



Analysis of Dividend Policy before and During Covid-19 Pandemic in Consumer Goods Industry Sector Companies Listed On Idx in the 2017-2020 Period

by

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ABSTRACT

The purpose of this study was to determine whether or not there was a difference in dividend policy before and during the Covid-19 pandemic in Consumer Goods Industry Sector Companies Listed on the Indonesia Stock Exchange (IDX). This study only used one variable, namely dividend policy. Besides, the population in this study was the consumer goods industry sector companies with a total sample of 21 companies. This sampling technique was based on established criteria, while the data analysis was done through quantitative analysis with descriptive statistical tests, normality tests, and t-tests (paired sample t-test).

Based on data analysis, the finding depicted that there was an insignificant difference between dividend policy before and during the Covid-19 pandemic in consumer goods industry sector companies listed on the Indonesia Stock Exchange (IDX) from 2017 to 2022. The t_{count} value for the difference in dividend policy as measured by the Dividend Payout Ratio was -1.216 with a sig (2-tailed) value of 0.238. This t_{count} value was lower than the t_{table} value, whereas the significance value was still higher than the alpha value used (0.05); thus, the hypothesis was rejected.

Keywords: Dividend Policy

I. INTRODUCTION

Since the beginning of March 2020, the economy worldwide, including Indonesia, has experienced a decline due to the Covid-19 pandemic. Some preventions are carried out to suppress the transmission rate, including; lockdown, regional quarantine, and Large-Scale Social Restrictions (PSBB). Those policies impacted numerous economic sectors, which terminated sector operations' activities for an undetermined time. Yet, the steps taken by each company will be different.

Further, investors are drawn to dividends since the company distributes the profits.

Dividends are a net income given to shareholders. Those who invest money in the stock market undoubtedly expect to get more profits. Therefore, the level of investor trust will rise as dividends climb yearly, indirectly providing information that managers can effectively manage the company well and promising prospects.

In general, dividends are distributed once a year at the end of each financial reporting period. However, some companies choose to do it twice a year. In Indonesia, dividend distribution announcements are made through the General Meeting of Shareholders (RUPS), held before the dividend distribution date.

According to pandemic observation, certain businesses have been impacted by the Covid-19 pandemic, withholding or reducing dividends for future financing. Yet, most corporations were able to preserve or enhance dividends despite the proportion of dividend reduction and dividend losses being substantially higher during the pandemic (Ali.H., 2021) and (Renitia et al., 2020).

The company PT. Matahari Department Store Tbk (LPPF), one of the cases after the Covid-19 pandemic, is recognized for being loyal in terms of dividend payment to shareholders. Yet, the situation changed after the pandemic.

The company issued a policy based on RSUP's result to withhold profits in order to address the uncertainty brought on by the epidemic. The use of company sources of funds can be allocated for future capital as a form of anticipation of pressure on consumer demand that may be prolonged.

Based on the data found, the average dividend distribution from 2017 is as follows:



Table 1.1 Average Dividend Payout Ratio of companies in the consumer goods industry sector listed on IDX

CONSUMER GOODS INDUSTRY COMPANY		
Year	2017	2018
DPR	6.99%	9.00%

(Secondary data source))

Dividend distribution by the consumer goods industry sector increased from 2017-2018. Dividend distribution in this sector, as measured by the Dividend Payout Ratio in 2017, was 6.99%. However, in 2018 there was a slight increase of 2.01% and became 9.00%.

Signaling theory is often used by companies because the company's management must give signals to investors that contain information related to the company's internal in the form of annual financial reports, which allows investors to identify companies' issues and prevent information asymmetry between the company's internal parties and external parties (Tanushev, 2021). In addition, investors can use dividend distribution as a signal because when a company pays out more dividends, the market receives a signal, which increases the company's stock price. Investors typically claim this signal as a signal of financial health. (Bhattacharya, 1979) and (Krieger et al., 2020).

This study's objective is to determine the dividend fluctuation before and during the Covid-19 pandemic

II. THEORETICAL REVIEW

1. Agency Theory

According to agency theory, there is a division between managers who serve as company managers and shareholders, which causes agency conflicts.

Agency conflict is caused by the disparity in interests and objectives between the principal and agent and when management wishes to use dividends as capital rather than distribute it to shareholders.

The agency problem is explained in agency theory as a condition when there is a division of responsibilities between the company's CEO and managers. Agency issues result from the company's separation of ownership and control.

The term "agency relationship" refers to a legal arrangement in which one or more parties (principal) hire another party (agent) to carry out a task on their behalf and grant the agent some degree of decision-making authority (Jensen & Meckling,

1976). Both the principal and the agent are rational parties which will work to maximize their interests.

2. Signal Theory

The company uses signaling theory to provide clues to investors about the management's perspective on the company's prospects. This signal takes the form of information regarding the actions taken by management to carry out the owner's wishes.

Information by the company is important since it affects the investment decision of third parties, which essentially presents information, notes, or descriptions, both for past, current, and future conditions for the company's survival and the impact on the company.

The signaling theory exists due to an information gap between the company's internal and external parties in which internal parties, in this case, the investors, are more knowledgeable about the company's condition than external parties. Therefore, the management can signal or sign to outside parties that the company is superior to other companies to lessen the information asymmetry. Information received by investors can be regarded as a positive or negative signal.

3. Dividend Policy

Dividends are a company's shareholders' payments for its profits as a form of appreciation for the investment in the business. A dividend policy is a decision about whether the profits earned will be distributed to shareholders as dividends or retained as financial investments in the future. This approach will reduce retained earnings and the overall amount of internal finance if the corporation decides to distribute profits

The dividend payout ratio, commonly known as the Dividend Payout Ratio (DPR), determines the amount of the profits that will be retained in the company as a source of funding. Retained earnings signify that there were currently fewer funds available for dividend payments. DPR's formula is as follows:



$$\text{Dividend payout ratio} = \frac{\text{Dividend per share}}{\text{Earnings per share}}$$

III. RESEARCH HYPOTHESIS

The hypothesis is the following:

H₁: It is presumed that there is a difference in dividend policy during the time before and after the Covid-19 pandemic in the consumer goods industry sector companies.

IV. RESEARCH METHODS

The study's population involved consumer goods industrial sector companies listed on the Indonesia Stock Exchange (IDX) for the 2017-2022 period, with 21 sample companies selected using a

purposive sampling method. Further, it applied secondary data obtained from IDX.

This study relied on a quantitative approach in comparative descriptive research, which compares dividend policy before and during the Covid-19 pandemic. Meanwhile, the analytical technique used in analyzing the variables includes descriptive statistics, normality tests, and paired sample t-tests using SPSS.

V. RESEARCH FINDINGS

1. Descriptive Statistical Analysis

The following is a descriptive statistical test table:

Table 4.1: dividend policy before and during Covid-19 pandemic

	N	Min	Max	Mean	Std. Deviation
DPR 2017	21	.12	.99	.4967	.26394
DPR 2018	21	.14	1.09	.5652	.26404
DPR 2019	21	.01	1.24	.5113	.37161
DPR before Covid-19	21	.13	.99	.5244	.25831
DPR after Covid-19	21	-1.54	8.03	.9997	1.78917
Dividend Growth before Covid-19	21	-.28	.65	.1094	.19903
Dividend Growth during Covid-19	21	-1.00	1.59	.1034	.59442
Valid N (listwise)	21				

Source: Data processed, 2022

The table revealed that before the Covid-19 pandemic, the DPR's average of consumer goods industrial sector companies listed on IDX was 0.5244, while the average during the pandemic in 2020 was 0.9997. This demonstrates that despite the Covid-19 pandemic, businesses typically experience significant demand, enabling the company to earn profits and continue to progress. The company still distributes dividends despite its modest profitability.

The average value of all data in 2017-2019 tends to be higher than the standard deviation value. Thus, the average value serves as a good

representation of the company's dividend DPR. Meanwhile, the dividend policy value during the pandemic tends to be smaller on average than the standard deviation, which impacts fluctuations during the pandemic.

2. Normality test

In order to perform paired sample t-test, it is necessary to ensure that the data used are typically distributed. Thus, Kolmogorov-Smirnov test is applied. Below is the normality test table:



Table 4.2: Normality Testing of Dividend Policy Result

		DPR before Covid-19	DPR during Covid-19
N		21	21
Normal Parameters ^b	Mean	.5244	.9997
	Std. Deviation	.25831	1.78917
Most Extreme Differences	Absolute	.127	.268
	Positive	.127	.268
	Negative	-.078	-.241
Kolmogorov-Smirnov Z		.583	1.230
Asymp. Sig. (2-tailed)		.886	.097

Sumber: Data Olahan SPSS 21, 2022

The table indicated that the dividend policy's Kolmogorov Smirnov (KS) value was 0.583 prior to the covid-19 pandemic and 1.230 during the epidemic. In addition, the probability value is higher than 0.05, meaning that data is normally distributed. As a result, Paired Samples t-Test is used in the hypothesis testing.

3. Paired Sample Test

Paired Samples t Test is employed to compare dividend policy differences before and during the covid-19 pandemic.

Table 4.3: Paired Samples Test Hypothesis Testing Results

No	Test	Average value		t count	p-Value
		Pre	Post		
1	2017 - 2020	0.4967	0.9997	-1.249	0.226
2	2018 - 2020	0.5652	0.9997	-1.122	0.275
3	2019 - 2020	0.5113	0.9997	-1.261	0.222
4	DPR pre - DPR post	0.5244	0.9997	-1.216	0.238
5	ΔDPR pre - ΔDPR post	0.1094	0.1034	0.044	0.965
6	Food and Drink	0.4205	0.5944	-0.731	0.485
7	Cigarette	0.7751	1.1390	-1.246	0.431
8	Pharmacy	0.5888	0.7585	-1.234	0.272
9	Cosmetics and household necessities	0.5362	2.2039	-0.799	0.483

Source: SPSS Data Processing 21, 2022

Based on the analysis's findings, the tcount for the difference in dividend policy as measured by the DPR before the Covid-19 pandemic is obtained. During the Covid-19 pandemic in consumer goods, industrial sector companies listed on IDX for the 2017-2020 period according to DPR's average value is -1.216 with a sig (2-tailed) value of 0.238 while the ttable value with a degree of freedom (df) is 20 (2.086). Hence, the hypothesis is rejected since the tcount value is smaller than the ttable value, and the significance value is higher than the alpha value used (0.05).

Second, the tcount value based on said companies is 0.044 with a sig (2-tailed) value of 0.965, meanwhile, the ttable value with df is 20

(2.0860). The tcount value is smaller than the ttable value, and the significance value is still higher than the alpha value used. Thus, the hypothesis is rejected.

The last test is the analysis results based on each sub-sector in the consumer goods industry sector company from 2017-2020, which found that the tcount value is smaller than the ttable value, which showed that the significance value is still higher than the alpha value selected. Consequently, the hypothesis is rejected.

VI. DISCUSSION

Shareholders receive dividends as a profit from the company's earnings. The general meeting



of shareholders decides on dividends, and the payment type depends on the leadership policy. The dividend policy is an integral part of the company's funding decisions. Additionally, DPR determines the amount of profit retained in the company as a funding source.

Every company must establish a policy on profits percentage that will be distributed as periodic dividends to shareholders. DPR is the proportion of profits shared by shareholders in the form of cash dividends which in this study investigates the differences in dividend policy before and after the Covid-19 pandemic.

The data analysis result demonstrates an insignificant difference between dividend policy before and during the Covid-19 pandemic in consumer goods industry sector companies listed on IDX) for 2017-2020.

The negative test coefficient results indicate that the dividend policy before the covid-19 pandemic was smaller than during the covid-19 pandemic. Therefore, it can be concluded that covid-19 pandemic does not affect the decline in companies in the consumer goods industry sector's dividend policy, which there is a tendency for companies to maintain investor stigma by continuing to distribute dividends due to the well-maintained demand for products from the consumer goods industry sector and defensive stocks.

Furthermore, it can be seen that the t_{count} value of the annual dividend policy in 2017, 2018, and 2019 is smaller than the t_{table} value, which the significance value is still greater than the employed alpha value (0.05) compared to the dividend policy during the pandemic in 2020 period. Therefore, there is an insignificant difference between the dividend policy prior to the covid-19 pandemic (annual data in 2017, 2018, and 2019) and during the covid-19 pandemic in early mentioned companies. The same was also found in the insignificant nominal growth value of dividends.

The average comparison results for each sub-sector showed that the difference in dividend policy before the Covid-19 pandemic and during the Covid-19 pandemic was not entirely significant for the food and beverage companies, cigarette companies, pharmaceutical companies, and cosmetic and household needs companies, which greater than the dividend policy value prior to the Covid-19 epidemic. Those are due to the fact that nine companies experienced an increase in their dividend policy. Despite the modest number, the increase was bigger than the increases from 2017 to 2018 and 2018 to 2019. There were 2 companies

that increased dividends are more than 100%, namely Nippon Indosari Corpindo Tbk and Kino Indonesia Tbk.

CLOSING

VII. CONCLUSION

In conclusion, there was no statistically significant difference between dividend policy before, and during the covid-19 pandemic. As a phenomenon, companies in the consumer goods industry sector are defensive companies, meaning that market risk is low. Moreover, the nominal growth value of dividends shows the same pattern, which indicates an insignificant result. Nevertheless, it was found that the average value before the pandemic was higher than the nominal growth of dividends during the covid-19 pandemic.

VIII. SUGGESTION

Subsequent researchers are expected to broaden the research sample and include additional variables that affect dividend policy, such as company growth rate and liquidity, and so forth.

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