THE INFLUENCE OF PROFITABILITY, LIQUIDITY AND INFLATION ON DIVIDEND POLICY IN PRIMARY CONSUMER SECTOR COMPANIES ON THE INDONESIAN STOCK EXCHANGE

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Abstract: This research is a quantitative study that aims to determine the effect of profitability, liquidity and inflation on dividend policy in primary consumen sector companies listed on the Indonesia Stock Exchange in 2019 - 2022. This study used 26 companies as samples with purposive sampling method. The method used is Panel Data Regression Analysis and Moderate Regression Analysis (MRA) with the E-Views 12 program. The results of this study indicate that (1) Profitability effects dividend policy, (2) liquidity has no effect on dividend policy, (3) inflation has no effect on dividend policy.
Keywords:Dividend Policy; Profitability; Liquidity; Inflation

INTRODUCTION

Dividend is the distribution of part the profit given by the company to shareholders, which comes from the profit generated by the company.derived from the profits generated by the company. This dividend distribution providespositive signal to the market because it shows that the company is able toprovide benefits to investors and improve their welfare, them.

If the price ofsector's share price is allowed to continue to decline, investors tend not to look at the company because they consider that if the company's share pricewill not look at the company because they assume that if the stock price is low, the company's condition and performance are less than optimal.low then the condition and performance of the company is less than optimal. Stock prices can beinfluenced by dividends because a dividend policy will provide information about the company's profits.related to the company's profit.

Profitability describes the company's abilityin achieving the profit needed to carry out its operational activities (Reinaldo& Ardiansyah 2020). Profitability has an influence on dividend policydividend policy because the higher the level of profitability of the company, the more likely it is that the company will pay dividends with a highmore likely the company will pay a significant amount of dividendssignificant

The liquidity ratio describes the company's ability to meet its short-term obligations. This ratio is used to measure the extent to which the company can pay off short-term obligations that will mature (Monika & Sudjarni, 2017). Where the size of the company's liquidity will have an impact on the size of the dividends given,

Inflation refers to the tendency of product prices to increase in general in a country. Inflation has the potential to have a negative impact on production costs and public welfare. Inflation also has a broad impact, including price increases, decreased economic growth, decreased competitiveness, increased interest rates, uneven income distribution, and high unemployment rates. Increase for companies with a high level of solvency, because it can lead to a decrease in profits and lower dividend distributions (Natsir & Bangun, 2021). Based on the background that has been stated previously, the problem in this study are profitability, liquidity, and inflation affect dividend policy.

METHODS

Dividend policy includes the company's decision to distribute profits to shareholders in the form of dividends or retain profits. The formula used in the calculation of DPR:

$$DPR = \frac{dividen\ per\ share}{earning\ per\ share}$$

Source :(Hery, 2018:45)

Profitability is used to assess the company's ability to generate profits. The indicator used in this profitability variable research is Return On Equity (ROE). The formula used in the calculation of ROE:

$$ROE = \frac{Net\ Profit\ after\ tax}{Equity}$$

Source :(Hery, 2016:26)

Liquidity is the company's ability to finance and fulfill obligations or debts when due. Research indicators conducted on liquidity using CR. The following is the formula for calculating CR:

$$Current\ ratio = \frac{Current\ Assets}{Current\ Liabilities}$$

Source :(Hery, 2016:52)

Inflation increases the price of basic necessities and production raw materials causing the company's production costs to rise. The indicator used in inflation uses Inflation value data. The following is the formula for calculating Inflation:

$$Inflasi = \frac{IHKn - IHKn-1}{IHKn-1}$$

Source : (Iskandar Putong, 2013:418)

This research is a study to find the effect of independent variables on the dependent variable and to find the moderating effect on the independent and dependent variables, the independent variables in this study are profitability, liquidity, inflation while the dependent variable is dividend policy. This research uses quantitative methods with the type of data sourced from secondary data. Financial ratio data obtained from the company's financial statements and third party websites such as stockbit and the Indonesia Stock Exchange website.

The population in this study is primary consumer sector companies listed on the Indonesia Stock Exchange (IDX). The sample in this study were primary consumer sector companies listed on the IDX in 2019-2022, totaling 26 companies. The sampling technique used in this study is a sampling technique using purposive sampling method. This means that the sample is determined on the condition that the sample meets the following criteria:

1. Issuers in the primary consumer sector that distribute dividends consecutively from 2019- 2022.
2. Primary Consumer companies that did not conduct an Initial Public Offering (IPO) in 2019-2022.

DISCUSSION

Table 1. Statistical Descriptive Test Results
Descriptive Statistics

	DPR	ROE	CR	INFLASI	BRISK
Mean	0.478558	0.187692	2.618269	2.945000	25.52260
Median	0.395000	0.140000	2.035000	2.295000	25.60000
Maximum	1.610000	1.450000	9.950000	5.510000	29.44000
Minimum	0.060000	0.010000	0.610000	1.680000	21.64000
Std. Dev.	0.297740	0.249708	1.886738	1.539222	1.935753
Skewness	1.574739	4.229289	1.662522	0.945794	-0.105862
Kurtosis	5.322373	20.61767	5.771888	2.142546	2.316648

Source :Eviews 12 (Data Processing,2023)

The following is an explanation of the results of the descriptive statistical test data processing:

Dividend Payout Ratio (DPR)

From the processing data above, that the average value of the dividend policy of 26 primary consumer sector companies for the period 2019 - 2022 is 0.478558 with the highest value of 1.610000 in 2021 at the Delta Djakarta Tbk (DLTA) company, this happened because the company used net profit in that year and also used the company's retained earnings for dividend payments so that the value of dividends distributed was greater than its net profit. The lowest dividend payout ratio value was 0.060000 in 2021 for the Buyung Poetra SembadaTbk (HOKI) company, this happened because the company wanted to focus on operations and face existing challenges so it decided to distribute only a small amount of dividends. From this data, out of 26 companies, there are still many companies that do not have a value above the average because the level of dividend distribution is still fluctuating, as many as 22 primary consumer companies still have a value below the average.

Return on Equity (ROE)

From the processing data above, that the average value of profitability of 26 primary consumer sector companies for the period 2019 - 2022 is 0.187692 with the highest value of 1.450000 in 2020 at the Unilever Indonesia Tbk. (UNVR) company, it can be seen that the profitability of 26 primary consumer sector companies is 0.187692.

This happened because the company managed to print a profit whose value was greater than the company's equity in that year. and the lowest profitability value of 0.010000 in 2022 at the Buyung Poetra Sembada Tbk (HOKI) company, this happened because of a significant decrease in net profit from the company. Where from the data above there are still many primary consumer companies that have a profitability value below the average, where in the 2019-2022 period there were 23 companies.

Liquidity Variable (CR)

From the processing data above, that the average value of liquidity of 26 primary consumer sector companies for the period 2019 - 2022 is 2.618269 with the highest value of 9.950000 in 2022 at the Wilmar Cahaya Indonesia Tbk. (CEKA) company, this happened because of an increase in the company's current assets and also a significant decrease in the company's short-term debt. Meanwhile, the lowest liquidity value is 0.610000 in 2022 at

the Unilever Indonesia Tbk. (UNVR) company, this happens because the company's current assets are smaller than its short-term debt, small current assets are also caused by the company using the net profit earned for dividends so that the cash it has is small. From these data, primary consumer companies still experience values below the average because the level of liquidity fluctuates, where in the period 2019 - 2022 as many as 19 consumer companies still have liquidity values below the average.

Inflation Variable

From the data processing above, the average value of inflation in 2019 - 2022 is 2.945000 with the highest inflation value of 5.510000 which occurs in 2022, this occurs because of global economic instability due to the war that occurred between Russia and Ukraine and which is disturbing export, import and logistics of countries in the world. As well as the lowest inflation value of 1.680000 which occurred in 2020.

Table 2. Panel Data Regression Results
Panel Data Regression

Variable	Coefficient	Std. Error
C	0.368250	0.077537
ROE	0.419547	0.171107
CR	-0.002850	0.016965
INFLASI	0.013251	0.011314

Source : Eviews 12 (Data Processing, 2023)

DPR = 0.368250 + 0.419547 (ROE) + -0.002850 (CR) + 0.013251 (Inflation)

1. Based on these results, the constant value shows 0.368250. it means that the variables of profitability (ROE), liquidity (CR), and inflation have a constant value or 0 (zero), then the value of dividend policy is 0.368250.
2. The profitability variable as measured by return on equity has a coefficient value of 0.419547 which indicates that if the ROE value increases and the other independent variables remain constant, the dividend policy value will increase by 0.419547, this indicates that the coefficient with a positive value between profitability and dividend policy.
3. The liquidity variable as measured by the current ratio has a coefficient value of -0.002850, this indicates that if the CR value increases and the other independent variables remain constant, the dividend policy value will decrease by 0.002850. This shows that the coefficient with a negative value between liquidity and dividend policy.
4. The inflation variable as measured by the annual inflation rate has a coefficient of 0.013251 which indicates that if the inflation value increases and the other independent variables remain constant, the dividend policy value will increase by + 0.013251. This shows that the coefficient with a positive value between inflation and dividend policy.

Tabel 3.Uji Parsial (t)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.368250	0.077537	4.749323	0.0000
ROE	0.419547	0.171107	2.451950	0.0159
CR	-0.002850	0.016965	-0.167976	0.8669
INFLASI	0.013251	0.011314	1.171161	0.2443

Source :Eviews 12 (Data Processing, 2023)

Df = 1.983972

1. Profitability on Dividend Policy

Based on table 3 above, it can be seen that the t-statistic value on the profitability variable is 2.451950> 1.983972. The probability value of the profitability variable is 0.0159 which indicates that the value is smaller than the significance value of 0.05. so it can be concluded that H1 is accepted while H0 is rejected which indicates that the Profitability variable affects the Dividend Policy.

2. Liquidity on Dividend Policy

Based on table 3 above, it can be seen that the t-statistic value on the liquidity variable is -0.167976> -1.983972. The probability value of the liquidity variable is 0.8669 which indicates that the value is greater than the significance value of 0.05. so it can be concluded that H0 is accepted while H1 is rejected which indicates that the Liquidity variable has no effect on Dividend Policy.

3. Inflation on Dividend Policy

Based on table 3 above, it can be seen that the t-statistic value on the company growth variable is 1.171161 < 1.983972. The probability value of the inflation variable is 0.2443 which indicates that the value is greater than the significance value of 0.05. so it can be concluded that H0 is accepted while H1 is rejected which indicates that the Inflation variable has no effect on Dividend Policy.

Tabel 4. R2 Coefficient of Determination Test Results

R-squared	0.069067	Mean dependent var	0.183643
Adjusted R-squared	0.041139	S.D. dependent var	0.182892
S.E. of regression	0.041139	Sum squared resid	3.207348
F-statistic	2.473035	Durbin-Watson stat	1.842016
Prob(F-statistic)	0.066017		

Source : Eviews 12 (Data Processing, 2023)

In table 4 above, the coefficient of determination used is the Adjusted R-squared value due to the use of more than one independent variable. The value of Adjusted R-squared is 0.041139 or 4.11%. This indicates that the independent variables used in this study, namely Liquidity, Profitability, and Inflation, can explain 4.11% of the dependent variable, namely dividend policy. While the remaining 95.89% is the influence of other variables outside of the independent variables in this study.

DISCUSSION

Profitability on Dividend Policy

Based on the results of eviews output in table 3, it shows that the tcount value is greater than the ttable value, which is 2.451950> 1.983972. Meanwhile, judging from the probability value of 0.0159 <0.05, it can be concluded that profitability affects dividend policy in primary consumer companies for the period 2019 - 2022.

Based on the statements that have been explained, it can be concluded that an increase in profitability ratio will result in an increase in dividend distribution by the company to investors, but if the profitability ratio decreases, it will result in a decrease in the level of dividend distribution by the company to investors.

Liquidity on Dividend Policy

Based on the results of the eviews output in table 14 that shows the value of the negative tcount is greater than the negative ttable value of -0.167976> -1.983972, it can be concluded that liquidity has no effect on dividend policy. While seen from the probability value that 0.8669> 0.05, which means that liquidity is not significant to dividend policy So

that the second hypothesis (H2) of this study is rejected, this means that dividend policy is not influenced by the value of liquidity in primary consumer sector companies for the period 2019 - 2022.

Companies prefer to use available liquidity for company interests such as paying debts and company expansion. When the company's liquidity is high, this indicates that the company has many assets that can be converted into cash from the profits generated. The cash component in current assets provides a source of income that can be used by the company, either to pay dividends or to fund the company's operational activities. However, the decision to use this income does not always mean dividend distribution, because the company can also allocate this income to optimize profits and support the company's operational activities. Thus, having a large amount of cash does not always mean dividend distribution.

The Effect of Inflation on Dividend Policy

Based on the results of panel data regression, it shows that inflation has a tcount < ttable value, namely 1.171161 < 1.983972. which indicates that inflation has no effect on dividend policy and has a significance level of 0.7789> 0.05 which shows that inflation has no effect on dividend policy, so the third hypothesis (H3) of this study is rejected.

An increase in inflation can definitely be a negative sign for investors in the capital market, especially for companies with a high level of solvency, because it can reduce company profits. A high inflation rate can be a burden for the company in achieving the expected rate of return. In this situation, the company needs to be able to generate higher returns so that investors maintain their investment, thus avoiding withdrawals of funds that can cause capital shortages and risks for the company. The previous statement explains that inflation

High inflation can have a negative impact on the company's dividend policy by causing a decrease in dividends distributed. Based on the results of this study, it was found that inflation has no influence on dividend policy, because the inflation that occurred during the study period was included in the low inflation category, namely inflation below 10% per year. Therefore, fluctuations in inflation have no impact on the company's decision regarding dividend distribution.

RESEARCH LIMITATIONS

This study has limitations, namely the short time in this study so that information related to dividend policy, profitability, liquidity, and inflation explored by researchers is limited

CONSLUSION

This study aims to determine the effect of independent variables explained by Liquidity, Profitability, and Inflation on Dividend Policy. The sample selection used is primary consumer companies listed on the Indonesia Stock Exchange for the period 2019 to 2022 using purposive sampling technique. Analysis and discussion of the resulting research can be concluded as follows. The results of testing profitability as measured by return on equity show that profitability affects dividend policy in primary consumer companies listed on the Indonesia Stock Exchange for the period 2019 - 2022. So it can be concluded that this research hypothesis is proven.

The results of liquidity testing as measured by the current ratio show that liquidity has no effect on dividend policy in primary consumer companies listed on the Indonesia Stock Exchange for the period 2019-2022. So it can be concluded that this research hypothesis is not proven. Inflation test results as measured by Indonesia's annual inflation rate show that inflation has no effect on dividend policy in primary consumer companies listed on the Indonesia Stock Exchange for the period 2019-2022. So it can be concluded that this research hypothesis is not proven.

Suggestions given by the author after conducting research after conducting analysis and research are as follows:

a. For the Company

For companies, the results of this study indicate that the profitability variable has an effect on dividend policy, so that from this, company managers can determine strategies that can improve dividend policy from the results of this study. For investors, based on the results of this study where profitability affects dividend policy, investors can invest in companies that have high profitability so that investors can get a share of the dividends distributed by the company.

b. For Further Research

Further research is expected to be able to explore in more depth about other factors that can affect dividend policy. in addition, for future researchers to be able to increase the research period to a wider area, as well as a scope that does not only dwell on primary consumer sector companies, but is able to do so in other sectors.

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