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The Effect of Profitability, Liquidity, Growth, Firm Size and Debt Policy on Dividend Policy

(Empirical Study of LQ 45 Companies Listed on the Indonesia Stock Exchange (IDX) In 2016-2022)

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Abstract: Investment is the association of resources in the long term to generate profits in the future. One alternative investment in the capital market is shares, which will benefit shareholders through dividend income. Companies often face several factors affecting dividend policy, such as profitability, liquidity, growth, firm size, and debt policy. This study aimed to determine the effect of profitability, liquidity, growth, firm size, and debt policy on the company's dividend policy. This research was conducted at LQ 45 companies listed on the Indonesia Stock Exchange (IDX) for 2016-2022. The number of samples used in this study was 12 companies with 84 observations, and used a purposive sampling method. The data in this study were tested using multiple regression analysis. The result of this study is that profitability and liquidity affect the company's dividend policy. Growth, firm size, and debt policy do not affect the company's dividend policy.
Keywords: Profitability, Liquidity, Growth, Firm Size, Debt Policy, Dividend Policy.

1. Introduction

Investment is the association of sources in the long term to generate profits in the future (Mulyadi, 2011). Meanwhile, according to Sumariyah (2010), Investment is one of the investment activities for one or more assets owned within a certain period with the hope of getting profits in the future. Parties that invest capital or have more wealth are called investors. Getting profits or returns in the future is the primary goal of investors when investing a certain amount of funds in a company. Therefore, investment decisions are difficult for investors to determine, so various kinds of information are needed from the company to minimize the risks and uncertainties that will occur in the future. Investments made by investors are used as expenses for company investors to purchase various production equipment to increase the ability to produce goods or services available in the economy.

The capital market is an alternative long-term investment option among various other investment alternatives for companies. In Indonesia, there is the Indonesia Stock Exchange, which has an essential role in the development of the capital market and functions as an organizer and provider of a system for bringing together selling offers and buying offers for other parties' securities to trade securities in a systematic, fair, and efficient manner. They also act as a liaison between investors and issuers on the Indonesia Stock Exchange. Fakhrudin and Hadianto (2001) state that one alternative investment in the capital market is in the form of shares, which will provide benefits for shareholders. This advantage can be in the form of dividend income, income from the difference between the selling price of the shares and the purchase price (capital gain), or voting rights at the General Meeting of Shareholders (one share, one vote).

Dividend distributions attract the attention of shareholders more than capital gains. By investing, shareholders expect the company to maximize shareholder wealth. In this case, the company's management is given trust and is responsible for managing the company. In addition, company management must also pay attention to the company's welfare by making the profits earned as retained earnings to increase the company's operational costs in order to increase the company's competitiveness. If the distribution of dividends is relatively high, shareholders will view it as a positive thing. On the other hand, if there is a reduction in dividend rights, an investor will view this negatively. With this reduction, it is often interpreted that the company is experiencing financial difficulties. For this reason, company management has an essential role in making an optimal dividend policy. Companies deciding not to pay dividends will affect investor perceptions, where dividends are essential in tempting investors to deposit their capital into the company (Ginting & Munawarah, 2018).

The dividend payout ratio (DPR) is a ratio that describes the company's dividend policy, which means that the size of the dividend payout ratio will influence investors' investment decisions and company conditions. Each company has a different dividend policy; the amount of dividends distributed depends on the decisions of the company's management. This policy has a significant impact on both parties. Mnune and Purbawangsa

(2019) confirm that changes in dividend payments can be considered a code that is interpreted as a sign of information that can affect investors' perceptions and influence their decisions, which can then affect the future of the company, which can generally affect the selling price of shares when dividend distribution is informed to the public. Therefore, the dividend payout ratio is essential to pay attention to because the increase or decrease in the value of the dividend determines the good and bad views of the company's performance for shareholders.

The Indonesia Stock Exchange has a group of issuers with a list of stock issuers filtered by the Indonesia Stock Exchange through predetermined terms or criteria. This group is known as the LQ 45 Company. The LQ 45 company listed on the Indonesia Stock Exchange is a group of companies known for having higher liquidity than other companies and sound financial performance, taking into account market capitalization. Once every six months, these shares will be monitored, and a re-determination will be held. Shares still within the criteria will remain in the LQ 45 range, while those that do not meet the criteria will be replaced with those that meet the requirements.

The factors that affect dividend policy can be divided into two groups: financial factors, which include growth prospects, profitability, liquidity, debt repayment requirements, borrowing ability, cost of capital, dividend stability, and the level of expansion of assets; and non-financial factors, which include restrictions on debt agreements, opportunities to the capital market, tax regulations, the position of shareholders as taxpayers, company control, and opportunities to the capital market. Factors influencing dividend policy According to Riyanto (2011), dividend policy is influenced by liquidity, the need for funds to pay debts, and the company's growth and supervision level. Meanwhile, according to Sundjaja and Barlian (2002), some factors can influence dividend policy, including legal regulations, company liquidity position, loan repayment obligations, loan contracts, assets, level of profit stability, company control, capital markets, and decisions regarding dividends.

Based on the results of previous research, determining the dividend policy is influenced by several factors, including profitability, liquidity, growth, firm size, and debt policy. Research conducted by Handayani (2022) with research samples on banking sector companies listed on the Indonesia Stock Exchange (IDX) for the 2015–2019 period showed that profitability had a positive and significant effect on dividend policy. However, Seleman and Rina's (2018) research found that profitability did not significantly affect dividend policy in food and beverage companies listed on the IDX from 2013 to 2017.

Research conducted by Ega and Ronny (2020) stated that liquidity negatively and significantly affected dividend policy in manufacturing companies listed on the IDX in 2016–2018. Meanwhile, Andre and Fitri's research (2020), with a research sample of LQ 45 companies listed on the IDX in 2015–2017, showed that liquidity does not affect dividend policy.Research conducted by Seleman and Rina (2018) states that growth positively and significantly influences dividend policy in food and beverage companies listed on the IDX from 2013 to 2017. Meanwhile, Aimee and Lailatul's research (2017), with a sample of manufacturing companies listed on the IDX in 2012–2014, showed that growth did not affect dividend policy.Research conducted by Andre and Fitri (2020) with a research sample of LQ 45 companies listed on the IDX in 2015–2017 showed that firm size affects dividend policy. Meanwhile, research by Setiawan et al. (2020) showed that firm size has no effect and is not significant on the dividend policy of retail companies listed on the Indonesia Stock Exchange for the 2015–2019 period.

This research is a development of previous research. The difference between this study and previous research lies in the year of research and the determining indicators that affect the company's dividend policy. This study uses the independent variables of profitability, liquidity, growth, firm size, and debt policy. The object of this research is the LQ 45 companies listed on the IDX in the 2016–2022 period. Based on these differences, this study will provide empirical findings different from previous studies.

2. Literature Review and Hypothesis

2.1 Agency Theory

Agency theory is a concept that explains the contractual relationship between principal and agent in the event of a conflict of interest (Scott, 1997). The relationship between principal and agent is usually one of information asymmetry. Principals (shareholders) are parties with the authority to make decisions and give mandates to management, who manage the company. Jensen and Meckling (1976) show that shareholders can convince themselves that management will make optimal decisions when there are adequate incentives and they are under their supervision. However, conflicts often occur between management and shareholders. Differences in interests between management's and shareholders' interests cause agency problems. Management, as a decision-maker, will tend to issue policies that favor the company's interests rather than prioritize the shareholders' welfare.

Agency theory assumes that individuals act in their own self-interest. The company distributes dividends as investment profits given by shareholders to the company. Of course, shareholders want a high rate of return on what they have invested (Auditta, 2014). Meanwhile, company managers aim to increase the company's

value by reinvesting the profits earned into the company for the benefit of the company rather than paying high dividends. The conflict of interest between the owner and the agent occurs because the agent may not always act in the owner's interests, thus triggering agency costs. Agency costs are related to management supervision to ensure that management consistently follows the company's contractual agreements with creditors and investors (Chasanah, 2008). A dividend policy is a principal supervision method for agents to minimize agency conflict. Therefore, management must carry out its responsibilities and issue a dividend policy appropriate for both parties.

2.2 Signalling Theory

The signal theory is a form of responsibility from company management regarding the company's economic condition to users of financial statements (Jogiyanto, 2010). Information asymmetry between the company and external parties arises because the company's internal parties generally have more and better information regarding the company's latest conditions as well as the company's prospects in the future compared to external parties. Internal parties are considered to have more information than external parties because of their role in managing the company (Gumanti, 2009). This information can be found in financial reports, company policy notifications, or other notifications carried out voluntarily by company organizations. Therefore, companies have reasons to provide financial and non-financial reporting information to external parties to reduce this information asymmetry.

The signal theory is that information related to the company's condition is communicated to owners or other interested parties. The signal can be given by disclosing accounting information and other information that states that the company is better than other companies. Investors need complete, relevant, accurate, and timely information as an analytical tool to make investment decisions.

This theory explains that investors consider information about the cash dividend paid as a signal of the company's prospects in the future. Due to information asymmetry, investors use the announcement of dividends paid to capture information about the company's current and future prospects contained in the announcement. The market will react to the dividend announcement after receiving a signal for the announcement. A company gets a positive signal when it experiences an increase in dividend per share because a higher dividend per share indicates that the company believes that future cash flows will be large enough to support a high dividend rate. However, on the contrary, if there is a decrease in dividends, it will be regarded as a negative signal, which means that the company does not have very good prospects (Pramastuti, 2007).

2.3 Dividend Policy

A dividend policy is a decision regarding the amount of profit earned by the company, which will be allocated to the company's interests by reinvesting the profits earned as a form of capital and for the benefit of shareholders in the form of dividends (Brigham & Houston, 2012). Therefore, the dividend policy of the company must be considered. Dividends are part of the company's profits that are distributed to shareholders. The size of the dividends distributed will affect the size of retained earnings (Sudana, 2015). The greater the dividends distributed, the smaller the retained earnings. This case makes it more difficult for managers to make decisions. The dividend decision is crucial because it relates to the cash distribution to shareholders. There are two distribution methods: cash dividends and stock dividends.

2.4 Profitability

Profitability is the ability of a company to generate profits for a certain period by utilizing its wealth. Profitability is a ratio that measures a company's effectiveness in managing its assets and capital (Yudiatini & Dharmadiaksa, 2016). The company's ability to generate profits provides investors with a good view of the company's financial condition and growth. The condition of companies with high profitability is expected to increase the rate of return on investment in the form of dividends to attract investors to invest their capital.

Profitability ratios can be measured by Return On Assets (ROA). Return On Assets (ROA) is a standard ratio to measure a company's effectiveness in generating profits by utilizing its assets after capital costs are incurred. In Handayani's research (2022), ROA has a positive and significant effect on the dividend payout ratio because of an increase in the level of profitability in a company, which tends to be followed by the level of dividends given to investors. The higher the ratio, the better the company's performance because the rate of return on investment is also higher. Assessing a company's profitability is very dependent on the profits and assets to be compared.

The greater the return on assets generated, the better the opportunity for the company to increase its dividends. To determine the size of the calculation results, return on assets can be measured by comparing net income with assets as a whole. The Return On Assets (ROA) a company owns is expected to affect dividends positively. An increase will follow the profit increase in the portion of profits that will be distributed as

dividends to improve the company's image. Companies that experience continuous increases in profitability but are reluctant to pay dividends, of course, raise significant questions that will affect investors' views in the future. Thakur and Kannadhasan (2018) state that profitability positively affects dividend policy. This case aligns with research conducted by Handayani (2022), which obtained results showing that profitability had a positive and significant effect on dividend policy in banking sector companies listed on the Indonesia Stock Exchange (IDX) for the 2015–2019 period. Based on these arguments, the first hypothesis in this study is formulated in an alternative form:
H1: Profitability Affects the Company's Dividend Policy.

2.5 Liquidity

Liquidity is the company's ability to pay its short-term financial obligations through the amount of cash and cash equivalents it owns (Nafarin, 2010). The higher the company's liquidity, the more capable it is of paying off its short-term obligations. One of the proxies of the liquidity ratio is the current ratio. This ratio is calculated by dividing current assets by current liabilities. The higher the current ratio of a company, the greater the dividends investors receive (Sartono, 2009). Liquidity impacts increasing dividend distribution if the company's current ratio is high because it means the company can pay debts before maturity. This case follows Riyanto (2001), which states that liquidity problems are related to the company's ability to meet its financial obligations. Dividends are taken from the cash owned by the company, so the company must have sufficient cash to distribute dividends. This case is in line with research conducted by Ega and Ronny (2020), which stated that liquidity had a negative and significant effect on dividend policy in manufacturing companies listed on the IDX in 2016–2018. Based on these arguments, the second hypothesis in this study is formulated in an alternative form:
H2: Liquidity Affects the Company's Dividend Policy.

2.6 Growth

Company growth is a ratio that shows the change in company assets for company operational activities (Marietta &Sampurno, 2013). The faster the company's growth rate, the greater the funds needed to finance the company's growth. Companies with high corporate growth rates only sometimes pay dividends to shareholders (Afriani et al., 2015). Distributing dividends can attract trust and be liked by investors with the view that the company has good prospects for company performance in increasing its assets and can provide benefits. This case is in line with Seleman and Rina's (2018) research, which states that growth has a positive and significant influence on dividend policy in food and beverage companies listed on the IDX from 2013 to 2017. Based on these arguments, the third hypothesis in this study is formulated in an alternative form:
H3: Company Growth Affects the Company's Dividend Policy.

2.7 Firm Size

Firm size reflects the size of a company by measuring several indicators, namely the average total net sales and the average total assets of the company. The larger the company, the easier it will be for it to obtain sources of funds internally and externally. Large companies have the flexibility and ability to access the capital market more efficiently. The bigger the company, the higher the level of investor confidence that it can carry out its operations to get maximum profit. Firm size is essential in determining company dividend policy, and large companies tend to provide a high dividend payout ratio (Yusof& Ismail, 2016). This case aligns with research conducted by Andre and Fitri (2020) with a research sample of LQ 45 companies listed on the IDX in 2015–2017, which showed that firm size affects dividend policy. Based on these arguments, the fourth hypothesis in this study is formulated in an alternative form:
H4: Firm Size Affects the Company's Dividend Policy.

2.8 Debt Policy

Debt policy is a ratio that shows the amount of loan capital used by the company and how it manages these funds to finance all of its operational activities. The debt-to ratio measures the level of debt compared to the company's total equity. The greater this ratio indicates, the greater the use of debt in funding investments in assets. An increase in debt will have an impact on the size of the net profit that the company can obtain, so it will have an impact on the size of the dividend that shareholders will receive. If the company has a large debt-to-equity ratio, the smaller the dividends will be distributed. This is because the company uses profits to pay off its obligations in advance and overrides the distribution of dividends. The greater the debt risk, the more the company fulfills its obligations and the lower the number of dividends paid to shareholders. This case is in line with Andre and Fitri's research (2020), which showed that leverage affects dividend policy in LQ 45 companies listed on the IDX in 2015–2017. Based on these arguments, the fifth hypothesis in this study is formulated in an

alternative form:
H5: Debt Policy Affects the Company's Dividend Policy.

3. Methodology and Procedure

3.1 Population and Sample

The data used in this research is secondary data obtained through the Indonesia Stock Exchange (IDX). This study uses a population obtained from the financial statements of LQ 45 companies listed on the Indonesia Stock Exchange (IDX) in 2016–2022. The retrieval of research sample data was obtained by the purposive sampling method. The criteria for sampling to be examined are as follows:

Table 1: Research Sample Criteria

No	Sample Criteria	Does Not Comply the Criteria	Comply the Criteria
1	LQ 45 companies were listed on the Indonesia Stock Exchange (IDX) in 2016–2022	0	76
2	Companies that published financial reports on the Indonesia Stock Exchange (IDX) in 2016–2022	(54)	22
3	LQ 45 companies listed on the Indonesia Stock Exchange (IDX) that distributed dividends in a row during 2016–2022	(7)	15
4	The data owned by the company is complete and follows the variables studied	(3)	12
Total companies as research samples			12
The year of research (2016-2022)			7
Amount Sample			84

Source: Data Analysis Results, 2023

The number of LQ 45 companies listed on the Indonesia Stock Exchange (IDX) in 2016–2022 is 76. Of the 76 data points on the LQ 45 companies, there are 54 data points on companies that do not publish financial reports, 7 data points on companies that do not distribute dividends in a row, and three company data points that do not have complete data and are following the research variables, so the total observations that were used as research samples during the 2016–2022 period were 84 company data points.

Table 2: Research Measurement Indicators

Variable	Indicator	Source
Dividend Policy	$\text{DPR} = \frac{Dividend\ \ Per\ Share}{Earning\ \ Per\ Share}$	Gitman, 2003
Profitability	$\text{ROA} = \frac{Earning\ \ After\ Tax}{Total\ \ Assets}\text{x } 100\%$	Brigham & Houston, 2012
Liquidity	$\text{CR} = \frac{Current\ \ Assets}{Current\ \ Liabilities}$	Sartono, 2009
Growth	$\text{Growth} = \frac{Total\ Assets\ (t) - Total\ Assets\ (t-1)}{Total\ Assets\ (t-1)}$	Dhani & Utama, 2017
Firm Size	Firm Size = Ln Total Assets	Sejati & Triyanto, 2021
Debt Policy	$\text{DER} = \frac{Total\ \ Liabilities}{Total\ \ Equity}$	Hasan, 2014

In Table 2, it is explained that the dependent variable in this study is dividend policy, while the independent variables are profitability, liquidity, growth, firm size, and debt policy.

3.2 Data Analysis Method

This study uses multiple regression analysis methods. Multiple linear regression analysis was used to determine the significance of the variable influences of profitability, liquidity, growth, firm size, and debt policy on dividend policy. The regression equation model used to test the hypothesis is as follows:

$$\mathbf{DPR = \alpha + \beta_1 ROA + \beta_2 CR_{+} + \beta_3 GRO + \beta_4 FS - \beta_5 DER + e}$$

4. Results and Discussion

4.1 Descriptive Statistical Analysis

Descriptive statistics explain the minimum value, maximum value, average value (mean), and standard deviation value of the data used in the study. The independent variables used in this study consist of five variables: profitability, liquidity, growth, firm size, and debt policy. The dependent variable is the company's dividend policy for the 2016–2022 period. Based on the data obtained from the annual report and sustainability report of each LQ 45 company as a research sample, each piece of data can be described as follows:

Table 3: Results of Descriptive Statistical Analysis

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Y_DPR	84	-.31	1.24	.4945	.28503
X1_ROA	84	-2.86	44.68	8.8140	9.47201
X2_CR	84	.25	3.10	1.3896	.64334
X3_GRWTH	84	-.11	1.68	.1168	.21747
X4_FIRM	84	30.45	35.23	32.7879	1.26646
X5_DER	84	.45	6.63	2.1611	2.02323
Valid N (listwise)	84				

Source: Data Analysis Results, 2023

Based on Table 3, the results of the descriptive statistical test show that the Dividend Policy (DPR), with a minimum value of the Dividend Policy, is -0.31, which is the value of the Dividend Policy from Perusahaan Gas Negara Tbk (PGAS) in 2020. The maximum value of the Dividend Policy is 1.24, which is the value of the Dividend Policy at Unilever Indonesia Tbk (UNVR) Company in 2019. The mean value is 0.4945, and the standard deviation value is 0.28503. The standard deviation value is smaller than the mean value.

Based on Table 3, the results of the descriptive statistical test show that Profitability (ROA), with a minimum value of Profitability, is -2.86, which is the Profitability value of Perusahaan Gas Negara Tbk (PGAS) in 2020. The maximum value of Profitability is 44.68, which is the value of Profitability at the Unilever Indonesia Tbk Company (UNVR) in 2018. The mean value is 8.8140, and the standard deviation value is 9.47201. The standard deviation value is greater than the mean value.

Based on Table 3, the results of the descriptive statistical test show that the Liquidity (CR) data obtained a minimum value of 0.25 which is the Liquidity value of PT Bank Mandiri Indonesia Tbk (BMRI) in 2022. The maximum value of Liquidity is 3.10, which is the value of Liquidity at PT Indofood CBP Sukses Makmur Tbk (ICBP) in 2022. The mean value is 1.3896, and the standard deviation value is 0.64334. The standard deviation value is smaller than the mean value.

Based on Table 3, the results of the descriptive statistical test show that the Company Growth data (Growth) obtained a minimum value of -0.11 which is the Company Growth value from PT Indofood Sukses Makmur Tbk (INDF) in 2016, Perusahaan Gas Negara Tbk (PGAS) in 2019, and PT United Tractors Tbk (UNTR) in 2020. The maximum value of Company Growth is 1.68, which is the value of Company Growth at PT Indofood CBP Sukses Makmur Tbk (ICBP) in 2020. The mean value is 0.1168, and the standard deviation value is 0.21747. The standard deviation value is greater than the mean value.

Based on Table 3, the results of the descriptive statistical test show that the Firm Size (FS) data obtained a minimum value of 30.45 which is the value of the Firm Size of the Unilever Indonesia Tbk Company (UNVR) in 2016. The maximum value of Firm Size is 35.23, which is the value of Firm Size at PT Bank Mandiri Indonesia Tbk (BMRI) in 2022. The mean value is 32.7879, and the standard deviation value is 1.26646. The standard deviation value is smaller than the mean value.

Based on Table 3, the results of the descriptive statistical test show that the Debt Policy data (DER) obtained a minimum value of 0.45 which is the value of the Debt Policy from PT Semen Indonesia Tbk (SMGR) in 2016 and PT Indofood CBP Sukses Makmur Tbk (ICBP) in 2019 The maximum value of the Debt Policy is 6.63 which is the value of the Debt Policy at PT Bank Negara Indonesia Tbk (BBNI) in 2021. The mean value is 2.1611, and the standard deviation value is 2.02323. The standard deviation value is smaller than the mean value.

Discussion

Before testing linear regression, the data must pass the classical assumption test. In this study, the significance value of the normality test was 0.200, which means that the data in this study were usually distributed. For the multicollinearity test, the tolerance value for each variable is 0.388-0.476-0.961-0.258-0.403 and for the VIF value is 2.567-2.102-1.041-3.874-2.483, which means that each variable in the study meets the requirements and is free from multicollinearity, for the heteroscedasticity test in this study using a scatterplot chart which shows that the points spread randomly with no apparent pattern and are spread both above and below the number 0 on the Y axis, meaning that each variable is independent of heteroscedasticity. For the autocorrelation test, the Durbin-Watson coefficient is 1.719, which meets the requirements, meaning that each variable is independent of autocorrelation. The results of multiple linear regression tests were carried out using the IBM SPSS 22 program described in the table below.

Table 4: Results of Multiple Linear Regression Analysis

Variable	Coefisien Regression	T_{Count}	Sig.	Information
Constant	1,858	1,373	0,174	
Profitability	0,011	2,604	0,011	H_1 accepted
Liquidity	-0,125	-2,319	0,036	H_2 accepted
Growth	-0,133	-1,097	0,276	H_3 rejected
Firm Size	-0,038	-0,957	0,342	H_4 rejected
Debt Policy	-0,007	-0,368	0,714	H_5 rejected
R^2 = 0,359	F_{Count} = 8,742			
Adjusted R^2 = 0,318	Sig. = 0,000			

Source: Output SPSS, 2023

The profitability variable has a t-test significance value of 0.011, which means less than 0.05 or 5%. Thus, **H1 is accepted**, meaning that profitability affects dividend policy. This result can be seen from the increasing DPR value and a higher ROA value. This case is because profit is the primary indicator that shows the company's capacity to pay dividends. Investors tend to like companies with high profitability, so the dividends paid to investors are also high. The results of this study follow the results of research conducted by Andre and Fitri (2020), where the research shows that profitability (ROA) affects dividend policy (DPR).

The liquidity variable has a t-test significance value of 0.036, which means less than 0.05 or 5%. Thus, **H2 is accepted**, meaning that liquidity affects dividend policy. The results of this study indicate that the smaller the liquidity ratio as measured by the Current Ratio, the higher the value of the DPR. The more liquid a company is, the greater its ability to effectively meet financial obligations and use its current assets. This result can be interpreted that when the company is in a liquid condition, its production activities will run smoothly to generate targeted profits. The greater the cash position and liquidity of the company, the greater the company's ability to pay dividends. The results of this study follow the research of Ega and Ronny (2020), which shows the results that liquidity (Current Ratio) has a negative and significant effect on dividend policy (DPR).

The growth variable has a t-test significance value of 0.276, meaning more than 0.05 or 5%. Thus it can be concluded that **H3 is rejected**, meaning that growth does not affect dividend policy. This result shows that growth does not affect the size of the DPR, whether the company is growing rapidly or not. The results of this study indicate that dividends are paid without considering the company's growth. In other words, this dividend policy does not depend on investment decisions. This research is in line with the results of research conducted by Handayani (2022), which produced empirical evidence that company growth (growth) does not affect dividend policy (DPR).

The firm size variable has a t-test significance value of 0.342, meaning more than 0.05 or 5%. Thus it can be concluded that **H4 is rejected**, meaning that firm size does not affect dividend policy. This result shows that the company's size does not affect the size of the DPR, both large and small. This study's results align with research conducted by Handayani (2022), which produced empirical evidence that firm size does not affect dividend policy (DPR).

The debt policy variable has a t-test significance value of 0.714, meaning more than 0.05 or 5%. Thus it can be concluded that **H5 is rejected**, meaning that debt policy does not affect dividend policy. This result shows that if the company has a high level of debt, the company will be more likely to distribute low dividends to shareholders. This case can reduce the agency problem, where management and shareholders have the same interests: to pay off the company's debt by financing its investment with internal sources of funds so that shareholders will give up their dividends to finance their investment. The results of this study are in line with the

research of Setiawan et al. (2020), who obtained the result that debt policy (DER) does not affect dividend policy (DPR).

5. Conclusion

This study examines the effect of profitability, liquidity, company growth, firm size, and debt policy on dividend policy. This research was conducted at LQ 45 companies listed on the Indonesia Stock Exchange (IDX) for 2016-2022. Based on the results of the tests carried out, it can be concluded that:

1. Profitability (ROA) significantly affects dividend policy, so H1, which states that profitability affects dividend policy, is proven true.
2. Liquidity (CR) significantly affects dividend policy, so H2, which states that liquidity affects dividend policy, is proven true.
3. Company growth (Growth) has no significant effect on dividend policy, so H3, which states that company growth affects dividend policy, is not proven true.
4. Firm size (FS) does not significantly affect dividend policy, so H4, which states that firm size affects dividend policy, is not proven true.
5. Debt policy (DER) has no significant effect on dividend policy, so H5, which states that debt policy affects dividend policy, is not proven true.

Based on the results of the discussion, the suggestions that can be given are:

1. For future researchers, it is recommended to extend the year of observation to increase the number of research samples and improve the distribution and accuracy of data.
2. Future researchers are encouraged to use a sample that is not only limited to LQ 45 companies listed on the IDX but can also use data from other business sectors listed on the IDX.
3. It is recommended that future researchers add other, more complex variables in order to obtain more accurate input regarding the factors influencing debt policy.
4. For future researchers, it is recommended not to use only one proxy in measuring the independent variables so that the results obtained from this study are better and more extensive.

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