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The Effects of Free Cash Flow, Leverage, Profitability, Liquidity, Firm Size and Company Growth on Dividend Policy (Study of Consumer Goods Industry Companies Listed on the IDX in 2018-2020)

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ABSTRACT: *This study aims to determine the effect of free cash flow, leverage, profitability, liquidity, firm size, and company growth on dividend policy. This study uses secondary data in the form of information taken from the company's financial reports or annual reports. This study used 81 samples of companies in the consumer goods industry sector that were listed on the IDX 2018-2020. This study uses a quantitative approach. The method used in this study was purposive sampling which was used in sampling and produced 81 data from 27 companies. Testing the hypothesis in this study using multiple regression analysis using SPSS software. The results of this study indicate that profitability and liquidity significantly influence dividend policy. Meanwhile, free cash flow, leverage, firm size, and company growth have no effect on dividend policy.*

Keywords: *Free Cash Flow; Leverage; Profitability; Liquidity; Firm Size; Company Growth; Dividend Policy.*

I. INTRODUCTION

Currently the capital market in Indonesia is growing very rapidly, especially in the investment sector. The number of companies joining the capital market is increasing from year to year. Many companies have joined the capital market and seized business opportunities. Through capital market activities, companies can obtain funds to finance their operational costs and expansion , because the capital market is an effective means of channeling and investing profitable funds for investors . The capital market in Indonesia plays an important role in attracting funds from potential investors. In investing their funds, the main thing that an investor hopes for is the profit that will be obtained in the future (Kuswanta, 2016) .

Investors generally have the main goal of increasing welfare by expecting a return on their investment. In addition to expecting return on investment, investors also ignore the risks they will face. Investors tend to be attracted by a higher return on their investment. Therefore, investors and potential investors are interested in predicting what they have invested. Returns obtained by investors are in the form of dividends and capital gains. Dividends are part of the company's net profit paid to shareholders, while capital gains are the positive difference between the purchase price of shares and the market price of shares. Dividends are a form of increasing shareholder wealth (Hilmi & Rinanda, 2020). Investors usually want dividend payments that are relatively stable or tend to increase from time to time because dividend stability can increase confidence in the company, thereby reducing the element of uncertainty in investment. Dividend payment in cash is preferred over other forms by investors because it helps reduce investors' uncertainty about the company's investment activities. Therefore, a company's dividend policy can be said to be the main attraction for investors (Kuswanta,

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2016) .

Companies listed on the Indonesia Stock Exchange are required to establish policies for paying dividends, regardless of whether management decides to return profits to shareholders in the form of dividends and retained earnings. The growth of manufacturing companies occupies a dominant position, especially the consumer goods industry which is the main pillar of the Indonesian economy. In this study, researchers chose to use the consumer goods sector because manufacturing companies in the consumer goods sector produce basic needs that are most needed by the community in line with the growth of Indonesia's population. If a manufacturing company performs well, then public trust in the company increases, but if the performance of a manufacturing company is less than optimal, public trust in the company decreases (KAN Sari & Sudjarni, 2015).

According to Martono & Harjito dividend policy is a decision whether the profits earned by the company will be distributed to shareholders as dividends or will be retained in the form of retained earnings to fund investment in the future. In fact, not all companies listed on the Indonesia Stock Exchange distribute dividends to shareholders. Although dividends paid to shareholders change every year, investors prefer a stable return on investment in the form of dividends, but only certain industries pay dividends consistently. This is because companies have different considerations in policy decisions and dividend payments (Hilmi & Rinanda, 2020). Based on the explanation above, the purpose of this research is to examine the effect of free cash flow, leverage, profitability, liquidity, firm size, and company growth.

II. MATERIALS AND METHODS

2.1. Agency Theory

Jensen and Meckling (1976) suggest that Agency Theory is a theory that controls the separation between owners and managers. A company can cause agency problems in the form of information asymmetry between those held by owners and managers because in reality there is always asymmetric information. Agency conflicts also arise in companies in the relationship between shareholders and management. Shareholders want profits to be divided into dividends while managers want retained earnings for the company's future growth. If the company chooses to distribute profits as dividends, this will reduce retained earnings and affect internal funding sources. Conversely, if the company chooses to withhold the profits earned, internal funds will form (Hand Prastya & Jalil, 2020)

2.2. Signal Theory

Brigham and Houston's Signal Theory (2011) explain that management's perception of the company's future development will influence the reaction of potential investors to the company. Signals in the form of information can explain management's efforts to satisfy the owner's wishes. This information is considered as an important indicator for investors and company market participants in making investment decisions. Signal theory can also be seen from a business risk perspective, where high business risk will also be seen as a positive signal that will affect company valuations by investors. A high company IOS indicates that the company can improve its performance and financial value in the future (Gürel, 2011).

2.3. Pecking Order Theory

This theory asserts that there is some kind of regularity for companies in the use of capital. This theory also explains that companies choose internal equity funding (using retained earnings) over external equity funding (issuing new shares). Pecking order theory can explain company preferences in determining the optimal capital structure. This theory assumes that there are a series of company financial decisions that determine the optimal capital structure, namely the selection of internal funding sources, then external financing sources, with debt securities first and equity securities as the last alternative (Dewi & Wirama, 2017) . Myres (1984) in the pecking order theory confirms that this theory has an explanation of the behavior of companies that maintain some profits and create large cash reserves. This theory also assumes that companies aim to maximize shareholder wealth. The pecking order theory predicts that foreign debt financing is based on internal financing gaps (Yudhatama & Wibowo, 2015).

2.4. Dividend Policy

Dividend policy is a company's spending decisions, especially those related to using the company's internal spending. This is because the size of the dividends distributed will affect the size of retained earnings. Retained earnings are one of the company's internal funding sources. Dividends are distribution of profits to shareholders. Shareholders determine the amount of dividends distributed by the company at the AGMS (General Meeting of Shareholders). The dividend policy itself decides whether the profits generated by a company at the end of the year will be distributed to shareholders in the form of dividends or will be retained to increase capital to finance future investments (Hand Prastya & Jalil, 2020). According to Sudana (2009:220-222) There are several theories about dividend policy that can affect the value of a company, including:

2.4.1 Dividend Irrelevance Theory

This theory was developed by Merton Miller and Franco Modigliani (MM). According to the dividend mismatch theory, dividend policy has no effect on the company's stock price nor on its value. Modigliani and Miller argue that the value of a company is determined solely by its earning capacity and business risks, while the distribution of income streams into dividends and profits does not affect the value of the company .

2.4.2 Bird In Hand Theory

This theory was put forward by Myron Gordon John Lintner. According to the bird-in-hand theory, dividend policy has a positive effect on stock prices. That is, the higher the dividend paid by the company, the higher the market price of the company's shares, and vice versa. This happens because the distribution of dividends can reduce uncertainty in the face of investors.

2.4.3 Tax Preference Theory

According to the tax preference theory or tax incentive theory, the dividend policy has a negative impact on the company's stock price. In other words, the higher the amount of dividends paid by a company, the lower the company's market price. This occurs when there is a difference between individual tax rates on dividend income and capital gains. If the dividend tax rate is higher, the company will stay with the company to finance its investment. Thus, in the future it is hoped that there will be an increase in capital gains with a lower tax rate. While many investors share this view, investors tend to choose stocks with small dividends to avoid taxes.

2.5. Free Cash Flow

Free cash flow is company cash that can be distributed to creditors or shareholders and is no longer used for working capital or to finance fixed asset investments. Free cash flow can be used for discretionary purposes such as growth-driven acquisitions and capital expenditures. The higher the free cash flow available in a company, the healthier the company is because it has cash to grow, pay debts and dividends. Free cash flow is also very important for the company's future growth and maintaining a positive net present value of the company (Erianti, 2019).

2.6. Leverage

Leverage is the use of fixed cost company assets and financial resources to increase potential returns to shareholders. Leverage refers to the debt owned by the company. To increase production capacity, companies use leverage, which literally means leverage. This leverage can come from within or outside the company. The purpose of using leverage is only to increase company profits. Leverage can be measured or calculated using leverage *ratios*. According to Gunawa (2013), the debt ratio or leverage *ratio* measures the extent to which a company finances its business by comparing its own deposited funds (equity) with the amount borrowed from creditors (Kuswanta, 2016).

2.7. Profitability

According to Sutrisno (2009:16) Profitability is the company's ability to generate returns on all the capital contained therein. Profitability according to Sofyan Syafri Harahap (2009:304) describes the ability of a company to generate profits with all the characteristics and resources it has, such as sales skills, cash, capital, number of employees, number of branches owned by the company, and others. Meanwhile, according to Brigham and Houston (2009: 109) profitability is at the core of various company policies and decisions (Nelfani juliani & Rahayu, 2016). Profitability is the company's ability to generate profits or gains. The profit is generated from its own capital. The theory of profitability as a reference in measuring the size of profit is very important

to find out whether the company has worked efficiently.

2.8. Liquidity

According to Munawir (2007:31) liquidity shows the company's ability to meet financial obligations that must be fulfilled immediately, or the company's ability to fulfill its financial obligations when billed. Liquidity can be understood as the ability of a company to pay a number of short-term obligations, usually less than one year. The measure of the concept of liquidity includes the current ratio, quick ratio, ratio of cash and net working capital to total assets. This aspect of the concept of liquidity reflects a measure of management performance to the extent that management is able to manage working capital financed by current debt and the company's cash balance.

2.9. Firm Size

Putu Ayu and Gerianta (2018), argue that firm size or firm size is a scale in which firm size can be classified as measured by total assets, sales volume, share value, and others. Firm size is a measure that shows the size of a company, including total sales, average sales, and total assets. Firm size is one of the factors that can affect revenue. The bigger the company, the stronger it is to solve business problems and its ability to generate high profits, because companies rely on large assets to be able to overcome corporate obstacles. Companies with large total assets or total assets indicate that the company has reached the maturity stage where the company's cash flow is positive and is considered to have good prospects for the same period of time (Rachmawati, 2015).

2.10. Company Growth

The company's growth is reflected in the growth of the company's assets from year to year. According to Brigham (2011: 211) company growth will affect dividend policy where with a good growth rate, the company will allocate incoming capital to invest so that it will reduce dividend distribution to shareholders (KAN Sari & Sudjarni, 2015). The company's growth is a goal that is highly expected by internal and external parties because it has a positive impact on the company and interested parties such as investors, creditors and shareholders. Company growth is often used as a measuring tool in assessing the development of a company. Company growth can be interpreted by increasing the size and performance of the company in the long run. The most common method used to determine a company's growth rate is to measure an increase in investment or an increase in company assets (MR Sari et al., 2016).

2.11. Research methods

2.11.1 Data Types and Sources

The data collection method in this study uses the documentation method. The documentation data comes from relevant financial reports, published articles, journals, and textbooks. The data used in this research is secondary data, namely by collecting data from consumer goods industry companies listed on the Indonesia Stock Exchange from 2018 to 2020. This data can be obtained through the website www.idx.co.id and other information sites.

2.11.2 Population and Sample

The population in this study are all consumer goods industry sub-sector companies listed on the Indonesia Stock Exchange (IDX) during the period 2018 to 2020. The purpose of this study was to determine the effect of free cash flow, leverage, profitability, liquidity, firm size, and growth company on dividend policy. The data used in this study is secondary data obtained by collecting data from consumer goods industry sub-sector companies listed on the Indonesia Stock Exchange in 2018-2020. This data can be obtained through the website www.idx.co.id and other information sites.

Sampling used in this study using a purposive sampling method of selecting samples by taking samples that meet certain criteria to get the right sample. Samples obtained from the Indonesian Stock Exchange (IDX) for three years, namely 118 companies. In this study there were 27 companies that met the research criteria, so a total unit of analysis of 81 samples was obtained from the annual reports of consumer goods industry sub-sector companies listed on the Indonesia Stock Exchange for 2018-2020.

2.11.3 Definition and Measurement of Research Variables

Dividend Policy

In research (Kuswanta, 2016) dividend policy is measured using *the Dividend Payout Ratio (DPR).*

$$DPR = \frac{\text{Dividend Per Share}}{Earning\ Per\ Share}$$

Free Cash Flow

To measure free cash flow , it is obtained from cash from operations less capital expenditure divided by total assets (Ulfa et al., 2020).

$$FCF = \frac{AKO - Capital\ Expenditure}{Total\ Aset}$$

Leverage

The ratio used to measure the leverage *variable* is the debt to equity ratio (DER) with a type of scale, namely the ratio scale (Ulfa et al., 2020).

$$DER = \frac{Total\ Utang}{Total\ Modal}$$

Profitability

To measure the profitability of a company, this study uses the company's ROA calculation which can be calculated using the formula:

$$ROA = \frac{Earning\ After\ Tax}{Total\ Aset}$$

Liquidity

Liquidity can be proxied by using the current ratio formula (Ulfa et al., 2020) .

$$CR = \frac{Current\ Asset}{Current\ Liabilities}$$

Firm Size

The formula for calculating firm size is based on the natural logarithm of total assets (Hand Prastya & Jalil, 2020).

$$Firm = Ln(Total\ Aset)$$

Company Growth

In research, the company's growth rate is measured by looking at the growth of a company's assets (Silaban & Purnawati, 2016).

$$Growth = \frac{Total\ Aset\ t - Total\ Aset\ t-1}{Total\ Aset\ t-1}$$

2.11.4 Data Analysis

Data analysis in this study used regression analysis which was calculated using SPSS version 26 software. Regression was used to measure the influence of the independent variables on the dependent variable. This study uses multiple linear regression because the independent variables used are more than one variable. The multiple linear regression analysis method used in this study includes descriptive statistics, classical assumption tests and hypothesis testing.

2.12.4.1 Descriptive Statistics

Descriptive statistics are only limited to providing a general description of the characteristics of research subjects without intending to generalize the sample for the population. Descriptive statistics are used to explain or provide insight into the characteristics of a data series without drawing general conclusions. Presentation of descriptive statistical data is usually done in the form of graphs or tables. Descriptive statistics include the mean, median, maximum, minimum, and standard deviation values. Descriptive statistical analysis aims to describe the data from the results obtained from respondents' responses to each indicator measurement variable (Hand Prastya & Jalil, 2020).

2.12.4.2 Classic Assumption Test

Normality Test

According to Ghozali (2018: 145) a normality test is carried out to check whether in the regression model the independent variables and dependent variables or both are normally distributed or not. (Hermiyanty, Wandira Ayu Bertin, 2017). One of the statistical methods that can be used in the normality test can be measured using

the One-Sample Kolmogorov-Smirnov sample with a significance level of 0.05. In testing this study, the normality test used the Monte Carlo exact test in carrying out the One-Sample Kolmogorov-Smirnov test. Based on the significance level, it can be concluded that if the Sig value ≥ 0.05, then the data distribution is normal and if the Sig value ≤ 0.05, then the data is not normally distributed.

Multicollinearity Test

Multicollinearity is a condition indicating that one or more independent variables are correlated with other independent variables. A good model is a model that does not show a correlation between the independent variables. The method used to test the multicollinearity in the regression equation is done by regressing the analysis model and performing a correlation test between independent variables using the tolerance value and variable inflation factor (VIF). If the tolerance value is > 0.10 and the VIF value is <10.00, then multicollinearity does not occur. Because the tolerance value is limited or the limit value is >0.10 and the VIF value is <10.00 (Hand Prastya & Jalil, 2020).

Heteroscedasticity Test

The heteroscedasticity test is a test to check whether in a regression model there is dissimilarity between the residual values of one observation after another. If there are similarities between one observation and another it is called uniform variance (homocedasticity), whereas if there are differences it is called heterogeneous variance (Hand Prastya & Jalil, 2020). One way to detect heteroscedasticity is the Rank Spearman test. According to Jonathan and Ely (2010) stated that Rank Spearman correlation is used to determine the relationship or influence between two ordinal scale variables, namely the independent variable and the dependent variable. In detecting the Heteroscedasticity test, the following analysis can be used, if the significance value of all variables is > 0.05 then there is no heteroscedasticity. If the significance value of all variables is <0.05 then there is heteroscedasticity.

Autocorrelation Test

Ghazali (2018: 121) states that the autocorrelation test arises because successive observations from time to time are interrelated. This problem arises because the disturbance (residual) cannot be separated from observation after observation. A good regression model is one that has no autocorrelation. Autocorrelation test using the Durbin-Watson test (DW test) requires intercept (constant) in the regression model and there is no lag between independent variables. The first step is to examine Durbin-Watson in formulating hypotheses (Hermiyanty, Wandira Ayu Bertin, 2017). The autocorrelation test aims to examine whether in the linear regression model there is a correlation between the disturbance error of the t-period (current) and the disturbance error of the t-1 period (previously).

2.12.4.3 Multiple Regression Analysis Test

Basically, multiple regression analysis has the same concept as simple regression analysis, but the difference is the number of independent variables. In simple regression analysis, it consists of two variables (one dependent and one independent). Whereas in multiple regression analysis there is one dependent variable and more than one dependent variable. The research hypothesis was tested with multiple regression analysis. The multiple analysis test aims to examine the effect of several independent variables on the dependent variable. This can be measured from the F-statistic test, statistical t test, and the coefficient of determination (R^2) (Hand Prastya & Jalil, 2020). The regression equation to test the hypothesis is as follows:

$$\mathbf{Y = \alpha + b_1 F + b_2 Lv + b_3 P + b_4 Lq + b_5 U + b_6 PrU + \varepsilon}$$

Information:

Y = Dividend Policy
α = Constant
b = Regression Coefficient
F = Free Cash Flow
Lv = Leverage
P = Profitability
Lq = Liquidity
U = Firm Size

PrU = Company Growth
ε = Errors

Simultaneous Significance Test (F Statistical Test)

The F test basically aims to find out whether all the independent variables included in the model have a general effect on the dependent variable. If the independent variable has a simultaneous influence on the dependent variable, then the regression equation obtained is reliable or the research model used is appropriate. This test is carried out by comparing the calculated F value with F table. If F count > F table or Sig. < α = 0.05 then H_0 is accepted and H_1 is rejected.

T Test

The t-test was conducted to test the effect of each independent variable on the dependent variable. You do this by comparing the value of t count with t table. If t count > t table or Sig. < t_{table} or Sig. then H_0 is accepted and H_1 is rejected. If the significance value is less than 5%, H_0 is rejected and Ha is accepted.

Determination Coefficient Test (R^2)

The coefficient of determination (R^2) is used to measure the model's ability to explain changes in the dependent variable, namely dividend policy, which is caused by the independent variables, namely free cash flow, leverage, profitability, liquidity, firm size, and company growth. The coefficient of determination ranges from 0 to 1. A value close to 1 means that the independent variable provides almost all the information needed to predict changes in the dependent variable. Conversely, a low coefficient of determination indicates that the independent variable has very limited variation on the dependent variable (Hermiyanty, Wandira Ayu Bertin, 2017).

III. RESULTS

3.1 Descriptive Statistical Analysis

Table 1: Descriptive Analysis

	N	Minimum	Maximum	Means	std. Deviation
Dividend Policy	81	.0870	1.6770	,416852	,3115924
Free Cash Flow	81	-,3870	.4400	,091417	,1457577
leverage	81	,1640	4.2280	1.208790	1.0762774
Profitability	81	,0020	.4470	,093383	,0828807
Liquidity	81	,4740	8.0500	2.402370	1.6692247
firm Size	81	27,34	32,73	29.5311	1.43407
Company Growth	81	-,1610	1.6760	,106765	,2210903
Valid N (listwise)	81				

Source: Secondary Data, Processed, 2023

Based on the table above, this study has a total sample data of 81 data. Following are the results of descriptive statistical tests:

1. The dividend policy variable, which is the dependent variable, has a minimum value of 0.0870 and a maximum value of 1.6770. The average value (mean) of the dividend policy variable data is 0.414852 with a standard deviation value of 0.3115924.
2. The free Cash Flow variable has a minimum value of -0.3870 and a maximum value of 0.4400. The average value (mean) of the free cash flow *variable data* is 0.91417 with a standard deviation value of 0.14575777.
3. The leverage variable has a minimum value of 0.1640 and a maximum value of 0.1640. The average value (mean) of the leverage variable data is 4.2280 with a standard deviation of 1.0762774.
4. The profitability variable has a minimum value of 0.0020 and a maximum value of 0.4470. The average value (mean) of the profitability variable data is 0.093383 with a standard deviation of 0.0828807.

5. The liquidity variable has a minimum value of 0.4740 and a maximum value of 8.0500. The mean value of the liquidity variable data is 2.402370 with a standard deviation of 1.6692247 .
6. The firm size variable has a minimum value of 27.34 and a maximum value of 32.73. The average value (mean) of firm size variable data is 29.5311 with a standard deviation of 1.43407.
7. The company's growth variable has a minimum value of -0 .1610 and the maximum value is 1.6760. The average value (mean) of the company's growth variable data is 0.106765 with a standard deviation of 0.2210903.

3.2 Classic Assumption Test

Normality Test

Monte Carlo exact test in carrying out the One-Sample Kolmogorov-Smirnov Test, with the following results:

Table 2: Normality Test Results

			Unstandardized Residuals
N			81
Normal Parameters [a,b]	Means		,0000000
	std. Deviation		,26141830
Most Extreme Differences	absolute		, 117
	Positive		, 117
	Negative		-.064
Test Statistics			, 117
asymp. Sig. (2-tailed)			, [008c]
Monte Carlo Sig. (2-tailed)	Sig.		,309 [d]
	99% Confidence Intervals	LowerBound	, 176
		Upperbound	,441

Source: Secondary Data, Processed, 2023

Based on the table above, it is known that the significance value of Asymp Sig. (2-tailed) of 0.309 which is greater than 0.05, the data is normally distributed. So according to the basis for decision making in the One-Sample Kolmogorov-Smirnov normality test above, it can be concluded that the data is normally distributed. Thus, the normality assumptions or requirements in the regression model have been met.

Multicollinearity Test

Table 3: Multicollinearity Test Results

		Collinearity Statistics	
Model		tolerance	VIF
1	Free Cash Flow	,645	1,550
	leverage	,577	1,734
	Profitability	,606	1,649
	Liquidity	,540	1,851
	firm Size	,857	1.167
	Company Growth	,914	1,094

a. Dependent Variable: Dividend Policy

Source: Secondary Data, Processed, 2023

Based on the output table above, it is known that the Tolerance value for the Free Cash Flow, Leverage, Profitability, Liquidity, Firm Size and Company Growth variables is greater than > 0.10. Meanwhile, the VIF

value for the Free Cash Flow, Leverage, Profitability, Liquidity, Firm Size and Company Growth variables is less than <10.00. Referring to the basis of decision making in the multicollinearity test, it can be concluded that there are no symptoms of multicollinearity in the regression model.

Heteroscedasticity Test

Table 4: Heteroscedasticity Test Results

			Unstandardized Residuals	Free Cash Flow	leverage	Profitability	Liquidity	Firm Size	Company Growth
Spearman's rho	Unstandardized Residuals	Correlation Coefficient	1,000	-.072	.095	-,116	-,212	-.008	-,141
		Sig. (2-tailed)	.	,520	,401	,302	.058	,944	,210
		N	81	81	81	81	81	81	81
	Free Cash Flow	Correlation Coefficient	-.072	1,000	-,206	,568**	,159	.034	-,182
		Sig. (2-tailed)	,520	.	.065	,000	, 156	,760	,104
		N	81	81	81	81	81	81	81
	leverage	Correlation Coefficient	.095	-,206	1,000	-,472**	-,855**	, 111	.072
		Sig. (2-tailed)	,401	.065	.	,000	,000	,325	,521
		N	81	81	81	81	81	81	81
	Profitability	Correlation Coefficient	-,116	,568**	-,472**	1,000	,397**	, 155	,158
		Sig. (2-tailed)	,302	,000	,000	.	,000	, 167	,158
		N	81	81	81	81	81	81	81
	Liquidity	Correlation Coefficient	-,212	,159	-,855**	,397**	1,000	-.033	-.062
		Sig. (2-tailed)	.058	, 156	,000	,000	.	,770	,582
		N	81	81	81	81	81	81	81
	Firm Size	Correlation Coefficient	-.008	.034	, 111	, 155	-.033	1,000	, 116
		Sig. (2-tailed)	,944	,760	,325	, 167	,770	.	,303
		N	81	81	81	81	81	81	81
	Company Growth	Correlation Coefficient	-,141	-,182	.072	,158	-.062	, 116	1,000
		Sig. (2-tailed)	,210	,104	,521	,158	,582	,303	.
		N	81	81	81	81	81	81	81

Source: Secondary Data, Processed, 2023

Heteroscedasticity testing in this study used the Rank Spearman method. Based on the output table above, it is known that the significance value (Sig.) for the Free Cash Flow, Leverage, Profitability, Liquidity, Firm Size and Company Growth variables is indicating a significance value (2-tailed) greater than the value > 0.05. Because the significance value of the six variables above is more than 0.05, according to the basis of decision making in the Rank Spearman test, it can be concluded that there are no symptoms of heteroscedasticity in the regression model.

Autocorrelation Test

Durbin Watson method with the output results determined by the DW formula, namely du < d < 4-du.

Table 5: Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	std. Error of the Estimate	Durbin-Watson
1	,544 [a]	,296	,239	,2718098	2,022

Source: Secondary Data, Processed, 2023

Based on the table above, the results of the autocorrelation test using the Dirbin-Watson method with calculations from the SPSS output above show that:

n = 81

d = 2.022

dl = 1.482

du = 1.8008

4-dl = 2.518

4-du = 2 .1992

DW formula = du < d < 4-du (1 .8008 < 2.022 < 2.1992)

From the results of the calculation above that the DW value of 2.022 lies between the du and (4-du) values of 1.8008 and 2.1992 (du < d < 4-du) it can be concluded that there is no autocorrelation in the regression model used in this research.

3.3 Hypothesis Testing

3.3.1 Multiple Regression Analysis Test

Table 6: Multiple Regression Analysis Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	std. Error	Betas		
1	(Constant)	-,779	,685		-1.136	,260
	Free Cash Flow	-,016	,260	-.008	-.062	,951
	leverage	.043	,037	,149	1.159	,250
	Profitability	,947	,471	,252	2,011	.048
	Liquidity	.089	.025	,478	3,599	,001
	Firm Size	,029	.023	,134	1,272	,207
	Company Growth	-,168	,144	-,119	-1.169	,246
a. Dependent Variable: Dividend Policy						

Source: Secondary Data, Processed 2023

Based on the table above, the regression equation can be arranged as follows:

DPR = -0.779 – 0.016F + 0.043Lv + 0.947P + 0.089Lq + 0.029U – 0.168PrU + ε

In multiple linear regression an analysis of dependent variable and which two or more independent variables in this study using 6 independent variables. Based on the output table above, it is known that the independent variables that influence the dependent variable (Dividend Policy) are Profitability (X3) of 0.048 <0.005 and Liquidity (X4) of 0.001 <0.005. Meanwhile, Free Cash Flow (X1), Leverage (X2), Firm Size (X5), and Company Growth (X6) have no effect on the dependent variable (Dividend Policy) because the sig. >0.05.

Simultaneous Significance Test (F Statistical Test)

Table 7: Statistical Test Results F

Model		Sum of Squares	df	MeanSquare	F	Sig.
1	Regression	2,300	6	,383	5,189	,000 [b]
	residual	5,467	74	,074		
	Total	7,767	80			

a. Dependent Variable: Dividend Policy

b. Predictors: (Constant), Company Growth, Profitability, Leverage, Firm Size, Free Cash Flow, Liquidity

Source: Secondary Data, Processed, 2023

Based on the SPSS output table above, it is known that the Sig. is equal to 0.000. Because the value of Sig. 0.000 <0.05 then according to the basis of decision making in the F test it can be concluded that the hypothesis is accepted or in other words free cash flow, leverage , profitability, liquidity, firm size, and company growth simultaneously affect taxpayer compliance (Y).

Based on the SPSS output table above, it is known that the calculated F value is 5.189. Because the calculated F value is 5.189 > F table 2.21. So, partly the basis for decision making in the F test can be concluded that the hypothesis is accepted or in other words free cash flow (X1), leverage (X2), profitability (X3), liquidity (X4), firm size (X5) and company growth (X6)) simultaneously affects the dividend policy (Y).

T test

Table 8: T test results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	std. Error	Betas		
1	(Constant)	-,779	,685		-1.136	,260
	Free Cash Flow	-,016	,260	-.008	-.062	,951
	leverage	.043	,037	,149	1.159	,250
	Profitability	,947	,471	,252	2,011	.048
	Liquidity	.089	.025	,478	3,599	,001
	Firm Size	,029	.023	,134	1,272	,207
	Company Growth	-,168	,144	-,119	-1.169	,246

Source: Secondary Data, Processed 2023

1. Based on the significance value (sig.)

Based on the output table above, it is known that the significance value (Sig.) of the X1 variable is 0.951 > 0.05, so the first hypothesis (H1) is rejected. The X2 variable is 0.250 > 0.05, so the second hypothesis (H2) is rejected. The X3 variable is 0.048 < 0.05, so the third hypothesis (H3) is accepted. The X4 variable is 0.001 < 0.05, so the fourth hypothesis (H4) is accepted. The X5 variable is 0.207 > 0.05, so the fifth hypothesis (H5) is rejected. The X6 variable is 0.246 > 0.05, so the sixth hypothesis (H6) is rejected. This means that there is an effect of Profitability (X3) and Liquidity (X4) on Dividend Policy (Y) and there is no effect of Free Cash Flow (X1), Leverage (X2), Firm Size (X5) and Company Growth (X6) on Dividend Policy (Y).

2. Based on t table value

Based on the output table above, it is known that the t value of variables X3 and X4 is > 1.98969 (t table), so in this test it can be concluded that H3 and H4 are accepted. While X1, X2, X5 and X6 < 1.98969, it can be concluded that the hypothesis of the four variables is rejected.

Determination Coefficient Test (R^2)

Table 9: Test Results for the Coefficient of Determination (R^2)

Summary Model [b]

Model	R	R Square	Adjusted R Square	std. Error of the Estimate	Durbin-Watson
1	,544 [a]	,296	,239	,2718098	2,022

Source: Secondary Data, Processed, 2023

Based on the output table above it is known that the value of the coefficient of determination or R Square is 0.239. The magnitude of the coefficient of determination (R Square) equals 23.9%. This figure means that the

variables Free Cash Flow, Leverage, Profitability, Liquidity, Firm Size and Company Growth simultaneously affect the Dividend Policy (Y) of 23.9%. While the rest (100% - 23.9 % = 76.1%) is influenced by other variables outside the regression equation or variables not examined.

IV. DISCUSSION

1. Effect of Free Cash Flow on Dividend Policy

Based on table 8, the SPSS output table shows that the significant value (Sig.) of the free cash flow variable (X1) is 0.260. Because the value of Sig. 0.260 > probability 0.05 so, it can be concluded that **H1 or the first hypothesis is rejected**. This means that there is no effect of free cash flow (X1) on dividend policy (Y). Based on the SPSS output, it is known that the T table value is 1.98969. Because the t value is -0.062 < t table 1.98969, it can be concluded that **H1 or the first hypothesis is rejected**. This means that there is no effect of free cash flow (X1) on dividend policy (Y).

2. Effect of Leverage on Dividend Policy

Based on table 8, the SPSS output table shows that the significant value (Sig.) of the leverage variable (X2) is 0.951. Because the value of Sig. 0.951 > probability 0.05 so, it can be concluded that **H2 or the second hypothesis is rejected**. This means that there is no effect of leverage (X2) on dividend policy (Y). Based on the SPSS output, it is known that the T table value is 1.98969. Because the value of t count is 1.159 < t table 1.98969, it can be concluded that **H2 or the second hypothesis is rejected**. This means that there is no influence of leverage (X2) on dividend policy (Y).

3. Effect of Profitability on Dividend Policy

Based on table 8, the SPSS output table shows that the significant value (Sig.) of the profitability variable (X3) is 0.048. Because the value of Sig. 0.048 < probability 0.05 so, it can be concluded that **H3 or the third hypothesis is accepted**. This means that there is an effect of profitability (X3) on dividend policy (Y). Based on the SPSS output, it is known that the T table value is 1.98969. Because the value of t count is 2.011 > t table 1.98969, it can be concluded that **H3 or the third hypothesis is accepted**. This means that there is an effect of profitability (X3) on dividend policy (Y).

4. The Effect of Liquidity on Dividend Policy

Based on table 8, the SPSS output table shows that the significant value (Sig.) of the liquidity variable (X4) is 0.001. Because the value of Sig. 0.001 < probability 0.05 so, it can be concluded that H4 or the fourth **hypothesis is accepted**. This means that there is an effect of liquidity (X4) on dividend policy (Y). Based on the SPSS output, it is known that the T table value is 1.98969. Because the t count value is 3.599 > t table 1.98969, it can be concluded that **H4 or the fourth hypothesis is accepted**. This means that there is an effect of liquidity (X4) on dividend policy (Y).

5. Effect of Firm Size on Dividend Policy

Based on table 8, the SPSS output table shows that the significant value (Sig.) of the firm size variable (X5) is 0.207. Because the value of Sig. 0.207 > probability 0.05 so, it can be concluded that H5 or the **fifth hypothesis is rejected**. This means that there is no effect of firm size (X5) on dividend policy (Y). Based on the SPSS output, it is known that the T table value is 1.98969. Because the value of t count is 1.272 < t table 1.98969, it can be concluded that **H5 or the fifth hypothesis is rejected**. This means that there is no effect of firm size (X5) on dividend policy (Y).

6. Effect of Company Growth on Dividend Policy

Based on table 8, the SPSS output table shows that the significant value (Sig.) of the company's growth variable (X6) is 0.246. Because the value of Sig. 0.246 > probability 0.05 so, it can be concluded that **H6 or the sixth hypothesis is rejected**. This means that there is no effect of company growth (X6) on dividend policy (Y). Based on the SPSS output, it is known that the T table value is 1.98969. Because the value of t count - 1.169 <t table 1 .98969, it can be concluded that **H6 or the sixth hypothesis is rejected**. This means that there is no effect of company growth (X6) on dividend policy (Y).

V. CONCLUSION

This study aims to determine the effect of free cash flow, leverage, profitability, liquidity, firm size, and company growth on dividend policy in consumer goods industry sector companies listed on the Indonesia Stock Exchange in 2018-2020. The data that has been collected and tested are 81 samples using multiple regression analysis. Based on the results of the research as described in the previous chapter, several conclusions can be drawn.

Free cash flow has no effect on the dividend policy of the consumer goods industry sector which is listed on the Indonesia Stock Exchange (IDX) for the 2018-2021 period. This is evidenced by a significance value of 0.951 which means it is greater than the level of significance which is set at 0.05. This shows that **H1 is rejected**. Leverage has no effect on the dividend policy of the consumer goods industry sector which is listed on the Indonesia Stock Exchange (IDX) for the 2018-2021 period. This is evidenced by a significance value of 0.250 which is greater than the level of significance which is set at 0.05. This shows that **H2 is rejected**. Profitability affects the dividend policy of the consumer goods industry sector which is listed on the Indonesia Stock Exchange (IDX) for the 2018-2021 period. This is evidenced by a significance value of 0.048 which means it is smaller than the level of significance which is set at 0.05. This shows that **H3 is accepted**.

Liquidity affects the dividend policy of the consumer goods industry sector which is listed on the Indonesia Stock Exchange (IDX) for the 2018-2021 period. This is evidenced by a significance value of 0.001 which means it is smaller than the level of significance which is set at 0.05. This shows that **H4 is accepted**. Firm size has no effect on the dividend policy of the consumer goods industry sector which is listed on the Indonesia Stock Exchange (IDX) for the 2018-2021 period. This is evidenced by a significance value of 0.207 which means it is greater than the level of significance which is set at 0.05. This shows that **H5 is rejected**. The company's growth has no effect on the dividend policy of the consumer goods industry sector which is listed on the Indonesia Stock Exchange (IDX) for the 2018-2021 period. This is evidenced by a significance value of 0.246 which means it is greater than the level of significance which is set at 0.05. This shows that **H6 is rejected**.

Limitations and Suggestions

This research has limitations that need to be considered for the development of subsequent studies, namely the sample used in this study is limited to only the scope of the consumer goods industry sector companies listed on the Indonesia Stock Exchange (IDX) for the 2018-2020 period, using only the free cash flow variable, leverage, profitability, liquidity, firm size, and company growth as variables that influence dividend policy. This study only uses financial data for three years (2018-2020).

Based on the conclusions from the limitations in this study, the researcher provides suggestions for further research that is expected to be able to use samples originating from other company sectors or to be able to use all companies listed on the Indonesian Stock Exchange (IDX) so that they can generalize the research results, add variables- other independent variables such as managerial ownership, capital structure, collateralizable assets, investment opportunity sets, and institutional ownership which are expected to influence dividend policy, add years of research so that the results are more reliable.

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