# The Effect of Leverage and Liquidity on Dividend Policy, Profitability as Intervening Variables

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**Abstract:**
*The goal of this research is to see if Profitability, as measured by Return On Assets (ROA), can mediate the link between leverage and liquidity and dividend policy, as measured by the Debt To Equity Ratio (DER) and the Current Ratio (CR). The population for this study consisted of all coal mining sub-sector businesses that were registered on the Indonesia Stock Exchange between 2009 and 2018. The study employed the approach of purposive sampling. Path analysis and the Sobel test were the analytical models employed in this study. (1) Liquidity has no effect on Dividend Policy and is not significant (2) Leverage has no effect on Dividend Policy and is not significant (3) Leverage has no effect on Profitability and is not significant (4) Liquidity has no effect on Profitability and is not significant according to the findings of thisstudy. (5) Profitability has a strong and negative impact on dividend policy.*

**Introduction**

Why funders prefer cash profit from on capital gain as a source of compensation? Thing this due to the fact that dividends cash more reliable, and the benefits can be immediate seen. The cash dividend is expected to rise or remain unchanged each year, according to investors. In fact, not all companies pay out profits on a continuous basis, and others don't pay out cash profits entirely. The agency experienced difficulties as a result of these challenges.

Profitability, leverage, liquidity, sales growth and managerial holdings all have an impact on the amount of cash dividends paid. Although liquidity, leverage, and profitability have all been used in previous studies, the results are still inconclusive. Financial ratios are one of the instruments available to financial managers to determine a reliable long-term program and an effective short-term program.

Comparative financial analysis is one of the analysis method for determine financial health something company with link one or more items from the report where Margin, the financial report (Wiagustini, 2010).

Ntoti and Odawa (2015). Looking at the effect of various analytical variables on dividend policy and finding a significant negative bond in which liquidity and dividend distribution. This proves that the company's liquidity has a statistically significant negative control on dividends, proving that there are larger liquidity companies paying smaller dividends. Here, profitability has a positive and significant relationship with profit sharing. According to the data, a larger dividend ratio is associated with higher business profitability. The relationship between dividend payments and leverage is positive and significant.

To evaluate the parts that motivate dividends in previous studies, this study examines three aspects of the mining sector on the IDX. The three elements are leverage, liquidity, and profitability. These three variables were chosen because they are internal characteristics of the company that show how financial management and company performance work.

Hypothesis of this research are :

H1: Liquidity has a significant positive effect on dividend policy.

H2: Leverage has a significant negative effect on dividend policy.

H3: Leverage has a significant negative effect on profitability.

H4: Liquidity has a significant positive effect on profitability.

H5: Profitability significant positive effect on dividend policy.

H6: Profitability is able to mediate the relationship of Leverage to Dividend Policy.

H7: Profitability is able to mediate the relationship of Liquidity to Dividend Policy.

**Research Method**

This research was conducted in Exchange Indonesian Effect (BEI). The numbers in balance sheet shape and profit report loss for manufacturing companies which registered in The Indonesia Stock Exchange is used in implementation of this, which is a quantitative technique. This study uses causality analysis (associative-causal). Research purposes associative-causal is for build relationship because result of many variable.

An idea, a set of variables, or a set of techniques is established through management. As a result, the independent variable functions as a driving variable, while the dependent variable functions as a dependent or influenced variable. Study this using the population of all coal mining sub-sector companies that registered in IDX between years 2009 to 2018. To produce a representative sample of 15 of the 22 population for this study, a purposive sampling technique was used, aiming to create a delegated sample to meet the following parameters:

1. From 2009 to 2018, mining companies coal listed in Exchange Indonesian Effect.
2. Companies that submit financial statements that are audited regularly between 2009 and 2018.
3. Important financial data can be found in the financial accounts for the study period, 2009-2018.
   Company manufacture registered in Exchange Effect Indonesia from 2009 to 2018

Company on mining sub-sector coal which registered in stock Exchange Indonesia participated in this study, which took place from 2009 to 2018. In this study, there were 22 coal mining sub-sectors and 22 companies. Multiple Regression with SPSS tools will be used as an analytical approach, which will be adapted to the topic to be presented. Statistic test F determine whether all independent variables or independent shown in model have a joint effect to variable independent, while the statistical t test (partial test) determines how much one independent variable contributes to the variation in the individual independent variables (Ghozali, 2005).

**Result and Discussion**

The purpose of this research is to calculate Dividend Payout Ratio (DPR) (Y), Debt to equity Ratio (DER) (X1), and Current Ratio (CR) using multiple regression analysis (X2). The linear model was created using SPSS version 22. (X2). Associative Causality is a type of causality that occurs when two things happen at the same time.

Study it uses research causality (associative-causal). Associative-causal research is research that wants to find a causal relationship between several concepts or several variables or several strategies developed by management. So there is an independent variable as an influencing variable and a dependent variable as a dependent or influenced variable. Associative-causal research seeks to establish causal relationships between various management concepts, variables, or practices. Intent of study this is for know factors that affect dividend policy, take advantage of profitability as a mediating variable, and draw some broad conclusions.

**t test**

The hypothesis was partially tested using the t-test. The t-statistic test was carried out to see how much the contribution of each variable explanation/ independent to variable variation dependent. As in table as follows:

Table 1. t-test

| Output Substruktural 2 Coefficientsa | | Unstandardized Coefficients | | Standardiz edCoefficients | | |
|---|---|---|---|---|---|---|
| | | B | Std.Error | Beta | T | Sig. |
| Mo del 1 | (Consta nt) | 7.949 | .255 | | 31.21 6 | .000 |
| | DER | .024 | .051 | .040 | .484 | .629 |
| | CR | .000 | .000 | .081 | .975 | .331 |

Source : SPSS 22 Output Results, Processed Data.

Liquidity variable has a positive tcount of 0.975, and t-table has a significance level of 5% with degrees of freedom (df) = 150-1 = 149, resulting in a t-table of 1.97601. These results show that tcount t table (0.975 1.97601) has a value of significance 0.331 > 0.05 means no liquidity or little effect on dividend policy.

Table 2

| Output Substruktural 2 Coefficientsa | | Unstandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | t | Sig. |
| Model 1 | (Consta nt) | 7.949 | .255 | | 31.216 | .000 |
| | DER | .024 | .051 | .040 | .484 | .629 |
| | CR | .000 | .000 | .081 | .975 | .331 |

Source : SPSS 22 Output Results, Processed Data.

The t-count value of the positive leverage variable is 0.484, while the t-table at the real level = 5% with degrees of freedom (df) = 150-1 = 149 produces a t-table of 1.97601. This data shows that t arithmetic t table (0.484 1.97601) has a significance value of 0.629 > 0.05, meaning that leverage has no significant effect on dividend policy.

Table 3. Result of Data Processing

| Model | | Unstandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | t | Sig. |
| 1 | (Consta nt) | 5.275 | 1.347 | | 3.915 | .000 |
| | DER | -.112 | -.293 | -.031 | -.382 | .703 |

a. Dependent Variable: ROA

Source : SPSS 22 Output Results, Processed Data.

The t value of the Leverage variable is -0.382, but ttable is at the 5% significance level, with degrees of freedom (df) = 150-1 = 149, resulting in a ttable of 1.97601. These results show that t arithmetic t table (-0.382 1.97601) has a significance value of 0.703 > 0.05 which indicates that leverage has no effect on profitability.

Table 4. Result of Data Processing

| Model | | Unstandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | t | Sig. |
| 1 | (Consta nt) | 4.735 | 1.411 | | 3.356 | .001 |
| | CR | .001 | .002 | .050 | .607 | .545 |

a. Dependent Variable: ROA

Source : SPSS 22 Output Results, Processed Data.

The liquidity variable has a positive tcount of 0.607, and ttable is at the 5% level of significance with degrees of freedom (df) = 150-1 = 149, resulting in a ttable of 1.97601. These results show that t arithmetic t table (0.607 1.97601) has a significance value of 0.545 > 0.05 which indicates that liquidity has no effect on profitability.

Table 5. Result of Data Processing

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| 1   (Constant) | 17.932 | 3.595 | | 4.988 | .000 |
| DPR | -1.464 | .423 | -.278 | -3.463 | .001 |
| a. Dependent Variable: ROA | | | | | |

Source : SPSS 22 Output Results, Processed Data

The value of t table is 1.97601 at 5% significance level and degrees of freedom (df) 150-1 = 149. With a significance value of 0.0010.05, this data shows that tcount > ttable (-3.463 > -1.97601 ), implying that profitability has a negative and significant effect on dividend policy.

## Conclusion

As shown in substructure equation 2, liquidity has no effect on dividend policy, with tcount = (0.975), ttable = (1.976) , and sig > 0.05 (0.331 > 0.05), indicating that liquidity has no effect and is not significant. As shown by substructure equation 2, leverage has no effect on dividend policy, with t = (0.484), t table = (1.976), and sig = 0.05 (0.629 > 0.05), showing that leverage has no effect on dividend policy. As shown in substructure equation 1, leverage has no effect on profitability, with t count (-0.382), t table (1.976), and sig > 0.05 (0.703 > 0.05). As shown in substructure equation 1, liquidity has no effect on profitability, with tcount (0.607), t table (1.976), and sig > 0.05 (0.545 > 0.05) showing that liquidity has no effect and is not significant. As shown in substructure equation 3, profitability has a positive effect on dividend policy, with t count (-3.463) > t table (-1.976) and sig 0.05 (0.001 0.05), showing that profitability has a negative influence and significant to policy dividend.

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