

ABSTRACT

Funding sources which can be used by a company in order to finance its investment can be categorized into two sources, they are internal and external funding sources. A company that chooses external funding source as debt causes the company has high level of debt. This fact shows that the policy of debt which is known as leverage is important, enough for a long life of the company. Dividend and profitability are factors that influence leverage. The problem is “Do dividend and profitability influence through otomotif companies that listed in BEI in period of 2006-2008, by using pecking order hypothesis?” This experiment is for knowing the influence of dividend and profitability through leverage in otomotif companies in BEI in period of 2006-2008.

This experiment uses secondary quantitative data which is done in 8 otomotif companies that listed in Indonesian effect market in the year of 2006-2008. The data that are taken are cross-sectional data in the form of annual financial report from several emittens. Where as for testing method is by using double regression analysis technique. Variables that are used are leverage as dependent variable and as independent variables are dividend and profitability.

The result of testing shows that dividend does not influence to leverage and dividend shows positive connection through leverage, also does not support to pecking order theory. And the result of testing also shows that profitabilities (t) has negative significant influence to leverage, it supports the pecking order theory. Whereas profitability (t-1) does not influence significantly to leverage and does not support to pecking order theory, in otomotif companies which are listed in BEI in period of 2006-2008. The otomotif company listed in BEI have tendency to use internal funding in order to finance their operation compare with debt. These companies are indicated to implement internal funding form as explained by pecking order theory.

Key words : Leverage, Dividend, and Profitability