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THE INFLUENCE OF RETURN ON INVESTMENT, CURRENT RATIO, DEBT TO EQUITY RATIO , EARNING PER SHARE,AND FIRM SIZE TO THE DIVIDEND PAY OUT RATIO IN BANKING INDUSTRIES LISTED AT INDONESIA STOCK EXCHANGE PERIOD 2013-2018

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Abstract: This study aimed to examine the factors that influence the ratio of dividend payments in the banking industry. These factors include return on investment, current ratio, debt to equity ratio, earnings per share, and firm size. The technique for sampling using purposive sampling while the sample used in this study was 6 banking companies listed on the Indonesia Stock Exchange in 2014-2018. The analytical method used in this study was a panel data regression model (a combination of time series and cross section). From the results of the study, showed that first, the return on investment did not significantly affect the dividend payout ratio; second, the current ratio did not significantly influence the dividend payout ratio; third, the debt to capital ratio had a significant effect on dividend payout ratios; fourth, earnings per share did not significantly influence to the ratio of dividend payout ratios and the last was that the size of the company had a significant effect on the ratio of dividend payout ratios. From these results it is expected that can be used as a reference, both by company management and by investors in determining investment strategies.

Keywords: Return On Investment,Current Ratio,Debt To Equity Ratio ,Earning Per Share,Firm Size and Dividend Payout Ratio

INTRODUCTION

The capital market has a large role for the economy of a country considering the capital market performs two functions at once, namely the economic function and financial function. The capital market is said to have an economic function because the capital market provides facilities or places that bring together two interests, namely those who have excess

funds (*investors*) and those who need funds (*issuers*). Meanwhile the capital market is said to have a financial function because the capital market provides the possibility and opportunity to obtain a return (*return*) for the owner of the fund in accordance with the characteristics of the selected investment (Darmadji, 2011).

Investors generally want a stable distribution of dividends. That is because the stable distribution of dividends can increase investor confidence in the company. This is very interesting because on the other hand the company is also faced with several considerations such as the need to retain earnings for re-investment, the company's funding needs, company liquidity, certain targets related to dividend payout ratios and other factors related to dividend policy. Generally dividends in the form of cash are preferred by investors when compared to dividends in the form of shares. Cash dividends are preferred because cash dividend payments help reduce investor uncertainty in investment activities. In addition, the stability of dividends paid will also reduce the uncertainty of the company's profitability so that dividend stability is an important factor that must be considered by company management (O V, 2010).

The factors that influence the company's dividend payout ratio are important as a basis for investment considerations for investors. According to (Robert Ang, 1997), the company's profit or profitability factor is the first factor that is usually considered by the directors. In addition, in this case the directors also consider the prospects of business growth, cash position (liquidity), legal aspects, and market conditions. As cited by (Michell and Sofyan, 2004), they suggested factors that influence dividend payments, namely first, regulatory factors that limit the amount of dividends paid (legal retriction); second, the company's cash position and cash equivalents related to the company's liquidity (liquidity position); third, that a new company is growing due to the need for funds for internal activities is greater than for other funding activities *(absence or lack of other sources of financing)*; fourth, that the instability of the company will cause difficulties in predicting future profits so that management's courage does not set a large dividend (*earning predictability*); fifth, is that the supervision of the owner as a determinant variable of dividend payment policy *(ownership control)* and the last is the inflation factor.

Dividend policy is a decision to determine how much dividend must be distributed to shareholders. This policy starts from how the management treats the profits of the company which are generally part of the net income after tax (EAT) distributed to investors in the form of dividends while some are reinvested into the company in the form of retained earnings. Retained earnings are one of the most important sources of funds, or called *Assets Growth*, while dividends are cash flows paid to investors.

Research conducted by (Hedi Gustian and Utik Bidayati, 2009) aims to determine the effect of Cash Position, Debt to Equity Ratio, and Return On Assets on dividend payout ratios on manufacturing companies listed on the Indonesia Stock Exchange (BEI) in 2006-2008. The results of his research show that only return on assets has a significant effect on the dividend payout ratio while the debt to equity ratio has no effect on the dividend payout ratio.

This is different from research (Sutoyo, 2011) that tests the effect of Liquidity, Company Size, Debt To Equity Ratio, Ownership, and Profitability on dividend payout ratios.

Test results from this study partially show that company size does not have an influence on the Dividend Payout Ratio, but the growth of the company affects the dividend payout ratio.

Based on the description above and from previous research on the effect of ROA, DER, Earningsper Shares (EPS) and company size on stock returns, shows that there is still a gap between the theory and the results of previous research. This will be the basis for researchers to re-examine the matter by considering other factors that affect the company's dividend payout ratio as a basis for investment considerations for investors. Factors that can influence it include *Return On Investment, Current Ratio, Debt To Equity Ratio, Erning Per Share, and Firm Size.*

LITERATURE REVIEW

Signaling Theory

According to the dividend irrelevance theory (MM), that every investor and manager has identical information about the company's dividends and future profits. In fact, different investors have different views on the level of future dividend payments and the uncertainty inherent in these payments. This is because managers have more information about prospects to come than shareholders. An increase in dividends is often followed by an increase in stock prices, while a cut or reduction in dividends is followed by a decrease in stock prices. This indicates that investors prefer dividends over capital gains (Connelly, Certo, Ireland, & Reutzel, 2011).

An increase in dividends which is higher than expected is a signal to investors that the company is experiencing good profit growth. Conversely, a decrease in dividends will be a signal of poor profit growth in the future. Announcements of dividends that cause price changes indicate information or signaling content.

Dividend Payout Ratio (DPR)

Dividend Payout Ratio is a plan of action that must be followed in making dividend decisions (Gitman, 2012). Meanwhile Dividend Payout Ratio according to (Sundjaja and Barlian, 2009) is that "Dividend Payout Ratio reflects the company's ability to meet all its obligations, the increase in debt will affect the size of the net income available to shareholders because these obligations take priority over dividend distribution".

From the above meanings, it can be concluded that the Dividend Payout Ratio is the profit received by the shareholders from the net profit obtained by the company.

Return on Investment (ROI)

Return on Investment is one of the most important indicators related to profitability ratios. Profitability ratios are ratios that illustrate a company's ability to generate profits (Simatupang, 2010).Return on Investment can also be interpreted as a ratio that illustrates the company's ability to generate profits from total assets owned by the company (Simatupang, 2010).

Current Ratio (CR)

Current Ratio is one of the general indicators related to liquidity ratios. Liquidity ratios are ratios that describe a company's ability to meet its short-term obligations. This ratio is very important for companies engaged in banking. That is because in order to avoid the possibility of a banking company being declared defeated by clearing, which is a high-risk matter for a bank (Simatupang, 2010).

Debt to Equity Ratio (DER)

Debt to Equity Ratio is one of the common indicators used related to the calculation of solvency ratios. Solvency ratios are ratios that illustrate the company's ability to meet all obligations with its assets. The greater the solvency ratio of a company, the greater the risk faced by the company (Simatupang, 2010). Debt to Equity Ratio also describes the extent to which owner's capital can cover debts to outsiders (Harahap, 2001).

Earning Per Share (EPS)

Earning Per Share is the amount of profit that is the right of ordinary shareholders and one of the factors that must be considered in cash dividend policy. In addition EPS is also a level of net profit that can be achieved by the company when running its operations (Prihadi, 2009).

Firm Size

Firm Size is the size of the company in terms of *equity* value, sales value or total asset value (Riyanto, 2002). The size of the company on the one hand can provide credibility for creditors to provide loans in relatively high amounts, so that the capital structure will rise. But on the other hand, the size of the company can also be caused by the amount of shares or equity capital offered by the company (Sartono, 2001).

Firm Size is one factor that must be considered in cash dividend policy. Large companies will be able to maintain their survival and can access the capital market more easily when compared to small classification companies.

Research Hypothesis

The Effect of Return On Investment towards Dividend Payout Ratio

Return on Investment is the ratio between net income after tax and total assets. Return on Investment is also a ratio that measures the overall ability of the company in generating profits with the total amount of assets available in the company (Syamsuddin, 2011).

Increased ROI is expected to increase the level of dividend payments to shareholders. An increase in *Dividend Payout Ratio* will increase the level of investment made by shareholders which in turn will have an impact on the company's activities. This is in line with research conducted by (Sutrisno, 2001) which states that increasing ROI in a company can increase dividend payments. However, this is different from research

conducted by (Sunarto and Andi Kartika, 2003) which found that Roi could not increase dividend payments.

H_1 : Return on investment affects the dividend payout ratioEffect of Current Ratio on

Dividend Payout Ratio

Current ratio is the ratio that compares the current assets of the company with short-term debt so that the higher the current ratio, the greater the company's ability to pay various bills. However, this ratio must be considered as a large measure because it does not take into account the liquidity of each component of current assets. Companies that have current assets mostly consist of cash and receivables that are not past due, generally will be considered as more liquid than companies with current assets which mostly consist of inventory (Horne John M., 2012).

Research conducted by (Sunarto and Andi Kartika, 2003) states that Current ratio negatively affects dividend policy, whereas research conducted by (Michell Suharli, 2007) proves that Current ratio influences the relationship between investment opportunity and dividend policy. The same thing was stated by (Sutrisno, 2001). Based on the description above, the following hypotheses can be developed

H_2 : Current ratio affects the dividend payout ratio

The Effect of Debt To Equity Ratio on Dividend Payout Ratio

Debt To Equity Ratio is the ratio of debt to capital owned by explaining that interest payments to creditors on the borrowed capital of the company must take precedence before profits can be distributed to shareholders or also called a dividend payout ratio (Syamsuddin, 2012). The increase in debt will in turn affect the size of the net profit available to shareholders, including dividends to be received, because these obligations are prioritized over dividend distribution.

This is supported by research (Gustian and Bidayati, 2009) which show that the debt to equity ratio has a negative effect on the dividend payout ratio. Based on the description above, the following hypotheses can be developed:

H_3 : Debt to equity ratio affects the dividend payout ratio

Effect of Earning Per Share on Dividend Payout Ratio

Earning per share is the total net income that investors get from each share they own. The greater the value of EPS shows that the company is able to provide higher returns for investors. This is supported by research (Yudhanto, 2012), which found that EPS has a positive influence on the dividend payout ratio. Based on the description above, hypotheses can be developed as follows:

H_4 : Earning per share affects the dividend payout ratio

Effect of Firm Size Share on Dividend Payout Ratio

Large-scale companies have lower agency costs. In addition large-scale companies can also easily enter the capital market and have stronger bargaining power

than small-scale companies (Korner, 2006). Companies with a larger size are expected to have the ability to produce greater earnings so that they will be able to pay higher dividends compared to smaller companies (Hatta, 2002). This is supported by research conducted by (Hermuningsih, 2007), which shows the results that the firm size has a positive influence on the dividend payout ratio. However, this is different from (Sutoyo , 2011) which shows the results that the firm size has no influence on the Dividend Payout Ratio. Based on the description above, the following hypotheses can be developed:

H_5 : Firm size effect has an effect on dividend payout ratio

Frame of Thought

A good framework of thought will identify important variables that are relevant to the research problem (Kotler, 2005). Based on the explanation above, the framework of thought can be described as follows:

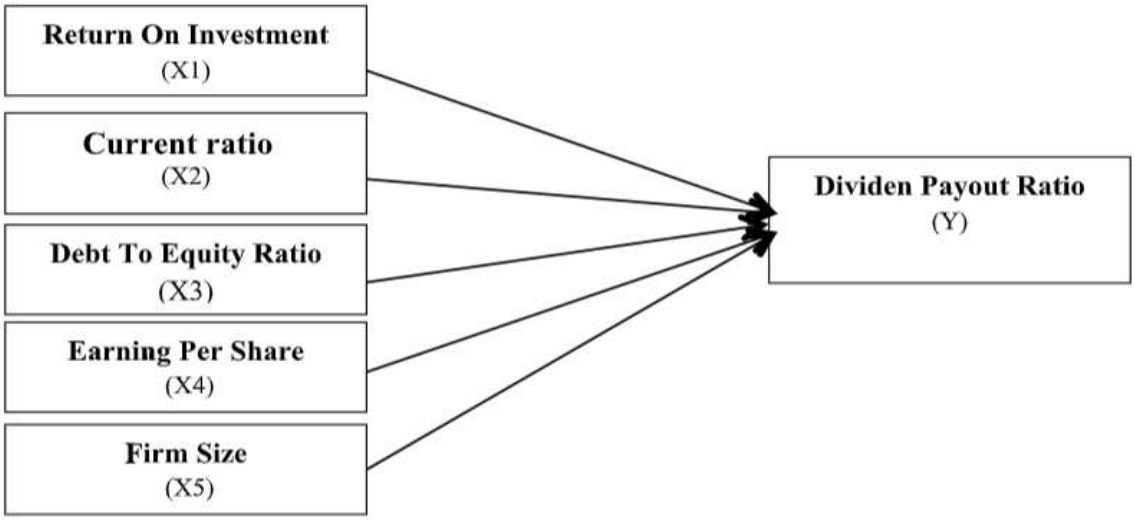

Figure 1. Framework of Thought

RESEARCH METHODS

Type Of Research

This research is quantitative research. In this study the data analysis method was used to test the hypotheses that had been formulated previously. Therefore, the model used in this study wass a panel data regression model (a combination of *time series* and *cross sections*) using *Statistical Eviews 10.0 application program* (Gujarati, 2003).

Population and Sample

The population of this study was banking companies listed on the Indonesia Stock Exchange (IDX). The research period covers data in 2013 - 2018 in which there were 45 banking companies in those years. The sampling method in this study was conducted using a *purposive sampling* method. The *purposive sampling* method is a sampling technique with certain considerations (Sugiyono, 2013). From 45 banking companies listed on the Indonesia

Stock Exchange until 2018, a sample of 6 companies listed on the Indonesia Stock Exchange during the period 2013-2018 met the criteria of this research object.

Research Techniques

The data in this study were secondary data, where researchers collect data obtained from publications and documentation based on research objects by reading, studying, and studying literature such as books, accounting journals, as well as from various supporting sites related to research variables that have been available on the IDX, accessed through the IDX's official website, www.idx.com and www.sahamok.com. Data collection techniques in this study used documentary or documentation techniques. Documentary technique is to collect some data using a data collection tool called a document recording form, and the data source is in the form of notes or documents available (Suprastiwi, Chandrayanti, Azmi, Agustiani, & Widayanti, 2016).

Operational Definition and Variable Measurement

The dependent variable in this study is the dividend payout ratio (DPR). Divident payout ratio is a comparison between dividends per share with earnings per share and is measured using a ratio scale. Proxies used are (Gitman, 2012):

$$DPR = \frac{dividen\ per\ share}{earning\ per\ share} \quad (1)$$

Return On Investment (ROI)

Return On Investment (ROI) is a comparison between net income and total assets in a company. According to (Lawrence J. Gitman, 2009) the proxy for measurements determines ROI as follows:

$$ROI = \frac{Earning\ Available\ for\ common\ stockholders}{Total\ Assets} \quad (1)$$

Current Ratio

Current Ratio is a ratio that compares the current assets of a company with short-term debt. Proxies for measurements determine CR (Lawrence J.Gitman, 2009):

$$CR = \frac{Current\ Assets}{Current\ Liabilities} \quad (1)$$

Debt To Equity Ratio (DER)

Debt To Equity Ratio (DER) is a balance between debt held by the company and its own capital. Proxies for measurements determine DER (Wahyudi and Perwestri, 2011):

$$DER = \frac{Total\ Liabilities}{Total\ Equity} \quad (1)$$

Earning Per Share (EPS)

Earning Per Share is the total profit measured from the ratio between net income after tax to the number of ordinary shares outstanding. Proxies for measurements determine EPS (Lawrence J. Gitman, 2009):

$$EPS = \frac{Earning\ Available\ for\ common\ stockholders}{Number\ of\ share\ of\ common\ stock\ outstanding} \quad (1)$$

Firm Size

Firm size in this study is the size of the company in using its total assets. Proxies for measurements determine Firm size (Bringham and Houston, 2012):

$$firm\ size = Ln\ (Total\ Aset) \quad (1)$$

FINDINGS AND DISCUSSION

Descriptive Statistical Analysis

In this study, a descriptive analysis of research variables was used to provide an overview of return on investment, current ratio, debt to equity ratio, erning per share, firm size and dividend payout ratio. Descriptive analysis was done by looking at the average value of each indicator of the research variable.

Table 1. Results of Descriptive Statistics Analysis

	Y	X1	X2	X3	X4	X5
Mean	45.22778	15.46500	20.01333	6.989722	402.7622	33.23556
Median	37.68000	14.15500	20.11500	6.280000	256.2250	33.47500
Maximum	177.9000	26.92000	36.36000	11.40000	1061.880	34.80000
Minimum	19.48000	8.960000	9.980000	0.860000	55.26000	31.13000
Std. Dev.	28.59499	4.133180	5.283135	2.256768	330.7847	1.206481
Skewness	2.846331	0.877395	0.830199	0.106005	0.612638	-0.292053
Kurtosis	13.87170	3.530274	4.559006	3.053594	1.923868	1.617909
Jarque-Bera	225.9004	5.040717	7.781132	0.071731	3.989044	3.377035
Probability	0.000000	0.080431	0.020434	0.964770	0.136079	0.184793
Sum	1628.200	556.7400	720.4800	251.6300	14499.44	1196.480
Sum Sq. Dev.	28618.56	597.9111	976.9032	178.2551	3829648.	50.94589
Observations	36	36	36	36	36	36

Source: Processed Results Eviews 10, (2020)

Table 1 above shows that the number of observations in banking companies listed on the Indonesia Stock Exchange in the period 2013-2018 in this study for each variable was 36 observational data. The variable dividend payout ratio symbolized by (Y) is the dependent variable, while the independent variable is Return On Investment (x1), Current Ratio (x2), Debt To Equity Ratio (x3), Erning Per Share (x4), Firm Size (x5).

Table 1 above shows that the number of observations in banking companies listed on the Indonesia Stock Exchange in the period 2013-2018 in this study for each variable was 36 observational data. The variable dividend payout ratio symbolized by (Y) is the dependent variable, while the independent variable is Return On Investment (x1), Current Ratio (x2), Debt To Equity Ratio (x3), Erning Per Share (x4), Firm Size (x5).

Selecting Estimated Models

Chow Test Model

The chow test is used to select the model used whether to use the Common Effect Model (CEM) or Fixed Effect Model (FEM). It can be seen in the probability value of (Prob.) with the following hypothesis:

H_o : The model follows the Common Effect Model (CEM) if the probability > α (0.05)

H_a : The model follows the Fixed Effect Model (FEM) if the probability < α (0.05). The chow test results are as follows:

Table 2. Test Results of the Chow Estimation Model

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.612216	(5,25)	0.1934
Cross-section Chi-square	10.061311	5	0.0735

Source: Processed Results Eviews 10, (2020)

The test results show the significance value of the chi-Square cross-section of 0.0735> 0.05, it can be concluded that H0 is accepted and Ha is rejected, meaning that the CEM model is selected or more appropriate than the FEM model. For the next Estimation test the Hausman test will be conducted.

Hausman Test

Hausman test is used to choose the model that is more appropriate to use, whether using the *Random Effect Model* (REM) or *Fixed Effect Model* (FEM). This test can be seen in the value of Probability (Prob.) Random cross-section with the following hypothesis:

H_o: The model follows the Random Effect Model (REM) if the value of Probability (Prob.) Cross section is random > α (0.05)

H_a : The model follows the Fixed Effect Model (FEM) if the value of the probability (Prob.) Cross section is random <α (0.05). The hausman test results are as follows:

Table 3. Test Results of the Mansman Estimation Model

Correlated Random Effects - Hausman Test

Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	8.061078	5	0.1529

Source: Processed Results Eviews 10, (2020)

The test results show the probability of the significance of a random cross-section of 0.1529 is greater than 0.05 which means that H0 is accepted and Ha is rejected. This means that the REM model is selected or more appropriate than the FEM model. For the next estimation test, the *Langrange Multiplier* test will be performed.

Langrange Multiplier Test

The Lagrange Multiplier Test is used to select the model used whether it is better to use the Random Effect Model (REM) or Common Effect Model (CEM). This test can be seen in the Breusch-pagan Probability (Prob.) Value with the following hypothesis :

H_o : The model follows the *Common Effect Model* (CEM) if the Probability (Prob.) of the *Cross-Section Breusch-pagan >a* (0,05).

H_a : The model follows *the Random Effect Model* (REM) if the Probability (Prob.) of the *Cross-Section Breusch-pagan >a* (0,05).

Table 4. Test Results for Langrange Multiplier Estimation Model

Lagrange multiplier (LM) test for panel data
Date: 01/23/20 Time: 11:01
Sample: 2013 2018
Total panel observations: 36
Probability in ()

Null (no rand. effect) Alternative	Cross-section One-sided	Period One-sided	Both
Breusch-Pagan	0.220096 (0.6390)	0.623199 (0.4299)	0.843295 (0.3585)

Source: Processed Results Eviews 10, (2020)

Based on the results of the above table, the *probability value (Prob.) of the cross-section Breausch-pagan* which is 0.6390 is greater *a* (0.05), so it can be concluded that H0 is accepted and Ha is rejected and that the *Common Effect Model* (CEM) is more feasible than the model *Random Effect Model* (REM).

Hypothesis testing

After testing the estimation model above, the results show that the *Common Effect Model* (CEM) is more appropriate to be used in this study. Furthermore the *Common Effect*

Model (CEM) will be used for hypothesis testing. In the hypothesis test the t test and the F test are carried out.

T Test

The t test statistic basically shows how far the influence of one independent variable individually in explaining the dependent variables. In this study, testing was carried out to partially test the variables *Return On Investment, Current Ratio, Debt To Equity Ratio, Earning Per Share, Firm Size to Dividend Payout Ratio,* where the t test results are as follows:

Table 5. T Test Results

Dependent Variable: Y
Method: Panel Least Squares
Date: 02/11/20 Time: 17:50
Sample: 2013 2018
Periods included: 6
Cross-sections included: 6
Total panel (balanced) observations: 36

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	463.2518	203.0340	2.281646	0.0298
X1	0.489943	1.195382	0.409863	0.6848
X2	0.177914	0.876179	0.203057	0.8405
X3	-5.797597	1.981618	-2.925688	0.0065
X4	-0.018525	0.023683	-0.782183	0.4402
X5	-11.46895	5.768341	-1.988258	0.0510

Source: Processed Results Eviews 10, (2020)

From the above test we obtained the following test results:

1. The *t-statistic return on investment* value is 0.409863 and the t-table value is 2.04227. Thus the *t-statistic return on investment* which is 0.409863 is smaller than t table 2.04227 and the value of *Prob*. Significance of 0.684 is greater than 0.05. Thus it can be concluded that the variable return on investment in this study does not affect the *dividend payout ratio*.
2. The *t-statistic current ratio* value is 0.203057 and the t-table value is 2.04227. Thus *the t-statistic current ratio* 0.203057 is smaller than t table 2.04227 and the value of *Prob*. Significance of 0.840 is greater than 0.05. Thus it can be concluded that the *current ratio* variable in this study has no influence on the *dividend payout ratio*.
3. The value of *t-statistic debt to equity ratio* is -2.925688 and the value of t Table is 2.04227. Thus *the t-statistic debt to equity ratio* of -2.925688 is greater than t table 2.04227 and the value of Prob. Significance of 0.0065 is smaller than 0.05. Thus it can be concluded that the *debt to equity ratio* variable in this study has an influence on the *dividend payout ratio*.
4. The value of *t-statistic earnings per share* is -0.782183 and the value of t table is 2.04227. Thus *t-statistic earnings per share*-0.782183 is smaller than t table 2.04227 and

the value of *Prob.* significance of 0.4402 is greater than 0.05. Thus it can be concluded that the *earning per share* variable in this study has no effect on the *dividend payout ratio*.

5. *Firm size t-statistic* value is -1.988258 and t table value is 2.04227. Thus *t-statistic firm size*-1.988258 is smaller than t table 2.04227 and the value of *Prob*. significance of 0.0510 is smaller than 0.05. Thus it can be concluded that the *firm size* variable in this study has an effect on the *dividend payout ratio*.

F Test

The F test is used to explain whether all independent variables entered into the model together have an influence on the dependent variable. The results of this F Test are as follows:

Table 6. F Test Results
Weighted statistics

F-statistic	6.873210
Prob(F-statistic)	0.000222

Source: Processed Results Eviews 10, 2020

From table 6 above it can be seen that the *F-statistic* value is 6.873210 with an F table value of 2.52. Therefore it can be concluded that the *F-statistic* 6.873210 is greater than F Table 2.68 and the value of *Prob. (F-statistic)* 0.000222 is smaller than 0.05. It can be concluded that H1 is accepted, thus it can be concluded that the Independent variables in this study consist of *Return On Investment, Current Ratio, debt to equity ratio, earnings per share, firm size* together have an influence on the *dividend payout ratio*.

R2 Test (coefficient of determination)

The coefficient of determination is a way to measure the accuracy of a regression line. According to (Gujarati, 2003), the coefficient of determination is a number that indicates the degree of ability to explain the independent variable to the dependent of the function where the closer to 1, the closer the relationship between the independent variable with the dependent variable or it can be said that the model is good, and vice versa.

Table 7. Determination Coefficient Test Results

Weighted Statistics

R-squared	0.533916

Source: Processed Results Eviews 10, 2020

From the test results of the coefficient of determination in table 7 above it is known that the correlation between the variables Independen (X) and dependen (Y) is such that the value of variable X increases and the value for variable Y also increases with a strong correlation of 53.4%. This shows that the effect of the variable *Return On Investment, Current Ratio, debt to equity ratio, earnings per share, firm size* to the *dividend payout ratio*

can be explained by this equation model by 53.4% and the remaining 46.6% is influenced by other factors that exist which is not included in this research variable.

Discussion

This study aims to determine the *return on investment, current ratio, debt to equity ratio, earnings per share, firm size* to the *dividend payout ratio* in banking companies in 2013-2018 with the following results:

1. The variable of *return on investment* has a significance value of 0.684, which means this value is greater than 0.05, which indicates that there is no significant effect between return on investment on the dividend payout ratio. Thus, the first hypothesis (Ha1) which states that *return on investment* affects the dividend payout ratio is rejected. This is due to the lack of companies in optimizing the effectiveness of the company to generate profits by utilizing the fixed assets used for company operations. The higher ROI shows the efficiency and effectiveness of asset management, which means that the company's performance is getting better so that the *return on investment* is greater and vice versa. The results of this study are consistent with research (Sunarto and Andi Kartika 2003), but not with the research conducted by (Sutrisno, 2001) which states that *return on investment* has an influence on the dividend payout ratio.
2. *Current ratio* variable has a significance value of 0.840 where this value is greater than 0.05, which indicates that there is no significant effect between the *current ratio* to the dividend payout ratio. Thus, the second hypothesis (Ha2) which states that the *current ratio* affects the dividend payout ratio is rejected. This is due to the lack of the company's ability to meet its short-term obligations, causing it to be very risky for banking companies. The higher *current ratio* shows the investor's confidence in the company's ability to pay the promised dividend, the higher, and vice versa. The results of this study are consistent with research (Sunarto and Andi Kartika 2003), but not with the study conducted by (Sutrisno, 2001) which states that the *current ratio* has an influence on the dividend payout ratio.
3. The variable *debt to equity* ratio has a significance value of 0.0065 where this value is smaller than 0.05, which indicates a significant effect between the *debt to equity ratio* to the dividend payout ratio. Thus, the third hypothesis (Ha3) which states that the *debt to equity ratio* affects the dividend payout ratio is accepted. The use of debt in corporate funding will have more impact on company management. Shareholders will prioritize corporate funding through debt. The owner of the company will try to get dividends from the profits of the company rather than use it to finance debt. The results of this study are consistent with research conducted by (Kartika Nuringsih, 2005) but not with the research by (Sri Hermuningsih 2007) which states that the *debt to equity ratio* has no effect on the dividend payout ratio.
4. *Earning per share* variable has a significance value of 0.4402 where this value is greater than 0.05, which indicates that there is no significant effect between *earning per share* on the dividend payout ratio. Thus, the fourth hypothesis (Ha4) which states

that *earnings per share* affects the dividend payout ratio is rejected. This is due to companies that have a large level of corporate profits will be able to provide large dividends as well, and vice versa. The results of this study are consistent with the research (Sutrisno, 2001), but not with research conducted by (Sunarto and Andi Kartika, 2003) which states that *earnings per share* have an influence on the dividend payout ratio.

5. *Firm size* variable has a significance value of 0.0065 where this value is smaller than 0.05, which indicates a significant effect between *firm size* on the dividend payout ratio. Thus, the fifth hypothesis (Ha5) which states that the *firm size* affects the dividend payout ratio is accepted. Large companies will be able to maintain their survival and can access the capital market more easily when compared to small companies. Therefore, large companies are expected to have the ability to produce greater earnings, so they can pay higher dividends compared to small-oriented companies. The results of this study are consistent with research (Sri Hermuningsih, 2007) which states that *firm size* has an influence on the dividend payout ratio. However, this is not in line with the results of the study (Sutoyo, 2011) which states that *firm size* has no influence on Dividend Payout Ratio.

CONCLUSION AND SUGGESTION

Based on the discussion of the results of research previously explained, it can be concluded that to analyze the effect of *return on investment, current ratio, debt to equity ratio, earnings per share and firm size* on *dividend payout ratios* on banking companies listed on the Indonesia Stock Exchange in 2013-2018, partially, only debt to equity ratio and firm size have a significant positive effect on dividend payout ratio. Meanwhile, *return on investment, current ratio, earnings per share* do not affect the *dividend payout ratio* of banking companies listed on the Indonesia Stock Exchange in 2013-2018 and simultaneously have a significant effect on the dividend payout ratio. This is indicated by the significance value of less than 0.05, which is 0.000222.

Companies that were used as research samples were limited to banking companies that did not describe all companies listed on the Indonesia Stock Exchange, so the results of this study cannot be generalized to all companies listed on the Indonesia Stock Exchange. In addition, this study had limitations on the results of the coefficient of determination which showed the effect of the independent variable affecting the dependent variable which was only 53.4% and the remaining 46.6% was influenced by other factors not included in the model. Therefore it can be said that there are many variables that influence the dependent variable, but are not included in this study. This study only examined five independent variables consisting of *return on investment, current ratio, debt to equity ratio, earnings per share and firm size*. Future studies are expected to increase the number of observations and observation periods so that they better illustrate the actual conditions and also expand the sample to provide a more accurate picture. In addition, further research is also expected to be able to add other variables that are thought to affect the dividend payout ratio.

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