

Moderating Effect of Liquidity on Profitability and Investment Opportunity Set toward Dividend Policy



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ABSTRACT: Dividends are profits that are distributed to investors in accordance with the proportion. The dividend distribution policy of a company will affect investors' decisions to invest. The dividend policy taken by the company is inseparable from the profitability, investment opportunity set and also the liquidity of the company itself. This study aims to examine the effect of profitability and investment opportunity set on dividend policy with liquidity as a moderating variable. The population in this study was taken from all manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2019-2020 period. This research was conducted using a sample of 90 manufacturing companies listed on the Indonesia Stock Exchange using the 2019 – 2020 annual report. Data analysis used descriptive statistics, research instrument testing used validity tests, reliability tests, and classical assumption tests including normality tests, multicollinearity tests, and heteroscedasticity test. Multiple regression analysis, partial test (T test), and moderation test for hypothesis testing. The results of this study indicate that dividend policy is influenced by profitability and investment opportunity set and liquidity is able to moderate the relationship between these variables.

KEYWORDS: Dividend policy, Profitability, Investment Opportunity Set, Liquidity

INTRODUCTION

One of the company's goals is to prosper the shareholders. In its activities, the company is expected to provide profit to increase the company's assets. To carry out its activities, the company obtains funding from various sources, and one of them is investment. Investment is a form of investment made by certain parties (investors) in a company with the expectation of profits in the future. Investors who expect cash dividends will choose companies with stable dividend policies. Dividend policy is a company policy in determining the profit available to be paid to shareholders in the form of dividends or retained earnings (Kristanti & Fitrianiingsih, 2013). Dividend policy itself is an inseparable part of the company's funding decisions. Interested parties in dividend policy include shareholders as owners of the company called the principal and management as the party managing the company, hereinafter referred to as agents. Conflicts of interest arise from the relationship between the principal and the agent. Agents generally increase their own welfare rather than maximizing shareholder wealth when running the company's operations. Often the management withholds cash to pay off debt or increase investment so as to provide a return in the form of cash inflow for the company. On the other hand, shareholders want cash dividends in relatively large amounts because they want to enjoy the results of their investment in company shares (Suharli, 2007). The management will pay dividends to give a signal to investors that the company has succeeded in making a profit (Suharli, 2007). The signal concludes that the company's ability to pay dividends is a function of profit, thus profitability is needed by companies that want to pay dividends. Dividend policy can be in the form of cash dividends or stock dividends. Companies must be able to decide whether to pay cash dividends or stock dividends. The management needs to consider the factors that influence the dividend policy. According to the studies that have been carried out, the dividend policy taken by the company is inseparable from the profitability, investment opportunity set and also the liquidity of the company itself. Profitability is the company's ability to generate profit (profit) in one period. This profit will be the basis for the company to distribute dividends in the form of cash or shares (Suharli & Oktorina, 2005). Profitability can affect the company's ability to obtain funds from outside the company. Investment Opportunity Set (IOS) is a very good company condition where the manager will be more inclined to choose new investments rather than paying high dividends to investors. Companies with high IOS levels are considered good companies because the profits earned by the company are very large. This large profit will be the basic capital to increase sales and company operations, so that the distribution of dividends or returns received by shareholders will be small (Simarmata & Hutajulu, 2017). Liquidity can be defined as the company's ability to pay off all its short-term obligations and also fund its business operations. Companies that have good liquidity will distribute their profits to shareholders in cash form. However, management often uses liquidity to pay off short-term obligations or fund the company's operations (Kristanti & Fitrianiingsih, 2013). Many studies on the factors that influence cash dividend policy have been carried out, but the results of these studies are inconsistent. Research conducted by Ariandani & Yadnyana (2016) found that profitability has a positive effect on dividend policy. This is in line with research from

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Suharli (2007). However, research conducted by Simarmata & Hutajulu (2017), Harismansyah (2016), Kristanti & Fitrianiingsih (2013) found that profitability has a negative effect on dividend policy. Simarmata & Hutajulu (2017), Suharli (2007), Kristanti & Fitrianiingsih (2013) found that IOS has a negative effect on dividend policy. Meanwhile Ariandani & Yadnyana (2016) and Harismansyah (2016) obtained contradictory results. Suharli (2007), Kristanti & Fitrianiingsih (2013) found that liquidity is able to moderate the relationship between profitability and dividend policy. While Simarmata & Hutajulu (2017), Ariandani & Yadnyana (2016) obtained different results in their research. Simarmata & Hutajulu (2017), Harismansyah (2016), and Ariandani & Yadnyana (2016) did not find the role of liquidity as a moderating variable between IOS and dividend policy. However, research conducted by Suharli (2007), Kristanti & Fitrianiingsih (2013) found that liquidity was able to moderate this relationship. The difference in the results of this study prompted researchers to conduct replication research on the factors that influence cash dividend policy by using profitability and IOS with liquidity as a moderating variable. Based on the results of previous studies, there are inconsistencies in the results of different tests, so this study aims to examine whether a company's dividends can be influenced by profitability and investment opportunity set, and whether liquidity is able to moderate this relationship.

LITERATURE REVIEWS

Dividend Policy

In agency theory, it is explained about how dividend payments are used by shareholders as a way to control the management who is responsible for managing the profits generated by the company and the high liquidity potential of the company. If the company does not use its retained earnings to respond to its investment opportunities, while the liquidity of the company is quite high, the company's free cash flow will increase. High Free Cash Flow will increase the chances of fraud in the company's management, therefore shareholders prefer the company to pay cash dividends. Differences in interests between managers and shareholders will cause agency costs. Agency costs can be minimized with a supervisory mechanism that can align these related interests. Dividend policy is a form of shareholder oversight mechanism against the management. Shareholders try to keep the management from holding too much cash because a lot of cash will stimulate management to enjoy the cash for his own interests (Suharli, 2007). Brigham & Houston (2006) define 6 theories of dividend policy: Dividend Irrelevance Theory, In The Hand Bird Theory, Tax preference theory, Signalling theory, Clientele Effect Theory, and Residual Theory of Dividends. Dividend irrelevance theory states that the company's dividend policy has no effect on the value of the company and the cost of capital. Miller and Modigliani (1961) state that the value of a company is only determined by its basic ability to generate profits and its business risks. It can be interpreted that the value of the company depends on the income generated by its assets, not on how the income is divided between dividends and retained earnings. About in the hand bird theory, Gordon and Lintner in (Simarmata & Hutajulu, 2017) stated that the majority of shareholders prefer paying dividends at this time rather than delaying it in the form of "capital gains". The tax rate for "capital gains" is often lower than for dividends, but shareholders assume that with the current dividend payment, the receipt of the money is certain, whereas if it is postponed there is a possibility that what is expected is wrong. Related with tax preference theory, Litzenger and Ramaswamy in (Kristanti & Fitrianiingsih, 2013) state that the tax on dividends and capital gains causes shareholders to be more interested in obtaining capital gains so that they can delay tax payments. In signaling theory, Miller and Modigliani (1961) argue that a high dividend increase is a "signal" to investors that the company has good earnings in the future. On the other hand, a dividend decrease or a dividend increase that is below an increase in dividends investors usually believe as a signal that the company will face hard times ahead. Kelompok (clientele) pemegang saham memiliki preferensi yang berbeda terhadap kebijakan dividen. Kelompok pemegang saham yang membutuhkan penghasilan saat ini lebih menyukai dividend payout ratio yang tinggi. Sebaliknya kelompok pemegang saham yang tidak menginginkan uang saat ini akan memilih perusahaan menahan sebagian besar laba bersih perusahaan (Kristanti & Fitrianiingsih, 2013). Residual Theory of Dividends states that the company sets a dividend policy after all profitable investments have been financed. So that the dividends paid are residual after all profitable investment proposals have been financed (Kristanti & Fitrianiingsih, 2013).

Profitability

Profitability is the excess of income over costs during an accounting period and this ratio is used to measure profits at the level of sales, assets, and share capital. Companies with high levels of profitability and high investment opportunities cannot be separated from uncertain risks. Given this risk, the company tends to want to maintain some liquidity protection in order to provide financial flexibility and protection against uncertainty (Harismansyah, 2016). Investors generally tend to prefer companies that have a high dividend payout ratio because they look more profitable and have a good image. To pay dividends to shareholders, companies need to have high profits, because these profits are a safe source of funds for dividend payments. The amount of dividends paid to shareholders can be related to how much the company's ability to earn profits. If the company has high profits, the dividends paid will be high as well. So the higher the level of company profitability, the higher the level of dividends paid to shareholders. This is what attracts investors so that it has an impact on increasing the company's stock returns (Mufidah & Sucipto, 2020). There are several measurements of the company's profitability, where measurements are associated with sales volume, total assets and overall capital. From the point of view of potential investors, an important indicator to assess the company's prospects in the future is the

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growth of the company's profitability. The methods used to assess profitability depend on the discretion of the company concerned. Profitability is a ratio that measures the effectiveness of overall management as indicated by the size of the profits obtained in relation to sales and investment, the profitability of a company is measured by the company's success and the ability to use its assets productively, thus the profitability of a company can be known by comparing the profit earned obtained a period with the amount of assets or the amount of company capital (Munawir, 2010).

Investment Opportunity Set

One of the most important elements of market value is the investment opportunities available to the company. The general assumption of the investment opportunity set is to make capital expenditures to produce a new product or expand an existing production line. In fact, investment opportunities are potentially profitable projects that companies must discover and exploit for economic gain (Ardestani et al., 2013). According to Gaver and Gaver (1993) in (Suwarti, 2013) future investment choices are not only indicated by the existence of projects that are supported by development and research activities, but by good company management capabilities in exploiting opportunities to take advantage compared to other equivalent companies in one industry group. If the company's condition is very good, the management tends to prefer new investments rather than paying high dividends to shareholders. Funds that should be able to pay cash dividends to shareholders are used more for the purchase of profitable investments, even to overcome the problem of underinvestment. Companies that experience slow growth tend to pay higher dividends to overcome the problem of overinvestment (Suharli, 2007).

Liquidity

Liquidity is the company's ability to pay off all its short-term obligations and fund the company's operations (Simarmata & Hutajulu, 2017). The company's liquidity is characterized by a sufficient amount of cash flow, where companies with good cash flows are expected to have the possibility to pay larger dividends. Therefore, liquidity is expected to have a positive influence on dividend payments (Gunawan & Tobing, 2018). Companies with good liquidity will be able to distribute their profits in cash to shareholders. A company that has the power to pay so that it is able to fulfill all its financial obligations immediately, then the company can be declared liquid and vice versa, those that do not have the ability to pay are illiquid. One way to measure liquidity is to calculate the current ratio, which is the company's ability to meet its current liabilities through a number of assets owned by the company. The higher current ratio indicates the company's cash ability to meet (pay) its short-term obligations.

Theoretical Framework

Figure 1 below describe the theoretical framework of this study.

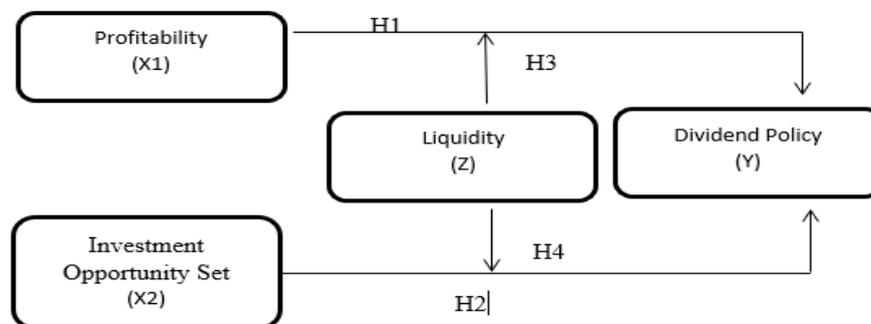


Figure 1. Theoretical Framework

Based on the theoretical framework above, the hypotheses of this study can be developed as follows:

H1: Profitability has a positive effect on dividend policy

H2: Investment opportunity set has a negative effect on dividend policy

H3: Liquidity affects the relationship between profitability and dividend policy

H4: Liquidity affects the relationship between investment opportunity set and dividend policy

RESEARCH METHOD

The purpose of this study is to analyze the effects of profitability and investment set opportunity on dividend policy with liquidity as moderating variable. Dividend policy is measured by dividend payout ratio with the formula:

$$\text{DPR} = \text{Dividend} / \text{EAT} \times 100\%$$

Profitability in this study is measured by Return on Assets with the formula:

$$\text{ROA} = \text{Net Income} / \text{Total of Assets} \times 100\%$$

Investment Opportunity Set is measured by:

1. Price Earning Ratio (PER) with the formula:

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PER = Stoch Price / Earning per Share

2. Market to Book Value of Equity (MVE/BVE)

MVE/BVE = (Number of Shares Outstanding X Closing Price of Stock) / Total Equity

3. Market Value to Book Value of Assets (MVA/BVA)

MVA/BVA = (Total Assets - Total Common Stock + (Number of Shares Outstanding X Closing Price of Stock)) / Total Assets

Liquidity in this study as moderating variable is measured by current ratio. The formula of current ratio is:

CR = Current Assers / Current Liabilities X 100%

The population in this study was taken from all manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2019-2020 period that is 207 companies. Sample of this study is 90 companies which determined by purposing sampling. Using time series for two years, the data of this study become 180. Data were processed using SPSS Software. This study used classical assumption tests (normality test, multicollinearity test, autocorrelation, and heteroscedasticity) and hypotheses test using regression analysis.

RESULTS

Based on the data that has been processed using SPSS software, statistical data is obtained, then a descriptive analysis is carried out to provide an overview of the statistical data from the collected samples. Table 1 below shows the descriptive statistical analysis.

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	180	.002	.417	.07709	.074214
IOS	180	.013	6.241	1.68918	1.396504
CR	180	.384	51.870	3.14398	4.544906
ROA*CR	180	.003	21.620	.34446	1.619411
IOS*CR	180	.024	36.117	4.60206	5.389766
DPR	180	.002	82.543	1.66988	9.370026
Valid (listwise)	N 180				

Source: Output SPSS

Based on table 1 above, 180 observation data were obtained that were included in the 2019-2020 research sample. The results of data processing using descriptive statistics show that profitability with a return on asset (ROA) (X1) proxy has a minimum value of 0.002 owned by PT Lion Metal Works Tbk (LION) in the 2019 and 2020 annual reports, and a maximum value of 0.417 owned by PT Barito Pacific, Tbk (BRPT) in the 2020 annual report. In the year of the study, the average profitability value was 0.07709 or 7.7%, meaning that in 2019 and 2020, manufacturing companies benefited or profited from use its total assets at that value. Then, the second independent variable (X2), in this study, is the investment opportunity set (IOS) which is proxied by MVE/BE getting a minimum value of 0.013 which is owned by PT Merck Indonesia (MERK), Tbk in the 2019 annual report, and the maximum value of 6,241 owned by PT Waskita Beton Precast (WSBP) in the 2019 annual report. In the 2019 and 2020 studies, the average value of this variable was 1,689, meaning that the company had the opportunity to invest 1,689 using the total equity owned by the company. The next research variable is the moderating variable (Z), namely liquidity with a current ratio (CR) proxy, which obtained a minimum value of 0.384 owned by PT Panca Budi Idaman, Tbk (PBID) in the 2020 annual report, and a maximum value of 51,870 owned by PT Barito Pacific (BRPT) in the 2020 annual report, and the average value is 3.14398, which means that manufacturing companies in the study year were able to pay their short-term debts 3 times the total current assets owned by the company. The last variable is dividend policy as the dependent variable (Y) which is proxied by the dividend payout ratio (DPR), the following results are obtained, a minimum value of 0.002 owned by PT Indomobil Sukses Tbk (IMAS), in the 2019 and 2020 annual reports, the value a maximum of 82.543 owned by PT Barito Pacific, Tbk (BRPT). In this study, an average value of 1.6698 was also obtained, which means that the profit per share that can be distributed by manufacturing companies in the study is equal to that value. The results of classical assumptions for normality test can be shown in the figure 2 below.

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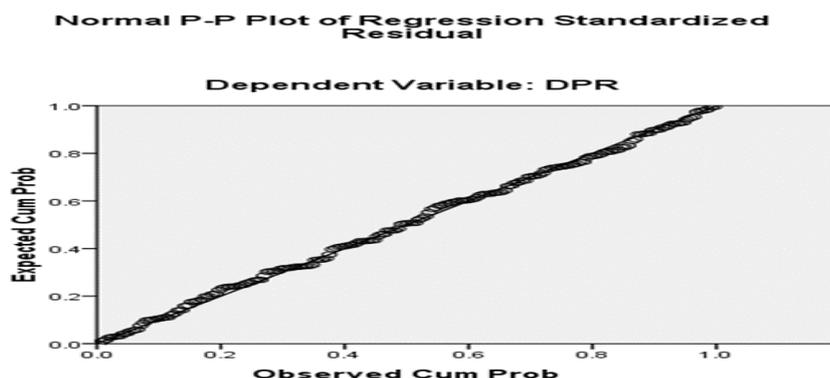


Figure 2 Result of Normality Test

Based on Figure 2, the results of the normality test on the dividend policy regression model (Y) with the P-Plot graph, the points spread around the diagonal line and follow the direction of the line. This shows that the regression model in this study tested the normality test. The results of the autocorrelation test of the dividend policy regression model, it is known that the Durbin-Watson value is 1.879. When compared with the Durbin-Watson table for a sample of 180 and 2 independent variables, the intervals are dL and dU of 1.773 and 1.7337, respectively. The Durbin-Watson value, $1.879 >$ from the value of dL and dU or $dW > dU$, it can be concluded that there are no symptoms of positive autocorrelation. In this study, the basis for making decisions for the multicollinearity test is to look at the tolerance value and variance inflation factor (VIF). Table 2 below describe the results of VIF.

Table 2. Multicollinearity Test

Coefficients^a

Model		Collinearity Statistics	
		Tolerance	VIF
1	ROA	.989	1.012
	IOS	.992	1.008
	CR	.968	1.033
	ROA*CR	.955	1.047
	IOS*CR	.988	1.012

a. Dependent Variable: DPR

Based on table 2, the results of the multicollinearity test on the dividend policy regression model is known that there is no multicollinearity in the regression model. This is indicated by a tolerance value > 0.1 and a VIF value < 10 , so that the data does not have symptoms of multicollinearity and the data is suitable for use in research. The next test is the heteroscedasticity test which aims to find out that the model has an inequality of residual variance from one observation to another. This test is carried out by using the Glejser test by looking at the significance value, if the significant value is > 0.05 , then there is no heteroscedasticity. The results of heteroscedasticity testing with the glejser test can be seen in the table 3 below.

Table 3. Heteroscedasticity Test

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1(Constant)	.534	.074		7.245	.000
ROA	-.092	.480	-.017	-.191	.848
IOS	-.027	.032	-.093	-.829	.409
CR	.011	.017	.129	.676	.500
ROA*CR	.006	.046	.024	.127	.899
IOS*CR	-.001	.009	-.016	-.127	.899

a. Dependent Variable: absresid

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Based on table 3, it can be seen that the significance value of the independent variable profitability (ROA) is $0.848 > 0.05$, the independent investment opportunity set (IOS) variable is $0.409 > 0.05$, the moderating variable is liquidity (CR) with a value of $0.500 > 0.05$, then liquidity moderated the independent variable profitability (ROA*CR) of 0.899, and finally liquidity moderated the independent investment opportunity set (IOS) variable of $0.899 > 0.05$, so it can be concluded that there are no symptoms of heteroscedasticity and the data is feasible for research.

In this study to test the regression model of the coefficient of determination used is the Adjusted R-Square. Table 4 below describe the result of Adjusted R-Square.

Table 4. Coefficient Determination

Equation	Adj R ²
$DPR_t = \alpha + \beta ROA_t + e$	0,129
$DPR_t = \alpha + \beta IOS_t + e$	0,18
$DPR_t = \alpha + \beta_1 ROA_t + \beta_2 CR_t + \beta_3 (ROA * CR)_t + e$	0,290
$DPR_t = \alpha + \beta_1 IOS_t + \beta_2 CR_t + \beta_4 (IOS * CR)_t + e$	0,248

Source: Output SPSS

Table 4 above shows that the Adjusted R-Square value in the first equation is 0.129. the second equation using the investment opportunity set (IOS) variable gets the Adjusted R-Square value of 0.18. in equation 3 with the addition of the moderating variable current ratio (CR) between the profitability variable and dividend policy, the value increases by 0.290. and the last equation, namely the influence between the variable investment opportunity set (IOS) and dividend policy (DPR) with the moderating variable, then the value added becomes 0.248.

These results can be concluded that the ability of the independent variable in explaining the variation of the dependent variable with the moderating current ratio (CR) of 0.290 or 29% and the remaining 71% is explained by other variables outside the study. Then, the ability of the second independent variable, namely the investment opportunity set (IOS) with the moderating current ratio (CR) is 0.248 or 24.8% and the remaining 75.2% is explained by other variables outside the study.

This study uses a level of significance of 5% or $= 0.05$ to test the hypothesis. The result of hypotheses tests can be shown in the table 5 below.

Table 5. Hypotheses Test

Equation	Hypotheses	Independent Variables	B	t	Beta	Sig.	Decision about H ₀
$DPR_t = \alpha + \beta ROA_t + e$	1.	Profitabilitas	46,128	5,236	0,365	0,000	Accepted
$DPR_t = \alpha + \beta IOS_t + e$	2.	Investment Opportunity Set	-1,019	-2,050	-0,152	0,042	Accepted
$DPR_t = \alpha + \beta_1 ROA_t + \beta_2 CR_t + \beta_3 (ROA * CR)_t + e$	3.	Profitabilitas	29,758	3,564	0,236	0,000	
		Profitabilitas* Current Ratio	0,877	6,433	0,425	0,000	Accepted
$DPR_t = \alpha + \beta_1 IOS_t + \beta_2 CR_t + \beta_4 (IOS * CR)_t + e$	4.	Investment Opportunity Set	-0,653	-1,491	-0,97	0,138	
		Investment Opportunity Set* Current Ratio	0,134	7,457	0,486	0,000	Accepted

Source: Output SPSS

Based on the results in the table 5, it can be explained as follows:

1. Effect of Profitability (X1) on Dividend Policy (Y)

The results of testing hypothesis 1 obtained a profitability significance of $0.000 < 0.05$ and t count $5.236 > 0.675$ so it can be concluded that hypothesis 1 is accepted and profitability has a positive effect on dividend policy as evidenced by the beta value of 0.365 which is positive, meaning that the higher the profitability of a company, the higher the profitability of a company, the higher the profitability. further improve dividend policy.

2. Effect of Investment Opportunity Set (X2) on Dividend Policy (Y)

The results of hypothesis testing 2 obtained a significance value of investment opportunity set (IOS) $0.042 < 0.05$ and t count $-2.050 > 0.675$ so it can be concluded that hypothesis 2 is accepted and the investment opportunity set (IOS) variable has a negative effect,

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this is indicated by a beta value of -0.152, meaning that the higher a company utilizes its equity to invest, the lower the dividend policy level of a company.

3. The Effect of Profitability (X1) on Dividend Policy (Y) with Moderating Variable Current Ratio (Z)

Based on table 5, it shows that hypothesis 3, which examines the effect of profitability on dividend policy with the moderating variable current ratio, obtained a significance result of $0.000 < 0.05$, and t count $6.433 > 0.675$ so it can be concluded that hypothesis 3 is accepted, and based on the beta value, shows a value of 0.425, and this value has increased, so it can be concluded that the current ratio is able to moderate positively or further increase the influence between profitability and dividend policy.

4. Effect of Investment Opportunity Set (X2) on Dividend Policy (Y) with Current Ratio (Z) Moderating Variable

In the results of the fourth hypothesis test, obtained a significance value of $0.000 < 0.05$, and a t -count value of $7.457 > 0.675$, so it can be concluded that the current ratio (CR) variable is able to moderate the influence between the independent investment opportunity set (IOS) variable and the policy dividends, and the resulting beta value is 0.486, and leads to a positive direction, and has increased, this shows that the current ratio is able to suppress the negative influence between the investment opportunity set and dividend policy.

DISCUSSIONS

The Effect of Profitability on Dividend Policy

The results of hypothesis testing indicate that hypothesis 1 in this study is accepted, and the resulting influence between the independent variables on the dependent shows a positive direction, meaning that the higher the profitability of a company in this case is indicated by the profit generated from the use of assets owned by the company is able to make the company to distribute dividends frequently, so that companies that have a high rate of return on assets are likely to be chosen by investors in investing their capital in the company, because investors want to get frequent returns on the capital they place in the company.

This research is in line with research conducted by Agus Sucipto and Nailul Mufidah (2020), Ferdi Septian and Wilson RL (2018), Farida Titik and Fitrianiingsih (2013), Michell Suharli (2007), and is not in line with research conducted by Henrison Yosua and Linda Hutajulu (2017).

Effect of Investment Opportunity Set (IOS) on Dividend Policy

Based on the results of hypothesis testing, it shows that hypothesis 2 in this study is also accepted, and the direction of the influence of the test results is in a negative direction, meaning that the higher the investment opportunity set (IOS), the lower the dividend policy, or in conclusion, this is shows that the higher a company places its funds from equity, the lower the level of dividend distribution made by the company. Because the funds that should be distributed by the company for dividends also come from the equity side, if a company invests by utilizing equity, of course the funds that should be distributed for dividends will be reduced. Psychologically, this will certainly create a positive signal for investors with long-term goals, this is because a company investing will further expand the wings of a company, but it is necessary to realize and pay attention to the subject and object of the company's investment for whom and what, the company cannot immediately invest.

The results of this study are in line with research conducted by Farida Titik and Fitrianiingsih (2013), Michell Suharli (2007), and not in line with research conducted by Agus Sucipto and Nailul Mufidah (2020), Hananeh Shahteimmoori et al (2013), Rosmaryam (), Henrison Joshua and Linda Hutajulu (2017).

Effect of Profitability on Dividend Policy with Liquidity as Moderating Variable

The results of the third hypothesis test, show that the current ratio is able to moderate the influence between the independent variable profitability and dividend policy, and based on the results of the study indicate that the presence of a moderating variable current ratio increases the influence between profitability on dividend policy. This is because, the more companies are able to pay off their short-term debts, it often makes the company more confident in its performance and performance, thus making the company pay dividends more often and it is more likely that the company will pay more dividends, in addition to good company performance. , the company certainly wants to improve its good image in the community and make competitors unable to compete with the company.

In addition, if viewed from investors, of course, investors will choose companies with good financial performance and performance, this is because investors believe, a success of management in managing the company is to look at the company's financial statements contained in the annual report, so that the more The high public interest in investing their capital in the company will further increase the market price of the stock price and will have an impact on the dividend policy to be distributed. This study is in line with research conducted by Farida Titik and Fitrianiingsih (2013), Michell Suharli (2007) and is not in line with research conducted by Henrison Yosua and Linda Hutajulu (2017)

Effect of Investment Opportunity Set (IOS) on Dividend Policy with Liquidity as Moderating Variable

The last, or fourth hypothesis shows that the current ratio is able to moderate the effect between the investment opportunity set and dividend policy, and based on the results, it shows that the current ratio is able to suppress the negative effect of the

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investment opportunity set on dividend policy, or in short, current the ratio weakens the negative influence between the investment opportunity set and dividend policy.

In general, the reason the current ratio is able to weaken the negative effect of the investment opportunity set on dividend policy is because the company believes that by distributing dividends in any amount as long as the liquidity of the company is well maintained, and in this case it is proxied by seeing how able the company is to pay its long-term debt. In short, by using current assets, it will make the company believe that by distributing dividends. Along with investing, it will keep the company's performance awake, and tend to get better, because by distributing dividends, this will maintain the trust and good image of the company in the eyes of investors, and on the one hand if the company invests, it will further improve the company's performance.

This research is in line with research conducted by Farida Titik and Fitrianiingsih (2013), Michell Suharli (2007), and is not in line with research conducted by Henrison Yosua and Linda Hutajulu (2017).

CONCLUSIONS

This study investigate the influence of profitability and investment opportunity set on dividend policy with liquidity as a moderating variable. Object of this study is manufacturing companies that listing in Jakarta Stock Exchange. Using 180 sample, this study found that four hypotheses are accepted. It means that profitability has effect on dividend policy and liquidity can make stronger the effect or the relationship. This also found in the relationship between investment opportunity set with dividend policy. In this case, the liquidity also found can stronger the relationship.

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