The Influence of Liquidity on Dividend Policy (Study in Manufacturing Company Sector of Consumer Goods Sub Sector Food and Beverage Listed on the Indonesian Stock Exchange in 2010-2014)

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Abstract:- This purpose of this research is to prove the influence of liquidity on dividend policy at manufacturing company sector consumer goods sub sector food and beverage listed on the Indonesian Stock Exchange in 2010-2014. Liquidity was measured by current ratio (CR), and dividend policy was measured by dividend payout ratio (DPR). The research method used is descriptive verificatif. The sampling technique used purposive sampling, and acquired 10 companies as the samples. The data collection technique is by documentation study. Statistical analysis used is simple regression for polled data with fixed effect model, regression significance test (F-test), and regression coefficient significance test (t-test).The result of the test shows that liquidity have positif significant influence on dividend policy. It's means that up or down the dividend policy can in fluenced by liquidity.

***Keywords:-** Dividend policy, Liquidity.*

I.   INTRODUCTION

A.   Background of Study

Indonesia as a developing country continues to improve its economy. One of the supporting factors in advancing the economy is investment activity. The government facilitates these activities through the capital market. Capital markets are a meeting place for long-term supply and demand for investments. The presence of capital markets is able to raise public funds effectively making it easier for every company in finding funds to finance its operational activities. The economy will continue to increase if driven by investment activities that continue to grow.

Although Indonesia is currently experiencing an economic slowdown, but the need for consumer goods continues to increase along with the increasing population. Especially the demand and supply of food and beverage which is a basic requirement that must be met everyday. In line with the increasing demand and supply, investors who invest their capital in consumer goods manufacturing sector of food and beverage sub sector expect high profit and dividend distribution by the company. The following information is provided on the amount of dividends paid to each company.

No	Emiten	Dividend				
		2010	2011	2012	2013	2014
1	ADES	-	-	-	-	-
2	AISA	-	-	7	8	-
3	ALTO	-	-	-	-	-
4	CEKA	75	-	-	-	100
5	DLTA	9.500	.500	1.000	11.500	12.000
6	ICBP	-	116	169	189	190
7	INDF	93	133	175	185	142
8	MLBI	3.650	.279	6.950	9.500	119
9	MYOR	100	-	130	230	
10	ROTI	-	25	29	37	3
11	PSDN	-	-	-	-	-
12	SKBM	-	-	-	-	12
13	SKLT	-	2	2	3	4
14	STTP	-	-	-	-	-
15	ULTJ	-	-	10	-	12
	Dividend Average/ year	895	2.13	1.231	1.443	839

Table 1. Dividend Manufacturing Companies Consumer Goods Sector Consumption Sub Sector Food and Beverage Listed In Indonesia Stock Exchange Period 2010-2014.
Source: e-bursa.com (processed data)

In table 1, it can be seen that the dividend policy taken by the company is different. Similarly, the amount of dividends distributed will vary depending on the decisions of each company. The impact for firms that cannot establish a stable dividend policy is to get a bad judgment from investors. The long time investor considers that the company that is not able to establish a stable dividend policy is a company that is experiencing financial problems and has not been able to manage the funds that have been invested optimally, thus causing the amount of dividends to be distributed will be low. Meanwhile, the assessment for new investors who will start their investment will not choose the company because it would prefer a company that is able to establish a stable dividend

policy in order to minimize a variety of investment risks that cannot be predicted.

In the dividend policy the company may pay dividends if the liquidity that the company has is sufficient. The higher the company's liquidity, the greater the company's ability to pay dividends because the profits generated by the company are more allocated for dividend payout. The liquidity of the company is said to be healthy if the cash available to the firm is sufficient to meet the immediate payment of short term liabilities. However, in the midst of the current economic condition in Indonesia which is experiencing slowdown and inflation is very high, the company seeks to anticipate various investment risks such as liquidation risk by setting a relatively low dividend policy even though it is not in line with investor expectations.

Indonesia Research on the factors that influence dividend policy has been done first by previous researchers. One of the factors that influence the company in setting dividend policy is the company's liquidity. Sandy and Padjrih (2003) and Dina (2014) concluded that the current ratio does not affect dividend payout ratio differently from the research conducted by Sumariyati and Medyawati (2012) concludes that the current ratio dividend payout ratio.

While research conducted by Suharli (2006) concluded that the policy of dividend payout amount is influenced by profitability and reinforced by liquidity. In line Griffin (2010) and Kibet (2012) which concluded that the variable liquidity (current ratio) effect on dividend payout ratio (dividend payout ratio).

Based on previous research, the company's liquidity level proxied with Current Ratio (CR) and dividend policy proxied by Dividend Payout Ratio (DPR) has not shown consistent results regarding the effect of liquidity on dividend policy. The results of previous studies show different results either partially or simultaneously.

Therefore, the researcher is interested to examine the effect of liquidity on dividend policy proxied with Current Ratio (CR) to Dividend Payout Ratio (DPR) with different unit of analysis and period of study.

B. Statement of the Problem

Based on the above research background, then the formulation of the problem in this study are.

- How to illustrate the liquidity of consumer goods sector of food and beverage sub sector for the period 2010-2014.
- What is the description of dividend policy on consumer goods sector of food and beverage sub-sector for the period 2010-2014.
- What is the effect of liquidity on dividend policy on consumer goods sector of food and beverage sub sector for the period 2010-2014.

C. Objective of the Study

The main objective of the study was to determine the effect of liquidity on the dividend policy of manufacturing sector consumer goods sector food and beverage sub sectors period 2010-2014.

II. LITERATURE REVIEW

A. Overview of Dividend Policy

The dividend policy is the policy taken by the company's management in determining the dividend distribution. According to Sudana (2011: 167), the dividend policy is related to the determination of dividend payout ratio, which is the percentage of net profit after tax which is distributed as dividend to shareholders. Meanwhile, according to Husnan and Pudjiastuti (2006: 297) the use of profits to which the shareholders are entitled, in essence the profits may be divided as dividends or withheld for reinvestment.

From some literature taken from the experts above, the dividend policy is the company's policy in deciding the distribution of corporate profits to shareholders about how much the amount of dividends are distributed and how much profit retained by the company to reinvest in the company's operational activities to gain profit in the future upcoming.

According to Warsono (2003: 275), indicators to measure dividend policies that are widely used there are two kinds of dividend (Dividend Yield) and dividend payout ratio (DPR). In this study the indicators used in dividend policy are DPR (Dividend Payout Ratio). The dividend payout ratio is measured by comparing the dividends that are shared with the profits earned by the company.

B. Overview of Liquidity

Liquidity is a financial ratio that measures a company's ability to meet its short-term liabilities. According to Sutrisno (2009: 251), liquidity is the ability of a company to pay its obligations that must be met immediately. Based on the exposure, the liquidity is the ability of the company to pay its short term obligations at maturity.

Liquidity indicator in this research is current ratio which can be calculated by comparing the amount of current assets with the company's current debt. This is supported by the exposure syamsyuddin (2009: 45) which describes Current Ratio is a true indicator of corporate liquidity, because the calculation considers the relative relationship between current assets with current debt for each company.

To facilitate the level of interpretation of the level of liquidity of a company following the criteria will be presented in Table 2.

Liquidity Level Achieved by Company	Interpretation
1. Less than 200 %	less capable
2. Similar to 200 %	capable
3. More than 200 %	quite capable

Table 2. Interpretation of Liquidity Level
Source: Harnanto (in Kurniawan, 2004: 2)

C. Conceptual Framework

Management decisions in determining how much profit will be reinvested in the company and how much profit to be distributed in the form of dividends is called dividend policy. The dividend policy is a topic that is often discussed among investors, because the dividend policy concerns two different interests between the company and the investor. Investors want the dividend policy set by the company to pay dividends on a regular basis each year, while the company in practice distributes dividends irregularly with small amounts and some even don't pay dividends at all.

This is done by the company with the aim of maximizing retained earnings to be invested in more profitable corporate projects. Hopefully, the resulting profits can now generate greater profits in the future. However, it is also different from the opinion of investors who claim that rather than returning the profits reinvested in the hope of uncertain and obviously risky profits, it is better for the firm to set dividend policy by distributing dividends in large amounts because dividends are earnings of a certain nature in hand.

Such disagreements become an inner problem dividend policy. Companies are required to be able to establish dividend policies that can meet two different interests between companies and investors. Therefore, before determining the dividend policy, the company must pay attention to the factors that can influence the company in determining its dividend policy, so that the dividend policy taken can benefit both parties between investor and company. Factors affecting dividend policies include profitability, corporate financing needs, investment opportunities, income stability, liquidity and growth rates.

In determining the dividend policy that the company distributes usually in the form of cash dividends. The cash dividend that the company distributes will be affected by the company's liquidity. Cash dividend is the cash outflow that requires the company to provide sufficient cash to meet the dividend policy. Companies that have good liquidity can pay dividends, because before establishing a dividend policy the company will usually pay attention to the liquidity position first. The liquidity ratio that illustrates the company's ability to pay its short-term liabilities is a matter of consideration because if the dividend has been announced by the company, the dividend becomes the short-term liability of the company to be paid to the investor immediately. So the company must be able to provide enough cash to meet the dividend policy that has been set.

Companies that do not pay dividends are companies that have low liquidity levels. Low liquidity causes companies to decide, the resulting profits to maintain the company's liquidity. Current assets are very important role in the company because the current assets support the company's operational activities every day. Total current assets owned by the company must be able to meet the company's short term liabilities. Therefore, maintaining liquidity becomes very important to do because liquidity is directly related to the daily operational activities of the company. High and low liquidity ratio can also indicate whether or not a company's health. Usually investors will see this ratio as an assessment of the performance of a company. To measure liquidity in this study using current ratio as an indicator.

Maintaining and even increasing the liquidity ratio is certainly important because liquidation risk cannot be avoided if not driven by an increase in the level of corporate liquidity. The higher the company's liquidity the more it can afford the company in paying its short term liabilities. Increasingly provides a high opportunity in determining the company's dividend policy to be able to distribute large amounts of dividends in accordance with the expectations of investors in general. The dividend policy indicator in this research uses dividend payout ratio. Dividend payout ratio is able to give an idea to the investor about how much profit can be given by company in the form of cash dividend.

Therefore, before the management determines the dividend policy then must first consider the condition of the company that one of them pay attention to the company's liquidity. Where liquidity is an outflow of cash that is always required to meet the payment of short-term liabilities and cash dividends is a short-term liability company that must be paid immediately if the dividend has been established and announced in the discretion of a company's dividends.

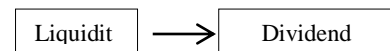Based on this framework then can be described in the picture below.

Liquidit $\longrightarrow$ Dividend

Fig 1:- Relationship of Variables

III. RESEARCH METHODOLOGY

A. Sampling Procedure and Sample Size

According to Arikunto (2010: 173), the population is the whole subject of research." Manufacturing companies of the goods sector and food and beverage subsectors listed on the Indonesia Stock Exchange become the population in this study with the number of 15 companies.

Samples are part or representative of the population studied. Sampling technique used in this research is Probability Sampling with Purposive Sampling technique.

The criteria used by the author to take samples in this study are.

- Manufacturing companies must be listed on the Stock Exchange in the consumer goods sector of the food and beverage sub sector
- Manufacturing companies should be recorded in the period of research that is in the year 2010 - 2014 and did not experience delisting
- The Company has financial statements in 2010 - 2014.

After conducting sample selection process, there are 10 companies that meet the criteria, 10 companies will be sampled in this research and the following is presented in table 3.

No.	Emiten	Company Name
1	ADES	PT AkashaWiraInternasionalTbk
2	DLTA	PT Delta Djakarta Tbk
3	ICBP	PT Indofood CBP SuksesMakmurTbk
4	INDF	PT Indofood SuksesMakmurTbk
5	MLBI	PT Multi Bintang Indonesia Tbk
6	MYOR	PT Mayora Indah Tbk
7	PSDN	PT Prashida Aneka NiagaTbk
8	ROTI	PT Nippon IndosariCorporindoTbk
9	STTP	PT Siantar Top Tbk
10	ULTJ	Ultrajaya Milk Industry and Tranding Company Tbk

Table 3. Sample of Research

B. Data Collection Procedure

Data collection techniques in this study using documentation method. Document used in this research is secondary data in the form of company's financial report in manufacturing sector of food and beverage sub sector which listed in Indonesia Stock Exchange (IDX) in period 2010-2014.

C. Data Analysis and Hypothesis Testing

Data analysis technique used in this research is descriptive statistic by using panel data (pooled data). To know the ratio of related variables in advance by analyzing the accounting data as follows.

- Independent Liquidity Variables

Current Ratio =

(Irawati, 2006: 28)

- Dependent Variables Dividend Policy

(Lukas, 2008: 285)

In this research hypothesis testing is done with. simple linear regression analysis for panel data. The panel data regression equation becomes.

Priadanan and Muis (2009: 184)

According Rohmana (2013: 241) in estimating the panel data regression model there are three kinds of methods that is common effect, fixed effect, and random effect. Result of the three models, to determine the most appropriate method can be tested using chow test and Hausman Test.

The classical assumption test conducted in this study includes testing of normality and linearity. Test F (Test of Regression Perseverance) to obtain a description of the significance of regression relationship between variable X (liquidity) to variable Y (dividend policy).

Test t (Experiment Test of Regression Coefficients) indicate how far the influence of one individual explanatory/independent variable in explaining the variation of the dependent variable by assuming the other independent variable is fixed.

IV. RESULT AND DISCUSSION

This study aims to test whether the liquidity proxied by Current Ratio (CR) has an effect on the dividend policy of manufacturing sector of consumer goods sector of food and beverage sub sector listed in Indonesia Stock Exchange period 2010-2014. This research uses secondary data in the form of report finances that have been audited. Then the researchers process the data that has been collected and analyze and test the related variables.

The variables in this study are liquidity as independent or independent variables proxied by current ratio (CR) and dividend policy as dependent variable or dependent proxies with dividend payout ratio (DPR). Hypothesis testing in this research using panel data regression analysis by doing three times of testing through Pooled Least Square model, Fixed Effect Model, and Random Effect Model. Next, the selection of regression model with chow test and hausman test. Based on the results of chow test and hausman test known that Fixed Effect is the most appropriate model used in panel data regression in this study.

The test results show that CR has a positive influence toward dividend policy with a coefficient of 0.1379 which means that every increase of CR by one unit (assuming other variables are constant) will increase the dividend payout ratio by 0.1379 units in the dividend policy defined by the company. Then, based on the calculation of the test t test hypothesis, obtained t calculation for Current Ratio (CR) is 4.027 while for t table in this study is equal to 1.678. The value of t arithmetic > t table and the level of significance $0.0003 < 0,05$, so it can be concluded that liquidity which is proxied with current ratio (CR) have significant effect on dividend payout ratio (DPR) policy.

Company liquidity continues to fluctuate, in 2010-2014 as many as 40% of companies have less liquidity to meet their short term liabilities, and as many as 30% of companies have quite liquidity to meet their short term liabilities, while the rest in 2010-2014 30% of companies only in a certain period alone have liquidity that is said to be able to meet its short term obligations.

Dividend policy measured by dividend payout ratio describes there are some companies that pay dividend every period and there are some companies that pay dividend in certain period only, dividend payout ratio owned by different company, amount of dividend payout ratio every period there is fluctuation and some are relatively stable.

Based on result of F test, it is concluded that F count >Ftable value, that is 16,37 > 3,20 then H0 is rejected and H1 accepted. It shows that regression means that the regression model in this research can be used to make the conclusion that liquidity has an effect on dividend policy. Where corporate liquidity measures how much a company's ability to meet its short term liabilities.

If the company has established a dividend policy by announcing that it will distribute cash dividends then the dividend becomes one of the short term debts of the company that must be paid immediately. So liquidity is an important thing to consider in setting dividend policy because before the company distributes profits in the form of cash dividends, the company must first meet its liquidity.

This research supports previous research that has been done by Sumariyati and Medyawati (2012), Griffin (2010) and Kibet (2012) which concluded that the current ratio influences to dividend payout ratio.

V. CONCLUSION AND RECOMMENDATION

A. Conclusion
Based on the results of research on the effect of liquidity on the dividend policy of manufacturing sector of consumer goods sector food and beverage sub-sector listed on Indonesia Stock Exchange 2010-2014 can be drawn conclusion as follows.

- Company liquidity continues to fluctuate, in 2010-2014 as many as 40% of companies have less liquidity to meet their short term liabilities, and as many as 30% of companies have quite liquidity to meet their short-term liabilities, while the rest in 2010-2014 30% of companies only in a certain period alone have liquidity that is said to be able to meet its short-term obligations.
- Dividend policy measured by dividend payout ratio describes there are some companies that pay dividend every period and there are some companies that pay dividend in certain period only, dividend payout ratio owned by different company, amount of dividend payout

ratio every period there is fluctuation and some are relatively stable.
- Liquidity has a significant positive effect on the dividend policy set by the manufacturing sector of consumer goods sector of food and beverage sub sector in 2010-2014.

B. Recommendation
This research is far from perfection and has limitations, such as the period of research used in this study only five accounting period, free variable used only one variable that is liquidity and not add other independent variables, the company under study is limited due to the specific company unit. The suggestions that researchers can provide include the following.

- For companies with less than 200% liquidity it is advisable to increase their liquidity level by increasing the amount of cash available to the firm, increasing the turnover rate of receivables and inventories. Meanwhile, companies with more than 200% liquidity are advised to maintain their liquidity by providing sufficient cash to meet corporate liquidity, maintaining receivable turnover and inventory turnover.
- For companies with a fluctuating of dividend payout ratio, it is advisable for the following period to establish a relatively stable dividend policy and for a company that does not pay dividends in determining its dividend policy it is advisable for the subsequent period to establish a dividend policy on a regular basis by improving the company's ability to generate profits and provide funds which is sufficient to meet dividend payouts. Meanwhile, for companies that are able to set dividend policy on a regular basis each period, it is advisable to maintain consistency by maintaining the company's ability to generate profits and providing sufficient funds to meet dividend payments.
- To further researchers interested in researching the effect of liquidity on dividend policy, it is advisable to try to examine different objects and periods or to add other variables that influence dividend policy as a comparison with the research that has been done.

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