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ANALYSIS OF DIVIDEND POLICY AND INFLUENCING FACTORS IN COMPANIES LISTED ON THE KOMPAS 100 INDEX

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ABSTRACT

This research analyzes whether free cash flow, liquidity, leverage and company growth influence dividend. The data used is quantitative data in the form of balance sheets and income statements of Compass 100 Index companies with a sample of 28 companies using analytical techniques using multiple linear regression. The results of this research show that simultaneously all variables have a significant effect with an F test result of 0.000 and a coefficient of determination (R2) of 39.5% which can be interpreted that the model fit and magnitude of influence is 39.5% even though partially there are variables that influence and there are variables that have no effect.

Keywrods: Free Cash Flow; Liquidity; Leverage; Company Growth; Dividend Payout Ratio.

ABSTRAK

Riset ini menganalisis apakah arus kas bebas, likuiditas, leverage dan pertumbuhan perusahaan mempengaruhi kebijakan deviden, menggunakan data kuantitatif terdiri dari neraca dan laporan laba rugi perusahaan Indeks Kompas 100 dengan jumlah sampel 28 perusahaan dan periode penelitian tahun 2017 – 2023 dengan menggunakan teknik analisis regresi linear berganda. Hasil riset ini bahwa secara serentak semua variable berpengaruh signifikan dengan hasil uji F sebesar 0,000 dan koefisien determinasi (R^2) sebesar 39,5% yang dapat diartikan bahwa model fit dan besarnya pengaruh sebesar 39,5% meskipun secara parsial ada variabel yang berpengaruh dan ada variabel tidak berpengaruh

Kata Kunci : Arus kas Bebas, Likuiditas, Leverage, Pertumbuhan Perusahaan, Dividend Payout Ratio.

INTRODUCTION

At the end of 2020, various countries were faced with the emergence of the Covid-19 virus. The effect is not only on public health but also on the country's economy. One of them is Indonesia, it is estimated that in 2020 the Indonesian economy will grow negatively due to increasing unemployment and poverty. According to year-on-year calculation data on TW I, economic growth weakened by only reaching 2.97% when compared to TW I 2019 which reached (Kastrad, 2021)

Capital market development, is an indicator of economic growth where it can be said that the economic condition of a country grows well if the development of the capital market is also good.

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According to data from PT. Kustodian Sentral Efek Indonesia (KSEI) of investors in the capital market experienced a significant increase in January 2021 until 2020 the number of investors was 3.880.753 so this indicates that people prefer to invest in the capital market (DJKN, 2021).

According to agency theory, dividend policy can reduce conflicts that occur between principals and agents (Jensen, 1992 in Aaron, Sulfikram and Jeandry, 2018). In relation to financial management, agency conflicts arise between managers and shareholders and between creditors and shareholders. (Jensen, Michael C. Meckling, 1976) said that it is very vulnerable to differences in interests that occur between shareholders and managers. According to Rozeff (1982 Ratnawati, 2008), agency problems can be derived in a mechanism using dividends. Here dividends are considered as a form of income distribution offering. With the company paying dividends, shareholders will assume that managers have acted in accordance with their wishes to reduce conflict.

Decisions are made to distribute the profits generated as dividends or retained earnings whose purpose is to be kept by the company as an internal reserve and then used to fund future. "Dividends can also be used as a benchmark of a company's current and future value for investors, company shares are not attractive if the company does not distribute large amounts of dividends to shareholders and this will affect the investment decisions to be taken by investors" (Ginting, 2018).

If the company wants to maintain its profits as retained earnings, the dividends distributed will be lower. In general, investors tend to prefer companies that distribute their profits in dividends in order to increase prosperity. However, management considers the sustainability of the company by withholding profits that will be reinvested in the future (Dwi Halviani & Sisdyani, 2014). So because of this difference in interests, according to agency theory can cause agency problems (agency conflict).

According to Jensen & Meckling (1976), it is basically difficult to achieve a good relationship between owner and manager because of a conflict of interest. Because managers will tend to make decisions in their own interests. In addition, the cash owned by the company will be used by managers to pay off their obligations or increase investments. However, this is not what shareholders expect because they have invested a lot so they expect relatively high dividends because they want to benefit from the company's investment returns.

Officially the Kompas 100 Index was formed on August 10, 2007. Stocks in this index represent 70-80% of stocks with good performance and liquidity. In addition to having a high market capitalization value and high liquidity, this is also a collection of stocks that have good fundamentals and performance.

Dividend Payout Ratio is the percentage of revenue that a company provides to its shareholders (Ramadhani, 2021). The greater the dividend payout ratio, the more profitable it will be for investors, but this does not apply to the company because it can weaken the company's internal capital.

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Therefore, if the company wants to develop its business, then external funding such as debt can be used by the company. Aligning the interests of the firm and shareholders so that the welfare of both parties can be achieved is very important so a policy is needed. And one of the important policies "That must be considered by companies is dividend policy because it concerns the interests of many parties" (Trisna & Gayatri, 2019).

Based on the above background, researchers are interested in conducting research on dividends and linking factors that affect the dividend payout ratio of firm listed in the Kompas 100 Index. Several variables in this study are thought to affect the dividend payout ratio, namely free cash flow, liquidity, leverage, and company growth.

There are various factors in a company that can affect the level of dividend distribution, free cash flow is one of them (Utama & Gayatri, 2018). Free cash flow is cash flow available to be distributed to shareholders after the company invests so that the company's cash flow increases and the company can survive (Krisardiyansah; Amanah, 2020). Free cash flow can often be the cause of conflicts of interest between managers and shareholders. In order to find out how well the company is performing compared to other companies, free cash flow is the right tool to be used as a measurement. By having a high cash flow, the company will be predicted to be able to understand in a bad environment. So this shows that free cash flow affects the dividend payout ratio that will be paid

Liquidity is a ratio used by a company to measure its ability to pay its short-term obligations using current assets (Krisardiyansah; Amanah, 2020). Companies assume that dividends can affect the company's cash flow because dividend payments are equal to cash outflows. The better the company's liquidity, the more likely it is that the company can distribute large amounts of dividends (Harun, Sulfikram dan Jeandry, 2018).

Leverage is a decision taken by managers where the capital owned is used to fund the company. Dividend policy on a company can be affected by leverage. Murtini & Rante (2015) explain that dividend distribution can be influenced by the level of debt ratio of a company.everage. This is because the profit by the firm is used to pay off its debts, so it can be said that the leverage of a firm will affect the dividend that will be decided by the company and the last factor is the growth of the company. Companies that grow well will use their funds to invest so that this will affect the dividends that will be distributed to shareholders.

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LITERATURE REVIEW

Agency Theory

Jensen and Mekling (1976) explain agency relations are contracts in which shareholders (principals) use the services of managers (agents) to manage the company. According to this theory, due to differences in interests, the relationship between agents and principals will be difficult to realize and cause conflicts in decision-making about investment funding and dividend policy Jensen and Meckling said that managers tend to behave not in accordance with shareholder.

Signalling Theory

A sign or signal given by a company with the aim of giving an indication to investors about the firm's condition in the future. (Brigham & Houston (2010) Signals are information or reports on a manager's performance to meet shareholder expectations so this signal can be used by investors to assess the condition of the company before investing their capital into the company Signalling theory.

The Effect of Free Cash Flow on the Dividend Payout Ratio

The Firm has invested in fixed assets and working capital needed for the company's operations and there is still excess funds that can still be allocated to creditors and shareholders, that is called free cash the firm that have free cash flow are expected to allocate as dividends. In Anggraini Research (2015) found a positive and significant correlation Dividend policy with the amount of free cash flow means that most likely companies that distribute dividends to investors have free cash flow, with the aim of reducing agency conflicts. Then the hypothesis is formulated as follows:
H1 : Free cash flow affects the dividend payout ratio.

The Effect of Liquidity on Dividend Payout Ratio.

Liquidity affects dividend payment policy. The factor that must be considered is knowing the company's liquidity, the more likely the company can distribute large amounts of dividends (Aaron, Sulfikram and Jeandry, 2018) found a positive and significant correlation between liquidity and dividend policy, Rawiyatul (2017) and Adiyadnya, Jayanti (2019) If the company has good liquidity, the company may distribute y dividends and the company is able to finance all operations in the company without having to go into debt. Then the hypothesis can be put forward as follows:
H2 : Liquidity affects the dividend payout ratio.

The Effect of Leverage no Dividend Payout Ratio.

Mechanism that allows shareholders to minimize agency issues with managers with leverage. Leverage is a mechanism that allows shareholders to minimize agency issues with

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managers. The cost of debt in companies with high levels of debt must be reduced. Research conducted by Rawiyatul (2017) and Pattihuru & Paais (2020). Explained that it has a significant positive correlation with dividend payments. This is because the amount of company debt will affect the amount of dividends to be received. So, the hypothesis in this study is as follows:
H3 : Leverage affects the dividend payout ratio.

The Effect of Company Growth no Dividend Payout Ratio.

Company growth is a measure of the firm in increasing size. Good growth is a sign that the company is growing so that both internal and external parties expect to get a rate of return from the investment that has been made. Research by Silaban & Purnawati (2016) found that growth has a significant negative effect and on dividend policy, because higher growth rates can reduce dividends paid to investors, as managers decide to prefer holding company funds to finance future company investments. This, the hypothesis in the study is:
H4: Company growth affects the dividend payout ratio.

Based on theoretical descriptions and some empirical evidence from previous research, the research framework compiled is as follows

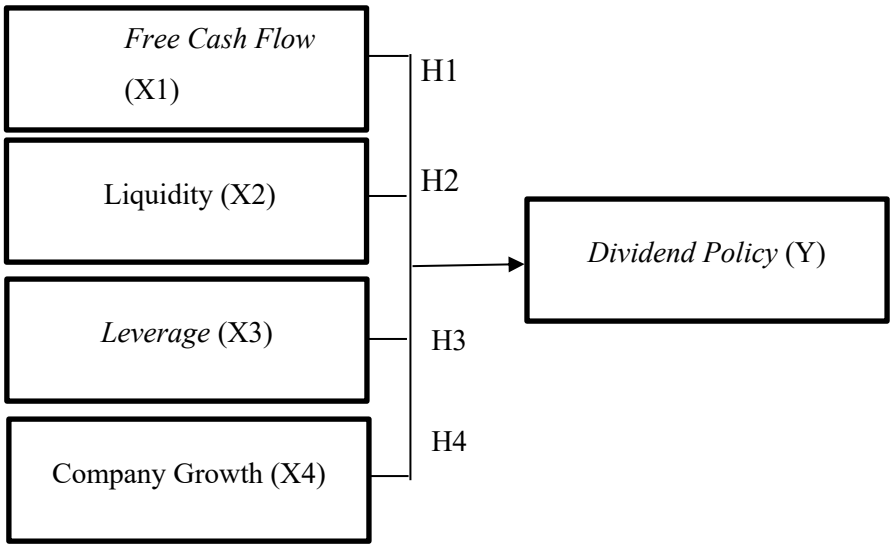

Figure 1. Research Model

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RESEARCH METHODS

Type of quantitative research research, with purposive sampling techniques with the following criteria: (1) The firm from the Kompas 100 Index that have been listed on BEI, (2) data used consecutively during the 2017-2023 period, (3) distributing dividends consecutively 2017-2023. The financial report consists of the company's balance sheet and profit and loss report which is data from the Kompas 100 Index which is published and listed on the Indonesian Stock Exchange. The type of data used is secondary data sourced from the financial reports of Kompas 100 Index companies listed on the IDX for the 2017-2023 period.

Operational Definition and Measurement of Variables.

a. Dividend Policy.

Dividend policy is a decision to determine whether profits generated by a company are distributed to shareholders as dividends or kept as retained earnings that can be used by the company to finance future investments. Dividend policy is measured using the Dividend Payout Ratio (DPR) with the formula: DPR is dividend per Share divided / Earnings per Share

b. Free Cash Flow.

Free cash flow can be interpreted as cash obtained from the difference between operating activities and capital expenditures spent by the company with the aim of meeting production capacity. The company's free cash flow is getting higher, it will provide an opportunity for the company to pay dividends or hold it as retained earnings. In addition, companies that have higher free cash flow must pay more dividends to reduce agency costs. Measurement for free cash flow:
FCF = Operating cash flow - Capital expenditure divided Total Assets

c. Liquidity.

Liquidity shows the firm ability to fund company operations and pay off its short-term obligations (Ginting, 2018). The stronger the liquidity position of a company, the greater its ability to pay dividends. This means that the stronger the liquidity position of a company against the prospect of fund needs in the future, the higher the dividend payout ratio. Measurement for liquidity Using the formula: Current assets divided by current liabilities.

d. Leverage.

Leverage ratio is a measuring tool used to measure the extent to which a company's assets are financed with debt. A high leverage ratio indicates the large use of debt which results in greater financial risks faced by the company that will affect dividend payments (Adiyadnya, Jayanti, 2019).

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The measurement for leverage uses the formula: Debt to Equity Ratio (DER) is the multiplication between Total Debt and Total Equity.

e. Company Growth.

The firm growth is the firm's ability to develop the company over time or maintain its corporate position. The firm 's growth can be seen from the firm's total assets, the greater the assets owned by the firm will increase operating results and increase profits. The growth of the company affects dividend payments. Higher growth requires greater external funding. Measurement for company growth using the formula Current year's assets are reduced by assets in the previous year.

Data Type and Source.

The type of data used in this study is quantitative data. And the source of data in this study is secondary data contained in the financial statements of Kompas 100 Index companies listed on the IDX for the 2017-2023 period.

Data Collection Methods.

This research uses the documentation method, which is seen from the company's annual financial statements. This is used to see the amount of dividends that occur in the company.

Data Analysis Techniques.

The analysis technique used is multiple linear regression analysis using SPSS application version 23 and Eviews Because in this study there is autocorrelation and heteroscedasticity that can be corrected with Newey-West. With Newey-West, the standard error can be corrected and is called HAC (heterocedasticity and autocorrelation-consistent) standard error or Newey-West standard error. Newey-West is available in the Eviews applications. This use is because there are several independent variables that influence the dependent variable. In this study the regression model is as follows:

Dividend Policy (Y) = $a + b1X1 + b2X2 + b3X3 + + b4X4 + e$

Dimana :

Y = Dividen Policy

a = constant

$b2$, $b3$ = Regression Coefficient

$X1$ = Free Cash Flow

$X2$ = Likuidity

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$X3$ = Leverage.

$X4$ = Company Growth

e = Error

RESEARCH RESULT

The following are the results of data testing that has been carried out is a descriptive statistic consisting of dividend payout ratio which is a dependent variable and free cash flow, liquidity, leverage, and company growth which are independent variables, the results of descriptive statistics in this study:

Table 1. Statistic Descriptive

"Variabel	N	Mean	Min	Max	Std.Deviation
DPR	114	0,45539	-0,26316	1,56400	0,33637
FCF	114	0,18318	-0,11893	0,50540	0,11352
SQRT_CR	114	1,4307	0,48	2,30	0,39692
SQRT_DER	114	0,9194	0,39	1,82	0,35720
GROWTH	114	0.07724	-0.17692	0.33779	0.09431"

Source: Data processed

Based on the summary in table 1, the number of samples used is 114. The variable Dividend Payout Ratio (DPR) has an average of 0.45539 which means that the average sample company pays dividends of 0.45539. Where the DPR level distributed has a low value of -0.26316 and a high of 1.56400, with a standard deviation of 0.33637.

The descriptive statistical results of the variable free cash flow (FCF) have an average of 0.18318 which means that the average sample company has a free cash flow available in the company of 0.18318. Where the lowest FCF level is -0.11893 and the highest is 0.50540, with a standard deviation of 0.11352. The next variable is the square root current ratio (SQRT_CR) has an average of 1.4307 which means the average sample company has a liquidity level of 1.4307. Where the lowest CR level is 0.48 and the highest is 2.30 with a standard deviation of 0.39692

The debt to equity ratio (SQRT_DER) has an average of 0.9194 which means that the average sample company is able to meet its obligations of 0.9194. Where the lowest DER level is 0.39 and the highest is 1.82, with a standard deviation of 0.35720.

The variable company growth (Growth) has an average of 0.07724 which means that the average sample company has an asset growth of 0.07724. Where the lowest growth rate is -0.17692 and the highest is 0.33779, with a standard deviation of 0.09431.

Classical Assumption Test

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Normality Test.

Table 2. ***Output one-sample Kolmogorov-smirnov test***

	"Test Statistic	**Asymp. Sig (2-tailed)**	**Monte Carlo Sig. (2-tailed)**
Unstandardized Residual	0,228	0,000	0,000"

Source: Data processed

Table 2, it is obtained that at the time the number of samples was 145 companies, the data was not normally distributed because the results of the significance value were 0.000 < 0.05 so it can be said that the data is abnormal. So the next step taken is to delete 31 data outliers and transform the data so that a final sample of 114 companies is obtained.

In this study, residual data is not normally distributed, so it is necessary to transform the data so that it can be normal. According to Erlina (2007: 106 in Purbaningsih, 2011), there are several ways that can be used to change the regression model to normal:

1. Transform data into other forms.
2. Discard data outliers.
3. Winsorizing, i.e. changing the value of outlier data to a certain value.

In this study, in order for the residual value to be normally distributed, a transformation of squareroot model data (SQRT) or in the form of roots was carried out. The following are the results of the normality test after data transfor

Table 3. ***One sample Kolmogorov-smirnov test***

	"Test Statistic	**Asymp. Sig (2-tailed)**	**Monte Carlo Sig. (2-tailed)**
Unstandardized Residual	0,123	0,000	0,070"

Source: Data processed

In table 3, the regression model is normally distributed because the significance value of the normality test results from the unstandardized residual is 0.070 and the value is above 0.05.

Uji Autokorelasi.

Tabel 4. Output Uji Autokorelasi

"Model	**R**	**R Square**	**Adjusted R Square**	***Std. Error of the Estimate***	**Durbin-Watson"**
	.629	.395	.373	.26633023	2.090"

Source: Data processed

In table 4, the value of Durbin Watson (DW) is 2.090. The value is between DU = 1.76 and 4 – DU = 2.24 or 1.76 < 2.090 < 2.24 which is an autocorrelation-free region or the regression model created does not contain autocorrelation symptoms.

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Multicollinearity Test

Tabel 5. Uji Multikolinearitas

Variabel	Tolerance	VIF	Result
FCF	0,950	1,053	"No Multicollinearity"
CR	0,523	1.913	
DER	0,476	2.099	
GROWTH	0,881	1.135"	

Source: Data processed

In table 5, it can be explained that the tolerance value of each independent variable is above 0.10. The VIF value of each independent variable is between 1-10. So that the results obtained are that there is no correlation between variables, then the regression in this study can be said to be good and the requirements of classical assumptions

Heteroscedasticity Test.

Table 6. Heteroscedasticity Test Results Coefficients

"Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig."
	B	Std. Error	Beta		
"(Constant)	.246	.132		1.866	.065
FCF	-.216	.141	-.136	-1.531	.129
SQRT_CR	.025	.054	.055	.462	.645
SQRT_DER	.006	.063	.012	.092	.927
GROWTH	-.754	.176	-.395	-4.271	.000"

Source: Data processed

Table 6 shows the significance of FCF of 0.129, CR of 0.645, DER of 0.927, and growth of 0.000. The growth variable does not meet the significance value because it is below 0.05 so that it shows residuals that are not fixed and this study experiences heteroscedasticity. The problems of autocorrelation and heteroscedasticity can be corrected with Newey-West. With Newey-West the standard error can be corrected and is called HAC (heterocedasticity and autocorrelation-consistent) standard error or Newey-West standard error or Newey-West standard error. Newey-West contained in the Eviews application can be activated when healing heterokedasticity so that a standard error has been corrected (Ghozali and Ratmono, 2013: 155-156 in Chandra & Djajadikerta, 2018).

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Table 7. Healing Results of Heterokedasticity

"HAC standard errors & covariance (Bartlett kernel, Newey-West fixed bandwidth = 5.0000)"		
"Variabel	**Std. Error**	**Prob**
C	0.193181	0.4021
FCF	0.198246	0.0000
SQRT_CR	0.075276	0.4638
SQRT_DER	0.095835	0.7719
GROWTH	0.337137	0.0126"

Source: Data processed

Table 7 shows the results of healing heteroscedasticity using the HAC standard errors & covariance method developed by Newey, Whitney and Kenneth, resulting in an estimate of regression results that present the value of standard error has increased gradually, namely the FCF variable has se: 0.198246 From the previous 0.141145, the SQRT_CR variable has SE: 0.075276 from the previous 0.054462, the SQRT_DER variable has SE: 0.095835 from the previous 0.063364., and the growth variable has SE: 0.337137 from the previous 0.176398. So we can evaluate the hypothesis test, namely the t test on each independent variable FCF 8.409505 with probability (0.000), SQRT_CR 0.735136 with probability (0.4638), SQRT_DER -0.290550 with probability (0.7719), and growth -2.535925 with probability (0.0126) on the dependent variable DPR that affects dividend policy.

Test the hypothesis.

Table 8. Model Feasibility Test (Test F)

"Model	**R square**	**F Sig**
1	**0,395**	**0,000"**

Source: Data processed

Table 8 shows that the F test has a significance level of 0.000 which means that the model is fit or viable. So that the model can be used to produce and the R Square (R2) is 0.395, meaning that it is influenced by the independent variable of 39.5%.

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Partial test (T test)

Table 9. Hipotesis Test Coefficient

Model	"Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	.162	.211		.767	.445		
FCF	1.667	.226	.563	7.364	.000	.950	1.053
SQRT_CR	.055	.087	.065	.635	.527	.523	1.913
SQRT_DER	-.027	.102	-.029	-.269	.788	.476	2.099
GROWTH	-.855	.283	-.240	-3.022	.003	.881	1.135"

Source: Data process

Discussion

Free Cash Flow affects the dividend payout ratio.

In the results of table 9, it can be concluded that free cash flow affects the dividend payout ratio. FCF has a positive regression coefficient of 1.667 and a significance of 0.000 < 0.05. So this states the effect of free cash flow is positive and significant on the dividend payout ratio. The results of this study do not support the research of Harun & Jeandry (2018) with the results of the study stating that the effect of free cash flow is negative on dividend policy. However, this study supports Anggraini's research (2015), where research conducted found that free cash flow has a positive and significant effect between free cash flow and dividend policy. but in Cyntia Sari Dewi's research (2021) that free cash flow does not have a significant influence on dividend policy (DPR). This means that the company will continue to distribute dividends even though free cash flow is insufficient. Companies that have free cash flow are likely to be able to pay dividends to shareholders. Companies with free cash flow have the possibility to distribute dividends, with the aim of suppressing conflicts that may arise due to the use of free cash flow.

Liquidity affects dividend payout ratio

In the results of table 9 it can be concluded that liquidity does not have a significant effect on the dividend payout ratio, it can be seen that the regression coefficient is positive 0.055 and the significance is 0.527. The results of this study are different from the results of Albiansyah and Mutiara Adha Rini's research (2023) that the liquidity ratio proxied with CR has a significant influence and has a negative direction on the Dividend Payout Ratio. The results of research by Hudiwijono et al (2018) that. However, this study supports Harun & Jeandry (2018), from the results of their research it was found that there is no influence between liquidity and dividend policy. This

indicates that if there is an increase or decrease in the level of liquidity in a company, it has no effect on the company in order to pay dividends to shareholders.

Liquidity does not affect the dividend payout ratio because even though the company's obligations have been fulfilled, it is not certain that the company will distribute dividends because the profits obtained by the company can be allocated to other things. In addition, the amount of long-term debt of the company is high, causing the company not to distribute dividends to its shareholders.

Leverage affects the dividend payout ratio.

In the results of table 9, it can be concluded that leverage has no effect on the dividend payout ratio, it can be seen from the regression coefficient owned by negative leverage of -0.027 and the significance of 0.788 > 0.05. So that the results of this study do not support the research of Ratnasari & Purnawari (2019), with the results of the study that leverage has a positive and insignificant effect. However, this study supports Krisardiyansah and Amanah (2020). Leverage has no effect on dividend policy because the use of debt will reduce dividends distributed. This indicates that the company will prioritize paying off its debts first, So this affects the distribution of dividends. Therefore, the size of dividend distribution is not determined by the amount of debt owned by the company. So this means that the size of the debt owned by the company does not affect the amount of dividends to be distributed.

The company's growth affects the dividend payout ratio.

In the results of table 9, it can be concluded that the company's growth affects the dividend payout ratio, it can be seen from the regression coefficient owned by negative growth of -0.855 and the significance of 0.003 < 0.05. Which means that the results of this study do not support Afriyani & Deas (2019), namely stating that the company's growth has a negative and insignificant influence. On the other hand, this study supports Silaban and Purnawati (2016), namely stating that the growth rate has a negative and significant effect. So this shows that the dividend rate paid by the company will be low if the company's growth rate is higher because when the company's growth is higher, the dividends paid will be lower, because the company will prioritize funding to internal sources by maintaining a low dividend distribution so that the company's asset growth is better.

A negative effect shows that the more the company grows, the more funds will be needed in the future by the company, so the company will increase its profits rather than pay dividends to investors. Because the company attaches importance to investing the profits obtained to develop the company. However, if the company is already at the expected growth rate, it can be said that the company has advanced and developed so that it can get funds.

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CONCLUSION

The research only focused on compass 100 index companies listed on the IDX. And this study only uses Index Kompas 100 company financial statement data so that the results show Free cash flow and company growth affect the dividend payout ratio. Meanwhile, liquidity and leverage variables do not affect the dividend payout ratio in Kompas 100 Index companies listed on the IDX in 2016-2020. These results can be used as a consideration for investors if they want to invest in a company and it is important for investors to see the free cash flow owned by the company. In addition, investors must also look at the company's growth rate because the size of a company's growth rate will affect the size of the dividends to be distributed.

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