ABSTRACT

This study was conducted to examine the effect of variable return on equity, firm size, current ratio and institutional ownership of the debt to equity ratio and dividend payout ratio impact on manufacturing companies listed in Bursa Efek Indonesia over period 2012-2014. The population in this study are all manufacturing companies listed in Bursa Efek Indonesia over period 2012-2014. Techniques for taking samples of this study using purposive sampling. Samples were taken from the Indonesian Capital Market (ICMD). Test the feasibility of the model is done by using multicoloniarity, coefficient determination test and tests of significance using the t test statistic. The analysis technique used is path analysis and Sobel test.

The results showed that in the first equation, current ratio and institutional ownership significant negative effect on the debt to equity ratio. In the second equation firm size and current ratio significant positive effect on dividend payout ratio of debt to equity, while significant negative effect on dividend payout ratio. The test results of Sobel test shows that the debt to equity ratio was able to mediate the effect of the current ratio of the dividend payout ratio. In addition, the debt to equity ratio is also able to mediate the effect of institutional ownership dividend payout ratio.

Keywords: return on equity, firm size, current ratio, institutional ownership, debt to equity ratio and dividend payout ratio