THE INFLUENCE OF PROFITABILITY AND LIQUIDITY ON DIVIDEND POLICY IN FINANCIAL SECTOR COMPANIES LISTED ON BEI 2018-2022

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ABSTRACT

Dividend policy is still a difficult puzzle to solve. Dividend policy is a policy taken by company management regarding whether profits will be kept as retained earnings or profits will be distributed to shareholders in the form of dividends. According to several previous studies, dividend policy can be influenced by various factors such as profitability, liquidity, debt levels, company size and company risk. In this research, the factors to be measured are profitability and liquidity. Profitability is a ratio used to measure a company's ability to generate profits. Meanwhile, liquidity is a ratio used to measure a company's ability to fulfill its short-term obligations. In this study, the research population is financial sector companies listed on the Indonesian IDX. The sampling technique used in this research was purposive sampling technique, and the objects obtained were 18 companies with a total of 5 years of research. So a sample of 90 samples was obtained. The results of this research are that profitability has no significant effect on dividend policy, while liquidity has no significant effect on dividend policy.

Keywords: profitability, liquidity, dividend policy

INTRODUCTION

Indonesia's economic growth cannot be separated from financing provided by banks or other non-bank financial institutions. A financial institution is a body that collects and distributes funds to the community, whose main objective is investment (Anshori, 2019) The difference between banks and other non-bank financial institutions is that in collecting funds, banks collect funds from the public directly or indirectly, while non-bank financial institutions collect funds from the public only indirectly. (Wiwoho, 2014). The role of banks and other non-bank financial institutions in the economy is as intermediaries between parties who have excess funds and parties who need funds (Fure, 2016).

Based on data released by IDX(2022) Companies listed on the IDX consist of 12 sectors. One of these 12 sectors is the financial sector (IDXFINANCE), which consists of the sub-sectors banks, consumer financing, business financing, investment services, insurances, holding and investment companies. The IDX determines sectors, sub-sectors, industries and sub-industries based on market exposure.

As with companies in general, financial sector companies also have the same goal, namely generating profits. In companies that have gone public, apart from seeking profits, companies are also required to be able to maximize company value, the end of which is

achieving shareholder prosperity. Company value can be seen from the company's share price, while shareholder prosperity is assessed from the dividends distributed by the company to shareholders (Martha et al., 2018).

Dividend policy is a very interesting topic to discuss in financial management. Experts create a model regarding various factors that must be considered in making decisions on dividend policy (Gill et al., 2010). However, the factors that determine how dividend policy is made are still being debated among experts (Stereńczak & Kubiak, 2022). One of the factors that makes dividend policy complex is the conflict of interest between company managers and shareholders (Boţoc & Pirtea, 2014)Namely, whether the profits earned by the company will be distributed to shareholders in the form of dividends or the profits will be retained as investments that will provide profits in the future. (Mayliza & Suryadi, 2023). Dividend distribution depends on the preferences of stakeholders and investment opportunities from the company itself (Sharma & Bakshi, 2019).

Dividend policy is a decision regarding whether company profits should be distributed to share owners in the form of dividends or reinvested in the company as retained earnings. (Husnan, 2019). In financial literature, factors that determine dividend policy are debt levels, liquidity, profitability, company size and company risk (Ben Amar et al., 2018). Whereas Sharma & Bakshi (2019), states that the Dividend Payout Ratio is determined by the amount of dividends distributed by the company in the previous period, the risk of the company, and the level of liquidity.

A company's dividends can be measured through a ratio which is usually called the Dividend Payout Ratio (DPR), which measures the percentage of net profit distributed as dividends to shareholders (Agustin & Martha, 2023). The higher the DPR percentage, the more profitable it will be for shareholders, but on the company side it will weaken internal financing due to the weak level of retained earnings (Ano et al., 2014).

Profitability is a ratio that measures how capable a company is of generating profits from its total assets, equity, or sales (Husnan, 2019). The higher the company's profitability value, it shows that the company can generate high profits. This means that companies that have high profitability are considered capable of providing high dividends as well. This is in line with research conducted by Sari & Sudjarni (2015), which says that profitability has a positive effect on dividend policy. However, this conclusion contradicts the research results Dava et al. (2021), which states that profitability does not significantly influence dividend policy.

Liquidity is a ratio that measures a company's ability to pay short-term debt that is due soon using current assets owned by the company (Baramuli, 2016). A company with a good level of liquidity will give investors an idea that the company has good performance, so that they will not be reluctant to invest their capital in the company. (Putra & Lestari, 2016). For financial companies, especially banks, liquidity is one of the risks that must be controlled by company managers. Shares of companies with a good level of liquidity are traded at a premium, while those with a low level of liquidity have a low level of expected return (Ahmed, 2015).

Since the collapse of Silicon Valley Bank (SVB), which is the 16th largest bank in the

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United States, world concern about the economic crisis cannot be contained, including in Indonesia. However,Rodani (2023) in his article posted on the official page of the Ministry of Finance of the Republic of Indonesia, said that there was no need to worry too much about this. There are three reasons put forward, namely, (1) the performance of Indonesian banking has greatly improved from the 1998 monetary crisis. (2) there is no direct relationship between banks in Indonesia and SVB. (3) The level of banking liquidity in Indonesia is still very good, reaching 27.35%. With such good financial sector performance, companies operating in the financial sector should be able to provide welfare for shareholders, namely by distributing dividends.

From data obtained fromwww.idx.co.idand the author's official website, the following is the dividend payout ratio growth of several financial sector companies listed on the IDX:

Table 1
Dividend Distribution Ratio of Several Banks Listed on the IDX In 2022

NO	COMPANY NAME	COMPANY CODE	2019		2020		2021		2022	
			EAT	DPR	EAT	DPR	EAT	DPR	EAT	DPR
1	Central Asia Bank	BBCA	28.6T	47.9%	27.1T	48.2%	31.4T	56.9%	40.7T	62.1%
2	Bank Rakyat Indonesia	BBRI	34.4T	50%	18.7T	60%	30.8T	85%	51.4T	85%
3	Mandiri Bank	BMRI	36.4T	60%	18.4T	60%	30.6T	60%	45.0T	60%
4	Bank Negara Indonesia	BBNI	15.5T	25%	3.3T	25%	11.0T	25%	18.5T	40%

Source : processed data

The data above is data from several banks registered as public banks on the IDX along with their respective net profits (EAT) and dividend ratios (DPR). From this data it can be seen that there are fluctuations in the net income of each bank each year. However, this does not affect the dividend ratio distributed by these banks. Dividends distributed by the above banks tend to increase. This is very interesting, considering that the dividends distributed to investors are funds generated from company operations. With the rise and fall of company profits, it does not make companies reduce the dividend ratio they distribute to investors. This is in accordance with signaling theory, which places dividends as a signal that the company's future prospects will be good. That way, investors will be interested in maintaining their capital in the company.

Because dividend policy is a topic that seems to have no end to be discussed, several studies have been conducted that highlight the factors that determine decision making regarding dividend policy. Research conducted by Mazengo & Mwaifyusi (2021) states that profitability and liquidity have a positive and significant effect on the dividend policy of financial companies listed on the Dar Es Salam Stock Exchange. In line with research Sari & Sudjarni (2015) which states that profitability and liquidity have a positive effect on dividend policy. Meanwhile research Sarmento & Dana (2016) shows that profitability has a positive but not significant effect on dividend policy, while liquidity has a positive and significant

effect on dividend policy. Because there are various inconsistencies in research results regarding the influence of profitability and liquidity on dividend policy, the author is interested in retesting these variables.

Based on the description of the research background that has been presented, the author is interested in conducting research regarding the analysis of the influence of profitability and liquidity on dividend policy. Therefore, the author decided to research "The Influence of Profitability and Liquidity on Dividend Policy in Financial Sector Companies Listed on the Indonesian Stock Exchange in 2018-2022".

The Influence of Profitability on Dividend Policy

In research conducted by Agustin & Martha(2023) resulted in the conclusion that profitability as measured by the return on assets (ROA) indicator has a positive and significant effect on dividend policy. Ano et al. (2014) states that profitability has a significant effect on dividend policy.

Meanwhile, in other research conducted by Sarmento & Dana(2016) which uses return on equity as an indicator of profitability shows that ROE has a positive but not significant effect on the company's dividend policy. In line with research Lestari et al. (2017) which also uses ROE as an indicator that profitability has a positive influence on dividend policy.

Contrary to research conducted by (Nuringsih, 2005) that ROA has a negative effect on the company's dividend policy. This is in line with research conducted by Deitiana (2013) which states that profitability has no effect on dividend policy.

Whereas Gill et al. (2010) found an interesting thing, namely that profitability had a negative effect on dividend policy in the entire sample he took, profitability had a positive effect on dividend policy in service sector companies, and profitability had a negative effect on dividend policy in manufacturing sector companies. The research was conducted in the United States.

H$_1$: profitability has a positive and significant effect on Dividend Policy

The Influence of Liquidity on Dividend Policy

The large amount of liquidity the company has shows the company's ability to fulfill operational needs, especially in terms of working capital which of course will affect the company's performance which will also affect the share price. (Deitiana, 2013) Based on research conducted by Ano et al. (2014) states that liquidity has a positive and significant effect on dividend policy. This is in line with research conducted by Sarmento & Dana(2016), Lestari et al. (2017), (Ahmed, 2015).

H$_2$: liquidity has a positive and significant effect on Dividend Policy

RESEARCH METHODS

In this research, a quantitative method was used which aims to test the influence of profitability and liquidity on dividend policy by considering several theories which are supporting factors for the birth of dividend policy. The research method itself can be

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interpreted as a method or method used to obtain scientific knowledge (Ghozali, 2020). He also explained the meaning of science, namely, science is a group of knowledge that has a certain style, while knowledge is the result of various human activities in solving problems using reason and reason.

The research object is the focus of the research which is intended to be tested and solved in the research. The companies that will be used as objects in this research are companies operating in the financial sector that are listed on the Indonesia Stock Exchange in the 2018-2022 period. The data used in this research are the financial reports of these companies.

The population is all people, events, or anything that is the focus of attention which is then investigated by the researcher and then makes inferences from the existing sample (Ghozali, 2020). In this research, the population is all companies listed on the Indonesia Stock Exchange in 2018-2022.

The sample is a part of the population that is considered to represent the entire population so that by looking at the sample the researcher can make a conclusion from the entire population (Ghozali, 2020). In this research, a method called purposive sampling was used. Purposive sampling is a sampling technique that uses population criteria, so that the population selected as a sample is expected to provide the desired information (Ghozali, 2020).

Based on the explanation above, the criteria used in this research are as follows:

1. Financial sector companies listed on the Indonesia Stock Exchange in 2022
2. Financial sector companies have complete reports for the 2018-2022 period
3. Companies that regularly distribute dividends in succession in the 2018-2022 period
4. Companies that experience losses in financial statements

Table 2
Sampling Criteria

No.	Criteria	Amount
1.	Financial sector companies listed on the Indonesia Stock Exchange in 2022	104
2.	Financial sector companies that have incomplete reports during the 2018-2022 period	(16)
3.	Companies that do not regularly distribute dividends in a row in the 2018-2022 period	(69)
4.	Companies that experience losses in financial statements	(1)
	Number of Samples	18
	Year of Observation	5
	Total Sample	90

Source: processed data

The type of data used in this research is panel data regression. Panel data is a type of data that connects time series data with cross sections. Panel data has the same characteristics between the two types of data.

In this research, the panel data used is data from financial sector companies listed on the Indonesia Stock Exchange in 2018-2022.

In this research, the data source used is a secondary data source. Secondary data is a source of data obtained by researchers through other sources such as books, journals, government publications, census data, statistical abstracts, media, and company reports (Ghozali, 2020). In this research, the data used is company financial report data obtained throughwww.idx.co.idor from other sources that provide related data.

In this research, a data collection method was used in the form of documentation, namely a record of an event that has passed. Data obtained from documentation can be in the form of images, writing, or monumental works by someone.

Data originating from documentation can be used in written work, especially in financial management because it follows government accountability laws which are also followed by the business world. This data is classified as secondary data and is recognized as primary data if and only if the age of the data does not exceed five years (Abdullah, 2015).

Table 3
Definision Variable

No.	Variable	Definition	Measurement	Source
1.	Profitability (X1)	Profitability is a ratio that measures a company's ability to generate profits from the total assets owned.	$ROE = \dfrac{EAT}{rata-rata\ modal\ sendiri} \times 100\%$	(Husnan, 2019)
2.	Liquidity (X2)	This is a ratio that can measure a company's ability to pay off its short-term obligations	$CR = \dfrac{Aktiva\ Lancar}{Utang\ lancar}$	(Husnan, 2019)
3.	Dividend policy (Y)	A policy from company management regarding the ratio of profit distribution to shareholders to retained earnings.	$DPR = \dfrac{Dividend\ Per\ Share}{Earning\ Per\ Share}$	(Raed, 2020)

Data analysis technique

Descriptive statistical analysis

Sugiyono (2015) inMartha et al. (2018) explained that descriptive statistics are statistics used to draw conclusions without data analysis, the aim is to describe research objects based on sample data.

Model Formation

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In this research, the analysis method used is descriptive statistical analysis and panel data regression analysis using the Eviews program. Panel data is a combination of time series and cross section data (Anggraini & Yusra, 2019). The panel data regression equation used in this research is:

$$DPR_{it} = \alpha + \beta_1 \, ROE_{it} + \beta_2 \, CR_{it} + e$$

Where DPRit is the dividend payout ratio which is a proxy for the company's dividend policy at time t, α is a constant, $\beta 1$ and $\beta 2$ are regression coefficients, ROEit is the company's return on equity at time t (a proxy for profitability) at time t, CRit is the current ratio (a proxy for liquidity) of the firm at time t, and e is the standard error.

According to (Ghozi, 2018) The approaches used in conducting panel data regression analysis include:

Common Effects Model (CEM)

This model is the simplest form because in this model the time series and cross section dimensions are ignored. In this model, the intercept between variables and the slope coefficient of each time series unit and cross section are the same. To estimate this, the ordinary least squares (OLS) method is used.

Fixed Effect Model (FEM)

FEM is a model that shows the differences between each individual which are accommodated from dummy variables so that differences in each intercept are obtained (Company Dividend Policy Monograph, 2022). FEM is chosen if the probability obtained in the Chow Test is <0.05 which indicates that FEM is better than CEM (Agustin & Martha, 2023).

Random Effect Model(REM)

REM is a model that assumes that each individual in the cross-sections unit is random (Wulandari et al., 2017).

There are two methods for determining the data model, including the Chow Test and the Housman Test. The Chow test is used to choose the better one between the Common Effect Model (CEM) and the Fixed Effect Model (FEM), while the Housman test is used to choose the best one between the Fixed Effect Model (FEM) and the Random Effect Model (REM) (Anggraini & Yusra, 2019). The best regression model will produce an unbiased linear estimate (best linear unbiased estimator).

RESULTS AND DISCUSSION

Table 4

Results of Descriptive Statistical Tests

Variable	N	Minimum	Maximum	Mean	Standard Deviation
Dividend Policy (DPR)	90	0.1206	1,707	0.4431	0.2234
Profitability (ROE)	90	0.0139	1.1262	0.1139	0.1198
Liquidity (CR)	90	0.0955	9.0266	1.4150	0.8939

Source :Data Processed, Eviews 9

Dividend policy is a dependent variable using the Dividend Payout Ratio (DPR) measurement to measure the comparison between the amount of dividends paid by the company and the income achieved by the company in a certain period. The minimum value for the DPR of 0.1206 indicates that the amount of dividend distribution that appears in the financial statements is of low value. As for companies that have a minimum value obtained by Asuransi Bintang Tbk, in 2022. The maximum value is1,707obtained by Asuransi Bina Dana Arta Tbk in 2019. The average value of DPR is 0.4431, while the standard deviation value of DPR is 0.2234 which shows a smaller spread of data because the value is lower than the average value (mean).

Return On Equityis a measurement scale that is seen from the comparison of net profit with the company's total equity. The minimum value for ROE is 0.0139 shows the smallest comparison of net profit and total equity of the company. The companies that have a minimum value are obtained by Asuransi Ramayana Tbk. 2019. Maximum value of1.1262obtained by Asuransi Ramayana Tbk in 2019. The average ROE value is 0.1139, while the standard deviation value of ROE is 0.1198 which shows a greater spread of data because the value is higher than the average value (mean).

Current ratio is a measurement used to determine a company's ability to pay short-term obligations or those that mature within one year. The minimum value on CR is equal to 0.9555 shows the company's ability to pay short-term obligations. The companies that have a minimum value were obtained by Asuransi Ramayana Tbk in 2018. The maximum value is 9.0266 obtained byBank Mandiri (Persero) Tbkin 2022. The average CR value is 1.5017, while the CR standard deviation value is 0.9016 which shows a smaller spread of data because the value is lower than the average value (mean).

Panel Data Model Feasibility Test

To choose the appropriate or best panel data model to be used in this research, we will carry out the cem, fem, and rem tests as follows:

Common Effect Model

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Table 5
Common Effect Model

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	0.383049	0.052310	7.322692	0.0000
X1	-0.004197	0.201858	-0.020792	0.9835
X2	0.040085	0.027057	1.481485	0.1421
R-squared	0.024900	Mean dependent var		0.439292
Adjusted R-squared	0.002484	SD dependent var		0.227422
SE of regression	0.227139	Akaike info criterion		-0.093743
Sum squared resid	4.488519	Schwarz criterion		-0.010416
Log likelihood	7.218443	Hannan-Quinn Criter.		-0.060141
F-statistic	1.110803	Durbin-Watson stat		1.319277
Prob(F-statistic)	0.333919			

Source: Eviews 9 data processing

From the table above we can see the data processing results for the cem model, in this table there are coefficient, std error, t-statistic and probability values which will determine the research results.

Fixed Effect Model

Table 6
Fixed Effect Model

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	0.445183	0.047499	9.372495	0.0000
X1	-0.048069	0.192412	-0.249825	0.8035
X2	-0.000296	0.025408	-0.011632	0.9908
	Effects Specification			
Cross-section fixed (dummy variables)				
R-squared	0.502856	Mean dependent var		0.439292
Adjusted R-squared	0.367917	SD dependent var		0.227422
SE of regression	0.180809	Akaike info criterion		-0.389625
Sum squared resid	2.288422	Schwarz criterion		0.165888
Log likelihood	37.53315	Hannan-Quinn Criter.		-0.165610
F-statistic	3.726538	Durbin-Watson stat		2.511508
Prob(F-statistic)	0.000029			

Source: Eviews 9 data processing

From the table above we can see the results of the fem model data processing. In this table there are coefficient, std error, t-statistic and probability values which will determine the research results.

Random Effect Model

Table 7
Random Effect Model

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	0.425084	0.055977	7.593952	0.0000
X1	-0.034883	0.182472	-0.191166	0.8488
X2	0.012848	0.024215	0.530569	0.5971

Effects Specification			
		elementary school	Rho
Random cross-section		0.137247	0.3656
Idiosyncratic random		0.180809	0.6344

Weighted Statistics			
R-squared	0.003819	Mean dependent var	0.222989
Adjusted R-squared	-0.019082	SD dependent var	0.180086
SE of regression	0.181796	Sum squared resid	2.875345
F-statistic	0.166755	Durbin-Watson stat	2.008631
Prob(F-statistic)	0.846677		

Unweighted Statistics			
R-squared	0.013507	Mean dependent var	0.439292
Sum squared resid	4.540960	Durbin-Watson stat	1.271869

Source: Eviews 9 data processing

From the table above we can see the results of the fem model data processing. In this table there are coefficient, std error, t-statistic and probability values which will determine the research results.

After carrying out the cem, fem and rem tests, the Chow, Haustmant and Lagrange Multiplier tests were carried out to determine which model was the best for this research.

Chow Test

Chow test carried out to choose between the CEM or FEM model using the E-Views 9 program. H0 is accepted if the P-Value is more than a significance value of 0.05. The hypothesis in this test is:

H0: Common Effect Model

H1: Fixed Effect Model

Table 8
Chow Test Results

Effect Test	Statistics	Df	Prob
Chi-square cross-section	60.629406	17	0,000

Source Eviews 9 data processing

Based on the table above, the P-Value is 0.000 and the value is less than 0.05. This means that H0 is accepted and the approach chosen is CEM. For this reason, it is necessary to carry out a Haustman test first to determine whether FEM or REM will be used.

Haustman Test

The Haustman test is used to select the FEM or REM approach. H0 is accepted if the P-Value is more than the significance value of 0.05. The hypothesis in this test is:

H0: Random Effect Model

H1: Fixed Effect Model

Table 9
Haustman Test Results

Test Summary	Chi-Sq t-Statistic	Chi-Sq. df	Prob
Random cross-section	2.953228	2	0.2284

Source: Eviews 9 data processing

Based on the table above, the P-Value is 0.2284 and the value is greater than 0.05. This means that H0 is accepted and the approach chosen is REM. After carrying out the Haustman test, it can be concluded that the best model used in this research is the REM model.

Classic Assumption Test

Normality Test

The normality test aims to find out whether the data is normally distributed or not. The method used to determine whether the residual is normally distributed or not is the Jarque-Bera test. If a prob value is > 0.05 then the data is said to be normally distributed. Meanwhile, if a prob value is <0.05 then the data is said to be not normally distributed (Paskabony, 2020).

Table 10
Normality Test Results

Variable	Jarque-Bera	Probability
Dividend Payout Ratio	3.2751	0.1944

Source: Eviews 9 Data Processing

Based on table 10, it shows that the results of testing the Dividend Payout Ratio (DPR) variable show that the Jarque-Bera value is 3.4164 with a probability value of 0.1944. A probability value above 0.05 indicates that the data is normally distributed

Multicollinearity Test

This multicollinearity test is useful to avoid any of the independent variables being

correlated with each other, so first the relationship between each variable must be seen.In estimating the presence or absence of multicollinearity, it can be seen from the r value, if r < 0.8 then there is no relationship between the independent variables and if r > 0.8 then there is a correlation between the independent variables.

The following multicollinearity test results can be seen in the following table:

Table 11
Multicollinearity Test Results

No	Variable	Tolerance (r)	Conclusion
1	Return On Equity(ROE)	-0.0959	Free of symptoms of multicollinearity
2	Current Ratio (CR)	-0.0959	Free of symptoms of multicollinearity

Source: Eviews 9 data processing

Based on the results of the multicollinearity test in table 4.5 showing the tolerance value (r) of the ROE variable -0.0959<0.08, and the CR variable -0.0959<0.8, it can be concluded that between these two variables there are no multicollinearity problems or what is usually called free from symptoms of multicollinearity.

Panel Data Regression Analysis

This panel data regression analysis is used to test the partial influence of the independent variable on the dependent variable. In this research, data analysis techniques are used to process, discuss the samples that have been obtained and to assess the suspected hypotheses. Variable C is constant, Dividend Payout Ratio (DPR) is the dependent variable (Y), and Return On Equity (ROE) and CR are the independent variables (X).

Research testing resultsDividend Payout Ratio (DPR) can be seen in the following table:

Table 12
Panel Data Regression Estimation Results

Variables	Coefficient
C	-0.5816
ROE	0.2186
CR	0.3991

Source: Eviews 9 data processing

The REM PER Panel Data Regression Equation is as follows:

$$NOAit = -0,5816 + 0,2186ROEit\ it\ it + 0,3991CR + e$$

The numbers in the Panel Data Regression Equation are obtained from the variable coefficient values. The constant value is -0.5816 This explains that if it is assumed that the independent variable value is 0 (none), then the DPR value remains at the same value-0.5861. The ROE coefficient is 0.2186 meaning that every time the ROE variable increases by 1 unit, the DPR variable will decrease by 0.2186 units, as well as assuming other variables are

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considered constant. The CR coefficient is equal to 0.3991 meaning that every time the CR variable increases by 1 unit, it will increase the DPR variable by 0.3991 units, as well as assuming other variables are considered constant.

Hypothesis Testing

This hypothesis test aims to determine the significant relationship between the ROE and CR variables and the DPR variable. Statistical tests show how much influence an independent variable has on the dependent variable, carried out to further check whether the ROE and CR variables have a significant effect on the DPR variable or not. The test criteria are if the probability value Tcount is smaller Ttable then H0 is rejected and Ha is accepted and if the probability value Tcount is smaller Ttable then Ha is rejected and H0 accepted. With a significance level of 0.05 (5%)

Table 13
Hypothesis Test Results (Random Effect Model)

Variable	t-statistics	Prob	Conclusion
Return On Equity (ROE)	0.8485	0.3985	H1 Rejected
Current Ratio (CR)	1.2159	0.2273	H2 Rejected

Source: Eviews 9 data processing

Based on table 13 above, it can be explained that the ROE variable shows that the Tcount value is smaller than Ttable (0.8485<1.6518) or the probability is greater than the alpha value (0.3985 <0.05) then ROE has no and significant effect onDividend Payout Ratio(DPR)H1 in the research was rejected. The CR variable shows the resultsTcount is smaller than Ttable (1.2159 > 1.65279) or the probability is greater than the alpha value (0.2273 < 0.05) then CR has a positive and significant effect on Dividend Payout Ratio (DPR) H2 in the research was rejected.

Discussion

The Influence of Company Profitability on Dividend Policy

Research conducted on 18 financial sector companies listed on the Indonesia Stock Exchange (BEI) during the 2018-2022 period. From the processing of the Eviews 9 program, it can be explained that Return On Equity (ROE) has no significant effect on the Company's Dividend Policy as a proxy.Dividend Payout Ratio (DPR).

Return On Equity (ROE) isa measure created to determine a company's ability to generate profits for people who buy its shares. The higher the ROE value, the better the company is at returning its share capital. The higher the ROE also shows the higher the company's performance. However, not all companies experience this, seen from the statistical results that Return On Equity (ROE) in this study has no significant effect on dividend policy. This means that any increase or decrease in profitability (ROE) will not affect policy, namely dividend payments which tend to be the same from year to year with the aim of maintaining the impression on investors about the company's fundamental financial stability. Because, in the signaling hypothesis perspective, dividend distribution is perceived as a signal by investors about the company's prospects and risks in the future so that the company can increase dividend payments if profits increase, but the company does not need to immediately reduce dividend payments if profits decrease. There are many considerations for companies in their dividend distribution policy, such as:retain profits for reserve funds, company

expansion, and so on (Pratiwi et al., 2016).

Furthermore, the latest research conducted by Larassati et al., (2023) states that ROE has no real influence on the DPR. In other words, policy, namely dividend payments which are intended to be constant every year to maintain stability, will be influenced by increases or decreases in profitability. company financing to investors. Companies seeing increasing profits may choose to increase dividend payments rather than immediately reduce them, because dividends are viewed by investors as a signal about future economic prospects and dangers.

This research is in line with tax preference theory, which states that investors prefer retained earnings to dividends, because dividends are taxed at a higher rate than capital gains. Therefore, the smaller the dividend paid, the lower the cost of capital and the higher the value of the company.In determining the optimal dividend policy, the company must consider several internal and external factors that can influence profit distribution decisions. FactorCompany liquidity, namely the company's ability to meet its short-term obligations. Companies that have high liquidity can pay large dividends, while companies that have low liquidity must retain profits to finance their operational activities.

This research is not in line with research conducted by Sarmento & Dana (2016) And Lestari et al (2017) which states that profitability (ROE) has a positive and significant effect on dividend policy. However, in line with research conducted by Pratiwi et al., (2016) which states that profitability has no effect on dividend policy.

Influence of Liquidity on Dividend Policy

The results of testing the influence of CR on Dividend Policy show that the partial t-value is (1.2159> 1.65279) or probability greater than the alpha value (0.2273 < 0.05).This means that CR has no significant influence on Dividend Policy as proxied by the Dividend Payout Ratio(DPR). The results of this study are consistent with previous research conducted byPuspita, (2017),Purba et al., (2019), And Wahyuni & Hafiz, (2018). which states that there is no significant influence between CR and dividend policy. This shows that the level of effectiveness of the company in utilizing and generating net profits to pay short-term debt has no effect on the company's dividend policy.

Current Ratiois a measure of the liquidity ratio which is calculated by dividing current assets (Current Assets) by debt or current liabilities (Current Liability). The greater the Current Ratio indicates the higher the company's ability to fulfill its short-term obligations (including the obligation to pay dividends owed), the higher the Current Ratio also indicates investors' confidence in the company's ability to pay the promised dividends. However, in contrast to the results of this study, the results of the analysis show that liquidity measured using CR has no effect on the Dividend Payout Ratio (DPR).

According to Puspita, (2017) A company can pay dividends if it meets 3 (three) conditions, namely: (1) sufficient retained earnings, (2) sufficient cash available, and (3) formal action from the board of commissioners. The availability of sufficient cash can be measured using the liquidity ratio. Company liquidity is the main consideration in many dividend policies, because dividends for companies are cash outflows, the greater the

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company's cash position and overall liquidity, the greater the company's ability to pay dividends. The lack of influence of CR on DPR in this study could be due to the company's cash adequacy being decided not to be used for dividend payments, but to be used for other purposes such as company operations or investment for the company's development. The greater the opportunity for a company's investment to result in a decrease in dividend payments, because cash The existing funds will be used to invest for the company's future growth. Apart from that, the condition of shareholders also greatly influences the dividend policy adopted by the company, if shareholders prefer high dividend payments, then the company will pay high dividends, and conversely if investors prefer low dividend payments, then the company will pay dividends. low. Because ultimately the dividend policy is the result of a decision from the General Meeting of Shareholders.

The company is only able to pay cash dividends if the company's liquidity level (current ratio) is sufficient. The higher the company's liquidity level, the greater the cash dividend the company can pay to shareholders and vice versa. Based on the research results, changes in the Current Ratio will not affect the level of the company's dividend policy, it is possible that the company has less productive current assets.

CONCLUTION

Based on the results of the discussion which aims to see whether Profitability (ROE) and Liquidity (*CR*) has a positive and significant effect on Dividend Policy, so we can summarize the results below:

1. Profitability (*ROE*)has no and significant effect on the Company's Dividend Policy with the Dividend Payout Ratio proxy (DPR) on financial sector companies listed on the IDX in 2018-2022. This means that any increase or decrease in profitability (ROE) will not affect policy, namely dividend payments which tend to be the same from year to year with the aim of maintaining the impression on investors about the company's fundamental financial stability.

2. Liquidity (*CR*)has no and significant effect on the Company's Dividend Policy with the Dividend Payout Ratio proxy (DPR) on financial sector companies listed on the IDX in 2018-2022. This means that a company that has a good CR level will not necessarily influence the company's dividend policy.

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