International Journal of Accounting & Finance in Asia Pasific (IJAFAP)
Vol. 8 No. 1 pp. 111-127, February, 2025
E-ISSN: 2655-6502 P-ISSN: 2684-9763
https://www.ejournal.aibpmjournals.com/index.php/IJAFAP

Determinants of Dividend Policy During the COVID-19 Pandemic

Rida Prihatni[1]*
Faculty of Economics and Business, State University of Jakarta[1]
Jalan Pemuda 13120 Jakarta Timur Daerah Khusus Ibukota Jakarta, Indonesia
Corresponding Email: ridaprihatni@unj.ac.id[1]
ORCID ID: https://orcid.org/0000-0002-5524-6134[1]

ARTICLE INFORMATION

Publication information

Research article

HOW TO CITE
Prihatni, R. (2025). Determinants of dividend policy during the COVID-19 pandemic. *International Journal of Accounting & Finance in Asia Pasific*, *8*(1), 111-127.

DOI:
https://doi.org/10.32535/ijafap.v8i1.3752

Received: 18 December 2024
Accepted: 20 January 2025
Published: 20 February 2025

ABSTRACT

This study aims to examine the effect of company growth, profitability, free cash flow, and corporate social responsibility (CSR) on dividend policy during the COVID-19 pandemic. The dependent variable of this study is dividend policy, while the independent variables are company growth, profitability, free cash flow, and CSR. The population of this study comprises manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the period 2020–2021. Sampling is based on purposive sampling. The sample criteria are manufacturing companies listed on the IDX in 2020–2021, using rupiah currency in their financial statements, and having complete financial statement data. The data analysis technique used in this study was logistic regression. The results showed that company growth and free cash flow did not affect dividend policy, while return on assets (ROA) and CSR had a positive effect on dividend policy. The value of the coefficient of determination (R^2) shows that 34.6% of the dividend policy of the consumption industry subsector for the 2020–2021 period can be explained by company growth, profitability, free cash flow, and CSR. This research suggestion is that future research is expected to use other independent variables besides those contained in this study, such as other financial and non-financial variables. In addition, future research can use other measurement proxies, expand the research sector, and extend the research period so that the research scope becomes wider.

Keywords: Company Growth; Corporate Social Responsibility; Dividend Policy; Free Cash Flow; Profitability

INTRODUCTION

The COVID-19 pandemic, which has occurred to date, has had an impact on many aspects, including social and economic aspects. The policy taken by the government in the form of work from home (WFH) to reduce the spread of the COVID-19 virus has resulted in several sectors being impacted, such as transportation, tourism, finance, manufacturing, public services, and other sectors that reduced or stopped their activities. This has an impact on the country's economy, both on a macro and micro scale. The outbreak of the COVID-19 virus also had an impact on the capital market, which caused unstable stock prices. To maintain the company's liquidity in the midst of this pandemic, companies took steps in their dividend policy.

Global corporate dividends are set to hit record highs this year (2021), as a rebound in business activity and rising consumer demand drive most profit sectors hit by the pandemic last year. According to a Reuters analysis of Refinitiv data for 3,394 global companies with a market capitalization of at least $1 billion, their total payments to shareholders are expected to reach $1.37 trillion in 2021. Dividends slumped last year (2020) against the backdrop of the COVID-19 pandemic and due to regulatory constraints and government pressure to consider restricting payments (Yolandha, 2020).

Dividends are operating profits obtained by companies, where part of the profits are distributed to shareholders in return for investing their capital (Rudianto, 2012). A dividend is reciprocal from the company to shareholders because they have invested in the company. Establishing policies in terms of dividend distribution is necessary to regulate the amount of dividends to be distributed to shareholders.

Companies as parties that pay dividends will be faced with various considerations, including withholding profits to make more profitable reinvestments, company fund needs, liquidity position, income stability, and other factors related to dividend policy. The dividend policy set by the company will have an impact on the decisions to be taken by investors, namely the decision to buy, maintain, or decide not to buy or sell shares owned (Ismawati, 2017). The issue of dividend policy is very important to pay attention to for several reasons, namely, companies can use dividends as a financial signal for outsiders to view the prospects, stability, and growth of the company as good.

Dividends are one of the attractive factors for investors in investing in a company. The decision in determining dividend payments is a difficult one. This is because management and shareholders have different points of view. Shareholders always want bigger dividends, but giving larger dividends can hinder the company's growth rate. If the company wants to expand, of course, it will need a lot of capital or funds to finance expansion; to fund the expansion, the company will make loans to banks or use the profits obtained. If the company withholds the profits obtained to fund growth, the income that the company will distribute to shareholders will decrease because the faster the company's growth, the more the necessary funds increase. Research conducted by Sari et al. (2015) shows the results that company growth has a positive effect on dividend policy. Research by Al-Kuwari (2009) explains that growth negatively affects dividend policy. While research conducted by Utami and Inanga (2011) shows the results that growth has no effect on dividend policy.

Profitability is one of the financial ratios used in measuring company performance (Mawaddah, 2015). Profitability can be used as an assessment of the company's future prospects so that profitability becomes a measurement of the company's ability to maintain the company's survival for the long term. The high profitability that can be

produced by the company can ensure the survival of the company, so the company will try its best to get maximum profitability (Hery, 2017).

The higher the level of profit, the greater the rate of dividend payments distributed to shareholders. This is in accordance with the signaling theory, which explains that management will pay dividends to signal the company's success in posting profits. This shows that the company will only increase dividends if the earnings obtained by the company are high. In other words, the greater the profit the company gets, the greater the company's ability to pay dividends to investors. This shows that the company is always trying to improve its image by means that every increase in profits will be followed by an increase in the portion of profits distributed as dividends and can also encourage an increase in the value of the company's shares.

The results of the research by Arko et al. (2014), and Haryetti & Ekayanti (2012), which stated that profitability has a positive effect, are consistent with the idea that the higher the profit, the higher the cash flow in the company, so that the company can pay higher dividends. However, research by Komrattanapanya & Suntraruk (2013) and Prihantoro (2012) stated that profitability does not affect dividend policy, while Nuringsih (2005) stated that profitability has a negative effect on dividend policy.

Free cash flow is a factor that will be considered by the company. Free cash flow is the remaining operating cash after deducting investments made by the company in fixed assets and working capital; it is the remaining cash to be distributed to shareholders (Brigham & Houston, 2019). If the company sees a profitable investment opportunity, the company will invest; this will have an impact on the dividend policy because if the company makes a large investment, the remaining amount of cash will decrease so the dividend policy decided by the company will be low. Profits and cash flow owned by the company play an important role in determining dividend distribution decisions (Dhaneswara & Haryanto, 2019). The source of funds used in distributing dividends to shareholders is mostly sourced from profits and from the company's cash flow availability (Ginting, 2018).

Prabowo and Salim (2014), in their research on manufacturing companies listed on the IDX, obtained the results that free cash flow has a direct effect on dividend policy; this reinforces previous research that dividend policy is also influenced by free cash flow in determining company dividend policy. Similar results were also obtained by Arfan and Maywindlan (2013) in a study on companies listed on the Jakarta Islamic Index from 2007 to 2010, which stated that free cash flow had a positive effect on dividend policy. Research by Aristantia & Putra (2015) and Lucyanda (2012) provides results that free cash flow has a positive effect on dividend policy. While research conducted by Kouki (2009) states that free cash flow has no influence on dividend policy.

According to Ferdiana (2012) and Kurniawan et al. (2022), corporate social responsibility (CSR) is a business ethic where companies must be responsible for damage and social inequality due to operational activities. Consistent implementation of CSR can give a good company image, and the company's image will increase because investors tend to prefer companies that carry out CSR activities. Companies that implement CSR have a greater tendency to pay dividends compared to companies that do not implement CSR. The results of research conducted by Cheung et al. (2018), Sheikh (2022), and Sheikh et al. (2022) stated that CSR has a positive effect on dividend policy. Meanwhile, the results of research conducted by Muhtarom et al. (2021) and Tjandra (2020) show that there is no influence between CSR and dividend policy.

Based on the problems that have been described, the purpose of this study is to determine the effect of company growth, profitability, cash flow, and CSR on dividend policy. The results of the study provide empirical evidence and strengthen the signal theory, where if there is an increase in dividends it will be considered a positive signal which means the company has good prospects. If there is a decrease in dividends it will be considered a negative signal which means the company has not-so-good prospects.

LITERATURE REVIEW

Signaling Theory

This theory explains that information about cash dividends paid is perceived by investors as a signal of the company's future prospects. This assumption is due to asymmetric information between management and investors, so investors use dividend policy as a signal about the company's prospects. If there is an increase in dividends, it will be considered a positive signal, which means the company has good prospects. If there is a decrease in dividends, it will be considered a negative signal, which means that the company does not have such good prospects (Ross,1977).

Agency Theory

Based on agency theory, where investors act as parties who give authority (principals) and managers as parties who receive authority (agents), two opposing interests arise. Agency theory assumes that all individuals act in their own interests. Shareholders are assumed to be interested only in increasing their investment returns in the company, while agents (management) are assumed to receive satisfaction in the form of financial compensation. There is a conflict of interest where each party tries to increase the benefits for itself. Conflicts of interest can be minimized by the way companies have to incur costs called agency costs (Jensen & Meckling, 2019). One way to overcome agency problems is to make dividend distributions. Dividend distribution will affect funding policy because dividend distribution will reduce the company's cash flow, so companies that want to meet their needs can find more relevant sources of funds. Conversely, by withholding dividends, the company's funds will be larger and result in managers being less likely to invest company money into unprofitable projects.

Hypotheses Development

Company Growth Affects Dividend Policy

Company growth is how far companies can compete with other companies in the same industry within the economic system. Acknowledging company growth requires funds or modes of investment. According to Brigham and Houston (2019), companies that carry out expansion can affect dividend policy; companies that have a good growth rate will certainly invest in the profit that has been obtained, which causes a decrease in dividends distributed.

Companies with a rapid growth rate experience an even greater need for funds to finance that growth so that the company will retain profits rather than distribute profits to shareholders. The study by Al-Kuwari (2009) shows that the growth of the company has a significant negative influence on dividend policy. Based on the explanation above, the author proposes the following hypothesis:

H1: Company growth has an influence on the dividend policy during the COVID-19 pandemic.

Profitability Affects Dividend Policy

Profitability is an indicator of the profit that a company can generate. The amount of profitability generated by a company will affect the views of external parties in making investment or capital decisions. Profitability is the basis for assessing the company's condition regarding future prospects and also the company's performance (Wardani, 2018). The achievement of high profitability illustrates that the company has good performance. This can attract investors to invest in the company (Devi et al., 2014). The company's ability to continue operating in the long term depends on the company's achievement of maximum profit.

Analysis of profitability allows one to see the company's ability to use existing assets and capital to generate maximum profit (Budiman, 2018). This profitability is able to signal optimal dividend payments in the future. The amount of dividends paid depends largely on the level of profit earned at the end of each period. If the level of profit is high, then the amount of dividends paid tends to be high, and vice versa, if the level of profit is low, then the amount of dividends paid also tends to be low. The results of research by Haryetti and Ekayanti (2012) show that profitability has a positive effect on dividend policy. Wati (2019) revealed that companies that have high net income increase the company's ability to distribute dividends to shareholders. The greater the return on assets (ROA), the better the company's performance, because the rate of return on investment (ROI) is greater and will have an impact on high dividend payments for investors. Based on the explanation above, the author proposes the following hypothesis:

H2: ROA has an influence on dividend policy during the COVID-19 pandemic.

Free Cash Flow Affects Dividend Policy

Free cash flow is the company's cash flow funds that are available to be distributed to shareholders after investing in the company's fixed assets and working capital. Free cash flow is the remaining operating cash after deducting the investment made by the company in fixed assets and working capital; the remaining cash is to be distributed to shareholders (Brigham & Houston, 2019). In its distribution, free cash flow often causes conflicts of interest between managers and shareholders. Managers usually prefer to invest the remaining cash in order to generate profit, while shareholders expect the remaining cash to be distributed in order to increase their prosperity. According to Aristantia and Putra (2015), companies that have large free cash flow will experience pressure from shareholders for the company to pay dividends. There is pressure from shareholders on the company so that free cash flow is not used by the company in a way that harms shareholders. Good cash flow management can reduce agency costs. If the company has large remaining operating cash, the company is able to distribute large dividends as well. Research by Rochmah and Ardianto (2020) shows that free cash flow has a positive effect on dividend policy, and the findings of Aristantia and Putra (2015) also show that there is a positive influence of free cash flow on dividend policy.

In several studies, it was found that free cash flow has a significant positive effect on the dividend payout ratio; the variable free cash flow has a significant positive effect on the dividend payout ratio. High free cash flow tends not to be used for income manipulation because, in this case, most temporary investors who will act to monitor the company's performance focus more on the company's free cash flow information, which shows the company's ability to distribute dividends. Based on the explanation above, the author proposes the following hypothesis:

H3: Free cash flow has an influence on dividend policy during the COVID-19 pandemic.

Corporate Social Responsibility (CSR) Affects Dividend Policy

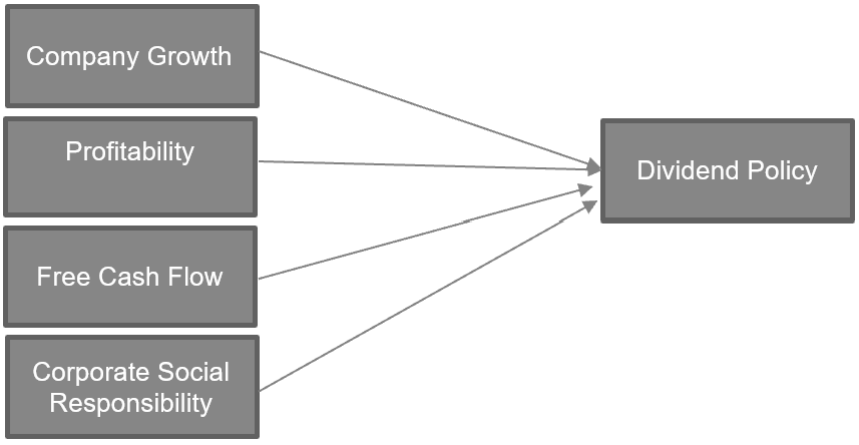
CSR is a responsibility that must be carried out by all business entities as their contribution to improving the quality of life and preventing damage caused by company activities. By engaging in CSR, the company's reputation will improve among the public, and this also affects investors' interests (Lestari et al., 2024). Most investors tend to be interested in investing in entities that carry out and disclose information on CSR activities.

Companies with broader CSR initiatives tend to have better relationships with stakeholders. Several studies have examined the effect of CSR on dividend policy (Sheikh, 2022; Sheikh et al., 2022). Using samples over the period from 1991 to 2010, Cheung et al. (2018) found empirical evidence that companies with higher CSR scores tend to have higher dividend payout ratios. Samet and Jarboui (2017) show the results of the positive influence of CSR on dividend payments in European companies. Similarly, Benlemlih (2019) shows that companies with high CSR pay more dividends than companies with low CSR. Sheikh (2022) shows that the company's performance in CSR has a positive effect on the dividend rate. In addition, Sheikh et al. (2022) found that the greater the number of CSR activities, the greater the propensity to pay dividends. Based on the explanation above, the author proposes the following hypothesis:

H4: CSR has an influence on dividend policy during the COVID-19 pandemic.

Figure 1 represents the framework of this study.

Figure 1. Research Framework



RESEARCH METHOD

In this study, the population consists of all consumer goods industry manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2021 pandemic period. Sampling is based on purposive sampling, or conditional sampling, which is the selection of samples determined based on certain criteria. This study used two types of variables: independent variables and a dependent variable. The independent variables consist of four variables, including:

Company Growth

Company growth is a change in total assets in the form of both increases and decreases experienced by the company during one period (one year). According to Laim et al. (2015), the company's growth can be measured by the following formula:

$$\text{Growth} = \frac{\text{Total Assets t} - \text{Total Assets t} - 1}{\text{Total Assets t} - 1} \text{ X } 100$$

Profitability

Profitability is measured by the ROA ratio. ROA shows the company's ability to use all assets owned to generate profit after tax. This ratio is important for management, to evaluate the effectiveness and efficiency of company management in managing all company assets. The ROA formula is as follows:

$$\text{ROA} = \frac{\text{Profit After Tax}}{\text{Total Assets}}$$

Free Cash Flow

Free cash flow is the remaining operating cash after deducting investments made by the company in fixed assets and modes of work, the remaining cash is to be distributed to shareholders (Brigham & Houston, 2019). According to Sartono (2010), free cash flow can be measured by the following formula:

Free Cash Flow = Operating Cash Flow – Gross investment in operating capital.

Corporate Social Responsibility

According to Mashuri and Ermaya (2020), CSR is the company's responsibility for all environmental and social impacts of the company's business operations. The simplest way to measure CSR is to give the number '1' as a marker that the information has been disclosed, and the number '0' as a sign that the information has not been disclosed.

The dependent variable in this study is dividend policy. Dividend distribution policy is a policy in a company to determine a decision regarding the percentage of distribution of dividends to shareholders. The size of the amount of dividends distributed to shareholders is based on dividend policy decisions formulated and determined by each company (Pramana & Sukartha, 2015). Dividend policy proxies were used in this study with dummy variables. Dummy 1 represents a company that pays dividends, and dummy 0 represents a company that does not pay dividends in the year in question. The dividend used is a dividend measured by dividing the dividend per share by earnings per share.

Data analysis techniques are related to calculations to answer problem formulations and test hypotheses that have been proposed. The data analysis technique used in this study is logistic regression analysis. The use of logistic regression analysis in this study is because the dependent variable is a dummy variable or dichotomous, with two categories (pays dividends = 1; does not pay dividends = 0).

RESULTS

The multicollinearity test was conducted to test whether there was a correlation between the independent variables in the study. To determine whether or not there is multicollinearity in the regression model, one can look at the correlation value; if it is less than 0.90, then it is stated that there is no multicollinearity, while if the correlation value is more than 0.90, it is stated that there is multicollinearity. One can also use the values of the Variance Inflation Factor (VIF) and Tolerance. If the VIF value is less than 10, or the Tolerance value is greater than 0.10, then it is stated that there is no multicollinearity; if the VIF value is greater than 10, or the Tolerance value is less than 0.10, then it is stated that there is multicollinearity. The results of the multicollinearity test are presented in Table 1 below.

Table 1. Multicollinearity Test Results

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	G ROWTH	0.971	1.030
	ROA	0.916	1.092
	FCF	0.900	1.111
	CSR	0.919	1.089

Based on Table 1, it can be seen that all independent variables have a VIF value of less than 10. This shows that there is no correlation relationship between the variables so it can be stated that there is no multicollinearity.

The feasibility test of the regression model is carried out to determine whether the empirical data are in accordance with the regression model (i.e., there is no difference between the model and the data, so it can be said to be a good fit).

If the value of Prob. Chi-Square is less than or equal to 0.05, then there is a significant difference between the model and the observed value, so the goodness of fit of the model is not good because the model is not able to predict the observed value. Conversely, if the value of Prob. Chi-Square is greater than 0.05, then the model is said to be able to predict the value of the observation so that the model can be accepted because it matches the observed value. The results of the feasibility test of the regression model can be seen in Table 2 below:

Table 2. Regression Model Feasibility Test Results

Hosmer and Lemeshow Test			
Step	Chi-square	Df	Sig.
1	7.092	8	0.527

Based on Table 2, it can be seen that the Chi-square value is 7.092 with a significant probability value of 0.527. The test results show that the significance probability value is 0.527, which is greater than 0.05. Therefore, it can be concluded that the model is able to predict its observed value and is acceptable, so that this research model can be used for subsequent analysis testing.

An overall model test is performed to find out or test whether the model as a whole fits the data. The statistics used are based on the likelihood function. According to Ghozali (2018), likelihood is a probability that indicates that the hypothesized model describes the input data. To test the entire model, likelihood is transformed into -2LogL.

The way to assess this model fit is to compare the value between -2LogL at the beginning (block number = 0) with the value of -2LogL at the end (block number = 1). If there is a reduction in value between the initial -2LogL and the final -2LogL, it indicates that the hypothesized model fits the data.

Table 3. Block 0: Beginning Block – Iteration History

Iteration History[a,b,c]			
Iteration		-2 Log likelihood	Coefficients
			Constant
Step 0	1	158.002	-0.035

	2	158.002	-0.035

Table 4. Block 1: Method = Enter - Iteration History

Iteration		-2 Log likelihood	Coefficients				
			Constant	GROWTH	ROA	FCF	CSR
Step 1	1	125.835	-1.739	0.001	4.689	0.000	3.897
	2	123.777	-2.239	0.002	6.619	0.000	4.877
	3	123.710	-2.339	0.002	7.026	0.000	5.066
	4	123.710	-2.343	0.002	7.041	0.000	5.074
	5	123.710	-2.343	0.002	7.041	0.000	5.074

Based on Tables 3 and 4 above, it is shown that there is a significant decrease from -2 log-likelihood Block 0 (Starting Block) of 158.002 to -2 log-likelihood Block 1 (Method = Enter) of 123.710. This means that all independent variables together have an influence on the dependent variable.

Table 5. Results of the Coefficient of Determination

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	123.710 [a]	0.260	0.346

Based on Table 5, it is shown that the Nagelkerke R-squared value is 0.346. This shows that the dependent variable, i.e., dividend policy, can be explained by the independent variables (company growth, profitability, free cash flow, and CSR) by 34.6%, and the remaining 65.4% is explained by other variables outside of the variables tested in this study.

Hypothesis testing on logistic regression in this study aims to test the significance of each variable. The results of the hypothesis test in this study can be seen in Table 6 below.

Table 6. Hypothesis Test Results

		B	S.E	Wald	Df	Sig.	Exp(B)
Step 1 [a]	GROWTH	0.002	0.006	0.085	1	0.770	1.002
	ROA	7.041	2.708	6.759	1	0.009	1142.000
	FCF	0.000	0.000	1.738	1	0.187	1.000
	CSR	5.074	1.461	12.056	1	0.001	159.788
	Constant	-2.343	0.617	14.426	1	0.000	0.096

The results of the regression model formed in this study are as follows:

$$\text{Ln}\ \frac{\text{p}}{1-\text{p}} = -2.343 + 0.002\ \text{growth} + 7.041\ \text{ROA} + 0.000\ \text{FCF} + 5.074\ \text{CSR} + \text{e}$$

The results of the logistic regression model hypothesis testing, based on the significance values presented in Table 6, reveal the following findings. The company growth variable has a coefficient value of 0.002 with a significance value of 0.770, which is greater than α = 5% (0.05), leading to the conclusion that the first hypothesis is rejected, indicating that company growth does not significantly affect dividend policy. In contrast, the profitability variable has a coefficient value of 7.041 with a significance value of 0.009, which is smaller than α = 5% (0.05), confirming that the second hypothesis is accepted. This suggests that profitability has a positive effect on dividend policy, with the ROA coefficient of 7.041 indicating that for every one-unit increase in ROA while holding other variables constant, the probability of dividend policy increases by 7.041. The free cash

flow variable, however, has a coefficient value of 0.000 with a significance value of 0.187, which is greater than α = 5% (0.05), resulting in the rejection of the third hypothesis and implying that free cash flow does not significantly influence dividend policy. Lastly, the CSR variable has a coefficient value of 5.074 with a significance value of 0.001, which is smaller than α = 5% (0.05), leading to the acceptance of the fourth hypothesis. This indicates that CSR has a positive effect on dividend policy, with the CSR coefficient of 5.074 suggesting that for every one-unit increase in CSR while holding other variables constant, the probability of dividend policy increases by 5.074.

DISCUSSION

The Effect of Company Growth on Dividend Policy

The first hypothesis in this study is that company growth influences dividend policy. Based on the test results that can be seen in Table 6, company growth, proxied by the growth of total assets, has no effect on dividend policy, so the first hypothesis is rejected. This means that company growth is unable to affect the dividend policy of companies that pay or do not pay dividends.

The amount of dividend distribution is regulated by the general meeting of shareholders (GMS) so that even if the company experiences growth or not, the company still distributes dividends according to the results of the GMS that have been determined. This is in accordance with agency theory, which posits that the GMS is used to align the interests of shareholders with company management (Widanaputra, 2010). Based on data obtained during the COVID-19 pandemic, with high company growth, some companies do not distribute dividends, and vice versa, there is also low company growth, but companies can distribute dividends, so that company growth is less able to affect the amount of dividends distributed by the company; company growth is not the main benchmark for companies to make decisions about distributing dividends or not. It can be concluded that if the company's growth rises, the dividend policy can fluctuate.

The results of this study are in line with research by Utami and Inanga (2011), which found that company growth does not affect dividend policy, but the results of this study are not in line with research by Janifairus et al. (2013), which states that company growth affects dividend distribution decisions. This shows that the high and low growth rate of the company can affect the opportunity for dividend distribution.

The Effect of Profitability on Dividend Policy

The second hypothesis in this study is that profitability affects dividend policy. Based on the test results that can be seen in Table 6, profitability, proxied by ROA, affects dividend policy, so the second hypothesis is accepted. This means that the ability of a company's assets to generate profits can influence the company's decision to pay or not to pay dividends.

ROA is a measure of a company's ability to generate net profit based on certain asset levels (Hanafi, 2004). The assets used can be in the form of current assets or fixed assets (Gitman et al., 2015). The higher the profit generated, the higher the cash flow in the company, so that the company can pay higher dividends (Jensen et al., 1992). During the COVID-19 pandemic, it was proven that companies were very considerate of the profits obtained to pay dividends.

This is in accordance with the signaling theory, which explains that management will pay dividends to signal the company's success in posting profits. In general, investors will expect more benefits to be obtained from their investments in the form of dividends, and

they will be interested in investing in companies that have high and stable profits. In other words, the company's ability to pay dividends is a function of profits.

The results of this study are consistent with the findings of Anil & Kapoor (2008), Kouki (2009), and Kumar & Ranjani (2018), who confirm that profitability has a positive effect on dividend policy, which shows that the higher the ROA, the higher the possibility of the company paying dividends. However, research by Komrattanapanya & Suntraruk (2013) and Prihantoro (2012) stated that profitability does not affect dividend policy, while Nuringsih (2005) stated that profitability has a negative effect on dividend policy.

The Effect of Free Cash Flow on Dividend Policy

The third hypothesis in this study is that free cash flow affects dividend policy. Based on the test results that can be seen in Table 6, free cash flow has no effect on dividend policy, so the third hypothesis is rejected. This means that free cash flow is unable to influence the dividend policy of companies that pay or do not pay dividends.

Free cash flow is the amount of cash flow available to investors (debt providers/creditors and equity providers/owners) after the company meets all operating needs and covers funds for investment in both net fixed assets and net current assets (Gitman et al., 2015). When an organization generates a very large amount of free cash flow, there is a conflict of interest between shareholders and managers (Jensen, 1986). Managers want to remain in control of the cash (Hanafi, 2004). Excess cash flow tends to be used by managers to increase their power through excessive investment and expenditure that has nothing to do with the company's main activities (excessive perquisites). To resolve the conflict over cash flow control, shareholders may establish a high dividend payment policy. Thus, control over free cash flow is no longer in the hands of managers but has passed into the hands of shareholders in the form of dividends (Easterbrook, 1984).

Based on this research data, the inability of free cash flow to predict the possibility of companies paying dividends is due to the fact that during the COVID-19 pandemic, some companies had negative free cash flow. Negative free cash flow actually indicates free cash flow that is not available to investors, including equity owners. This absence of cash flow causes this free cash flow to be unable to explain the determinants of dividend policy. In addition, another reason used to explain the insignificance of the effect of free cash flow on the dividend policy is that free cash flow has not received attention in Indonesia because existing companies do not report its existence explicitly (Tarjo, 2005). This condition is different from the conditions in the United States. In the United States, free cash flow has received attention. This can be proven by the publication of free cash flow periodically by independent institutions/bodies such as the Value Line Investment Survey.

The results of this study are in line with the findings of Agrawal & Jayaranam (1994) and Kouki (2009), who show that free cash flow cannot predict a company in paying dividends, but the findings of Kouki and Guizani (2009) confirm that net cash flow has a positive effect on dividend policy. This indicates that net cash flow can be used as a factor that distinguishes groups of issuers that pay dividends and groups of issuers that do not pay dividends.

The Effect of Corporate Social Responsibility (CSR) on Dividend Policy

The fourth hypothesis in this study is that CSR affects dividend policy. Based on the test results that can be seen in Table 6, CSR affects dividend policy, so the fourth hypothesis is accepted. This means that CSR can influence the dividend policy of companies that pay or do not pay dividends.

The results of this study show that the higher the CSR disclosure score, the more likely the company is to pay dividends that will be distributed to investors. If the company views the implementation of CSR as an investment for the sustainability of the company in the future, rather than as a cost incurred by the company, it will certainly have a positive impact on the company (Cheung et al., 2018). Companies that implement CSR have a greater tendency to pay dividends compared to companies that do not implement CSR because they gain good trust from the public. By engaging in CSR, even during the COVID-19 pandemic, it will build optimism for all elements of the nation to bounce back from the slump caused by COVID-19, and the company's reputation will improve among the community; this also affects investor interest. Most investors tend to be interested in investing in entities that carry out and disclose information on CSR activities.

The results of this study are supported by the results of research that has been carried out by Cheung et al. (2018), Sheikh (2022), and Sheikh et al. (2022), which show that CSR has a significant influence on dividend payment policies. However, this research is not in line with those conducted by Muhtarom et al. (2021) and Tjandra (2020), which provide results that there is no influence between CSR and dividend policy.

CONCLUSION

This study was conducted to examine the effect of company growth, profitability, free cash flow, and CSR on dividend policy. This research uses secondary data from audited annual financial statements of consumption sector companies accessed through the IDX for the period 2020–2021. The data collection method uses purposive sampling, where, from the results of the sample determination, there are 57 companies (114 observations) that have met the sample criteria over a research period of two years. Based on the results of testing that has been carried out in this study, the following conclusions can be drawn as follows.

Company growth has no effect on dividend policy. This is because the company's growth is not the main benchmark for companies to make decisions to distribute dividends or not. It can be concluded that if the company's growth rises, the dividend policy can fluctuate. Profitability, which is proxied by ROA, affects dividend policy. The higher the ROA, the higher the likelihood of the company paying dividends. Free cash flow has no effect on dividend policy. This is because, during the COVID-19 pandemic, several companies had negative free cash flow. Negative free cash flow actually indicates free cash flow that is not available to investors, including equity owners. This absence of cash flow causes this free cash flow to be unable to explain the determinants of dividend policy. CSR affects dividend policy. The results of this study show that the higher the CSR disclosure score, the more likely the company is to pay dividends that will be distributed to investors.

Suggestions for subsequent researchers include exploring other independent variables beyond those examined in this study, such as additional financial and non-financial variables, and utilizing different measurement proxies to broaden the analysis. Future studies are also encouraged to expand the research sector by including industries like properties and real estate, consumer cyclical, and consumer non-cyclical, as well as extending the research period to widen the scope of findings. Additionally, subsequent research could compare years unaffected by the COVID-19 pandemic with those impacted by it to analyze differences in financial reporting timelines. The implications of this study are significant for both investors and company management. Investors tend to view ROA as a key indicator of financial performance and CSR as a measure of

corporate sustainability. For company management, balancing profits allocated for dividends with investments in CSR is crucial to maintaining investor trust and ensuring long-term sustainability.

ACKNOWLEDGMENT
The author sincerely acknowledges the support and contributions of all individuals and organizations that have facilitated the completion of this article.

DECLARATION OF CONFLICTING INTERESTS
The authors declared no potential conflicts of interest.

REFERENCES

Agrawal, A., & Jayaraman, N. (1994). The dividend policies of all-equity firms: A direct test of the free cash flow theory. *Managerial and Decision Economics*, *15*(2), 139-148. https://doi.org/10.1002/mde.4090150206

Al-Kuwari, D. (2009). Determinants of the dividend policy of companies listed on emerging stock exchanges: the case of the Gulf Cooperation Council (GCC) countries. *Global Economy & Finance Journal*, *2*(2), 38-63.

Anil, K., & Kapoor, S. (2008). Determinants of dividend payout ratios-a study of Indian information technology sector. *International Research Journal of Finance and Economics*, *15*(1), 63-71.

Arfan, M., & Maywindlan, T. (2013). Pengaruh arus kas bebas, collateralizable assets, dan kebijakan utang terhadap kebijakan dividen pada perusahaan yang terdaftar di Jakarta Islamic Index [The effect of free cash flow, collateralizable assets, and debt policy on dividend policy in companies listed on the Jakarta Islamic Index]. *Jurnal Telaah Dan Riset Akuntansi*, *6*(2), 194-208.

Aristantia, D., & Putra, I. M. P. D. (2015). Investment opportunity set dan free cash flow pada tingkat pembayaran dividen perusahaan manufaktur [Investment opportunity set and free cash flow at the level of dividend payments of manufacturing companies]. *E-Jurnal Akuntansi Universitas Udayana*, *11*(1), 220-234.

Arko, A. C., Abor, J., KD Adjasi, C., & Amidu, M. (2014). What influence dividend decisions of firms in Sub-Saharan African?. *Journal of Accounting in Emerging Economies*, *4*(1), 57-78. https://doi.org/10.1108/JAEE-12-2011-0053

Benlemlih, M. (2019). Corporate social responsibility and dividend policy. *Research in International Business and Finance*, *47*, 114-138. https://doi.org/10.1016/j.ribaf.2018.07.005

Brigham, E. F., & Houston, J. F. (2019). *Fundamentals of Financial Management*. Cengage Learning.

Budiman, R. (2018). *Rahasia Analisis Fundamental Saham [The Secret of Fundamental Stock Analysis]*. Elex Media Komputindo.

Cheung, A., Hu, M., & Schwiebert, J. (2018). Corporate social responsibility and dividend policy. *Accounting & Finance*, *58*(3), 787-816. https://doi.org/10.1111/acfi.12238

Devi, A. A. A. M. V., Suardikha, I. M. S., & Budiasih, I. N. (2014). Pengaruh profitabilitas pada kebijakan dividen dengan likuiditas dan kepemilikan manajerial sebagai variabel pemoderasi [The effect of profitability on dividend policy with liquidity and managerial ownership as moderating variables]. *E-Jurnal Ekonomi dan Bisnis Universitas Udayana*, *3*(12), 702-717.

Dhaneswara, F., & Haryanto, H. (2019). Pengaruh laba, arus kas operasi dan arus kas bebas terhadap kebijakan dividen pada perusahaan non-keuangan (tahun 2008-2017) [Pengaruh laba, arus kas operasi dan arus kas bebas terhadap kebijakan dividen pada Perusahaan non-keuangan (tahun 2008-2017)]. *Diponegoro Journal of Accounting*, *8*(2).

Easterbrook, F. H. (1984). Two agency-cost explanations of dividends. *The American Economic Review*, *74*(4), 650-659.

Ferdiana, N. (2012). Pengaruh good corporate governance terhadap kinerja keuangan perusahaan pertambangan di BEI [The influence of good corporate governance on the financial performance of mining companies on the IDX]. *Jurnal Ilmiah Mahasiswa Akuntansi*, *1*(2), 11-15. https://doi.org/10.33508/jima.v1i2.131

Ghozali, I. (2018). *Aplikasi Analisis Multivariate Dengan Program IBM SPSS 25 [Multivariate Analysis Application With IBM SPSS 25 Program]*. Badan Penerbit Universitas Diponegoro.

Ginting, S. (2018). Pengaruh likuiditas, profitabilitas. dan leverage terhadap kebijakan deviden pada perusahaan lq45 yang terdaftar di Bursa Efek Indonesia periode 2012-2016 [The influence of liquidity, profitability, and leverage on dividend policy in LQ45 companies listed on the Indonesia Stock Exchange for the period 2012-2016]. *Jurnal Wira Ekonomi Mikroskil*, *8*(2), 195-204.

Gitman, L. J., Juchau, R., & Flanagan, J. (2015). *Principles of Managerial Finance*. Pearson Higher Education AU.

Hanafi, M. M. (2004). *Manajemen Keuangan [Financial Management].* BPFE.

Haryetti, H., & Ekayanti, R. A. (2012). Pengaruh profitabilitas, investment opportunity Set dan pertumbuhan perusahaan terhadap kebijakan dividen pada perusahaan lq-45 yang terdaftar di BEI [The influence of profitability, investment opportunity set and company growth on dividend policy in LQ-45 companies listed on the IDX]. *Jurnal Ekonomi Universitas Riau*, *20*(03), 8659.

Hery, H. (2017). *Kajian Riset Akuntansi [Accounting Research Study]*. PT Grasindo.

Ismawati, L. (2017). Determinan kebijakan dividen pada perusahaan telekomunikasi di Indonesia [Determination of dividend policy in telecommunications companies in Indonesia]. *Jurnal Inspirasi Bisnis dan Manajemen*, *1*(1), 11-18.

Janifairus, J. B., Hidayat, R., & Husaini, A. (2013). Pengaruh return on asset, debt to equity ratio, assets growth, dan cash ratio terhadap dividend payout ratio (studi pada perusahaan manufaktur barang konsumsi yang listing di Bursa Efek Indonesia periode 2008-2010) [The effect of return on assets, debt to equity ratio, asset growth, and cash ratio on dividend payout ratio (study on consumer goods manufacturing companies listed on the Indonesia Stock Exchange for the period 2008-2010).]. *Jurnal Administrasi Bisnis S1 Universitas Brawijaya*.

Jensen, G. R., Solberg, D. P., & Zorn, T. S. (1992). Simultaneous determination of insider ownership, debt, and dividend policies. *Journal of Financial and Quantitative Analysis*, *27*(2), 247-263. https://doi.org/10.2307/2331370

Jensen, M. C. (1986). Agency costs of free cash flow, corporate finance and takeovers. *American Economic Review*.

Jensen, M. C., & Meckling, W. H. (2019). Theory of the firm: Managerial behavior, agency costs and ownership structure. In *Corporate governance* (pp. 77-132). Gower.

Komrattanapanya, P., & Suntraruk, P. (2013). Factors influencing dividend payout in Thailand: A tobit regression analysis. *International Journal of Accounting and Financial Reporting*, *3*(2), 255.

Kouki, M. (2009). Stock options and firm dividend policy: Evidence from Toronto stock exchange. *International Research Journal of Finance and Economics*, *25*, 97-113.

Kouki, M., & Guizani, M. (2009). Ownership structure and dividend policy evidence from the Tunisian stock market. *European Journal of Scientific Research*, *25*(1), 42-53.

Kumar, S., & Ranjani, K. S. (2018). Dividend behaviour of Indian-listed manufacturing and service sector firms. *Global Business Review*, *20*(1), 179-193. https://doi.org/10.1177/0972150917753863

Kurniawan, R., Karsidi, R., Anantanyu, S., & Sugihardjo, S. (2022). Community empowerment in the economic field of fish farmers in the corporate social responsibility program. *Journal of the Community Development in Asia*, *5*(2), 32-41. https://doi.org/10.32535/jcda.v5i2.1494

Laim, W., Nangoy, S. C., & Murni, S. (2015). Analisis faktor-faktor yang mempengaruhi dividend payout ratio pada perusahaan yang terdaftar di indeks LQ-45 Bursa Efek Indonesia [Analysis of factors influencing dividend payout ratio in companies listed on the LQ-45 index of the Indonesia Stock Exchange]. *Jurnal EMBA: Jurnal Riset Ekonomi, Manajemen, Bisnis dan Akuntansi*, *3*(1). https://doi.org/10.35794/emba.3.1.2015.7927

Lestari, K. A. N. S., Lestari, E. P., & Astuty, S. (2024). The influence of the principles of good corporate governance, corporate social responsibility, and financial literacy on the financial performance of village credit institutions in the Negara District of Jembrana. *International Journal of Applied Business and International Management*, *9*(1), 62-74. https://doi.org/10.32535/ijabim.v9i1.2915

Lucyanda, J. (2012). Pengaruh free cash flow dan struktur kempemilikan terhadap dividend payout ratio [The effect of free cash flow and ownership structure on dividend payout ratio]. *Jurnal Dinamika Akuntansi*, *4*(2). https://doi.org/10.15294/jda.v4i2.2171

Mashuri, A. A. S., & Ermaya, H. N. L. (2020, March). The effect of tax aggressiveness and media exposure on corporate social responsibility disclosure with profitability as moderated variables. In *4th Padang International Conference on Education, Economics, Business and Accounting (PICEEBA-2 2019)* (pp. 16-28). Atlantis Press. https://doi.org/10.2991/aebmr.k.200305.047

Mawaddah, N. (2015). Faktor-faktor yang mempengaruhi profitabilitas bank syariah [Faktor-faktor yang mempengaruhi profitabilitas bank syariah]. *Jurnal Etikonomi*, *14*(2), 241–56.

Muhtarom, A., Wardani, L. K., Ghofur, A., & Nurindyah, A. A. (2021). Corporate social responsibility, dividend policy and number of independent commissioners. *The Journal of Contemporary Issues in Business and Government*, *27*(6), 1184-1193.

Nuringsih, K. (2005). Analisis pengaruh kepemilikan manajerial, Kebijakan utang, roa dan ukuran perusahaan terhadap kebijakan dividen: Studi 1995-1996 [Analysis of the influence of managerial ownership, debt policy, ROA and company size on dividend policy: 1995-1996 study]. *Jurnal Akuntansi dan Keuangan Indonesia*, *2*(2), 5. https://doi.org/10.21002/jaki.2005.12

Prabowo, S. C. B., & Salim, U. (2014). Pengaruh kepemilikan institusional, arus kas bebas terhadap kebijakan dividen dan volatilitas harga saham (studi pada perusahaan manufaktur yang terdaftar di BEI) [The effect of institutional ownership, free cash flow on dividend policy and stock price volatility (a study on manufacturing companies listed on the IDX)]. *Jurnal Aplikasi Manajemen*, *11*(3), 417-426.

Pramana, G. R. A., & Sukartha, I. M. (2015). Analisis faktor-faktor yang mempengaruhi kebijakan dividen di Bursa Efek Indonesia [Analysis of factors influencing dividend policy on the Indonesia Stock Exchange]. *E-Jurnal Akuntansi Universitas Udayana*, *12*(2), 221-232.

Prihantoro, P. (2012). Estimasi pengaruh dividen payout ratio pada perusahaan publik di Indonesia [Estimation of the effect of dividend payout ratio on public companies in Indonesia]. *Jurnal Ekonomi & Bisnis, 1*(8).

Rochmah, H. N., & Ardianto, A. (2020). Catering dividend: Dividend premium and free cash flow on dividend policy. *Cogent Business & Management*, *7*(1), 1812927. https://doi.org/10.1080/23311975.2020.1812927

Ross, S. A. (1977). The determination of financial structure: The incentive-signalling approach. *The Bell Journal of Economics*, 23-40. https://doi.org/10.2307/3003485

Rudianto, R. (2012). *Pengantar Konsep Akuntansi dan Teknik Penyusunan Laporan Keuangan [Introduction to Accounting Concepts and Techniques for Preparing Reports Finance]*. Erlangga.

Samet, M., & Jarboui, A. (2017). Corporate social responsibility and payout decisions. *Managerial Finance*, *43*(9), 982-998. https://doi.org/10.1108/MF-01-2017-0020

Sari, N., Ayu, K., & Sudjarni, L. K. (2015). Pengaruh likuiditas, leverage, pertumbuhan perusahaan, dan profitabilitas terhadap kebijakan dividen pada perusahaan manufaktur di BEI [The influence of liquidity, leverage, company growth, and profitability on dividend policy in manufacturing companies on the IDX]. *E-Jurnal Manajemen Unud, 4*(1).

Sartono, A. (2010). *Teori dan Aplikasi Manajemen Keuangan [Financial Management Theory and Applications].* BPFE.

Sheikh, M. F., Bhutta, A. I., Rehman, B., Bazil, M., & Hassan, A. (2022). Corporate social responsibility and dividend policy: A strategic choice in family firms. *Journal of Family Business Management*, *12*(2), 296-315. https://doi.org/10.1108/JFBM-10-2020-0096

Sheikh, S. (2022). Corporate social responsibility and corporate payout policy: The impact of product market competition. *International Journal of Managerial Finance*, *18*(1), 49-74. https://doi.org/10.1108/IJMF-09-2020-0465

Tarjo, T. (2005). Analisa free cash flow dan kepemilikan manajerial terhadap kebijakan utang pada perusahaan publik di Indonesia [Analysis of free cash flow and managerial ownership on debt policy in public companies in Indonesia]. *The Indonesian Journal of Accounting Research*, *8*(1). http://doi.org/10.33312/ijar.132

Tjandra, S. (2020). Pengaruh struktur kepemilikan, kebijakan hutang dan corporate social responsibility terhadap kebijakan dividen [The influence of ownership structure, debt policy and corporate social responsibility on dividend policy]. *Journal of Applied Managerial Accounting*, *4*(2), 208-227.

Utami, S. R., & Inanga, E. L. (2011). Agency costs of free cash flow, dividend policy, and leverage of firms in Indonesia. *European Journal of Economics, Finance and Administrative Sciences*, *33*(6), 7-24.

Wardani, D. K. (2018). The moderating impact of profitability on corporate social responsibility (CSR) and tax avoidance relationship. *Journal of International Conference Proceedings*, *1*(1). https://doi.org/10.32535/jicp.v1i1.207

Wati, L. N. (2019). *Model Corporate Social Responsibility (CSR).* Myria Publisher.

Widanaputra, A. A. G. P. (2010). Pengaruh konflik keagenan mengenai kebijakan dividen terhadap konservatisma akuntansi [The effect of agency conflict regarding dividend policy on accounting conservatism]. *Jurnal Aplikasi Manajemen*, *8*(2), 379-390.

Yolandha, F. (2020, August 24). *Dividen Global Anjlok, Terburuk Sejak Krisis 2009 [Global Dividends Plunge, Worst Since 2009 Crisis]*. Republika Online. https://ekonomi.republika.co.id/berita/qfjpkr370/dividen-global-anjlok-terburuk-sejak-krisis-2009

International Journal of Accounting & Finance in Asia Pasific (IJAFAP)
Vol. 8 No. 1 pp. 111-127, February, 2025
E-ISSN: 2655-6502 P-ISSN: 2684-9763
https://www.ejournal.aibpmjournals.com/index.php/IJAFAP

ABOUT THE AUTHOR(S)

1st Author
Dr. Rida Prihatni, SE., M.Si., Ak., CA is a faculty member at the Master of Accounting Program, Faculty of Economics and Business, Universitas Negeri Jakarta. She holds a doctoral degree (Ph.D.) in Accounting and is a certified public accountant (CA). Dr. Rida is affiliated with Universitas Negeri Jakarta, where she contributes significantly to the academic community. Her research and professional interests are centered around accounting, and she is actively involved in various academic and professional activities. You can find more of her academic works through her ORCID ID: 0000-0002-5524-6134.