



Impact of Liquidity, Solvency, Profitability, Company Growth, and Size of The Company Against The Dividend Policy

Winda Silviana¹, Suyatmin Waskito Adi²

¹Winda Silviana, Economics And Business, Universitas Muhammadiyah Surakarta, Surakarta, Indonesia

²Suyatmin Waskito, Economics And Business, Universitas Muhammadiyah Surakarta, Surakarta, Indonesia

Abstract

This research aims to determine the impact of liquidity, solvency, profitability, company growth, and company size against the dividend policy on manufacturing companies listed on the Indonesia stock Exchange from 2016 to With 2018. This type of research uses comparative causal using a quantitative approach. Samples were taken using purposive sampling techniques with a sample number of 47 companies from 167 manufacturing companies listed on the Indonesia stock Exchange from 2016 to 2018, so that the research data was analyzed in three Reporting period amounted to 133. The data analysis techniques used are descriptive statistics, classical assumption tests, multiple linear regression analyses. The results showed that the profitability variable is a factor that affects the dividend policy, while liquidity variables, solvency, company growth and enterprise size are not a factor that affects Dividend policy.

Keyword: LSPCS, Company, Dividend Policy

1. INTRODUCTION

In Indonesia, investment is growing rapidly over time, as well as influence on the development of capital markets. Investment in capital market is a market for a variety of long-term financial instruments that can be traded, both bonds, stocks, mutual funds and other derivative instruments. Capital markets can also be used as a means of funding for companies and means for investment activities. Thus, the capital market provides convenience in various means, buying and selling activities and other related

activities. Capital Market Law No. 8 of 1995 on capital market defines that capital market as the activity concerned with public offering and securities trading, public companies relating to securities published, as well as agencies and Profession relating to securities (Hartono, 2017).

Capital market has an important role for the economy of a country because the capital market has a function that is as a means for funding the business or as a means for the company to get funding from investors. Investors who have invested will get the profit earned in the form of dividends and Capital Gain. Therefore, investors should be able to give an overview of how to put an investment in order to make the dividend or the expected retrieval rate can be maximized, by managing their investments with the market conditions in order to Investment risk resulting in a loss.

The dividend policy is defined as a decision to divide the profit earned by the company to shareholders as dividends or retained earnings used as investment financing in the future. Dividends can also be said as a source of capital for the company, where the amount of capital needed by the company both internally and externally. Dividends become one of the important things for investors because when investing funds into the company's stock instrument, it will expect a high-level return. So, the dividend policy is important because dividends financing may affect the price of shares and retained earning, which makes the largest and most important capital source for the company's growth.

Liquidity is a ratio that is the company's ability to fulfill its short-term obligations by using the available current assets. One of the variables that can be used in the liquidity ratio is the Current Ratio, which is a ratio that divides current assets with smooth debts. In research this liquidity is assumed to be able to be a tool that can be used to predict the return of investment in the form of dividend distribution to investors. Therefore, a company that has good liquidity will share the profit to the shareholders in cash (Rizka, 2018).

Solvency is a ratio used to measure the extent of the company's ability to pay for all long-term and short-term obligations when the company is liquidated. One of the ratios that can be used in the solvency ratio is Debt to Equity Ratio (DER), and debt use benefits the company because it can reduce the tax burden. In this study a large debt use could reduce the company's cash in the form of interest payments and loan principal which subsequently impacted the deduction of the distributed dividend.

Profitability is a ratio that shows how much the company's ability to generate profits. One of the ratios that can be used is Return On Assets (ROA), which explains the final results obtained from all financial policies and operational decisions made by the company. So in this study can provide information for shareholders for how much profit gained from the funds that have been invested.

Company growth is a company that has increased growth in its business year by year. In this research the growth of the company can be measured using sales years researched compared to previous year's sales. Because companies with high growth rate will increase the profit in the retained earnings which are then used as investment funds for the development of business or operational costs in the future.

Company size is the size or magnitude of assets owned by the company. The larger the size of the company, the greater the effort companies do to attract people's attention. Large companies tend to be able to provide high dividend payouts because large companies tend to be stable in profit from small companies.

This research is a combined replication of research conducted by Hendika (2016) which precedes researching on "Analysis of Leverage influence, liquidity, profitability, company growth, and company size against Dividend policy (empirical study on manufacturing companies listed on Indonesia Stock Exchange in year 2012-2014) ". Research that distinguishes with previous research lies in the independent variables and the period of the year of his research.

The importance of this research is made to know the information and the reference in making better investment with efforts to improve efficiency and effectiveness by knowing the factors that can influence the dividend policy so that Financial managers can make decisions related to the dividend policy that will then demonstrate the quality of the company so that investors are interested in buying shares of the company. This research aims to test and prove the impact of liquidity, solvency, profitability, company growth, and the size of the company against the dividend policy on manufacturing companies listed on the Indonesia Stock Exchange (IDX) In 2016-2018.

2. RESEARCH METHODS

This study used the type of comparative causal type research and uses a quantitative approach. The population in this research is a manufacturing company listed on the Indonesia Stock Exchange (IDX) in 2016-2018 as many as 167 companies. The selection

of samples using the purposive sampling method and there are 47 companies that meet the research criteria, there are 8 dioutlier samples, so that the total research data for three periods is 133 research data. This study was conducted in October to January 2020. Data is collected through the official website of the Indonesian Stock exchange from 2016-2018 at www.idx.co.id. The data analysis techniques used are descriptive statistics, classic assumption tests, and simple linear regression analyses. Multiple linear regression equations in the study were formulated as follows:

$$\text{DPR} = \alpha + \beta_1.\text{Lik} + \beta_2.\text{Sol} + \beta_3.\text{Pro} + \beta_4.\text{Growth} + \beta_5.\text{Size} + e$$

DPR = Dividend Payout Ratio

α = Constants

β_1 - β_5 = regression coefficient of each independent variable

Lik = Liquidity

Sol = Solvency

Pro = Profitability

Growth = Company Growth

Size = Company Size

e = error

3. RESEARCH RESULTS

3.1 Descriptive statistical analysis results

Based on data processed using SPSS which includes dividend policy, liquidity, solvency, profitability, company growth, and company size, it can be known the lowest value (min), highest value (max), average value (mean), and the standard deviation of each variable. Here are the results of statistic descriptive:

Table 1

Descriptive statistical results

	N	Minimum	Maximum	Mean	Std.Deviation
DPR	133	-0,126	1,264	0,38653	0,265667
CR	133	0,606	15,165	2,90705	2,146853
DER	133	0,003	4,190	0,76903	0,751158
ROA	133	-0,012	0,527	0,10022	0,093559
GRO	133	-0,507	0,671	0,09069	0,143073
LNA	133	25,799	33,474	28,97854	1,741875
Valid N listwise)	133				

Source: Data Processed at 2020

Statistical results show that the dividend policy (DPR) has the lowest value (min) of -0,126 and the highest (max) value of 1,264 with an average (mean) dividend policy of 0,38653 and a standard deviation of 0,265667.

The liquidity (CR) in the sample has the lowest value (min) of 0.606 and the highest (max) value of 15,165 with the mean of liquidity of 2,90705 and a standard deviation of 2,146853.

The Solvency (DER) on the sample had the lowest (min) value of 0,003 and the highest (max) value of 4,190 with an average (mean) solvency of 0,76903 and a standard deviation of 0,751158.

The profitability (ROA) on the sample has the lowest (min) value of -0,12 and the highest (max) value of 0,527 with the average of the profitability of 0,10022 and the standard deviation of 0,093559.

The company's growth (GRO) on the sample had the lowest (min) value of -0,507 and the highest (max) value of 0,671 with the average (mean) company growth of 0,09069 and the standard deviation of 0,143073.

The company size (LNA) in the sample company has the lowest value (min) of 25,799 and the highest (max) value of 33,474 with the average (mean) of the company size of 28,97854 and the standard deviation of 1,741875.

3.2 Classic assumption Test Result

3.2.1 Test normality

Table 2
Test result normality

Variable	Kolmogorov-Smirnov Z	Significance	Description
Unstandardized Residual	1,169	0,130	Normal

Source: Data Processed at 2020

In table 2 test result of normality done by using Kolmogorov-Smirnov Z amounted to 1,169 with significance 0,130. This shows the significance value on the Residual Unstandardized is greater than 0.05 ($0,130 > 0,05$), so it can be interpreted that the data used in the regression model is normal distribution.

3.2.2 Autocorrelation Test

Table 3
Autocorrelation test Results

D_u	<i>Durbin-Watson</i>	$4-D_u$	Description
1,7954	2,002	2,2046	No autocorrelation occurs

Source: Data Processed at 2020

In table 3 the autocorrelation test result is performed by viewing the value of Durbin-Watson (DW) of 2,002. The value of Dw is located between Du 1,7954 and 4-Du 2,2046 value so it can be concluded that there is no autocorrelation.

3.2.3 Heteroskedastisity Test

The heteroskedastisity test was conducted in this study using Spearman's Rho test. Here are the results of the calculation of heteroskedastisity test using SPSS:

Table 4
Heteroskedastisity test Results

Variable	Significance	Description
Likuiditas (CR)	0,793	Does not occur heteroskesdaticity
Solvabilitas (DER)	0,895	Does not occur heteroskesdaticity
Profitability (ROA)	0,723	Does not occur heteroskesdaticity
Company Growth (GRO)	0,734	Does not occur heteroskesdaticity
Company Size (LNA)	0,384	Does not occur heteroskesdaticity

Source: Data Processed at 2020

3.3 Multicollinearity Test

The multicollinearity test in this study can be seen from the Inflation Factor (VIF) Variant value. If the value of tolerance ≥ 0.10 with the value of VIF ≤ 10 then the independent variable used does not occur multicollinearity problems. Here are the results of multicollinearity test calculations using SPSS:

Table 5
Multicollinearity test Results

Variable	Tolerance	VIF	Tolerance
Likuiditas (CR)	0,639	1,564	No multicollinearity occurs
Solvabilitas (DER)	0,37	1,357	No multicollinearity occurs
Profitability (ROA)	0,976	1,025	No multicollinearity occurs
Company Growth (GRO)	0,974	1,026	No multicollinearity occurs
Ukuran Company Size (LNA)	0,850	1,176	No multicollinearity occurs

Source: Data Processed at 2020

3.4 Hypothesis Testing Results

3.4.1 Multiple linear regression analyses

Table 6
Multiple linear regression analysis results

Model	Unstandar Coefficients		Coefficients Standard	T	Sig
	B	Std.Error	Beta		
1 (Constant)	-0,381	0,398		-0,958	0,340
CR	0,003	0,012	0,024	0,242	0,809
DER	0,020	0,033	0,057	0,619	0,537
ROA	1,085	0,229	0,382	4,738	0,000
GRO	-0,163	0,150	-0,088	-1,086	0,279
LNA	0,022	0,013	0,147	1,700	0,091

Source: Data Processed at 2020

In table 6 shows that the analysis results of multiple linear regression are known to be equations of multiple linear regression as follows:

- a. The value of constants of -0,381 which indicates if the liquidity variable, solvency, profitability, company growth, and the company size is constant then the dividend policy of -0,381
- b. The size of the liquidity variable coefficient (CR) value is 0,003 then the dividend policy of 0,003.
- c. The magnitude of a solvency variable coefficient (DER) value of 0,020 is the dividend policy of 0,020.
- d. The magnitude value variable coefficient of profitability (ROA) is 1,085 then the dividend policy of 1,085.
- e. The magnitude of the company's growth variable coefficient (GRO) value is 0,163. This negative sign means the increasing growth of the company will lower the dividend policy.
- f. The size of the company (LNA) is 0,022 dividend policy of 0,022.

3.4.2 Inauspicious regression test (Test T)

Table 7
Regression test (Test T)

Model	T	Sig	Description
Likuiditas (CR)	0,242	0,809	H ₁ : Rejected
Solvabilitas (DER)	0,619	0,537	H ₂ : Rejected
Profitabilitas (ROA)	4,738	0,000	H ₃ : Accepted
Company Growth (GRO)	-1,086	0,279	H ₄ : Rejected
Ukuran Company Size (LNA)	1,700	0,091	H ₅ : Rejected

Source: Data processed at 2020

In Table 7 shows the result of the T test, as for the explanation as follows:

a. First hypothesis result (liquidity)

Based on the first hypothesis testing on the liquidity variable T test showed that the significance value is greater than the significance of the 0,05 ($0,809 > 0,05$) The H_1 is rejected which means, liquidity has no effect on the dividend policy.

The company noap that the higher the liquidity then the company easier to pay its obligations. However, companies that have high liquidity in fact are not all companies are able to share their Dividennya year after year with investors.

The research was in line with the research conducted by Hendika (2016) and Rizka (2018) stated that liquidity has no significant effect on the dividend policy.

b. Second hypothesis result (solvency)

Based on the second hypothesis testing on the Solvency variable T-Test indicates that the value of significance is greater than the significance of the 0,05 ($0,537 > 0,05$) then H_2 is rejected, meaning solvency has no effect on the dividend policy.

Companies whose solvabits conditions are less profitable then the company does not share profits. This is because the profit gained is more widely used to improve the capital structure.

The research was in line with research conducted by Riski (2017) and Fadilah (2015) stating that solvency has no significant effect on the dividend policy.

c. Third hypothesis result (profitability)

Based on the third hypothesis testing on the variable T test profitability shows that the value of significance is smaller than the significance rate of 0,05 ($0,000 < 0,05$) then H_3 is acceptable, meaning profitability affects the dividend policy.

Large companies that are ready with high profitability as well as regular profits, will easily enter the capital market and obtain funds from outside to pay for it. Therefore the company that is ready will have a higher dividend rate compared to small companies.

The research was in line with research conducted by Rizka (2018) and Fadilah (2015) stating that profitability is significantly influential on the dividend policy.

d. Fourth hypothesis (company growth)

Based on the fourth hypothesis testing on the company's growth variable T test shows greater significance value than the significance rate of 0,05 ($0,279 > 0,05$) then H_4 is rejected, meaning company growth has no effect on the policy Dividend.

The growth of the company will influence the dividend policy which with the company's good growth rate will be the company's investment to invest so that it will reduce dividend distribution to the holders of Stock.

This research in line with the research conducted by Hendika (2016) and Rizki (2017) stated that the company growth has no effect on the dividend policy.

e. Fifth hypothesis result (company size)

Based on the fifth hypothesis testing on the company size variable t test indicates that the value of significance is greater than 0,05 ($0,091 > 0,05$) then H_5 is rejected, meaning company size has no effect on the dividend policy.

Large size companies do not necessarily share dividennya to shareholders. For its internal interests, managers will withhold profits as a form to realize a higher growth in the company than sharing profits with shareholders.

The results of this study are in line with Cita (2017) stating that the company size does not affect the dividend policy.

3.4.3 Test coefficients determinations (R2)

Table 8
Adjusted R Square

Model	R	R Square	Adjusted R Square
1	0,441	0,194	0,163

Source: Data Processed at 2020

The result of the coefficient of determination (ADJ R2), which has been described by Table 8, is 16,3% which means 16,3% of the variables explained by liquidity, solvency, profitability, company growth and the size of the company while the remainder is 87,3% Other variabael outside of the research variable.

3.4.4 Significant test Model (test F)

Table 9
Fit regression Model

Model	F Count	Sig	Description
1	6,125	0,000	Significant

Source: Data Processed at 2020

Based on table 9 can be seen the influence of variable independent liquidity, solvency, profitability, company growth, and company size. Based on the test results acquired fcount of 6,125 with significance rate of 0,000. Based on the significance values smaller than 0.05 it can be said that the liquidity, solvency, profitability, growth of the company, and the size of the company jointly affect the dividend policy.

4. CONCLUSION

The research aims to obtain empirical evidence of liquidity, solvency, profitability, company growth, and the size of the company against the dividend policy of manufacturing companies listed on the Indonesia Stock Exchange on In 2016-2018. From the results of the five hypotheses that have been researched can be concluded:

- a. Liquidity has a significance value of $0,809 > \alpha$, it has no effect on the dividend policy on manufacturing companies listed on the Indonesia Stock Exchange in 2016-2018.
- b. Solvency has a significance value of $0,537 > \alpha$, it has no effect on the dividend policy on manufacturing companies listed on the Indonesia Stock Exchange in 2016-2018.

- c. Profitability has a significance value of $0,000 > \alpha$, it affects the dividend policy on manufacturing companies listed on the Indonesia Stock Exchange in 2016-2018.
- d. The company's growth has a significance value of $0,279 > \alpha$, it has no effect on the dividend policy on manufacturing companies listed on the Indonesia Stock Exchange in 2016-2018.
- e. The company's size has a significance value of $0,091 > \alpha$, it has no effect on the dividend policy on manufacturing companies listed on the Indonesia Stock Exchange in 2016-2018.

Based on the conclusion that has been displayed above, the advice given is for prospective investors who want to invest in a company is expected to consider factors such as profitability because the factor has a significant influence The dividend policy before making a decision and investing in the capital market. For further research, it is hoped to extend the research period such as five years in order to see the trend that occurred over a long period of time so that it can see the real condition. It is also expected to add another independent variable in order to be perfectly defined and get different results from previous research. It is also expected not only to use a single manufacturing sector but all the companies listed on the Indonesia Stock Exchange.

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