

THE INFLUENCE OF LIQUIDITY, ACTIVITY, AND PROFITABILITY ON DIVIDEND POLICY OF MANUFACTURING COMPANIES IN THE BEI

Ria Febriyanti Br Sitepu¹, Argo Putra Prima²

^{1,2}1Department of Accounting, Faculty of Social Sciences and Humanities, Putera Batam University

| ARTICLE INFO | ABSTRACT |
|--|--|
| <i>Keywords</i> : Profitability; liquidity, activity dividend policy, pharmaceutical sub- sector, multiple linear regression | For every potential investor who thinks logically and wisely in investing, his attention will be focused and directed at the value or rate of return of a product or investment which is commonly called dividend. The pharmaceutical sub-sector company is the one that has experienced quite good development, especially in the current situation where the demand for drugs and the like has increased sharply due to the COVID-19 outbreak. Of course, this greatly affects the condition of pharmaceutical companies, especially dividend policies. The goal of this investigation is to examine the impact of profitability, liquidity, and activity on the dividend policies of pharmaceutical subsector firms from 2016 to 2021. The research approach is quantitatively descriptive, and multiple linear regression is utilized as the analytical instrument. During the study period, the research sample consists of six pharmaceutical subsector enterprises that pay dividends and routinely produce financial reports. A sig t test score of 0.811 indicates that profitability has no influence on dividend policy, while a test value of 0.035 indicates that liquidity and activity both have significant effects, both of which are below the 0.05 minimal limit. 0.02 is less than the minimum criterion for the sig t test. |
| E-mail: | Copyright © 2022 Economic Journal. All rights reserved. |
| riafebriyanti308@gmail.com.com | It is licensed under a Creative Commons Attribution-NonCommercial 4.0 |
| argoupb@gmail.com | International License (CC BY-NC 4.0) |

1. INTRODUCTION

There are so many investors that wish to participate in a business activity at this moment since the business world is advancing so quickly, especially the capital market, as evidenced by the increasing number of companies listing their shares on the Indonesia Stock Exchange. The number of listed stock issuers or companies that go public is increasing and making activities on the stock more numerous and good for the economy in general. The pharmaceutical sub-sector company is one that has experienced quite good development, especially in the current situation where the demand for drugs and the like has increased sharply due to the COVID-19 outbreak. Of course this greatly affects the condition of pharmaceutical companies. Pharmaceutical companies experienced both an increase and a decrease. The managers of pharmaceutical companies have to rack their brains to keep their companies standing. Every effort is made to provide pharmaceutical products effectively and efficiently. In more depth, to be able to assess the company's financial condition including the potential profits to be distributed or dividends, investors can look in detail at the company's financial ratios in the financial statements. The financial ratio itself is a parameter of the level of significance of managerial work and the company's financial attributes to bookkeeping information and budget reports. Examination of published financial statements can predict something that will happen in the future, therefore in-depth examination and analysis is needed (Irham Fahmi, 2016). The financial ratios in the report include profitability ratios, liquidity ratios and activity ratios.

As is known, the Profitability Ratio According to Kasmir (2016: 196) The profitability ratio measures a company's capacity to pursue profits. According to Kasmir (2016:128) the liquidity ratio is a parameter that can indicate or measure the level of ability of a company or organization in fulfilling its short-term obligations (debt). The next ratio is the activity ratio. According to Kasmir (2017: 172) the activity ratio is a parameter used to measure the effectiveness of a company when using its assets. Dividend policy itself is a strategic policy and not easy for managerial in the sense of whether it will be distributed to stakeholders with the aim of stakeholder satisfaction or vice versa so that the company has sufficient finances to invest and develop the company such as reinvesting in profitable projects so that the company develop and generate high profits in the future. According to Nur and Intan (2019) "The



dividend payout ratio is unaffected by the profitability ratio as measured by return on assets." On the contrary, according to Krisardiyansah (2021), profitability has an impact on the dividend payout ratio, which implies that better profitability would lead to larger dividend payments for the firm. according to Ari Suwanda, MortigorAfrizal Purba (2021) Capital structure, liquidity, leverage and profitability have a simultaneous impact on dividendpolicy.

This research was conducted because of the phenomenon of fluctuating dividend policy and from the many studies that have been carried out there are no similarities between the research results and observational data with the theory used and inconsistent results are obtained from each different company sector.

The results of this study are expected to be a guide for companies in distributing dividends whether to distribute high amounts or not if you look at the level of profitability, liquidity and activities of the company.

2. METHOD

2.1 Jenis and Data Source

The population of this research consists of all pharmaceutical subsector firms registered on the Indonesia Stock Exchange

1. "DVLA: Darya Varia Labotaria;

- 2. INAF:Indofarma;
- 3. KAEF: KimiaFarma;
- 4. KBLF: KalbeFarma;
- 5. Brand: MerckIndonesia;
- 6. PEHA:Pharos;
- 7. PYFA:Pyrndham;
- 8. SCPI: Merck Sharp DhomePharma;
- 9. SIDO: Sido Appears;
- 10. TSPC: Tempo ScanPacific;
- 11. SOHO: SOHO GlobalHealth."

That of the 11 pharmaceutical companies listed on the Indonesia Stock Exchange, only 8 companies can be sampled according to the research sample criteria, namely: distributing financial reports to the public during the research period and being listed on the Indonesia Stock Exchange. This research will be conducted with secondary data from the 2017- 2021 period so that the number of observations used is 40 data.

To obtain information according to the needs of the author by collecting information that is expected to answer the details of the research problem. To answer the formulation of this problem, the information gathering technique used is documentation. The type of data used in this research is secondary data. Secondary data are gathered through reading and numerous other sources, from personal letters, diaries, and minutes of association meetings to official government records (Moleong, 2010: 159).

2.2 Analysis Method

- 1. **Descriptive Analysis**. This analysis is an analysis that aims to describe the results of research in depth. As stated by Ghozali (2018) descriptive test is a test to get a picture through the average, maximum, minimum and standard deviation values.
- 2. **Classic assumption test**. The classical assumption test as stated by Ghozali (2018) is a prerequisite for obtaining good data to be used as research data. This test includes several tests as follows:
- a. **Normality test.** This test can show whether the data held are normal or not through statistical tests with Kolmogorov-Smirnov with the basis of the conclusion is If the significance 0.05 then the data is normally distributed, If the significance 0.05 then the data is not normally distributed (ghozali, 2018).

b. **Multicollinearity Test**. The regression model is said to be good if there is no correlation between the independent variables, the multicollinearity test aims to test whether in the



regression model there is a correlation between the independent variables (independent). The presence or absence of multicollinearity can be seen from the tolerance value and its opposite, namely the variance inflation factor (VIF).

c. **Heteroscedasticity Test.** The heteroscedasticity test aims to test whether in the regression model there is an inequality of variance from the residuals of one observation to another observation.

3. **Multiple Linear Regression Test.** According to Ghozali (2018), multiple linear regression analysis is used to determine the direction and how much influence the independent variable has on the dependent variable. Data processing using multiple linear regression analysis with the following equation:

Y = a + b1X1 + b2X2 + b3X3

Information:

Y = Dividend Policy a = Value Constant

b1b2b3 = Independent Variable Regression Coefficient X1 = Profitability

X2 = Liquidity X3 = Activity

e = Standard Error

- 4. **Partial Regression Test (t).** The t statistic test is used to test whether the independent variable partially has a significant effect on the dependent variable (Ghozali, 2018). The test uses a significance level of 0.05 (α = 5%)
- 5. **The f statistic test**. is used to test whether the variable has the right model or is feasible as a research (Ghozali, 2018). The test uses a significance level of 0.05 ($\alpha = 5\%$). With the following criteria:

a. If the value of sig. 0.05 then the model is said to be feasible.

b. If the value of sig. > 0.05 then it is said that the model is not feasible.

3. RESULT AND DISCUSSION

Normality test

Good data is data that meets the assumption of normality or the data can be considered normal. Ghozali (2018) states that the data can be considered normal if the Asymp value. The sig on the Kolmogrov- Smirnov score is above 0.05

| Table 1 One-Sample Kolmogorov Smirnov Test | | | | |
|--|----------|-------------|--|--|
| | Uns | tandardized | | |
| | Res | sidual | | |
| N | | 40 | | |
| Normal | Mean | 0E-7 | | |
| Parameters | Std. | 53.280284 | | |
| a,b | Deviati | 94 | | |
| | on | | | |
| Most | Absolute | .170 | | |
| Extreme | Positive | .170 | | |
| Differences | Negative | 068 | | |
| Kolmogorov-Sn | 1.077 | | | |
| Asymp. Sig. (2-1 | .197 | | | |
| Source: SPSS Test Appendix | | | | |

It is known from the preceding table that the Asymp value is. The research data sig is 0.197 which means that the research data has met the feasibility or normal data because the value is above 0.05.

Heteroscedasticity Test

A decent regression model has homoscedasticity or does not include heteroscedasticity (Ghozali, 2018).





Figure 1. Heteroscedasticity Test Results

Based on the picture above, it is known that the results of the heteroscedasticity test using a scatterplot show that the research data is spread out and does not form a pattern so that the research data can be declared not to have heteroscedasticity disorders or the data can be considered feasible.

Multicollinearity Test

A lot of helpful information. If there is no connection around the independent variable, and the regression model is valid. The threshold value often used to detect the existence of multicollinearity is the VIF value of 10; if this value is not met, then multicollinearity is not present in the data (Ghozali, 2018).

| Table 2 Multicollinearity Test | | | | | |
|--------------------------------|------------|--------------|------------|--|--|
| Model Col | | Collinearity | Statistics | | |
| | | Tolerance | VIF | | |
| | (Constant) | | | | |
| 1 | ROA | .945 | 1.058 | | |
| | CR | .933 | 1.072 | | |
| | ТАТО | .987 | 1.013 | | |

Based on these results, The VIF value is well-knownof all research variable has a VIF value of 10 Hence, the data do not exhibit multicollinearity.

Multiple Linear Regression Test

| Table 3 Multiple Linear Regression Test Results | | | | | | | |
|---|--------------|------------|--------------|-------|------|--|--|
| Model | Unstanda | ardized | Standardized | t | Sig. | | |
| | Coefficients | | Coefficients | | | | |
| | В | Std. Error | Beta | | | | |
| (Constant) | 48.402 | 16.131 | | 3.001 | .005 | | |
| ROA 1 | .555 | .086 | .562 | 6.453 | .000 | | |
| CR | .001 | .001 | .134 | 1.529 | .135 | | |
| ТАТО | 9.641 | 1.212 | .678 | 7.952 | .000 | | |

These results can be interpreted in the following equation: Dividend Policy = $48.402 + 0.555^{x_1} + 0.001^{x_2} + 9.641^{x_3}$

Coefficient of Determination Test

The Coefficient of Determination test examines the model's capacity to account for fluctuations in the dependent variable. Here are the obtained results.

Table 4 Coefficient Of Determination Test Results



| Model | R | R Square | Adjusted R | Std | . Error of the |
|-------|-------------------|----------|------------|------|----------------|
| | | | Square | | Estimate |
| 1 | .861 ^a | .742 | 2 | .720 | 55.45588 |

According to the table above, the R2 value obtained is 0.742, which indicates that the independent variable of the study can explain 74.2 percent of dividend policy. Variables not included in this research, such as debt levels and commissioner makeup, account for the remaining 25.8%.

Partial Regression Test

PA preliminary test was completed to identify the influence of each independent variable on the dependent variable.

| Table 5 Partial Regression Test Results | | | | | | |
|---|----------------|------------|--------------|---------|------|--|
| Model | Unstandardized | | Standardized | t | Sig. | |
| | Coefficients | | Coefficients | | | |
| | В | Std. Error | Beta | | | |
| (Constant) | 48.402 | 16.131 | | 3.001 | .005 | |
| ROA | .555 | .086 | .562 | 6.453 | .000 | |
| CR | .001 | .001 | .134 | 4 1.529 | .135 | |
| TATO | 9.641 | 1.212 | .673 | 3 7.952 | .000 | |

From the table above, it can be seen that the t-test for profitability gets a sig value of 0.000. The Liquidity variable gets a sig value of 0.135. The Activity variable gets 0.000.

Simultaneous Regression Test

Simultaneous test is carried out for the effect of all independent variables simultaneously or together on the dependent variable.

| Table 6 Simultaneous Regression Test Results | | | | | | | |
|--|------------|------------|----|-------------|--------|-------------------|--|
| Model | | Sum of | Df | Mean Square | F | Sig. | |
| | | Squares | | _ | | | |
| | Regression | 318184.338 | 3 | 106061.446 | 34.488 | .000 ^b | |
| 1 | Residual | 110712.762 | 36 | 3075.354 | | | |
| | Total | 428897.100 | 39 |) | | | |

Based on the given data, it can be observed that the significant F value for the F or Anova test is 0.00. The significance value is below 0.05. This shows that the independent variable simultaneously has a significant effect on the dependent variable.

Discussion

The Effect of Profitability Ratios on Dividend Policy

According to the findings of the tests, the average profitability ratio of pharmaceutical firms over the study period was found to be between 0.40 and 0.80. The results of the partial regression test conducted on the variable profitability with dividend policy as the dependent variable are obtained. Profitability receives a sig value of 0.00, which is below the minimum threshold of 0.05, indicating that the level of profitability during the research period in pharmaceutical sector firms has a substantial impact on the dividend policy determined by management. In keeping with the findings of Kasif et al. (2021), this research demonstrates that profitability significantly impacts a company's dividend policy. Yakoubu et al. (2020) further explain that profitability influences dividend policy

Effect of Liquidity Ratio on Dividend Policy

As a consequence of the partial regression test findings, Therefore, Liquidity may be deduceddoes not have a substantial impact on Dividend Policy since the sig value of 0.135 is over the minimal threshold of 0.05. This study's findings are consistent with those of Mokoginta et al. (2021), according to



Pangestuti (2019), which shows that liquidity has no influence on dividend policy.

Effect of Activity Ratio on Dividend Policy

According to the average test results, the most significant value of the activity ratio of pharmaceutical businesses in this research was within the middle range of 0.6-0.9. Based on the partial regression test findings, it is known that the activity ratio variable has a sig value of 0.00, which is below the minimum threshold of 0.05. Therefore, the activity may be claimed to substantially impact dividend policy. To put it another way, Hernita and Wurianggeni (2017) found that a company's dividend policy is impacted by its

4. CONCLUSION

Profitability Ratio (X1) has a 0.000 significant impact on Dividend Policy (Y). With a sig value of 0.13, the Liquidity Ratio (X2) has no meaningful influence on Dividend Policy (Y). With a sig value of 0.000, Activity Ratio (X3) considerably impacts Dividend Policy (Y). The constant value of 48.402 means that if all independent variables are considered constant or unchanged, then the value of Dividend Policy = 48.402. Profitability coefficient value of 0.555 means that every decrease in one output on the Profitability variable will increase Dividend Policy by 0.555. Liquidity coefficient value of 0.001 means that every increase in one output in the Liquidity variable will increase Dividend Policy by 0.001. Activity coefficient value of 9,641 means that every increase in one output in the Activity variable will increase Dividend Policy by 9,641.

REFERENCES

- [1] Cao, Y. (2021, June). Internal Factors of Dividend Policy at the Firm Level: A Case Study of Lenovo Annual Report. In 2021 International Conference on Enterprise Management and Economic Development (ICEMED 2021) (pp. 363-368). Atlantis Press.
- [2] Chaya, W. N., & Prima, A. P. (2019). Pengaruh Current Ratio Earning Per Share dan Return On Asset Pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia. *SCIENTIA JOURNAL : Jurnal Ilmiah Mahasiswa*, 1.
- [3] Debi Monika, N. G. A. P., & Sudjarni, L. K. (2017). Pengaruh Likuiditas, Profitabilitas Dan Leverage Terhadap Kebijakan Dividen Pada Perusahaan Manufaktur Di Bursa Efek Indonesia. *E-Jurnal Manajemen Universitas Udayana*, 7(2), 905. https://doi.org/10.24843/ejmunud.2018.v7.i02.p13
- [4] Gracia, P. (2021). Pengaruh Profitability, Leverage, Liquidity, Ukuran Perusahaan Dan Pertumbuhan Perusahaan Terhadap Kebijakan Dividen Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia Periode 2017-2019 (Doctoral Dissertation, Universitas Tarumanagara).
- [5] Ginting, S. (2018). Pengaruh Likuiditas, Profitabilitas. Dan Leverage Terhadap Kebijakan Deviden Pada Perusahaan LQ46 Yang Terdaftar Di Bursa Efek Indonesia Periode 2012-2016. Jwem Stie Mikroskil, 8(2), 195–204.
- [6] Kashif, A. R., Altaf, M., Abbas, U., Saba, K., Farooq, I., & Jalal, I. (2021) Determinants Of Dividend Policy In The Pharmaceutical Sector of Pakistan. Journal of Science GUJ Sci 34
- [7] Lasiman, W. D. L. (2022). Analisis Kebijakan Dividen: Index CGPI sebagai Variable Moderasi. Owner: Riset dan Jurnal Akuntansi, 6(1)
- [8] Maria, I., Moravia, O., Prima, A. P., & Ak, M. (2019). DAN UKURAN PERUSAHAAN TERHADAP NILAI PERUSAHAAN PADA PERUSAHAAN YANG TERDAFTAR DI BURSA EFEK INDONESIA This Research Aims To Know The Influence Of Leverage, Profitability And Firm Size Against Firm Value Either Partially Or Simultaneously. The Researche. *Scientia Journal*, *1*, 2.
- [9] Maqbool, A., & Sheikh, N. A. (2021). Impact of Investment and Dividend Decisions on financing decisions: Evidence from Pakistan. South Asian Review of Business and Administrative Studies (SABAS), 3(1), 1-10.
- [10] Pathak, R., & Gupta, R. D. (2021). The stability of dividends and its predictability: a cross-country analysis. International Journal of Managerial Finance.
- [11] Purba, M. A. (2019). Pengaruh Earning Per Share, Dividend Per Share Dan Financial Leverage Terhadap Harga Saham Pada Perusahaan Food and Beverage Yang Terdaftar Di Bursa Efek Indonesia. Jurnal Akuntansi Barelang, 4(1), 86. https://doi.org/10.33884/jab.v4i1.1480
- [12] Suffah, R. & Riduwan, A. (2016). Pengaruh Profitabilitas, Leverage, Ukuran Perusahaan Dan Kebijakan Dividen Pada Nilai Perusahaan. Jurnal Ilmu Dan Riset Akuntansi, 5(2), 1–17





- [13] [Suriyandi, & Tipa, H. (2022). Analisis Rasio Solvabilitas dan Profitabilitas Terhadap Harga Saham Perusahaan Manufaktur di Bursa Efek Indonesia. 20(1), 105–123.
- [14] Suwanda, A., & Purba, M. A. (2021). Pengaruh Struktur Modal, Likuiditas, Leverage Dan Profitabilitas Terhadap Kebijakan Deviden Pada Perusahaan Di Bursa Efek SCIENTIA JOURNAL: Jurnal Ilmiah Mahasiswa. https://mail.pbtv.co.id/index.php/scientia_journal/article/view/3191%0Ahttps://mail.pbtv.co.id /index.php/scientia_journal/article/download/3191/1775
- [15] Tio, A., & Putra Prima, A. (2022). Analisis Pengaruh Profitabilitas, Likuiditas Dan Solvabilitas Terhadap Nilai Perusahaan Yang Terdaftar Di Bursa Efek Indonesia. *Owner*, 6(1), 443–453. https://doi.org/10.33395/owner.v6i1.605
- [16] Yakubu, I. N. (2021). The Effect of Working Capital Management on Dividend Policy: An Empirical Analysis of Listed Firms in Ghana. International Journal of Industrial Management, 9, 25-31
- [17] Prima, A. P., Janrosl, V. S. E., & Muda, I. (2022). Impact of IFRS 7 Implementation Compliance in National Banking on Capital Market Trust in Indonesia. The Seybold Report Journal, 17(06), 400– 408. https://doi.org/10.5281/zenodo.6655111