THE INFLUENCE OF LIQUIDITY, LEVERAGE, PROFITABILITY AND BUSINESS RISK ON THE DIVIDEND POLICY OF MANUFACTURING COMPANIES LISTED ON THE IDX

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ABSTRACT

Dividend policy concern the issue of the use of profits that are the right of sharelohders, these profits can be divided as dividends or held for reinvestment. This study aims to determine the effect of liquiditu, leverage, profitability, and business risk on dividend policy in manufacturing companies listed on the Indonesia Stock Exchange for the 2016-2019 period. The population in this study are manufacturing companies totaling 116 companies. The sampling technique used was purposive sampling so as to obtain as many as 40 samples of companies in rhe food and beverage sub-sector manufacturing companies. The data collection method used s documentary data, with data in the form of financial reports obtained from www.idx.co.id. The data analysis technique used is multiple linear regression. Based on the result of the analysis, it shows that partially liquidity and profitability have a significant negative effect on dividend policy, while leverage and business risk have a significant positive effect on dividend policy in manufacturing companies on Indonesia Stock Exchange for the 2016-2019 period.

INTRODUCTION

The economy in Indonesia is currently experiencing a fairly rapid development, the manufacturing industry in Indonesia is an industrial sector that can reflect the reaction of the capital market as a whole. In general, investors invest their capital in a company because it has the main goal, namely how much the level of return (return) that will be obtained by investors can be in the form of dividends or capital gains.

Dividend policy is an integral part of the company's funding decisions (Horne and Wachowicz, 2012). Dividend policy is a decision whether the profits earned by the company will be distributed to shareholders as dividends or will be retained in the form of retained earnings to finance investments in the future, the dividend policy is strongly influenced by liquidity, leverage, profitability and business risk.

The liquidity variable affects dividend policy because the greater the liquidity in a company, the greater the company's ability to pay dividends (Sartono, 2011). Leverage in business is often associated with loan funds to finance purchases in a company, and if the company has a high level of debt, investors will not be interested in buying company shares because it is not in line with investor expectations, namely the dividend share. Profitability can be done by comparison between the components in the financial statements, especially in the balance sheet and profit and loss statements. The goal is to see the company's development within a certain time span, either decreasing or increasing, as well as looking for the causes of these changes (Kasmir, 2011). Business risk is an action that is associated with the possibility of an unexpected loss that is not expected to occur.

Literature Review and Hypothesis Development
Agency theory

Agency theory focuses on the authority between two parties with different interests, namely between the agent and the principal. The relationship of authority between shareholders and company management occurs where shareholders as company owners hand over authority to management as professionals to manage the company (Putri and Ulupui, 2017).

Liquidity Ratio

The liquidity ratio is a ratio that shows the company's ability to meet its obligations or pay its short-term debt. A high current ratio will have a negative effect on the ability to earn profits, because it will result in some working capital not experiencing turnover or experiencing unemployment (Martono and Harjito, 2014).

High liquidity can be seen from the excess current assets, but this has a bad influence on the company's profitability. The size of the company's current assets is used to meet its short-term obligations that are due. This result comes from previous research conducted by Zahidda (2017) which states that Liquidity has a significant effect on Dividend Policy. The explanation generates a hypothesis:

H_1: Liquidity has a significant effect on dividend policy.

Leverage Ratio

Leverage ratio is a ratio used to measure a company's ability to meet its long-term obligations (Hanafi and Halim, 2012). The level of leverage can be measured using the Debt to Equity Ratio (DER).

The debt factor can affect the company's policy in paying dividends to shareholders. This causes investors to be more careful in investing because of the large risks. This statement is supported by previous research conducted by Ristoani and Pradnyani (2017) which states that leverage has a significant effect on dividend policy. Then the resulting hypothesis:

H_2: Leverage has a significant effect on dividend policy.

Profitability Ratio

Profitability ratio is a ratio used as a measuring tool that looks at the ability of a company to generate maximum profits or profits obtained from assets, share capital and sales levels at a certain time (Hanafi and Halim, 2012:81).

The profits obtained are used to determine whether the company's financial management is good or bad. If it generates high profits, it can attract investors to invest. This discussion is obtained from previous research conducted by Raipassa et al (2015) that profitability has a significant effect on dividend policy. The hypothesis is as follows:

H$_3$: Profitability has a significant effect on dividend policy.

Business Risk

Business risk is an action that is associated with the possibility of an unexpected and unexpected loss to occur in a company.

Companies with high business risk try to strengthen their capital structure so that their retained earnings have an impact on decreasing dividends paid to shareholders (Epayanti and Yadnya, 2014). According to previous research conducted by (Forti, et al 2015; Osegbue, et al 2014; and Al-Khadhiri 2013) found that it significantly negatively affects dividend policy. Then the resulting hypothesis is:

H$_4$: Business risk has a significant negative effect on dividend policy.

Dividend Policy

Dividend policy is a company's decision regarding net income earned at the end of the period whether it will be distributed as a form of dividends to shareholders or will be retained earnings as additional company capital in the future (Martono and Harjito, 2012).

RESEARCH METHODS

Types of research

In this study, researchers conducted comparative causal research. According to Sugiyono (2014) comparative causal research is research that shows the direction of the relationship between the independent variable and the dependent variable. In this case, the researcher will examine the effect of liquidity (CR), leverage (DER), profitability (ROA), and business risk on dividend policy.

Population and Sample

This study uses a population of manufacturing companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange (IDX) for the 2016-2019 period. Sampling using purposive sampling, namely the determination of samples with certain criteria. The criteria are as follows:

a. Manufacturing companies in the food and beverage sub-sector are listed on the Indonesia Stock Exchange (IDX) and publish annual reports for the 2016-2019 period.

b. The company publishes its financial statements in rupiah.

c. Companies that distribute dividends in a row during 2016-2019.

Data and Data Sources

In this study, the type of data used is secondary data, secondary data is data obtained indirectly through third parties such as those obtained through books, journals, and the company's official website. This data is in the form of notes on the financial statements of manufacturing companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange (IDX) in 2016-2019 which are listed on the www.idx.co.id.

Method of collecting data

The method used for data collection in this study is in the form of documentary data. Documentary data is a type of research data which includes: invoices, journals, letters, minutes of meetings, memos, or in the form of program reports.

Independent Variable

1. Liquidity Ratio / Current Ratio (CR)
   The variable that measures the level of the company's ability to meet current liabilities or debts by using the company's current assets.
2. Leverage / Debt to Equity Ratio (DER)
   Is a variable ratio of total debt to total equity or calculates the percentage of total funds provided by creditors.
3. Profitability / Return on Assets (ROA)
   The company's ability to earn net income is based on the level of assets of all assets owned by a company.
4. Business Risk
   A possibility of unexpected and unexpected losses in a company.

Dependent Variable

Dividend Policy / Dividend Payout Ratio (DPR) Is the percentage of income given by the company to the owners or shareholders. Any money that is not paid to shareholders will usually be used to pay debts or reinvest in some important operations of the company.

RESULTS AND DISCUSSION

Research Sample

Table 4.1

No.	Criteria	Total
1	The research population of the food and beverage industry sub-sector companies listed on the IDX during 2016-2019	116
2	Companies that have published financial reports in a row for three years during the 2016-2019 research period	(40)
3	Companies that issue financial statements using currencies other than rupiah in 2016-2019	(0)
4	Companies that do not distribute dividends consectively during the 2016-2019 research period	(36)
	Eligible Samples	40
	Outlier Data	(0)
	Processed Sample	40

Descriptive Statistical Analysis

Table 4.2

Variable	N	Mean	Std.Deviation
Dividend policy	40	0,3107	0,42009
Liquidity	40	2,5850	2,11562
Leverage	40	0,9328	0,23670
Profitability	40	0,1657	0,23670
Business Risk	40	0,1122	0,12777

Based on table 4.2 above, the results of descriptive statistical analysis can explain the description of the Dividend Policy variable showing that the average value is 0.3107 and the standard deviation is 0.42009. Liquidity shows that the average value is 2.5850 and the standard deviation is 2.11562. Leverage has an average value of 0.9328 with a standard deviation of 0.76553 indicating that the data is well distributed. Profitability has an average value of 0.1657 with a standard deviation of 0.23670. Business Risk shows that the average value is 0.1122 and the standard deviation is 0.12777.

Multiple Linear Regression Analysis

Table 4.3

Model	Un Std.cf		Std. cf	t	Sig.
	B	Std. error	Beta		
1(cns)	,308	,141		2,180	,036
Liq	,023	,028	,114	,793	,433
Lev	-,228	,078	-,415	-2,909	,006
Prof	-,141	,279	-,079	-,504	,617
BR	1,602	,508	,487	3,153	,003

Based on the results of the multiple linear regression test in table 4.3 above, the results of the multiple linear regression calculation are as follows:

KD = 0.308 + 0.023 Lik + (-0.228 Lev) + (-0.141 Prof) + 1.602 RB + e

Model Feasibility Test
1. F Test

Table 4.4

Model	Sum of sq	Df	Mean sq	F	Sig.
Regression	2,628	4	,657	,504	.002[b]
Residual	4,255	35	,122		
Total	6,883	39			

Based on table 4.4 above, the f-count value is 5.404 and the F significance value is 0.002. This shows that the significance value is less than 0.05, it can be concluded that the variables of liquidity, leverage, profitability and business risk can affect dividend policy.

b. Coefficient of Determination (R2)

Table 4.5

Model	R	R Square	Adjusted R Square	Std. error of the Estimate
1	.618ᵃ	,382	,311	,34867

Table 4.5 above explains that Adjusted R2 is 0.311 or 31.1%. This shows that the ability of the variables of liquidity, leverage, profitability and business risk in explaining the dependent variable, namely dividend policy, is 31.1%.

Classical Assumption Test

1. Normality test

Table 4.6

		Unstandardized Residual
N	Mean	40
Normal Parameters[a,b]	Std. dev	,0000000 ,33030705
Most extreme Difference	Positive Negative	,110 -,128
Kolmogorov-Smirnov Z		,808
Asymp. Sig. (2-tailed)		,532

Based on table 4.6 above, it can be seen that the Kolmogrov-Smirnov Z value has a value of 0.808 and has an Asymp.Sig (2-tailed) value of 0.532.

2. Multicollinearity Test

Table 4.7

Coefficientsᵃ

Model	Collinearity statistic	
	Tolerance	VIF
Liquidity	,859	1,164
Leverage	,869	1,150
Profitability	,713	1,402
Business Risk	,740	1,351

Based on the results of the output in the multicollinearity test, the variance inflation factor (VIF) value of liquidity is 0.859, Leverage is 0.869, Profitability is 0.713 and business risk is 0.740 which means that all independent variables have a VIF value < 10.

3. Run Test

The run test test is used to test whether there is a high correlation between the residuals or not.

If there is no correlation between the residuals, it is said that the residuals are random.

Table 4.8

	Unstandardized Residual
Test Valueᵃ	,00700
Cases < Test value	20
Cases >= Test value	20
Total Case	40
Number of runs	19
Z	-,481

t test (Hypothesis Test)

Table 4.9

Coefficientsᵃ

Model	Un Std.cf		Std. cf	t	Sig.
	B	Std. error	Beta		
1(cns)	,308	,141		2,180	,036
Liq	,023	,028	,114	,793	,433
Lev	-,228	,078	-,415	-2,909	,006
Prof	-,141	,279	-,079	-,504	,617
BR	1,602	,508	,487	3,153	,003

Based on the table above, it can be concluded that the results of the t test:

1. Liquidity has a significant value of 0.433 (0.433 > 0.05) so that H1 is rejected. This shows that the Liquidity variable has no effect on dividend policy.
2. Leverage variable has a significance value of 0.006 (0.006 <0.05) so that H2 is accepted. This shows that the Leverage variable individually has an effect on dividend policy.
3. Profitability has a significance value of 0.617 (0.617 > 0.05) so H3 is rejected. This shows that the Profitability variable has no effect on dividend policy.
4. Business Risk has a significance value of 0.003 (0.003 < 0.05) so H4 is accepted. This shows that individual business risk has an effect on dividend policy.

CONCLUSION

This study aims to determine the effect of liquidity, leverage, profitability and business risk on dividend policy in 40 manufacturing companies in the industrial sector in the food and beverage sub-sector in 2016-2019. Based on the problem formulation, test results, and discussion above, this research can be concluded as follows:

1. H_1 is **rejected**, liquidity has no effect on dividend policy. The results of this study can be seen from the t-test on the Liquidity variable which has a positive regression coefficient value of 0.23 with a t-count value of 0.793 and has a significant value of 0.433.

2. H_2 is **accepted**, leverage has an effect on dividend policy. The results of this study can be seen from the t-test on the leverage variable which has a negative regression coefficient value of -0.228 with a t-count of -2.909 and has a significant value of 0.006.

3. H_3 is **rejected**, Profitability has no effect on dividend policy. The results of this study can be seen from the t-test on the Profitability variable which has a negative regression coefficient value of -0.141 with a t-count value of -0.504 and has a significant value of 0.617.

4. H_4 is **accepted**, Business Risk has an effect on dividend policy. The results of this study can be seen from the t-test on Business Risk which has a positive regression coefficient value of 1.602 with a t-count value of 3.153 and has a significant value of 0.003.

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