ABM

International Journal of Administration, Business and Management

Vol. 5, No. 2, November 2023, pp 108 - 115
ISSN 2746-2439 (Print)
ISSN 2774-1664 (Online)

Implementation of Dividend Policy in Sharia Fund Sources

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Abstract

Sharia banks are financial entities that act as part of the economic sector in a country. Evaluation of the value of shares is crucial in the company's journey. Dividend policy has an important role in determining share value, creating a balance between current dividend distribution and retained earnings to maximize share value. In this context, there are two main options regarding the management of net income after tax: first, distribution to share owners as dividends; second, reinvestment as retained profits. Therefore, dividend policy is an important basis in dealing with how after-tax profits are treated, whether as dividends or reinvestment. This is a key element in the company's strategy to maintain and increase the value of its shares.
Keywords: Dividends, Shares, Sharia Finance

INTRODUCTION

Dividend Policy is a set of rules that ensure high allocation of income for distribution to shareholders and shares retained in the company. The point is to ensure the welfare of shareholders. The aim is to ensure that dividend distribution reflects the company's liquidity, meets shareholder income needs, and serves as a communication tool between management and shareholders.

Shareholders expect income from two main sources: company dividends and capital gains. Capital gains occur when the value of shares increases from the price at the time of purchase. However, dividends have their own problems because their value is often lower than profits in the form of cash. This is because dividend payments occur every year on a regular basis, while capital gains are only realized when shares are sold at a higher price in the future.

Shareholders have the aim of obtaining sources of funds from the company, either through dividend income or the difference in profit from selling shares (capital gain). They want stable dividend distributions because this increases confidence in the company, reduces uncertainty, and encourages investment in the company. Companies that will distribute dividends must consider various factors such as the need for funds, shareholder profile, dividend payment plans, and the risks associated with distributing the dividend.

Financial managers have the responsibility to determine projects, funding policies and dividend payments so that they can generate maximum wealth for shareholders. They must manage financial operations with efficiency to achieve company goals. The concept of sharia dividend policy is a decision regarding how the profits earned by the company will be distributed to shareholders or saved for future investment. Dividends are part of the income used to pay shareholders and are kept in the company.

Dividend distribution is important for shareholders. The advantage is that shareholders are more interested in dividends than capital gains because dividends are more predictable. Dividend distribution is very important because of the low tax advantages and the need for cash. However, there is a conflict between the company's need to pay dividends to shareholders and the need to retain a portion of profits to support the company's growth. The higher the level of dividends paid, the less earnings are retained, which in turn can hinder a company's growth. Companies want to have large retained earnings as capital for smaller dividend payments.

In conclusion, dividend policy has an important role in balancing shareholder income needs with the company's long-term interests for growth and stability. Decisions regarding dividend payments must be made carefully, considering tax aspects, company needs and shareholder expectations to ensure optimal balance in income allocation.

RESEARCH METHODS

The research uses a literature study method to explore the application of dividend policy in sharia funding sources. In this approach, the focus is on sharia financial analysis, reviewing the role of dividend policy in a financial context based on sharia principles. Through a careful literature review, the research aims to identify strategies, implications and impacts of dividend policy practices in the context of sharia fund management. The ultimate goal is to uncover guidelines and best practices for implementing dividend policies that comply with sharia financial principles.

RESULTS AND DISCUSSION

Sharia Dividend Policy Concept

In sharia banking sources funds can be obtained from (1) the bank's own funds (first party funds); (2) funds from other institutions (second party funds); (3) funds come from the general public (third party funds)

1. Dividend

Dividends are a decision on profits obtained by a company in distribution to share owners as long-term dividends which are retained to finance investment in the future. Dividend policy relates to limiting the share of earnings between the use of income to pay shareholders for dividends in the company, meaning that profits are retained. at the company.

Dividend policy is a corporate action that needs to be carried out within the company. The higher the dividend distributed to shareholders, the better the company is. A good company is considered to make a profit and of course the assessment of the company is getting better, usually this will be reflected in an increase in salam prices, meaning the company is increasing dividend payments as a positive signal of improving company performance in the future, so dividend policy has a big influence on company value.

In general, companies want to maintain stable dividends. However, this is difficult to do because of fluctuations in net profit after tax.

a. Stable dividend policy. because share owners value shares with increasing dividends, therefore such dividends will make share prices rise further.
b. The residual dividend policy. Net profit after tax is reduced by expansion planning, then the remainder is distributed in dividends. Because share owners prefer company development rather than dividends, this policy is oriented towards business expansion.
c. Small dividend policy. In developing a business to increase working capital, the policy is based on implementation which states that retained earnings are flexible.
d. Great dividend policy. By paying high dividends, the value of shares can increase, therefore many investors like this policy based on practice.

2. Form of Dividend Policy

a. Stable Dividend Policy

The policy in providing controlled dividends is that dividends per share are given, that is, for a period of time, despite fluctuating profits obtained by the company. If the profit earned increases and the increase is stable and good, the dividend will increase and then be maintained for several years. Providing a stable dividend policy can be carried out by companies such as increasing share prices because stable dividends can be said to have risks after being predicted, namely small risks, the company can be said to have good prospects, namely it will give an impression in the future to investors, and dividends are always paid. because by attracting investors they can use dividends for consumption purposes.

b. An increasing dividend policy will pay dividends for a company with increasing amounts of stable growth, namely to shareholders.
c. Dividend policy with constant risk, this shows that a large dividend policy can also follow the large profits that the company can obtain. The greater the profits obtained, the greater the dividends that must be paid. And conversely, if the profits are small, the dividends paid will also be small .dividend payout ratio (DPR) is a basis that is often used.
d. The regular dividend policy is low and added extra, which means the policy of giving dividends in the manner above, the dividend per share that can be distributed is small with the payment amount being the way the company determines it. If the profit is a certain amount then it can be added to the extra dividend.. On the other hand, The company may warn that it is not necessary to invest if the dividend payout is high.

3. Dividends in Sharia Perspective

Collaboration with syirkah musahammah and known as the syirkah amwal form. Syirkah musahammah is a statement of business capital with shares, that is, it can be calculated and traded on the capital market, so owners can easily change quickly. Liability means you can have a number of shares and according to the shareholder, losses and profits that can be received are based on the number of shares owned, then comparable to shareholders.

Implementation of Syirkah musahammah must comply with the following criteria (dhawabith).

1. If the assets are in the form of capital that can be valued in cash which is shirkah, then an exchange of money or a sharf contract can be carried out with the transfer of share owners.
2. If the debt is in the form of syirkah assets, the applicable law is debt law, namely that the money transferred cannot be sold, so selling receivables is prohibited in syari'ah.

3. If the assets being syirkah are in the form of merchandise, there is no interference with them changing hands by selling them, and profits may be received in cash (you cannot neglect the goods).
4. If the assets being syirkah are in the form of trade goods, benefits, debts and money combined, what makes the legal market is the law of trade goods and benefits, namely by changing hands by selling, and the profits may be received in cash (not allowed neglected).
5. Persons or legal entities that have syirkah form civil bonds. Civil bonds have at least three elements, namely:
   a. Approval of the reply as the basis for the establishment
   b. There is participation, namely parties who involve money, goods and skills in the partnership. It can be in the form of goods, money and energy, both physical and ideas/thoughts/ideas.
   c. Sharing of profits between the individuals or parties involved.
   d. *Shirkah*This includes the mu'awadhat agreement which is seeking profit.

Meanwhile, the party carrying out syirkah is carrying out business activities to make a profit. Profit and loss or receiving dividends or not receiving dividends is the influence of economic factors obtained by the party who practices syirkah

4. Several factors can influence Dividend Policy

Several factors influence dividend policy:

1. Applicable law. After taxes for the current year, dividends must be paid from net profit.
2. The company is unable to pay dividends. In a state of bankruptcy, the company may not distribute dividends or pay them.
3. Liquidity Position:
4. The company's liquidity position may be poor even though it is able to have large retained earnings and obtain net profit after tax.
   a. Need to Pay the Loan Back

      A company has long-term debt, so it must set aside net profit after tax, namely to pay debt installments as a reserve. So the size of the dividend can influence it.
   b. Level of Expansion of Assets

      If a company wants to expand, it must set aside after-tax profits for this purpose. This means that the dividend must be small, or there will be no dividend distribution. After tax or from net cash flow, business expansion funds must be obtained after tax from net profit.

c. Profit Rate

If it is greater than within the company the investment returns outside the company, then the maximum dividend shareholders demand to be distributed is then invested outside. This means that versus externally determines the distribution of dividends at the internal profit level.

d. Profit Stability

In predicting future profits, it can be seen from the company's relatively stable profits. With the high size of a company whose profits fluctuate, it is likely that profits will be distributed in the form of dividends.

e. Capital Target Door

The stock exchange market generally has stable and high profits so that large companies can easily obtain funds. Small companies that find it difficult to obtain funding from capital. In comparison, he can distribute large dividends.

f. Control

The business must be financed by rationally expanding retained earnings. If the business expansion is financed with new shares. Shareholders who own shares in power will reduce their control position.

5. Implications of the Relationship between Capital Structure and Dividend Policy

The capital market is a vehicle that can be used to mobilize funds, both from within and outside the country. The emergence of the stock exchange as a capital market supporting institution which plays a role in supporting the growth of companies in a country.

Through the stock exchange, companies make it possible to raise funds apart from using banking. Companies can obtain funds not only from bank credit, but also from their own capital. Companies publish shares as public for the purpose of expanding the price or value of shares to optimize the welfare income of their share owners.

6. The Impact of Capital Structure with Dividends on Sharia Stock Market Prices

The impact of capital structure and dividend policy on stock market prices is something important for companies to keep in mind because capital structure policies with dividend policies relating to financial decisions are carried out by each company and through these decisions, the company can later influence the stock market price. Ah financial companies as one of the business sectors in a country, really need to evaluate these decisions to maximize the value of their shares. This is because financial sector companies that have been listed on the stock exchange and have raised funds by issuing shares, and other companies are many long-term investments. factors and uncertainties.

CONCLUSION

Dividend Policy is the conclusion in making decisions about high income in order to give share owners a share to be retained in the company. The aim is to maximize the prosperity of the share owners. manager's communication with shareholders. Based on information about sharia banks, funds can be obtained from the bank's own funds, funds from other institutions, funds from the wider community. There are also dividend policies, including stable, residual, small and large dividend policies. Through the stock exchange, companies make it possible to raise funds apart from using banking. Companies can obtain profits apart from bank credit, but in the form of their own capital.

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