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The effect of profitability, company size, leverage, liquidity, and free cash flow on dividend policy

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ABSTRACT

This study aims to examine and analyze the effect of profitability, company size, leverage, liquidity, and free cash flow on dividend policy in the health sector of companies listed on the Indonesia Stock Exchange (IDX) for the 2018-2021 period. This study uses signaling theory as the basis of the research. The type of data used is secondary data in the form of the company's annual financial report. The sampling technique used in this study was purposive sampling method based on certain criteria. The data analysis technique that was used in this study is multiple linear regression. The research results show that: (1) Profitability has no effect on dividend policy. (2) Firm size has a positive effect on dividend policy. (3) Leverage has no effect on dividend policy. (4) Liquidity has no effect on dividend policy. (5) Free cash flow has no effect on dividend policy. The implication in this study is that company size will affect dividend policy. This research proves that the larger the size of the company, the greater the company's dividend payout policy. Meanwhile, profitability, leverage, liquidity and free cash flow have not been able to influence the company's dividend policy.

INTRODUCTION

The development of the globalization era provides profitable business opportunities to encourage more companies to enter the capital market (Prastya & Jalil, 2020). The important role of the capital market is to move companies that have gone public to maximize the company's ability, such as disclosing profits and dividends that will be needed to pay to company shareholders (Ginting, 2018). Dividends are the main objective and driving factor for investors to invest in companies that have gone public (Maharani dkk, 2021). Dividends are a component of profit given to shareholders, while capital gains are additional money earned from selling shares in the stock market (Pradnyavita & Suryanawa, 2020). Cash, company shares, or other assets can be a form of dividend payment to shareholders (Harun & Jeandry, 2018). In general, shareholders are interested in cash dividends when compared to stock dividends, this is because cash dividends are felt to provide more direct benefits to shareholders because they are distributed in cash (Nurchaqiqi & Suryarini, 2018). The amount of dividends given to shareholders each year depends on the policy decided by the company (Halim & Hastuti, 2019).

Each company makes its own management decisions to determine how much profit should be allocated to shareholders in the form of cash dividends and how much can still be reinvested in the form of retained earnings (Sejati dkk, 2020). Based on this, in deciding the level of dividends to be distributed, management consideration is needed (Halim & Hastuti, 2019). This management decision is known as dividend policy. Dividend policy is a policy used in deciding whether the net profit achieved by the company will be retained as retained earnings or released as dividends (Ginting, 2018). There is a condition if the management decides to pay too large dividends to shareholders, the profit saved for reinvestment or development purposes will decrease. Conversely, if the dividends paid are too small, it will reduce the interest of potential investors who will invest in the company (Halim & Hastuti, 2019).

Dividend policy is used to present information to external parties about the growth and stability of the company (Sudiartana & Yudantara, 2020).

The phenomenon that occurred during the Covid-19 pandemic in early 2019 made several sectors of companies listed on the IDX unable to distribute dividends properly due to the impact of the corona virus (Covid-19) pandemic. On the other hand, the health sector can be said to be the pillar of the Indonesian economy in the midst of the Covid-19 pandemic because economic growth is highly dependent on controlling the Covid-19 pandemic. The health sector in Indonesia has promising investment opportunities supported by the Indonesian people's awareness of health issues. Based on news from Bisnis.com on June 22, 2021, amid the surge in new Covid-19 cases, a number of issuers included in the IDX Healthcare index reaped the blessings. The performance of the IDX Healthcare index, which consists of 21 issuers, had strengthened 8.9 percent on Monday (21/6/2021) and 2.92 percent year to date. During the covid-19 pandemic, other sector issuers experienced a decrease in dividend distribution, but the health sector actually experienced an increase in dividend distribution. This is due to the need for medicines and medical devices and is supported by public awareness of healthy living.

There are several factors that can influence companies to consider dividend policy. According to Pradnyavita & Suryanawa's research (2020) the company's dividend policy is influenced by profitability, company size, and free cash flow. The variables analyzed in this study are profitability, company size, leverage, liquidity, and free cash flow. The first factor that can affect dividend policy is profitability. Previous research that states profitability has a positive effect on dividend policy is the research of Pradnyavita & Suryanawa (2020), Halim & Hastuti (2019), Prastya & Jalil (2020), Ginting (2018), Harun & Jeandry (2018), Pattiruhu & Paais (2020), Al-Fasfus (2020), Krisardiyansah & Amanah (2020), Apriliani & Natalylova (2017), Benyadi & Andrianantenaina (2020). However, research conducted by Rasyid (2018) and Ikhsan dkk (2021) states that profitability has a negative effect on dividend policy. Meanwhile, in Jalung dkk (2017) profitability has no effect on dividend policy.

The second factor that can affect dividend policy is company size. Previous research that states that company size has a positive effect on dividend policy is the research of Pradnyavita & Suryanawa (2020), Dewi & Muliati (2021), Rais & Santoso (2018), Apriliani & Natalylova (2017), Atmoko dkk (2017), Dewi & Sedana (2018), Pattiruhu & Paais (2020), Dewasiri dkk (2019) and Pucangan & Wirama (2021). However, in research conducted by Nurfatma & Purwohandoko (2020) and Iswara (2017) stated that company size has a negative effect on dividend policy. The third factor that can affect dividend policy is leverage. Previous research that states leverage has a negative effect on dividend policy is research by Halim & Hastuti (2019), Prastya & Jalil (2020), Trisna & Gayatri (2019), Wahjudi (2020), Mangundap dkk (2018), Pucangan & Wirama (2021) and Sejati dkk (2020). However, research conducted by Pattiruhu & Paais (2020) and Hasana dkk, (2017) shows that leverage has a positive effect on dividend policy. Meanwhile, in the research of Ginting (2018) and Ratnasari & Purnawati (2019) leverage has no effect on dividend policy.

The fourth factor that can affect dividend policy is liquidity. Previous research that states liquidity has a positive effect on dividend policy is the research of Putri & Andayani (2017), Hasana dkk (2017), Krisardiyansah & Amanah (2020), Dewi & Sedana (2018), and Maharani dkk (2021). However, in research conducted by Halim & Hastuti (2019), Susanti dkk (2021) and Astiti dkk (2017) stated that liquidity has a negative effect on dividend policy. Meanwhile, in Harun & Jeandry (2018) and Apriliyona & Asyik (2020) liquidity has no effect on dividend policy. Apart from profitability, company size, leverage, and liquidity, free cash flow can also affect dividend policy. Research conducted by Pradnyavita & Suryanawa (2020), Sejati dkk (2020), Trisna & Gayatri (2019) and Sidharta & Nariman (2021) shows that free cash flow has a positive effect on dividend policy. However, research conducted by Harun & Jeandry (2018) shows that free cash flow has a negative effect on dividend policy. Meanwhile, in Krisardiyansah & Amanah (2020) free cash flow has no effect on dividend policy.

Based on the description above, there are different results from previous studies (research gap). This shows that tests of the factors that influence dividend policy have different results. Thus, it is necessary to retest the other independent variables. The purpose of this study is to test and analyze the effect of profitability, company size, leverage, liquidity, and free cash flow on dividend policy in health sector companies listed on the IDX for the 2018-2021 period.

RESEARCH METHODS

This type of research is quantitative research. This study aims to analyze the causality relationship used to explain the effect of independent variables, which consist of profitability, company size, leverage, liquidity, and free cash flow on the dependent variable, namely dividend policy. The object of this research includes profitability, company size, leverage, liquidity, free cash flow, and dividend policy. This research was conducted at health or healthcare sector companies listed on the Indonesia Stock Exchange (IDX) for the period 2018-2021.

The research data is in the form of secondary data on profitability, company size, leverage, liquidity and free cash flow on dividend policy obtained from the annual financial statements of health or healthcare sector companies listed on the Indonesia Stock Exchange for the period 2018-2021. The data sources used are collected by downloading from www.idx.co.id and the company's official website. The population of the study included all health sector companies listed on the IDX for the period 2018-2021, as many as 23 companies, a sample of 9 companies was taken with 4 years of observation so that a total of 36 research samples were obtained.

This research was conducted using secondary data, so the data collection technique was by studying literature and documentation. Supporting research data comes from literature books, scientific journals, theses, theses, and dissertations related to the object of research, which are collected by compiling data through literature review and browsing from the internet. The data analysis technique used is descriptive statistical test, classical assumption test which includes normality test, multicollinearity test, autocorrelation test, heteroscedasticity test, multiple linear regression analysis, goodness of fit test and hypothesis testing.

The effect of profitability on dividend policy

In research conducted by Pradnyavita & Suryanawa (2020) stated that profitability has a positive effect on dividend policy. The higher the profitability of the company, the higher the dividends paid. This is in line with research conducted by Ginting (2018), Halim & Hastuti (2019), Krisardiyansah & Amanah (2020), and Dewi & Sedana (2018) which state that profitability has a positive effect on dividend policy. This is in line with the signal theory put forward by Spence (1973). Management will make dividend payments to provide positive signals regarding the company's performance in posting profits to shareholders. Shareholders will react to the signals they receive in making investment decisions.

H_1 : profitability has a positive effect on dividend policy

The effect of company size on dividend policy

Research conducted by Pradnyavita & Suryanawa (2020) states that company size has a positive effect on dividend policy. The larger the size of the company, the higher the dividends paid to shareholders. This is in line with the research of Prastya & Jalil (2020), Dewi & Sedana (2018) and Pucangan & Wirama (2021) which state that company size has a positive effect on dividend policy. This is in line with the signaling theory put forward by Spence (1973). Companies that have a large company size will take a dividend policy to distribute dividends to investors. Companies with large company sizes are considered to be more stable in generating profits. This will generate positive signals for investors regarding opportunities for the future.

H_2 : company size has a positive effect on dividend policy

The effect of leverage on dividend policy

Research conducted by Trisna & Gayatri (2019) states that leverage has a negative effect on dividend policy. The higher the level of corporate debt, the lower the company's ability to pay dividends. The results of this study are in line with research conducted by Halim & Hastuti (2019), Prastya & Jalil (2020), Wahjudi (2020), Mangundap dkk (2018), and Pucangan & Wirama (2021) which state that leverage has a negative effect on dividend policy. This is in line with the signaling theory put forward by Spence (1973). When there is a high leverage condition, the profit earned is used for debt repayment, causing a negative signal to investors.

H_3 : leverage has a negative effect on dividend policy

The effect of liquidity on dividend policy

Research conducted by Putri & Andayani (2017) states that liquidity has a positive effect on dividend policy. The greater the level of liquidity of a company, the greater the dividends distributed to investors. This is in line with research conducted by Hasana dkk (2017), Krisardiyansah & Amanah (2020), Dewi & Sedana (2018), Maharani dkk, (2021), stating that liquidity has a positive effect on dividend policy. This is in line with the signal theory put forward by Spence (1973). According to Harun & Jeandry (2018), an announcement stating that the liquidity level of a company is high shows a positive signal to investors that the company has the ability to pay off its short-term obligations.
H_4 : liquidity has a positive effect on dividend policy

The effect of free cash flow on dividend policy

Research conducted by Pradnyavita & Suryanawa (2020) states that free cash flow has a positive effect on dividend policy. The higher the free cash flow, the greater the dividends distributed. This is in line with the research of Sejati dkk (2020), Trisna & Gayatri (2019) and Sidharta & Nariman (2021) which state that free cash flow has a positive effect on dividend policy. This is in line with the signaling theory put forward by Spence (1973). The higher the company's free cash flow, the greater the dividends paid by the company. Companies that have free cash flow are considered to have financial flexibility that provides benefits. Therefore, the existence of idle or excess cash can be used by the company to distribute dividends to shareholders.
H_5: free cash flow has a positive effect on dividend policy

Operational Variable
Dependent variable (Y)
Dividend policy

Purwanti dkk (2020) explain dividend policy as a policy that determines how the company will utilize its profits, such as keeping it as retained earnings to reinvest in the future or distribute it as dividends to shareholders. Dividend policy in this study is measured using the Dividend Payout Ratio (DPR). Referring to Utama & Gayatri (2018) DPR can be calculated using the following formula.

$$\text{DPR} = \frac{\text{Dividend Per Share}}{\text{Earning Per Share}} \qquad (1)$$

Independent Variable (X)
Profitability

Profitability refers to the company's ability to generate net income from the operational activities it has carried out (Ginting, 2018). Profitability in this study is measured using Return On Asset (ROA). According to Zais (2017) Return On Asset (ROA) shows the ratio of profit to the company's total assets which is a widely used measure of operational performance to show how efficiently assets have worked. Referring to the research of Krisardiyansah & Amanah (2020) profitability with ROA (Return On Asset) can be calculated using the following formula.

$$\text{ROA} = \frac{\text{Net Profit}}{\text{Total Asset}} \qquad (2)$$

Company Size

According to Pradnyavita & Suryanawa (2020) company size refers to the size of the company as a whole. The total assets of a company can be used to determine the size of the company, because total assets can represent the company's ability to manage its business (Benyadi & Andrianantenaina, 2020). Referring to Prastya & Jalil (2020) research, company size can be formulated based on the natural logarithm of total assets as follows.

$$\text{Company Size} = \text{Ln (Total Assets)} \qquad (3)$$

Leverage

According to Krisardiyansah & Amanah (2020) leverage is increasing the use of debt to grow the company's operational activities carried out by management. Management expands its operating activities by using loans to creditors or outside parties. Leverage in this study is measured using the Debt to Equity Ratio (DER). This ratio shows the ratio between financing and funding through equity.

Referring to the research of Hasana dkk (2017) Debt to Equity Ratio (DER) can be formulated as follows.

$$DER = \frac{\text{Total Liabilities}}{\text{Total Equity}} \quad (4)$$

Liquidity

Liquidity is the company's ability to finance its business operational activities and take responsibility for paying off short-term debt obligations on time (Agustian & Istikhoroh, 2021). Liquidity in this study can be measured using the Current Ratio (CR). Referring to Prastya & Jalil (2020) Current Ratio (CR) can be formulated as follows.

$$CR = \frac{\text{Current Asset}}{\text{Current Liabilities}} \quad (5)$$

Free Cash Flow

According to Prastya & Jalil (2020), free cash flow is a condition that represents the company's current cash flow available to the company throughout the accounting period, after deducting operational costs and other costs. Referring to the research of Prastya & Jalil (2020) Free Cash Flow can be formulated as follows.

$$FCF = \frac{\text{AKO-PMB-PMK}}{\text{Total Asset}} \quad (6)$$

RESULTS AND DISCUSSION

Description of research data

This study uses secondary data and focuses on the object in the form of dividend policy. This research was conducted in health or healthcare sector companies during the 2018-2021 period. The purposive sampling technique was used for research sampling and the data used came from the financial statements of health or healthcare sector companies listed on the Indonesia Stock Exchange published via www.idx.co.id and the company's website from 2018-2021. The data was processed using Microsoft Excel and testing using regression assisted by SPSS version 25 software.

Table 1 Research Sample Data

No	Criteria	Number of Company
1	Health or healthcare sector companies that are listed consecutively on the IDX during the period 2018-2021	17
2	Health or healthcare sector companies that earn consecutive positive profits during the 2018-2021 period	13
3	Health or healthcare sector companies that distribute dividends consecutively during the 2018-2021 period	9
4	Total research samples that pass the criteria	9
5	Total observation data for 4 years	36
6	Outlier	(4)
7	Total research data processed by regression models	32

Source: Processed data, 2023

Of the 36 observation data, 4 outlier data were found. Outlier is an event where the data used as an observation has unique characteristics and is significantly different from other observation data and appears in the form of a fairly extreme value for a variable (Ghozali, 2016:41). Based on this, in this study, outliers were removed to fulfill the classical assumption test so that the regression model could be carried out multiple linear regression analysis. Based on this, the total research data processed is 32.

Descriptive Statistics Results

Table 2 Descriptive Statistics Results

	N	*Min*	*Max*	*Mean*	*Std. Deviation*
Dividend Policy (Y)	32	0,0009	1,7168	0,525196	0,3829091
Profitability (X_1)	32	0,0061	0,3099	0,122035	0,0673683
Firm Size (X_2)	32	28,1515	30,8762	29,147545	0,8151083
Leverage (X_3)	32	0,1437	1,5860	0,482660	0,4360136
Liquidity (X_4)	32	0,9426	8,7378	3,703017	2,0939884
Free Cash Flow (X_5)	32	-0,4701	0,1634	-0,232896	0,1563965
Valid N (listwise)	32				

Source: processed data, 2023

Based on table 2 above, it shows that the amount of data (N) from each variable is 32. The number 32 is obtained from a sample of 8 companies multiplied by the observation period of 4 years. The statistical test results of the profitability variable (X1) with a sample size of 32 have the lowest value of 0.0061 obtained from PT Phapros Tbk in 2021 while the highest value of 0.3099 was obtained from PT Industri Jamu dan Farmasi Sido Muncul Tbk in 2021. The average value (mean) of profitability is 0.122035 and the standard deviation is 0.0673683.

The statistical test results of the company size variable (X2) with a sample size of 32 have the lowest value of 28.1515 obtained from Darya-Varia Laboratoria Tbk in 2018, while the highest value of 30.8762 was obtained from Kalbe Farma Tbk in 2021. The average value (mean) of company size is 29.147545 and the standard deviation is 0.8151083. The statistical test results of the leverage variable (X3) with a sample size of 32 have the lowest value of 0.1437 obtained from PT Mitra Keluarga Karyasehat Tbk 2018 while the highest value of 1.5860 was obtained from PT Phapros Tbk in 2020. The average value (mean) of leverage is 0.482660 and the standard deviation is 0.4360136.

The statistical test results of the liquidity variable (X4) with a sample size of 32 have the lowest value of 0.9426 obtained from PT Phapros Tbk in 2020, while the highest value of 8.7378 was obtained from PT Prodia Widyahusada Tbk in 2019. The average value (mean) of liquidity is 3.703017 and the standard deviation is 2.0939884. The statistical test results of the free cash flow variable (X5) with a sample size of 32 have the lowest value of -0.4701 obtained from PT Prodia Widyahusada Tbk in 2018, while the highest value of 0.1634 was obtained from PT Phapros Tbk in 2020. The average value (mean) of free cash flow is -0.232896 and the standard deviation is 0.1563965. The statistical test results of the dividend policy variable (Y) with a sample size of 32 have the highest value of 0.0009 obtained from PT Mitra Keluarga Karyasehat Tbk in 2018, while the highest value of 1.7168 was obtained from PT Phapros Tbk in 2021. The average value (mean) of the dividend policy is 0.525196 and the standard deviation is 0, 3829091.

Classical assumption test results

Normality Test

Table 3 Kolmogorov-Smirnov Normality Test Results

		Unstandarized Residual
N		32
Normal Parameters[a,b]	Mean	0,0000000
	Std. Deviation	0,30740112
Most Extreme Differences	Absolute	0,139
	Positive	0,105
	Negative	-0,139
Test Statistic		0,139
Asymp. Sig. (2-Tailed)		0,121

Source: Processed data, 2023

Based on table 3, in the Kolmogorov-Smirnov test results, it is known that Asymp. Sig. (2-tailed) is 0.121. This value is greater than the significance value of 0.05. Based on these results it can be concluded that the data is normally distributed.

Multicollinearity Test

Table 4. Multicollinearity Test Results

Variable	*Tolerance*	VIF	Description
Profitability (X_1)	0,374	2,677	Free of Multicollinearity
Firm Size (X_2)	0,740	1,352	Free of Multicollinearity
Leverage (X_3)	0,176	5,684	Free of Multicollinearity
Liquidity (X_4)	0,418	2,394	Free of Multicollinearity
Free Cash Flow (X_5)	0,374	2,673	Free of Multicollinearity

Source: Processed data, 2023

Based on the multicollinearity test results in table 4, it shows that the Variance Inflation Factor (VIF) value of all independent variables in the regression model, namely profitability, company size, leverage, liquidity, and free cash flow is less than 10 and the tolerance value is more than 0.1. Based on these results, it can be concluded that there are no multicollinearity symptoms among the independent variables.

Autocorrelation Test

Table 5. Run Test Auto Correlation Test Results

	Unstandarized Residual
Test Value[a]	-.03717
Cases < Test Value	16
Cases <= Test Value	16
Total Cases	32
Number of Runs	13
Z	-1.258
Asymp. Sig. (2-Tailed)	.208

Source: Processed data, 2023

Based on the results of the autocorrelation test with the run test method, it is known that the Asymp. Sig. (2-tailed) of 0.208 which indicates that the significance value is more than 0.05. Based on these results, it can be concluded that the model does not experience autocorrelation.

Heteroscedasticity Test

Table 6. Spearman Rank Heteroscedasticity Test Results

Variable	Sig. value	Description
Profitability (X_1)	0,674	Free of heteroscedasticity
Firm Size (X_2)	0,960	Free of heteroscedasticity
Leverage (X_3)	0,274	Free of heteroscedasticity
Liquidity (X_4)	0,754	Free of heteroscedasticity
Free Cash Flow (X_5)	0,641	Free of heteroscedasticity

Source: Processed data, 2023

Table 6 shows that all independent variables have a Sig.> 0.05 value and it can be concluded that there are no symptoms of heteroscedasticity in these 5 variables.

Hypothesis Testing Results

Multiple linear regression analysis results

Table 7. Multiple Linear Regression Analysis Results

Variable	Regression Coefficient	t_{count}	Sig.
Profitability (X_1)	1,170	0,799	0,431
Firm Size (X_2)	0,135	2,569	0,042
Leverage (X_3)	0,402	1,219	0,234
Liquidity (X_4)	-0,007	-0,152	0,881
Free Cash Flow (X_5)	0,118	0,187	0,853
Constant	4,174		
Adjusted R Square	0, 232		
F_{count}	2,868		
$F_{sig.}$	0,034		
*sig.	< 0,05		

Source: Processed data, 2023

The regression coefficient of the profitability variable (X1) is 1.170, company size (X2) is 0.135, leverage (X3) 0.402, liquidity (X4) -0.007, free cash flow (X5) 0.118. In other words, if the five variables increase, the dividend policy (Y) will also increase.

Coefficient of determination

Table 8. Test Results of the Coefficient of Determination

Model	R	R Square	Adjusted R Square
1	0,596	0,356	0,232

Source: Processed data, 2023

Based on statistical calculations, the coefficient of determination (Adjusted R Square) is 0.232 or 23.2%. This shows that 23.2% of dividend policy in health sector companies listed on the Indonesia Stock Exchange is influenced by profitability, company size, leverage, liquidity, and free cash flow. The remaining 76.8% is influenced by other variables not examined.

Model feasibility test (goodness of fit)

Table 9. F Test Results (Goodness of Fit)

F_{count}	F_{sig}
1	0,596

Source: Processed data, 2023

Based on the results of the F test, the sig value shows. 0,034 < 0,05. So it can be concluded that the regression model in this study is declared suitable (fit).

Hypothesis test results

Profitability (X1), it is known that the t value is 0.799 with α = 0.05, the t table value is 1.703. These results can be seen that the calculated t value (0.799) < t table (1.703) and the significance value (0.431) > α (0.05) with a positive beta (β) coefficient value (1.170). So it can be concluded that the profitability variable has no positive effect on dividend policy. The first hypothesis (Ha1) which states that profitability has a positive effect on dividend policy is rejected.

Company size (X2), it is known that the t value is 2.569 with α = 0.05, the t table value is 1.703. These results can be seen that the t value (2.569) > t table (1.703) and the significance value (0.042) < α (0.05) with a positive beta (β) coefficient value (0.135). So it can be concluded that the company size variable has a positive effect on dividend policy. The second hypothesis (Ha2) which states that company size has a positive effect on dividend policy is accepted.

Leverage (X3), it is known that the t value is 1.219 with $\alpha = 0.05$, the t table value is 1.703. These results can be seen that the calculated t value (1.219) < t table (1.703) and the significance value (0.234) > α (0.05) with a positive beta (β) coefficient value (0.402). So it can be concluded that the leverage variable has no negative effect on dividend policy. The third hypothesis (Ha3) which states that leverage has a negative effect on dividend policy is rejected.

Liquidity (X4), it is known that the t value is -0.152 with $\alpha = 0.05$, the t table value is 1.703. These results can be seen that the calculated t value (-0.152) < t table (1.703) and the significance value (0.881) > α (0.05) with a negative beta (β) coefficient value (-0.007). So it can be concluded that the liquidity variable has no positive effect on dividend policy. The fourth hypothesis (Ha4) which states that liquidity has a positive effect on dividend policy is rejected.

Free Cash Flow (X5), it is known that the t value is 0.187 with $\alpha = 0.05$, the t table value is 1.703. These results can be seen that the calculated t value (0.187) < t table (1.703) and the significance value (0.853) > α (0.05) with a positive beta (β) coefficient value (0.118). So it can be concluded that the free cash flow variable has no positive effect on dividend policy. The fifth hypothesis (Ha5) which states that free cash flow has a positive effect on dividend policy is rejected.

Discussion

The effect of profitability on dividend policy

The results showed that profitability proxied by Return on Assets (ROA) has no effect on dividend policy in health sector companies listed on the Indonesia Stock Exchange. This means that the size of profitability does not affect the amount of dividend distribution policy. Return on Assets (ROA) is a profitability ratio, the higher the Return on Assets (ROA), the profit growth will increase which allows the dividend distribution to be large.

This research was conducted in health sector companies listed on the IDX for the period 2018-2021 where the sample that met the criteria was only 8 companies with 4 research periods. Based on the sample selection process, it can be seen that several companies that obtained profitability did not carry out policies in dividend payments. This can be seen in the results of descriptive statistics, where the company has an average value of 0.122035 far below the highest value of 0.3099, which means that the sample companies are not dominant in getting an increase in profitability. This shows that not always an increase in profitability will lead to an increase in dividend payments to shareholders.

The effect of company size on dividend policy

The results showed that company size proxied by Ln Assets had a positive influence on dividend policy in health sector companies listed on the Indonesia Stock Exchange for the 2018-2021 period. Large companies have easy access to the capital market, making it easier for large companies to raise additional funds for their company operations (Pucangan & Wirama, 2021). Conditions where the company is already steady in growth and has large corporate assets, the company will focus on how to reward shareholders or investors. This large total asset indicates that the performance of a company is good in moving the company, meaning that large companies tend to be able to pay dividends than small companies. The larger the size of the company, the greater the dividends that will be paid.

In the test results, it is concluded that company size has a positive effect on dividend policy. This is in accordance with the signal theory put forward by Spence (1973) that the source of information, namely company management that has information, will try to provide relevant information to be utilized by the recipient of the information, then the recipient of the information, namely investors or outsiders, will provide reciprocal considerations in accordance with the information signals it receives. Companies that have a large company size will take a dividend policy to distribute dividends to investors or shareholders.

Companies with large company sizes are considered to be more stable in generating profits. One of the things that investors or shareholders pay attention to is companies that tend to distribute dividends to shareholders. This tendency is used by shareholders in considering investing or investing in companies that are large in size. This will generate positive signals for investors regarding opportunities for the future. The results of this study are in line with the research of Pradnyavita & Suryanawa (2020), Prastya & Jalil (2020), Dewi & Sedana (2018) and Pucangan & Wirama (2021) which state that company size has a positive effect on dividend policy.

The effect of leverage on dividend policy

The results showed that leverage proxied by the Debt to Equity Ratio (DER) has no effect on dividend policy in health sector companies listed on the Indonesia Stock Exchange. These results are also in accordance with the results of descriptive statistics, where leverage has an average value of 0.4827 far below the highest value of 1.5860, which means that the sample companies are not dominant in debt. The results of this study show that the ability to pay dividends is not influenced by the ownership of the size of a company's debt. This is because health sector companies have a responsibility to pay attention to the interests of capital owners to make regular dividend payments, even an increase in debt can increase dividend payments as long as it is accompanied by an increase in generating additional profits.

Effect of liquidity on dividend policy

The results showed that liquidity proxied by Current Ratio (CR) has no effect on dividend policy in health sector companies listed on the Indonesia Stock Exchange. These results are also in accordance with the results of descriptive statistics, where liquidity has an average value of 3.7030 far below the highest value of 8.7378, which means that the sample companies are not dominant in financing short-term debt. The liquidity of the company indicates the company's ability to finance the company's operations and settle its short-term obligations. The results of this study mean that the size of liquidity (current ratio) will not affect the company in paying dividends. Therefore, companies that have good liquidity do not necessarily pay dividends well.

Liquidity is used to pay or settle short-term obligations, not to pay dividends (Prastya & Jalil, 2020). This is because the company's high level of liquidity is not used to pay cash dividends, but is used to purchase new assets or used for company development (Apriliyona & Asyik, 2020). In addition, high current debt will result in many operational activities being used to pay debts to third parties, consequently reducing the company's ability to earn net income which has an impact on dividend payments.

The effect of free cash flow on dividend policy

The results showed that free cash flow has no effect on dividend policy in health sector companies listed on the Indonesia Stock Exchange. These results are also in accordance with the results of descriptive statistics, where free cash flow has an average value of -0, 2329 far below the highest value of 0.1634, which means that the sample companies are not dominant in generating free cash flow. The results show that the size of the free cash flow generated by the company will not affect the size of the company's policy in paying dividends. The data used as a research sample shows many negative results, while every year health sector companies have increasing assets and distribute dividends to shareholders. This happens because there is a possibility that the company still wants to maintain a good reputation in order to obtain investment from investors (Christabella & Yuniarwati, 2021). So that the company will continue to pay dividends even though the company does not have sufficient free cash flow value. If the company wants to distribute dividends while free cash flow is not enough, the company can use external funding (Prastya & Jalil, 2020).

CONCLUSION

Based on the results of research and discussion regarding the effect of profitability, company size, leverage, liquidity, and free cash flow on dividend policy in health sector companies listed on the Indonesia Stock Exchange (IDX) for the 2018-2021 period, it can be concluded that the company size variable has a positive effect on dividend policy. Meanwhile, profitability, leverage, liquidity and free cash flow have no effect on dividend policy. Based on the results of the research that has been done, the implications of this study are as follows. Companies should consider variables of profitability, company size, leverage, liquidity, free cash flow to determine the optimal dividend policy. This is because it is known that quantitatively (23.2%) these variables affect dividend policy in health sector companies listed on the Indonesia Stock Exchange. When investing in a company, investors need to consider factors that affect dividend policy, such as company profits, see whether a company is classified as a large or small company, how much debt the company has, how the company pays off its short-term obligations and the amount of free cash flow of a company. After analyzing these factors, investors can estimate the dividend payments that will be received from health sector companies listed on the Indonesia Stock Exchange. This research is expected to add insight and accounting knowledge, especially in matters relating to dividend policy. This study provides empirical evidence regarding the effect of profitability, company size, leverage, liquidity and free cash flow on dividend policy in health sector companies listed on the Indonesia Stock Exchange for the period 2018-2021.

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