Effect of Leverage, Profitability, Liquidity and Growth of Dividend Policy
(Empirical Study on Building Construction Sub-Sector Companies Listed in Indonesia Stock Exchange Period 2013-2016)

Rinny Meidiyustiani¹, SE, M. Akt.

Abstract: The ability of the company in earning profit is the main key indicator of the ability of the company to pay dividends. The purpose of this study is to see the effect of Leverage, Liquidity, Profitability, and Growth on Dividend Policy as measured by Dividend Payout Ratio (DPR) are the sub-sectors of construction and building that listed in the Bursa Effect Indonesia (BEI) period 2013-2016. The type of the data used is quantitative Data Obtained from a secondary source of data that is in the form of financial statements from the official website www.idx.co.id Obtained by 8 companies. The analysis method used is multiple linear regression analysis and processing of data using SPSS 20.0 for Windows. Based on the results of the analysis, it is known that the variable of Leverage, Liquidity and Profitability has no effect on Dividend Policy. Meanwhile, Growth has a negative effect on Dividend Policy, The determination coefficient of 26.2% where there are still 73.8% more changes in the dependent variable that is influenced by other variables not included in this study.

1. Introduction

The economy in Indonesia is on the free market era, business competition is increasing for companies that have gone public, so that industries must prepare to face competition from several other sectors like any kind of sector. In pesaingan require substantial funds, venture companies to get funding is coming from within and outside the company [1]. The funds of the company are funds from the employer. While funds from outside the company are funds from investors. The company will issue shares through the capital market. Investors who buy shares of the company will be expected capital gains and investment income in the form of dividends. Financial Manager in charge of the welfare of shareholders when investors buy shares of the company [2].

Dividend policy is a decision to determine the amount of dividend to be distributed to investors by involving two interested parties between management and shareholders and both have different expectations. Management expects the retained earnings and shareholders expect any dividend distribution. If a company runs dividend policy to divide the funds could be used to finance the company's investment is lower. Therefore, dividend policy adopted should be optimal and takes into account factors affecting the factors that will be affected (Sholikhah and Herman 2017). According Yuningsih (2008) in Sholikhah and Herman (2017) [3].

For investors, dividends are a measure of the rate of return on the investments made. Meanwhile, for the management, the dividend is an expense that will be borne by the company. Dividend policy is often regarded as a signal to investors in assessing the merits of the company, this was due to the dividend policy can take effect on stock prices of companies (Aisha and Satrio 2017). Furthermore, the dividend policy into an information for capital market participants in choosing a prospective investment in the company. Determination of Dividend Policy becomes a crucial matter when the interests of each party wants to be accommodated entirely [4].

Leverage the company's ability to meet its financial obligations both short term and long term (Wiagustini 2010: 76 in sholikhah and Herman, 2017). According to (Sartono, 2001 in Sholikhah and Herman, 2017) states that Leverage is the use of financial resources has a constant load with the hope that it will provide an additional benefit that is greater than its permanent burden that will increase the profits available for shareholders. It can be concluded that the level of leverage is a company's ability to use the assets or funds that have a fixed load (debt and or stock) in order to obtain greater profits than the cost of the asset and the source of funds, making it profitable for the company and shareholders. Companies with high debt levels tend to distribute dividends with a low number. This is due to several reasons, the first debt can memepengruhi dividend distribution because the company has an obligation to pay interest to the loan principal. Second, in some debt agreements have restrictions on the distribution of dividends by the creditor. Dept. To Equity Ratio chosen in this study because this ratio measures how much the company is financed by debt, where the higher the value of DER describe symptoms that are unfavorable to the company. According to research results Sholikhah and Herman (2017) showed Leverage negative effect on Dividend Policy. However, different research and Satrio Aisha (2017) Leverage results obtained did not significantly affect dividend policy [5].

Liquidity be a determining factor Dividend Policy. This study also examines the effect of liquidity on Dividend Policy. The company will distribute dividends if it has a good liquidity. Current ratio (current ratio) was used to measure the company's ability to pay off its short-term liabilities, so that it can be seen how far the company's current assets amount to ensure the current debt. Current ratio is used as a measure of liquidity level of the company. The higher the current ratio indicating a level of a company's ability to repay short-term liabilities and therefore investors will get a high
Profitability is the company's ability to earn a return on capital employed to generate such profits Martono and Harjito (2010) in Cicilia and Amanah (2017). Company profitability conditions said to be good if there is an increase in the net profit of the company. So the profitability analysis will be needed by investors, particularly regarding long-term investment. ROE ratio is used to measure the company's ability to generate net income by using their own capital and net income available to owners or investors. The higher the ROE the higher the value of the company, it will be an attraction for investors to invest in the company. Because the company is considered capable of generating high profits. According to research conducted by Sholikhah and Herman (2017) Profitability positive effect on Dividend Policy. However, this study is not in line with the research that has been done by Cicilia and Amanah (2017) Profitability has no effect on Dividend Policy [7].

**growth** shows growth in assets are assets used in the operations of the company. Hadi (2011) in Novianti and Amanah (2017) Growth is one ratio that would affect the dividend policy. Rapid growth of the company the greater the need for funding. And the greater the need for financing, the greater the desire of the company to hold its earnings rather than paying dividends to shareholders partly. According to the research that has been done by Cicilia and Amanah (2017) Growth does not affect the Dividend Policy. However, this study is not in line with research conducted Novianti and Amanah (2017) negatively affect dividend policy [8].

Based on the background of the above problems, authors are encouraged to re-examine the factors that could affect dividend policy. The title of this research is "The Effect of Leverage, Liquidity, Profitability, Growth Dividend Policy Against (Empirical Study on Building Construction Sub-Sector Companies Listed in Indonesia Stock Exchange (BEI) in the period 2013-2016"

Based on the background and the identification of problems that have been described above, the authors limited the problem in this research hana on:

1. Dependent variables used in this study is the Dividend Policy.
2. Independent variables used in this study consisted of Leverage, Liquidity, Profitability, and Growth.
3. This research was conducted at the sub-sector construction companies listed on the Indonesian Stock Exchange (BEI).
4. The period of study for 4 years ie 2013-2016.

2. **Theoretical Review**

Dividend is part of the profit must be paid to the holder and are part of the income expected by shareholders (Anisah and trustful, 2014 in Sholikhah and Herman, 2017). Dividend pays a very important in a company's capital structure. Level of stability and growth prospects in the future can also be demonstrated by the company via dividends, it makes the issue of the dividend to be very important. The size of the dividend amount to be paid depends on the policy of each company so it is necessary considerations in the management of the General Meeting of Shareholders (AGM) [9].

Dividend policy is a decision about how much profit is now to be paid out as dividends in lieu of investments and how much is retained for reinvestment in the company (Brigham and Houston, 2010: 32). Retained earnings is one source of internal funds (Sudana, 2011: 167).

One aspect considered in assessing the performance of the company is the aspect or the company's debt leverage. One important component in the funding of the company is debt. The decline in corporate performance often occurs due to the magnitude of the company's debt so that difficulties in meeting the obligations of the company. Debt to equity ratio (Debt Equity Ratio) is a ratio that measures the extent to which the debt can be covered by their own capital (Harjadi, 2013: 179) [10].

According to Hery (2016: 135), the current ratio is a ratio used to measure a company's ability to meet its short term obligations immediately due to the use of total available liquid assets. The current ratio illustrates the magnitude of the current availability of which is owned by the company as compared to total current liabilities, so that the current ratio is calculated sebahai outcomes between total current assets to total current liabilities.

Profitability Ratios aims to measure the company's ability to earn income, this ratio can be measured by the level of sales, assets, or against their own capital. According to Kashmir (2015: 104)This ratio is used to measure the ratio of net profit after tax with their own capital. This ratio indicates the efficient use of capital own. The higher this ratio, the better. That is the position of the owner of the company is getting stronger, and vice versa.

According to Hadi, 2011 in Novianti and trustful, 2017 Growth is one ratio that would affect dividend policy. The faster rate of growth of the company, the greater the level of demand for funds used to finance the expansion of the company. However, when companies grow and increased by making the company needs more funding on actions taken as a result the company is to hold funds or income. Because of the level of need in the future make the allocation of the company's revenue is being depleted in the field of company expansion and inflation are more directed to the company's internal and external parties.

2.1. **Research Framework**

The framework is a synthesis / conclusions about the relationship between the variables were compiled and produced various theories research. Based on the theories that dihasilkan the study, then analyzed critically and systematically, resulting in the synthesis / conclusions about the relationship between the variables studied. The synthesis
Leverage influence on Dividend Policy

The framework was developed aiming to facilitate in gaining understanding of the direction of research conducted, in order to obtain evidence about the effect of leverage (DER), Liquidity (CR), profitability (ROE), and Growth. Author decision entitled "Effect of Leverage, Liquidity, Profitability, and Growth of the Dividend Policy (Empirical Study on Corporate Services Sub-Sector Construction listed in the Indonesia Stock Exchange (BEI) in the period from 2013 to 2016 with the independence of variables Dept Equity Ratio (X1), Current ratio (X2), Return on Equity (X3) and Growth (X4), while the dependent variable Dividend Payout ratio (Y). the data used are secondary data and documentary.

The overall picture that is the framework of the "Effect of Leverage, Liquidity, Profitability, Growth against Empirical Study on Dividend Policy Sub-Sector Company Kosntruks Listed Buildings in the Indonesia Stock Exchange (BEI) Period 2013-2016"[12].

![Figure 1: Research Framework](image)

2.2 Hypothesis

According Sugiyono (2015) hypothesis is a temporary answer to the formulation of the problem, where the formulation of the problem has been expressed in the form of statements. Is said to be temporary, because new answers given are based on the relevant theory, not based on empirical facts obtained memalui data collection. So the hypothesis is stated as a theoretical answer to the formula research problem, prior empirical answer[13].

2.3. Leverage influence on Dividend Policy

Leverage the company's ability to meet its financial obligations both short term and long term (Wiagustini (2010: 76) in Sholikhah and Herman (2017)). Companies with high debt levels tend to distribute dividends with a low number. This is due to several reasons, the first debt can memepengruhi dividend distribution because the company has an obligation to pay interest to the loan principal. Second, in some debt agreements have restrictions on the distribution of dividends by the creditor. Research conducted by Sholikhah and Herman (2017) results obtained negatively affect dividend policy. Based on the description above, the proposed hypothesis is as follows:

H1: Leverage negative effect on Dividend Policy.

2.4. Liquidity Influence on Dividend Policy

Liquidity be a determining factor Dividend Policy. According Sartono (2010: 114), Liquidity is the ability of the company to meet its short term obligations on time. Only companies that have good liquidity which will distribute dividend. The company's liquidity is considered to be one of the considerations in Dividend Policy. Because the dividend is a cash outflow, the greater the amount of cash and liquidity of the company, the greater the company's ability to pay dividends. Research conducted by Ayesha and Satrio (2017) showed that the positive effect on the liquidity Dividend Policy. Based on the description above, the proposed hypothesis is as follows:

H2: Liquidity positive effect on Dividend Policy.

2.5. Profitability influence on Dividend Policy

Sartono (2010: 122) Profitability is the ability of the company makes a profit in relation to sales, total assets and own capital. ROE is an important ratio between profitability and an appropriate ratio is used to measure the effectiveness of the company in generating profits by exploiting its equity. ROE greater signifies the company was able to increase productivity using its own capital so that the higher the income generated. Distribution of dividends is a signal the company shows the company's success in gaining profit. If the company's profit, the company will pay a greater share of profits in the form of dividends. Research has been conducted by the Princess and Mildawati (2017) obtained results slight positive effect on the profitability of Dividend Policy. Based on the description above, the proposed hypothesis is as follows:

H3: Profitability positive effect on Dividend Policy.

2.6. Effect of Growth on Dividend Policy

growth is one ratio that would affect dividend policy. The faster rate of growth of the company, the greater the level of demand for funds used to finance the expansion of the company. However, when companies grow and increased by making the company needs more funding to the action taken as a result of companies prefer to withhold profits and led to the company distributing dividends to investors and shareholders in low numbers. Because of the level of need in the future make the allocation of the company's revenue is being depleted in the field of company expansion and inflation are more directed to the company's internal and external parties. Research conducted by Novianti and Amanah (2017) Growth results obtained negatively affect dividend policy. Based on the description above, the proposed hypothesis is as follows:

H4: Growth negatively affect dividend policy.

3. Research Methodology

3.1. Population and Sample

The population used in this study is the Company's Construction Services Sub-sector listed in Indonesia Stock Exchange (BEI) in the period from 2013 to 2016, amounting to 12 companies. Companies sub-sector building construction used in the study population authors for
building construction companies during the study period when the decrease or increase in profit, the company continues to pay dividends.

The sampling technique (sampling) used in this research is purposive sampling, the sampling technique with a certain consideration, which means determined by considering the purpose of the study is based on criteria determined in advance so that samples taken in this study may represent the population (Sugiyono, 2013: 126). Purposive sampling technique was performed as a technique that intentionally take particular sample is appropriate and meets all necessary requirements which include: the nature, characteristics, traits, and the criteria for a particular sample, in which case the sampling itself.

The sample in this study is a company that has the following criteria:

1. Sub Services Company Silverback Building construction was listed on the Indonesia Stock Exchange for the year 2013-2016.
2. Service Company building and construction sub-sector listed in Indonesia Stock Exchange (IDX), which has the full financial report for the year 2013-2016.
3. Service companies and building construction sub-sector are unlisted in the Indonesia Stock Exchange (IDX), which did not experience a loss in the period of the study year 2013-2016.

3.2. Data collection technique

The data used in this penelitian is secondary data. Data collection method used in this research is the method of documentation, namely by selecting, collecting, recording, and test the secondary data such as the company's financial statements to obtain data such as financial statements published by the company in the period 2013-2016.

4. Discussion

4.1. Normality test

Probability plot normality test conducted to determine whether the normal distribution of data, if the data spread around the diagonal line and follow the direction of the diagonal line, it will be normal.

4.2. Multicollinearity

Testing method commonly used is clayey Variance Inflator (VIF) and Tolerance in the regression model. If VIF> 10 and Tolerance <0.1, then the regression model free of multicollinearity.

4.3. Heteroskedastity

Testing heteroscedasticity in this study was also done using glejser test. Definition of test glejser glejser is proposed for the absolute value of the residual regressed against independent variables. According to the table above can be seen the value of significance (Sig.) Of each variable that is Leverage (DER) (X1) of 0.948 Liabilities (CR) (X2) is .839, profitability (ROE) (X3) of 0.289, and Asset Growth (X4) of 0.093. The fourth variable Significance values> 0.05. It can be concluded that there is no heteroscedasticity in this regression model.

4.4. Autocorrelation

Autocorrelation problem Durbin Watson tested through the tables by using the lower limit tables (dL) and an upper limit (dU) to know the area autocorrelation of value durbin watson.

Based on the above table values obtained regression Durbin Watson was 1.435, while on the table DW to 0.05 and n = 32 and k = 4 obtained at 1.176 and dU dL at 1.732. Because the value of DW (1.435) are in the area dL (1.176) and dU (1.732) or DW is in the region of doubt, then Ho is accepted and Ha is rejected so that it can be concluded that there is no positive or negative autocorrelation in the data in the study.

4.5. Regression coefficient test (Test T)

The results of the t test (partial) in this study can be seen in the following table:

1. Leverage variable regression coefficient test (DER) (X1) on the Dividend Policy (Y)

The comparison between the t-test and t-table is a t-test (-0.272) <t-table 2.051, and have sig. 0.788 (0.788> 0.05), Leverage variable has no effect on Dividend Policy.

2. Liquidity variable regression testing (CR) (X2) on the Dividend Policy (Y)

The comparison between the t-test and t-table is (-1.434) <t-table 2.051, and have sig. 0.163 (0.163> 0.05), vaiabel Liquidity no effect on Dividend Policy.

3. Variable regression testing Profitability (ROE) (X3) on Dividend Policy (Y)

The comparison between the t-test and t-table is (-1.513) <t table (2.051), have sig. 0.142 (0.142> 0.05), Profitability variables no effect on Dividend Policy.
4. Growth variable regression testing (X4) on the Dividend Policy (Y)

The comparison between the t-test and t-table is (-3.723) < t table (2.051), have sig. 0.01 (0.01 <0.05), Growth variables no significant effect on Dividend Policy.

4.6. Goodness of Fit

Test the feasibility of the model (Test-F) aims to determine the overall regression testing to test the truth of the model affects the relationship between the independent variables and the dependent variable.

4.7. Effect of Leverage (X1) Dividend Policy Against (Y)

Leverage the first hypothesis research results do not significantly affect the Dividend Policy. It is proved that the amount of total liabilities used to fund the company will not influence management's decision to distribute dividends. The company uses debt to investment activities and operations of the company as retained earnings of the company can not meet for such activities. The Company does not use debt to fund dividend distribution source.

4.8. Effect of Liquidity (X2) Dividend Policy Against (Y)

The research result of second hypothesis does not affect significantly the liquidity of the Dividend Policy. These results can be explained that there is a possibility Liquidity is not used to pay a dividend but is allocated to the purchase of assets. Liquidity has no effect on the payment of dividends may also be due to the high liquidity of the company does not guarantee a high cash anyway, but caused by other instruments such as inventory and accounts receivable. Companies do not have to change the proportion of dividend distribution among investors and the controlling shareholder and not be dependent on the amount of current ratio derived by an enterprise for profit company reserves could be used to pay dividends or to be reinvested. The Company will continue to pay dividends through the company's profit reserves each year without worrying about large or small value of liquidity. This indicates that the current ratio is not considered in the management policy of issuing dividends.

4.9. Influence Profitability (X3) Dividend Policy Against (Y)

Profitability third hypothesis research results showed no significant effect on dividend policy, it is likely due to the problem of agency where there are differences in interests between the management with the shareholders. One conflict of interest between the principal to the agent in a company can also arise because of the excess cash flow (excess cash flow). Companies in the dividends are not always directly proportional to the earnings results obtained during the year, there is a possibility that the company apply different dividend policies.

4.10. Effect of Growth (Asset Growth) Against kebijakan Dividends (Y)

Growth fourth hypothesis research results show the negative effect on Dividend Policy. The negative value because of the greater needs of the company in the future allow the retained earnings and led to the company distributing dividends to investors and shareholders in low numbers. The reason companies prefer to allocate the profits are reinvested for expansion activities, namely the expansion of the company. To obtain a high growth company in the future, companies prefer to make investment decisions and reduce the dividend policy.

5. Conclusions and Recommendations

5.1. Conclusion

Based on the results of tests performed by using a sample of 8 Corporate Services Sub-Sector Building listed on the Indonesia Stock Exchange (BEI) in the period from 2013 to 2016, then the conclusion obtained is Leverage (DER) partially no effect on Dividend Policy, Liquidity (CR) partially no significant effect on Dividend Policy, profitability (ROE) partially berpenaruh not significant to the Dividend Policy, Growth partially negative and significant effect on dividend policy.

5.2. Suggestions

The advice given is Future studies are expected to conduct research on companies listed on the Indonesian Stock Exchange (BEI), engaged in the broader In the future research needs to add other variables that affect the Dividend Policy, as Institutional Ownership, Managerial Ownership, cash Position, Growth Potential and Profitability as measured by return on assets (ROA) and others, Future studies are expected to be able to use the research period is longer in order to obtain better results, Future studies are expected to be more focused and to conduct a survey to the location or source is concerned that research has an optimal result.

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References


