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Profitability, Liquidity, Firm Size, Dividend Payout Ratio and Moderating Effect of Leverage

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ABSTRACT: The dividend payout ratio determines the investment decisions made by investors and determines the company's financial condition. Generally, investors prefer companies with high and relatively stable profit sharing as a signal for the prospect of the company's performance in the future. Dividend distribution is based on the company's dividend policy. Not all companies distribute dividends because dividend distribution by the company will reduce the amount of retained earnings thereby reducing the number of the company's internal sources of funds even though the company earns high profits. Several studies on the factors that affect the dividend payout ratio give different results. This study aims to measure the effect of profitability, liquidity, firm size, and leverage on the dividend payout ratio. This research was conducted on primary consumer goods sector companies listed on the Indonesia Stock Exchange for the period 2016- 2020. The sampling method was purposive sampling.

KEYWORDS: Profitability, Liquidity, Firm Size, Leverage, Dividend Payout Ratio

INTRODUCTION

The company has alternative funding, both inside and outside the company. External funding from the issuance of debt securities or equity participation. Funding for equity participation by selling the company's shares to the public through the capital market and the company going public (Sudarmanto et al., 2021).

Generally, investors prefer companies with high and relatively stable profit sharing (Permana & Hendra, 2018). Investors use dividends as a signal for the prospect of the company's performance in the future (Rizal & Ana, 2016). Dividend distribution is based on the company's dividend policy. A Dividend policy is a policy of the amount of retained earnings and the amount of profit paid to investors in the form of dividends (Ginting, 2018). A Dividend policy is calculated by the dividend payout ratio (Husna & Satria, 2019).

The dividend payout ratio is the ratio of dividends distributed to investors to the company's net income. The dividend payout ratio determines investment decisions by investors and the company's financial condition. If the company distributes dividends, the amount of retained earnings will decrease, thereby reducing the amount of the company's internal sources of funds. On the other hand, if the company does not distribute dividends, the company's internal sources of funds will not decrease because it does not reduce the amount of retained earnings (Puspitaningtyas et al., 2019).

Previous research has shown that profitability has a positive and significant effect on the dividend payout ratio (FITRI et al., 2016; Situmorang, 2017, Arsyad, 2021). The higher the profitability, the higher the dividend payout ratio that can be distributed by the company. Companies that can pay their short-term debt obligations promptly reflect the availability of more funds which can then be distributed to their shareholders in the form of dividends (Yani & Dana, 2017). The higher the liquidity, the higher the dividend payout ratio distributed by the company. Liquidity positively affects the dividend payout ratio (Arseto & Jufrizen, 2018; Yani & Dana, 2017, Feizal et al., 2021). Leverage negatively affects the dividend payout ratio. The higher the leverage, the lower the level of dividend payout ratio distributed by the company (Kharisma, 2020; Zulkifli et al., 2017, Fitriati, 2019).

Leverage also has a relationship with profitability and liquidity (Devi et al., 2017). According to the Pecking Order Theory, there is a relationship between profitability and leverage in the company, namely if the level of profitability in the company is high, then the company's debt level is low (Juliantika & Dewi, 2016; Devi et al., 2017; Prastika & Candradewi, 2019). Companies with high profitability tend to have low levels of debt so as to allow increased profits to be distributed to investors (Fitriati, 2019). The higher the level of liquidity of a company, the lower its leverage will allow the company to pay higher dividends. (Deviani & Sudjarni, 2018; Dewi et al., 2018).

In addition to the financial ratio factor, the distribution of dividends is also influenced by the size of the company. Firm size has a positive and significant effect on the dividend payout ratio. Large companies tend to distribute high dividends (Fitriati et al., 2018). Leverage also has a relationship with company size. Firm size has a significant negative effect on leverage (Acaravci, 2015; Jahanzeb and Bajuri, 2014). Companies tend to use equity compared to debt in financing their operations. Gharaibeh (2015) and Tariq (2015) state that firm size has a positive and significant relationship with leverage.

Different results were stated by Kurniawan et al. (2016) and Jalung et al. (2017), and profitability has no effect on the dividend payout ratio. Wahyuni & Hafiz (2018) and Bahri (2017) state that the size of liquidity has no effect on dividend payments. The company's high level of liquidity does not guarantee a high level of cash either but is caused by other instruments such as inventories and receivables (Bahri, 2017). Feizal et al. (2021) and Ginting (2018) state that there is no effect of leverage on the dividend payout ratio. The high level of debt ratio does not prevent the company from distributing dividends.

Wulandari (2013) and Zulkarnain (2020) state that liquidity has no effect on leverage. Lasut et al. (2018) and Sari (2019) state that profitability has no effect on leverage.

The consumer goods industry sector company is one of the industries that have a considerable influence on the dynamics of trade in the capital market (Arlita et al., 2019). In addition, consumer goods industrial sector companies are the most defensive sector among other sectors, meaning that this sector is able to survive during recessions and crises (Situmorang, 2017). The products produced by this sector company are products that are needed by the community and are consumptive in nature so they have the potential to develop quite high (Setyaningsih et al., 2020). This is one of the reasons people prefer investing in the consumer goods industrial sector.

This study was conducted to prove the effect of profitability, liquidity, leverage, and firm size on the dividend payout ratio in consumer goods sector companies listed on the Indonesia Stock Exchange for the 2016-2020 period.

LITERATURE REVIEW

Pecking Order Theory

The Pecking Order Theory was put forward by Gordon Donaldson (1961), namely companies tend to prioritize internal sources of funds in paying dividends and funding their investments, if these funds are not sufficient, they make external funds in addition (Pebrianti, 2017).

The pecking order theory states that companies choose funding sources according to the order of risk, in this case, the company prefers to use internal funds first. If internal funds are insufficient, the company uses external funds (debt) to finance the company's operations. Internal capital comes from retained earnings, while external capital is in the form of funds originating from creditors (Harjito, 2011).

According to Febriana & Yulianto (2017), the pecking order theory states that the company's preferred funding is internal funding because it has low costs, issues debt, and the last option is to issue shares. Thus, the preferred funding is internal funding in the form of retained earnings. However, the presence of retained earnings will reduce the dividends distributed.

Dividend Payout Ratio

The dividend payout ratio is the amount of the percentage of net profit paid by the company to shareholders in the form of dividends, the greater this ratio means the less profit the company can hold (Sudana, 2015: 167).

According to Murhadi (2013: 65), the dividend payout ratio is a ratio that describes the proportion of dividends paid to the company's net income. The dividend Payout Ratio describes the percentage of profit paid by the company to common stockholders in the form of cash dividends (Puspitaningtyas, 2017). If the company decides to hold a large amount of retained earnings for its operational needs, the profits paid to shareholders will be smaller.

A high level of dividend payout ratio will benefit investors. However, this has an impact on reducing the company's internal funds. Conversely, if the level of dividend payout ratio distributed is getting smaller, it will be less profitable for investors, but the company's internal funding sources will be stronger (Zulkifli et al., 2017).

Profitability

Profitability is the ratio used to measure the company's ability to generate profits with the resources it has (Angelia & Toni, 2020). According to (Ginting, 2018) profitability is the company's ability to earn profits that can affect dividend distribution decisions. Profitability is closely related to profit, where profit is used as the basis for dividend distribution (Lestari et al., 2017). The greater the profit earned by the company, the greater the company's ability to pay dividends (Thunggalia et al., 2018).

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In this study, profitability is proxied by return on assets. According to Wahyuni & Hafiz (2018), return on assets is the rate of return on investment on the company's investment in assets used for operations. The greater the return on assets, the better the company's financial performance, because of the greater rate of return on investment.

Liquidity

Liquidity is the company's ability to meet its short-term obligations on time (Fahmi, 2020: 87). This ratio can be used to determine the company's ability to finance operations and fulfill its financial obligations as they fall due (Yasin, 2019). Liquidity can be defined as the company's ability to pay dividends to shareholders (Yani & Dana, 2017). Companies with high liquidity can make dividend payments (Arseto & Jufrizen, 2018).

In this study, liquidity is proxied by the current ratio. This ratio is used to measure the company's ability to pay short-term obligations by using its current assets (Arista & Praptoyo, 2017). The greater the current ratio indicates the higher the company's ability to meet its short-term obligations (including the obligation to pay dividends payable), the high the current ratio can increase investor confidence in the company's ability to pay dividends (Wahyuni & Hafiz, 2018).

Firm Size

Firm size can be determined based on total sales, total assets, and average sales level (Novianty et. al., 2018). From this definition, it can be concluded that the size of the company can be seen from the number of assets owned by the company.

Mehta, 2012; Hejazi and Moshtaghin, 2014 and Al Najjar, 2016 state that firm size has a significant positive effect on the dividend payout ratio. A large company size allows the company to pay larger dividends.

The firm size indicator is measured using the natural logarithm (Ln) of total assets.

Leverage

Leverage is the ability of management to increase the company's operational activities by increasing debt (Hand Prastya & Jalil, 2020). This ratio can be used to measure how much the company is financed by debt (Fahmi, 2020: 62). Companies with high debt levels tend to distribute small dividends to their shareholders, this is because the profits earned are used to pay their obligations, causing small dividends to be distributed (Ginting, 2018).

Leverage in this study is measured by the debt-to-equity ratio. The debt-to-equity ratio is a comparison between total debt and equity which reflects the company's ability to meet its obligations using existing capital. The greater a company's debt will affect the level of income available to shareholders, meaning that the higher the company's obligations will reduce the company's ability to pay dividends (Wahyuni & Hafiz, 2018).

Hypothesis Development

Effect of profitability on the dividend payout ratio

High profitability has an effect on shareholder dividends. Companies with high levels of profitability can pay dividends using profits obtained from company operations (Ginting, 2018). The higher the company's profit, the higher the dividend to shareholders (Bahri, 2017). Profitability is measured by return on assets. According to Wahyuni & Hafiz (2018) return on assets is the company's rate of return on investment on assets used for operations. A high return on assets indicates a good company's financial performance, due to a high rate of return on investment. The higher the rate of return, the higher the dividends received by investors.

Research (FITRI et al., 2016) shows that return on assets has a positive and significant effect on the dividend payout ratio. In line with research (Situmorang, 2017) and (Arsyad, 2021) the results show that there is a positive and significant effect of return on assets on the dividend payout ratio. The higher the company's profits in managing assets, the higher the company's ability to pay dividends to investors (Situmorang, 2017).

H1: Profitability affects the dividend payout ratio.

Effect of liquidity on the dividend payout ratio

Liquidity is an important factor that needs to be considered before making a decision to determine the number of dividends. Therefore, the stronger the liquidity position of a company, the greater its ability to pay dividends (Ginting, 2018). Companies with high liquidity have a higher probability of paying dividends (Hand Prastya & Jalil, 2020). Liquidity is measured using the current ratio. The current ratio is a ratio to measure the company's ability to meet its short-term obligations which are due immediately when they are billed as a whole (Kasmir, 2015: 134). A high current ratio indicates the company's cash ability to meet its short-term obligations that are due soon. Companies that are able to pay their short-term debt obligations in a timely manner reflect the availability of more funds which can then be distributed to their shareholders in the form of dividends (Yani & Dana, 2017).

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Research (Arseto & Jufrizen, 2018) shows that the current ratio has a positive effect on the dividend payout ratio. In line with the results of research (Yani & Dana, 2017) and (Feizal et al., 2021) there is a positive and significant effect of the current ratio on the dividend payout ratio. Companies that are able to maintain their financial liquidity have a greater opportunity to distribute dividends because the company is not burdened by their short-term obligations (Yani & Dana, 2017).

H2: Liquidity affects the dividend payout ratio.

Effect of Firm Size on the dividend payout ratio

Hejazi and Moshtaghin (2014) state that large companies tend to pay higher dividends. Companies with large assets are easier to enter the capital market so they tend to pay high dividends. On the other hand, companies with smaller assets are more difficult to enter the capital market so they tend to distribute low dividends because the profits earned will be allocated to retained earnings to increase the company's assets. Myron Gordon and J. Litnner (1956) in Bird in the Hand Theory suggest that investors prefer if earnings are distributed in the form of dividends rather than retained earnings because dividend payments have a higher certainty value than capital gains. The results of research by Al-Najjar (2016) and Mehta (2012) support this statement. Both stated that the size of the company has a positive and significant effect on the dividend payout ratio. The bigger the company, the bigger the dividend ratio that will be distributed.

H3: Firm size affects the dividend payout ratio.

Effects of profitability on the dividend payout ratio moderated by leverage

The high level of corporate debt will increase the debt burden, including interest expense. This can reduce the company's ability to pay shareholder dividends (Fitriati, 2019). Companies use profits to pay obligations first before distributing dividends so that the level of dividends distributed by the company is getting lower (Ginting, 2018).

Debt to equity ratio is able to reduce the effect of return on assets on the dividend payout ratio (Simanjuntak, 2015). Based on these results it is stated that a high level of company debt ratio can reduce profits which has an impact on the lack of dividend distribution ratio. Companies with high profits cannot immediately pay dividends because they have to consider the debt that will be paid using profits. In line with the results of research (Deviani & Sudjarni, 2018) that if the company's profitability increases, the company's debt level will decrease. The decrease in the level of debt causes the company's ability to pay dividends to increase. This statement is supported by research (Zulkifli et al., 2017), that the debt-to-equity ratio has a significant negative effect on the dividend payout ratio. Companies that have a high debt-to-equity ratio will use profits to pay their obligations so that it has an impact on the lower of dividends distributed to shareholders.

H4: Profitability effects on dividend payout ratio moderated by leverage.

Effects of liquidity on dividend payout ratio moderated by leverage

The high level of liquidity can be used by the company to pay its obligations, thereby reducing the debt-to-equity ratio. Reducing the proportion of debt, reducing the burden of debt or interest so that the company's ability to pay dividends increases and has the potential to increase the dividend payout ratio (Fitriati, 2019). Companies with high liquidity cannot pay dividends directly, because they must consider the available funds to pay their obligations (Ginting, 2018).

Research by (Fitriati et al., 2018) and (Tariq, 2015) shows the debt-to-equity ratio as an intervening variable is able to mediate the effect of the current ratio on the dividend payout ratio. A high current ratio can reduce the debt-to-equity ratio, thereby increasing the dividend payout ratio. In line with the results of the study (Fitriati, 2019), the debt-to-equity ratio acts as a mediator of the effect of the current ratio on the dividend payout ratio. In his research, it is stated that the lower portion of debt can reduce the company's interest expense and increase the company's ability to pay cash dividends to shareholders

H5: Liquidity effects on dividend payout ratio moderated by leverage.

Effects of firm size on dividend payout ratio moderated by leverage

Large companies need a lot of company external funds. In contrast, small companies need a lot of company external funds in the form of debt. In other words, firm size has a negative effect on the debt-to-equity ratio. Investors tend to dislike corporate debt. A high debt ratio makes the company have a high cost of capital obligation, thereby reducing the profits distributed in the form of dividends (Jensen et al., 2002).

Research by Al-Najjar (2016) states that the debt-to-equity ratio has a negative effect on the dividend payout ratio. Large companies tend to have a low debt-to-equity ratio. The lower the debt-to-equity ratio will increase the dividend payout ratio. In other words, firm size has a significant positive effect on the dividend payout ratio. The same statement was also made by Mehta (2012), namely that large companies tend to pay higher dividends, while smaller companies tend to pay fewer dividends. The size of the company has a positive effect on the dividend payout ratio because large companies have a high capital capacity for their activities (Hejazi and Moshtaghin, 2014).

H6: Firm size effects on dividend payout ratio moderated by leverage

RESEARCH METHOD

The dependent variable in this study is the dividend payout ratio. The independent variables in this study are profitability, liquidity, firm size, and leverage as moderating variables.

Profitability is proxied by return on assets. According to Kasmir (2015: 202), return on assets is a ratio that can show the results of the total assets used by the company. The return on assets ratio is the ratio between net income and total assets.

Liquidity is proxied by the current ratio. According to Kasmir (2015: 134), the current ratio is a ratio that can measure the ability of a company to pay short-term obligations or debts that are due soon. The Current ratio is the ratio between current assets and current liabilities.

In this study, firm size is measured using the natural logarithm (Ln) of total assets. The natural logarithm (Ln) is used to reduce the significant difference between the size of the company that is too large and the size of the company that is too small with the aim of data on the number of assets being normally distributed (Mita Tegar Pribadi, 2018).

Leverage is a moderating variable proxied by the debt-to-equity ratio. The debt-to-equity ratio is the ratio of total debt to total equity which is used to measure the extent to which the company is financed with debt (Brigham and Houston, 2014).

Sampling

The population in this study is the primary consumer goods sector companies listed on the Indonesia Stock Exchange (IDX) for the 2016-2020 period as many as 93 companies. Sampling companies in this study used the purposive sampling method.

The sample is determined on the basis of the suitability of certain characteristics and criteria, namely primary consumer goods sector companies listed on the Indonesia Stock Exchange (IDX) during the 2016-2020 period, making dividend payments consistently during the 2016-2020 period, displaying data and information used to analyze the factors that affect the dividend payout ratio for the period 2016 – 2020 and the company did not experience delisting from the IDX during the study period. The sample used in this study was 26 companies, so the total data for the 2016-2020 period was 130 companies.

Data Analysis Method

In this study, descriptive statistical analysis was conducted to provide a statistical description of the research variables. Hypothesis testing in this study was conducted using the Moderated Regression Analysis (MRA) analysis method or interaction test because there is a moderating variable in this study, namely leverage. The hypothesis testing equation model is:

$DPR = a + b1\ X1 + b2\ X2 + b3\ X3 + b4\ X1*Z + b5\ X2*Z + b6\ X3*Z + e$

RESULTS AND DISCUSSION

Descriptive analysis

Table 1. Descriptive analysis

	Mean	Median	Min	Max	Standard Deviation
X1	0.108	0.076	0.002	0.527	0.103
X2	2.347	1.693	0.029	8.638	1.788
X3	29.554	29.613	26.539	32.726	1.385
Z	1.204	0.891	0.164	4.286	1.064
Y	0.471	0.389	0.024	3.504	0.395

Table 1 shows that the mean value of the profitability variable is 0.108 indicating that the level of asset productivity in generating profits is only 10.8%, which is low, below the standard value of a good return on assets, which is 30%.

The mean value of the liquidity variable is of 2.347 or 234.7% indicating a good level of liquidity, because above the standard value of 200%, the company is able to pay its current debt.

The mean value of the firm size variable is 29,554 or 2,955.4% indicating the total assets owned by the company and is a large company.

The mean value of leverage variable is 1.204 or 120.44% indicating 120.44% of the company's capital is financed by debt and high risk.

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The mean value of dividend payout ratio variable is 0.471 or 47.1% indicating the company's ability to pay dividends is 47.1% of the company's profits.

Model Test

The model test in this study is the Chow test and the Hausmann test. The purpose of this test is to determine the panel data regression model to be used.

Table 2. Chow Test

Effects Test	Statistic	d.f	Prob.
Cross-section F	6.662495	(25,100)	0.0000
Cross-section Chi-square	127.456951	25	0.0000

Sumber: Data processed, 2022

Table 3. Hausman Test

Test Summary	Chi-Sq.Statistic	Chi-Sq. d.f	Prob.
Cross-section random	123.868636	4	0.0000

Sumber: Data processed, 2022

Chow and Hausman test results in tables 2 and 3 show the value of Prob. Cross-section Chi Square <0.05, the regression model used is the Fixed Effect Model.

Hypothesis Testing Results

The hypothesis test of this research uses t test (partial test), the independent variable partially has a significant effect on the dependent variable. This study uses a significance level of 0.05 or 5%. If the significance probability value is < 0.05, the independent variable individually has a significant effect on the dependent variable. If the significance value is > 0.05, the independent variable individually has no significant effect on the dependent variable.

Table 4. Results of the Hypothesis testing

Variables	Coefficients	t-Statistics	Adjusted R-squared	Probability
PROFITA	0.952670	-7.688742	0.581325	0.0000
LIQUIDI	0.436417	0.351716	0.341817	0.7258
FIRMSIZE	-2.208119	0.870692	0.345842	0.3859
PROFITA_LEV	1.014613	-3.441483	0.644351	0.0008
LIQUIDI_LEV	0.663181	-0.034024	0.338519	0.9729
FIRMSIZE_LEV	0.452810	0.898979	0.351572	0.3708

Sumber: Data processed, 2022

The profitability significance level of 0.0000 indicates a significant probability value of 0.0000 <0.05, it can be concluded that the profitability variable has a significant negative effect on the Dividend Payout Ratio. The liquidity significance level of 0.7258 shows a significant liquidity value of 0.7258 > 0.05, it can be concluded that the liquidity variable has no effect on the Dividend Payout Ratio. The significance level of firm size is 0.3859, indicating the firm size value is significant 0.3859 > 0.05, it can be concluded that the firm size variable has no effect on the Dividend Payout Ratio.

The profitability and leverage have a significant probability level 0.0008 <0.05 and adjusted R-Square value is 0.581325 to 0.644351. It can be concluded that profitability and leverage have a significant effect on dividend payout ratio. The liquidity and leverage have a significant probability level of 0.9729 > 0.05 and adjusted R-Square value is 0.341817 to 0.338519, it can be concluded that liquidity and leverage have no significant effect on the Dividend Payout Ratio. The firm size and leverage have a significant probability level 0.3708 > 0.05, it can be concluded that firm size and leverage have no significant effect on the Dividend Payout Ratio.

DISCUSSION

The Effect of Profitability on Dividend Payout Ratio

Profitability has a significant negative effect on the dividend payout ratio. The profit earned by the company is prioritized to pay the company's debts rather than the distribution of dividends. This study is not in accordance with the signaling theory which states that high company profitability is a good signal for investors, because profitability is the main indicator of a company's ability to distribute profits in the form of dividends (Basri, 2019). Profitability is the basis for dividend distribution (Lestari et al., 2017), but in this study profitability has not been used as a positive signal that the company will increase the dividends distributed (Asikin, 2021).

Company profits are prioritized to pay debts owned by the company rather than distributing dividends (Simanjuntak, 2015). In addition to paying off the company's debts, profits are used for company expansion so that dividend distribution does not increase when the company's profit increases (Arseto & Jufrizen, 2018). Company expansion is a strategy to increase the company's value in the future and maintain the company's sustainability (Asikin, 2021).

In line with research conducted by (Arsyad et al., 2021), (Ginting, 2018), and (Yani & Dana, 2017) showing a negative effect of return on assets on the dividend payout ratio.

The results are different from research by (Sejati et al., 2020) and (Kurniawan et al., 2016) the results show that there is no effect of return on assets on the dividend payout ratio.

The Effect of Liquidity on Dividend Payout Ratio

Liquidity has no effect on dividend payout ratio. This test is not in accordance with signaling theory which states that a company's liquidity is a good signal for investors in distributing dividends, when liquidity is high, investors will get high dividends. High company liquidity does not guarantee the company's high cash availability, but by other instruments such as inventories and receivables (Bahri, 2017).

This study is in line with research by (Ginting, 2018), (Arista & Praptoyo, 2017) and (Arsyad et al., 2021) the results show that the current ratio has no effect on the dividend payout ratio. These results are different from research by (Arseto & Jufrizen, 2018) and (Feizal et al., 2021) the results show that there is a positive effect of the current ratio on the dividend payout ratio.

The Effect of Firm Size on Dividend Payout Ratio

Firm size has no effect on dividend payout ratio. The results of this test indicate that the size of the company as a proxy for total assets has no effect on the dividend payout ratio.

The results of this test are in accordance with the pecking order theory which states that companies tend to prioritize internal sources of funds in paying dividends and funding their investments. Large companies with large asset values are considered to have debt values greater than the value of their assets and the acquisition of investment funds from the capital market is used to pay debts rather than distribute dividends (Nerviana, 2015).

The results of this study are in line with research by (Nerviana, 2015) and (Situmorang, 2017) which state that company size has no effect on the dividend payout ratio. These results are different from research by (Jaara, Bassam & Alashhab, Hikmat & Jaara, Osama, 2018) and (Fitriati, 2019) which show that there is a positive effect of firm size on the dividend payout ratio.

The Effect of Profitability on Dividend Payout Ratio is Moderated by Leverage

The test results in this study indicate that leverage increases the effect of profitability on the dividend payout ratio.

The results of this study are in line with research by (Simanjuntak, 2015) which shows that companies with high profits do not pay dividends directly, because they consider using profits to pay off their debts.

In line with research by (Deviani & Sudjarni, 2018) it is stated that the company's profitability increases, the company's debt level will decrease. The low level of debt, the company's ability to pay dividends is increasing.

Research (Zulkifli et al., 2017) also states that a high debt to equity ratio of a company will pay its obligations using the company's profits so that it has an impact on the less dividends that will be distributed to shareholders.

The Effect of Liquidity on Dividend Payout Ratio is Moderated by Leverage

The results of this test indicate that leverage is not able to increase the effect of liquidity on the dividend payout ratio.

These results are in line with research by (Thunggalia et al., 2018) which shows that leverage cannot increase the effect of liquidity on the dividend payout ratio. This means that the company's debt ratio cannot reduce the level of dividend payout ratio when the level of liquidity is high, otherwise the debt ratio cannot increase the dividend payout ratio that will be distributed when the level of liquidity is low. The results of research by (Bahri, 2017) and (Ginting, 2018) also indicate that the liquidity ratio has no effect on the company's dividend payout ratio.

The results of this study are not in accordance with the pecking order theory which states that companies with high liquidity have low debt. The low debt of the company has an impact on the high dividends that will be obtained by investors. The company continues to distribute dividends even though the company's debt ratio is high. the company also pays attention to the interests of capital owners (Ginting, 2018).

The Effect of Firm Size on Dividend Payout Ratio is Moderated by Leverage

The results of this test indicate that leverage is not able to increase the effect of firm size on the dividend payout ratio.

The results of this study are in line with research by (Setyaningsih, 2021) which states that large companies with high debt amounts will distribute low dividends because most of the profits earned will be used to fulfill their obligations.

The results of this study are in accordance with research (Nerviana, 2015) and (Situmorang, 2017) which state that large companies with large assets have a debt value that is greater than the value of their assets so that investment funds obtained from the capital market are prioritized to pay debts first rather than distribute dividends (Nerviana, 2015).

CONCLUSIONS AND SUGGESTIONS

Conclusion

Profitability has a significant negative effect on the dividend payout ratio. The company's profit is prioritized to pay the company's debts rather than distributing dividends so that the dividends distributed to shareholders are low even though the company's profits are high.

Liquidity has no effect on the dividend payout ratio. High liquidity does not guarantee the company's high cash availability, but by other instruments such as inventories and receivables so that it does not affect the dividends distributed to shareholders.

Firm size has no effect on the dividend payout ratio. Large companies with large asset values have debt values that are greater than their asset values so that the acquisition of investment funds from the capital market is used to prioritize paying off obligations rather than distributing dividends.

Leverage is able to increase the influence of profitability on the dividend payout ratio. Companies with high liquidity use company profits to pay off their obligations so that the company's debt is low. The decreasing level of corporate debt makes the company's ability to make dividend payments increase.

Leverage is not able to increase the effect of liquidity on the dividend payout ratio. The company's debt ratio cannot reduce the level of dividend payout ratio when liquidity is high, and vice versa the debt ratio cannot increase the dividend payout ratio that will be distributed by the company when liquidity is low.

Leverage is not able to increase the effect of firm size on the dividend payout ratio. Companies with high use of debt will pay small dividends because most of the profits obtained will be used to meet their debts first compared to paying dividends.

Suggestions

Return on Assets has an effect on the dividend payout ratio, so that the company can continue to improve its performance through increasing profits from the use of assets. A high and stable dividend payout ratio can attract investors to invest in the company.

For further research, it is possible to add variables that can affect the dividend payout ratio, such as firm size, institutional ownership, or other variables and replace the leverage variable as a moderating variable with other variables that can moderate the effect of the independent variable on the dependent variable.

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