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The Effect of Profitability, Liquidity, Leverage, Free Cash Flow, and Good Corporate Governance on Dividend Policies (Empirical Study on Manufacturing Companies Listed in Indonesia Stock Exchange 2017-2019)

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***ABSTRACT* :** The purpose of this study is to obtain empirical evidence regarding the effect of profitability, liquidity, leverage, free cash flow, and good corporate governance on dividend policy in manufacturing companies listed on the Indonesia Stock Exchange for the 2017-2019 period. The sample technique used is purposive sampling with 55 companies as samples. The analysis technique used in this research is multiple linear regression analysis. Based on the analysis, this research profitability, liquidity, and good corporate governance do not affect dividend policy. This shows that profitability, liquidity, and good corporate governance of a company cannot be used as an indicator that determines the size of the dividends distributed by the company. Leverage has a negative effect on dividend policy. This shows that the higher the leverage of a company, the lower the company's ability to pay dividends. Free cash flow has a positive effect on dividend policy. This shows that the higher the free cash flow of a company, the higher the company's ability to pay dividends. For companies that have a high level of debt, it is advisable to reduce the debt they have so that the company is able to distribute dividends with a higher amount

Keywords -*profitability, liquidity, leverage, free cash flow, good corporate governance, dividend policy.*

I. INTRODUCTION

The capital market is a place for investors to carry out investment activities. Investors in investing their funds will expect returns on investment in the form of dividends or capital gains. Capital gain is a profit obtained from the difference between the purchase price and the selling price of the shares, while dividends are part of the net profit that will be distributed to shareholders (Angelia & Toni, 2020). The amount of dividends distributed by the company depends on the policies or rules set by the company. Each company has different policies because there are no regulations governing the amount of dividend policy that must be paid. The decision regarding whether the company will distribute dividends or not, as well as the amount of dividends to be paid is decided at the General Meeting of Shareholders (GMS) (Nugraheni & Mertha, 2019).

Investors or shareholders tend to prefer dividends over capital gains, because dividends are considered to promise something more certain (Arjana & Suputra, 2017). Investors tend to prefer companies to share profits or profits in the form of dividends to improve their welfare. However, management must also pay attention to the continuity of the company by holding back profits to be reinvested in the future. Because of this difference in interests, agency conflicts will arise in accordance with the agency theory. To achieve the welfare of the company and its shareholders, policies are needed that can align the interests of the company and shareholders. Dividend policy is a crucial policy for companies that must be considered properly because it involves the interests of various parties involved (Trisna & Gayatri, 2019).

Dividend policy tends to be one of the most stable and predictable elements of companies. Most companies start paying dividends once they reach the maturity level of the business(Benerjee, 2016). Based on signal theory, companies pay dividends to provide signals to investors about the success of a company in recording profits and the company's future prospects. Companies that pay dividends are considered to have performed well and made a profit so that they will attract more investors who will increase demand for the company's shares(Thakur & Kannadhasan, 2018). A stable dividend payment can indicate that the company is

in good condition and shows that the company's management is performing well (Monika & Sudjarni, 2018). Companies that cut dividends give bad signals to investors which indicate that the company's financial condition is not good so that market demand for the company's shares will decrease, which means that investors are reluctant to invest their shares in the company. (Yudiana & Yadnyana, 2016). In investing, investors have considerations such as the company's financial statements which are used to view the company's prospects in the future (Pirdayanti & Wirama, 2019). Investors will choose companies that pay dividends constantly to their shareholders.

The growth of companies engaged in the manufacturing sector in Indonesia is very significant because the manufacturing sector has the largest number of companies compared to other sectors (Yasmita & Widanaputra, 2018). Based on data from the Indonesia Stock Exchange (IDX) in 2020, 193 of the 709 (27.22%) companies listed on IDX are manufacturing companies. The average value of the dividend payout ratio of several manufacturing sector companies on the Indonesia Stock Exchange in 2017-2019 experienced a fluctuating trend. Kalbe Farma Tbk. experienced an increase in profit from 2018 of Rp2.497 trillion and in 2019 it was raised to Rp2.537 trillion, however, there was a decrease in dividends in 2019. The amount of dividends distributed in 2018 was Rp1.22 trillion and decreased to Rp937. 5 billion in 2019. The decrease in dividend payments is interesting to study because of the contradictory conditions, when there is an increase in net profit, there is a decrease in dividend payments. This phenomenon shows that there are several factors that influence the dividend policy of manufacturing companies. The factors that are thought to influence a company's dividend policy in this study are profitability, liquidity, leverage, free cash flow, and good corporate governance.

Profitability describes the company's fundamental performance in terms of the efficiency and effectiveness of the company in obtaining a profit.Profitability is a measure of a company's success and ability if the use of its assets is productive(Pradnyavita & Suryanawa, 2020). Profitability has an effect on the company's dividend payments because dividends are part of the company's net income (Fitri et al., 2016). Profits distributed to shareholders are profits after the company fulfills its permanent obligations in the form of interest and taxes. Companies that experience losses will make it difficult in terms of dividend payments so that the higher the company's profitability, the greater the company's ability to pay dividends. Ahmad & Muqaddas (2016)andPradnyavita & Suryanawa (2020)who found that profitability has a positive effect on dividend policy. However, Anisah & Fitria (2019)andJalung et al. (2017)stated that profitability has no effect on dividend policy.

"Liquidity is a factor that can also affect a company's dividend policy (Eyigege, 2015). Liquidity is the ratio used to measure the company's ability to meet short-term obligations. Companies that have a high level of liquidity will indirectly provide an illustration that the company is able to meet its short-term obligations(Monika & Sudjarni, 2018). Therefore, companies that have a high level of liquidity will increase the probability of dividend payments of a company (Widyawati, 2018). Purnama & Sulasmiyati (2017)andNugraheni & Mertha (2019)shows that liquidity has a positive effect on dividend policy. These results prove that the more the company is able to meet its obligations that are due soon, it will enable the company to pay dividends to shareholders. However Pirdayanti & Wirama (2019), Herawati & Fauzia (2018)andArifin & Asyik (2015)which states that liquidity has no effect on dividend policy.

Another important factor that is thought to influence dividend policy in this study is leverage. Leverage or what is often referred to as the solvency aspect is the company's ability to pay off its obligations, both long and short term, and assessing the extent to which the company is financed by debt. High leverage will cause a decrease in the amount of dividends paid because the company prioritizes debt payments (Sari et al., 2020). The greater this ratio, the greater the use of debt which results in greater financial risk faced by the company. The higher the use of company debt, the more difficult it is for the company to pay dividends. Trisna & Gayatri (2019), Jabbouri (2016) andEndang (2020)found that leverage has a negative effect on dividend policy. butGinting (2018)stated that leverage has no effect on dividend policy.

Free cash flow is also a factor that can affect the level of a company's dividend policy (Utama & Gayatri, 2018). Free cash flow is free cash flow owned by the company which is used for investment and dividend payments. Free cash flow often triggers differences in interests between shareholders and managers (Trisna & Gayatri, 2019).Shareholders want a return on their investment, while managers want the company to hold its profits for the sake of company expansion. Companies with excess free cash flow will have better performance than other companies because these companies can take advantage of various opportunities that other companies may not be able to get(Padmini & Ratnadi, 2020). This shows that free cash flow is able to influence the level of dividend policy implemented by the company for shareholders.Gul et al. (2020)andSari & Budiasih (2016)found that free cash flow has a positive effect on dividend policy. But,Diana & Hutasoit (2017)state that free cash flow has no effect on dividend policy.

The factor that is also thought to influence dividend policy in this study is good corporate governance. Good Corporate Governance (GCG) is a set of rules that governs the relationship between shareholders, company managers, creditors, government, employees and other internal and external stakeholders related to

their rights and obligations. Effective GCG implementation can increase efficiency and economic growth as well as investor confidence. Companies that have implemented GCG indicate that the company has carried out good corporate governance(Dewi & Putri, 2017). Dividend distribution causes agency conflicts to arise, so it is necessary to implement GCG in a company to resolve this. With the supervision carried out by the audit committee it will cause agency conflicts in the company to be reduced, so that GCG in this study is proxied by using an audit committee. The more stringent the implementation of GCG in a company, the higher the dividends that will be distributed to shareholders. Gunawan et al., (2019)who found that good corporate governance has a positive influence on dividend policy. But contrary to Pirdayanti & Wirama (2019)which states that good corporate governance as proxied by the audit committee has no effect on dividend policy.

The existence of inconsistencies in the results of previous studies makes researchers interested in raising the topic of dividend policy by using profitability, liquidity, leverage, free cash flow, and good corporate governance as independent variables. For decades, dividend policy has been a topic of discussion and debate in the world of finance and investment. The existence of fluctuating trends and contradictory conditions in the level of dividend payments of a company each year makes this research interesting to study, so the researcher tries to re-examine the factors that can influence a company's dividend policy using the most recent observation year.

II. HYPOTHESIS DEVELOPMENT

Based on signal theory, the company will always try to provide positive signals to the market through various ways, such as by increasing business effectiveness so as to be able to obtain high profits. This will encourage shareholders or prospective shareholders to invest because they consider the current and future conditions of the company to have good prospects according to signal theory. Profitability has its own charm, especially for shareholders or potential investors in a company(G. A. M. S. Dewi & Abundanti, 2020). Companies that have profit stability can determine the level of dividend payments and signal the quality of the company's profits. Companies that generate profits are able to pay dividends as well as keep internal funds in the form of profits on hold to pay for their investments. The company's ability to pay dividends is a signal that the company is a good company because it is able to generate profits. The greater the company's profits, the greater the dividend payment. Ahmad & Muqaddas (2016), Tamrin et al. (2018)andPradnyavita & Suryanawa (2020)also show a positive influence between profitability and dividend policy. Based on previous research, the following hypothesis can be formulated:

H_1: Profitability has a positive effect on dividend policy.

Based on signal theory, liquidity is able to show a signal to investors that the company is in good condition and able to pay dividends. The liquidity ratio is used to measure the company's ability to meet short-term obligations or the company's ability to pay off short-term debt on time. Companies must have a good level of liquidity in order to meet their short-term obligations (Nugraheni & Mertha, 2019). Companies to pay dividends require cash outflows, so there must be sufficient liquidity. The higher the liquidity a company has, the more it will be able to pay dividends. Dividends are cash outflows, therefore the stronger the company's liquidity position, the greater its ability to pay dividends. The stronger the liquidity position of a company is towards the prospect of future funding requirements, the higher the dividend payout ratio will be. Purnama & Sulasmiyati (2017)andNugraheni & Mertha (2019)which show that liquidity has a positive effect on dividend policy. Based on previous research, the following hypothesis can be formulated:

H_2: Liquidity has a positive effect on dividend policy

Based on agency theory, an increase in debt will reduce the level of conflict between the agent (company management) and the principal (shareholder). Leverage is the company's ability to meet obligations (debt) both short and long term. Companies that have high debt will concentrate more on paying off their obligations compared to distributing dividends to prevent bankruptcy.Wahjudi (2019)stated that the use of high debt will reduce the profits obtained by the company, which of course will have an impact on dividend payments. Trisna & Gayatri (2019)who found that leverage has a negative effect on dividend policy. Endang (2020)also shows that leverage has a negative effect on dividend policy. Based on previous research, the following hypothesis can be formulated:

H_3: Leverage has a negative effect on dividend policy.

Free cash flow describes the level of financial flexibility of a company. Based on agency theory, if the company has free cash flow, the company manager will get pressure from investors to distribute it in the form of dividends. This is done to prevent management from using free cash flow for things that are not in accordance with company goals and tend to harm investors. Thus, the availability of funds can be used for the prosperity of shareholders. Shareholders believe that free cash flow distributed as dividends will have a higher value and lower risk. Companies that are able to generate high free cash flow will be able to provide high returns to shareholders, compared to companies that produce low free cash flow annually. Gul et al. (2020), Trisna &

Gayatri (2019)andSari & Budiasih (2016)which show that free cash flow has a positive effect on dividend policy. Based on previous research, the following hypothesis can be formulated:
H_4: Free cash flow has a positive effect on dividend policy.

Based on agency theory, the existence of Good Corporate Governance (GCG) can provide confidence to investors that shareholders will receive a return on the funds they have invested. The existence of an audit committee can reduce agency conflicts in a company because the audit committee is responsible for effectively supervising conflicts of interest and fraud committed by employees so that the resulting decisions are impartial and can bind the interests of the company. The more the number of members of the audit committee, the tighter the supervision in the company is so that the company's operations can reach the maximum and increase the company's profits. The company profits will be distributed to shareholders in the form of dividends (Pirdayanti & Wirama, 2019). The more stringent the implementation of GCG which is proxied by using an audit committee in a company, the higher the dividends to be distributed to shareholders.. Gunawan et al., (2019)which states that GCG has a positive effect on dividend policy. The results of these studies indicate that the better the governance of a company, the greater the dividends to be distributed. The implementation of GCG in a company causes management to be unable to use the company's cash flow according to their personal interests. Investors who expect dividends will invest their funds in companies that implement GCG. Based on previous research, the following hypothesis can be formulated:
H_5: Good corporate governance has a positive effect on dividend policy.

III. METHODS

The approach used in this research is quantitative in an associative form. The location of this research was carried out in manufacturing companies listed on the Indonesia Stock Exchange in 2017-2019 by accessing the www.idx.co.id page to get the necessary information about manufacturing companies and to obtain the company's annual financial reports. The object of this study is the dividend policy of manufacturing companies listed on the Indonesia Stock Exchange in 2017-2019 with profitability, liquidity, leverage, free cash flow, and good corporate governance as variables that influence it. The dependent variable in this study is dividend policy (Y), the independent variables in this study are profitability (X1), liquidity (X2), leverage (X3), free cash flow (X4), and good corporate governance (X5).

This study proxies the company's profitability with Return On Assets (ROA) because it is most related to the company's efficiency in generating profits. ROA is the level of net profit that the company succeeds in carrying out its operations. The ROA calculation formula is:

$$\text{Return On Assets (ROA)} = \frac{\text{Net Profit}}{\text{Total Aset}} \quad \text{......(1)}$$

Liquidity is measured using the current ratio because it can determine the level of the company's ability to meet its short-term liabilities with current liquid company assets. The current ratio formula is

$$\text{Current Ratio} = \frac{\text{Current Asset}}{\text{Current Liabilities}} \quad \text{......(2)}$$

Leverage is measured using the Debt to Asset Ratio (DAR) because it can measure how much a company relies on debt to finance its assets. DAR in this study is calculated using a formula

$$\text{Debt to Asset Ratio (DAR)} = \frac{\text{Total Debt}}{\text{Total Asset}} \quad \text{......(3)}$$

The measurement of free cash flow in this study refers to research conducted byPradnyavita & Suryanawa (2020). The following is the formula used to measure free cash flow:

$$\text{Free Cash Flow} = \frac{\text{Net Operating Cash Flow} + \text{Net Investment Cash Flow}}{\text{Total Aset}} \quad \text{......(4)}$$

This study proxies GCG with the audit committee because it has the authority to control and supervise decisions made by managers so as to reduce agency conflicts between management and investors. The audit committee calculation formula is as follows:

$$\text{Audit Committee} = \sum \text{Member of the Audit Committee} \quad \text{......(5)}$$

This study measures the dividend policy using the Dividend Payout Ratio (DPR) proxy because it shows the amount of the company's net income to be distributed as dividends to shareholders and is a ratio that is more often used by investors to determine the results of their investment. The DPR calculation formula is as follows:

$$\text{Dividend Payout Ratio (DPR)} = \frac{\text{Dividend per Share}}{\text{Net Profit per Share}} \quad \text{.........................(6)}$$

The data source used in this study is secondary data which is the annual financial statements of manufacturing companies listed on the Indonesia Stock Exchange in 2017-2019. The population in this study are156 manufacturing companies listed on the Indonesia Stock Exchange in 2017-2019. The sampling method used in this study is non-probability sampling using purposive sampling technique. The criteria used as the basis for determining the sample members in this study are manufacturing companies listed on the Indonesia Stock Exchange (BEI) during the 2017-2019 period, publishing complete financial reports and annual reports from 2017- 2019 and distributing dividends during the 2017-2019 period. Based on the criteria for determining the sample, 55 companies met the established criteria. Data collection in this study was carried out by studying the literature related to the subject of this research, then collecting all the data needed on the www.idx.co.id page to answer research problems and to be able to support the quantitative data obtained. The data analysis technique used in this study is multiple regression analysis

IV. RESULTS AND DISCUSSION

Based on the results of descriptive statistical tests, the profitability variable proxied by ROA (Return on Assets) reflects the current year net profit position owned by the company in comparison to the total assets owned. This variable shows that from 156 samples of observations obtained the lowest (minimum) profitability value of -0.00187 is Indomobil Sukses Internasional Tbk. in 2017 and the highest (maximum) profitability value of 0.92100 isMerck Tbk. in 2018. The average (mean) profitability value is 0.1034851. The average value is close to the lowest value, which indicates that more samples of companies in this study have low ROA. The standard deviation value of the profitability variable is 0.11094220, indicating that the standard deviation of data at the average value is 0.11094220.

The liquidity variable as proxied by CR (Current Ratio) reflects the ratio between current assets and current liabilities owned by the company. From 156 samples of observations obtained the lowest (minimum) liquidity value of 0.62026 is Unilever Indonesia Tbk. in 2017 and the highest (maximum) liquidity value of 21.70452 is Duta Pertiwi Nusantara Tbk. in 2019. The average (mean) liquidity value is 3.0648647. The average value is close to the lowest value which indicates that more samples of companies in this study have low CR. The standard deviation value of the liquidity variable is 2.44695167, indicating that the standard deviation of the data at the average value is 2.44695167.

The leverage variable which is proxied by DAR (Debt to Asset Ratio) reflects the ratio between total debt and total assets owned by the company. From 156 observation samples, the lowest (minimum) leverage value is 0.08306, is the Sido Muncul Tbk Herbal Medicine and Pharmacy Industry. in 2017 and the highest value (maximum) leverage of 0.78952, is Indomobil Sukses Internasional Tbk. in 2019. The average (mean) leverage is 0.3667969. The average value is close to the lowest value which indicates that more samples of companies in this study have low DAR. The value of the standard deviation of the leverage variable is 0.18172324, indicating that the standard deviation of data at the average value is 0.18172324.

The free cash flow variable, which is proxied by FCF, reflects the net cash flow obtained from operating activities plus net cash flow obtained from investing activities compared to total assets. From 156 observation samples, the lowest (minimum) free cash flow value was -0.26714, is Merck Tbk. in 2019 and the highest (maximum) free cash flow value of 1.27073, is Merck Tbk. in 2018. The average (mean) free cash flow value is 0.0535017. The average value is close to the lowest value, which indicates that more samples of companies in this study have low FCF. The value of the standard deviation of the free cash flow variable is 0.15425167, indicating that the standard deviation of data on the average value is 0.15425167.

The variable good corporate governance proxied by AC (Audit Committee) reflects the number of audit committee members owned by the company. From 156 samples of observations, the lowest (minimum) value of good corporate governance is 3.00000 and the highest (maximum) value of good corporate governance is 4.00000. The average (mean) value of good corporate governance is 3.0576923. The average value is close to the lowest value which indicates that more samples of companies in this study have low AC. The value of the standard deviation of the good corporate governance variable is 0.23391161, indicating that the standard deviation of data at the average value is 0.23391161.

The dividend policy variable proxied by the DPR (Dividend Payout Ratio) reflects the position of the dividend paid per share of the company's shares in proportion to the amount of company profit allocated to each outstanding share. From 156 samples of observation obtained the lowest value (minimum) dividend policy of -0.00001, is Indomobil Sukses Internasional Tbk. in 2017 and the highest value (maximum) dividend policy of 1.13270, is Delta Djakarta Tbk. in 2018. The average (mean) value of dividend policy is 0.4088655. The average value is close to the lowest value, which indicates that more samples of companies in this study have a low DPR. The value of the standard deviation of the dividend policy is 0.26640094, indicating that the standard

deviation of data at the average value is 0.26640094.

Table 1. Multiple Linear Regression Analysis Results

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1 (Constant)	0,356	0,252		1,412	0,160
ROA	0,254	0,298	0,106	0,851	0,396
CR	-0,008	0,009	-0,077	-0,910	0,364
DAR	-0,352	0,124	-0,240	-2,848	0,005
FCF	0,775	0,214	0,449	3,622	0,000
KA	0,046	0,077	0,040	0,594	0,554

Source: Data processed, 2020

Based on the results of multiple linear regression analysis in table 1, the multiple linear regression equation model is as follows.

DPR = 0,356 + 0,254ROA - 0,008CR - 0,352DAR + 0,775FCF + 0,046KA………………..(7)

A constant value of 0.356 indicates that if the value of all independent variables is equal to zero, then the dividend policy will be worth 0.356 units. The coefficient value of the profitability variable as proxied by Return on Assets (ROA) of 0.254 indicates that if the profitability variable increases by one unit, the dividend policy variable has an increase of 0.254 units, assuming the other independent variables are constant. The coefficient value of the liquidity variable as proxied by a Current Ratio (CR) of -0.008 indicates that if the liquidity variable has increased by one unit, the dividend policy variable has decreased by 0.008 units, assuming the other independent variables are constant. The coefficient value of the leverage variable as proxied by the Debt to Asset Ratio (DAR) of -0.352 shows that if the leverage variable increases one unit, the dividend policy variable will decrease by 0.352 units, assuming the other independent variables are constant. The coefficient value of the Free Cash Flow (FCF) variable is 0.775, indicating that if the free cash flow variable has increased by one unit, the dividend policy variable has increased by 0.775 units, assuming the other independent variables are constant. The coefficient value of the good corporate governance variable as proxied by the Audit Committee (CA) is 0.046, indicating that if the good corporate governance variable has increased by one unit, the dividend policy variable has increased by 0.046 units, assuming the other independent variables are constant.

The R Square value of 0.331 means that 33.1 percent of the variation of the dependent variable, namely dividend policy, can be explained by variations in the independent variables, namely profitability, liquidity, leverage, free cash flow and good corporate governance, while the remaining 66.9 percent explained by reasons other than the regression model.

The first hypothesis in this study states that profitability has a positive effect on dividend policy. The test results obtained a regression coefficient value of 0.254 with a significance value of 0.396. The significance value of 0.396 is greater than the significance level (α) of 0.05, so the hypothesis is rejected. This indicates that the level of profitability of a company cannot be used as an indicator that determines the size of the dividends distributed by the company

The results of this study are unable to confirm the signal theory, where the company's ability to pay dividends is a signal that the company is a good company because it is able to generate profits. The results of this study indicate that profitability has no effect on dividend policy, meaning that high or low profitability values do not affect dividend policy. This condition can occur because companies that have high profitability do not aim to distribute these profits in the form of dividends to shareholders, but this high profitability is used to meet operational needs as well as to store internal funds in the form of retained earnings to increase future investment. In addition, this condition can occur because the company distributes dividends not in cash, but dividends distributed by companies in the form of non-cash such as stock dividends, property dividends and script dividends (debt dividends).

Anisah & Fitria (2019) and Jalung et al. (2017)which state that profitability has no effect on dividend policy. Companies that have been operating for a long period of time and are in the maturity stage do not depend on the amount of Return On Assets (ROA) the company receives because they already have a lot of reserves that can be used for future investment or distributed in the form of dividends without must change the proportion of dividends to be distributed to shareholders. This is supported by the samples used in this study, most of them are in the maturity stage, so it can be concluded that the level of profitability of a company cannot be used as an indicator that determines the size of the dividends distributed by the company.

The second hypothesis in this study states that liquidity has a positive effect on dividend policy. The test results obtained a regression coefficient value of -0.008 with a significance value of 0.364. The significance value of 0.364 is greater than the significance level (α) of 0.05, so the hypothesis is rejected. This indicates that the level of liquidity of a company cannot be used as an indicator that determines the size of the dividends distributed by the company. The results of this study are unable to confirm signal theory, where in signal theory it is stated that liquidity is able to show a signal to investors that the condition of the company is in good condition and is able to pay dividends. The higher the liquidity value, which is proxied by using the Current Ratio (CR), it shows that the company is able to meet its short-term debt by using current assets it has at this time on time. Companies to pay dividends need cash outflows, so there must be sufficient liquidity. Therefore, the company's ability to pay short-term debt will give a signal to investors that the company is in good financial condition, so that the higher the liquidity, the higher the dividend payment the company will make.

The results of this study indicate that liquidity has no effect on dividend policy, meaning that high or low liquidity values do not affect dividend policy. This condition can occur because a company that is able to pay off its short-term debt using its current assets does not aim to distribute dividends to shareholders but to fulfill obligations and increase future investment. In addition, this condition can occur because the company distributes dividends not in cash, but dividends distributed by companies in the form of non-cash such as stock dividends, property dividends and script dividends (debt dividends).

Pirdayanti & Wirama (2019), Herawati & Fauzia (2018), Arifin & Asyik (2015)which state that liquidity has no effect on dividend policy. The company's liquidity, which is proxied by the current ratio, does not always affect dividend policy, especially for established companies that have been operating for a long period of time and are in the maturity stage. This is because the company has a more stable profit, so the company can continue to distribute dividends without having to depend on the size of the current ratio to be obtained. Companies can take advantage of signals in the form of good liquidity information to increase the number of investors investing in the company, so it can be concluded that the level of liquidity of a company cannot be used as an indicator that determines the size of dividends distributed by the company.

The third hypothesis in this study states that leverage has a negative effect on dividend policy. The test results obtained a regression coefficient value of -0.352 with a significance value of 0.005. The significance value of 0.005 is smaller than the significance level (α) of 0.05, so the hypothesis is accepted. This shows that the leverage variable has a negative effect on dividend policy, which means that the higher the level of leverage of a company, the lower the company's ability to pay its dividends. The results of this study are able to confirm agency theory, where in agency theory it is stated that an increase in debt will reduce the level of conflict between agents (company management) and principals (shareholders). Companies that have high debt will concentrate more on paying off obligations than distributing dividends. This is done to prevent bankruptcy because it cannot fulfill its obligations to the creditor. Therefore, the high level of debt owned by the company causes shareholders to be less demanding of high dividend payments. The use of high debt will decrease the company's ability to pay dividends, because most of the profits will be allocated to reserve funds for debt repayment, so it can be concluded that the higher the level of leverage of a company, the lower the company's ability to pay dividends.

The fourth hypothesis in this study states that free cash flow has a positive effect on dividend policy. The test results obtained a regression coefficient value of 0.775 with a significance value of 0.000. The significance value of 0.000 is smaller than the significance level (α) of 0.05, so the hypothesis is accepted. This shows that the higher the free cash flow of a company, the higher the company's ability to pay dividends. The results of this study are able to confirm agency theory, where in agency theory it is stated that the presence of high free cash flow can make company management distribute the free cash flow in the form of dividends to investors so that agency conflicts do not occur, so that dividend distribution will increase as the free increase increases. cash flow of a company. Companies that have high free cash flow indicate that the company has good operations and has a healthy company condition because it has cash available for growth, debt payments and dividends. Companies that are able to produce high free cash flow will be able to provide high returns, when compared to companies that produce low free cash flow each year, so it can be concluded that the higher the free cash flow of a company, the higher the company's ability to pay dividends.

The fifth hypothesis in this study states that good corporate governance has a positive effect on dividend policy. The test results obtained a regression coefficient value of 0.046 with a significance value of 0.554. The significance value of 0.554 is greater than the significance level (α) of 0.05, so the hypothesis is rejected. This means that the level of good corporate governance which in this study is proxied by using the audit committee cannot be used as an indicator that determines the size of the dividends distributed by the company. The results of this study are unable to confirm agency theory, where in agency theory it is stated that the existence of good corporate governance can provide confidence to investors that shareholders will receive a return on the funds they have invested. Agency theory states that the existence of an audit committee, which is a measure of good corporate governance, will minimize agency costs that occur due to differences in interests

between principals and agents. Dividend distribution causes agency conflicts because the principal and agent's interests are often conflicting, so it is necessary to have an audit committee to effectively oversee conflicts of interest and fraud committed by employees. Therefore, the greater the number of audit committees, the tighter the supervision in the company will be so that the company's operations can reach the maximum and increase profits. These profits will be distributed to shareholders in the form of dividends, so that the tighter the implementation of good corporate governance is proxied by the audit committee, the higher the dividend payments the company will make.

Pirdayanti & Wirama (2019)stated that the audit committee has no effect on dividend policy. A large number of audit committees is not necessarily a signal that the company's financial supervision is running well. Poorly executed company financial supervision can provide opportunities for employees to commit fraud which can cause company profits to decrease. This will certainly have an impact on the company's dividend payments, so it can be concluded that companies that have a high level of good corporate governance, where the good corporate governance referred to in this study is the number of members of the audit committee, does not mean that the company will distribute its dividends to shareholders. The audit committee has the authority to oversee the company's finances, but the decision to distribute dividends remains the decision of management at the general meeting of shareholders.

V. CONCLUSION

Profitability has no effect on dividend policy. Profitability in this study is proxied by using Return On Assets (ROA). This indicates that the level of profitability of a company cannot be used as an indicator that determines the size of the dividends distributed by the company.Liquidity has no effect on dividend policy. Liquidity in this study is proxied by using the Current Ratio (CR). This indicates that the level of liquidity of a company cannot be used as an indicator that determines the size of the dividends distributed by the company.Leverage has a negative effect on dividend policy. Leverage in this study is proxied by using the Debt to Asset Ratio (DAR). This shows that the higher the level of leverage of a company, the lower the company's ability to pay dividends.Free cash flow has a positive effect on dividend policy. This shows that the higher the free cash flow of a company, the higher the company's ability to pay dividends.Good corporate governance has no effect on dividend policy. Good corporate governance in this study is proxied by using the Audit Committee (CA). This shows that the level of good corporate governance of a company cannot be used as an indicator that determines the size of the dividends distributed by the company.

The management of the company in determining the dividend policy is expected to consider the leverage and free cash flow factors so that the dividend policy taken is in accordance with the company's objectives and can increase the number of investors which will have an impact on the company's profits in obtaining additional funds to meet operational needs and investment development. Companies that have a high level of debt are expected to reduce their debt so that the company is able to distribute dividends with a higher amount. With a low level of debt, it will increase the interest of investors or potential investors to invest their capital.

Future researchers can add independent variables that are thought to be able to influence a company's dividend payments, such as corporate social responsibility and asset growth. In addition to the independent variables already mentioned, further researchers can also add moderating variables or intervening variables that are thought to affect a company's dividend payment. Future researchers can use other proxies such as good corporate governance proxies that use the CGPI index by giving the best index ranking among good companies so as to complete this research. This study only uses manufacturing companies as research locations so that further researchers are expected to expand the scope of research, not only manufacturing companies but companies in other sectors.

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