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# Financial Performance Analysis of Dividends on the LQ45 Index

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***Abstract****. Dividend policy is a company's decision to distribute profits between shareholders and the company itself. This study aims to evaluate the influence of factors that determine dividend policy. The independent variables in this study include profitability, leverage, firm size, liquidity, firm age, corporate taxes, and growth opportunities, while the dependent variable is the managed dividend policy. Processed using table data. The limitation of the problem in this study is that by LQ45 index, we mean companies listed on the LQ45 index in the period 2022 and distributing dividends in the five year (2018-2022). The goal of the research is to see the influence of factors that determine dividend policy. The results of the conducted research show that liquidity and age of the company do not affect dividends. Profitability and debt have a significant negative impact on dividend policy. The size of the company, growth opportunities, and corporate tax then have a significant positive impact on dividends. The significance of the conducted research is to guide bank managers in re-evaluating the level of profitability and leverage used, as well as paying attention to the management of growth opportunities, tax, and regulatory aspects. Company's scale provide higher dividends.*

***Keywords****: Company Size; Corporate Tax; Dividend Policy; Leverage; Profitability*.

**Abstrak**. Kebijakan dividen adalah keputusan perusahaan dalam mendistribusikan laba antara pemegang saham dan perusahaan itu sendiri. Penelitian ini bertujuan untuk mengevaluasi pengaruh faktor-faktor penentu kebijakan dividen. Variabel independen dalam penelitian ini antara lain profitabilitas, leverage, ukuran perusahaan, likuiditas, umur perusahaan, pajak perusahaan, dan peluang pertumbuhan sedangkan, variabel dependennya adalah kebijakan dividen yang dikelola dengan data panel. Pembatasan masalah pada penelitian ini dimana yang dimaksud indeks LQ45 dalam penelitian yaitu perusahaan yang terdaftar pada Indeks LQ45 periode 2022 dan membagikan dividen dalam rentang lima tahun (2018-2022). Tujuan dari penelitian untuk melihat pengaruh faktor-faktor penentu kebijakan dividen. Hasil penelitian yang dilakukan memaparkan bahwa likuiditas dan umur perusahaan tidak berpengaruh terhadap dividen. Profitabilitas

dan leverage berpengaruh negatif signifikan terhadap kebijakan dividen. Selanjutnya, ukuran perusahaan, peluang tumbuh, dan pajak perusahaan berpengaruh positif signifikan terhadap dividen. Implikasi penelitian yang telah dilakukan ialah memberikan arahan bagi manajer bank untuk menilai ulang tingkat profitabilitas dan leverage yang digunakan, juga memperhatikan pengelolaan peluang pertumbuhan, aspek perpajakan, dan ukuran perusahaan agar dapat memberikan dividen yang lebih tinggi.

**Kata kunci**: Kebijakan Dividen; Leverage; Pajak Perusahaan; Profitabilitas; Ukuran Perusahaan.

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## BACKGROUND

Indonesia has a party that implements and facilitates a system for buying and selling assets from various parties who want to trade, the facilitator is called the Indonesia Stock Exchange (IDX), a lot of competition occurs for the purpose of shareholder welfare, as according to Shah (2023), Maximizing shareholder wealth is the organization's primary goal. In this case there are several ways to make it happen, one of these ways is by distributing dividends. According to Anuar et al. (2023), dividend distribution is important for investors, it shows the level of reward for every money they invest in a company. The management of this dividend distribution will be about the dividend policy that a business intends to implement.

Many things can affect dividend policy, including profitability, leverage, firm size, liquidity, firm age, growth opportunities and corporate tax. Some of these factors are important because according to Anuar et al. (2023). Because dividend policy has an impact on a company's funding and investment decisions, it has emerged as one of the most significant business concerns. In this sense, the corporation must manage its dividend policy on its own behalf as a means of promoting the interests of its shareholders.

Dividends are distributed by companies to investors is actually not required, but if the profits received by the company are sufficient to make dividend distributions then, the profits must be distributed to investors because, according to Sidhu et al. (2023), Payouts of dividends boost the company's credibility and value in the market, which in turn increases the share price. Thus, dividends are considered a reward for companies and investors. To increase company profits, it is important for a company to manage its profitability. As said by Sartika and Gantino (2023), the capacity to generate substantial profits allows businesses to pay higher dividends to investors or shareholders.

The existence of the corporate tax variable is based on the novelty article from Anuar et al. (2023), because the increase in corporate tax is associated with an increase in dividend payments to companies. Corporate tax applies to all companies located at home or abroad but operating in Indonesia. So that corporate tax will affect dividend decisions, because it will reduce the income generated by the company.

The LQ45 index was chosen because it has the largest liquidity and market capitalization. When making financial selections, investors frequently resort to LQ45. In

stock investment there is a concentration of ownership, which is the percentage of share ownership in a company (Jusuf et al., 2023). This indicates that due of its characteristics, the LQ45 index is frequently cited when making investment decisions. The study's main limitation is that the companies included in the LQ45 Index for the 2022 period are those that will be paying dividends between 2018 and 2022. The goal of the research is to see the influence of factors that determine dividend policy. According to Boumlik et al. (2023) and Anuar et al. (2023), the determinants of dividend policy are profitability, leverage, company size, liquidity, company age and growth opportunities, as well as company income tax.

## THEORETICAL REVIEW

### Dividend policy

Dividend policy is a financial policy in determining the company's decision whether to share profits by distributing dividends or not. Boumlik et al. (2023), The decision of whether undercut or do away with dividends put money aside in case you need emergency funds in the future, or to enhance or sustain dividend payments as a signal of anticipated development and strong performance, presents a challenge to corporations Dividend distribution decisions are very important for companies because it is one of the efforts in the welfare of their shareholders.

### Profitability

Profitability is a metric utilized to assess a company's capacity to generate profits (Sartika & Gantino, 2023). The company's profit serves as the foundation for formulating rules about the allocation of dividends to shareholders and the portion of profit that will be reinvested in the company as retained earnings. In order to enhance corporate earnings, it is crucial for a firm to effectively oversee its profitability, thereby enabling it to distribute dividend payments.

### Leverage

Leverage refers to a loan or debt fund that is utilized to fund the company's operations with the goal of boosting earnings. Anuar et al. (2023), A high amount of liability indicates that the business must pay high interest rates and fixed debt, which puts the business at risk of running out of cash and cash equivalents before these payments are made. Thus, this will affect dividend payment decisions.

### Firm size

According to Maulany et al. (2023), assets that the size of a company or its share may be measured using the firm size scale. The size of a corporation is typically assessed using a variety of metrics, including total revenue, stock market value, number of corporate assets, and firm size. With this measurement, it means that firm size can influence investors' decisions to invest or not so that it affects profits which will affect dividend policy. This means that firm size can also affect the level of investor confidence in the company in making decisions, including dividend distribution.

### Liquidity

According to Angela and Daryanti (2023), A higher level of liquidity indicates that the company is better able to meet its short-term obligations, which allows it to pay

out larger dividends. This means that liquidity will affect the dividends that the company wants to distribute later, because the level of liquidity will show the strength of the company in fulfilling debt. If the debt is fulfilled easily, it will affect the dividend distribution decision.

**Firm age**

Firm age is the age of the company from the time it was founded until the investigation was carried out. According to Fadila et al. (2023), the longer the business has existed, the more business experience it has. Because the organization has more experience, its policies and decision-making will be more optimal and mature. With this experience, the company can make wiser decisions regarding the use of capital and dividend distribution decisions that will be made later.

**Growth opportunities**

Growth opportunities according to Boumlik et al. (2023), higher growth opportunities will usually distribute fewer dividends this is done to maintain internal funds to finance investment because internal resources remain a preferred financing option. This means that growth opportunities can affect dividend policy because the funds owned are allocated to the company's growth opportunities. With this influence, growth opportunities are used because they are able to influence dividend policy.

**Corporate tax**

Corporate tax is a fee that companies must pay to the state as a form of contribution to building the country. According to Oliveira et al. (2023), in contrast to other sources of state revenue, tax is a mandatory obligation and cannot be compromised or replaced with anything else. This means that taxes will reduce revenue which will affect dividend policy later.

**Hypotheses Development**

Nai (2022) proves that profitability has a substantial and beneficial effect on dividend policy. High-profitability businesses may typically pay out larger dividends from their available revenue. Research conducted by Goldwin and Handayani (2022) discovered a strong positive correlation between profitability and dividend policy. Shareholders tend to see companies that make profits consistently, by conveying positive signals that tell them that the company has a strong financial condition. Consequently, the following is how the first hypothesis is put forth:

H1: There is an effect of profitability on dividend policy.

The results of Aghnitama and Widyarti (2023) discovered that leverage has a considerable detrimental influence on dividend policy. This implies that the dividend paid out will decrease if the company's leverage rises. The risk of debt increases with the amount of debt a company utilizes for operating activities. As a result, management of the firm will prioritize using earnings to pay down debt, which will have an effect on dividend payments.

Lestari et al. (2021) discovered that leverage significantly has a detrimental impact on dividend policy. High levels of leverage also come with a high degree of financial risk, which will limit the company's ability to pay dividends. The increase in debt will reduce the net income of a company so that it will reduce the dividends to be

distributed. Research by Zultilisna et al. (2023) discovered that leverage has a large favorable impact on dividend policy. High leverage can be used to fund profitable projects that will strengthen the company's finances if shareholders approve of its use. The second hypothesis is put out as follows, taking into account the findings of earlier studies:

H2: The dividend policy is influenced by leverage.

The study conducted by Lestari et al. (2021) shown that an organization's dividend policy was significantly positively impacted by the size of the firm. As the company grows, so too will the size of the dividends that will be paid out. This is because businesses often have significant resources, allowing them to consistently provide dividends. Helmina and Hidayah (2017), discovered that a dividend policy is significantly influenced by a company's size. Larger companies may also have the opportunity to undertake larger-scale initiatives, leading to increased revenue that may be used to finance dividend distributions.

The research done by Dhumawati et al. (2021), revealed a substantial adverse impact of company size on dividend policy. Large corporations may also possess substantial risk management requirements over an extended period, It might affect the company's liquidity and thus its capacity to pay dividends. Accordingly, the third hypothesis is expressed as:

H3: There exists a correlation between the size of a corporation and its dividend policy.

The choice is based on the findings of Dhumawati et al. (2021), who revealed a considerable negative influence of the liquidity variable on dividend policy. Consequently, an increase in liquidity will result in a decrease in dividend payments. This arises due to the company's substantial debt burden, which may compel it to tap into its liquidity reserves to fulfill its commitments.

The results of Friza (2022) research discovered that the dividend policy was significantly impacted negatively by the liquidity variable relationship. This implies that dividends will be distributed less frequently as liquidity rises. This occurs when the company has a large debt load, which may require the corporation to use liquidity money in order to meet its obligations.

Noviyana and Rahayu (2021) discovered that dividend policy is significantly positively impacted by the liquidity variable. Additionally, liquidity enables the business to weather unforeseen financial difficulties without having to reduce payouts. The fourth hypothesis is developed in the following manner in light of the study that has been completed:

H4: There is an effect of liquidity on dividend policy.

The results of research by Boumlik et al. (2023) discovered that firm age significantly influences dividend policy in a good way. Long-standing businesses have a lengthy operational history and are regarded by shareholders as having stability in financial affairs; this can provide assurance that dividends will be paid on a regular basis. Tinungki et al. (2022) discovered that firm age significantly influences dividend policy in a good way of variations in the life cycle of businesses that have progressed beyond the growth and expansion phase often prioritize paying out profits to their shareholders.

Maurelliyah and Hermanto (2022) discovered that the age of the firm has a negative and significant impact on dividend policy. Typically, young or startup

businesses prioritize business development and growth over dividend distributions. In comparison to businesses that have been in business for a longer period of time, this results in lower dividend payouts. Drawing from the existing body of knowledge, the fifth hypothesis is articulated as follows:

H5: There is an effect of firm age on dividend policy.

Research conducted by Lestari (2017) revealed that dividend policy is significantly impacted negatively by growth potential. The effect of growth opportunities, can vary throughout the business life cycle, newly growing companies will more often focus on growth than distributing dividends. Wulandari et al. (2020), discovered that the dividend policy is significantly impacted negatively by growth prospects. New dangers may also accompany growth potential, if these initiatives fail frequently, so it may affect the profitability and dividend-paying capacity of the business.

Research by Lu et al. (2021) discovered that expansion prospects significantly and favorably influence dividend policy. Businesses with good growth prospects have the potential to make significant profits in the future. Drawing from the existing body of knowledge, the sixth the hypothesis articulated as follows:

H6: There is an effect of growth opportunities on dividend policy.

Isabella and Susanti (2017) learned that dividend policy is significantly and favorably affected by corporation tax. Therefore, dividends will be larger in proportion to the amount of tax paid by the corporation. Corporate tax can provide higher dividends because an increase in corporate tax indicates an increase in sales and profits for the company to pay dividends to shareholders.

Research conducted by Anuar et al. (2023) discovered that corporate tax has a negative and considerable impact on dividend policy. Companies withhold dividend payments to evade taxes because of the corporate tax. Corporate tax has a negative and considerable impact on dividend policy, according to (Abigail et al., 2020). It's possible that shareholders would rather hold onto their shares for the long run and wait for the tax rate to drop. The following formulation of the seventh hypothesis is based on the research that has been conducted:

H7: There is an effect of corporate tax on dividend policy.

**Research Model**

Previous research by Boumlik et al. (2023) discovered that growth prospects and profitability significantly influence dividend policy in a good way. The dividend policy was found to be significantly and negatively impacted by the same research that examined other characteristics, such as leverage, business size, and firm age. Dhumawati et al. (2021), demonstrated that dividend policy is significantly affected negatively by the liquidity variable. In a separately research, Anuar et al. (2023) discovered that dividend policy is considerably and negatively impacted by corporate taxes. This suggests that the company's performance has an impact on the dividend policy. Given the aforementioned rationale, the research model that was created for this research is shown in Figure 1.

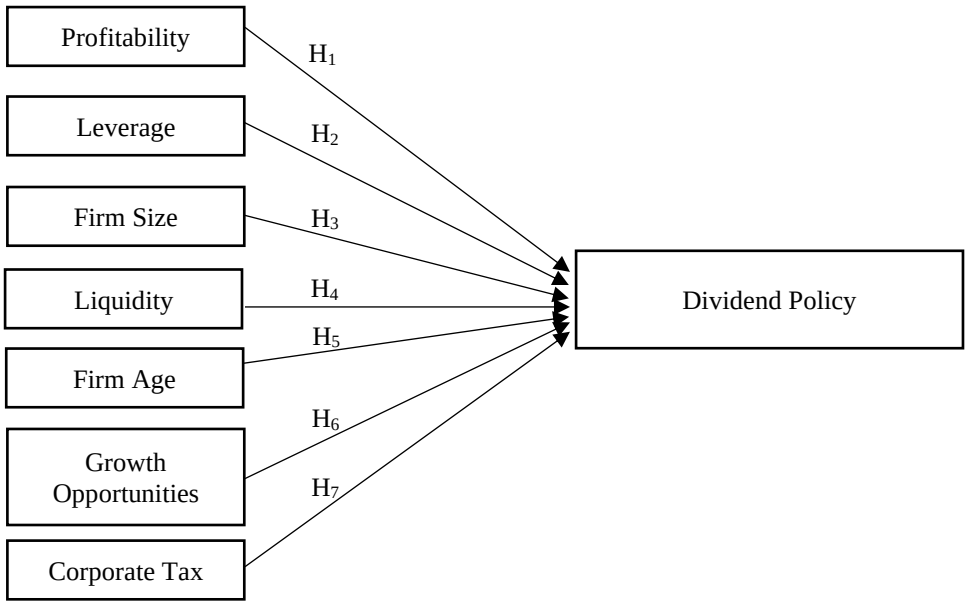


**Figure 1. Research Model**

The correlation between the two sets of data is seen in Figure 1. Specifically, the effect of profitability, leverage, firm size, liquidity, firm age, growth opportunities, and corporate tax partially on dividend policy, as well as the simultaneous effects of profitability, leverage, firm size, liquidity, growth opportunities, and corporate tax on dividend policy, are all partially related to each other.

## RESEARCH METHODS

The research in this study uses quantitative research methods supported by library research. This data collection process makes use of secondary data collection techniques, specifically data sourced from businesses that have made their data public. webpages maintained by the Indonesia Stock Exchange (https://www.idx.co.id), Yahoo Finance (https://www.finance.yahoo.com), RTI Business (https://www.rti.co.id), and each sampled firm site served as the research's data sources. This research data consists of data on business entities included in the LQ45 Index of the Indonesia Stock Exchange throughout the time 2018-2022. This study includes information on businesses listed between 2018 and 2022 that are included in the Indonesia Stock Exchange's LQ45 index. Inquire with businesses that are listed on the LQ45 index 2022. Purposive sampling was employed to gather the research sample, purposive sampling is a technique for determining the sample to be used according to criteria known to the researcher. Using this methodology, researchers apply the subsequent standards based on Table 1.

**Tabel 1. Sample Criteria**

| No | Description | Total |
|---|---|---|
| 1 | Companies listed on the LQ45 Index | 45 |
| 2 | The company does not have complete information for the period 2018-2022 | (22) |
| 3 | The company does not have complete information about the measurement data on the variables | (2) |
| 4 | Total companies that are eligible for sampling | 21 |
| | Total observations during the period | 105 |

Based on the criteria of the sampling methodology, a research sample of 21 companies listed in LQ45 that pay dividends was obtained. The sample was tested in accordance with the research data for the 2018-2022 research period. The information utilized is derived from secondary sources, including the websites of each firm and the Indonesia Stock Exchange. After data collection, data analysis is carried out in the form of classical hypothesis testing and panel data regression analysis using the EViews9 application. Panel data regression analysis is a combination of time series data and cross section data (Sihombing, 2021). Data collected at one time on many units of observation is called cross-individual data, while data collected over time.

## Research Regression Model

The panel data regression model in the study of Boumlik et al. (2023) and Anuar et al. (2023), can be written in formula [1].

$$DPR_{it} = \alpha + \boldsymbol{\beta_1} ROA_{\boldsymbol{it}} + \boldsymbol{\beta_2} DAR_{\boldsymbol{it}} + \boldsymbol{\beta_3} SIZE_{\boldsymbol{it}} + \boldsymbol{\beta_4} CR_{\boldsymbol{it}} + \beta_5 AGE_{\boldsymbol{it}} + \beta_6 PBV_{\boldsymbol{it}} + \beta_7 TAX_{\boldsymbol{it}} + \varepsilon_{it} \text{ ----} \quad [1]$$

Description:

| | |
|---|---|
| $\alpha$ | = Constant |
| $\beta_1$ | = Constant |
| $\beta_1$(ROA)it | = *Profitability* Coefficient |
| $\beta_2$(DAR)it | = *Leverage* Coefficient |
| $\beta_3$(SIZE)it | = *Firm Size* Coefficient |
| $\beta_4$(CR)it | = *Current Ratio* Coefficient |
| $\beta_5$(*AGE*)it | = *Firm Age* Coefficient |
| $\beta_6$(PBV)it | = *Growth Opportunities* Coefficient |
| $\beta_7$(*TAX*)it | = *Corporate Tax* Coefficient |

There are stages in testing the regression model in this research which are described as follows.

## Chow Test

The results of the chow test are tests carried out to determine the panel data regression model where the chow test has two options that must be determined, namely common effect or fixed effect. In this research, the chow test is useful to determine which model is better and more appropriate. The hypothesis in the chow test can be stated as follows:

$H_0$: The correct model is common effect.

$H_a$: The right model is fixed effect.

The decision making criteria is if the probability is if the cross-section chi-square probability value is <0.05 then $H_0$ is rejected and the most appropriate model is fixed

effect. If the chisquare cross-section probability value is > 0.05 then $H_0$ is accepted and the most appropriate model is the common effect.

**Hausman Test**

The results of the Hausman test are tests carried out with the aim of comparing the two options that must be determined, namely fixed effect or random effect. In this research, the Hausman test is useful to determine which model is better and more precise. The hypothesis in the Lagrange multiplier test can be stated as follows:

$H_0$: The correct model is random effect.

$H_a$: The right model is fixed effect.

As for the decision-making criteria, if the random cross-section probability is <0.05. $H_0$ is rejected, and the most appropriate model is fixed effect. If the random cross-section probability is > 0.05. $H_0$ is accepted and the most suitable model is a random effect.

**Goodness of Fit Test ($R^2$)**

Testing aims to see how much influence the independent variable has in explaining the dependent variable. This analysis test uses the adjusted value $R^2$ because the number of independent variables is more than one. The Goodness of Fit test is also one of the most frequently used non-parametric tests. The goal is to determine how closely the observed frequencies correspond to the expected frequencies. Of course, the more complex a measurement model is for a concept, the more complex the instruments needed to test the suitability of the model will be.

**F-test**

This test is carried out to test whether at least one independent variable has a significant influence on the dependent variable with the aim of determining whether the regression model is suitable for use or not. The F test aims to find out whether the independent variables together influence the dependent variable. The F test is carried out to see the influence of all independent variables together on the dependent variable. The level used is 0.5 or 5%, if the significant value F <0.05 then it can be interpreted that the independent variable simultaneously influences the dependent variable or vice versa. The simultaneous F test (Simultaneous Test) is used to determine whether or not there is a joint or simultaneous influence between the independent variables on the dependent variable.

**t-test**

The t-test is carried out partially to measure whether the independent variable has a significant influence on the dependent variable. The t-test was carried out to test the research hypothesis regarding the influence of each independent variable partially on the dependent variable. Decision making is done by looking at the significance value in the Coefficients table. Usually the basis for testing regression results is carried out with a confidence level of 95% or with a significance level of 5% ($\alpha = 0.05$) and confidence level of 90% or with a significance level of 10% ($\alpha = 0.1$).

## RESULTS AND DISCUSSION

### Chow test and Hausman test

There are two ways to interpret the Chow test results: fixed effect or common effect. The best fit model in this study can be determined using the Chow test. The alternative hypothesis, which holds that there is cross-sectional heterogeneity, and the null hypothesis, which holds that there is no individual heterogeneity, are the foundations of the Chow test. There are two options for interpreting the Hausman test results: fixed effect or random effect. The Hausman test proves which model is the best and most appropriate in this investigation.

The cross section chi square profit value on the model is 0.0000 <0.05, which indicates that the choice produced is $H_0$ fails to be accepted, indicating that the model used has a fixed effect. These findings are based on the results of Table 2's Chow and Hausman tests. If the chosen model has a fixed effect, more research using the Hausman test is necessary to ascertain if the model being employed has a random effect or a fixed effect. In order to decide whether or not $H_0$ is accepted, testing the model yields a random cross-sectional probability value of 0.1148> 0.05. In this case, the model that was utilized is a random effect model.

**Tabel 2. Chow Test and Hausman Test Results**

| | Test Summary | Statistic | Prob. | Decision |
|---|---|---|---|---|
| **DPR** | *Cross-section Chi-square* | 73.818836 | 0.0000 | Rejected $H_0$, *Fixed Effect* selected |
| | *Cross-section random* | 11.591260 | 0.1148 | Accepted $H_0$, *Random Effect* selected |

Source: Data processed using Eviews.

## Goodness of Fit Test ($R^2$)

As a variable measuring dividend payout ratio, the adjusted r-squared score is 0.227878, which is based on the goodness of fit test value. This indicates that the remaining 22.7878 percent of the variation in financial performance may be explained by the independent variables, which include corporate tax, profitability, leverage, business size, liquidity, firm age, and growth possibilities. The result of 77.2122% verifies that elements not included in this model can have an impact on the dividend payout ratio.

## F-test

It is evident from the simultaneous test value that the likelihood of the F-statistic was 0.000031 < 0.05. Thus, this study's analysis proves the presence of at least one independent variable, namely corporate tax, profitability, leverage, firm size, liquidity, firm age, growth opportunities, and corporate tax that has an effect on the dividend payout ratio, making the application of the regression model possible for this research.

We use a sample of Indonesian companies who were LQ45 index members in 2022 to talk about what factors influence dividend policy. Where with 10 enterprises and a proportion of 22.22 percent, the mining sector has the highest number of businesses. With 8 companies and a rate of 17.78 percent, the banking sector has the second-highest number of businesses. With a combined total of 7 companies and a 15.56 percent share, the two sectors with the third highest number of businesses are Trade, Service, and Investment as well as Basic Industry and Chemicals.

**Table 3. LQ45 Index by Sector**

| Sectors | Total Company | Percentage |
|---|---|---|
| Mining | 10 | 22.22% |
| Consumer Goods | 5 | 11.11% |
| Financial | 8 | 17.78% |
| Trade Service and Investment | 7 | 15.56% |
| Miscellaneous Industry | 1 | 2.22% |
| Property, Real Estate, and Construction | 1 | 2.22% |
| Basic Industry and Chemicals | 7 | 15.56% |
| Infrastructure, Utilities, and Transportation | 5 | 11.11% |
| Trade Service and Investment | 1 | 2.22% |
| **Total** | **45** | **100.00%** |

## Descriptive Statistical Analysis

The DPR data set exhibits a standard deviation of 0.396685, a median value of 0.500000, and a standard value of 0.574095. Additionally, PT Unilever Indonesia, Tbk. earned a maximum DPR value of 2.770000 in 2019 and PT Indah Kiat Pulp & Paper, Tbk. obtained a minimum value of 0.020000 in 2022. The average ROA value is 0.574095, the median is 0.070000, and the standard deviation is 0.089289. The lowest ROA value is 0.004000, held by PT Bank Negara Indonesia (Persero), Tbk. in 2020, PT Unilever Indonesia, Tbk. held the highest valuation at 0.470000 in 2018. DAR's values are 0.526952 on average, 0.510000 on the median, and 0.212884 on the standard deviation. In 2021, PT Bank Negara Indonesia (Persero), Tbk. holds the highest value of DAR 0.870000, while the lowest value is 0.110000, owned by PT Mitra Keluarga Karyasehat, Tbk. in 2022.

The value of SIZE ranges from Rp 3178,571 to Rp 3129,000, with Rp 211.8134 being the standard deviation. The lowest value of SIZE is Rp 2550,000 owned by PT Indah Kiat Pulp & Paper, Tbk. in 2019 and the maximum value is Rp 3523,000 owned by PT Bank Mandiri (Persero), Tbk. in 2022. With a median value of 1.450000, an average value of 2.537810, and a standard deviation of 5.029299, CR is measured. In 2018, PT BFI Finance Indonesia, Tbk. had the largest value of CR at 36.53000, while in 2022, PT Bank Negara Indonesia (Persero), Tbk. controlled the lowest value at 0.180000. AGE is measured as follows: its median value is 24.00000 years, its average value is 22.33333 years, and its standard deviation is 8.929927 years. In 2022, PT Unilever Indonesia, Tbk. will own AGE at its maximum of 40.00000 years, and in 2018, PT Mitra Keluarga Karyasehat, Tbk. will own AGE at its minimum of 3.000000 years.

PBV's values are 5.217048 on average, 1.980000 on the median, and 10.48776 on the standard deviation. PBV has a minimum value of 0.330000 held by PT Indah Kiat Pulp & Paper, Tbk. in 2021 and a maximum value of 60.60000 owned by PT Unilever Indonesia, Tbk. in 2019. TAX's values are 22.00000 on average, 22.00000 on the median, and 2.093947 on a standard deviation basis. The lowest value of TAX is 17.00000, owned by PT Mitra Keluarga Karyasehat, Tbk. in 2022, while the largest value is 25.00000, owned by PT Indofood CBP Sukses Makmur, Tbk. in 2018 and numerous more companies.

**Table 4. Descriptive Statistics**

| Variabel | *Mean* | *Median* | *Maximum* | *Minimum* | *Std. Dev* |
|---|---|---|---|---|---|
| DPR | 0.574095 | 0.500000 | 2.770000 | 0.020000 | 0.396685 |
| ROA | 0.090705 | 0.070000 | 0.470000 | 0.004000 | 0.089289 |
| DAR | 0.526952 | 0.510000 | 0.870000 | 0.110000 | 0.212884 |
| SIZE (IDR) | 3178.571 | 3129.000 | 3523.000 | 2550.000 | 211.8134 |
| CR | 2.537810 | 1.450000 | 36.53000 | 0.180000 | 5.029299 |
| AGE (Years) | 22.33333 | 24.00000 | 40.00000 | 3.000000 | 8.929927 |
| PBV | 5.217048 | 1.980000 | 60.60000 | 0.330000 | 10.48776 |
| TAX (%) | 22.00000 | 22.00000 | 25.00000 | 17.00000 | 2.093947 |

Source: Data processed using Eviews.

## Individual Test (t-test)

H1: The dividend policy is affects by profitability.

With a probability value of 0.0548—less than 0.1—the profitability significantly affects the dividend policy. The value of the coefficient is -1.194539. According to the results, profitability has a major negative impact on dividend policy. As profits rise, some have speculated that dividends would fall. This investigation's findings contradict those of Boumlik et al. (2023), who found that profitability significantly influences dividend policy in a positive way. The difference between our study and Boumlik et al. (2023), is that ours was based in Indonesia and targeted companies listed on the LQ45 index, whereas theirs was in Morocco and did not include any financial firms. Therefore, different corporate rules or state regulations explain why the effect of profitability on dividend policy varies. Arseto and Jufrizen (2018) found that profitability has a significant negative effect on dividend policy; our findings are consistent with their study.

H2: The presence of debt has an impact on the decision-making process regarding dividend policy.

The dividend policy has a significant impact, as indicated by a probability value of 0.0000 <0.1. The coefficient value is -0.992186. The study findings indicate that leverage exerts a substantial adverse impact on dividend policy. Consequently, an increase in leverage leads to a decline in the dividend policy. The findings of this study align with the research conducted by Boumlik et al. (2023), which discovered a substantial adverse impact of leverage on dividend policy. This happens when the quantity of debt or obligation becomes the company's top priority rather than making dividend payments.

H3: Firm size has an impact on dividend policy.

With a probability value of 0.0000—less than 0.1—we may say with confidence that firm size does, in fact, affect dividend policy. The calculated coefficient equals 0.000796. Firm size significantly affects dividend policy in a positive way, according to the study. Consequently, dividend policy tends to grow in tandem with the size of a company. Contrary to what Boumlik et al. (2023) found, which was that larger companies' dividend policies were negatively affected, this study found the opposite. This happens because larger overall assets mean more money coming in, which means more money to pay out in dividends. However, this study's results are in line with those of Lestari et al. (2021), and Helmina and Hidayah (2017) which also found that firm size has a significant and positive effect on dividend policy.

H4: Liquidity has an impact on the decision-making process regarding dividend policy.

Being more than 0.1, the liquidity's influence on dividend policy is deemed minimal with a probability value of 0.9758. According to the results, liquidity has little to no bearing on dividend policy. As a result, dividend payments will go out regardless of how the company's solvency changes. This is in line with what Boumlik et al. (2023) found: that liquidity has no effect on dividend policy. Dividend payments are unaffected by a company's liquidity, which is defined as the difference between its current assets and liabilities.

H5: Firm age has a significant impact on dividend policy.

The analysis of firm age on dividend policy yielded a probability value of 0.5503, which is more than the threshold of 0.1. This suggests that the effect of firm age on dividend policy is not statistically significant. The study's findings indicate that firm age does not have a substantial impact on dividend policy. The age of a firm does not directly correlate with higher corporate earnings, as profitability is contingent upon the company's performance rather than its age. The findings of this study align with the research conducted by Boumlik et al. (2023), which similarly concluded that firm age had no significant impact on dividend policy. Consequently, the age of the firm does not influence the distribution of dividends.

H6: The presence of growth prospects influences the decision-making process regarding dividend policy.

The effect of growth opportunities on dividend policy has a p-value of 0.0166, which is lower than the 0.05 level of significance. An impact of statistical significance is shown by this. The value of the coefficient is 0.029818. The study's results show that dividend policy is positively and significantly affected by growth potential. This investigation's findings are in agreement with those of Boumlik et al. (2023), who came to the conclusion that dividend policy is significantly influenced positively by growth opportunities. By capitalizing on these growth prospects, the organization can undertake larger and more lucrative projects, resulting in increased revenue. Consequently, a rise in growth potential will result in a corresponding increase in the dividend policy.

H7: The dividend policy is influenced by corporation tax.

The likelihood value of 0.0045, which is less than 0.1, suggests a statistically significant impact of corporate tax on dividend policy. The coefficient value is 0.026108. The study's findings revealed that corporate tax had a significant positive effect on dividend policy. The findings of this study align with the research conducted by Boumlik et al. (2023), which discovered a notable and meaningful impact of corporate tax on dividend policy. The higher the amount of tax paid, the greater the revenue earned, resulting in a larger net profit and potential for increased dividend payout. This implies that an increase in corporate tax has led to a corresponding increase in dividend policy.

**Result of the Research Regression Model**

The panel data regression model in the study of Boumlik et al. (2023) and Anuar et al. (2023), can be written as follows in equation [2].

$$DPRit = - 2.133534 - 1.194539ROA - 0.992186DAR + 0.000796SIZE - 0.000189CR + 0.003616AGE + 0.029818PBV + 0.026108TAX \quad [2]$$

**Description:**

| | |
|---|---|
| *DPRit* | = Dividend Payout Ratio |
| ROA | = Profitability |
| DAR | = Leverage |
| SIZE | = Firm Size |
| CR | = Current Ratio |
| *AGE* | = Firm Age |
| PBV | = Growth Opportunities |
| *TAX* | = Corporate Tax. |

**Table 5. Individual Test Results (t-test)**

| Dividend Policy Coefficient | Dependent Variable | | |
|---|---|---|---|
| | Dividend Policy | | Conclusion |
| | Coefficient | Probability | |
| Constant | -2.133534 | - | - |
| *Profitability* | -1.194539 | 0.0548** | Significantly adverse effect on dividend policy |
| *Leverage* | -0.992186 | 0.0000 | Significantly negative to dividend policy |
| *Firm Size* | 0.000796 | 0.0000 | Significant positive effect on dividend policy |
| *Liquidity* | -0.000189 | 0.9758 | Insignificant |
| *Firm Age* | 0.003616 | 0.5503 | Not significant |
| *Growth Opportunities* | 0.029818 | 0.0166 | Significant positive effect on dividend policy |
| *Corporate Tax* | 0.026108 | 0.0045 | Significant positive effect on dividend policy |

** significant level 10% (α = 0.1).
Source: Data processed using Eviews.

## CONCLUSIONS AND RECOMMENDATIONS

From what we can tell, dividend policy is severely impacted by both the profitability and leverage variables, according to the study. Firm size is the second element that significantly influences dividend policy in a positive way. Moreover, dividend policy is unaffected by liquidity. The dividend policy of a firm is unaffected by its age. The dividend policy is favorably affected by growth potential. The corporate tax variable has a positive and substantial effect on dividend policy.

The research findings highlight a number of caveats that stakeholders, such as company managers, should bear in mind when evaluating a company's financial performance. These include factors like profitability and leverage, which can have a negative effect on dividends, but corporate tax, firm size, and subsequent growth opportunities all have positive effects. This can maximize the dividends that the company will distribute by choosing companies with low profitability and leverage. However, growth opportunity, corporate tax and firm size are high. For future researchers, if conducting similar research, it is expected to conduct research in other regions, Over an extended duration, it is anticipated that other variables will be added to offer additional considerations that could impact the outcomes of the company's dividend policy research. Among the additional variables are ownership structure (Tayachi et al., 2023).

Based on the results of the research that has been carried out, several limitations were found that can be taken into consideration by related parties, including company

managers needing to consider factors that can influence the company's financial performance such as profitability, leverage, growth opportunities, corporate tax, and firm size because this can creating an optimum dividend policy for the company. For future researchers, if they want to carry out the same research, it is recommended to research in other sectors and for a longer period of time and it is hoped that they will add other variables so that they can show other factors that can influence the company's dividend policy.

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