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THE IMPACT OF LIQUIDITY, PROFITABILITY, AND ACTIVITY ON SHARES RETURN WITH DIVIDEND POLICY AS CONTROLLING VARIABLE

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ABSTRACT

This study was conducted to examine the impact of liquidity, profitability and activity variables on shares returns which can be controlled by dividend policy. This study uses secondary data with a population of financial report data published on capital market. The sample taken is only the issuers of manufacturing companies. The data obtained were 52 issuers using purposive sampling method. Statistic application programs are programs used in processing and analyzing data. The final conclusion of this study shows that the liquidity and activity variables have an impact on shares returns, while the profitability variable has no impact on shares returns. The test by including the controlling variable Dividend policy concluded that the controlling variable was not able to moderate the relationship between liquidity, profitability, and activity on shares returns.

Keywords: *Shares Return, Dividend Policy, Liquidity, Activity, Profitability*

1. INTRODUCTION

Currently, in carrying out its economic function, the capital market has become one of the benchmarks for carrying out economic development in a country, both in developed and developing countries. In the current condition, many companies are switching from owning companies to investing directly in the capital market, the capital market provides another alternative to invest for investors. According to Widoatmodjo [1], one of the advantages of the capital market is its ability to provide capital in the long term and without limits. In investing, investors are not only in the form of deposits in banks or real assets such as tangible assets and physical assets such as land, gold or houses, but have progressed to investing in the capital market. The capital market is used as an investment for investors. According to Amiri, A., Ravanpaknodezh & Jelodari [2], shares are considered as part of the company's capital and are classified as financial assets. Shares also show a person's ownership in a company. The main purpose of investors in investing in shares is to increase wealth or get returns that can be obtained through shares returns or through shares returns. In investing, investors must be more careful in making decisions and really need accurate information about the investment to be taken in order to reduce the possibility of losses that will be obtained for the long term. Shares returns are used by investors as the main purpose of investing, namely to earn profits, but these profits are not only for the short term but for the long term in increasing income. The state and condition of the company can be assessed by looking at the results of the financial ratios of the company's financial statements. In analyzing the company's financial performance to predict shares returns, it is necessary to analyze financial ratios. According to Mahaningrum & Merkusiwati [3] the ratios used by companies to compare and analyze numbers in financial statements are the ratios of liquidity, leverage, profitability, activity and growth. The ratios used in this study are the ratio of liquidity, profitability and activity. In each period, the company must be able to make a decision whether the profits earned will be partially retained or distributed completely to shareholders or investors in the form of dividends, the company must understand how to take steps to distribute company dividends to shareholders. Information on dividend policy is very necessary to assess the concern of issuers to their shareholders. In this study, dividend policy is used as a controlling variable, where the controlling variable is to show how strong or weak the relationship between the independent and dependent variables is.

Related Work

Liquidity with Shares Return

High liquidity increases, shares returns will decrease, and vice versa. If a company cannot pay off its short-term debt, it does not mean that its level of liquidity is low. Liquidity has a significant impact on share returns [4]. In contrast to other studies, liquidity has insignificant impact on shares returns. This means that liquidity has no impact on shares returns, but has a positive relationship [5].

Profitability with Shares Return

Profitability has a very good impact on the company's assessment of shares returns on profits earned, profitability has a significant and positive influence on shares returns, this means [6], other studies also say the same thing that profitability has a positive and significant influence [7]. However, in contrast to the research of Mahmudah [8] said that ROA has insignificant impact on shares returns. A company with a high ROA value means that the company's performance is good and the company's management is impactive, so that it will increase the company's shares price and will have an impact on shares returns.

Activities with Shares Returns

The higher the efficiency of the company in utilizing and using assets or assets in the form of fixed assets to obtain the profit expected by the company, the TATO will have the investors are interested in investing, the activity has a significant impact on the return of Arlyista & Paramita [9]. Ariyanti [10] shares return is not affected by activity ratio.

Liquidity with Shares Return with Dividend Policy as Controlling Variable

The relationship between liquidity and shares returns cannot be controlled by dividend policy [7]. In contrast to the research of Mufidah & Sucipto [4] The results found that the dividend policy variable was significant and had a negative impact so that it is able to moderate or strengthen the influence of liquidity on shares returns.

Profitability with Share Return with Dividend Policy as Controlling Variable

The research by Utami & Murwaningsari [6] show that Dividend Policy strengthens the positive and significant relationship between ROA and shares returns.

Activities with Share Returns with Dividend Policy as Controlling Variable

Based on the research of Triwibowo & Murniningsih [7] stated that the relationship between activity and shares returns is not controlled by dividend policy.

Research Hypotheses

The hypotheses in this research can be developed as follows:
H1: Liquidity has a significant negative impact on shares returns.
H2: Profitability has a significant positive impact on shares returns.
H3: Activity has a significant negative impact on shares returns.
H4: The impact of liquidity on shares returns is controlled by dividend policy.
H5: The impact of profitability on shares returns is controlled by dividend policy.
H6: The impact of activity on shares returns is controlled by dividend policy.

Our Contribution

This research was conducted to find out :1. the impact of liquidity (current ratio) on shares returns.2. the impact of profitability (return on assets) on shares returns.3. the impact of activity (total assets turnover) on shares returns.4. the impact of dividend policy in controlling liquidity (current ratio) on shares returns.5. the impact of dividend policy in controlling profitability on shares returns.6 the impact of dividend policy in controlling activity (total assets turnover) on shares returns.

Paper Structure

The methodology of this research is quantitative research with secondary data obtained from the Indonesia Shares Exchange in a 3-year period. The method used in the selection of the sample is purposive sampling from data on manufacturing companies on the IDX with the criteria of 1) manufacturing companies listed on the Indonesia Shares Exchange during the period 2017-2019, 2) financial statements with a fiscal year December 31, 3) using Rupiah currency. 4) distribute dividends consecutively for 3 years, 5) generate net profit every year. The total number of valid samples is 52 companies. The tests used are the Classical Multicollinearity and Heteroscedasticity Assumption Test, Chow Test, Hausman Test, Multiple Linear Regression Test, t Test.

2. METHODS

The following are proxies for the tested variables:

Dependent Variable (Y)

Shares Return - Y
Shares return can be formulated as follows:

$$\textit{Shares Return} = [\, \boldsymbol{Pt} - (\boldsymbol{Pt-1}) \,] \,/\, (\boldsymbol{Pt-1})$$

Description:
Pt = Share price at the date of publication of financial statements in the current period.
Pt-1 = Share price on the date of publication of financial statements in the previous period.

Independent Variables (X)

Liquidity (CR) - X1
Current Ratio is expressed in the following formula:
CR = $\boldsymbol{Current\ Assets\ /\ Current\ Liabilities}$

Description:
CR: Current Ratio
Current Assets: Total current assets of the company
Current Liabilities: Total current liabilities of the company

Profitability (ROA) - X2
ROA is expressed in the following formula:
ROA = $\boldsymbol{Net\ Income\ /\ Total\ Assets}$

Description:
ROA: Return on Assets
Net Income: Profit for the year
Total Assets: Total assets of the company

TATO - X3
TATO is expressed in the following formula:
TATO = $\boldsymbol{Net\ Sales\ /\ Total\ Assets}$

Description:
TATO: Total Asset Turnover
Net Sales: Total net sales of the company
Total Assets: Total assets of the company

Moderating Variable (Z)

DPR is stated in the following formula:
DPR = $\boldsymbol{Dividend\ /\ EAT}$

Description:
DPR: Dividend Payout Ratio
Dividends: Total dividends distributed by the company
EAT: Total Earnings After Tax (Profit After Tax)

3. FINDINGS AND DISCUSSIONS

The results of the multicollinearity test obtained that the highest value was 0.458391 and was still calculated below the tolerance value and did not exceed the correlation limit of 0.9 which means that there is no multicollinearity. The results test obtained the lowest value of 0.0685 and it is still classified above the significant value of 0.05, indicating that it exceeds the significant value, which means that there is no heteroscedasticity.

Before determining what panel data regression model will be used, the Chow Test and Hausman Test.

Chow test can be seen from the test that the probability value in the Chi-square cross-section results in 0.0235, which means that it is below the significant level of 0.05. This shows that the probability value is significant. Therefore, the fixed impact model is considered more appropriate to be used as a hypothesis testing model and the common impact model is not appropriate, so the next step is to test it with the Hausman test.

Hausman test from a random cross-section is 0.0095. The probability value is significant because it is below 0.05 and it can be concluded again that the method that should be used in estimating panel data in this study is to continue to use the fixed impact model for testing the hypothesis of this study.

The results of the influence test (t-test) are carried out after all classical assumptions meet the requirements, and have determined the regression model used, namely the fixed impact model and the results are seen in the table below:

Table 1 t-Test Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.427375	0.606252	0.704946	0.4825
LIQ	-1.776752	0.797211	-2.228708	0.0281
PRO	-0.104237	0.419638	-0.248398	0.8043
AKT	-3.649720	1.392657	-2.620674	0.0120
LIQ_Z	-0.635943	1.033767	-0.615175	0.5388
PRO_Z	0.022090	0.306060	0.071932	0.9482
AKT_Z	-1.024510	1.483083	-0.690831	0.4931

The t-test table shows that the liquidity variable has a probability value below 5%, so it can be concluded that liquidity has a negative impact on shares returns. The results obtained support the research of Mufidah & Sucipto [4] finding that shares returns are influenced by the liquidity variable.

The results are different from Ginting [5] finding that shares returns are not affected by the current ratio. The results of this study are not consistent with research from Triwibowo & Murniningsih [7] which concluded that liquidity does not have a significant impact on shares returns.

The t-test table shows that the profitability variable has a probability value above 5%, so it can be concluded that profitability does not have a positive impact on shares returns. The results obtained support the research of Kurniawan [11] which states that return on assets has no significant impact on shares returns. Previous research supports this research which states that shares returns are not influenced by profitability.

The results of this study are consistent with the research of Maheasy, U [8] However, the results of this study are different from the research conducted by Utami, F., & Murwaningsari, E. [6] Finding that shares returns are influenced by return on assets.

The t-test table shows that the activity variable has a probability value below 5%, so it can be concluded that activity has a negative impact on shares returns. The results obtained support the research of Kurniawan [11] finding that shares returns are influenced by total asset turnover. The results of this study also support research conducted by Arlyista & Paramita [9] which states that TATO has impact on shares returns.

The results of this study are different from the research conducted by Triwibowo & Murniningsih [7] which states that activity does not have a significant impact on shares returns.
The probability value of the liquidity variable being controlled by dividend policy above 5%, The test data obtained, it can be remarks that the liquidity shares returns are not influenced by the controlling variable, namely dividend policy. The results of the test data obtained are in line with research from Triwibowo, & Murniningsih, [7] found that the relationship between liquidity and shares returns is not controlled by dividend policy. These results are consistent with Kurniawan [11] which states that dividend policy is not able to significantly moderate the current ratio to shares returns.

The results of this study are different from the research conducted by Ginting [5], concluding that dividend policy is able to moderate the current ratio on shares returns.

The probability value of the profitability variable being controlled by dividend policy above 5%, Shares returns controlled by dividend policy are not affected by profitability. The results of the data test obtained are in line with research from Triwibowo & Murniningsih [7] the relationship between profitability and shares returns is not controlled by dividend policy. Previous research supports this research which states that the variable profitability controlled by dividend policy is not able to moderate the impact on shares returns. Kurniawan [11] which states that return on assets to shares returns cannot be controlled by dividend policy.

The results of this study are different Utami & Murwaningsari [6] which states that the dividend payout ratio strengthens a significant positive relationship between return on assets and shares returns, and is also not in line with research by Ginting [5] found that the impact of return on assets on shares returns is controlled by dividend policy

The probability value of the activity variable being controlled by dividend policy below 5%, Shares returns controlled by dividend policy are affected by activity.

The results of this study, liquidity and activity have a significant impact on shares returns, this shows that although this high liquidity and activity value cannot indicate a high shares return that will be received by investors, because from the liquidity side it can be concluded that high liquidity can indicate that the company does not utilize resources optimally so that investors will reconsider investing their funds, while in terms of activity it indicates that a low level of activity cannot indicate that the company has a low return, where if the company can take advantage of fixed assets for the long term this will be considered by investors to will add value to the company in the long run. Meanwhile, dividend policy in controlling the impact of independent variables on shares returns produces results that do not have a significant impact where investors cannot assess and see shares returns from dividend policies that are distributed annually in the company. Therefore, investors who will invest their funds in order to see the value of the company not only the value in the financial statements but can see other factors that affect in the long term the value of the company that shares returns will be affected.

4. CONCLUSION

The conclusion of the research is that shares returns are not influenced by profitability, while shares returns are influenced by liquidity and activity. The relationship between liquidity, profitability, and activity on shares returns cannot be controlled by dividend policy.

This study has limitations in the observation period of three years for data sampling and only from manufacturing companies, and the use of little independent variables. For further research it is possible to extend the research period or to increase the sample used not only manufacturing companies but other companies and also to add other independent variables to be able to find out that dividend policy can moderate the impact of any factor on shares returns or can replace controlling variables other than dividend policy so that can find out what variables can strengthen the controlling impact of the independent variable on the dependent variable.

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