

# CHAPTER 1

## INTRODUCTION

### 1.1 Background

Saudi Arabia is quite possibly of the biggest consumer goods companies in the Gulf region, accounting for half of all consumer goods costs in the Gulf region. Consumer-packaged-goods (CPG) makers working in the GCC are ready to profit from rising shopper interest. In excess of 60 free financial zones, known as free zones, give business impetuses that incorporate assessment exclusions, less difficult administrative systems, and present day foundation. In some GCC nations, unfamiliar direct speculation as a level of Gross domestic product is higher than inflows found in China and Brazil and a lot higher than those in, for example, Germany and the United States (Max Magni, Felix Poh, and Alex Sawaya, 2019). Tadawul is considered the biggest capital market in the Middle East and North Africa. Saudi Arabia has a long history of improvement, high speeds of adventure and stable monetary and transformation scale techniques. Moreover, the Kingdom is a significant individual from the G20 nations. As of December 2019, Tadawul is viewed as the world's 10th greatest stock market. While there are numerous stock trades, in the GCC district, the most notable is without a doubt Tadawul (Abigail Ng, Emma Graham, 2022). Saudi Arabia is one of the largest economies in the Middle East therefore It is not unexpected that main laid out institutional unfamiliar financial backers or worldwide foundations found its stock exchange is situated in the best 10 greatest on earth by market capitalization. Just settled institutional unfamiliar financial backers or worldwide establishments situated in Saudi Arabia are permitted to exchange and put resources into protections recorded on Tadawul. Investors in this case the shareholders have two sources of income from their investment activity (baraka, 2019).

Consumer Goods Industry is an industry that has a promising future among other industries. This can be seen from the resilience of the consumer goods industry when Saudi Arab affected by the global financial crisis in 2008. As the consumer goods sector keeps on going through quick development close by Saudi Arabia's change venture, organizations are extending to arrive at another arrangement of customers, particularly in the retail space. The area will keep on being a crucial component of the Saudi economy as it adds esteem through work creation and offers a wide assortment of choices to buyers (Saudi Exchange, 2019). However because the consumer goods sector is an industry that meets the domestic needs, then the consumer goods sector is stronger through periods of crisis than other sectors. The consumer goods industry also has a big role in the formation of the manufacturing industry index. Based on the fact above consumer goods industry is an industry that has a bright future compared to other industries.

This research will focus on several variables impacting on Dividend Payout Ratio such as Current Ratio, Debt to Equity ratio, Return on Investment, and Sales Growth. The higher the Current Ratio, the more conspicuous the organization's ability to keep its flashing commitment. Benefits are flowed to financial backers using cash asserted by the association, thus to deliver profits in a steady way the

organization should have adequate money. While for Debt to Equity Ratio, many researches stated that it does not affect or even negatively affect Dividend Payout Ratio. The higher the return on investment or ROI implies the more prominent the organization's capacity to create overall gain and deliver profits consistently. The impact of ROI on the Dividend Payout Ratio is that assuming the pace of profit from the venture is high, the organization can move its subsidizes fittingly in contributing so it can affect the conveyance of profits to investors.

Furthermore, the higher of Sales Growth will reflect high benefits. Assuming the organization can build deals from one year to another, the organization's pay will likewise increment, for this reason it is most often deciphered that the organization gets a high wellspring of assets. Consequently, the company can deliver profits to investors and therefore impacting positively towards Dividend Payout Ratio.

Hence it will be interesting to explore once again by this research how would the connection between both of the variables in Costumer goods sector in Tadawul. This is obviously what makes this research different from another research similar research using Tadawul as the object to analyses is also not very common.

### **1.2 Statement of the Problem**

1. How does the Current Ratio affect the Dividend Payout Ratio of consumer goods companies listed on the Tadawul as in 2018-2021?
2. How does the Debt to Equity Ratio affect the Dividend Payout Ratio of consumer goods companies listed on the Tadawul in 2018-2021?
3. How does Return on Investment affect the Dividend Payout Ratio of consumer goods companies listed on the Tadawul in 2018-2021?
4. How does Sales Growth affect the Dividend Payout Ratio of consumer goods companies listed on the Tadawul in 2018-2021?
5. What is the effect of The Current Ratio, Debt to Equity Ratio, Return on Investment, and Sales Growth Simultaneously on the Dividend Payout Ratio of consumer goods companies listed on the TADAWUL in 2018-2021?

### **1.3. Research purposes**

The aim of this research is:

1. To test and analyze whether Current Ratio affect the Dividend Payout Ratio of consumer goods companies listed on the TADAWUL as in 2018-2021
2. To test and analyze whether Debt to Equity Ratio affect the Dividend Payout Ratio of consumer goods companies listed on the TADAWUL in 2018-2021

3. To test and analyze whether Return on Investment affect the Dividend Payout Ratio of consumer goods companies listed on the TADAWUL in 2018-2021
4. To test and analyze whether Sales Growth affect the Dividend Payout Ratio of consumer goods companies listed on the TADAWUL in 2018-2021
5. To test and analyze whether Current Ratio, Debt to Equity Ratio, Return on Investment, and Sales Growth Simultaneously on the Dividend Payout Ratio of consumer goods companies listed on the TADAWUL in 2018-2021.

#### **1.4. Benefits of research**

##### **1. Theoretical Benefits**

The results of this study are expected to contribute ideas to broaden the concept of the Current Ratio Debt to Equity Ratio, Return on Investment, and Sales Growth affecting the Dividend Payout Ratio of the consumer goods sector.

##### **2. Practical Benefits**

To expand the knowledge of the public regarding of the Current Ratio, Debt to Equity Ratio, Return on Investment, and Sales Growth affecting the Dividend Payout Ratio of the consumer goods sector.

##### **3. Benefits for Writers**

To increase the author's knowledge in the field of the Current Ratio Debt to Equity Ratio, Return on Investment, and Sales Growth affecting the Dividend Payout Ratio of the consumer goods sector.

#### **1.5. Research Limitation**

In this study the authors set research boundaries to clarify the scope of the research, the research limitations used in this study are as follows:

1. This research is taking the data from Tadawul from 2019 to 2021
2. This research is using consumer goods sector companies listed in Tadawul 2019 to 2021
3. This research will only take companies from Tadawul in customer goods sector who are publishing their annual financial report fully from 2019-2021
4. Consumer goods companies that distribute dividends during the study period
5. This study was conducted to examine and analyze the effect of the Current Ratio of Debt to Equity Ratio, Return on Investment, and Sales Growth affecting the Dividend Payout Ratio of the consumer goods sector in the Tadawul 2019 to 2021.