herawati & Fauzia (2018), Hardi & Andestiana (2018), Purnasari, et al (2020), and Nehe, et al (2021). However, the results of this study are not in line with research conducted by Ibrahim (2019), Simorangkir, et al (2020), and Muslih & Eviriswanti (2021), namely DER has no significant effect on the DPR.

Effect of Return on Assets on the Dividend Payout Ratio

ROA probability value 0.0567 > α = 0.05. These results indicate that ROA has no significant effect on the DPR in pharmaceutical companies for the 2013-2021 period. This result illustrates that the return on assets is not appropriate for the company's consideration in distributing the dividend payout ratio.

Return on Assets (ROA) is the ability of a company to generate profits from all the assets owned by the company (Nurlaela, 2019). Higher profitability does not affect the dividend payout ratio because companies are more concerned with growth by retaining profits to strengthen their capital structure (Muslih & Eviriswanti, 2021). In this study, ROA did not have a significant effect on the DPR because several pharmaceutical companies that distributed dividends for the 2013-2021 period tended to be stable, even though the company's net profit decreased. This is because the company is committed to maintaining the amount of dividends given to investors.

The results of this study are in accordance with the research of Hardi & Andestiana (2018), Simorangkir, et al (2020), Fadillah & Eforis (2020), Novyarni & Permana (2020), Nehe, et al (2021), Muslih & Eviriswanti (2021), and Carolina & Siswanti (2022) found that return on assets has no significant effect on the dividend payout ratio. However, Herawati & Fauzia (2018), Ibrahim (2019), Tiurma & Widjaja (2020), Purnasari, et al (2020), and Maharani, et al (2021) found that return on assets has a significant effect on the dividend payout ratio.

CONCLUSION

This study aims to analyze the effect of the current ratio, debt to equity ratio, and return on assets on the dividend payout ratio of pharmaceutical companies listed on the Indonesia Stock Exchange in 2013-2021. Based on the results of the research analysis that has been done, it can be concluded that CR and DER have a significant positive effect on the DPR. Conversely, ROA has no significant effect on the DPR. Simultaneously the CR, DER, and ROA variables affect the DPR.

The recommendations for further research are to add other independent variables that are thought to affect the dividend payout ratio. Some of these variables are sales growth, cash position, and total asset turnover. In addition, future researchers should include company external factors related to macroeconomic conditions such as Gross Domestic Product (GDP), inflation rates, interest rates, the rupiah exchange rate, balance of payments, and export-import. It aims to provide an overview of other factors outside the model that affect the dividend payout ratio.

The author also recommends that future researchers use a broader research object so that the results obtained can be applied to a more general scope, such as manufacturing companies, banking, and others. It is also recommended for further researchers to use a sampling technique by means of saturated sampling, in which the entire population is used as the research sample. This is done if the population is relatively small, namely less than 30 companies. The aim is that more research samples are obtained and it is hoped that it will produce more accurate conclusions.

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