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The Influence of Profitability, Liquidity, and Investment Opportunitiy to Dividend Policy on Companies Listed in the LQ-45 Index

Netti Siska Nurhayati
Program Studi Manajemen Fakultas Pendidikan Ekonomi dan Bisnis
Universitas Pendidikan Indonesia
Bandung, Indonesia
nettinurhayati@upi.edu

***Abstract*—The purpose of this research is to know the impact of profitability, liquidity, and investment opportunity to dividend policy. In this research, proxy of profitability is ROE, liquidity is CR, and investment opportunity is Market to Book Asset Ratio. Sampling method which is used is purposive sampling from companies listed in the LQ45 index during 2009 -2013. Panel data regressions used as data analysis method. The results of the research show negative effects of profitability which is significantly to dividend policy, while liquidity has positive effects which isn't significantly to dividend policy, and investment opportunity has negative effects which isn't significantly to dividend policy.**

Keywords—profitability; liquidity; investment opportunity; dividend policy

I. INTRODUCTION

Investors' interest to invest in IDX more increase. It is demonstrated from the number of investors who increase. Until the end of year 2013, recorded 408,045 investors. It increases of 13.6% compared to previous year which was 359,333% investors [1]. Growing number of investors who invest in IDX, is expected to increase the amount of funds that have been absorbed by the business world. From investor point of view, invested funds in capital market, need many considerations. To know which stock that has high liquidity level, Indonesian Stock Exchange's has index of LQ-45 which contain 45 companies with high stock liquidity level.

There are two returns which is gotten by stockholder, *capital gain* and dividend. *Capital gain* is gotten from increasing of stock price and dividend is gotten from sharing profits (profits of the company). As a form of return in investment, assessment of dividend to a company is being a consideration of investors to invest in a stock. It is same when assessing stock on LQ-45issuer. Based on introduction of research that I did to the companies that joined in The LQ-45 index issuer in period 2009 - 2013, the policy dividend that were distributed tend to increase, as is shown on Table 1.

TABLE I. DIVIDEND POLICY OF LQ-45 ISSUERS COMPANY IN 2009 - 2013 (%)

Dividend policy	In				
	2009	**2010**	**2011**	**2012**	**2013**
Dividend Payout Ratio	47,546	49,212	50,584	51,872	55,054
Increase/Decrease	-	0,035	0,028	0,026	0,061

Source: www.idx.co.id (processed)

From the data above, show that there's increase of dividend policy from 2009 to 2013. This increase can be caused by many factors. Baker and Powel said factors of consideration in decision of dividend, there are profitability and company liquidity [2].

Based on *signaling theory*, company tries to balance the information that is not same between manager and investor through various ways. One of them is by sharing dividend. With sharing dividend, the company tries to deliver the information that the company has a good profitability and liquidity condition. Because sharing dividend is big cash flow out, so only a company which gets high profit and good liquidity, which will make dividend sharing. With this condition, it means if dividend policy is bigger, shows that profitability and liquidity of company is higher.

But this condition does not happen in The LQ-45 issuers company. When dividend policy is increasing (as seen in Table 2), profitability and liquidity of company instead experienced a decline. The following is data of profitability and liquidity of The LQ-45 index issuers company.

TABLE II. PROFITABILITY AND LIQUIDITY OF ISSUERS THAT ARE LIST IN THE LQ-45 INDEX IN 2009 - 2013

Year	Profitability		Liquidity	
	ROE (%)	**Increase/ Decrease (%)**	**Current Ratio**	**Increase/ Decrease (%)**
2009	32,38	-	206,39	-
2010	27,35	-0,155	251,69	0,22
2011	30,88	0,129	266,61	0,06
2012	29,32	-0,051	256,68	-0,04
2013	24,77	-0,155	215,10	-0,16

Source: www.idx.co.id [1]

From the data on the table above, show that profitability and liquidity of issuers company of LQ-45 tend to decrease. Although profitability had increased by 0,12%in 2011, but in 2012 profitability is decrease again, and, had a higher decrease in 2013, that was 0,155%. Company Liquidity also tends to decrease during in 2009 - 2013. From table 2, show that liquidity of company continues to decline, and the biggest decline happened in 2013, it was 0,16%.

If it is observed between the pattern of dividend policy that is showed in table 1 with a condition of profitability and liquidity of the company which is showed in table 2, show a contradiction condition. When the company increases the dividend policy, profitability and liquidity of the company is decline. This condition shows a gap between theories in *signaling theory* with condition that happened in The LQ-45 index issuers company. This phenomenon makes me interested to investigate further the factors which determine the dividend policy.

The study of dividend policy, until this time, still continue to be done, because it still hasn't been found a same formula yet for the factors which determine dividend policy. Kania and Bacon in their research to 542 companies, concluded that profitability and liquidity have a negative effect and significant to dividend policy [3]. While analysis of Jum'ah and Pacheco showed that profitability and liquidity have a positive effect and significant to dividend policy [4]. Different result has been put forward by Gupta and Banga, that liquidity has a positive effect and significant to dividend policy, while profitability has a negative effect and does not significant to the dividend policy [5]. Because there are still differences of the results of the research that has been done, so in this research, I will examine again the connection between profitability and liquidity variable to dividend policy

Other factors that determine the dividend policy is the investment opportunity which is done by the company in the future. *Residual Dividend Policy* shows that stockholders will only receive dividend, after the company set aside the profits to fulfill the needs of investment and also maintain the capital structure which is targeted. So if necessary of investment opportunity is bigger, the dividend which received by the investors will be less [2].

One of the ways to know that there is an investment opportunity or not in a company is with knowing the investment opportunity value. Investment opportunity or *Investment Opportunity Set* (IOS) introduced first time by Myers in 1977. Company value is influenced by two things, the asset owned in this time and option to invest in the future. IOS is more focused on investment options in the future. IOS is a company value that the bigness is depending on expending which is determined by the management in the future, that in this time are choices of investment that is expected to produce the *return* which is greater. Companies that get high profits will open new branch and enlarge the investment or open a new investment so the high profits level show company's growth in the future is also increased.

From this phenomenon, there is a gap between the theory and the fact that happened between profitability and liquidity relation with dividend policy, and also still the differences of the results of research about factors which determine dividend policy, so this research is will review the connection between the variable of profitability and liquidity to dividend policy.

Besides profitability and liquidity, this research follows the research by Haryetti and Ekayanti [6], this research adds variable of investment opportunity as variable that was suspected to determine the dividend policy. From the explanation above, so the title of this research is: "**The Influence of Profitability, Liquidity, and Investment Opportunity Set to Dividend Policy on Companies Listed in The LQ-45 Index".**

Based on the background above, then the problem formulations in this research are:

- Do profitability, liquidity, and investment opportunity influence simultaneously toward dividend policy on the companies listed in
- The LQ-45 Index?
- Does profitability influence toward dividend policy on the companies listed in The LQ-45 Index?
- Does liquidity influence toward dividend policy on the companies listed in The LQ-45 Index?
- Does investment opportunity influence toward dividend on the companies listed in The LQ-45 Index?

The aim of this research is to know:

- The influence of profitability, liquidity, and investment opportunity to dividend policy on the companies listed in The LQ-45 Index.
- The influence of profitability to dividend policy on the companies listed in The LQ-45 Index.
- The influence of liquidity to dividend policy on the companies listed in The LQ-45 Index.
- The influence of investment opportunity to dividend policy on the companies listed in The LQ-45 Index.

II. Literature Study

Dividend policy is one of the important parts in a company besides investment decision and capital structure decision. Dividend policy is company's decision to distribute the profits as dividend to the stockholders or being as retained earnings. Companies tend to pay dividend with a relative number or increased organizing, this is to keep loyalty of the investors to the company. Proportion of dividend that was distributed compare with the profits which are gotten called *dividend payout ratio.*

Financial performance is one of the instruments that can be used by both internal such as management and external party such as investors to determine dividend policy especially how many percent of payment ratio is. Profitability is one of the components of financial performance and important factor that must be considered before making decision to determine the bigness of dividend that will be paid to the stockholders. From profitability, the investors could know the ability of the companies in producing profit.

Sharing dividend delivers the information about the condition of company, because dividend is a sharing from profits, but only the company which gets profit that can share the dividend. Positive signal between profitability with dividend policy described in *signaling theory*. Positive relation between profitability and dividend policy is also described in *Bird in The Hand Theory*. *Bird in The Hand Theory* assumes that investors are the *risk averse* (avoid risk) people, so the investors will prefer dividend sharing this time, rather than expected *capital gain* in the future. So if the profit is bigger, investors expect that the dividend that were shared is also will be greater.

The amount of profitability determines dividend policy that was made by the company. The results of the research that shows the influence of profitability has a positive effect and significant to dividend policy described by Jum'ah [4]. To measure company profitability, one of the ratios is *Return on Equity* (*ROE*). *Return on equity* or capital rent ability itself is a ratio to measure net profit after tax with own capital. This ratio shows the efficiency in using own capital. If the ratio is higher, the company profitability will be better which means the position of the owner of the company getting stronger.

Liquidity is the other fundamental factor that determine in sharing the dividend. Liquidity is an ability of company to pay all financial duties in short term at maturity date by using current assets which are available. Current assets which are available in the company will be used first to pay company duties, then used for other activities, including paying dividend. If company liquidity is high, and the company will not find the difficult thing to pay debts in the short term, so it is possible to pay dividend. As the result of the research by Jum'ah and Pacheco [4], Gupta and Banga that show the positive relationship and significant between liquidity and dividend policy [5].

One of the ratios is used to assess liquidity is *current ratio* [4,5]. *Current Ratio* is a comparison between liquid asset with current liabilities. If CR is increase, shows that company liquidity is higher, which means current liabilities of the company can be covered with liquid asset of the company, including in paying debt of dividend that owing to the company, dividend is cash flow out, so if the *current ratio* is bigger, the liquid assets of the company will be bigger than their current liabilities, the company has a greater ability to pay the dividend.

Investment opportunity that owned by the company also has to be considered by the investors, because it will determine the amount of the dividend that was distributed to stockholders. Based on *Residual Theory*, investment opportunity will reduce the dividend which received by the investors, because if the company has opportunity in investing with NPV positive, the company will be more priority in using profit that obtained for investment, then to dividend. This condition makes the dividend that received by investors is decreased.

The other way described by Ardestani [7]. By using proxy of Tobin's Q, the research which is done on the sector of industry in Malaysia shows that investment opportunity set has a positive effect and significant to dividend policy.

This measurement of investment opportunity set can be done with three measurements, the measurement based on price, investment, and variance. From those three of measurements, measurements based on the price is the best to predicting investment opportunity that owned by the company [8]. Especially, proxy that the most informative from the measurement based on the price is *market-to-book-asset ratio* [9].

The hypotheses in this research are:

- Profitability, and liquidity, and investment opportunities are influential toward the dividend policy on the LQ-45 issuers company
- Profitability influences a positive effect to dividend policy on the LQ-45 issuers company
- Liquidity influences a positive effect to dividend policy on the LQ-45 issuers company
- Investment opportunity has a negative effect to dividend policy on the LQ-45 issuers company

III. METHODOLOGY

Research method which is used in this research is descriptive method and verificative method. This descriptive method used to know a condition of profitability, liquidity, investment opportunity, and dividend policy on the LQ-45 Index issuers company. Verificative method used to know whether there is an effect of profitability, liquidity, and investment opportunity to dividend policy is partially and simultaneously on the LQ-45 Index issuers company in 2009 - 2013. Independent variables that are examined, are Profitability (X1), Liquidity (X2), and Investment Opportunity (X3). Dependent variable (Y) that is examined, is dividend policy.

In order to carry out this research, the data is secondary data, a consolidated financial companies that registered in the LQ-45 Index issuers from 2009 to 2013. The data obtained from *Indonesia Stock Exchange (IDX)* website, is www.idx.co.id. And activities which are done are carrying out a study and examining a number of literatures such as the textbooks, journals, articles, and the other media that contains information related to the problems that are examined.

The samples that used in this research obtained by *purposive sampling method*. In this research, the consideration in selecting the samples is these companies that fulfill the criteria as follows:

TABLE III. CRITERIA OF SELECTING SAMPLES

No	Criteria of Selecting Samples	Number of Companies
1	List of stocks of the company which had been noted in The LQ-45 Index period of 2009 - 2013.	88
2	Banking company category (financial institutions) left from the samples, because if it hasn't been left from samples and it will be the differences between the ratio of financial that is used.	(7)
3	So stock list that had been noted in The LQ-45 Index without companies that are in banking category (financial institutions)	81
4	Non-banking company (non-financial institutions) which was noted in The LQ-45 Index but did not on the list stock successively in The LQ-45 Index during period 2009-2013 is left from samples	(64)
5	So the sample which is taken is a company that is in a row noted in the list of stock in The LQ-45 Index during period 2009-2013	17

There are seventeen companies which their stock list is listed in the calculation of The LQ-45 Index and being samples in this research:

TABLE IV. LIST OF COMPANIES THAT BEING A SAMPLE

NO	Name of The Companies	Code
1	Astra Agro Lestari Tbk.	AALI
2	Adaro Energy Tbk	ADRO
3	Astra International Tbk	ASII
4	Gudang Garam Tbk	GGRM
5	Indofood Sukses Makmur Tbk	INDF
6	Indocement Tunggal Prakasa Tbk	INTP
7	Indo Tambangraya Megah Tbk	ITMG
8	Jasa Marga (Persero) Tbk	JSMR
9	Kalbe Farma Tbk	KLBF
10	Lippo Karawaci Tbk	LPKR
11	PP London Sumatera Tbk	LSIP
12	Perusahaan Gas Negara (Persero) Tbk	PGAS
13	Tambang Batubara Bukit Asam (Persero) Tbk	PTBA
14	Semen Indonesia (Persero) Tbk	SMGR
15	Telekomunikasi Indonesia (Persero) Tbk	TLKM
16	United Tractors Tbk	UNTR
17	Unilever Indonesia Tbk	UNVR

(Source: www.idx.co.id [1])

Data analysis technique in this research uses the panel data (*pooled data)* by using panel data which called regression of data panel [10]. While definition data panel, is a combination of data *time series* (between time) and *cross section* data (between individual or space) [11]. From Rohmana, describes that investigation of model estimation technique regression panel data, there are 3 techniques that can be used, are [10]:

- Model with the OLS method (common)
- *Fixed effect* Model
- *Random Effect* Model

In choosing approximation that is the most suitable to choose which model among *Pooled Least Square* (PLS), *Fixed Effect* (*FE*), and *Random Effect* (RE) which is more available with this research, requires Chow test and Hausman test. After determined the appropriate model, will be done classic assumption test to requisite of regression analysis.

Hypothesis test in this research by using data panel regression method because this research uses panel data (*pooled data*) for years of research 2009 - 2013 with the number of samples are 17 companies. Hypothesis test is done by using *Eviews 7*. In this research hypothesis test is done by using F statistics test, t statistics test, and determination coefficient.

IV. RESULTS AND DISCUSSION

There are three independent variables and one dependent variable in this research. The independent variables are profitability which is measured by *Return on Equity* (X1), Liquidity which is measured by *Current Ratio* (X2), and Investment opportunity which is measured by *Market to Book Value of Assets*. (X3). Dependent variable in this research is dividend policy that is measured with *Dividend Payout Ratio* (Y). The data in this research taken from Indonesia Stock Exchange's website (www.idx.co.id) for the companies listed in The LQ-45 Index period 2009 - 2013.

The following are the result of descriptive data to variable X1, X2, X3, and Y during 2009 - 2013.

TABLE V. DESCRIPTIVE OF STATISTICS

	N	Minimum	Maximum	Mean	Std. Deviation
DPR	85	.00	210.99	50.2736	26.55209
ROE	85	7.18	125.81	29.4480	21.92825
CR	85	1.48	698.54	217.9995	155.48413
IOS	85	.51	26.93	3.5767	4.01711
Valid N (listwise)	85				

(Source: The data processed)

On the table 5, shows that the average of *dividend payout ratio* (*DPR*) that has been paid by the company reached 50,27%, with lowest payment DPR is done by LPKR, which is 0% and the highest is done by Indo Tambang Raya Megah in 2013, is 210,99%. Average of ROE in The LQ-45 company was 29,45%. With the lowest ROE that is experienced by Adaro Energy Tbk, in 2013, is 7,18%, while the highest ROE is experienced by Unilever Tbk, in 2013, is 125,81%. C*urrent ratio* (CR)average of 217,99%. With the lowest CR is experienced by Lippo Karawaci in 2009, is 1,48%. While the highest CR is experienced by Indocement Tunggal Prakarsa in 2011, with the CR's value is 698,54%. The image of *Investment Opportunity Set* (*IOS)* on the table above, show that an average of IOS company was 3,576. The lowest IOS value is experienced by Kalbe Farma in 2009 is 0,51. While the highest IOS is experienced by Unilever in 2013, in the amount of 26,934.

To choose a data model that most appropriate among *Common Effect* (*CE*), *Fixed Effect* (*FE*), and *random Effect* (*RE*), it will be done Chow and Hausman test. Chow test that is done to choose data model between *Common Effect* (*CE*) and *Fixed Effect* (*FE*). The research is tested with estimates of *Fixed Effect* first. From the research we get the probability value (Prob.) for F Cross-section is 0,0000, this shows the value is < 0,05 and a model which is more appropriate to used is *Fixed Effect.* Hausman test is done to choose which methods which more appropriate between *Fixed Effect* (*FE*) and *Random Effect* (*RE*). Hausman test is done with estimates of *Random Effect* first. From the results of research obtained the probability value (Prob.) for Cross-section random is 0,000, this shows the value is < 0,05 and a model which is appropriate to used is *Fixed Effect.*

Classic assumption test that used in this research is Autocorrelation test, Multicolinearity and Heteroscedasticity. From the result of the research acquired hits there is not a problem of autocorrelation, multikolinearity and does not happen heteroscedasticity with model.

Hypothesis testing is done by using panel data regression, by using Fixed *Effect Model* (*FEM*). Panel data equation model that is tested is:

$$DPRit = \alpha_{it} + \beta PROF_{it} + \beta_2 LIK_{it} + \beta_3 IOS_{it} \varepsilon i \quad (1)$$

Note:

DPR = *Dividend Payout Ratio*. It shows the extent of dividend that are distributed from earning which is gotten by the company

PROF = *Profitability*. It is shown with ratio of *Return On Equity* (*ROE*). ROE shows a capability of company in earning the profit from equity received.

LIK = L*iquidity*. It is shown by ratio of *Current Assets* (CR). *CR* represents the proportion of liquid asset compare with current liabilities of the company.

IOS = *Investment Opportunity Set* (IOS). It is shown by the value of *market to book value of assets ratio* (MBVA).

εI = Error term

The following are the result of regression by using *Fixed Effect Model* for Profitability independent variable(ROE), Liquidity (CR), and Investment Opportunity Set (IOS) to dependent variable of Dividend Policy (DPR):

TABLE VI. THE RESULT OF REGRESSION ESTIMATION WITH *FIXED EFFECT* AND HYPOTHESIS TEST

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	79.81428	10.82037	7.376297	0.0000
ROE	-1.209944	0.301934	-4.007307	0.0002
CR	0.036511	0.029923	1.220189	0.2268
IOS	-0.522726	1.228341	-0.425555	0.6718
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.613830	Mean dependent var		50.27365
It said R-squared	0.500949	S. D dependent var.		26.55209
S. E. of regression	18.75734	Akaike include criterion info		8.903371
Sum squared resid	22869.45	Schwarz include criterion		9.478113
Log likelihood	-358.3933	Hannan-Quinn criter.		9.134548
F-statistic	5.437866	Durbin-Watson stat		1.464793
Prob (F-statistic)	0.000000			

Of table 6, can be known that coefficient variable of Profitability (X1) that proxies with ROE is -1.209944. This shows that ROE influence the negative impacts to dividend policy, if ROE is bigger, so the dividend policy will be smaller. If there is an increase of 1%of ROE, so dividend policy will be decrease by 1.209%, with the assumption that the other independent variables are remain. Relation between variable Liquidity (X2) that proxies with *CR* can be known from the positive coefficient which is 0,036511 which means there is a positive relationship between *CR* with Dividend Policy. If the other independent are remain, if there is an increase of *CR* which is 1%, so it will improve the dividend policy that is 0,036511%. For Investment Opportunity, there is coefficient -0,522726at variable of Investment Opportunity (X3). This means Investment Opportunity has a negative effect to Dividend Policy.

F testis done in order to know the significance of independent variable influential totally to dependent variable.

- Ho received if F count < F table, with α= 5%. This means variable of Profitability, Liquidity, and Investment Opportunity simultaneously does not influence the variable of Dividend Policy.
- Ho rejected if F count < F table with α=5%. This means variable of Profitability, Liquidity, and Investment Opportunity simultaneously influences variable of Dividend Policy.

TABLE VII. THE CRITICAL LIMITS OF F TEST

Df	A
	0.05
81	±2.71
*df = n-k-1 (85-3-1= 81)	
n = Number of observation (85)	
k = Number of parameters (3)	

Test result shows that the value of F count (see Table 6), is 5.4378 and F table (see table 7) is 2.71. Because F count > F tables, and Ho is rejected. So it can be concluded that variable of Profitability, Liquidity, and Investment Opportunity simultaneously influence significantly to variable of Dividend Policy.

Test of t is done in order to know the significance of influential each independent variable to dependent variable which is using degree of confidence level of 95%.

If $t_{count} \le t_{table}$, with α = 5%

H0 received, so H1 was rejected which shows that the testing is not significant, that independent variables partially do not have any influence to the dependent variable.

$t_{count} > t_{table}$, with α = 5%

H0 was rejected, so H1 received which shows that the testing is significant, that independent variables partially have an effect on to the dependent variable.

TABLE VIII. THE CRITICAL LIMITS OF T TEST

Df	A
	0.05
32	±1.989
*df = n-(k+1) = (85-(3+1)=81)	
n = Number of observation (85)	
k = Number of parameters (3)	

TABLE IX. TEST RESULT OF T-STATISTICS TESTING WITH CONFIDENCE LEVEL OF 95%

Variable	t-statistics	Prob.	H_0
ROE	-4,007307	0,0002	Rejected
CR	1.220189	0,2268	Is not rejected
IOS	-0,42555	0,6718	Is not rejected

Based on two tables above, it can be explained the result of t test to equality of variables that affect Dividend Policy (DPR), there are:

A. ROE Variable

The value of t count ROE variable of -4,007307 is higher than t table at the significance level of 5%, is 1,989, so Ho is rejected. It means partially ROE influence significantly to DPR

B. CR Variable

The value of t count CR variable of 1,220189 is smaller than t table at the level of significance 5% is 1,989, so Ho received. It means partially, CR doesn't affect significantly to DPR

C. IOS Variable

The value of t count IOS variable of -0,425555 is smaller than t table at the level of significance 5%, is 1,989, so Ho received. It means partially, IOS doesn't affect significantly to DPR

In the estimation model of *Fixed Effect* on Tabel.6 is gotten the R^2 value is 0,6138. This means variable of Profitability (ROE), Liquidity (CR) and Investment Opportunities (IOS) in the same time affects Dividend Policy (DPR) is 61,38%. While the rest of it is 38,62% were influenced by other variables that do not be examined in this research.

From the result of regression analysis and *Fixed Effect* Model, it obtained some hits, as there is a significant influence simultaneously between variable of Profitability (ROE), Liquidity (CR), and Investment Opportunity (IOS) to Dividend Policy(DPR). Seen from regression coefficient each dependent variable, profitability and investment opportunity have a negative effect to dividend policy, while liquidity has a positive effect to dividend policy.

Profitability is a size that shows company efficiency in using sources which is had such as assets, capital and sales to produce profit. The result of this research shows that there is a negative effect that significant between profitability to dividend policy. So if profitability (ROE) is higher, dividend policy (DPR) will be smaller to distribute. This was attributed by DPR that were distributed, continued to increase, but ROE continue to decline.

This condition is different from *signaling theory* that functioned to deliver the information to the investors about the company condition in a way that is difficult to be imitated by competitors of the company, in such ways distributing dividend in a great number. Dividend sharing in the big amount needs a strong ability of profitability, so that only the company which has increased profitability that can distribute the dividend. A different result happened in this research, the dividend policy is not describing the condition of its profitability. This shows the dividend policy is inconsistent in providing in step image about company profitability condition.

Companies that entered in the group of The LQ-45 Index are 45 companies that have the highest stock liquidity level, is a size that shows the number of transactions a stock in the capital market. The high of stock liquidity level, shows that the stock is interested by investors. Besides liquidity, also seen from indicator of market capitalization, financial situation, and future growth of the company, so that grouping of 45 stocks with the highest stock liquidity which is made by Indonesia Stock Exchange, there has been a form information delivery to the market about the company condition, that the company is the company that get investors interested, including the company with big market capitalization, good financial condition, and has a future growth. So dividend policy that was made by companies that are in The LQ-45 Index issuers, is not a way to deliver information for the investors, such as set in signal theory.

A negative impact between profitability and dividend policy, it can be caused of the great investment opportunity that exists in The LQ-45company. From the average of investment opportunity, that is 3,57 shows that the company has a big assets market value, which shows that the company has investment opportunity. So the profits will be used for investment activities first, then used for dividend. If profitability is bigger, the funds will be bigger to be used for such investment, and dividend sharing/payment will be less. This is also in line with *pecking order theory.* That the company would prioritize source of internal funds for investing activities, then issue a debt and new stocks. So that when companies have investment opportunity, the companies will use profits which is obtained as retained earnings, then the debt issuing, and the last choice is stocks issuing.

This Research in line with the research of Gupta and Banga [5], and then Kania and Bacon [3]. In a study of Kania and Bacon, a negative impact is happened because the company does not distribute the profits which is gained as dividend, but it keeps as a retained earnings for investment [3]. So if the profits are bigger, the retained earnings are bigger, and dividend which is shared will be smaller. This condition in line with *residual dividend policy*.

This research is different from the research that was presented by Jum'ah and Pacheco [4], Haryetti and Ekayanti [6]. This difference is clear in Haryetti and Ekayanti, because they use the same research with me, it is The LQ-45 issuers company. The result of Haryetti and Ekayantiis different with this research, it is because the different of criteria of *purposive sampling* which is used. Haryetti and Ekayanti's research does not put outside a company in finance sector, while this research does not used a company in financial sector as a sample. In addition, the difference of profitability proxy that is used. In this research I use ROE proxy, while Haryetti and Ekayanti using ROA proxy.

Liquidity is a size which demonstrates the ability of company to pay obligations in the short term by using their own liquid asset. If liquidity is bigger, means the company ability is bigger to repay the debt in the short term. In this research, liquidity has a positive effect to dividend policy, but does not significant. This happens because during period 2009-2013, during four years there was an increase of liquidity, and also an increase of dividend policy. But in 2012-2013 there was a decline of liquidity, but dividend policy continued to increase. But in average, during the increase of liquidity, dividend policy is also increase.

This research in line with the research of Jum'ah and Pacheco [4], also Gupta and Banga [5]. When a company announce dividend sharing/payment, the company does not immediately pay in cash of dividend, but will be distributed at any other time, so the dividend that was announced will be a current liability for the company. Liquidity condition will become a consideration of the company to distribute the dividend, because dividend sharing will be a current liability that must be paid by the company. So if a company liquidity condition is less than good, so company tends to not distribute the dividend. So if liquidity is bigger than dividend is also bigger to be distributed.

Market to book value of assets (MVA/TA) shows a comparison between the market value of company assets with the book value on its asset. A company that has ratio of *market to book value of asset* that is quite high indicates that the company's productive asset growth is big. Productive asset growth, needs funds, which is one of the sources of funds is the source of internal company.

According to *Residual Dividend Policy*, there is a negative effect between investment decisions with dividend policy. Because if the company has investment opportunity that has positive NPV, the company will prioritize internal funds to pay the investment, then does the dividend policy. So if investment opportunity is bigger that owned, the dividend will be smaller that are distributed.

The result in this research shows that there is a negative relation between investment opportunity with dividend policy, although they're not significant. This is showed from the value of *Dividend Payout Ratio* that tends to increase, the MBA/TA value is increased, but then decreased.

The result in this research is in line with *Residual Dividend Policy*, that there is a negative effect between investment opportunity with dividend policy. This result is also in line with the result or Haryetti and Ekayanti [6]. However, it is different from the research's result of Ardestani [7]. Ardestani explained, the positive relationship between investment opportunity and dividend policy may come from company's goal to show positive signal that the company has a corporate governance (*good governance*), and company purpose to increase (maintaining) company's stock price, because based on theoretical and empirical research shows the positive relationship between dividend sharing/payments to the change stock price [7].

V. CONCLUSION

- Results of the study showed that profitability (ROE), liquidity (CR) and investment opportunity (IOS) simultaneously and significantly affected dividend policy (DPR). Determination coefficient value is61.38% shows variables which are verified together have a significant impact in determining dividend policy.
- Results of the study show that profitability (ROE) partially influence negative and significant to the dividend policy (DPR) on companies listed in The LQ-45 index.
- Results of the study show that liquidity (CR) partially influence positive and did not significant to dividend policy (DPR) on companies listed in The LQ-45 Index.
- Results of the study show Investment Opportunity partially influence negative and does not significant to the dividend policy (DPR) on companies listed in The LQ-45 index.

VI. SUGGESTION

Based on the results of the research and discussion, I give a few suggestions, there are:

- Because profitability influences negative to dividend policy, the investors who prefer to dividend than *capital gains,* they can buy The LQ-45 stock. Because the investors will receive dividend which continues increasing though company profitability is decrease.

- This research is based on *Signal Theory*, *Bird in The Hand Theory* and *Residual Dividend Theory*. For further research we can use the others basis theories, such as *Agency Theory*, *Clientele Effect*, *Life Cycle Dividend Policy*, *Lintner's Model*, etc., so we can expand the perspective's pattern of dividend policy.
- For further researchers can put the factors which are outside profitability (ROE), liquidity (CR) and investment opportunity (IOS) that influences dividend policy (DPR) so that we can see other factors that determine the dividend policy.

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