iCOBEST
International Conference on Business Economics, Social Sciences & Humanities
UNIKOM

FIRM SIZE AND PROFITABILITY AFFECT TO DIVIDEND POLICY ON MINING COMPANIES LISTED IN INDONESIAN STOCK EXCHANGE PERIOD 2016-2020

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Abstract. This research aims to investigate the influence of Firm Size and Profitability on the Dividend Policy of mining companies listed in the Indonesian Stock Exchange Period 2016-2020. The analysis method used descriptive and verification. The sample used was the company's financial statements totaling 15 pooled data. Statistical analysis used multiple linear regression analysis, correlation, determination coefficient and t test. The results of data processing obtained partially, Firm Size has an effect on Dividend Policy and Profitability has an effect on Dividend Policy.

1. Introduction

The authority to control dividend policy is one of the powers delegated by shareholders to the board of directors. Dividends will be paid or not, how the nature and amount of dividends is a matter to be determined by the board of directors. Dividend policy is a decision whether the company's profits earned by the company will be distributed to shareholders as dividends or will be retained in the form of retained earnings to finance investment in the future [1]. The company must pay attention to the factors that affect the dividend policy when the policy is set. Determination of dividend policy is very important because it relates to the welfare of shareholders. In determining the dividend policy, it is necessary to consider the company's performance factors through financial ratios. This study uses firm size and profitability ratios. Companies with large sizes tend to have an easy access to the capital market. This of course affects the flexibility of the company in obtaining large amounts of funds. The funds obtained can be used as dividend payments for shareholders. The greater the level of the size of a company, the possibility of the level of dividend payments will be even greater [2].

In 1994 Vogt identified that the size of the company plays a role in explaining the dividend payout ratio in the company. Large companies tend to be more mature and have easier access to the capital market. This will reduce their dependence on internal funding, so the company will provide high dividend payments [3]. Vogt's research is also supported by Chrutchley and Hansen and Chang and Ree who state that large companies tend to pay higher dividends than small companies, because companies with large decides whether the company's profit

assets are easier to enter the capital market [4]. Companies that have few assets will tend to pay low dividends because profits are allocated to retained earnings to increase company assets. Research conducted by Anindya also states that companies with large assets tend to pay large dividends to shareholders to maintain their reputation among investors [5]. The research of Jensen et al. which is supported by Sudarsi states that the greater the company's profits, the greater the dividend payout [6].

Profitability is the main factor for companies in distributing dividends to shareholders so that profitability is the most important final factor for dividends. Profitability is the company's ability to earn profit, which has an influence on dividend policy. If the company has a high level of profitability, the profit earned will also be high, and in the end the profit available for distribution to shareholders will be even greater. The greater the profit available to shareholders, the greater the dividend payment to shareholders or the allocation for retained earnings. Companies that have profit stability can determine the level of dividend payments with confidence and signal the quality of the company's profits. High company profitability shows the company's ability to fulfill its obligations. For investors, profitability is a very important factor because through profitability, investors can assess the performance and ability and effectiveness of the company in generating profits.

A large, well-established company will have easy access to the capital market, while new and small companies will experience many difficulties to have access to the capital market. Ease of access to the capital market is quite significant for its flexibility and ability to obtain larger funds, so that companies are able to have higher dividend payout ratios than small companies.

The company's profitability is the level of net profit that can be achieved by the company when carrying out its operations. Profits that deserve to be distributed to shareholders are profits after interest and taxes. The greater the profit earned, the greater the company's ability to pay dividends and continue its business activities or reinvest the profits. Managers not only get dividends but will also get greater power in determining company policies. The greater the profits that can be achieved by the company, the greater the dividends distributed. Thus, the greater the profitability, the more efficient the cost of capital. Therefore, profitability is an important consideration for investors in investment decisions.

2. Method

The method used in this research is descriptive and verification research methods. Descriptive method describes the clarity of the development between the independent and dependent variables [7]. The verification method is carried out using quantitative data which is data in the form of numbers used to find the magnitude of the influence between the independent and dependent variables so as to obtain the results of the established hypothesis test and a detailed description of the object being studied [8]. The object in this study consists of the independent variables, namely Firm Size (X1), Profitability (X2), and the dependent variable is Dividend Policy (Y) in Mining Companies (2016-2020 Period). The data used is secondary data derived from annual reports consisting of 6 companies in the 2016 to 2020 period. Pooled data of 30 research samples was obtained with criteria using the Sampling-Purposive Technique.

3. Results and Discussion

To prove that the effect of Firm Size, Profitability, on Dividend Policy is carried out a series of tests by Determination Coefficient and T-Test. The empirical model of the estimation of Firm Size and Profitability to Dividend Policy can be seen in the table 1 as table coefficient of determination:

Table 1

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,245[a]	,060	-,253	1,25748

a. Predictors: (Constant), Firm Size (%)
b. Dependent Variable: Dividend Policy (%)

It is known that the termination coefficient (R Square) obtained is 0.245. this means that 6% of the variable company size (X1) has an effect on dividend policy (Y) while the remaining 94% is influenced by other variables. This is in accordance with the research of Idawati and Sudhiarta which states that large companies tend to have an easy access to the capital market. This affects the flexibility of these large companies in obtaining large amounts of funds used as dividend payments for their shareholders.

The greater the level of the size of a company, the possibility of the level of dividend payments will be even greater [9]. Large companies tend to be more mature and have easier access to the capital market. This will reduce their dependence on internal funding, so the company will provide high dividend payments [10].

The coefficient of determination of the company's profitability variable on dividend policy can be seen in the table below:

Table 2

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,217[a]	,047	-,271	1,26612

a. Predictors: (Constant), Profitability (%)

b. Dependent Variable: Dividend Policy (%)

It is known that the termination coefficient (R Square) obtained is 0.047. This means that the effect of Profitability (X1) on Dividend Policy (Y) is 4.7%. This study supports Christian Andres who stated "Dividend payments are significantly driven by the firms' profitability" which means that dividend payments are significantly driven by company profitability [11] . This is also in accordance with the research conducted by Suharli, M which states that the dividend distribution policy is influenced by profitability [12].

In addition to the Coefficient of Determination table, the level of significance of the variable is calculated through the calculation of t arithmetic, the variable of Firm Value on Dividend Policy, then obtained:

Table 3

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	,544	,727		,749	,508
	Firm Size (%)	,055	,125	,245	,438	,691

a. Dependent Variable: Dividend Policy (%)

Significant Value (Sig). from Leverage of 0.691 > from probability 0.05, firm size has no significant effect on dividends or Ho is accepted. Firm size has a positive effect on dividend policy, meaning that the larger the firm size, the higher the turnover and profits. If profits are high, the company is able to pay higher dividends than companies that have smaller company sizes [13].

In addition, T Count is also calculated for Profitability Variables on Dividend Policy.

Table 4

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	T	Sig.
1	(Constant)	,960	,794		1,210	,313
	Profitabilitas (%)	-,567	1,473	-,217	,385	,726

a. Dependent Variable: Dividend Policy (%)

Significant Value (Sig). from Leverage of 0.691 > from probability 0.05 then profitability has no significant effect on Dividend Policy or Ho is accepted. Profitability can be categorized as a signal made by a company or bank to give clues to investors about the prospects of the company or banking. Profitability will make investors have an assessment of the company or bank before deciding to invest their funds in the hope of getting rewards in the form of dividends. However, there are other variables not examined by researchers that have a greater influence apart from probabilities [14].

4. Conclusion

Firm size has an influence on dividend policy. If the size of the company increases, the dividend policy will also increase. Dividends are part of the company's net profit, meaning that dividends will be distributed to shareholders if the company makes a profit. It can be said that the company's profits will greatly affect the level of dividend payments. Profitability has an influence on dividend policy. This is because increasing profitability will increase the company's ability to pay dividends to its shareholders, and vice versa, if profitability decreases, the dividend distribution ratio will also decrease. Profitability is the main factor for companies in distributing dividends to shareholders. This is because profitability is the company's ability to generate profits, and this profit will be the basis for consideration of dividend distribution.
The suggestions that researchers can give for further research are that research can be developed using other variables that can affect dividend policy and can use other company objects, add a longer research period, and can use different analytical techniques.

Acknowledgments

The author would like to thank the Unikom Rector Prof. Dr. Ir. H. Eddy Soeryanto Soegoto., and Dean of the Faculty of Economics and Business Dr. Ely Suhayati., SE., M.Si.,Ak.CA, who has given the opportunity to do this research.

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