Analysis of the Effect of Liquidity, Leverage, Profitability, and Company Growth on Dividend Policy in Manufacturing Companies Sector Food and Beverage Listed on the IDX

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Abstract: Capital Market Issuers in Indonesia are divided into several sectors. One of them is the food and beverage sector. So far the author has not found a research focusing on food and beverage sector manufacturing companies. The method that researcher used in this study is associative quantitative research. About the collection techniques of the data are carried out by collecting financial statement documents from www.idx.co.id in the period 2015 - 2017. To analysis the data, the researcher use method like multiple linear regression, coefficient of determination, t test, F test. The sample in this study were 18 companies with data consisting of 3 years. The sample selection is done by purposive method. The results showed that the ratio of liquidity, leverage, profitability and company growth have significant effect toward dividend policy in Manufacturing Companies Sector Food and Beverage Listed on the IDX in 2015 - 2017 amounting to 45.3%. The independent variable which have a dominant influence is the leverage variable.

1 INTRODUCTION

According to Gunawan, “Dividend policy is one important aspect of the objective of maximizing the value of the company. Management has two treatment alternatives to net income after taxes or Earnings After Tax (EAT), which divide it to shareholders in the form of dividends, or reinvested back into the company as retained earnings. Usually, most EAT divided in the form of dividends and partly reinvested. Therefore, management must create a policy about the amount of EAT distributed as dividends. The company's value can be seen on the company's ability to pay dividends. The amount of the dividend divided can affect stock prices. If dividends were paid higher then stock prices tend to be high so that the company's value too high. However, if dividends paid to small shareholders the company's stock price was too low. Thus, a large dividend will increase the company's value (Harjito and Martono, 2010: 115).

According to Finingsih (2018), “This study aims to perform empirical tests on the influence of liquidity, leverage, profitability, and company growth to Dividend Policy. The dividend policy basically to determine how much of the share of profits to be shared with shareholders or to be retained as part of profits which are subsequently reused for the operations of the company. Based on previous studies there are several factors that managers need to consider in making dividend policy decisions”.

Firms need to consider various factors in dividend payout, which are the need of funding, the need to retain some of the firm’s net income to finance prospective investment, firm’s liquidity condition, the behavior of stakeholders and other factors related to dividend payout (Brigham and Gapenski, 1996). According to Jiang et al. (2017) and Banerjee et al. (2007), there is one factor that influences dividend policy, which is stock liquidity.

According to Bahar (2018), “In the current era of globalization, the growth of a country's economic conditions is increasing and tighter. Competition that occurs in the capital market is an opportunity and also a challenge for every entrepreneur to develop in his business. The total amount of profits to be generated by a company is one of the determining factors that will be taken into consideration in paying dividends by a company. The dividends that the company will give to its investors are different, this is determined based on the dividend policy of

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each company. Investors generally want the distribution of dividends that are relatively stable or tend to increase, where the stability of dividend distribution can foster investor confidence in a company because it can minimize the uncertainty of investors to invest their funds".

There are two types of dividends that can be obtained by investors, namely cash dividends and non-cash dividends. Cash dividends are dividends that companies will give to investors in cash. Whereas non-cash dividends are dividends given to investors in the form of shares with a certain size distribution, for example assets dividends and stock dividends. However, in reality investors tend to prefer the provision of dividends in the form of cash dividends, because this can reduce the risk of uncertainty that must be faced by investors for investments made in a company".

According to Darmawan (2020), "The development of the business world today, coupled with the uncertainty of the global economic situation, causes increasingly fierce competition between companies. This competition makes each company increasingly competing to improve its performance to increase the welfare of shareholders and attract the interest of potential investors to buy company shares. A company with excellent prospects can be characterized by the amount of interest from investors to invest their shares in a company".

One of the most desirable companies by investors is companies in the manufacturing industry sector. The Ministry of Industry (Kemenperin) noted that investment in the manufacturing industry sector continues to grow significantly. One factor that causes high investor interest in manufacturing companies is due to the company's excellent performance. The performance of manufacturing companies continues to show positive performance throughout February 2019, with the Purchasing Managers Index (PMI) data of Indonesian manufacturing companies at the level of 50.1. This figure is up from the previous month's level, which was 49.9. Furthermore, it indicates that the manufacturing industry sector is increasing. This year, the Ministry of Industry (Kemenperin) projects manufacturing industry growth of 5.4%. Subsectors that are expected to grow high include the food and beverage industry, the machinery industry, the textile and apparel industry, the leather industry, the footwear industry, the metal goods industry, computers, and electronics goods.

Manufacturing companies are companies engaged in processing raw goods into finished goods to add value to the goods. Of course, there are many manufacturing companies in Indonesia, one of which is listed on the Indonesia Stock Exchange. Nevertheless, investors are not just arbitrary in choosing. Investors will consider many factors before making an investment decision. One of the considerations of investors to invest is to consider the value of the company.

According to Sondakh (2019), "Firms that go public have a goal to increase value of firm because it is a factor that is considered by investors to name their capital. Firm value is an indicator of financial performance because if a high corporate value can indicate prosperity for shareholders. In choosing a good firm, investors certainly do not just choose companies to invest their capital, because investors see the value of the firm as reflected in the price of their shares. The market price of the firm's shares formed between buyers and sellers when a transaction is called is called the firm's market value, the stock market price is considered a reflection of the value of the firm's assets. The value of a firm formed through indicators of stock market value is strongly influenced by investment opportunities. The existence of investment opportunities will provide a positive signal about firm's growth in the future, so that it will increase stock prices and by increasing of stock prices then value of firm will increase".

Every firm that goes public certainly wants to show investors that their firm is one of the best alternatives to invest. There are many factors that can affect firm value. In this study four factors were used, namely dividend policy, liquidity, profitability and firm size. This study aims to analyze the effect of dividend, liquidity, profitability and firm size policies on firm value. Based on the background described above, the formulation of the problem in this study is to analyze the effect of dividend policy, liquidity, profitability and firm size on firm value. This study uses financial services companies listed on the Indonesia Stock Exchange over period 2015 to 2018 as sample where 12 firms meet the requirements.

According to Fajaria (2018), "Each company must take into account the advantages obtained, as well as with investors who want to profit from the capital that they grow in the company. A company can be said to be included in the company an attractive one from the company's ability not only generate a profit, but also able to maintain and increase profits. This advantage is known as corporate profits. Management of the company believes and is confident that consistent profits to attract and retain investors to invest in the company, which in turn will increase Firm Value. Investors are more interested in a company that can generate profits continuously rather than companies without earnings”.

The company's goal is the prosperity of our shareholders and enhance shareholder value as reflected in the company's stock price. Investors are more interested in investing in companies that have favorable job prospects and promises, one of which financial performance.

According to Tahu (2017), “Research on the value of the company interesting to study because it is based on the results of previous research they found the results of research that the controversy between the dependent variable (X) of the independent variable (Y) and a moderating variable (Z). In contrast to previous studies, this study is not only to determine the effect of financial performance (liquidity, leverage, and profitability), the value of the company's dividend policy, and dividend policy in this study is used as a moderating variable between the financial performance of the company's value”.

According to Darmawati (2018), “The dividend policy of a company has an important impact for many parties involved in the community. For shareholders or investors the dividend policy tends to attract more attention, because the dividend obtained is one reflection of the certainty of the value obtained on paid capital. Meanwhile, for dividend management is cash outflow which reduces the company's cash. Therefore, there is often a difference between the interests of shareholders and management companies. In this regard, it is necessary to test to know the factors influencing dividend policy”.

According to Sulhan (2018), “Investors who invest in shares of a company have the primary purpose of generating revenue or return on investment in the form of dividend income (dividend yield) and capital gains. Shareholders tend to prefer dividends than capital gains, for dividends promised something more definite. Following the theory (a bird in the hand theory) states that investors prefer dividends rose from the fall. The main reason preferred dividends rose is a certainty”.

Meanwhile, expect a rise in stock prices is something uncertain. Companies need to make policy on the profits distributed to shareholders or called Dividend Payout Ratio. Companies that tend to generate profit, the company will distribute a dividend.

1.1 Liquidity

Liquidity is the company's ability to settle short-term obligations. Companies with current Liquidity will pay off short-term obligations promptly. The high level of Liquidity indicates that the company is in good condition to attract investors to invest, there by increasing demand for company shares and, of course, will increase the price of a company's shares. The high ratio of company liquidity will be good news. This is in line with the signaling theory approach which states that a high liquidity ratio is likely to have an effect on rising stock prices. Then the investor will decide to buy shares when the company's liquidity ratio is healthy and stable. Liquidity has a positive and significant effect on value company (Darmawan, 2020).

Liquidity is also an indicator to measure the company's ability to pay all short-term financial obligations at maturity using liquid assets available. According to Hanafi and Halim "Liquidity is the ability of the company to meet short-term liabilities by looking at a company's current assets relative to debt (debt, in this case, is the obligation of the company)." Moreover, it can be said that the company can meet short-term obligations on time indicates that the company is in a liquid state. The financial ratio used to measure liquidity, namely: current ratio and quick ratio (Sulhan, 2018).

Liquidity is a picture of a company's ability to meet its short-term obligations. Liquidity is important to analyze because failure to pay obligations can lead to bankruptcy. The company's management always tries to maintain a healthy and liquidity condition of the company that is fulfilled in a timely manner. Companies with high liquidity can be interpreted that the company has sufficient funds to meet its short-term obligations.

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The liquidity ratio according to Kasmir (2017: 129) serves to show or measure capability the company in fulfilling its obligations that are due, both obligations to parties outside the company (business entity liquidity) and within the company (company liquidity) (Darmawati, 2018).

1.2 Leverage

States that the DER is a ratio used to assess the debt for equity. This ratio is sought by comparing the total debt to total equity. DER ratio illustrates the extent to which the owners of capital to cover debts to outside parties. The smaller this ratio, the better. This ratio is also called leverage ratio. For best security outside parties if the total capital ratio is greater than or at least the same amount of debt. But for shareholders or management, this ratio should be big. (Fajaria, 2018).

Leverage has a negative impact on the amount of dividends payout. High leverage will lead to a decrease in the amount of dividends paid because the company prioritizes debt repayment. Zais (2017) states that Debt to Equity Ratio has a significant negative influence on dividend policy. Sari & Sudjarni (2015) states that leverage has a significant negative influence on dividend policy.

According to Syamsuddin (2013: 89), leverage is the company's ability to use fixed cost assets or funds to increase the level of income (return) for company owners.

The solvency ratio or leverage ratio according to Kasmir (2014: 151) is the ratio used to measure the extent to which the company's assets are financed with debt. This means how big the debt burden is borne by the company compared to its assets. The greater the degree of corporate leverage, the greater the amount of debt used, and the greater the business risk faced, especially if economic conditions worsened.

According to Sjahrial and Purba (2014: 37), the liquidity ratio describes the company's ability to pay short-term liabilities (or current debt) at maturity using current assets.

According to Gumanti (2013: 112), stating the liquidity ratio or smoothness ratio shows the level of smoothness of a company in fulfilling its short-term obligations.

1.3 Profitability

According to Bahar (2019), profitability ratio is a ratio that can be used as a benchmark of efficiency against the use of assets in a company or also an ability to earn profits in a company within a certain time period, in order to see the company's performance in operating efficiently [3]. If the earnings per share (profit per share) of a company increases, the higher the level dividends distributed. Rising levels of dividend payments, will signal to investors that the company's profitability is getting better.

Ningrum & Asandimitra (2017) said that profitability could affect the company's stock price so that it can be used as a signal for investors to assess the merits of the company. Profitability has a positive and significant effect on firm value based

Profitability ratios measure the level of profit that can be obtained. According to Hanafi "Profitability ratio is the ratio that measures the ability of the company making a profit (profitability) at the level of sales, assets, and certain share capital. With good profitability, conditions will encourage investors to invest in the company in order to receive dividends on the company's profits. So a decent profit share of the shareholders is profit after the company meets all its fixed obligations, namely interest expenses and taxes. Therefore, dividends are taken from the net profits derived by an enterprise succeed, then the benefit will affect the amount distributed by the company.

According to Gunawan (2018), the value of the company will also be influenced by the profitability. Profitability is considered important in the retention of the company's survival in the long term, because the profitability indicate whether the company has good prospects in the future. Thus, each company will always strive to improve its profitability, because the higher the level of profitability of the company, the company's survival will be more secure. Profitability means the extent to which companies make a profit from sales and investment companies.

1.4 Company Growth

According to Sulhan (2018), the rate of growth of assets is where the faster the growth rate of the asset is greater cash needs for the foreseeable future to finance its growth, and the company is usually more than happy to hold the "earning" it rather than be paid as a dividend to shareholders keeping in mind the limitations costs. Thus it can be said that the rapid rate of growth in the greater assets of the fund is needed, the greater the opportunity for profit, the greater part of the company's retained earnings, which means the lower the "Dividend Payout Ratio" her. If the company has achieved a growth rate such that the company has been "well established" where the funds' needs can be met with funds from the capital markets or other sources of external funding, then the situation is different. In such cases, the company may set "Dividend Payout Ratio" is high.

Growth assets can be used as a benchmark for asset growth that is used as a measure in assessing operational activities in a company. The higher the growth of a company, the greater the need for funds needed to finance the development of the company. If the need to finance the growth of a company in the future is getting higher, then the company tends to hold income rather than pay it as dividends to investors.

The Assets Growth shows the growth of assets used for operating activities of the company, the more rapid rate of growth of assets, the higher the funds needed to finance the growth of the company so that the more significant part of retained earnings in the company which means fewer dividends paid.

According to Gunawan (2018) Companies that have total assets of the shows that the company has reached a stage of maturity where at this stage the company cash flow has been positive and is considered to have good prospects within a relatively long time, but it also reflects that the company is relatively more stable and better able to generate profits than companies with total assets were small (Indriani 2005 in Daniati and Suhairi, 2006). Usually large companies have assets greater value.

Chang & Rhee (1990) in Maladjian & Khoury (2014) state that high Growth of the company led to an increase in the need for funds to finance expansion, enabling the company to retain its profits rather than paying it as dividends. Zaman (2013) states that the company growth has a significant influence on dividend policy, Lestari (2017) states that the growth of the company as measured by Assets Growth has no influence on dividend policy. (Finingsih, 2018).

According to the research Rahmanita shows that assets growth does not affect the dividend payout ratio. In contrast to the results of research Lopolusi, research shows that the growth assets showed a significant negative effect on dividend payout ratio. Jossie research results Jossie The results showed that the growth assets showed a significant positive effect on dividend payout ratio.

1.5 Dividend Policy

According Sudana (2015: 192), dividend policy relating to the determination of the dividend payout ratio, ie the percentage of the amount of net profit after tax which is distributed as dividends to shareholders. Parliament proxy can be calculated by comparing the dividend per share to earnings per share for the company.

Dividend policy is a part that cannot separate with corporate funding decision and one crucial factor that must be considered by management in managing the company. According to Gitman (2012), dividend policy as a policy to determine how much profit to paid in the form of dividends to shareholders and how much should be reinvested (retained earnings).

According to Horne (2013), stated that there are several factors that affect dividend policy, are as follows: The rules of Law (Legal Rules), Needs Funding Company (Funding Needs of the Firm), Liquidity (Liquidity), ability to Borrowing (Ability to borrow), Limitation on Debt Contracts (Restrictions in Debt Contract).

According to Harmono (2015: 12), dividend policy is the percentage of profit paid to shareholders in the form of cash dividends, maintaining dividend stability from time to time, distributing stock dividends, and buying back shares.

According to Gumanti (2013: 7), dividend policy is a practice carried out by management in making dividend payment decisions, which include the amount of rupiah, the pattern of cash distribution to shareholders.

Ross et al. (2016:600) define dividend as a payment made out of a firm's earnings to its owners, in the form of either cash or stock. Sudana (2015:192) argues that dividend policy is related to the amount of dividend payout ratio (DPR), which is the amount of cash paid put to shareholders divided by net income.

2 METHOD

In this study, researchers used associative quantitative methods in research on the Analysis of Effects of Liquidity, Leverage, Profitability, and Company Growth on Dividend Policy in Manufacturing Companies Sector Food and Beverage Listed On The IDX 2015 - 2017. The location on this Research is at Medan. The data collection technique used by researchers is the technique of collecting data through documents from the website www.idx.co.id. The data format is in the form of annual financial statements of the Manufacturing Companies Sector Food and Beverage On The IDX for the 2015 - 2017 Period. The sampel of this Research are 54. This study uses the normality test, multicollinearity test, autocorrelation test, heteroscedasticity test, multiple linear regression, t - statistical test, F - statistical test, determination coefficient test. (Ghozali, 2016).

Formula of Liquidity

$$\textit{Current Ratio} = \frac{\text{Current Asset}}{\text{Current Debt}} \quad (1)$$

Formula of Leverage

$$\textit{Debt ratio} = \frac{\text{Total Debt}}{\text{Total Assets}} \quad (2)$$

Formula of Profitability

$$ROA = \frac{\textit{Net Income}}{\textit{Total Asset}} \quad (3)$$

Formula of Company Growth

$$\textit{Company Growth} = \frac{\text{TA This Year} - \text{TA Last Year}}{\text{TotalAssets last Year}} \quad (4)$$

Formula of Dividend Policy

$$DPR = \frac{\textit{Cash Dividend Per Share}}{\textit{Net Income Per Share}} \quad (5)$$

3 RESULT AND DISCUSSION

To find out the normality of a data, it can be done by using the Kolmogorov - Smirnov test as in Table 1.

Table 1: Normality Test Results.

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		54
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.21852435
Most Extreme Differences	Absolute	.098
	Positive	.098
	Negative	-.064
Kolmogorov-Smirnov Z		.724
Asymp. Sig. (2-tailed)		.672

a. Test distribution is Normal.
b. Calculated from data.

Because the value of Asymp. Sig. (2-tailed) 0.672> 0.05, it can be concluded that the data is normally distributed.

To determine whether there is multicollinearity or not, it can be seen from the tolerance and VIF values as in Table 2.

Table 2: Multicollinearity Test Results.

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	T	Sig.	Collinearity Statistics Tolerance	Collinearity Statistics VIF
1	(Constant)	-.855	.392		-2.185	.035		
	LN_CR	-.515	.135	-.685	-3.829	.000	.372	2.688
	LN_DAR	-.847	.216	-.717	-3.915	.000	.355	2.817
	LN_ROA	.312	.114	.328	2.752	.009	.836	1.196
	LN_PERT_ASET	-.067	.089	-.086	-.756	.454	.925	1.081

a. Dependent Variable: LN_DPR

From the test results, it was found that none of the independent variables had a Tolerance value of less than 0.10. None of the VIF values of all the independent variables is greater than 10. It can be concluded that the data does not occur multicolinearity.

To find out whether there is autocorrelation or not, it can be seen from Table 3

Table 3: Autocorrelation Test Results.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.707[a]	.500	.453	.48719	2.030

a. Predictors: (Constant), LN_PERT_ASET, LN_CR, LN_ROA, LN_DAR
b. Dependent Variable: LN_DPR

From the test results of the Durbin Watson test show that the Durbin Watson value is 2.030 while in the DW table "k" = 4 (independent variables, excluding dependent variables) and N = 54, the values of dL and dU by looked at the DW table are:

d_L(lower limit) : 1,4069
d_U (lower upper) : 1,7234
4 - d_L : 2,5931
4 - d_U : 2,2766

By looked at the criteria in the Durbin Watson guideline, it shows the value of dU<dw<4 - dU or 1.7234 <2.030 <2.2766, the autocorrelation result is not positive or negative autocorrelation.

To determine the presence or absence of heteroscedasticity, it can be seen from the Glejser test as shown in Table 4.

3.1 Heteroscedasticity Test Result

Table 4: Heteroscedasticity Test Results.

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.211	.070		3.002	.004
Likuiditas	-.003	.008	-.076	-.439	.663
Leverage	-.173	.138	-.224	-1.255	.215
Profitabilitas	.256	.180	.206	1.423	.161
Pertumbuhan_Perusahaan	-.064	.153	-.060	-.418	.678

a. Dependent Variable: ABS_UT

From the research results, it can be seen that the Sig. value of the independent variable is greater than 0.05, it can be concluded that the data does not occur heteroscedasticity.

The results of the multiple linear regression equation can be seen in Table 5.

Table 5: Multiple Linear Regression and t - Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-.855	.392		-2.185	.035
LN_CR	-.515	.135	-.685	-3.829	.000
LN_DAR	-.847	.216	-.717	-3.915	.000
LN_ROA	.312	.114	.328	2.752	.009
LN_PERT_ASET	-.067	.089	-.086	-.756	.454

a. Dependent Variable: LN_DPR

LN_DPR=-0,855-0,515LN_CR-0,847LN_DAR+0,312LN_ROA-0,067LN_PERT_ASET

The results of the t test between the independent variable and earnings management can be seen in Table 5:

The result is: (i) The t value for liquidity of -3.829 is greater than the t table value of 2,00958 and the Sig t value of 0.000 is less than 0.05. So that liquidity has a significant dividend policy; (ii) The t value for leverage of -3.915 is greater than the t table value of 2,00958 and the Sig t value of 0.000 is less than 0.05. So that leverage has a significant dividend policy; (iii) The t value for profitability of 2.752 is greater than the t table value of 2,00958 and the Sig t value of 0.009 is less than 0.05. So that profitability has a significant dividend policy; (iv) The t value for company growth of -0.756 is greater than the t table value of 2,00958 and the Sig t value of 0.454 is less than 0.05. So that company growth has no significant dividend policy.

The results of the F test can be seen in Table 6:

Table 6: F - Test Results.

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	9.979	4	2.495	10.510	.000[a]
	Residual	9.969	42	.237		
	Total	19.948	46			

a. Predictors: (Constant), LN_PERT_ASET, LN_CR, LN_ROA, LN_DAR
b. Dependent Variable: LN_DPR

From the test results obtained an F value of 10.510 with a significance level of 0.000. Based on the F table value of 2.56 is smaller than the calculated F value of 10.510 and the significance value of 0.000 is smaller than 0.05. So that simultaneously the liquidity, leverage, profitability,, and company growth have an effect on dividend policy.

The result of the determination coefficient test can be seen in Table 7.

Table 7: Determination Coefficient Test Results.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.707[a]	.500	.453	.48719

a. Predictors: (Constant), BEBAN, TAX, ROA
b. Dependent Variable: LABA

From Table 7 indicates that the R Square value is 0.453. This means that the ratio of liquidity, leverage, profitability and company growth can explain the dividend policy variable ratio of 45.3% and the remaining 54.7% is explained by other variables not included in this research model.

4 CONCLUSION

Based on the discussion of the research results, the conclusions of this study are as follows:

The liquidity ratio has a effect on the dividend policy ratio of the Manufacturing Companies Sector Food and Beverage Listed on the IDX in 2015 - 2017. The leverage ratio has a effect on the dividend policy ratio of the Manufacturing Companies Sector Food and Beverage Listed on the IDX in 2015 - 2017. The profitability ratio has a effect on the dividend policy ratio of the Manufacturing Companies Sector Food and Beverage Listed on the IDX in 2015 - 2017.

The company growth ratio has not a effect on the dividend policy ratio of the Manufacturing Companies Sector Food and Beverage Listed on the IDX in 2015 – 2017. Liquidity, Leverage, Profitability and Company Growth simultaneously have a effect on Dividend Policy in Manufacturing Companies Sector Food and Beverage Listed on the IDX in 2015 - 2017 amounting to 45.3%. The independent variable that has a dominant influence is the tax planning variable.

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