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Anteseden Dividend Policy on Manufacturing Industry in Indonesia Stock Exchange

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Abstract

The purpose of this study is to prove (1) the determinant of dividend policy, (2) develop the concept of self finance as a mediator of the determinant on dividend policy. This study used a qualitative approach. The numbers of samples were 17 companies. The results showed that the free cash flow, ownership structure, total asset turnover not significantly effected on dividend policy, while leverage, profitability and liquidity had a positive and significant impact on dividend policy. Self financing ratio can not strengthen the influence of free cahs flow, ownership structure, total asset turnover, leverage, profitbaility and liquidity on manufacturing industry in Indonesia Stock Exchange.

Keywords: creative leadership, knowledge sharing, innovation

1. Introduction

The value of the company can reflect the performance of the company so as to influence the perception of investors to the company. Brigham and Houston (2003) state that the objective of financial management is to maximize the prosperity of shareholders who have an orientation for the long term (future of the company). The value of the firm is closely related to the purpose of the investor. The main purpose of investors investing in a company, is the return that will be obtained from the investments made. The rate of return on investment through share purchase consists of dividends and capital gains Okpara (2010).

Van Horne and Wachowicz (2010) the value of the firm is also called the market value of the company is the price that would be paid by the prospective buyer if the company is sold. The market value of a company's stock can be used as a benchmark for real company value because the stock market price is created through the deal of demand and supply that occurs on the stock market. Maximizing the value of the company is very important for the company because by maximizing the value of the company also means to maximize shareholder wealth because the increase in value of the company will increase the value of shares owned by investors.

Dividends are payments from the company to shareholders of the profits, the amount of dividends distributed by the company is determined by the shareholders at the time of the General Meeting of Shareholders. Investors will earn dividends if the company makes a profit. The consistent dividend payout from the company side shows the success of management in running the company while showing the stable cash flow of the company, so the dividend distribution will grow and increase investor's confidence to the company.

The dividend payout ratio is the percentage of the firm's earnings paid to the shareholders in cash and determines the amount of retained earning in the company as a source of funding (Van Horne and Wachowicz, 2010). Handayani et al. (2010: 18) state that dividend policy is important for two reasons: 1) Dividend payments may affect the stock price. 2) Retained earnings are usually the largest and most important source of additional capital for the growth of a company. Both of these reasons are two sides of the controversial corporate interest. In order for both interests to be met optimally, company management should decide carefully and carefully the dividend policy to be selected.

There are several theories concerning the influence of dividend policy on corporate value, such as dividend irrelevance theory and bird-in-the-hand theory, and tax preferency theory. According to dividend irrelevance theory by Miller and Modigliani (1958), it is said that dividend policy has no effect on both firm value and capital cost. Miller and Modigliani (1958) argue that the value of an enterprise will only be determined by its basic ability to generate profits and its business risks; in other words, the value of a company depends solely on the income generated by its assets, not on how the revenue is shared between dividends and retained earnings.

Based on the three theoretical concepts (dividend irrelevance theory, bird in hand theory and tax preference theory), the company can do the following: (1) If management believes that the dividend irrelevance theory is true then the company does not need to pay attention to the large dividend must be shared. (2) If the company embraces bird-in-the-hand theory then the company must divide all EAT (Earnings After Tax) in the form of dividend. (3) If management tends to trust the tax preference theory, then the company should hold all profits or in other words DPR = 0%. These three theories (dividend irrelevance theory, bird in hand theory and tax preference theory) seem opposite and there is a tendency to mutually exclude (Gumanti, 2013: 74).

2. Literature Review and Hypothesis Development

2.1 Dividend Irrelevance Theory

Miller and Modigliani (1961) states that dividend policy has no effect (irrelevant) on corporate value (which is reflected in stock price) or cost of capital. Modigliani and Miller also stated that the value of the company is determined only by the earning power of the company's assets, in detail is from the profitability of the company's assets and the competence of the company's management.

Meanwhile, the decision whether the profit earned will be distributed in the form of dividends or will be withheld does not affect the value of the company. In formulating this theory, Modigliani and Miller assume a perfect market, the investor is rational, and the existence of a perfect certainty.

2.2 Bird in The Hand Theory

Lintner (1959) states that the money received in the form of dividends worth higher than money is in retained earnings. According to this theory, shareholders have a preference for dividend payout compared to retained earning so that dividend policy is relevant to the value of a company.

The value of money received in the form of dividends is uncertain, while the value of money reinvested into assets by corporations is uncertain (Kolb, 1988). The value of the money reinvested by the company is discounted by the investor to reflect the uncertainty of when the money is received in cash in the future either as dividends or capital gains. However, if the company invests retained earning at a high enough rate of return to offset the risks borne by the investor, this theory may not be valid. Similarly, if the only alternative for investors other than using the dividends received is to invest in assets with the same or greater risk, this theory may also be invalid. If if the investor has other alternatives in addition to using the dividends it receives such as investing in assets with lower risk, then bird-in-the-hand theory can apply.

2.3 Free Cash Flow

Jensen (1986) free cash flow is the cash surplus required to fund all projects that have a net present value (NPV) positive after dividend, whereas the definition of free cash flow according to Niswonger, Warren, Reeve, Fess in Accounting book translated by Sirait and Gunawan (2000: 61) is as follows: "Free cash flow (free cash flow) is a measure of operating cash flow available for the purpose of the company after providing sufficient additional fixed assets to maintain current productive capacity and dividends."

Keown et al., (2008: 47) free cash flow is the amount of cash available after investment in net operating capital and fixed assets. This cash is available for distribution to company owners and creditors, whereas according to Gitman (2009: 131) defines that free cash flow is the amount of cash flow available to investors (creditor and owner) after the company has met all operating needs and paid for investments in fixed assets and net assets. Brigham and Houston (2010: 65) define free cash flow as the available cash flow to be distributed to all investors (shareholders and debt owners) after the company puts all its investments in fixed assets, new products and working capital needed to maintain operations that is running.

2.4 Leverage

The use of corporate financing sources, both short-term and long-term sources of financing, will create an effect known as Leverage. Gibson (1990) states that "the use of debt, called Leverage, can greatly affect the level and degree of change is the common earning", meaning that the use of debt, called the leverage, can greatly affect the degree of degree and rate of earnings change.

Schall and Harley (1992) define Leverage as "the degree of firm borrowing", which means Leverage as the rate of corporate lending, Leverage is the use of fixed costs in an attempt to increase profitability (Horne and Wachowicz, 2012: 182). If the company uses external sources of expenditure (foreign capital), the fixed cost can be in the form of interest on the loan, whereas if the company uses machinery, the company must bear the fixed amount of depreciation.

2.5 Profitability

Liquidity is an indicator of the company's ability to pay all short-term financial liabilities at maturity by using current assets available. Liquidity is not only concerned with the overall state of the company's finances, but also relates to the ability to convert certain current assets into cash. Current ratio is a commonly used measure of short-term solvency, the ability of a firm to meet its debt requirements when it matures (Fahmi, 2011: 65).

Cashmere (2011: 134) states that the current ratio is a ratio to measure a company's ability to pay short-term liabilities or debts that are due sooner when billed in its entirety. In this case the lenders pay attention to the level of corporate liquidity. When the company gets funds from the creditors, then the company's current ratio will directly decrease. Vice versa, if the company repay its short-term liabilities, then the current ratio will increase. Jumingan (2011: 123) said that the current ratio is the ratio commonly used in the analysis of financial statements. The current ratio provides a rough measure of the level of corporate liquidity.

2.6 Liquidity

Brigham and Houston (2010: 107) Profitability is the end result of a number of policies and decisions made by the company. The profitability ratio is a group of ratios showing the combined effects of liquidity, asset management, and debt on operating results. Profitability ratio measures the company's ability to generate profits from the business activities undertaken.

Profitability ratio is the end result of a number of policies and decisions made by the company. Sartono (2010) profitability is the ability of companies to earn profits in relation to sales, total assets and own capital. Companies that have good profitability can pay dividends or increase dividends. For the leadership of the company's profitability serve as a benchmark to know the success of the company and for investors profitability can be used as a signal in investing in the company.

2.7 Ownership Structure

The ownership structure can be classified into external block ownership and insider block ownership or managerial block ownership. The ownership structure in an enterprise implies a sacrifice in the efficient use of resources to maximize the profit earned, where scattered ownership reduces the incentive for managers to maximize profits. In a recent study, the ownership structure was linked to the legal framework. In countries where investor protection is weak, concentration of ownership becomes a substitute for legal protection. Thus, the majority shareholder can expect to get a return on investment of investors (La Porta et al., 1998).

2.8 Total Asset Turnover

The Activity Ratio is a ratio that measures how effectively a company organizes its assets and can be measured through asset turns by dividing sales by total assets (Brigham and Houston, 2010: 139). Sudana (2011: 22): "Asset turnover measures the effectiveness of the use of all assets in generating sales. The greater this ratio means the more effective management of all assets owned by the company, while according to Agnes (2001: 56) asset turnover is as follows: "The ratio between the amount of assets used with the amount of sales obtained during a certain period.

2.9 Self Finance Ratio

Self Finance (SFR) is a ratio to evaluate corporate finance in terms of dividend payments, as measured by calculations by John and Williams (1985) and Ahmed and Attiya (2009). The amount of capital employed can be obtained from total assets minus intangible. While SFR variable is used because SFR is one ratio to assess company's finance related to dividend payout ratio.

Self Finance reflects the capacity to support capital investment through internal financing efforts. Low SFR levels reflect that the infrastructure does not support its own growth substantially and will have to rely on funding using large debts. Test results on the SFR indicate the direction of a positive and significant relationship to the dividend policy. This is the result of the research, which provides significant SFR empirical evidence against dividend payout in a positive direction. It can be said that the company maintains a balance between the dividend payout and the company's financial savings. These results suggest that firms paying more dividends have better corporate finances (Shah, et al., 2010).

2.10 The Effect of free cash flow on dividend policy

Free cash flow is defined by Jensen (1986) as an excess of cash funds after being used to fund all projects that provide a positive net present value discounted at the level of relevant capital costs. Ahmed and Javid (2008) revealed that profitable companies with more stable net income are able to provide greater free cash flow and are therefore able to pay bigger dividends.

Keown et al., (2010) says that if the company has free cash flow, it would be better to share it with shareholders in the form of dividends, in order to avoid poor management decision making, which ultimately results in the increase in agency costs. This statement is supported by the results of research conducted by Ahmadpour et al. (2006), Noroozani and Kheradmand (2014) ¸ Hejazi and Moshtaghin (2014), Kargar and Ahmadi (2013), Miko and Kamardin (2015), Cao and Chaipoopirutana (2015 (2015), Paramita (2015), Arfan and Maywindlan (2013), Fong and Astuti (2015).

The smaller the free cash flow shows the less the company's profit is used to finance the company's assets and impact on the reduced dividends distributed. Conversely, the more free cash flow the more dividends will be distributed, this is in accordance with agency theory, where shareholders will ask for greater dividends when the firm generates a high free cash flow. Large dividend payments will reduce the free cash flow available to managers and the possible use of free cash flow by managers for personal gain can be reduced, thereby reducing agency issues between shareholders and managers. Based on the explanation, the first research hypothesis is:

H_1: Free cash flow has a positive and significant impact on dividend policy

2.11 The Effect of leverage on dividend policy

Leverage shows how much the company's funding needs are covered by debt. The use of debt as a source of funding will cause interest expense which will decrease the company's profit, so the smaller the amount of debt the smaller the interest expense that must be borne by the company. The minimal interest expense incurred by the company will make the company profit becomes larger, with the increase in corporate profits then the company's ability to provide dividends also become higher. The existence of interest expense, high debt principal will also cause the availability of cash that can be distributed as dividends reduced this is because the cash will be used for debt repayment.

A low debt principal means that cash used to pay off debts is less and this means that the available cash can be used to pay dividends, which will increase the company's ability to pay dividends. Research conducted by Gupta and Banga (2010), Al-Kuwari (2009), Ikbal et al., (2011), Husam-Aldin and Al-Malkawi (2007), Sanjari and Zarei (2015), Sunday et.al. (2015), Jaryono et al. (2011), Awad (2015), Nerviana (2015), Nghi (2014), Parsian and Koloukhi (2014), Nuhu et al. (2014), Banerjee (2016), Abbas et al., (2016), Kajola et al. (2015), Aqel (2016), Osegbue (2014), Setiawan et al., (2016) which states that Leverage has a positive and significant effect on dividend policy.

Companies with high debt levels will try to reduce the agency cost of debt by reducing its debt. Debt reduction can be done by financing its investment with internal fund sources so that shareholders will give up their dividends to finance their investment. Increased use of debt will reduce the level of conflict between managers and owners so that owners are not too demanding high dividend payouts. In addition debt policy has a negative influence on dividend policy, because the level of debt usage is relatively large then the company will pay a dividend that is not too high. This action is done to pay attention to the interests of creditors and shareholders. Based on the explanation, the second research hypothesis is:

H_2: Leverage has a negative and significant effect on dividend policy

2.12 The Effect of profitability on dividend policy

Profitability is the company's ability to generate profit over a certain period. Marlina and Danica (2009) say that ROA shows the capability of invested capital in total assets to generate company profits. By looking at the ROA ratio can be seen how companies use assets to generate profits. Wasike and Ambrose (2015) say that, companies that generate large profits tend to pay high dividends. High Return On Assets means that companies can use the assets to the maximum to gain profit, so the higher the ROA means the profits owned by the company is also higher. High corporate earnings will make the company have more funds that can be used either to distribute dividends or to hold them. Increased funds will increase the company's ability to provide dividends. This is in line with research conducted by Mehta (2012), Al-Kuwari (2009), Husam-Aldin and Al-Malkawi (2007), Kowalewski et.al., (2007), Wang et.al., (2011) , Sigo and Selvam (2013), Setiawan and Phua (2013), Kargar and Ahmadi (2013), Musiega et al., (2013), Awad (2015), Leo and Son (2014), Sandy and Fun (2013) Marietta and Sampurno (2013), Denis & Osobov (2008), Ahmed & Javed (2009), Shubiri (2011), Kim & Jang (2010), Patra et al., (2012), Velnampy et al., (2014) , Ajanthan (2013), Livoreka et al., (2015), Cao and Chaipoopirutana (2015), Thanatawee (2013), Rafailov and Trifonova (2011), Mubin et al. (2014), Abbas et al., (2016), Lai et al. (2016), Kajola et al., (2015), Bushra and Mirza (2015), Rashid et al., (2015) say that ROA has a positive and significant influence on DPR, the company's high ability to generate profits, the higher the dividend payout rate.

The study of Nuhu et al. (2014) shows a negative and significant statistical relationship between profitability and dividend policy, meaning that unprofitable firms tend to pay high dividends compared to profitable firms. This opinion is supported by research conducted by Lopolusi (2013), Ngan (2013), Parsian and Koloukhi (2014), Tariq (2015), Nuhu et al., (2014), Kuzucu (2015), Sugiarto (2015), Devanadhen and Karthik (2015), Ekasiwi and Ardiyanto (2012), Maladjian and Khoury (2014), Osegbue et al. (2014), Arhad et al., (2013), which states that profitability has a negative and significant influence on dividend policy . In addition, retained earnings may be used to finance operations so as to reduce dividend payments. Based on explanation, the 3rd research hypothesis is:

H_3: Profitability has a positive and significant effect on dividend policy

2.13 The Effect of liquidy on dividend policy

Corporate liquidity is a key consideration in dividend policy, because dividends for firms are cash outflows, the greater the cash position and overall corporate liquidity the greater the company's ability to pay dividends (Sartono, 2010), this is reinforced by the results of the research (2015), Kumar and Waheed (2015), Samuel and Gbedi (2010), by Ahmad (2015) Ahmed and Javid (2008), Rehman and Takumi (2012), Kuzucu (2015), Roy (2015), Abbas (2016), Farizi (2012), Badu (2013) stated that liquidity has a positive and significant effect on dividend policy.

Current ratio can be used as a reference for investors regarding the ability of the company to pay the promised dividend, the greater the current ratio shows the higher the ability of the company to meet its short-term liabilities, so that the current ratio also shows investor confidence in the company's ability to pay dividends. Research conducted by Zameeret al., (2013), Parsian and Koloukhi (2014), Nature and Hossain (2012), Tariq (2015), Devanadhen and Karthik (2015), Rafailov and Trifonova (2011), Widhicahyono and Sudiyatno (2015), Forti et al., (2015), Aqel (2016) showing liquidity negatively and significantly affecting dividend policy, while Sunday et.al., (2015), Lopolusi (2013), Sandy and Fun (2013), Afriani (2015), Maladjian and Khoury (2014), Hossain et al., (2014), Susanto et al, ((2015), Nerviana (2015), Adu-Boanyah et al., (2013), Asih 2016), Liwe (2012), Kuniawan et al., (2016) have found that liquidity has no significant effect on dividend policy. Based on the explanation, the 4th research hypothesis is:

H_4: Liquidity has a positive and significant effect on dividend policy

2.14 The Effect of ownership structure on dividend policy

Managerial ownership is measured in proportion to managerial share ownership (Tarjo and Jogiyanto Hartono, 2003). Abdullah (2001) stated that the ownership of the shares owned by the management increases, the manager will be more careful in carrying out its operational activities, it can lower the dividend with the assumption that the company is doing business expansion, this is comparable to that of Rozeff (1982) that dividend policies and managerial ownership are used as substitutions to reduce agency costs. Jensen and Meckling (1976) argue that agency costs will be low within firms with high managerial ownership, as this allows for the unification of the interests of shareholders with the interests of managers who in this case function as agents and as principals. The rationale is that with high insider ownership the agency problem becomes low between managers and shareholders. While research on the relationship of ownership structure to dividend policy by Husam-Aldin and Al-Malkawi (2007), Taofiqkurochman and Konadi (2012), Nasrum (2013), Zameer et al., (2013), Hidayah (2013), Vo and Nguyen (2014), Rashid et al., (2015), Ali and Miftahurrohman (2014), Maskiyah and Wahjudi (2012), Arshad et al., (2013), Al-Gharaibeh et al., (2013), Thanatawee (2013), Mardiyati et al., (2014), Tariq (2015), Rizkia and Sumiati (2013), Setiawan et al., (2016), Rashid et al., (2015) suggest that ownership structures have a positive influence and significant to dividend policy.

Vo and Nguyen (2014) managerial holdings were found to have a positive impact on dividends. This means that firms with a higher level of managerial ownership know the real will get a higher dividend rate. The greater the managerial involvement in managerial ownership leads to an asset that is not diversified optimally and thus wants an increasing dividend. Based on the explanation, the 5th research hypothesis is:

H_5: The ownership structure has a positive and significant effect on dividend policy

2.15 The Effect of asset turnover on dividend policy

The Activity Ratio is a ratio that measures how effectively a company organizes its assets and can be measured through asset turnover (TATO) by dividing sales by total assets (Brigham and Houston, 2010: 139).

Asset turnover has a positive and significant effect on dividend policy found by Ike (2014), Rafailov and Trifonova (2011), Kuniawan et al., (2016), Marlim and Aririfin (2015), Purnami and Artini (2016), Fuadi and Satini (2015) states that asset turnover has a positive and significant effect on dividend policy, firms with more efficient asset management, will pay dividends more often.

Different results are found by Pasaribu et al. (2014), Dewi (2013), Umi (2014), that total asset turnover negatively affects dividend policy. According to Umi (2014) the negative influence of these findings is because the company does not pay high dividends because the company needs internal funds for the expansion of the company and additional capital to finance the company's activities so that the company tends to hold its profits rather than having to pay dividends to shareholders. While research conducted by Nerviana (2015), Asih (2014), Farizi and Yani (2012), Winarto (2015) shows that total asset turnover has no effect on dividend policy. Based on the explanation, the 6th research hypothesis is:

H_6: Asset turnover has a positive and significant effect on dividend policy

2.16 The Effect of Self Finance moderate free cash flow, leverage, profitability, liquidity, ownership structure and asset turnover on dividend policy

Self Finance (SFR) is a ratio for assessing corporate finance in terms of dividend payments, as measured by comparing retained earnings with changes in capital employed, in accordance with those of John and Williams (1985), Ahmed and Attiya (2009) . The amount of capital employed can be obtained from total assets minus intangible. Here it can be said that the company maintains a balance between the dividend payout and the company's financial savings. In the research of Shah et al. (2010), Ekasiwi and Ardiyanto (2012), Febriyanto (2014) found that Self Finance has a positive and significant influence on dividend policy, where companies paying more dividends have better financial performance.

Research conducted by Manisha Khanna and Monika Khanna (2015), Aurangzeb and Dilawer (2012), shows that the results of tests conducted in SFR have a negative and significant direction to dividend policy, can be interpreted when the company has good corporate financial performance but on the side the other company has obligations or debts to be paid then the possibility of the company will focus on the debt that must be paid first. Low SFR levels reflect that an infrastructure is not able to support its own growth substantially and will have to rely on funding using large debts, this is in agreement with research conducted by Haider et al. (2012) indicating that Self Finance (SFR) has no effect on dividend policy.

Based on the above explanation, the 8th research hypothesis is:

H7a: Self Finance strengthens free cash flow towards dividend policy

H7b: Self Finance strengthens leverage on dividend policy

H7c: Self Finance strengthens Profitability on dividend policy

H7d: Self Finance strengthens the Liquidity of the dividend policy

H7e: Self Finance strengthens the ownership structure on dividend policy

H7f: Self Finance strengthens asset turnover on dividend policy

3. Research Methodology

3.1 Population and Sample & Data Sources

This research is conducted by collecting secondary data from financial statements of manufacturing companies listed on Indonesia Stock Exchange 2011-2015 which published in its website that is www.idx.co.id and Indonesian capital market directory (ICMD). Manufacturing companies as the subject of research because the manufacturing company is the type of business moving in the real sector that has the largest number of companies compared to other types of businesses consisting of several industries. Although it consists of various industries, manufacturing companies have the same characteristics.

The population in this study are manufacturing companies listed in the Indonesia Stock Exchange (BEI) during the period 2011 to 2015 that is as much as 147 data observations. According Sugiyono (2012: 122), purposive sampling is: Determination technique of samples with certain considerations/criteria. The purpose of this method is to obtain a sample of certain considerations with predetermined criteria with the intention of obtaining a representative sample.

3.2 Variables and Measurements

Independent variable or independent variable (X). According Sugiyono (2015: 59) independent variables are: Variables that affect or the cause of the change or the emergence of the dependent variable. In this study the free variable is free cash flow (X1), liquidity (X2), leverage (X3), profitability (X4), ownership structure (X5) and asset turnover (X6).

Dependent or dependent variable (Y). According Sugiyono (2015: 39) the dependent variable is: "Variable that is influenced or which become due to the existence of independent variables. In this study the dependent variable is dividend policy (Y).

Moderation Variables (X). According to Silalahi (2012: 137), moderation variable is a variable that determines the strong or weak relationship between independent variables and dependent variables or variables that have contingent effect (contingent effect). Moderating variable in this research is self finance ratio (X9). Measurment of each variable shown belo in Table 3.1.

Table 3.1 Variables and Measurements

Variable	Definition	Measurement
Dividend Policy	Dividend Payout Ratio is the dividend payout to shareholders. Dividend Payout Ratio (DPR) is a parameter to measure the amount of dividend to be distributed to shareholders.	$DPR = \frac{\text{Dividend per Share}}{\text{Earning per Share}}$
Free cash flow	Free cash flow is a company cash that can be distributed to creditors or shareholders who are not required for working capital or investment in fixed assets.	FCF = Cash Flow From Operations – (Net Capital Expenditure + Changes in working Capital)/ Total Asset
Leverage	a ratio that measures the extent to which firms use debt financing	$DER = \frac{\text{Total Liabilities}}{\text{Total Equity}}$
Profitability	Profitability is the company's ability to make a profit.	$ROA = \frac{\text{EAT}}{\text{Total Asset}}$
Likuidity	Liquidity is the company's ability to meet short-term obligations	$CR = \frac{\text{Current Asset}}{\text{Current Liabilities}}$
Ownership structure	Ownership structure is the share ownership structure, ie the ratio of the number of shares owned by insiders with the number of shares owned by the investor.	$Insider = \frac{\text{Number of Insider Shares}}{\text{Total Saham}}$
Self Finance Ratio	Company's financial performance is viewed from dividend payout	$SFR = \frac{\text{Retained Earnings}}{\text{Capital Employed}}$

Asset turnover	Ratio to calculate the effectiveness of total assets use.	$TATO = \dfrac{Sales}{Total\ Asset}$

4. Result and Discussion

4.1 The Effect Of Free Cash Flow on Dividend Policy

The result of research on the effect of free cash flow to dividend policy shows that free cash flow has no significant effect on dividend policy, it shows that the free cash flow of manufacturing companies in Indonesia Stock Exchange is high accompanied by high growth rate of company, thus free cash flow which can be retained temporarily and tend to be used for investments that affect the company is not able to distribute dividends in large amounts, so that free cash flow is not the basis of the company in paying dividends.

This insignificant influence confirm Pecking Order Theory which state free cash flow of the company tends to be used as a source of internal funding for investment, thus paying a smaller dividend. The results of this study are consistent with the findings of Parsian and Koloukhi (2014), Utami and Inanga (2011), Lopolusi (2013), Leo and Putra (2014), Sindhu (2014), Parsian and Koloukhi (2014), Thanatawee (2013), Rehman and Takumi (2012), Al-Kuwari (2009), Puspitasari and Darsono (2014), Osegbue et al. (2014) which show free cash flow has no effect on dividend policy.

4.2 The Effect Of Leverage on Dividend Policy

The result of research on the effect of leverage on dividend policy shows that leverage has a positive and significant effect to dividend policy, it shows that the increasing use of debt of manufacturing company in Indonesia Stock Exchange can increase profit or profit, so that company can increase dividend to be paid.

The findings of this study confirm pecking order theory which has a sequence of internal financing funding sources as shown by free cash flow has no significant effect on dividend policy. The condition lack of funds in company used external financing in the form of debt, so that debt can increase profits followed by an increased dividend payout. The results of this study are consistent with the findings of research conducted by Gupta and Banga (2010), Al-Kuwari (2009), Ikbal et al., (2011), Husam-Aldin and Al-Malkawi (2007), Sanjari and Zarei (2015) (2015), Jarsono et al., (2011), Awad (2015), Nerviana (2015), Nghi (2014), Parsian and Koloukhi (2014), Nuhu et al., (2014) , Banerjee (2016), Abbas et al. (2016), Kajola et al., (2015), Aqel (2016), Osegbue (2014), Setiawan et al., (2016) who stated that leverage has a positive and significant influence to the dividend policy.

4.3 The Effect Of Profitability on Dividend Policy

The results of research on the effect of profitability on the dividend policy show that profitability has a positive and significant effect on dividend policy, it shows that the higher the ability of manufacturing companies in Indonesia Stock Exchange to generate profit, the higher dividend payout level. Companies that have a stable profit, it will keep the amount of dividends with a stable and a stable dividend distribution can set the rate of dividend payout by implying a quality over corporate profits. When it is linked to dividend policy theory, it can be argued that investors prefer a stable or flexible dividend policy where stable dividends will be maintained for several years and then when profits are increased the dividends to be paid will also increase. A stable dividend policy can give investors the impression that the company has good prospects in the future and most shareholders are living on revenues received from dividends.

This also corresponds to Bird in the Hand Theory stating that investors will be happy with the exact income of dividends rather than uncertain income such as capital gains, increased profitability will increase the company's ability to pay dividends to its shareholders. Dividend payouts can signal that the company has good prospects. If the company announces an increase in dividends, then investors will consider the current and future corporate conditions relatively well. The results of this study are consistent with the findings of research conducted by Mehta (2012), Rafailov and Trifonova (2011), Mubin et al. (2014), Abbas et al. (2016), Lai et al. (2016), Kajola et al., (2015), Bushra and Mirza (2015), Rashid et al., (2015) say that ROA has a positive and significant influence on the DPR.

4.4 The Effect Of Liquidity on Dividend Policy

The results of research on the effect of liquidity on the dividend policy show that liquidity has a negative and significant effect on dividend policy, it shows that high liquidity owned by manufacturing companies in Indonesia Stock Exchange, and balanced with high growth rate of company tendency of company funds used for capital work in large numbers to sustain the amount of sales, so that increased sales will lead to increased profit as well. Profit earned by the company is mostly used for fixed asset investment, so high liquidity causes the decrease of dividend distributed.

This is in accordance with Pecking order theory which states that the company prefers internal financing (funding from the results of the company's operations in the form of retained earnings). The results of this study are in accordance with the findings of research conducted by Zameeret et al. (2013), Parsian and Koloukhi (2014), Nature and Hossain (2012), Tariq (2015), Devanadhen and Karthik (2015), Rafailov and Trifonova (2011), Widhicahyono and Sudiyatno (2015), Forti et al. (2015), Aqel (2016) which show that liquidity has a negative and significant effect on dividend policy.

4.5 The Effect Of Managerial Ownership on Dividend Policy

The result of research on the effect of managerial ownership on the dividend policy shows that managerial ownership has no significant effect on the dividend policy, it shows that managerial ownership in manufacturing companies in Indonesia Stock Exchange does not affect dividend policy distributed to management due to the amount of managerial ownership very small in accordance with existing facts.

This is supported by Sudarma's (2004) study which states that there is no clear separation between ownership and management of companies listed on the Indonesia Stock Exchange. This can be because most public companies in Indonesia are still owned by the founders' families and important positions in the company (directors and commissioners) are still held by founding family members, in addition most public companies are still controlled through institutions, and majority shareholders controlled by a holding company. The company will bear the higher tax burden, because the company must pay taxes from operating profit and pay tax for dividends. The results of this study are consistent with previous findings by Gupta and Banga (2010), Roy (2015), Nnadi et al., (2013), Fong and Astuti (2015) stated that ownership structures or ownership structures have no significant effect on policy dividend.

4.6 The Effect Of Asset Turn Over on Dividend Policy

The results of research on the effect of asset turn over to dividend policy indicate that asset turnover has an insignificant effect on dividend policy, it shows that manufacturing company in Indonesia Stock Exchange has slow asset turnover, so dividend becomes low, because the amount of funds embedded in fixed assets, which causing the dividend to be distributed to be low. This insignificant effect is due to the sale proceeds used for corporate investment and to purchase fixed assets, so the high turnover of assets does not affect the dividend policy of manufacturing companies in Indonesia Stock Exchange.

This does not support some of the studies conducted by Ike (2014), Rafailov and Trifonova (2011), Kuniawan et al., (2016), Marlim and Aririfin (2015), Purnami and Artini (2016), Fuadi and Satini (2015) , states that asset turnover has a positive and significant effect on dividend policy, firms with more efficient asset management, will pay bigger dividend. This result is consistent with Nerviana (2015), Asih (2014), Farizi and Yani (2012), Winarto (2015), Niken et al. (2014) and Siswantini (2014) show that asset turnover has no effect on dividend policy.

4.7 The Effect of Self Finance moderate free cash flow, leverage, profitability, liquidity, ownership structure and asset turnover on dividend policy

Based on the results of hypothesis testing shows that Self Finance is not able to act as a moderating variable influence free cash flow, Leverage, Profitability, Liquidity, Ownership Structure and Asset Turnover to dividend Policy. The full test results can be shown in Table 4.1 below:

Tabel 4.1

Comparison of Determinant Analysis Results of Dividend Policy with Self Finance As Moderation Variable

Variabel	Determinan *Dividend Payout Ratio*		Moderasi *Self Finance Ratio*	
	B	Sig	B	Sig
SFR	-0.117	0.563		
FCF	0.225	0.251	-0.199	0.804
DER	0.376	0.008	0.364	0.702
ROA	5.531	0.000	-8.225	0.098
CR	-0.116	0.012	0.314	0.240
INSIDER	0.102	0.341	0.456	0.613
TATO	0.136	0.449	-0.196	0.673

Based on the results of the moderation analysis in Table 5.1, after this hypothesis was tested, the results show that:

1) Self Finance is unable to moderate the effect of free cash flow on Dividend Policy. This statement is supported by the results of the analysis that describes the significant value of 0.804 whose value is greater than the specified significant level ($\alpha = 0.05$) and has a beta coefficient of -0.199. Thus the Self Finance variable is not proven as a moderating variable. Companies that have high free cash flow with high growth rates, the company requires a large amount of working capital which is shown by large funding in the company include internal financial in the form of retained earnings, if not sufficient, then the company seeking sources of financing from external financing that is debt. When the company has a good corporate financial performance but on the other side the company has obligations or payables to be paid then the possibility of the company will focus on the debt that must be paid first, so the company is not able to distribute dividends. The results of this study in accordance with the findings of research conducted by Haider et al. (2012) show that Self Finance (SFR) has no effect on dividend policy.
2) Self Finance is not able to moderate the influence of Leverage on Dividend Policy. This statement is supported by the results of the analysis that describes the significant value of 0.702 whose value is greater than the specified significant level ($\alpha = 0.05$) and has a beta coefficient of 0.364. Companies in running their business by using debt, able to increase profit or profit, with demikain profit or profit obtained by this company more used for investment opportunities again, because the company is in its infancy. The company uses more debt than its own capital in its operations will increase the company's debt ratio, so the company can not pay dividends. When the company has a good corporate financial performance but on the other side the company has obligations or payables to be paid then the possibility of the company will focus on the debt that must be paid first, so the company is not able to distribute dividends. The results of this study in accordance with the findings of research conducted by Haider et al. (2012) show that Self Finance (SFR) has no effect on dividend policy.
3) Self Finance is unable to moderate the influence of Profitability on Dividend Policy. This statement is supported by the results of the analysis which illustrates that a significant value of 0.098 whose value is greater than the specified significant level ($\alpha = 0.05$) and has a beta coefficient of -8.225. Companies that have large profits or accompanied by large amounts of debt, the company has an obligation to pay the debt first, so the company can not pay dividends. When the company has a good corporate financial performance but on the other side the company has obligations or payables to be paid then the possibility of the company will focus on the debt that must be paid first, so the company is not able to distribute dividends. The results of this study in accordance with the findings of research conducted by Haider et al. (2012) show that Self Finance (SFR) has no effect on dividend policy.
4) Self Finance is unable to moderate the Liquidity effect on Dividend Policy. This statement is supported by the results of the analysis that describes the significant value of 0.240 whose value is greater than the specified significant level ($\alpha = 0.05$) and has a beta coefficient of 0.314. Thus the Self Finance variable is not proven as a moderating variable. Companies that have high liquidity accompanied by high growth rate, then the tendency of corporate funds used for working capital sustains the amount of sales, which will increase the

profit or profit, thus the profit or more profit is used for fixed asset investment and the company uses more debt compared with its own capital in its operations will increase the company's debt ratio, then the company is not able to pay dividends. When the company has a good corporate financial performance but on the other side the company has obligations or payables to be paid then the possibility of the company will focus on the debt that must be paid first, so the company is not able to distribute dividends. The results of this study in accordance with the findings of research conducted by Haider et al. (2012) show that Self Finance (SFR) has no effect on dividend policy.

5) Self Finance is not able to moderate the influence of ownership structure on Dividend Policy. This statement is supported by the results of the analysis which illustrates that the significant value of 0.613 whose value is greater than the specified significant level (α = 0.05) and has a beta coefficient of 0.456. Thus the Self Finance variable is not proven as a moderating variable. The company has a very small amount of managerial ownership, this is because most public companies in Indonesia are still owned by founder families and important positions in the company (directors and commissioners) are still held by founding family members, so the company can not afford to pay dividends . When the company has a good corporate financial performance but on the other side the company has obligations or payables to be paid then the possibility of the company will focus on the debt that must be paid first, so the company is not able to distribute dividends. The results of this study in accordance with the findings of research conducted by Haider et al. (2012) show that Self Finance (SFR) has no effect on dividend policy.

6) Self Finance is not able to moderate the influence of Asset Turnover to Dividend Policy. This statement is supported by the results of the analysis which illustrates that a significant value of 0.673 whose value is greater than the specified significant level (α = 0.05) and has a beta coefficient of -0.196. The company has a very slow turnover of assets and the proceeds of more sales are used to invest in fixed assets, the company also uses more debt than its own capital in its operations will increase the company's debt ratio. When the company has a good corporate financial performance but on the other side the company has obligations or payables to be paid then the possibility of the company will focus on the debt that must be paid first, so the company is not able to distribute dividends. The results of this study in accordance with the findings of research conducted by Haider et al. (2012) show that Self Finance (SFR) has no effect on dividend policy.

5.1 Conclusion

Based on the results of analysis and discussion that has been presented before, it can be concluded that :

1. Free cash flow has no significant effect on the dividend policy. This shows that the free cash flow of manufacturing companies in Indonesia Stock Exchange does not become the basis of the company in paying dividends.
2. Leverage has a positive and significant effect on dividend policy. This shows that the increasing use of debt of manufacturing companies in Indonesia Stock Exchange able to increase profit or profit, so that company able to increase dividend paid.
3. Profitability has a positive and significant effect on dividend policy. This shows that the higher the ability of manufacturing companies in Indonesia Stock Exchange to generate profit, the higher the dividend payout rate.
4. Liquidity has a negative and significant effect on dividend policy. This shows that with increasing liquidity owned by manufacturing companies in Indonesia Stock Exchange, not able to increase dividend payout, because tends to company fund used for working capital in increasing sales volume.
5. The ownership structure has no significant effect on the dividend policy. This indicates that the size of managerial ownership in manufacturing companies in Indonesia Stock Exchange does not affect dividend policy distributed to managers, this is because the amount of managerial ownership is very small.
6. Asset Turnover has no significant effect on dividend policy. This shows that manufacturing companies in Indonesia Stock Exchange have slow asset turnover, so the company can not increase dividend payout, because the amount of funds embedded in fixed assets.

6.2 Implications Research

Based on the results of research and conclusions that have been raised, the suggestions that researchers can convey are as follows:

1. Investors should invest in a consistent company in distributing dividends, because dividend payments affect

the high demand for the company's stock price so as to increase the value of the company.

2. For the company, can be used by the company as a consideration for the management in making decisions on dividend policies that will affect the value of the company. Companies are expected to maintain a level of profitability, the higher the company's ability to generate profits, the higher the dividend payout rate. Companies should be careful in determining the level of liquidity, because the company has a high level of liquidity, which causes a decrease in dividends are distributed.

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