LAVERAGE, PROFITABILITY, AND SIZE INFLUENCE OF CORPORATE DIVIDEND POLICY

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Abstract

Every company needs a variety of riches to run the activities of its operation .The activities of the operation requires a source of funds .The source of funds that will be managed by the company to smooth the activities of its operation .The management of financial activities of a company called the financial management (Idawati and Sudiartha, 2012) .

One of the objectives of a company is to improve the welfare of wealth or maximize shareholder value through to the company .Increase in value of the company could be achieved if a company capable of operating with reach advantage which targeted .Through the advantage gained the companies will be able to give a dividend to shareholders , increase growth of the company and retains their survival (sulistiyowati , graft , and utaminingtyas , 2010) .

Based on the data from idx and icmd, we know that manufacturing companies listed at 146 company.In accordance with the specified criteria obtained a sample of the 108 company.The samples using methods purposive sampling. Leverage influential negative for policies dividends ..It is also dijuga found in research abdul (2010) saying the bigger debt owned by the more small dividend , to be distributed .Profitability have had negative impacts for policies dividends .That was also discovered by islam et al (2012). Size of the company influential positive on dividend policy .In research hermuningsih in 2007 found the results of variable size influential significant positive for policies dividends .

Keyword *: profitability, leverage, company size, dividend policy.*

A. Introduction

Every company needs a variety of wealth to run its operations. The operating activities require financial resources. Acquisition source of funds that will be managed by the company for smooth operations. The management of the company's financial activities called financial management (Idawati and Sudiartha, 2012).

Liquidity is the ability of the company to meet its short term obligations in a timely manner. For companies, the dividend is a cash outflow, and it affects the cash position of the company. This resulted in the company the opportunity to invest using that cash dividends are distributed in the form of reduced (Suharli, 2006).

Financial leverage is the company's ability to use financial obligations that are fixed to magnify the effect of changes in EBIT on ordinary income per share (EPS) (Wilianto, 2012). Financial leverage can be interpreted as the use of assets and resources by companies that have a fixed load with the intention of increasing the potential profits of shareholders (Hilmi and Ali, 2008).

Profitability is the ability of a company to make a profit. The company's earnings will be a reference in the payment of dividends. The magnitude of the rate of profit will affect the level of dividend payments to shareholders (Idawati and Sudiartha, 2012).

Companies with large size tend to have an ease of access into the capital market. Of course it affects the flexibility of the big companies in acquiring large amounts of funds. Acquisition of these funds, is used as the payment of dividends to shareholders (Idawati and Sudiartha, 2012).

One purpose of a company is to improve the well-being or maximize shareholder value by increasing the value of the company. Increasing the value of the company can be achieved if the company is able to operate with achieving the targeted profit. Through the benefits of the company will be able to provide dividends to shareholders, enhance the company's growth and maintain its survival (Sulistiyowati, Anggraini, and Utaminingtyas, 2010).

Dividend policy is a difficult decision for the management company. Dividend distribution on the one hand will meet the expectations of investors to get a return as a result of the investment, while on the one hand the distribution of a dividend is not expected to threaten the survival of the company. The management company should be able to make an optimal dividend policy means that policy must generate some sort of balance between the interests of shareholders through dividends and interest of the company in terms of growth (Idawati and Sudiartha, 2012). Dividend policy is part of the funding decisions (Van Horne and Wachowicz, 2005: 270).

1. Formulation Of The Problem

a) Does leverage, profitability and company size affects the Dividend Policy?

b) Does the company value influence leverage relationships, Profitability and Size of the Company with the Dividend Policy?

2. Theoretical Review

Financial ratios are used to compare the risks and returns of various companies to help investors and creditors make investment decisions and good credit (White et al., 2002). There are four categories of ratios used to measure various aspects of the relationship of risk and return (White et al., 2002), as follows:

1. Liquidity Analysis is an analysis that is used to measure the adequacy of the company's cash resources in order to fulfill obligations related to cash in the short term.
2. Analysis of solvency and long-term debt (leverage) is the analysis used to examine the company's capital structure, including long-term funding sources and the company's ability to meet debt obligations and long-term investment.
3. Analysis of activity is the analysis used to evaluate the revenue and output generated by the assets of the company.
4. Analysis of profitability is the analysis used to measure earnings (profit) companies relative to revenue and capital invested.

One of the objectives and advantages of the ratio is that it can be used to compare the risk and return relationship of companies with different sizes. Ratios also can indicate a company profile, economic characteristics, competitive strategy and unique characteristics of the operations, finance and investmentSignaling theory explains that the signaling is done by management to reduce information asymmetry. If the management know more about the financial condition and prospects of the company rather than shareholders, they can provide a signal to record the discretionary accruals. If the financial condition and prospects of the company is good, the management can provide the signal to record positive discretionary accruals to show that the company's financial condition and earnings as well as the current period that will come out better than that implied by the non-discretionary profit of the current period (Lo, 2005).

According Penetilitan Idawati and Sudiartha (2012) profitability and significant positive effect on dividend policy. According Suharli (2007) states that management will pay dividends to signal the company's success in record profits. The signal is concluded that the company's ability to pay dividends is a function of profits. Businesses gain will likely pay a larger portion of its profits as dividends. Theory leverage the company used for the payment of dividends in order to maintain the performance and signal companies for investors. (Arilaha, 2009). Abdul study (2010) which states the greater the debt held by the smaller dividend will be distributed to investors, and vice versa.

Hermuningsih (2007) found the results of variable size significant positive effect on dividend policy. Companies with large size tend to have an ease of access into the capital market. Of course it affects the flexibility of the big companies in acquiring funds in large amounts (Idawati and Sudiartha, 2012).

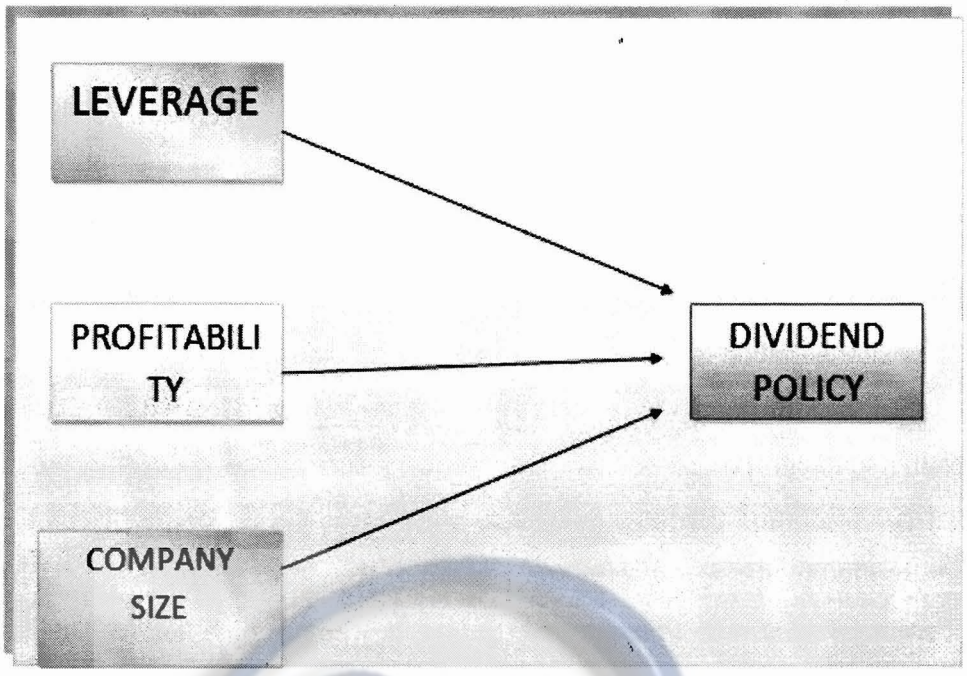
According to Lukman Syamsudin (2010) Analysis of the financial statements will involve the company's performance with the performance of other companies in the same industry trends and evaluate financial position over time. While understanding stated that profitability ratios measure the ability of companies to produce profits (profitability) at the level of sales volume, total assets, and the capital itself.

The hypothesis proposed by the researchers are:

H1a: Laverage negative effect on Dividend Policy.

H 1b: Profitability Positive effect on Dividend Policy.

H 1c: Company Size Postfix effect on Dividend Policy.



B. Research Methodology

The data used in this research is secondary data from manufacturing companies listed in Indonesia Stock Exchange (BEI). The Data was Obtained from the data base and the JSX Indonesian Capital Market Directory. The data in the form of financial statements of companies listed on the Indonesia Stock Exchange. The population in this study are all companies listed on the Indonesia Stock Exchange with the observation period from 2007 to 2011. The sampling method used is the "purposive sampling", so that the sample is taken from samples that meet the criteria of the study this. Criteria for selection of samples in this study are as follows:

1. The manufacturing company is listed on the Indonesia Stock Exchange starting from 2007 to 2011.
2. Publish the complete financial reports in a row from 2007 to 2011.

Hypothesis testing is done by using Moderated Regression Analysis (MRA). MRA is a form of hierarchical regression designed to determine the relationship between two variables that are influenced by a third variable or variables moderation, where the regression equation contains elements or multiplicative interaction between two or more independent variables.

C. Research And Variable Measurement

3. Independent Variables

LeverageAccording to (Arilaha: 2009) Debt to Equity Ratio is the ratio used to assess the debt with equity. This ratio is useful to know the amount of funds provided by the borrower (creditors) to the owner of the company. Proxi of leverage is Debt To Equity Ratio.

$$DER = \frac{\text{Total Utang}}{\text{Modal Sendiri}}$$

4. Company Size

According Idawati and Sudiartha, 2012, the depiction of the size of the company can be seen through the total assets of the company on the balance sheet. The size of the company formulated as follows:

Size = Ln Total Assets

5. Profitability

According Idawati and Sudiartha, 2012, the variable profitability is proxied by Return On Equity (ROE). ROE part of a profitability ratio that measures the level EAT with equity.

$$ROE = \frac{\text{laba bersih setelah pajak}}{\text{Modal Sendiri}}$$

6. Dependent Variables

According Njo, 2001, the dividend shows how much profit the company distributed to shareholders. Dividend proxy used in this study is dividend. Dividend proxy used in this study is the dividend yield (DY), which prsentase dividends paid on the stock market price which is the ratio between the dividend perlermbar shares at the closing share price. Dividend yield is calculated by the following formula:

$$Dividen\ Yields = \frac{Dividen\ perLembar\ Saham}{Harga\ Penutupan\ Saham}$$

7. Model Analysis

Hypothesis testing is done by using Regression Analysis (RA). RA is a form of hierarchical regression designed to determine the relationship between two variables in the regression equation which contains elements or multiplicative interaction between two or more independent variables (Priest, 2005).

The regression equation for this study are as follows:

$$DY = \alpha + \beta_1 DER + \beta_2 ROE + \beta_3 sIZE + \in$$

Keterangan

DY	=	Dividen *yield*
DER	=	*Debt to equity ratio*
ROE	=	*Return of equity*
Size	=	Company Size
$\in$	=	*Error*

8. Result And Analysis

Based on data obtained from IDX and ICMD, it is known that the companies listed amounted to 146 companies. Based on defined criteria derived final sample as much as 108 companies. Sampling using purposive sampling method with predetermined criteria in Research Methods.

8.1. Determination Sample

Kriteria	Jumlah
Companies listed on the Indonesian Stock Exchange	146
Companies with financial data incomplete	38
Total Sample	108

Source: Data are processed

8.2. Regression results

The regression equation is

DY = - 8.19 - 3.29 DER + 0.936 SIZE - 0.262 ROE

Based on the results of the regression perhitngan above by using a subset of the statistics Minitab is like the above data. That DER has a negative influence by 3:29, and Size Company has a positive effect amounting to 0.936, and ROE has a Negative effect Amounting to 0.262 VIF of each variable also does not have a value greater than 10.0 so that it can be concluded that the Independent Variables do not have a relationship of mutual influence in relation to its effect on Dependent Variable (only periodically affect not simultaneously).

Predictor VIF Constant

DER 1.002

SIZE 1.439

ROE 1.437

Therefore, the results of this study can be summarized the results of tests already carried out in the following table:

Hipotesis	Variabel	Effect on Dividend Policy	Results of regression test
Hipotesis 1a	*Leverage*	-3.29	hypothesis accepted
Hipotesis 1b	Profitabilitas	-0,262	the hypothesis is rejected
Hipotesis 1c	Ukuran Perusahaan	+0,936	hypothesis accepted

D. Conclusion

Based on the results of regression analysis in this study, it can be concluded as follows:

1. Leverage effect on Dividend Policy Negativ .. It is also found in the study dijuga Abdul (2010) which states that the greater the debt held by the smaller dividend will be distributed to investors, and vice versa.
2. Profitability Dividend Policy Against Negative effect. It is also found by Islam et al (2012) negatively affect the profitability of Dividend Policy. This shows that investors invest not just chasing dividend alone but also for the sake of long run investment.
3. Positive influence on the size of the Company's Dividend Policy. In Hermuningsih study (2007) found the size variable results significant positive

effect on dividend policy. By Idawati and Sudiartha (2012) .The company with a large size tend to have an ease of access into the capital market. Of course it affects the flexibility of the big companies in acquiring large amounts of funds.

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