

The Effect of Profitability, Leverage, Liquidity, Activity, and Company Size on Dividend Policy in Energy Sector Companies Listed on the Indonesia Stock Exchange in 2015-2022

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ABSTRACT

The purpose of this research is to identify the relationship between Profitability (X1), Liquidity (X2), Leverage (X3), Activity (X4), and Company Size (X5) on dividend policy in the energy sector listed on the Indonesia Stock Exchange from 2015 to 2022. Secondary sources used in this research were collected using a purposive sampling method. Accounting analysis methods and statistical analysis with the SPSS application were used in the information analysis process. The results of the analysis show that profitability (X1) and liquidity (X3) do not affect dividend policy, while leverage (X2), activity (X4), and company size affect dividend policy. Simultaneously, all independent variables affect dividend policy.

Keywords: Activity; Dividend policy; Leverage; Liquidity; Profitability; Company size

INTRODUCTION

To maintain and run its business operations, a company requires capital. The sources of cash a company obtains come from both within and outside the business. External financing for companies comes from parties with larger funds, or investors who invest in capital market instruments, namely stocks. Investors will invest in profitable businesses, as proven by a company's financial analysis. A company's high public value is reflected in its high share price, and vice versa (Ningtyas et al., 2022).

When investing in a company, investors naturally expect a return in the form of capital gains and dividends. Therefore, to succeed in the competition and achieve its objectives, which essentially revolve around maximizing shareholder profits, a company must be able to fulfill its essential organizational responsibilities (Ramadhan et al., 2021).

The energy sector experienced fluctuations in dividend distributions, such as PT Indo Tambangraya Megah (ITMG), which distributed a dividend of US\$35.5 million in 2020, lower than the US\$129.42 million distributed last year. Furthermore, PT PTBA distributed a dividend of US\$74.69 per share in 2021, lower than the previous year's dividend of US\$326.46 per share. Source: www.marketbisnis.com.

In contrast to PT ITMG and PT PTBA, PT Sumber Energi Andalan Tbk (ITMA) experienced a surge in the company's net profit in 2022 compared to previous years, but this contrasts with its dividend distribution. During 2018-2022, ITMA did not distribute dividends from its net profit, even though its profit increased. Source: www.idx.co.id.

According to Irma (2021:77), dividend distribution is not only in cash but can also be done through stock dividends and other means. In dividend policy, the percentage of profits distributed to investors is known as the dividend payout ratio. Dividends are distributed to investors immediately after being decided at the GMS (Darmawan, 2018:76). The dividend payout ratio is an important factor for investors because a high dividend payout rate will influence their investment decisions. Dividends are the amount distributed as profits to investors based on the number of shares they own. Dividends also reduce shareholders' liquid assets and liabilities.

A company's success in managing its business to generate profits is called profitability (Rahayu, 2020:20). Profitability is one of the variables that determines how much a company distributes dividends; the level of profitability indicates this. As research conducted by Aman & Altass (2000), Ishaq, et.al (2018), Gul, et.al (2020), Hung, et.al (2018), Chang, et.al (2019), Halaby, et.al (2018), Ping & Murapiro (2021), Sudiartana & Yudiantara (2020) found that dividend policy is positively influenced by profitability. Meanwhile, studies conducted by Bista, et.al (2019), Nazari, et.al (2018), and Kumar (2020) show that dividend policy is negatively influenced by profitability.

The extent to which a company spends external capital is called leverage (Sumardi & Suharyono, 2020:25). Companies have greater responsibilities to meet higher leverage ratios. Conversely, lower leverage ratios result in larger dividend payments. Studies by Saini et al. (2021), Raphael & Mnyavanu (2018), Bawamenewi & Afriyani (2019), Wijayanto & Putri (2018), Prastya & Jalil (2020) show how leverage positively influences dividend policy, while studies by Sharma (2020), Melese & Ravi (2019), Thanh et al. (2022), and Sebastian & Siauwijaya (2021) show how leverage negatively impacts dividend policy.

A business's ability to repay short-term debt maturing in the short term, or less than one year, is assessed using the liquidity ratio. An organization must generate substantial profits, which will be distributed as dividends to investors to cover its short-term obligations. Studies conducted by Saini et al. (2020), Melese & Ravi (2019), Raphael & Mnyavanu (2018), Arsyad et al. (2021) show a positive effect on dividend policy, while studies by Sharma (2020), Ping & Murapiro (2021) show how liquidity negatively affects dividend policy.

Activity ratios are useful tools for evaluating an organization's asset utilization, particularly its resource utilization. The amount of dividends paid increases with business productivity. Research conducted by Tram & Nga (2023), Benjamin et al. (2018), and Arsyad, et al (2021), Susellawati, et al (2020), Isnatun (2022) stated that dividend policy is influenced by activity ratio. However, this contrasts with Sebastian & Siauwijaya (2021), who showed a lack of impact of activity on dividend policy.

A company's size can be determined by adding up all its assets, sales, and personnel. This gives you an idea of how large or small the company is. Larger businesses consistently generate profits and pay dividends. Studies conducted by Dewasiri et al. (2019), Bista et al. (2019), Sudiartana & Yudiantara (2020), Prastya & Jalil (2020), and Isnatun (2022) show that dividend policy is influenced by company size. However, unlike studies conducted by Nazari et al. (2018), Farooq et al. (2022), Raphael & Mnyavanu (2018), Ping & Murapiro (2021), and Pattiruhu & Paais (2020), dividend policy is not influenced by company size.

Based on the phenomenon, background, and various research findings mentioned previously, the researcher would like to delve deeper into the topic, namely "The Effect of Profitability, Leverage, Liquidity, Activity, and Company Size on Dividend Policy in Energy Sector Companies Listed on the Indonesia Stock Exchange in 2015 - 2022."

1. Theoretical basis

1.1. Agency Theory

Agency theory holds that managers, company owners, and investors have different interests. To maintain a smooth-running relationship between managers and business owners, owners delegate decision-making power to managers. Compared to shareholders or capital owners, company managers are more knowledgeable about the organization's operations and prospects. Typically, company management retains cash to pay for or expand investments, but shareholders expect cash dividends because investors who invest in a company expect to receive returns from their investment.

1.2. Signaling Theory

According to signaling theory, companies are encouraged to disclose their financial information to external parties. This includes information about the company's current and future prospects, as well as its ongoing activities. Signaling theory and dividend policy are interrelated. Investors can obtain information about a company's future conditions and prospects through financial information. A company is considered to be performing well and experiencing positive growth if it pays significant dividends. A similar approach applies to businesses that distribute small dividends. Information about management actions to meet owner expectations serves as this signal. As a result, managers and investors have access to the same company information. External parties require complete and up-to-date information, which the company must use in decision-making.

1.3. Dividend Policy

Dividend policy determines whether annual profits will be distributed to investors as dividends or set aside to generate more funds for future investments. According to Darmawan (2018:4), dividend policy is the decision to distribute profits or retain them for reinvestment in the business.

1.4. The Relationship Between Profitability and Dividend Policy

One of the financial data that can be used to calculate the company's skills in Earning profit is called profitability. Dividends are paid when a company generates a profit. If profits are higher, shareholders

will receive a larger dividend payment; if profits are lower, the dividend payment will be smaller.

H1: Dividend policy is influenced by profitability.

1.5. The Relationship Between Leverage and Dividend Policy

Leverage Leverage is a measure of how well a company can meet its long-term obligations. The more a company can meet its obligations, the more likely it is to distribute dividends to its owners. Although leverage is always higher, the amount of dividends paid is usually lower.

1.6. The Relationship Between Liquidity and Dividend Policy

Liquidity ratios measure a company's capacity to repay short-term loans maturing in less than a year or sooner. A liquid business is able to repay its debts in full within a specified time frame. A company's liquidity level is directly proportional to its ability to pay dividends in accordance with investors' expectations when investing.

H3: Dividend policy is influenced by liquidity.

1.7. Relationship between Activity and Dividend Policy

Activity is a useful tool for assessing how well a company generates income from its assets. Companies that utilize their assets effectively and efficiently are more likely to distribute larger dividends.

H4: Dividend policy is influenced by activity.

1.8. The Relationship Between Company Size and Dividend Policy

A company's total assets, which will be used for its operations, and its total sales are used to calculate company size. The potential dividend distribution rate increases with company size.

H5: Dividend policy is influenced by company size.

1.9. The Relationship between Profitability (X1), Leverage (X2), Liquidity (X3), Activity (X4), and Company Size (X5) and Dividend Policy (Y)

This research looks at the partial relationship between the related variables and the existing independent variables and looks at the relationship between the independent variables carried out simultaneously.

H6: Profitability, Leverage, Liquidity, Activity, and Company Size influence dividend policy.

RESEARCH METHOD

In this research, annual financial data is used as a secondary data source in the energy sector which is taken from www.idx.co.id. This study used a quantitative association method. The sample was selected using purposive sampling, which was selected using the following standards in accordance with the research objectives:

1. Energy companies listed on the Indonesia Stock Exchange from 2015 to 2022.
2. Companies that made a profit between 2015 and 2022.
3. Companies that provided cash dividends from 2015 to 2022

Ten samples of energy sector organizations met the research criteria over the seven years of the study, based on the aforementioned criteria.

3.1 Operationalization of Variables

Operational variables are used to provide insight into how researchers measure each variable involved in the study.

1. Profitability

According to Rahayu (2020:20) it is the extent to which a business manages and generates profits.

$$\text{Return on Assets (ROA)} = \text{Net Profit} / \text{Total Assets}$$

2. Leverage

According to Sumardi & Suharyono (2020:25), it describes the extent to which a company carries out foreign investment.

$$\text{Debt to Equity} = \text{Total Debt} / \text{Equity}$$

3. Liquidity

According to Rustiana (2022:196) it is the ability to obtain liquidity to meet short-term responsibilities.

$$\text{Current Ratio} = \text{Current Assets} / \text{Current Liabilities}$$

4. Activity

According to Sukamulja (2019:99) how effectively the company uses its assets to achieve sales.

$$\text{Total Asset Turnover} = \text{Net Sales} / \text{Total Assets}$$

5. Company Size

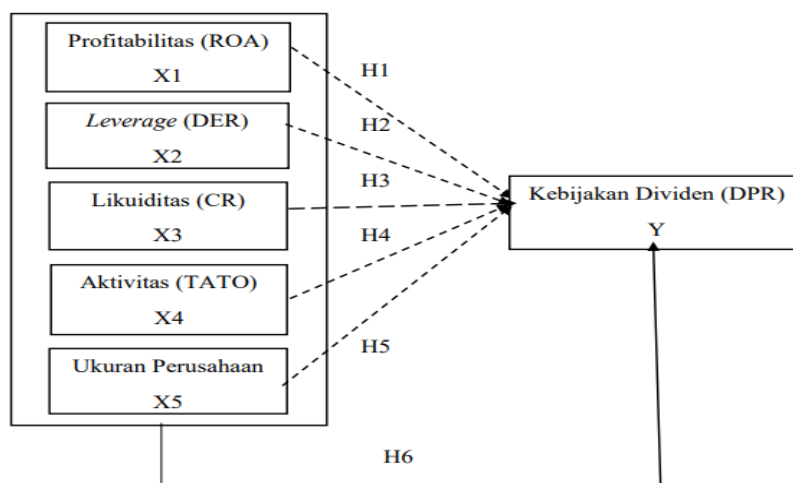
According to Effendi & Ulhaq (2021:21) the number of assets, turnover, and number of employees can be used to determine how big or small a company is.

$$\text{Company Size} = \ln \text{Total Assets}$$

6. Dividend Policy

According to Darmawan (2018:4) dividend profits policy is related to the decision to distribute or keep them for reinvestment in the business.

$$\text{Dividend Payout Ratio} = \text{Dividends Per Share} / \text{Earnings Per Share}$$



3.2 Figure 1

Conceptual Framework
Scheme

3.2 Data collection technique

This study employed documentation techniques to systematically gather information. This research utilized information from the Indonesia Stock Exchange (IDX) for the years 2015-2022, specifically the annual financial reports of companies operating in the energy sector.

3.2.1 Accounting Analysis

According to Kasmir (2021:235), accounting analysis is a method for examining financial data in financial statements. The goal of accounting analysis is to understand and identify the results of a company's financial statements.

3.2.2 Descriptive Statistical Analysis

Rather than making general assumptions or generalizations about a particular data set, descriptive statistics are used to describe information in its raw form.

3.2.3 Multiple Linear Regression Analysis

The relationship between independent and dependent variables is examined using multiple linear regression. The dependent variable in a multiple regression model is determined by the independent variables. Furthermore, the purpose of multiple regression analysis is to determine whether the independent and dependent variables are functionally or causally related. For multiple linear regression, the following equation is used:

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + e$$

3.2.4 Classical Assumption Test

The classical assumption test is conducted in such a way that the statistical test results can be considered valid and interpreted correctly. Classical assumption testing is conducted as a prerequisite before proceeding with further analysis of the collected data. Five classical assumption tests are used: linearity, autocorrelation, heteroscedasticity, multicollinearity, and normality.

3.2.5 Hypothesis Testing

The t-test and F-test are used to determine whether the independent variable is significantly influenced by the dependent variable.

3.2.6 Coefficient of Determination Test

The ability of multiple linear regression models to explain differences in the data was evaluated using the coefficient of determination. The coefficient of determination ranges from 0 to 1. If the coefficient of determination is close to 1, then almost all data is needed to explain the dependent variable.

RESULTS AND DISCUSSION

4.1. Results

Financial information from the Indonesia Stock Exchange is used to calculate profitability, leverage, liquidity, activity, company size, and dividend policy. SPSS is then used to analyze the information to produce faster and more accurate findings.

4.1.1 Descriptive Statistical Analysis

To analyze information, statistical analysis is used to explain or describe Research information. The average, standard deviation, minimum, and maximum results for each variable provide a clear reflection. The results of this descriptive research analysis are shown in the following table:

Tabel 1
Analisis Statistik Deskriptif

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	80	1.00	62.00	15.3125	14.13819
DER	80	14.00	223.00	73.7875	45.43954
CR	80	84.00	788.00	218.2000	130.99835
TATO	80	39.00	259.00	121.0000	41.80152
FS	80	2759.00	3276.00	2972.9750	134.27395
DPR	80	11.00	181.00	58.3250	42.79204
Valid N (listwise)	80				

Sumber: Output SPSS Versi, 25.0, 2024

4.1.2 Multiple Linear Regression Analysis

The aim of this research is to describe how activity, leverage, profitability, and Company size influences dividend policy. The results of the multiple linear regression analysis are as follows:

Tabel 2
Hasil Analisis Regresi Linier Berganda

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-262.040	142.517		-1.839	.070
	ROA	-.962	.489	-.318	-1.968	.053
	DER	-.311	.123	-.330	-2.518	.014
	CR	-.047	.042	-.143	-1.123	.265
	TATO	.455	.181	.445	2.518	.014
	FS	.105	.044	.330	2.397	.019

Sumber: *Output SPSS Versi, 25.0, 2024*

Berdasarkan tabel di atas diperoleh persamaan regresi linier berganda sebagai berikut:

$$Y = -262.040 + -0.962 X_1 - 0.311 X_2 - 0.47 X_3 + 0.455 X_4 + 0.105 X_5 + e$$

4.1.3 Classical Assumption Test

Classical assumption testing is used, which requires the fulfillment of several hypotheses to be ensure the impartiality of regression conclusions. The classical assumption test consists of:

1. Normality Test

Tabel 3
Hasil Uji Normalitas Data *One-Sample Kolmogorov-Smirnov Test*

				Unstandardized Residual
N				80
Normal		Mean		.0000000
Parameters ^{a,b}		Std. Deviation		38.23639375
Most Extreme Differences	Extreme	Absolute		.104
		Positive		.104
		Negative		-.078
Test Statistic				.104
Asymp. Sig. (2-tailed)				.033 ^c
Monte Carlo Sig. Sig.				.336 ^d
(2-tailed)	99% Confidence Interval	Lower Bound		.324
		Upper Bound		.348

a. Test distribution is Normal.

b. Calculated from data.

Sumber: *Output SPSS Versi 25.0, 2024*

The Kolmogorov-Smirnov Monte Carlo data normality test result is 0.336, above the 0.05 significance level, consistent with the previous table. As a result, we can verify that the regression model meets the normality assumption and that the data collected for this investigation is normally distributed.

2. Multicollinearity Test

Tabel 4
Hasil Uji Multikolinearitas

Model		Collinearity Statistics	
		Tolerance	VIF
1.	ROA	.414	2.418
	DER	.629	1.591
	CR	.668	1.497
	TATO	.346	2.892
	FS	.568	1.762

Sumber: *Output SPSS Versi 25.0, 2024*

The tolerance value for each variable is greater than 0.1, and the VIF value is less than 10, confirming the multicollinearity test. Based on these findings, it can be concluded that the research's linear regression model is accurate and shows no indication of multicollinearity.

3. Heteroscedasticity Test

Tabel 5
Hasil Uji Heteroskedastisitas

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1314.568	928.645		-1.416	.161
	ROA	-.001	.002	-.043	-.330	.742
	DER	-.034	.072	-.058	-.477	.635
	CR	.003	.026	.015	.120	.905
	TATO	.018	.088	.028	.207	.836
	FS	.055	.029	.272	1.898	.062

a. Dependent Variable: ABSRESID

Sumber: *Output SPSS Versi 25.0, 2024*

ROA has a significant value of 0.742, DER of 0.635, CR of 0.905, TATO of 0.836, and FS of 0.062. These findings, along with the table above, indicate that the research regression model does not show any indication of heteroscedasticity.

4. Autocorrelation Test

Tabel 6
Hasil Uji Autokorelasi

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.449 ^a	.202	.148	39.50705	1.950

a. Predictors: (Constant), FS, ROA, DER, CR, TATO

b. Dependent Variable: DPR

Sumber: *Output SPSS Versi 25.0, 2024*

Based on the table above, the DW table produces a dL value = 1.5070 and a 4-dU value = 2.2284 for the number of data (n) = 80 and k = 5. This is with a significance level of 0.05. The following standards must be met for the autocorrelation test to qualify: The Durbin Watson value is between the upper limit (dL) and (4-dU), therefore if there is a DW, $dU < d < 4-dU$ or $1.7716 < 1.950 < 2.2284$, then it is concluded that there is no autocorrelation.

4.1.4 Hypothesis Testing

To test this hypothesis, we use a partial test (t) and a simultaneous test (F).

1. Partial Test (t)

Tabel 7
Hasil Uji Parsial

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-262.040	142.517		-1.839	.070
	ROA	-.962	.489	-.318	-1.968	.053
	DER	-.311	.123	-.330	-2.518	.014
	CR	-.047	.042	-.143	-1.123	.265
	TATO	.455	.181	.445	2.518	.014
	FS	.105	.044	.330	2.397	.019

Sumber: *Output SPSS Versi 25.0, 2024*

Based on the results of the t-test above, the following conclusions can be drawn:

a. Profitability (X1)

Dividend policy is not affected by profitability, with a calculated t-value of -1.968 greater than the t-table of -1.992, and a significant value of $0.053 > 0.025$. Therefore, H0 is accepted and H1 is rejected.

b. Leverage(X2)

Dividend policy is negatively affected by leverage because the significance value is as much

as

0.014 is lower than 0.025 and the calculated t value is -2.518 lower than the table t value of -1.992. Thus, H2 is accepted and H0 is rejected.

c. Liquidity (X3)

Dividend policy is not affected by liquidity with a significance value of 0.265 greater than 0.025, and a calculated t value of -1.123 greater than the t table value of -1.992. Thus, H0 is accepted while H3 is rejected.

d. Activity (X4)

Dividend policy is positively and significantly influenced partially by activities with at valueThe calculated value of 2.518 is greater than the t table of 1.992, and the significance value of 0.14 is smaller than 0.025. Therefore, H0 is rejected, while H4 is accepted.

e. Company Size (X5)

Dividend policy is influenced by company size, based on the regression results with a calculated t value of 2.397, greater than the t table of 1.992, and a significant value of 0.19, less than 0.025. Therefore, H0 is rejected while H5 is accepted.

2. Simultaneous Test (F)

Tabel 8
Hasil Uji Simultan

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	29161.827	5	5832.365	3.737	.005 ^b
	Residual	115499.723	74	1560.807		
	Total	144661.550	79			

a. Dependent Variable: DPR

b. Predictors: (Constant), FS, ROA, DER, CR, TATO

Sumber: *Output SPSS Versi 25.0, 2024*

The table above shows that H6 is accepted and H0 is rejected with a calculated F of 2.737 and a table F of 1.36, with a significance value of 0.005, lower than 0.025. Therefore, the independent variables in this study have a simultaneous effect on dividend policy.

4.1.5 Coefficient of Determination Test

The coefficient of determination analysis determines how effectively variables such as profitability, leverage, liquidity, activity, and business size can explain variations in the

Tabel 9
Hasil Uji Koefisien Determinasi

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.449 ^a	.202	.148	39.50705	1.950

Sumber: *Output SPSS Versi 25.0, 2024*

dividend policy variable. Adjusted R Square is used for multiple linear regression.

As much as 0.148 or 14.8% of the dividend policy in this research was influenced by the independent variables contained, while the remaining 85.2% was influenced by other variables or aspects not included in this research.

CONCLUSIONS (bold)

The conclusion of this research is to determine the effect of independent variables on dividend policy using 80 financial statements, a sample of which was taken from the energy industry listed on the IDX. The following is a summary:

1. Dividend policy is not influenced by profitability
The t-value of -1.968 is greater than the t-table value of -1.992, and the significance value of 0.053 is greater than 0.025, supporting the idea that dividend policy is not influenced by profitability. Therefore, H0 is accepted while H1 is rejected. In this case, the company's profitability value is not used to determine dividend policy. This is because all company assets have not been utilized for business purposes ideally, resulting in profit underutilization that does not affect the amount of dividends paid. Therefore, dividend distribution is not affected by the magnitude of the profit increase rate.
2. Dividend policy is negatively affected by leverage
Leverage negatively impacts dividend policy because the calculated t-value of -2.518 is smaller than the t-table value of -1.992, and the significance value of 0.014 is smaller than 0.025. Therefore, H0 is rejected and H2 is accepted. The greater the leverage, the higher the risk faced by the organization, and the higher the DER, the higher the amount of debt and interest expenses. This is how leverage is assessed by DER. Instead of distributing dividends, the company will prioritize paying off its debt and generating profits to be retained.
3. Dividend policy is not affected by liquidity.
Liquidity has no effect on dividend policy; the calculated t value of -1.123 is greater than the t table value of -1.992, and the significance value of 0.265 is greater than 0.025. Therefore, H0 is accepted while H3 is rejected. In this study, the high level of liquidity in this sector can be influenced by increased coal inventories and output, but liquidity, as measured by CR, has no effect on dividend policy. Consequently, there are many current assets. Because there is an increase in inventory rather than cash, the increase in liquidity has no effect on dividend payments.
4. Dividend policy is positively influenced by activity.
Activities have a positive influence on dividend policy, as proven by The calculated t-value of 2.518 is higher than the t-table of 1.992, and the significance value of 0.14 is lower than 0.025. Therefore, H0 is rejected, while H4 is accepted. The higher the company's activity ratio, the more effectively the company uses its resources to generate revenue from its operations. Increased company profits can impact dividend payments.
5. Dividend policy is influenced by company size.
The regression results show a calculated t-value of 2.397, higher than the t-table of 1.992, and a significant value of 0.19, lower than 0.025, indicating that dividend policy is influenced by company size. Consequently, H5 is accepted and H0 is rejected. Companies with a high level of company size also have excellent financial potential. The company's revenue and profit levels, as well as the amount of dividends to be paid, all increase with the company's size.
6. Dividend policy is influenced jointly by profitability, leverage, liquidity, activity, and company size.

The calculated F-value is 2.737 and the F-table value is 1.36, with a significance value of 0.005, lower than 0.025. Therefore, the independent variables in this study have a concurrent effect on dividend policy. Therefore, H6 is accepted and H0 is rejected.

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