
Are Managerial Ownership and Financial Performance Affect Dividend Policy?

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Abstract

Managerial ownership is one of the factors that can affect dividend policy. This study aimed to determine the effect of managerial ownership and financial performance on dividend policy. The financial performance comprises free cash flow, liquidity, profitability, and firm size. The population in this study includes all consumer goods industrial sector companies listed on the Indonesia Stock Exchange (IDX) for the 2016-2020 period. The sample collection method is purposive sampling, with a total sample of 35 companies. Analysis of the data used in this study is logistic regression analysis. Dividend policy is measured by the dummy variable, the value of 1 for companies that distribute dividends and 0 otherwise. The results of data analysis show that managerial ownership and profitability have no significant effect on dividend policy. Meanwhile, free cash flow, liquidity, and firm size have a significant effect on dividend policy.

Keywords: Managerial Ownership, Free Cash Flow, Liquidity, Profitability, Company Size, Dividend Policy

1. Introduction

1.1. Introduction to the Problem

Investing involves placing a certain amount of capital in the shares or tangible assets of a company (Sari and Sudjarni, 2015). An investor makes investments to obtain a profit or return in the future. One of the decisions that must be taken into account by the company in providing profits that will be distributed to investors is the dividend policy. For the company's management, dividends are obligations that must be fulfilled for the shares that investors have in the company (Riyanto, 2008: 336).

The company also expects continuous growth to maintain its survival. The company's management must also determine an optimal dividend policy to create a balance of dividends distributed today and for future growth. Thus the profit is not entirely distributed in the form of dividends but is reinvested into the company. The determination of the distribution of income to be paid to investors in the form of dividends or used in the company is called a dividend policy (Indayani, 2013). According to Junaedi (2013), dividend policy is attractive to investors. A dividend policy is used by investors as a predictive tool when assessing a company's prospects.

The consumer goods sector is one of the most promising sectors. Among Indonesia's leading sectors for economic development, it deserves investment attention. The consumer goods industry is a sector that produces people's daily needs. This sector is the 5th ranked sector listed

on the Indonesia Stock Exchange (Idx.co.id). This is reinforced by the nature of the Indonesian people, who tend to be consumptive. Therefore, the consumer goods industry is among the best and most promising investment sectors.

The consumer goods industry listed on IDXHIDIV20 shows that in 2019 companies in the consumer goods industry sector became the 2nd sector that distributed many dividends to shareholders. In 2020, companies in the consumer goods sector were the largest sector that distributed dividends to their shareholders. In the consumer goods industry, investors will also receive high profits and dividends.

One of the factors that can affect dividend policy is managerial ownership. Managerial ownership is a percentage of share ownership owned by management actively involved in company decision-making (Widiari and Putra, 2017). Dividends are also significant if a high percentage of the company is owned by managers. This explanation is supported by research conducted by Ferilianto et al. (2018), Prihatini et al. (2018), and Izza (2020), which state that managerial ownership affects dividend policy. However, the results of research conducted by Rahayu and Rusliati (2019), Widiarti and Putra (2017), Hutagalung and Setiawati (2019), and Sumarlin et al. (2020) obtained different results that showed that managerial ownership did not affect dividend policy.

Another factor that can affect dividend policy is free cash flow. Free cash flow is a company's description of the cash flow available to the company in an accounting period after deducting operational costs and other expenses (Prasetya and Jalil, 2020). The wider the company's free cash flow, the higher the dividends investors will receive. Previous research showed different results. Studies conducted by Rachmah and Riduwan (2019), Kresna and Ardini (2020), Wulandari and Suwardana (2017), Sari and Budiasih (2016), and Novelma (2014) showed that free cash flow affects dividend policy. Meanwhile, research conducted by Kristianawati (2012), Prasetya and Jalil (2020), Hasana et al. (2018), and Amanah (2020) obtained different results that suggested free cash flow did not affect dividend policy.

The company's financial performance can also be seen in terms of liquidity. Liquidity is a company's ability to pay short-term debt obligations on time (Sartono, 2001: 116). The company's liquidity position is one of the factors that can affect dividend policy. High liquidity illustrates the company's increased ability to meet its short-term obligations. According to Sudana (2015), liquidity has a relationship that is in the same direction as the dividend policy, where the higher the company's liquidity level, the increased the cash dividend paid by the company to its shareholders. This is in line with research conducted by Sari and Sudjarni (2020) and Dewi and Muliati (2021), which shows that liquidity affects dividend policy. However, studies conducted by Anggraini and Riduan (2020), Sudiartana and Yudiantara (2020), Prasetya and Jalil (2020), Rusmayanti (2021), and Sumarlin et al. (2020) obtained different results that showed liquidity did not affect dividend policy.

The level of profitability can determine the company's dividend policy. Profitability is the ratio used to measure the company's ability to earn a profit (Sartono, 2001). The large percentage of profitability indicates that the wider the level of company profits. Profitability is the level of

success of the company, which indicates that it can provide benefits for investors. Companies with a high level of profitability are more attractive. If the company's profitability is high, the dividends that investors will receive are also high. This is in line with the research conducted by Sumarlin et al. (2020), Wibowo and Isynuwardhana (2021), Dewi and Muliati (2021), Kresna and Ardiani (2020), Anggaraini and Riduwan (2020), and Najiah and Ijayati (2020). In contrast, Izza (2020), and Nugroho (2020), obtained different results where the results indicated that profitability did not affect dividend policy.

The size of the company is also a consideration in dividend policy. The size of the company determines the financial strength of a company and can affect the size of the dividends to be distributed by the company. Companies with large sizes tend to be more stable in distributing dividends to shareholders. This is because large companies will be easier to obtain funds and potentially generate higher profits. Differences occurred in research conducted by Rahayu and Rusliati (2019), Sudiartana and Yudiantara (2020), Devi and Erawati (2014), Prasetya and Jalil (2020), and Dewi and Muliati (2020), showing that the size of the company influences dividend policy. Meanwhile, research conducted by Rusmayanti (2021), and Nugroho (2020), as well as Najiyah and Idayati (2020), actually stated that the size of the company does not affect dividend policy.

The purpose of this study is to analyze the effect of variability of managerial ownership, free cash flow, liquidity, profitability, and company size on dividend policy in companies in the consumer goods industry sector listed on the Indonesia Stock Exchange for the 2016-2020 period.

1.2 Literature Review and Hypothesis Development

1.2.1 Dividend and Dividend Policy

Dividends are profit distributions by a company to shareholders for the profits earned by the company (Halim, 2015). Dividends can be paid to stockholders in the form of cash dividends, stock dividends, property dividends, and liquidating dividends.

A dividend policy is a policy to decide whether part of the profits earned by a company will be distributed to shareholders in the form of dividends or held for reinvestment. According to Brigham and Houston (2013), an optimal dividend policy is a dividend policy that produces a balance between current dividends, future growth, and maximizing the company's share price.

1.2.2 Managerial ownership

According to Sumantri and Mangantar (2015), managerial ownership involves the participation of investors, namely the commissioners and directors, who actively participate in getting equality with other shareholders who pay dividends with the primary purpose of doing business. Managerial ownership is seen as able to harmonize potential differences in interests between outside shareholders and management. According to Febrianti and Zulfia (2020), in a company under manager ownership, managers who are also shareholders would align their interests as managers and shareholders.

1.2.3 Free cash flow

Free cash flow is the cash flow available to the company after deducting capital expenditures and dividend payments. Dividend payments are the company's obligation as a way of returning profits to investors. Investments can be made again by buying new assets to increase the company's production, while additional dividend payments are made to motivate and provide satisfaction to investors (Rachma and Riduwan, 2019).

1.2.4 Liquidity

Liquidity is the company's ability to meet short-term obligations (Hanafi, 2012). The company's liquidity risk is influenced by cash inflows and outflows, as well as cash flow prospects for future performance. The liquidity ratio focuses on current assets and liabilities because the company needs cash to pay off its short-term obligations. One of the ratios that can be used to measure liquidity is the current ratio.

1.2.5 Profitability

Profitability is the company's ability to profit through all existing sources, sales, cash, assets, and capital (Harahap, 2015). The higher the profitability, the greater the profit that can be held for the company's operations. The ratio used to measure a company's ability to generate net profit at a certain asset level is the return on assets (ROA) (Hanafi, 2017).

1.2.6 Company Size

The company's size is the scale of the company, which is seen from the total assets of the company at the end of the year. Total sales can also be used to measure the size of the company. Because the costs that follow sales tend to be greater, companies with high sales are more likely to choose accounting policies that reduce profits (Siregar and Utama, 2005). The size of the company is the size of the number of company assets.

1.2.7 Hypothesis Development

1.2.7.1 The hypothesis of Managerial ownership and dividend policy

According to Sartono (2015), managerial ownership is the number of shares owned by management from all share capital in a company. The high managerial ownership structure in a company causes managers to want a significant return on their ownership. This causes a high level of managerial ownership in a company that will try to increase its dividend distribution. Conversely, a low level of managerial ownership in a company will be followed by a low dividend distribution.

This is in line with the findings of Ferilianto et al. (2018), Prihatini et al. (2018), and Izza (2020), who found that managerial ownership has a positive effect on dividend policy. Based on this frame of thought, a hypothesis can be compiled as follows:

H1: Managerial ownership has a significant positive effect on dividend policy.

1.2.7.2 The hypothesis of free cash flow and dividend policy

Free cash flow describes available cash. This is because the components of free cash flow are adjusted to net capital expenditures and dividend payments (Jusup, 2011). Free cash flow that is generated annually by the company can be a signal for investors. This is because investors think that high free cash in a company shows that the company can grow and provide dividends. Financial growth and flexibility depend on the availability of free cash flow, so if free cash flow is high, dividend payments will increase (Subramanyam, 2017).

This is in line with research conducted by Rachmah and Riduwan (2019), Kresna and Ardini (2020), Wulandari and Suwardana (2017), Sari and Budiasih (2016), and Novelma (2014) showing that *free cash flow* affects dividend policy. Based on this frame of thought, a hypothesis can be compiled as follows:

H2: *Free cash flow* has a significant positive effect on dividend policy.

1.2.7.3 The hypothesis of Liquidity and dividend policy

The liquidity ratio is a ratio that shows how the company can meet its current liabilities with its current assets. A high level of liquidity can describe a good company's performance because with a good level of liquidity. The company will more easily fulfill its dividend payment obligations (Sartono, 2001). The higher the level of company liquidity, the greater the level of the company's ability to pay dividends to shareholders (Sudana, 2015).

The statement above is in line with Sari and Sudjarni's (2020) and Dewi and Muliati (2021) research, which shows that liquidity affects dividend policy. Based on previous theories and studies, the following hypotheses were made:

H3: Liquidity has a significant positive effect on dividend policy.

1.2.7.4 The hypothesis of Profitability and dividend policy

Profitability is a ratio used to measure a company's ability to make a profit (Sartono, 2001). A company with high profitability will be able to pay dividends. Dividend policy is related to profitability. This is because the dividends distributed depend on the profit earned by the company. If the company's profitability is high, the dividends paid to shareholders or investors will also be increased (Iswara, 2017).

This is in line with research conducted by Feriana *et al.* (2015), Sumarlin *et al.*, (2020), Wibowo and Isyuardhana (2021), Dewi and Muliati (2021), Kresna and Ardiani (2020), Anggaraini and Riduwan (2020), and Najiah and Ijayati (2020). Based on previous theories and studies, the following hypotheses were made:

H4: Profitability has a significant positive effect on dividend policy.

1.2.7.5 The hypothesis of the size of the company and dividend policy

According to Riyanto (2008), company size is a scale used to measure company size based on its total assets. The greater the value of total assets, the more valuable the company, so the company's performance can be said to be good. Large companies tend to be more stable in distributing dividends to shareholders. Large companies will find it easier to obtain funds and potentially generate higher profits. Meanwhile, companies with small assets tend to pay lower

dividends because more profits will be allocated to increase asset growth (Devi and Erawati, 2014).

The findings made by Rahayu and Rusliati (2019), Sudiartana and Yudantara (2020), Devi and Erawati (2014), Prasetya and Jalil (2020), and Dewi and Muliati (2020) show that the size of the company affects dividend policy. Based on previous theories and studies, the following hypotheses were made:

H5: Company size has a significant positive effect on dividend policy.

2. Methods

2.1 Population and Sample

The population in this study is all consumer goods industry sector companies listed on the Indonesia Stock Exchange (IDX) in the 2016-2020 period. This study chose samples using the purposive sampling method with the following criteria: (1) consumer goods industry sector companies listed on the Indonesia Stock Exchange in the 2016-2020 period; (2) consumer goods industry sector companies that issue financial statements in the period 2016-2020; (3) consumer goods industry sector companies that distribute dividends in the 2016-2020 period.

2.2 Data Type and Sources

The data used in this study are secondary. The data sources used in this study are secondary data in the form of annual financial statement data and company financial statement reports obtained from the official website of the Indonesia Stock Exchange (IDX) www.idx.co.id, and the official website of each company in the period 2016-2020.

2.3 Dependent Variables

The dependent variable in this study is a dividend distribution policy variable. Dependent variables in this study are expressed as statements or judgments. Dividend policy variables can be quantified by creating an artificial variable (dummy / binary variable) that takes the values 1 and 0, where the value of 1 represents the company that distributes dividends to its shareholders. At the same time, 0 denotes the company that does not distribute dividends to its shareholders.

2.4 Independent Variable

2.4.1 Managerial Ownership

Managerial Ownership is share ownership by the management of a company as measured by the percentage of the number of shares owned by management (Swandari, 2012). According to Jayanti and Puspitasari (2017), Managerial Ownership (MO) can be calculated using the following formula.

$$MO = \frac{\text{Number of shares owned by the manager}}{\text{Number of shares outstanding}}$$

2.4.2 Free cash flow

Free cash flow is the company's remaining cash after it is used to fund projects with a positive

net present value. According to Rachmah and Riduwan (2019), the formula used to calculate free cash flow (FCF) is:

$$FCF = \frac{\text{Operating Cash Flow} - (\text{Net Capital} + \text{working capital change})}{\text{Total Aset}}$$

2.4.3 Liquidity

Liquidity is the company's ability to repay its financial debt in the short term (Wiagustini, 2013). According to Brigham and Houston (2016:128), liquidity can be measured using *the current ratio* (CR), with the following formula:

$$CR = \frac{\text{Current Asset}}{\text{Current Liabilities}} \times 100\%$$

2.4.4 Profitability

Profitability is the ability of an enterprise to make a profit in a certain period. The profitability Ratio is used to measure a company's ability to make a profit from revenues related to sales, assets, and equity (Cashmere, 2017). According to Sari and Budiasih (2016), profitability can be measured using *return on assets* (ROA), with the following formula:

$$ROA = \frac{\text{Earning After Tax}}{\text{Total Asset}} \times 100\%$$

2.4.5 Company Size

According to Jogiyanto (2015: 280), company size is the size of the assets used to measure the size of a company, including the overall value of sales, market capitalization value, and the number of workers. In addition, according to Jogiyanto (2015), asset size is used to measure company size, and asset size is calculated as the logarithm of total assets. According to Ahmad and Wardani (2014), company size can be measured using total assets with the following formula

$$Firm\ Size = Ln(\text{Total Assets})$$

2.5 Logistic Regression

In this study, logistic regression analysis was used. According to Ghozali (2018), logistic regression is applied to test whether the probability of the occurrence of a dependent variable can be predicted with the independent variable. In this study, the logistic regression model was implemented to see the effect of the independent variables on the dependent variable. Logistic regression analysis is used when the independent variables combine metric and non-metric variables while the dependent variable is non-metric. Logistic regression analysis does not require a data normality test on the independent variables (Ghozali, 2018). The logistic regression model for hypothesis testing is formulated as follows:

$$Ln \frac{IS}{1-IS} = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e$$

Where:

IS= Dividend policy (*dummy* variable, 1 for companies that distribute dividends to shareholders and 0 otherwise).

a = Constant

$\beta_1 - \beta_5$ = Coefficient

X ₁	= Managerial ownership
X ₂	= <i>Free cash flow</i>
X ₃	= Liquidity
X ₄	= Profitability
X ₅	= Company size
e	= <i>error</i>

2.6 Stages of Logistic Regression Analysis

The first stage in analyzing logistic regression is to assess the overall model (overall model fit). The statistics used are based on the likelihood function. Likelihood L of a model is the probability that the hypothesized model describes input data (Ghozali, 2018). If the value of $-2 \text{ Log Likelihood Value block number} = 0$ is greater than the value of $-2 \text{ Log Likelihood Value block number} = 1$, it indicates a good regression model. So the decrease in Log Likelihood shows a better regression model.

The second stage is the Coefficient of Determination Test (Cox and Snell's R Square). Nagelkerke's R square is a modification of the Coefficients of Cox and Snell's to ensure that the value varies from 0 (zero) to 1 (one). The value of Nagelkerke's R square can be interpreted as the value of R² in multiple regressions, which determines how much influence the independent variable has on the dependent variable (Ghozali, 2018).

The third stage is the Regression Model Feasibility Test (Hosmer and Lemeshow's Goodness of Fit Test). Hosmer and Lemeshow's Goodness of Fit Test tested the null hypothesis that empirical data fits with the model (there is no difference between the model and the data, so it can be said that the fit model), i.e., by looking at the value of its significance (Ghozali, 2018).

The fourth stage is the Prediction Accuracy Test (Classification Table). The 2x2 classification table is used to calculate correct and incorrect estimates. In the column are two values from the predicted result of the dependent variable, while the row shows the actual observed value of the dependent variable. In a perfect model, all cases will be on the diagonal with a 100% level of forecasting accuracy (Ghozali, 2018). To be able to calculate the odds ratio, this study uses the following formula:

$$\text{Odds ratio} = \frac{\pi(1)/[1 - \pi(1)]}{\pi(0)/[1 - \pi(0)]} = \frac{e^{\beta_0 + \beta_1}}{e^{\beta_0}} = e^{\beta_1}$$

If the odds ratio is 1, then the two variables have no relationship. If the value of the odds ratio <1, then the two variables have a negative relationship to the change in the category of x. Vice versa if the value of the odds ratio is >1.

3. Results

3.1 Descriptive Statistics

Table 1 shows that the number of samples used in this study was 175. Based on the 175 observational data, the average sample of companies distribute dividends is 71%. The managerial ownership variable shows a mean value of 0.067 with a standard deviation of

0.166. The free cash flow variable shows a mean value of -0.735 with a standard deviation of 0.544. The liquidity variable proxied by the current ratio (CR) shows a mean value of 2.746 with a standard deviation of 2.001. The profitability variable proxied by return on assets (ROA) shows a mean value of 0.076 with a standard deviation of 0.245. the variable size of the company proxied with the natural logarithm of total assets (LnTA) shows a mean value of 27.939 with a standard deviation of 2.917.

Table 1. Descriptive Statistics

	N	Min	Max	Mean	Std.Dev
Dividend Policy	175	0	1	0.71	0.453
MO	175	0.000	0.810	0.067	0.166
FCF	175	-1.595	3.711	-0.735	0.544
CR	175	0.152	10.252	2.746	2.100
ROA	175	-2.641	0.607	0.076	0.245
LnTA	175	20.427	32.726	27.935	2.917
Valid N (listwise)	175				

3.2 Logistic Regression Analysis

3.2.1 Assessing the Overall Model Fit

Table 2 shows a decreased number in block 1 compared to block 0, so it can be concluded that the regression model in block 1 is better. In block 0, the probability value of -2log is 209.520. It drops to 156.080 in block 1.

Table 2. Overall Test Results of Block 0 and Block 1 Models

	-2 Log Likelihood
Block 0	209.520
Block 1	156.080

These results show that the regression model, after including independent variables, namely managerial ownership, free cash flow, liquidity, profitability, and company size, can improve the model so that H0 is accepted and the model fits with the data. Thus it can be concluded that the block 1 regression model is better for predicting the company's dividend policy.

3.2.2 Coefficient of Determination Test (Cox and Snell's Square)

Based on the results of the coefficient of determination test in Table 3, it can be seen that the Value of Nagelkerke R square is 0.376. This means that the independent variable affects the dividend policy by 37.6%. While the remaining 62.4% is explained by other variables outside this study.

Table 3. Coefficient of Determination Test Results

<i>Step</i>	<i>-2 Log likelihood</i>	<i>Cox & Snell R Square</i>	<i>Nagelkerke R Square</i>
1	156.080	0.263	0.376

3.2.3 Hosmer and Lemeshow’s Goodness of Fit Test

Table 4 shows that the magnitude of the Statistics Hosmer and Lemeshow's Goodness of Fit Test value is 11.490 with a significance of 0.175. From these results, it can be seen that the significance value > 0.05 means that H0 is accepted. Thus, it can be concluded that the feasibility test results of the regression model can predict the observation value and be used for subsequent analysis.

Table 4. Regression Model Feasibility Test Results

Step	Chi-square	Df	Sig.
1	11.490	8	0.175

3.2.4 Prediction Accuracy Test (Classification Table)

Table 5. Prediction Accuracy Test Results (Classification Table)

Observed		Predicted		
		Dividend Distribution Decision		Percentage Correct
		Not for	For	
Dividend Distribution Decision	Not Distribute	28	22	56.0
	Distribute	15	110	88.0
Overall Percentage				78.9

Based on the classification table above, the number of samples that do not distribute dividends is 50 companies. The observational prediction of 125 dividends. The table above gives an overall percentage value of 78.9%, which means that the accuracy of this research model is 78.9%.

3.3 Hypothesis Test

This test is used to identify the presence or absence of influence between independent variables on dependent variables.

Table 7. Wald Test Results (Partial Test t)

	B	S.E.	<i>Forest</i>	Df	Sig.	Exp(B)
MO (%)	0.006	1.313	0.000	1	0.996	1.006
FCF	1.204	0.581	4.289	1	0.038	3.334
CR	1.323	0.305	18.750	1	0.000	3.753
ROA	1.278	0.841	2.308	1	0.129	3.590
SIZE	0.250	0.076	10.861	1	0.001	1.284
<i>Constant</i>	-8.143	2.270	12.870	1	0.000	0.000

The results of the logistic regression equation show that the variables that have a significant effect on dividend policy are free cash flow, liquidity, and company size, with a significance level of less than 0.05 (5%). Meanwhile, the variables of managerial ownership and profitability do not affect dividend policy.

Based on the logit regression equation and the value of the regression coefficient of each independent variable, it can be interpreted the magnitude of the coefficient value of the independent variable. The measurement of the logit regression coefficient using the odds ratio or Exp (B) measure can be interpreted as follows:

- 1) The value of the regression coefficient of the managerial ownership variable is 0.006 with an odds ratio or Exp(B) value of 1.006. However, because it is not statistically significant, managerial ownership does not affect the dividend distribution
- 2) The value of the regression coefficient of the free cash flow variable is 1.204 with an odds ratio or Exp(B) value of 3.334. This means that if the free cash flow ratio increases by one unit, the company's chances of dividend distribution will increase by 3.334 times, assuming other independent variables are considered constant.
- 3) The liquidity variable regression coefficient value is 1.323, with an odds ratio or Exp(B) value of 3.753. This means that if the liquidity ratio increases by one unit, the company's chances of dividend distribution will increase by 3.753 times, assuming other independent variables are considered constant.
- 4) The value of the profitability variable regression coefficient is 1.273 with an odds ratio or Exp (B) value of 3.590. However, because it is not statistically significant, the profitability does not affect the distribution of dividends.
- 5) The value of the regression coefficient of the company size variable is 0.250 with an odds ratio or Exp (B) value of 1.284. This means that if the company size ratio increases by one unit, the company's chances of dividend distribution will increase by 1.284 times, assuming other independent variables are considered constant.

3.3.1 The effect of managerial ownership on dividend policy

The value of the regression coefficient is 0.006, with a significance on the hypothesis of 0.996. At the significance level of $\alpha = 5\%$, the regression coefficient is insignificant because the significance level is 0.996, more than 0.05. The results showed that the managerial ownership variable had no significant effect on dividend policy, so the first hypothesis was rejected. This means that the size of the managerial ownership will not affect the company's dividend distribution.

One possibility that managerial ownership does not affect dividend policy is that the level of managerial ownership in a company is relatively low. Due to this, the manager's decision regarding the size of the dividend does not depend on the number of owners. In this case, managers tend to expect income in the form of long-term compensation or high incentives rather than dividends so that the level of managerial ownership does not influence dividend distribution. In addition, dividends do not provide a maximum contribution to stock returns.

The results of this study are in line with research conducted by Rahayu and Rusliati (2019), Widiarti and Putra (2017), Hutagalung and Setiawati (2019), Sumarlin et al. (2020) that managerial ownership variables have no significant effect on dividend policy.

3.3.2 The effect of free cash flow on dividend policy

The regression coefficient value is 1.204 with a significance of 0.038, so the regression coefficient is significant at $\alpha 5\%$ because the significance level is 0.038, less than 0.05. The results showed that the free cash flow variable significantly affected dividend policy, so the second hypothesis was accepted. This means that the higher the free cash flow, the higher the probability that the company will pay dividends.

For investors, free cash flow can be a good signal because the company can grow and pay dividends to shareholders. Having a stronger cash position has enabled the company to pay dividends to its shareholders. Companies with high free cash flow generate better returns than companies with low free cash flow. The higher the free cash flow, the higher the dividends distributed.

The results of this study are in line with research conducted by Rachmah and Riduwan (2019), Kresna and Ardini (2020), Wulandari and Suwardana (2017), Sari and Budiasih (2016), and Novelma (2014) stated that free cash flow affects dividend policy.

3.3.3 The effect of liquidity on dividend policy

The regression coefficient value is 1.323 with a significance of 0.000, which is significant at 1%. The results show that the liquidity variable significantly affects dividend policy, so the third hypothesis is accepted. This means that the higher the liquidity, the higher the company's dividend distribution probability.

Companies with a high level of liquidity can pay dividends. The higher company's Current Ratio (CR) indicates investor confidence in the company's ability to pay the promised dividends.

Companies that can maintain and increase their financial liquidity will have a greater opportunity to distribute dividends because the company is not burdened with short-term obligations.

The results of this study are in line with research conducted by Sari and Sudjarni (2020), as well as Dewi and Muliati (2021), which stated that liquidity affects dividend policy.

3.3.4 The effect of profitability on dividend policy

The regression coefficient value is 1.278, with a significance of 0.129, so the regression coefficient is not significant. The results showed that the profitability variable had no significant effect on dividend policy, so the fourth hypothesis was rejected. As a result, the company's dividend distribution is not affected by profitability.

One of the reasons profitability does not affect dividend policy is that ROA does not always affect dividend policy, especially in established companies that have been operating for a long time and are in the mature stage. The company will not pay high dividends to maintain its reputation when its profitability is declining or low. This is because an established company already has a lot of profit reserves that can be used either to be reinvested or divided in the form of dividends without having to change the proportion of shareholders and without depending on the amount of ROA that the company will obtain.

The results of this study are in line with research conducted by Izza (2020) and Nugroho (2020), that profitability does not affect dividend policy.

3.3.5 The effect of the size of the company on the dividend policy

The fifth hypothesis in this study states that firm size has a significant positive effect on dividend policy. The regression coefficient value is 0.250 with a significance of 0.001, and then the regression coefficient is significant at 1%. These results indicate that the firm size variable significantly affects dividend policy, so the fifth hypothesis is accepted.

A company with significant assets and good growth will likely earn large profits, resulting in a higher dividend distribution rate. Large companies will find it easier to enter the capital market than small companies, and it is easier to get additional funds. Large companies tend to distribute dividends in large amounts as well. Meanwhile, companies classified as small companies will choose to make profits or retain profits.

The results of this study are following research conducted by Rahayu and Rusliati (2019), Sudiartana and Yudiantara (2020), Devi and Erawati (2014), Prasetya and Jalil (2020), and Dewi and Muliati (2020) that show the size of the company affects the dividend policy.

4. Conclusions, Suggestions, and Limitations

Based on the results of research that has been done using logistic regression, it can be concluded that managerial ownership does not affect dividend policy. Free cash flow has a significant positive effect on dividend policy. Liquidity has a significant positive impact on dividend policy. Profitability does not affect dividend policy. Firm size has a significant positive impact on dividend policy.

This study has several limitations. Namely, the sample used in this study is limited to companies in the consumer goods industry sector, so it has not been able to represent all industrial sectors on the Indonesia Stock Exchange (IDX). This study uses only managerial ownership, free cash flow, liquidity, profitability, and firm size as independent variables. Other factors include investment opportunities, leverage, financial distress, and asset growth.

In addition, the researcher provides some suggestions, including that future research should focus on increasing the sample size used for analysis. Second, further studies are expected to add other variables that are thought to affect dividend policy. Third, further studies are expected to extend the time to obtain better results.

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