The Effect of Free Cash Flow as a Moderating Variable on the Influence of Company Size and Liquidity on Dividend Policy

Zhang Zhixiang

Universitas Prima Indonesia, Medan

ABSTRACT: The purpose of this analysis is to demonstrate the effect of company size and liquidity on dividend policy in basic industry and chemicals companies listed on the Indonesian stock exchange, with free cash flow as a moderating variable. The phenomenon of increased company size and liquidity without a dividend policy piques researchers' interest in digging deeper into the effect of the independent variable on the dependent variable, which is bolstered by the influence of the moderating variable in the influence of the independent variable on the dependent variable. This research implemented quantitative and enlightening exploration. A total of 75 research data were collected based on the current population's intentional examination procedure. Company size was measured by the natural logarithm of the company's total assets, liquidity was measured using the current ratio by dividing total current assets by total current liabilities, and dividend policy was measured by the dividend payout ratio. Data analysis using smartPls programming with the least-squares information investigation technique reveals that company size and liquidity have no impact on dividend policy. In addition, free cash flow cannot be a moderating variable in the influence of company size and liquidity on dividend policy.

KEYWORDS: Company Size, Liquidity, Dividend Policy, Free Cash Flow

I. INTRODUCTION

In order to reduce the possibility of risk, financial backers need a lot of data before investing their capital into an organization. Financial backers can obtain several sorts of data on exhibits and an organization's financial condition in Indonesia Effect Trade. The presence of financial statement information identifies an organization's financial needs, whereas the financial picture of an organization can be assessed by looking at a summary of an organization's budget using financial proportions. Profit involves concern for financial backers and board members to continually ensure profit security, share profit installments, and offering repurchases (Harmono, 2014).

Profit distribution will be fascinating to incorporate resources into the organization (Hery, 2017). In general, financial backers will examine how the organization generates profits which are then disseminated as profits, while banks will dissect how the organization's obligations to take care of past credit. Profit installment rates can be controlled by several variables, particularly independent income, organizational size, and liquidity. The size of an organization is also essential for funders and banks because it provides how the progress of the organization can be seen from all its resources. The larger the size of an organization, the higher the religion of the bank, allowing the organization to get a down payment and if the progress is properly monitored, the organization will also grow (Kadek and I Ketut, 2016).

Liquidity is an organization's ability to manage credit over an agreed-upon period, and it is highly determined by the current proportion. The greater the fluidity of an organization, the more prominent the organization's ability to generate profit. An insignificant liquidity position will limit profit installments on the grounds that the organization is experiencing a shortage of money (Nurhayati, 2013).

II. LITERATURE RIEVEW

Organization Size

Organization size is a scale that indicates the size of the company (Hery, 2017). Because of their ease of access, large, established companies will find it easier to raise cash in the capital market than small ones, implying that large companies are more adaptable. Experimental evidence reveals that organization scale influences financial backers' considerations in

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contributing by anticipating that profits should be distributed to investors by the organization (Sartono, 2012). Large-scale organizations are usually easier to get obligations than small organizations because it is associated with the use of the lender's level of trust in large organizations (Najmudin, 2011).

Liquidity

The liquidity proportion is a measure of an organization's capacity to fulfill commitments or pay short-term obligations (Hery, 2015). The liquidity proportion assesses an organization's ability to meet short-term commitments as they become due (Rodoni and Ali, 2014). The liquidity proportion is used to assess an organization's ability to fulfill short-term commitments (Suntoyo, 2013). According to experts, liquidity denotes a proportion that can describe an organization's ability to fulfill its commitments or short-term obligations to keep up with evolving tasks.

Free Income

Free income is defined as income that can be accessed and transferred to financial backers after the organization invests in fixed resources and working capital that is projected to grow in tandem with the expansion of its business (Sartono, 2012). The amount of money that can be accessed from activities after putting resources into net working capital and highly durable resources is referred to as free income. This money can be accessed for remittance to organization owners and banks (Keown, 2011).

Excess organizational cash that can be distributed to investors or banks and is not utilized for speculation or activities is referred to as free income (Andriani and Ardini, 2016). Investors need abundant wealth to circulate in order to expand their government support, whereas leaders have to use the abundant reserves available for the benefit of useful activities on the grounds that it will later build motivators for administrators. Along these lines, considering the trade-off between harm and what's to come, it's critical to decide whether it's smarter to disperse the proceeds as profits or reinvest them as retained earnings

III. METHOD

This research was conducted by documenting financial data downloaded from the official website of the Indonesia Stock Exchange (www.idx.co.id), with a quantitative descriptive research approach. The population of this study was all basic industry and chemicals companies listed on the Indonesia Stock Exchange from 2013 to 2017. The sampling technique used was the purposive sampling technique. There are two criteria in sampling, namely 1) basic industry and chemicals companies that publish financial statements consecutively from 2013 to 2017, 2) basic industry and chemicals companies that distribute dividends sequentially from 2013 to 2017. 75 data samples were obtained based on the sampling technique's objective. The Partial Least Squares (PLS) data analysis method was utilized in this study, and the data was processed using SmartPLS 3.0 software. According to Jogiyanto and Abdillah (2015), Partial Least Square (PLS) is a variant-based structural equation modeling (SEM) analysis that can simultaneously test the measurement model as well as the structural model. Partial Least Square (PLS) analysis is a multivariate statistical technique that performs comparisons between the dependent variable and the independent variable

IV. RESULTS AND DISCUSSION

Descriptive statistics

Descriptive statistics will provide an overview of the minimum value, maximum value, average value (mean), median value, and standard deviation of the variables used in this study.

Table 1. Descriptive Statistics Results

Indikator:	Korelasi Indikator	File Raw						
	T...	H...	Rata-Rata	Median	Minimum	Maksimum	Standar Deviasi	Kelebihan Kurt...	Skewness
X1	1	0	338.680	224.000	1.000	1,516.000	335.206	3.022	1.825
X2	2	0	1,299,367,737....	1,393,205,015....	13,204,522.000	1,663,963,852....	410,005,202.704	4.255	-2.220
Y	3	0	824.813	37.000	-31.000	32,919.000	4,515.033	40.496	6.331
Z	4	0	395,730.293	74,347.000	-3,287,891.000	4,140,109.000	1,146,319.738	3.227	1.020

Based on the results of descriptive statistics calculations in Table 1, it can be explained as follows:

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1. The Company Size Variable as measured by Ln Total Assets has a total sample of 75, with a minimum value of 1 and a maximum value of 1,516. Meanwhile, the average value (mean) is 33,680, the median value is 2,24, and the standard deviation is 335,206.
2. The Liquidity Variable as measured by Current Ratio has 75 samples, with a minimum value of 13,204,522 and a maximum value of 1,663,963, while the average value (mean) is 1,299,367, and the median value is 1,393,205. The standard deviation value is 410,005.
3. The Dividend Policy Variable as measured by the Dividend Payout Ratio has a sample size of 75, with a minimum value of -31 and a maximum value of 32,919. Meanwhile, the average value (mean) is 824,813, the median value is 37, and the standard deviation is 40,496.
4. The Free Cash Flow variable has a total sample of 75, with a minimum value of -3,287,891 and a maximum value of 4,140,109. Meanwhile, the average value (mean) is 395,730, the median value is 74,347, and the standard deviation value is 1,146.

Structural Model Evaluation

Structural model evaluation is conducted to predict the relationship between variables in the study. This evaluation will explain how much the ability of the independent variable in explaining the dependent variable or commonly known as R square.

Table 2. Results of structural model evaluation

R Square

	R Square	Adjusted R Sq...
Deviden Policy ...	0.080	0.013
Free Cash Flow...	0.060	0.034

Table 2. shows that the value of R square is 0.080 or 8%. This value indicates that the ability of the independent variable, namely company size, liquidity, interaction of company size with free cash flow, and interaction of liquidity with free cash flow in explaining the dependent variable, namely firm value, is 8%. While the remaining 92% is explained by other variables not examined in this study.

Hypothesis Testing

The results of the research hypothesis testing can be seen in Figure 1 and Table 3 below.
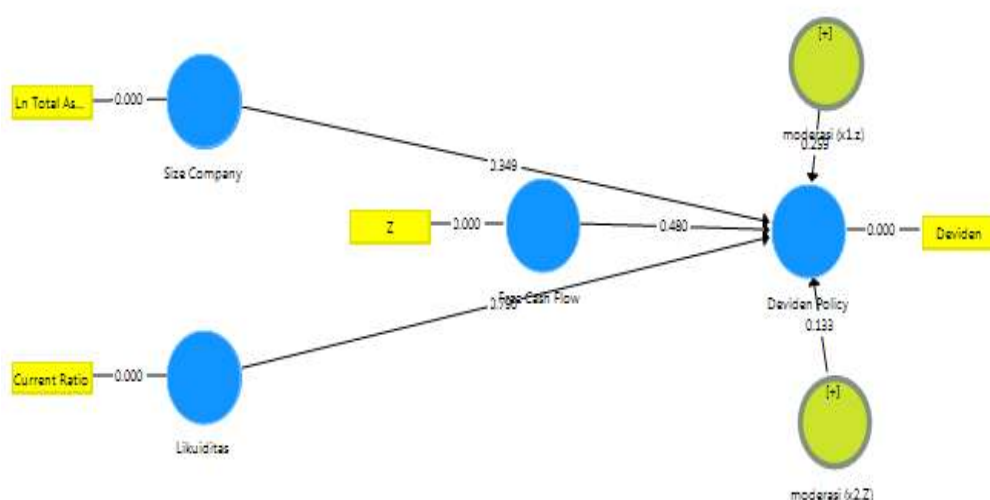
Figure 1. Hypothesis Testing Results

Based on the results of the SmartPls data processing, the t-statistic values for each variable are as follows:

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Table 3. Path Coefficient

Koefisien Jalur

	Sampel Asli (O)	Rata-rata Sam...	Standar Devias...	T Statistik (| O/...	P Values
Free Cash Flow (Z) -> Deviden Policy (Y)	-0.282	-0.345	0.588	0.480	**0.632**
Likuiditas (X2) -> Deviden Policy (Y)	-0.064	-0.090	0.081	0.790	**0.430**
Size Company (X1) -> Deviden Policy (Y)	-0.116	-0.148	0.334	0.349	**0.727**
moderasi (x1.z) -> Deviden Policy (Y)	0.169	0.288	0.655	0.259	**0.796**
moderasi (x2.Z) -> Deviden Policy (Y)	-0.029	-0.032	0.219	0.133	**0.894**

The consequences of this analysis are not in accordance with Hery's (2017) hypothesis which states that the quality of company size affects the choice to provide profits. Simpler organizations are less likely to make a profit. The side effect of this analysis is in accordance with the consequences of Darmayanti's (2016) research, in particular, organization size has no impact on profit strategy. As experts point out, the larger the size of an organization, the lower the profit earned. This is possible considering that at this time of globalization there is an emergency around the world that causes disputes in organizational presentations. The larger the organization, the greater the world's emergency shock, the heavier the burden, so the organization will reduce the level of return provided to investors.

The consequences of this analysis are not in accordance with Sartono's (2010) hypothesis where organizational liquidity is the principle considered in various earnings arrangements. Since the profit for the organization is a surge in cash, the more prominent the general liquidity of the organization, the more crucial is the capacity of the organization to generate profit. The consequences of this analysis are in accordance with the side effects of exploration by Nurhayati (2013) which states that specifically, liquidity has no impact on profit strategy. According to experts, organizational liquidity indicates the capacity of the organization to subsidize the tasks of the organization and pay off its temporary commitments. The degree of organizational liquidity has no bearing on the size of profit installments. Large liquidity does not imply higher profit installments since most assets are contributed to building their capacity to meet their temporary commitments, reducing their potential to earn profits. The amount of free income does not affect the level of profit circulation. Assuming that the organization needs to expand the abundance of investors by distributing profits and that the free income conditions are unrealistic, the organization can take advantage of outside financing. The profit strategy is also unaffected by the organization's size. Because the organization's benefits do not rise, the organization is compelled to opt to withhold its benefits for the organization's needs rather than the benefits that would be passed on to investors as profits. The amount of the profits to be allocated to investors is likewise unaffected by liquidity. As pointed out by experts, the size of the independent income, the size of the organization, and liquidity can not affect the level of profits disseminated to investors

CONCLUSIONS

Based on the research and discussion results presented in the preceding chapter, the following conclusions can be drawn in this study:

1. Company size does not affect the dividend policy of basic industry and chemicals companies listed on the Indonesia Stock Exchange.
2. Liquidity does not affect the dividend policy of basic industry and chemicals companies listed on the Indonesia Stock Exchange.
3. The effect of company size on dividend policy is not moderated by the free cash flow of basic industry and chemicals companies listed on the Indonesia Stock Exchange.
4. The effect of liquidity on dividend policy is not moderated by the free cash flow of basic industry and chemicals companies listed on the Indonesia Stock Exchange.

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