THE EFFECT OF PROFITABILITY, LIQUIDITY, LEVERAGE, AND FREE CASH FLOW ON DIVIDEND POLICY WITH GOOD CORPORATE GOVERNANCE AS A MODERATION VARIABLE IN THE NON-CYCLICAL CONSUMER SECTOR LISTED ON THE INDONESIA STOCK EXCHANGE IN 2019-2023

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ABSTRACT *This research aims to determine and analyze the influence of profitability, liquidity, leverage and free cash flow on dividend policy with good corporate governance as a moderating variable in the non-cyclical consumer sector listed on the Indonesia Stock Exchange in 2019-2023. This type of research is quantitative. The data used is secondary data. The sample data obtained was 75 research data from 15 companies during the research period, namely 2019-2023. Data analysis techniques use descriptive statistical tests, classical assumption tests, multiple linear regression analysis tests, t statistical tests, coefficient of determination tests (R2), and Moderated Regression Analysis (MRA). Hypothesis testing was carried out using the SPSS 22 program. The research results show that profitability has a positive effect on dividend policy, liquidity has a negative effect on dividend policy, leverage has a negative effect on dividend policy, free cash flow has no effect on dividend policy, institutional ownership can moderate the effect of profitability on dividend policy, institutional ownership cannot moderate the influence of liquidity on dividend policy, institutional ownership cannot moderate the influence of leverage on dividend policy, institutional ownership can moderate the influence of free cash flow on dividend policy.*

Keywords: Leverage, Free Cash Flow, Institutional Ownership, Dividend Policy

INTRODUCTION

The era of globalization creates business opportunities that are supported by a more competitive business environment. Therefore, companies must remain innovative in product development and performance improvement. The company can obtain funds from investors through capital market activities to finance operations and business expansion. The purpose of capital market investment is to direct public funding to more productive economic sectors. Investors' investment activities have expectations of results for the investment activities they have carried out, which can be in the form of dividend distribution and *capital gains*. The determination of the distribution of corporate dividends is faced with two choices, namely distributing dividends or withholding the funds to be disbursed to shareholders and allocating them as a form of investment funding (Muttaqiin, 2019:43). For the 2019-2023 period, out of a total of 125 companies, they were recorded in the *non-cyclical consumer* sector. Based on *corporate action* information reported from the official website of PT Kustodian Sentral Efek Indonesia (KSEI), in the *consumer non-cyclical* sector, there are 27 listed companies that routinely distribute their dividends to shareholders during the period from 2019 to 2023. Chart 1 is a graph of *non-cyclical consumer sector companies* that did not distribute dividends during the 2019-2023 period.

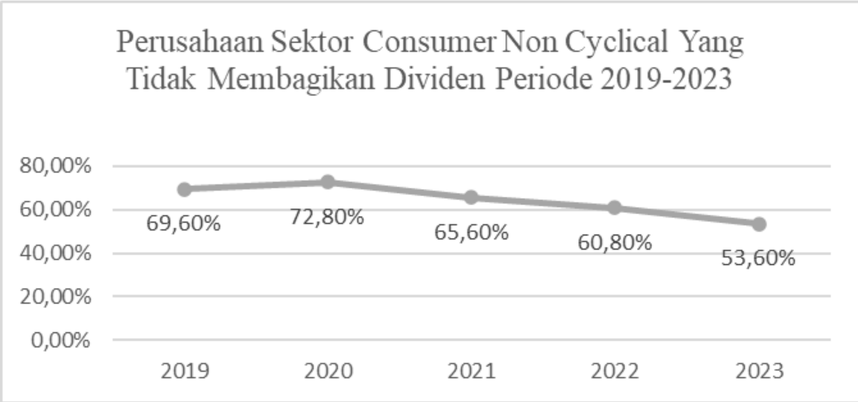

Chart 1
Non-Cyclical Consumer Sector Companies That Do Not Distribute Dividends for the 2019-2023 Period

Based on graph 1, it can be seen that it can be indicated that the percentage of companies that do not distribute their dividends is higher than those that distribute their dividends. This high percentage can indicate that companies listed in the *non-cyclical consumer* sector do not distribute their dividends stably, this is due to the company's desire to have a better perspective so that it can stabilize and increase internal funds. The dividend policy is one of the company's decisions related to the company's finances after making a profit from its operating results. Stable dividends are attractive to external parties after investing in a company. Factors that can affect dividend policy include profitability, liquidity, *leverage* and *free cash flow*. In addition to the four factors above, the dividend policy is repeatedly associated with *Agency Theory*. Institutional ownership of a company's stock has the ability to reduce agency issues. Increased corporate supervision can be achieved well through institutional ownership. Institutional ownership (IP) was the moderation variable in this study. To find out whether a company's high level of institutional ownership can increase or weaken factors that can affect dividend distribution policies in a company. Based on the above phenomenon, it is interesting to further examine dividend policy in the *non-cyclical consumer* sector. Therefore, the researcher developed the following research questions: 1) Does profitability affect dividend policy?, 2) Does liquidity affect dividend policy?, 3) Does *leverage* affect dividend policy?, 4) Does *free cash flow* affect dividend policy?, 5) Can institutional ownership moderate the effect of profitability on dividend policy?, 6) Does ownership Can institutional ownership moderate the influence of liquidity on dividend policy?, 7) Can institutional ownership moderate the influence of *leverage* on dividend policy?, 8) Can institutional ownership moderate the effect of *free cash flow* on dividend policy?. The purpose of this study is to find out and analyze whether independent variables affect independent variables, as well as whether moderation variables can strengthen or weaken the influence of independent variables on dependent variables. The journal is organized into the following sections: the first part of the introduction, the second part of the literature review, the third part related to the methods used in the research, the fourth part of the results and discussion, the fifth part of conclusions and suggestions.

METHOD

This research is a research using a quantitative approach. The type of data used in this study is secondary data in the form of annual financial statements of *non-cyclical consumer* sector companies listed on the Indonesia Stock Exchange during the research period, namely 2019-2023. The population in this study is all companies classified as *non-cyclical consumer* sectors. The sampling technique uses *purposive sampling*, a sample that meets the sampling criteria of 15 companies recorded in the *non-cyclical consumer* sector during the 2019-2023 research period. The data analysis technique used multiple linear regression analysis and *Moderated Regression Analysis* (MRA). The analysis software uses SPSS version 22

RESULTS AND DISCUSSION

Descriptive Statistical Test

Descriptive statistical tests are intended to describe accurate data and describe them using mean values, standard deviations, variances, maximums, minimums, kurtosis and skewness (distribution skewness) (Ghozali, 2018:19).

Tabel 1
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	75	.00	.36	.0929	.07645
CR	75	.55	9.95	2.6608	2.20380
DER	75	.10	4.90	1.3219	1.19604
FCF	75	-.75	.72	-.1249	.28461
KI	75	.37	.93	.6561	.16655
DPR	75	.23	1.27	.6564	.21054
Valid N (listwise)	75				

Source: Data processed SPSS 22, 2024

Classic Assumption Test

The classical assumption test includes the normality test, the multicollinearity test, the heterokedacity test and the autocorrelation test. The data in this study has met the classical assumption test so that it can be continued at the next stage of the test.

Analysis of the Return Linier Berganda

Multiple linear regression analysis is tested to analyze whether there is a correlation between two or more independent variables (Widarjono, 2017:59).

Tabel 2
Results of Multiple Linear Regression Analysis
Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.651	.060		10.830	.000
ROA	1.634	.309	.593	5.293	.000
CR	-.032	.013	-.330	-2.373	.020
DER	-.046	.021	-.262	-2.148	.035
FCF	.013	.113	.018	.118	.907

a. Dependent Variable: DPR

Source: Data processed SPSS 22, 2024

Based on the results of multiple linear regression analysis, the following equations were obtained:

DPR = 0,651 + 1,634 ROA - 0,032 CR – 0,046 DER + 0,013 FCF

Based on the SPSS output, the regression coefficient of the ROA variable is 1.634 with a significance value of 0.000 < 0.05, meaning that profitability has a positive effect on dividend policy. The result of the regression coefficient of the CR variable is -0.032 with a significance value of 0.020 < 0.05, meaning that liquidity has a negative effect on dividend policy. The result of the regression coefficient of the DER variable was -0.046 with a significance value of 0.035 > 0.05, This means that *leverage* has a negative effect on dividend policy. The result of the FCF regression coefficient is 0.013 with a significance value of 0.907 > 0.05, meaning that *free cash flow* has no effect on dividend policy.

Individual Parameter Significance Test (Statistical Test t)

The t statistical test was used to describe the influence of each independent variable, namely Profitability (X1), Liquidity (X2), *Leverage* (X3), *Free Cash Flow* (X4) individually on the explanation of the variation of the dependent variable, namely dividend policy (Y) (Ghozali, 2018:98). The results of the t-statistical test are shown in the table and can be interpreted as follows:

Tabel 3
Partial Test Results t
Coefficients[a]

Model	B	t	Sig.	Kesimpulan	Hipotesis
1 (Constant)	.651	).830	.000		
ROA	1.634	5.293	.000	Significant and Positive	Supporting the H1 Hypothesis
CR	-.032	-2.373	.020	Significant and Positive	Supporting the H1 Hypothesis
DER	-.046	-2.148	.035	Significant and Positive	Supporting the H1 Hypothesis
FCF	.013	.118	.907	Insignificant	Does Not Support the H4 Hypothesis

a. Dependent Variable: DPR
Source: Data processed SPSS 22, 2024

Moderated Regresion Analysis (MRA)

The *Moderated Regression Analysis* (MRA) test method aims to find out whether the moderation variable (Z) affects the relationship of the independent variable (X) to the dependent variable (Y).

Tabel 4
Moderated Regression Analysis (MRA) Test Results
Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.853	.076		11.175	.000
ROA	-6.610	1.803	-2.400	-3.667	.000
CR	-.005	.054	-.055	-.096	.924
DER	-.108	.084	-.612	-1.285	.203
FCF	-1.423	.566	-1.923	-2.512	.014
ROA	9.127	2.116	2.996	4.315	.000
CR	-.048	.079	-.353	-.602	.549
DER	.031	.089	.156	.348	.729
FCF	1.893	.770	1.999	2.458	.017

a. Dependent Variable: DPR
Source: Data processed SPSS 22, 2024

Based on the table above, the regression equation is obtained:

DPR = 0,853 - 6,610 ROA - 0,005 CR - 0,108 DER - 1,423 FCF + 9,127 ROA*KI - 0,048 CR*KI + 0,031 DER*KI + 1,893 FCF*KI

Based on the SPSS output, the significance test of the coefficient of moderation regression on the effect of profitability on dividend policy with *Good Corporate Governance* (GCG) as the moderation variable obtained a significance value of 0.000 < 0.05, meaning that *Good Corporate Governance* (GCG) can moderate the effect of profitability on dividend policy. Testing the significance of the coefficient of moderation regression on the effect of liquidity on dividend policy with *Good Corporate Governance* (GCG) as the moderation variable obtained a significance value of 0.549 > 0.05, meaning that *Good Corporate Governance* (GCG) cannot moderate the effect of liquidity on dividend policy. Testing the significance of the coefficient of the moderation regression of the effect *of leverage* on dividend policy with *Good Corporate Governance* (GCG) as the moderation variable obtained a significance value of 0.729 > 0.05, it can be interpreted that *Good Corporate Governance* (GCG) cannot moderate the effect of *leverage* on dividend policy. Testing the significance of the coefficient of moderation regression on the effect *of Free Cash Flow* (FCF) on dividend policy with *Good Corporate Governance* (GCG) as a moderation variable obtained a significance value of 0.017 < 0.05, it can be interpreted that *Good Corporate Governance* (GCG) can moderate the influence of *Free Cash Flow* (FCF) on dividend policy.

Cohesion Determination Test (R^2)

The coefficient of determination (R2) is used to calculate the percentage of correlation between independent variables and bound variables (Ghozali, 2018:97).

Tabel 5

Determination Coefficient Test Results (R^2)

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.636[a]	.404	.370	.16713

a. Predictors: (Constant), FCF, ROA, DER, CR

b. Dependent Variable: DPR

Source: Data processed SPSS 22, 2024

The coefficient value of determination is 0.370 or 37%. This shows that independent variables have an influence on dividend policy by 37% and the remaining 63% by other factors that cannot be explained.

CONCLUSION

Based on the results of the data analysis that has been carried out, the author can conclude as follows: 1) Profitability has a positive effect on dividend policy, 2) Liquidity has a negative effect on dividend policy, 3) Leverage has a negative effect on dividend policy, 4) Free Cash Flow has no effect on dividend policy, 5) Institutional Ownership can moderate the influence between profitability on dividend policy, 6) Institutional Ownership does not can moderate the influence of liquidity on dividend policy, 7) Institutional Ownership cannot moderate the influence of *leverage* on dividend policy, 8) Institutional Ownership can moderate the influence of *free cash flow* on dividend policy. Based on these conclusions, the author gives suggestions: 1) For the *non-cyclical consumer* sector, it is expected to maintain and increase the stability of dividend distribution to shareholders through dividend policies by paying attention to various factors that can affect it, 2) For investors, it is expected to pay attention and analyze through financial statements or information about the company if they want to invest in company, 3) For future researchers who will conduct similar research, they should be able to develop this research by adding independent variables such as *quict ratios*, *investment opportunity set*, *collateralizable asset*, *growth in net asset* and can also apply this research model to the object penelitian yang more broadly including all companies *that go* *public* on the Indonesia Stock Exchange.

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