THE INFLUENCE OF INSIDER OWNERSHIP, PROFITABILITY AND LIQUIDITY TOWARD DIVIDEND PAYOUT RATIO (Empirical Study at Mauufacturing Companies Listed ia Indonesia Stock Exchange, 2006-2010)

THESIS

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ABSTRACT

The objective of this study was to provide empirical evidence about the influence of insider ownership, profitability and liquidity toward dividend payout ratio. The population of this study was manufacture companies listed in Indonesian Stock Exchange in period 2006-2010. The sampling technique used purposive sampling and analysis method used was multiple regression analysis as hypothesis testing tools.

The result of this study with F-test shows that insider ownership, profitability and liquidity simultaneously has significant influence toward dividend payout ratio. The result of this study with T-test indicates that insider ownership and liquidity partially has not significantly relationship with dividend payout ratio. Otherwise, profitability partially has significantly relationship with dividend payout ratio.

Keywords: Agency Theory, Profitability, Liquidity, Dividend Payout Ratio.

CHAPTER I

INTRODUCTION

1.1. Background

In term of financial management, the primary goal of the firm is stockholder wealth maximization (Brigham, 2002:10). In professional company, where manager and stockholder are different parties, this goal is not easy to achieve because sometimes there is a conflict between owner and manager, this conflict we call agency problem. The managers expected do the best for company to maximize the value of the company, so that prosperity can be achieved by stockholders. Value of company can be called as selling value of company or value added for stockholders.

Although the goal of the firm is the maximizing of shareholder wealth, in reality, the agency problem may interfere with the implementation of this goal. Agency problem result from the separation of management and the ownership of the firm (Keown et al, 2000:17).

Agency problem appear when management and stockholder have difference of interest. Manager do not want to take a risk as a result of errors in business decisions, so if manager cannot increase the value of the company, the risk is fully borne by the owner. Because manager do not bear a risk in securing investment of stockholder, management tends to make decisions that are less optimal.

Conflict of interest between stockholder and agents, according to Demsey and Laber (1992) in harjinto and yudanto (2008) were influenced by insider ownership. Insider ownership means that the owner of company also acting as manager. The bigger the insider ownership is, the smaller differences between stockholders interest and manager.

Conflict of interest between stockholder and agent can be triggered by increasing dividend payout ratio (nurlina, 2010 in Moh'd, Perry & Rimbey, 1995). Dividend as one of the ways to distribute income, stockholder can see management of company have done the appropriate action with stockholder wants and finally it can reduce conflict of interest.

Dividend payout ratio indicates the amount of dividends paid relative to the company's earnings (Keown et al, 2005:607). It means that the amount of dividend (per a share) in the company divided by earnings (per a share). Earnings per share come from reduction net income with preferred stocks and then it divided by average number of common share outstanding.

According to Horne (1994) in Filly (2010), dividend payout ratio is the percentages of income paid to the stockholder in cash, reduce amount of retained earnings of the firm. Weston & Copeland (1996:98) in Filly (2010) state that factors that influences dividend payout ratio are company's liquidity position, rate of profit and opportunities of company get into capital market.

If company profit is not stable, management cannot use internal fund to fulfill future needs. In unstable condition, if companies get profits, firms will retain of earning directly to use earning in suddenly time. Conversely, if companies get stable profit, most of earning firms usually to pay dividend. This is possible because the company is not worried about the lack of fund when company need fund in the future.

Nurlina (2007) has done research the influence of insider ownership toward dividend payout ratio. Her research result show that insider ownership is not significantly has negative affect on dividend payout ratio. Other researcher, Alismar (2006) also addressed that insider ownership is not significantly negative affect on dividend payout ratio. Research conducted by Nurlina (2007) and Alismar (2006) only took a period of one year, so they cannot explain the affect of insider ownership on dividend payout ratio properly. Filly (2010) has conducted research that insider ownership partially has a significant relationship with dividend payout ratio. It happened, because filly's research took the period of 2005 to 2008.

The result Nurlina (2006) about the effect of profitability toward dividend payout ratio. Her research result show that profitability is not significant positive effect on dividend payout ratio. But Nurlina (2006) only took one year period, so the result not really accurate. The amount of dividend paid to stockholders, depend on dividend policy of each company.

Based on the background above and the result from previous research, the writer decide to continue with other independent variables during period 2006 until 2010 entitled: **"The Influences of Insider Ownership, Profitability and Liquidity toward Dividend Payout Ratio".**

1.2. Problem Definition

Based on the background stated above, the problems that I would like to discuss in this research are:

1. Does insider ownership partially influence dividend payout ratio?

2. Does profitability partially influence dividend payout ratio?
3. Does liquidity partially influence the dividend payout ratio?
4. Does insider ownership, profitability and liquidity simultaneously influence dividend payout ratio?

1.3. Research Objectives

The purposes of this research are:

1. To determine which variable has a significant influence on dividend payout ratio.
2. To determine whether insider ownership, profitability, and liquidity simultaneously influence the dividend payout ratio.

1.4. Research Benefits

1. For the writer, this study is the intellectual training that is expected to sharpen scientific thinking and sciences contribute to the development of financial accounting and financial management.
2. For management, this study can be considered in determining dividend policy.
3. For investor, this study can be considered in determining investment until getting the desired result.

1.5. Writing systematic

Chapter I : Introductions consist of: background, problem definition, research objectives, usefulness of research, and writing systematic.

Chapter II : Theoretical framework describes the survey literature on agency theory, profitability, liquidity, dividends and review previous research to develop research hypotheses.

Chapter III : This chapter describes the research design, research variables, and measurement variables, population, sample, data and methods of data collection, data analysis and hypothesis test.

Chapter IV : This chapter describes the testing results of research conducted, so it can answer the problems submitted.

Chapter V : This chapter describes the conclusions, research limitations, and implications of the research that has been done.

CHAPTER II

TEORITICAL FRAMEWORK

2.1 Literature Review

2.1.1 Overview of Agency Theory

2.1.1.1 Agency Theory

Agency theory concern with resolving two problems that occur in agency relationships. The first is the agency problem that arises when (a) the desire or goals of the principal and agent conflict and (b) it is difficult or expensive for the principal to verify what the agent is actually doing. The problem here is that the principal cannot verify that the agent has behave appropriately. The second is the problem risk sharing that arises when the principal and agent have different attitude toward risk. The problem here is that the principal and the agent may prefer different actions because of the different risk preferences (Eisenhardt, 2001).

The cornerstone of agency theory is the assumption that the interest of principles and agents are diverge. According to agency theory, the principal can limit divergence from his/her interests by establishing appropriate incentive for the agent and by incurring monitoring cost designed to limit opportunistic action by the agent. Further, it may pay the agent to spend resources (bonding cost) to guarantee that he/she will not take certain action that would harm the principal or to ensure that the principal will be appropriately compensated if he/she does take such action (Hill and Jones, 1992).

Agency theories describe relationship between principal and agent performance. Manager position as agent aims to increase stockholder wealth. In this relationship, owner claim return on investment which is stockholder relies managed by managers. Therefore, manager must give a satisfy return to stockholder. The good performances will positive influence to compensation that they receive and bad performance will negative influence.

2.1.1.2 Agency Problem

Manager not always to maximize stockholder wealth, but tend to concern personal interest and make decision less optimal, because manager do not bear a risk caused by mistaken in decision making of business. If they cannot increase value of companies, the risk fully borne by owner, so managers do not bear the risk and do not get pressure in securing of investment's stockholders.

According to Alismar (2006) in Wahidahwati (2002), other causes agency problem with manager and stockholder is funding decision. Stockholders only aware to systematic risk from stock of firms, because they do portfolio investment which good diversification, but manager more concern with overall risk. There are two reasons underlying: a) part of substantive from their wealth, in human capital specific of company that makes them non diversifiable; b) managers will threatened their reputation and also the ability to generate earnings of company if company collapse.

2.1.1.3 Agency Cost

Agency costs usually refer to the conflicts between shareholders and their company's managers. A shareholder wants the manager to make decisions which will increase the share value. Managers, instead, would prefer to expand the business and increase their salaries, which may not necessarily increase share value.

Generally to reduce agency conflict, stockholder should spend agency cost including all cost appear by stockholder to encourage of manager to maximize stock prices than to act his own interest. We define an agency relationship as a contract under which one or more persons (the principals) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent. If both parties to the relationship are utility maximizes, there is good reason to believe that the agent will not always act in the best interests of the principal. The principal can limit divergences from his interest by establishing appropriate incentives for the agent and by incurring monitoring costs designed to limit the aberrant activities of the agent.

Agency cost can be either:

a. The cost incurred if the agent use to company's resources for his own benefit.

b. The cost of techniques that principals use to prevent the agent from prioritizing his interests over the shareholders.

To prevent the agent from acting to benefit himself, shareholders may offer financial incentives to keep shareholders' interest as the top priority. This typically means paying bonuses to management if and when share price increases or by making the management's salary partially shares in the company. These monetary incentives are an example of agency costs. If the incentive plan works correctly, however, these agency costs will be lower than the cost of allowing the management to act in his own interests.

Stockholder as principal had to control agency conflict to avoid problems that disturb company progress in future. Agency problem explored in some condition, such as: using free cash flow on unfavorable activity or caused by difference of investment decision among stockholder and manager. Investor has high risk to get high return, whereas manager has low risk to position defend or vice versa.

2.1.2 Profitability

2.1.2.1 Definition of Profitability

Profitability is the ability of the firm to generate earnings. Analysis of profit is vital concern to stockholders as it derive revenue, in the form of dividends, when paid from profit (Gibson,1995:295). It means that profitability is important point of stockholder use revenue to get dividend. Further, increased profits can cause a rise in market price leading to capital gains. Profits are also important to creditors as one source of funds for debt coverage.

According to Nurlina (2007), Profitability is the ability of company to get profit or value of final result from firms operation during certain period. Thus, firms does not get higher of return can causes lower number profitability ratio and vice versa.

Firms of profitability can be measured by compare incomes to asset. Generally profitability measurement use economy profitability is return on investment (ROI), return on asset (ROA) and own capital is return on equity (ROE).

2.1.2.2 Ratios of Profitability Measurement

There are several level of ways to measure the profitability ratio, can be used to percentage of ratios. In generally, there are two categories in measurement of profitability are:

1. Ratios of Profitability Related to Corporate Sales

   This ratio reflect amount of profit that achieved for every rupiah of sales. If profit is not enough, company will get difficult to cover fixed expenses, debt expenses, and pay dividend to stockholder

   a. Gross Profit Margin

      Gross profit is the difference between sales revenue and cost of goods sold, while gross profit margin is percentage between gross profits with net sales. The formula as follow:

$$\text{Gross Profit Margin} = \frac{\text{Sales Revenue- Cost of Goods Sold}}{\text{Net Sales}} x100\%$$

      If the increasing of cost of goods sold moré than sales revenue, it shows result lower on gross profit. So the impacts for gross profit margin lower than one or if sales revenue higher than cost of goods sold and also higher from net sales then the result of gross profit margin will be positive or more than one. This ratio used to measure efficiency of product activity and relationship among cost of goods sold and sales.

b. Net Profit Margin

This ratio measures the profits after taxes on the year's sales. The higher this ratio, the better prepared the business is to handle downtrends brought on by adverse conditions. The formula as follow:

$$\text{Net Profit Margin} = \frac{\text{Net income after tax}}{\text{Net sales}} \times 100\%$$

c. Operating Profit Margin

Operating profit, also known as EBIT (earnings before interest and taxes), is comes from sales less cost of goods sold and selling and general expenses. The operating profit margin ratio is a measure of overall operating efficiency, incorporating all of the expenses of ordinary, daily business activity. The formula as follow:

$$\text{Operating Profit Margin} = \frac{\text{Operating Incomes/EBIT}}{\text{Net Sales}} \times 100\%$$

2. Ratios of Profitability Related Capital

a. Economy Profitability Ratio

Economy profitability ratio show the percentages between operating incomes with capital. Otherwise, economy profitability as ability of company with all working capital to get profit. The formula as follow:

$$\text{ROA} = \frac{\text{Net Income}}{\text{Total Asset}}$$

This ratio show the ability of company to get income from all the assets used. Economy profitability can be called with return on asset, return on investment or earning power, means to measure the efficiency of capital usage.

b. Profitability Ratio of Equity Capital

Profitability ratio of equity capital is ratio show comparison between amount profits attributable to equity capital with amount of own capital used to produce profit. Whereas, profitability of own capital is ability of company to produce profit using equity capital. This formula as follow:

$$ROE = \frac{\text{Net profit after tax}}{\text{Total Equity}} \times 100\%$$

This ratio measures the company ability to get profit for common stockholders. This ratio influenced by large operating profit after deducted interest debt and corporation tax (earning after tax).

2.1.2.3 Factors that Influences Firm's Profitability

Some factors that influence the company's profitability are the following:

1. Type of Companies

Profitability influenced type of company because their product more stable in revenue than companies which produce another product. Companies that produce consumption goods, generally has much consumer and trade transaction often occurs. Thus, profitability of firms in consumption sector and services are generally larger than another sector of business.

2. Age of Companies

The established companies (older company) usually more stable than the new startup companies. Since economy crisis happened in middle 1997, apparently of age companies factor cannot categorized as assessment of profitability.

3. Scale of companies

High economy scales causes companies can produce product with lower cost per unit. So the company will be able to control the market and finally profitability of the company itself is higher than others.

4. Company's capital structure

One of manager responsibilities is to manage risk where leverage is one of reflection risk of companies. If company profit is not stable, it will be better for company to minimize loan. Because it related with capability of company to pay back the debt. Proportion of capital structure will help company to gain more profit.

5. Production result

Company production relate with daily needs, the income will be stable than company produce luxury goods caused the higher demand of consumer daily needs. So, company profitability with production of daily necessities will better than company produce of luxury goods.

2.1.3 Liquidity

2.1.3.1 Definition of Liquidity

Liquidity refers to a company's ability to meet short-term obligation (wild et al, 2004:519). Short term is conventionally viewed as a period up to one year, though it is identified with the normal operating cycle of company. Firms liquidity shows the ability of firms to fund activity and repay short term liabilities with cash. Therefore, companies that have goods liquidity means that the ability to pay dividend with cash.

2.1.3.2 Ratios of Liquidity Measurement

Liquidity of companies can be measured by some ratios:

a. Current Ratio

This ratio is commonly used for testing liquidity. The formula for this ratio as follow:

$$\text{CurrentRatio} = \frac{\text{Current Asset}}{\text{Current Liabilities}}$$

According to wild et al (2004:521) there are several reasons to use current ratio as measurement of liquidity:

1) Current Liability Coverage

The higher the amount of current assets to current liabilities, the greater assurance we have that current liabilities will be paid.

2) Buffer against losses. The larger the buffer, the lower risk. The current ratio shows the margin of safety available to cover shrinkages in noncash current asset values when ultimately disposing of or liquidating them.

3) Reserve of liquid funds

The current ratio is relevant as a measure of the margin of safety against uncertainties and random shock to a company's cash flows.

b. Cash to Current Assets Ratio

$$\text{Formula} = \frac{\text{Cash} + \text{Cash Equivalents} + \text{MarketableSecurity}}{\text{Current Assets}}$$

The larger numbers of ratio, it means that current asset more liquid.

c. Cash to Current Liability Ratio

$$\text{Formula} = \frac{\text{Cash} + \text{Cash Equivalents} + \text{MarketableSecurity}}{\text{Current Liabilities}}$$

This ratio measures the cash available to pay current obligation. These several test ignoring the refunding nature of current asset and current liability. It supplements the cash to current assets ratio in measuring cash availability from different perspective.

d. Acid –Test (quick) Ratio

$$\text{Formula} = \frac{\text{Currentasset - Inventory}}{\text{CurrentLiabilities}}$$

In cases where there is a desire or a need to confirm the absolute liquidity of an organization, the current ratio is modified by eliminating from current asset all that cannot be liquidated on very short notice. This ratio consists of the ratio of so-called "quick" asset (cash, marketable security and some forms of account receivable) to current liabilities.

2.1.3.3 Factor Influences Firms Liquidity

Several factors can influence firm's liquidity. These factors are:

1. Cost of External Financing

   These factors relate to cost of corporate, if corporate using funding from outside the company. According to Kim et al (1998) in Kustiadi (2006) cost of external financing faced by large companies relatively lower than small companies caused large companies available to achieve economic scale especially if linked with fixed expenses when issuances of share.

2. Cash Flow Uncertainty

   Cash flow uncertainty can affect manager decision to measure level of firm's liquidity. Companies with higher uncertainty cash flow will tend do investment in liquid asset under large numbers.

3. Current and Future Investment Opportunities

   Current and future investment opportunities are investment opportunities faced by company either current or future period. Current and future investment opportunities can be influenced by management to make liquidity policy decision. Related to current and future investment opportunities, management will consider about investment in fixed asset or in liquid asset.

4. Transaction Demand for Liquidity

   It is relate to fund or cash needed by the company for transaction purpose. Transaction demand for liquidity factor also factor that consider by management to determine liquidity of firms.

The company's ability can pay short term debts often called liquidity. Companies that have ability to pay short term debt are called liquid company. Otherwise, if companies do not able to pay short term debts called illiquid. The ability to pay short term debts from companies can be measured from the ability to get cash or ability to convert non cash assets to be cash. Generally, liquidity aspect not used at the time, but associated with one year period or normal operating cycle companies, as covered the period since the commencement of purchase activity, production, and sales until collecting account receivable.

2.1.4 Definition and Kind of Dividend

To have better understanding, below we will discuss attached some definition about dividend, they are:

1. According to Stice and Skousen (2007:779) on Intermediate Accounting book, dividend is a return on investment to the owners on share of stock. This return on investment is accounted for differently depend on the type of dividend being given.
2. A dividend is a corporation's distribution of cash or stock to its stockholders on a pro rata (proportional) basis (Weygandt et al, 2010:608).
3. Dividend are the cash payments that corporation make to their common stockholders. Dividend provide the return common stockholders receive from the firm for the equity they have supplied (Gallagher and Andrew, 2000:402).

Base on writer opinion, dividend as result of net income that distributed to stockholder base on board of director decision as one of the ways to increase stockholder wealth.

According Kieso Et Al (2010:758), there are several types of dividend that shared by company to stockholder:

1. Cash Dividends

Cash dividend is income distribution in form of cash to stockholders. In practice, usually dividend paid in cash. The board of directors votes on the declaration of cash dividends. Upon approval of the resolution, the board declares a dividend.

2. Property Dividends

Property dividend is dividends paid in asset of the corporation in form other than cash. Property dividend may be merchandise, real estate, investment, or whatever form the board of directors designates. The property dividend usually paid in form of stock from other company that retained by company.

3. Liquidating Dividends

Dividend based on other than retained earnings is called liquidating dividends. This term implies that such dividend is a return of the stockholder's investment rather than that profit.

4. Stock Dividends

A stock dividend is the issuance by a corporation of its own stock to its stockholder on a pro data basis, without receiving any consideration. In recording stock dividend, the company should convert the par value of the stock issued as a dividend from retain earnings to capital stock.

2.1.4.1 Dividend Theory Policy

Dividend policy involves the decision to pay out earning versus retain them for reinvestment in the firm. Dividend policy decision can be either favorable or unfavorable effect on the price of the firm's stock (Brigham & Gapenski, 1993:641).

Dividend policy is necessary because market participant (current and potential stockholders) generally do not like surprises. An erratic dividend policy means that those stockholders who liked the last dividend cannot be sure that next one will be their liking. This uncertainty can result in a drop in the company's stock price. When the stockholders do not get what they expect, they often show their displeasure by selling their stock. A well-planned policy, appropriate for the firm and its business strategy, can prevent unpleasant surprises for market participants and protect the stock price (Gallagher, 2000:403).

There are contradictive theories relate to dividend policies and still debatable until now. According to Brigham and Gapensi (1996) in Jogiyanto (1998):

1) Dividend Irrelevance Theory

   This theory was suggested by Miller and Modigliani. It stated that the dividend policy did not have an impact on both the company's stock price and its cost of capital. Miller and Modigliani argued that dividend policy was not relevant, because the company's value was determine by its basic earning power and risk class.

2) The "Bird In The Hand" Theory

This theory was brought forth by Gordon and Lintner. They argued that the profit expected or required by the stockholder (investor prefer a high payout). The stockholders (investor) felt safer receiving revenue in the form of dividend than capital gains, because that expected capital gain was more uncertain and riskier.

3) Tax Differential Theory

This theory was brought forth by Litzenberger and Swary. They asserted that for those stockholder (investor) charged by taxes, the relevant revenue were after tax revenues. Therefore Litzenberger and Swary contended that the stockholder (investor) preferred that the company retained its after-tax profit and reinvested it than paid it as dividend in cash.

2.1.4.2 Kinds of Dividend Policy

Decision about dividend policy is talking about how the way and in what dividend paid to stockholder. Regardless of a firm's long term dividend policy, most of firms choose one of them using feature of dividend payment from year to year (Keown et al, 2005:623):

1) Constant Dividend Payout Ratio

In this policy, the percentage of earnings paid out as dividends is held constant. Although the dividend-to-earnings ratio is stable, the dollar amount of the dividend naturally fluctuates from year to year as profits vary.

2) Stable Dollar Dividend Per Share

This policy maintains a relatively stable dollar dividend over time. An increasing in the dollar dividend usually does not occur until management is convinced that the higher dividend level can be maintained in the future. Management also will not reduce the dollar dividend until the evidence clearly indicates that a continuation of the present dividend cannot be supported.

3) Small, regular dividend plus year-end extra

A corporation following this policy pays as much as regular dollar dividend, plus a year-end *extra dividend* in prosperous years. The extra dividend is declared toward at the end of the fiscal year, when the company's profits for the period can be calculated. Management's objective is to avoid the connotation of a permanent dividend. However, this purpose may be defeated if recurring extra dividends come to be expected by investors.

2.1.4.3 Factors that Influences Dividend Policy

Each company has different dividend policy, depend on decision made to determine policy. There are two factors that influence dividend policy:

1) Internal Factor

Factors that influences of dividend policy come from Inside of firm, such as: liquidity, profitability, solvency, etc. Internal factors are controllable because the problems come from inside firm.

2) External factors

Beside internal factors, there is other factors that influence of dividend policy come from external of company, example: tax for capital gain, access for capital market, legislation, etc. External factors are uncontrollable because the problems come from outside cannot predictable.

According to Keown et al (2005: 621) there are some factor influence dividend policy:

1) Legal Restrictions

Legal restrictions may limit the amount of dividend a firm may pay. These legal constraints fall into two categories:

a. Statutory restrictions may prevent a company from paying dividends. Although specific limitation vary state, generally a corporation may not pay a dividend (1) if the firm's liabilities exceed its assets, (2) if the amount of the dividend exceeds the accumulated profit (retained earnings), and (3) if the dividend is being paid from capital invested in the firm.

b. Unique to each firms and results from restriction in debt and preferred stock contracts. To minimize their risk, investors frequently impose restrictive provisions upon management as condition to their investment in the company.

2) Liquidity Position

The firm's current position in liquid asset, including cash, is basically independent of the retained earning account. The company with appreciable retained earnings has been successful in generating cash from operations. Yet these funds are typically either reinvested in the company within a short period or used maturity debt caused dividends are paid with cash and not with retained earnings, the firm must have cash available for dividends to be paid. Hence, the firm's liquidity position has a direct bearing on its ability to pay dividends.

3) Absence or lack of other sources of financing

A firm may (1) retain profits for investment purpose, or (2) pay dividends and issue new debt or equity securities to finance investments. For many small or new firms, this second option is not realistic. These firms do not have access to the capital markets, so dividend payout ratio is generally much lower for a small or newly established firm than larger firms.

4) Earnings Predictability

A company's dividend payout ratio depends on some extent on the predictability of a company's profit over time. If earnings fluctuate significantly, management cannot rely on internal generated funds to meet future needs. When profit is realized, the company may retain bigger amounts to ensure that money is available when needed. Conversely, a company with stable earnings tends to pay a bigger portion of its earnings out in dividends. This company has less concern about the availability of profits to meet future capital requirements.

5) Ownership Control

For many large corporations, control through the ownership of common stock is not an issue. However, for many small and medium-sized companies, maintaining voting control takes a high priority. If the present commons stockholders are unable to participate in new offering, issuing new stock is unattractive, in that the control of the current stockholder is diluted. The owner might prefer that management finance new investments with debt and through profits rather than by issuing new common stock. the firm's growth is then constrained by the amount of debt capital available and by the company's ability to generate profits.

6) Inflation

In a period of inflation, ideally, as fixed assets become worn and absolute, the fund generated from depreciation are used to finance the replacements. As the cost of equivalent equipment continues to increase, the depreciation funds are insufficient. This requires a greater retention of profits, which implies that dividends have to be adversely affected.

To measure dividend payout, we can use some ratios:

a. Price Earnings Ratio

The P/E looks at the relationship between the stock price and the company's earnings. Price earnings ratio calculated with market price per share divided by earnings per share. The good prospect company has higher price earnings ratio, but the company has lower growth will get lower price earnings ratio.

b. Dividend Yield

Dividend yield indicates the relationship between the annual dividends per share and current market price. From investor, dividend yield also important as total return will achieved by investor. Other return is capital gain which from differences between selling price and purchase price. If the result is negative so company get capital loss. If company has good prospect, it will make lower dividend yield, because dividend reinvested and also cause of higher dividend price. Conversely the company has low growth will make higher dividend price and also higher dividend yield.

c. Dividend Payout Ratio

The dividend payout ratio measure the portion of current earnings per common share is being paid out in dividends. This ratio show of incomes paid as dividend to investor. Companies has high growth will have low dividend payout ratio, otherwise companies has low growth will have high dividend payout ratio because growing need some cash to develop of company and the impact is company tend use cash than paid to dividend.

2.1.4.4 Dividend Payment Procedures

After arrange dividend policy, some procedures should be regulated to pay dividend. There are several steps that stockholder must to understand about dividend payment procedure.

1. Declaration Date

The date on which a firm's directors issue a statement declaring a dividend. For accounting purposes, the declared dividend becomes an actual liability on the declaration date.

2. Holder of Record Date

Record date is the last day to register for shareholder entitled to receive a dividend distribution in the company.

3. Ex Dividend Date

Ex dividend date is the date that the value of the firm's common shares will reflect the dividend payment. 'Ex' means without. At the start of trading on the ex-dividend date, the share price will normally open for trading at the previous day's close, less the value of the dividend per share. This reflects the fact that purchasers of the stock on the ex-dividend date and beyond will not receive the declared dividend.

4. Payment Date

Payment date refer to the date on which a firm actually mails dividend checks.

2.2 Previous Research

2.2.1 The Influences of Insider Ownership toward Dividend Payout Ratio

According to Demsey & Laber (1993) in Meyti (2005) in Filly (2010), Agency problem influenced by insider ownership. Insider ownership is percentage of stock that owned by director and commissioners (Crutchley & Hansen, 1989 in alismar 2006). The agency problems appear when the management and stockholder decide to apply dividend or retained earnings.

Pradesya (2006) has done research about influence of insider ownership toward dividend payout ratio. Where, the results show that insider ownership has positive significant influences toward dividend payout ratio. Otherwise, researcher Nurlina (2006) and Alismar (2006) show different result, that insider ownership not significant and negative influence toward dividend payout ratio.

2.2.2 The influences of profitability toward dividend payout ratio

Sri Sudarsi (2002) in Alismar (2006) define profitability as level of net income can be achieved by company when operations activity. This factor influences toward dividend policy. Dividend as a part of net income achieved from companies, so that dividend will be shared if companies getting profit. Profitability is measured by return on asset (ROA) is comparison between earning after tax with total asset.

2.2.3 The influences of liquidity toward dividend payout ratio

The liquidity of firm can influence dividend payout because the ability of firms' pay of short term debt use cash and almost of dividend paid also use cash. So, cash can be consideration of management for proportion dividend and short term debt payment. The higher liquidity of firms, also higher of available funds for companies to pay dividend, operating expenses and investment so the perception for company performance will increase.

In Sulaeman (2010) research that profitability, solvency, liquidity toward dividend payout ratio simultaneously have significant influence toward dividend payout ratio.

2.2.4 Dividend Payout Ratio

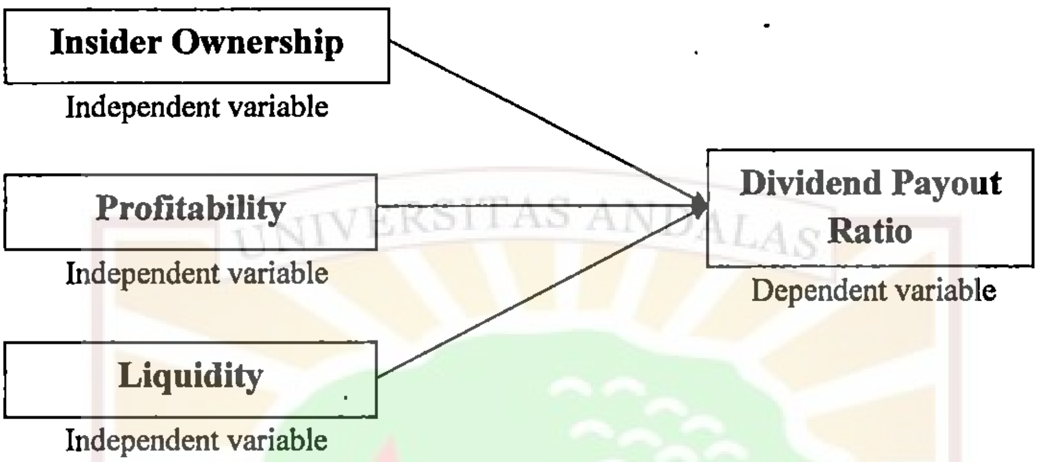
Dividend policy is an integral part of corporate financing decisions. Dividend payout ratio determines amount of profit can be retained as companies financing. The greater retained earnings, the smaller amount of profit that allocated to dividend. Determine profit to allocate as retained earnings and dividend is important aspect in dividend policy. Dividend payout ratio shows percentage profit of companies paid to stockholder using cash.

According to Intan and Akram (2007), dividend policy influenced by firms size, profitability, growth of earnings, liquidity, and inflation toward companies. Susilawati (2000) in Nurlina (2007) state that dividend payout ratio influenced by insider ownership, shareholder dispersion, growth, and company risk. The amount of dividend paid to stockholder depend on dividend policy each companies.

2.3 Conceptual Framework

To support the explanation about framework of thinking about this research, the writer makes conceptual framework to easily seen the relationship between independent variables and dependent variable, in this research independent variables are insider ownership, profitability and liquidity. Meanwhile, dependent variable is dividend payout ratio as control variable. Model is shown as below:

Figure 2.1
Variables Relationship



2.4 Hypothesis Development

Based on the previous research results, hypothesis form are:

H1 : Insider ownership significantly influence dividend payout ratio

H2 : Profitability significantly influence dividend payout ratio

H3 : Liquidity significantly influence dividend payout ratio

H4 : Insider ownership, profitability and liquidity significantly influence dividend payout ratio

CHAPTER III

RESEARCH METHODOLOGY

3.1 Research Design

This is a descriptive research. According to Sekaran (2003) on Fitra (2010) define descriptive research as research which undertaken in order to ascertain and be able to describe the characteristic of the variables of interest in a situation with the goal to offer the researcher a profile or to describe relevant aspect of the phenomena of interest. This research empirically test hypothesizes and describe the relationship between independent variable and dependent variables.

3.2 Variables and Measurement

3.2.1 Independent Variables

1. Insider ownership

Insider ownership means that the owner of company also acting as manager or share percentage that be owned by insider, like director or manager. The formula was:

$$\text{Insider ownership} = \frac{\text{Amount of shares that were owned insider}}{\text{Total of share}}$$

2. Profitability

Profitability is the ability of firm to generate earning. Here, profitability using measurement of Return on Asset (ROA):

$$\text{Return on Asset} = \frac{\text{Net income}}{\text{Total Assets}}$$

3. Liquidity

Liquidity refers to a company's ability to meet short term obligations. To measure of liquidity we can use current ratio. The formula is:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liability}}$$

3.2.2 Dependent Variable

Dependent variable in this research is dividend payout ratio. Dividend payout ratio was the ratio that showed the comparison between Dividend-per-Share (DPS) and Earning-Per-Share (EPS). The formula is:

$$DPR = \frac{DPS}{EPS}$$

Where:

DPR = Dividend Payout Ratio

DPS = Dividend per Share

EPS = Earnings per Share

3.3. Sampling procedures

The research population covers all manufacture firms listed in Indonesia stock exchanges (IDX) for years 2006-2010. Sample used in this research is chosen by using purposive sampling method, which is obtaining sample according to specific types or criteria that can provide the desired information (Sekaran, 2003). The criteria include of sample in this research are as follows:

1. The firms should be listed in Indonesia Stock Exchanges (IDX) for period 2006 until 2010.
2. Firms share of dividend during five years in time period of 2006-2010.
3. Firms having data about percentage of shares that owned by insider, like director or manager.

3.4 Data Gathering Method

Research is done by using secondary data. Secondary data refer to information gathered by someone other than the researcher conducting the current study (Sekaran, 2003). The data achieved from Indonesian capital market directory (ICMD), www.idx.co.id, annual report, and other homepage in which provide relevant data for this research that data used from financial report during 2006 – 2010.

3.5 Data Analysis Method

To test of hypothesis which displays influence of insider ownership, profitability, and liquidity toward dividend payout ratio used multiple regression analysis. Data processing technique use application program of SPSS. The methodology of this research is conducted as follow:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Where:

Y = Dividend Payout Ratio

β_0 = Constanta

βj = Regression Coefficient of Independent Variables (j = 1,2,3).

X_1 = Insider Ownership

X_2 = Profitability

X_3 = Liquidity

e = error

Steps used in regression analysis model are:

1. Doing regression between dependent variable (y) with independent variables (X_1, X_2, X_3), doing classical assumption testing (normality test, multicollinearity test, autocorrelation test and heteroscedasticity test).
2. Calculating of determinant and double correlation coefficient (R2 and R) for measure how much dependent variation able to define simultaneously by independent variables.
3. Doing F-test to see simultaneous significantly between dependent variable and independent variables.
4. Doing T-test to see partial significantly between dependent and independent variables.

3.6 Classical Assumption Testing

Classical assumption test is test done before hypothesis testing. This study uses multiple regression for data analysis. These tests consist of normality test, multicollinearity test, autocorrelation test, heteroscedasticity test.

3.6.1 Normality test

The objective of normality test is to know the normality of data distribution (data from dependent variable and independent variables) in model of regression. The way that can be done to see residual normality is seen in histogram graph that compare between observation data with distribution that near normal distribution. Data told normal, if histogram curve has inclinations which tend to balance and also curve in form of looking like bell which almost perfect.

The other way that can be used in seen normal graph of P-P Plot. The regression model can be told good if data distributed or near normally, that is if data disseminate around linear line and also its spreading follow direction of diagonal lines.

3.6.2 Multicollinearity Test

Multicollinearity test is done to test whether there is any relation between each independent variables. To find any multicollinearity relation multiple regression between independent variable based on Gujarati (1997) stated that by using Variance Inflation Factor (VIF), if tolerance value is greater than 0.1 and VIF is lower than 10 then, it must be no multicollinearity relation.

3.6.3 Autocorrelation Test

Autocorrelation test is done to investigate whether any relation between error factor at t period and t-1 period. If there were any relation, it must be any autocorrelation problem. It will be showed in value of Durbin- Watson (D-W) (Gujarati, 1997).

3.6.4 Heteroscedasticity Test

Heteroscedasticity test is done to investigate whether any difference variance in regression model between variable. To detect the heteroscedasticity in regression model is by the result in scatterplot graphic. If the graphic showed spread result, it showed there is no heteroscedasticity symptom in regression model (Gujarati, 1997).

3.7 Hypothesis Testing

The hypothesis test is used to process the model analysis. The hypothesis test are R square test, F-Test and T-Test. The square analysis shows the capability of independent variable in describing the dependent variable. The statistical F-test is used to get information how significantly are the independent variables affecting the dependent simultaneously. The statistical T-test is to used to get information how significant are the independent variables can influences the dependent variables partially.

CHAPTER IV

RESULTS AND ANALYSIS

4.1 Samples Overview

Population in this research are manufacturing firms listed in IDX from the years 2006-2010 which publishes annual reports and sustainability reports during the study period. Based on the criteria established, it acquired eight companies which qualify as samples in this study. List of companies sampled are presented in Table 4.1.

Table 4.1

List of companies' sample

No	Companies
1.	PT AKR Corporido Tbk.
2.	PT Astra International Tbk.
3.	PT Astra Otoparts Tbk.
4.	PT Indofood Sukses Tbk.
5.	PT Lautan Luas Tbk.
6.	PT Mandom Tbk.
7.	PT Metro Data Electronics Tbk.
8.	PT Summi Indo Kabel Tbk.

4.2 Descriptive Analysis

4.2.1 Descriptive Statistics analysis of overall research sample

Table 4.2

Descriptive Statistics

	N	Minimum	Maximum	Sum	Mean	Std. Deviation
Dividend	40	.0700	.6000	13.3600	.334000	.1185121
Insider	40	.0002	.2030	.8026	.020065	.0368227
Profitability	40	.0076	.2040	3.0775	.076937	.0521262
Liquidity	40	.8000	17.6000	113.8600	2.846500	3.4314074
Valid N (listwise)	40					

Based on Table 4.2 above, eight manufacturing companies listed in IDX during 2006-2010 show that Insider ownership average of 0.020065 (2%). Minimum value insider ownership is 0.0002 (0.02%), it comes from PT. Astra International Tbk.at 2006 to 2007and maximum value comes from PT. Metro Data Electronic Tbk at 2010.

Average of profitability ratio is 0.076937 (7.69%), it has minimum value of 0.0076 (0.76%) and maximum value of 0.2040 (20.4%). For minimum value derived from PT.Summi Indo Kabel Tbk at 2010 and maximum value derived from PT. Astra International Tbk at 2010.

Average of liquidity ratio is 2.846500X, it have minimum has of 0.8000X and maximum value of 17.6000X. For minimum value derived from PT. Astra International Tbk at 2006 and maximum value derived from PT. Mandom Tbk at 2007.

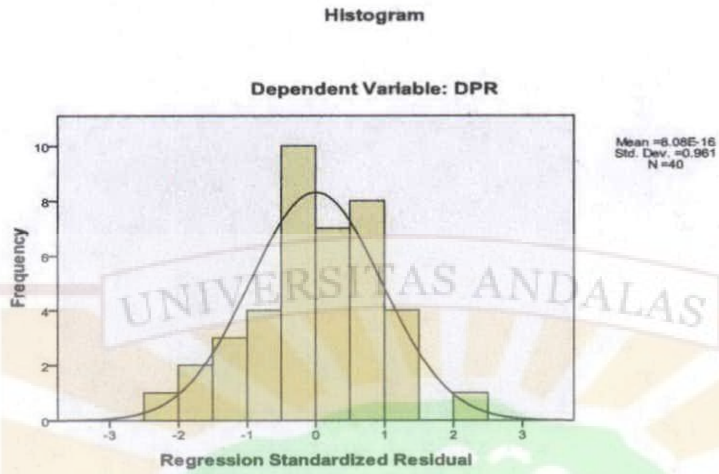
For average of dividend payout ratio is 0.334000 (33.40%), it has minimum value of 0.0700 (7%) and maximum value of 0.6000 (60%). For minimum value derived from PT. Metro Data Electronic Tbk at 2008 and maximum value derived from PT. Astra Otopart Tbk at 2010.

4.3 Classical Assumption Testing

4.3.1. Result of Normality Test

The objective of normality test is to know the normality of data distribution (data from dependent variable and independent variables) in model of regression. The way that can be done to see residual normality is seen histogram graph that compare between observation data with distribution that near normal distribution. The normality test will detected by using graphic analysis are histogram graphic and Normal P-Plot graphic. The normality of data in this research is shown in the following figure.

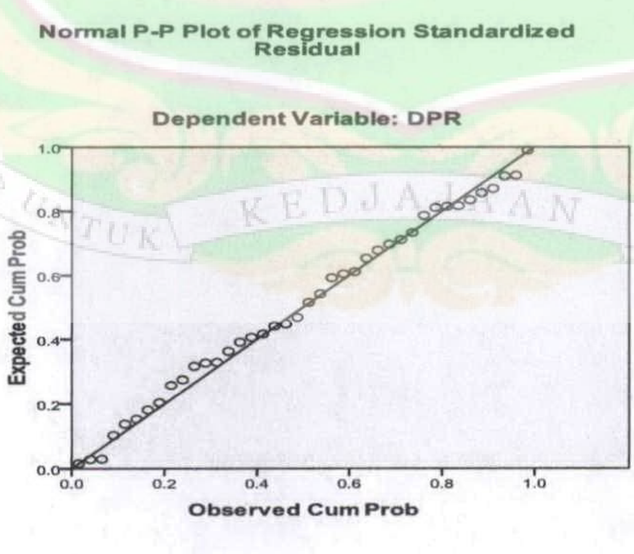
Figure 4.1 normality test result using histogram



Sources: self calculation and processed

Histogram curve above seen do not tend to left and to right, but tend to reside in the middle and in form like bell. Hence, it can be calculated distribution data is normally. Other way to see normal distribution can be seen by Normal P-Plots.

Figure 4.2 normality test result using Normal P-Plots



Sources: self calculation and processed

The good regression model has normal data distribution or come near to normal, where Normal P-Plots graphic is spread of dots around diagonal line and follow of line, so requirement of normality test has been fulfilled.

4.3.2 Result of Autocorrelation Test

The test for autocorrelation is done to get information whether there is some correlation among disturbance variables in one period of time. Autocorrelation is happened in sample with times series of data (Arto, 2003 in Sari 2009). Basis for making decision whether autocorrelation exist or not can be seen from the value of Durbin Watson (DW) Table dL; dU at α, n, (k-1) where level of significance (α) 5%, number of observation (n) 30 and number of independent variable (K-1) is 2 . In this research the value of dL is 1.284 and the value of dU is 1.567.

1) If dU ≤ DW ≤ (4 – dU) or 1.567≤ DW ≤ 2.433, it indicate that autocorrelation is not exist.

2) If (4 – dL) ≤ DW ≤ dL or 2.716 ≤ DW ≤ 1.284, it indicate that autocorrelation is exist.

Table 4.3 Autocorrelation

Model Summary[b]

Model	Durbin - Watson
1	2.410

a. **Predictors: (Constant), Liquidity, Insider, Profitability**

b. **Dependent Variable: Dividend Payout Ratio**

The result obtained in Table 4.3 above shows that the Durbin-Watson value equal 2.410. Therefore, Durbin-Watson values obtained were between 1.361≤ DW (2.410) ≤ 2.639, it can be concluded that there is no autocorrelation in the regression model used in this study.

4.3.3. Result of Multicollinearity Test

The test for Multicollinearity is aimed to get information whether there is a correlation between the independent variables. A good regression model should not have a correlation between its independent variables. Multicollinearity test can be done by examining the tolerance value from variance inflation factors (VIF) on the coefficient correlation table. Gujarati (1997) in Sari (2009) stated that using variance inflation factor (VIF), if tolerance value is greater than 0.1 and VIF is lower than 10 then, it must be no Multicollinearity relation.

TABLE 4.4 Output Multicollinearity

Model		Collinearity statistics	
		Tolerance	VIF
1	(Constant)		
	Insider	.941	1.063
	Profitability	.781	1.280
	Liquidity	.793	1.261

The table shows that the values of VIF for each independent variable do not more than 10 and value of tolerance do not less than 0.1. So there is no Multicollinearity.

4.3.3 Result of Heteroscedasticity Test

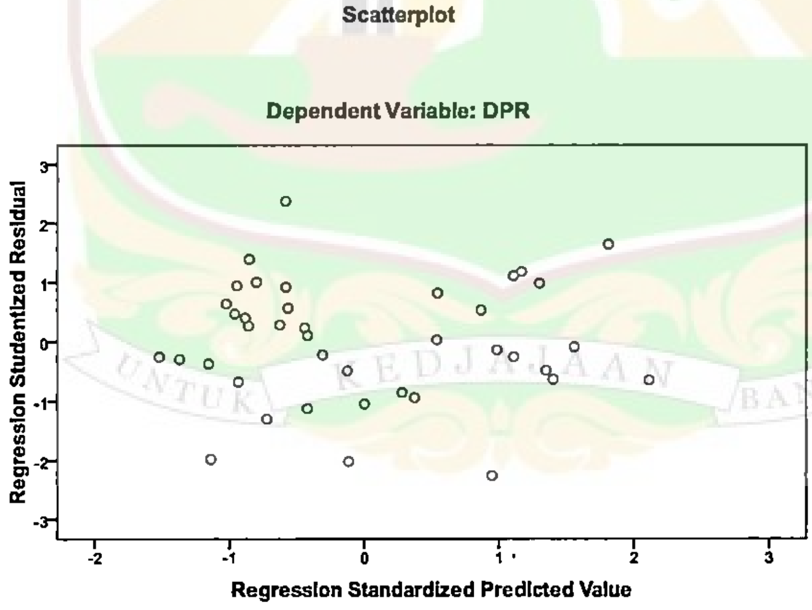
The test for Heteroscedasticity test is aimed at getting information whether there is a difference of variance from the residual of an observation to another observation in regression model. This test is done by using scatter plot graph. The standard are as follow:

1. If there is some dots spread out to make a certain character of form, then it's assumed that there is Heteroscedasticity in the regression model.

2. If there are no certain characters of forms made by the dots, then it's assumed that there is no Heteroscedasticity in the regression model. (Salta, 2010)

The result of the Heteroscedasticity test of this research is:

Figure 4.3 Scatter Plot of Regression Standardized Residual



Based on Figure 4.3 above, can be seen that the dots spread out below and above the number 0 and does not accumulate just above or below it. So, it can be concluded that the regression model is free from heteroscedasticity assumptions and fit for use in research.

4.4 Result of Hypothesis Testing

To testing insider ownership, profitability, and liquidity influence toward dividend payout ratio can be done by using multiple regression analysis.

This following result from multiple regression analysis.

4.4.1 R Square Test (coefficient determination)

The coefficient of determination (R2) is used to view and analyze how big independent variables influences the dependent variable. The Value of *R-square* ranging from 0 to 1 (Ghozali, 2005). The purpose of statistical R Square test is to find out whether all independent variables that included in regression model can described the dependent variable. The statistical R Square test is observed from the model summary table if the value for R Square is above 50%, assumed the capability of the independent variables to describe the dependent variable are high and vice versa.

However coefficient determination has a weakness that is refraction toward number of independent variable insert to the model. Because of that, better use adjusted R^2 where the value can be fluctuation when one independent variable added into model.

Table 4.5

R square output

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.668[a]	.447	.400	.0917635	2.410

a. Predictors: (Constant), liquidity, insider, profitability

b. Dependent Variable: Dividend Payout Ratio

From the table 4.5 the value of adjusted R2 for regression model is 0.400 or 40%. It means the capability dividend payout ratio variant described by third variant independent variables are insider ownership, liquidity, profitability as 40%, whereas the remaining 60% influenced by other factors that not included in this study. In other word, when RUPS make a deal about dividend payout ratio, factors like insider ownership, profitability, and liquidity simultaneously influenced the agreement making is 40%.

Other independent variables can influence of dividend payout ratio such as firm size, cash position, growth of earning and inflation. According to Pradessya (2006) indicate that variable of growth significant influence toward dividend payout ratio. Companies' rapid growth will need big investment. A larger growth opportunity will reduce dividend payout, because earning resulted to used for investment to increase company's growing. The growth of companies has significant influences for retained earning policy or the larger of growing companies will reduce number of dividend shared to stockholders.

According to Nasir (2006) in his research show the variable of institutional ownership influence significant toward dividend payout ratio. The higher investment institutional investors will do increasingly stringent monitoring. Monitoring by intuitional investor can be reduce agency cost, in this case that costs borne by the owner to control agency such us: audit cost, so dividend paid decrease. Presence of institutional ownership has substitution effect for dividend payment to reduce agency cost.

Dividend and debt are relationship. The higher debt will caused decreasing of dividend, because majority of net earning allocated to debt repayment reserve. Conversely, the lower using of debt firms allocate for higher dividend. Extent of dividend giving chance to issuances of new stock as substitute for the use of debt. According to research of Nuringsih (2006) that debt policy variable significant influence to dividend payout ratio.

4.4.2 Statistical F-test

The purpose of the F-Test is to find whether all independent variables that included in regression model, can influence the dependent, if they are influencing dependent together. The statistical F-test is observed from the ANOVA table. If the F value > F table or the value of Sig < α (0.05), it is assumed that the capability of independent variables to dependent variable, if they are influencing dependent together and vice versa.

The result of statistical F-test of the regression model is:

Table 4.6

ANOVA Output

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.245	3	.082	9.683	.000[a]
	Residual	.303	36	.008		
	Total	.548	39			

a. Predictors: (Constant), liquidity, insider, profitability

b. Dependent Variable: Dividend Payout Ratio

From the table above, F value is 9.683 and Sig value is 0.000 which is <α (0.05). It means that all independent variables such as it means that insider ownership, profitability and liquidity as independent variables significantly influencing toward dividend payout ratio as dependent variable if act as a group.

4.4.3 Statistical T-test

T test intended to determine whether the independent variables included in regression models may affect the dependent variable. For each independent variable, if t count > t table or significant value < (0.05), this suggests the independent variables affect the dependent variable significantly, and vice versa.

The results of T-test are:

Table 4.7

T-test output

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.228	.030		7.713	.000		
	Insider	-.312	.411	-.097	-.758	.454	.941	1.063
	Profitability	1.303	.319	.573	4.085	.000	.781	1.280
	Liquidity	.004	.005	.125	.898	.375	.793	1.261

a. Dependent Variable: DPR

From table, the t value for insider ownership is -0.758 and Sig value is 0.454, which is > 0.05. It means that the capability of insider ownership to influence dividend payout ratio is not significant.

Next, the t value for profitability is 4.085 and Sig value is 0.000 which is < 0.05. It means that the capability of profitability to influence dividend payout ratio is significant.

Next, the t value for liquidity is 0.898 and Sig value is 0.375 which is > 0.05. It means that the capability of liquidity to influence dividend payout ratio is not significant.

4.4.3.1 The equation model

After analyzing, the equation model can be made taken from Unstandardized coefficient column B, is:

$$DPR = 0.228 - 0.312INS + 1.303PFT + 0.004LQD + e$$

Regression equations show that:

1. Coefficient (a) = 0.228

   If the independent variable is constant, so dividend payout ratio will increase 0.228.

2. Coefficient regression

   a. insider ownership = -0.312

      It means that, if insider ownership increases 1 point, dividend payout ratio will decrease 0.312, with assumption the other variables are constant.

   b. Profitability = 1.303

      It means that, if profitability increases 1 point, dividend payout ratio will increase 1.303, with assumption the other variables are constant.

   c. Liquidity = 0.004

      It means that, if liquidity increases 1 point, dividend payout ratio will increase 0.004 with assumption the other variables are constant.

From t-Test table, only profitability variable has t value bigger than two variables (absolute value) of 4.085. So it can be concluded that only profitability significant influence toward dividend payout ratio. Other word said that net earnings of firms can influence of dividend payout ratio of firms.

Table 4.8

Table Effect of Increasing +1 Independent Variables to Dependent Variable:

Variables	If	DPR
Insider ownership	+ 1 point	-0.312
Profitability	+ 1 point	1.303
Liquidity	+ 1 point	0.004

Table 4.9

Result summary of hypothesis testing

	Hypothesis	Result	Meaning
H1	Dividend payout ratio is in significantly influenced by insider ownership	Rejected	It means that increasing of insider ownership will not significantly influence dividend payout ratio
H2	Dividend payout ratio is significantly influenced by profitability	Accepted	It means that increasing of profitability will significantly influence dividend payout ratio
H3	Dividend payout ratio is in significantly influenced by liquidity	Rejected	It means that increasing of liquidity will not significantly influence dividend payout ratio

H4	Dividend payout ratio is in simultaneously influenced by insider ownership, profitability and liquidity	Accepted	It means that as group, insider ownership, profitability and liquidity significantly influence dividend payout ratio.

4.4.3 Analysis and Discussion

From F-test result before, show that insider ownership, profitability, and liquidity are significantly influence together toward dividend payout ratio. It means that if investor buy stock a firm, potential investor need to care toward proportion stock that commissaries and director have it, also concern toward profitability and liquidity in companies will investor's investment.

From T-test result, show that insider ownership, profitability, and liquidity are not influence significant partially toward dividend payout ratio. It means that stockholder from insider (director and commissaries) in a firm not influence dividend shared. Also for liquidity not influence to dividend policy of firm.

This Result of study is strengthen research before done by other researcher that insider ownership and liquidity have not significantly influence toward dividend payout ratio. Expected result of the research can be a reference for researcher continue the study by research other factors that influence of dividend, because still have other factor influence dividend payout ratio, so can be result of information usefulness for those who need.

CHAPTER V

CONCLUSION

5.1 Conclusion

This study purpose to analyzed influence among insider ownership, profitability, and liquidity toward dividend payout ratio, the companies listed in Indonesia Stock Exchange 2006-2010. Sample selected base on specific character with 8 companies, and all names listed in table 4.1. The data used are secondary data obtained from ICMD, www.idx.com, and the official website of the sample companies. Data were processed using multiple regression models with SPSS 17.0. Previously, classical assumption test were performed in order to ascertain that data are normally distributed and satisfy the normality assumption.

Based on the analysis conducted, the results obtained are:

1. From classical assumption test, there is no significant problem. It can be seen from multicollinearity test, heteroscedasticity test, and normality test. So it can be concluded that data has qualify in regression analysis.
2. From determination test, percentage of adjusted R square is 40% for independent variables. Dividend payout ratio variant can be described by three independent variables are insider ownership, profitability and liquidity. While the remaining 60% described by other factors.
3. From ANOVA table obtained in F-Test show the value as 9.683 and significant value is 0.000, so insider ownership, profitability, liquidity are significant influence toward dividend payout ratio.

4. From coefficient table in T-test show that insider ownership has not significantly influence toward dividend payout ratio, this relationship indicate dividend tend used one of mechanism to reduce agency problem.
5. From coefficient table also obtained about independent variables influence partially toward dependent variable, where:
   a. Insider ownership influence not significant toward dividend payout ratio. It means that, the company in Indonesia not yet using dividend payment as a tool to control agency problem.
   b. Profitability influence significantly toward dividend payout ratio. It is show that highest returns on asset indicate the ability of companies to paid dividend with highest ratio also.
   c. Liquidity also not significant influence toward dividend payout ratio.

5.2 Research Limitations

The writer realized that research has many limitations so the result obtained likely to deviate from the real fact, considering:

1. Research has limitation about time of observation, only five years period from 2006-2010.
2. Choosing variables that influence of dividend payout ratio only use three independent variables, it possible neglect other factor exactly can larger influence toward dividend payout ratio.
3. Limitation of data about insider ownership of companies. A few of companies list of insider ownership data in financial report.

4. Other factor influence of dividend payout ratio variant and not all can be described by economic approach, such as psychology of traders and social politic condition.

5.3 Research Implications

1. From F-test show that insider ownership, profitability and liquidity have significant influence toward dividend payout ratio simultaneously.
2. From T-test statistic obtained that insider ownership and liquidity have insignificantly influence toward dividend payout ratio. Whereas profitability has significant influence toward dividend payout ratio. It is indicate that ownership of stock by board of director and commissaries not influence toward dividend payment. Negative correlation between insider ownership and dividend payout ratio indicate that director and commissaries having stock in companies don't want share of the greater dividend payment. They prefer choose to retained earnings of companies will use to expansion or become operational fund in the future.
3. For the next researcher is suggested to do research independents variables that never research before, may be more influence toward dividend payout ratio.

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