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Dividend Policy Determinants with Profitability as a Moderating Variable

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Abstract

This research seeks to ascertain how debt policy, asset growth, and free cash flow affect dividend policy with profitability as a moderating variable in manufacturing companies listed on the Indonesia Stock Exchange (BEI) for the 2018-2020 period. Descriptive research is used in this study with a quantitative approach with the data analysis method used is moderated regression analysis with Eviews version 10. All manufacturing companies that were listed on the Indonesia Stock Exchange between 2018 and 2020 make up the research population. Thirty-seven corporate samples made up the sample, which was selected using the purposive sampling method. Thus, the study's findings indicate that free cash flow has a favorable impact on dividend policy, Asset growth has a negative effect on dividend policy, Debt policy has a negative effect on dividend policy, profitability is able to strengthen the effect of free cash flow on dividend policy, profitability is able to strengthen the effect of asset growth on dividend policy, profitability is able to strengthen debt policy towards dividend policy.

Keywords: Free Cash Flow, Asset Growth, Debt Policy, Profitability, Dividend Policy

JEL Classification: C5, G3, M4

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1. Introduction

Another element that may have an impact on a company's dividend policy level is free cash flow (Utama & Gayatri, 2018). The free cash flow available to a business for dividend payments and investments is known as free cash flow. payments. Free cash flow often triggers differences in interests between shareholders and managers (Trisna & Gayatri, 2019). This result shows that free cash flow is able to influence the level of dividend policy implemented by the company for shareholders. Sari and Budiasih (2017) found that free cash flow has a positive effect on dividend policy. The factor that is also thought to influence dividend policy in this research is corporate governance. Corporate Governance is a a body of laws governing the rights and obligations of shareholders, business management, creditors, the government, workers, and other internal and external stakeholders. Effective implementation of Corporate Governance can increase efficiency and economic growth as well as investor confidence. Businesses that have adopted corporate governance demonstrate that they have done so in an effective manner (Dewi & Putri, 2017). In order to resolve agency conflicts resulting from dividend distribution, a corporation must adopt corporate governance. Agency conflicts inside the company will decrease under the audit committee's oversight, which is why the audit committee is used in this research as a stand-in for corporate governance. Dividends to shareholders will increase in proportion to a company's adherence to tougher corporate governance practices. According to (Gunawan, 2019), effective corporate governance has a favorable impact on dividend policy.

Various existing sectors support economic growth in Indonesia. The public is anticipated to be able to contribute to Indonesia's economic growth., one of which is through capital market activities. The capital market describes the economic condition of a country where the more advanced and developed a country's capital market is, the more advanced and developed a country's economy will be. Many alternatives can be chosen to invest in the capital market, one of which is by purchasing shares. Stock investment has the potential to have benefits in two ways, namely, the distribution of dividends on profits generated by the company according to the shares owned and an increase in share prices (capital gain) (Hantono et al., 2019). Management as company It is required of managers to raise the company's worth in order to boost shareholder prosperity through dividend payments. distribution or capital gains. Therefore, investors are more interested in investing their funds in companies that have a higher dividend policy in the future (Muttaqien, 2019). Several variables influence the amount of dividend policy adopted by a company, but in this research what will be discussed is debt policy and free cash flow. Apart from debt policy, another factor that can influence a company's dividend policy is free cash flow. Free cash flow describes the level of a company's financial flexibility. If the company has free cash flow, the company will distribute it as dividends. Free cash flow is an indicator to measure a company's ability to return profits to shareholders through reducing debt, increasing dividends, or buying back shares (Hantono et al., 2019).

A high free cash flow indicates a high level of internal fund surplus. This surplus will increase the company's ability to pay or pay off short-term and long-term obligations, thus showing a high ability for the company to face financial difficulties in the future, which, as a result, will get a positive response from investors in the market (Diana and Hutasoir, 2017). Companies with high levels of debt will try to reduce the cost of debt at the agency by reducing debt so that funding from internal cash flow is used to finance their investments. The use of debt that is too high will cause a decrease in dividends, where most of the profits will be allocated as debt repayment reserves. On the other hand, at low debt levels, companies distribute high dividends so that large profits are used for investor welfare (Putri and Andayani, 2017). Funds obtained from operating results during one period are equal to profit after tax plus depreciation. This condition does not mean that these funds can be distributed as dividends because the company will not be able to replace fixed assets in the future if all existing funds are distributed as dividends (Maulia Hidayat, 2020). This is consistent with studies carried out by Khan et al. (2017), which claims that Pakistani manufacturing enterprises demonstrate the beneficial effects of free cash flow on dividend policy. Meanwhile, in contrast to this research, the results of Putri Awalina's (2017) According to studies, "the greater the free cash flow, the lower the dividend payout ratio is shown to be value, the lower the dividends distributed, the negative direction is because with a negative free cash flow value the company still distributes dividends and a company that generates high cash flow does not always report the amount of cash on its balance sheet is also high."

2. Literature Review and Hypothesis

Signaling Theory

The signal hypothesis theory shows that an increase in dividends affects a rise in stock values in the market, and conversely, a decrease in dividends affects a decline in market pricing for stocks. The dividend is the main subject of this theory policy, which is related to the company's prospects. This theory states that dividend payments are a signal from the company to investors about the company's prospects. If large dividends are paid consistently to investors, this sends a positive signal to investors that the company's financial position is in good condition, and vice versa. Because payouts contain information like the information below, this theory is also known as the information content theory of dividends company's prospects (Sihombing, 2018).

Agency Theory

According to this theory, there is a link between principals and agents in a company because shareholders act as principals and management as agents assigned and given authority by the principal will oversee and operate the company to achieve the goals desired by the shareholders (Bangun et al., 2018). Based on agency theory, conflict can arise between parties involved in a company, such as management and shareholders. If a business has excess cash, shareholders expect that cash to be paid out as dividends to shareholders. Managers, however, can have distinct plans for keeping cash under control. Therefore, High dividend payments are often used to reduce potential conflicts between management and shareholders (Sihombing, 2018).

Pecking Order Theory

Theory of Pecking Order is a theory that explains the order of funding in a company, where the company will use internal funding sources first to fund investments and pay dividends. Companies prefer to use internal financing, namely funding from operational results. When debt financing is needed, the company will issue bonds first. The safest securities, then option-type securities (such as convertible bonds), and finally, new shares are issued if that is not enough. Therefore, the order of use of funding sources from a pecking order theory perspective is internal funds, debt and equity (Sihombing, 2018).

Dividend Residual Theory

The According to the residual dividend idea, a business determines its dividend policy after all profitable investments are made have been funded. This statement means that dividends paid to shareholders are the remaining income after the company's investment needs are met. Variable dividend payments result from this residual dividend idea. If a corporation needs significant investment money for upcoming expansion, this will in dividends not being distributed that year. This fluctuating dividend policy can influence share price movements in the market (Sihombing, 2018).

Dividend Policy

Dividend policy determines whether profits generated by the business are either set aside as retained earnings or given to shareholders as dividends fund future investments. The greater the retained earnings, the less profits are distributed to shareholders (Kresna & Ardini, 2020). Septariani (2017), A company's dividend policy determines whether to pay profits as dividends to shareholders or keep them in the form of retained earnings be used as investment financing in the future. Dividend policy is the company's decision to distribute profits or use them as reinvestment. If retained earnings are lower when a higher dividend is paid will be, so the company's growth will be slower and vice versa (Septariani, 2017).

Free Cash Flow

Seto (2021) asserts that free cash flow is the remaining cash flow available to in the time frame after the cash flow has been deducted from the company's operations and other expenses. The higher the amount of free cash flow a company has, the better in the form of dividends or debt repayments, the corporation is producing a higher rate of return on investment. One of the elements taken into account when attempting to enhance the business's financial performance is free cash flow. Company cash flow that can be liquidated and distributed (Ganut et al., 2021). The company's available cash is known as free cash flow, and it can be used for various activities (Basir & Muslih, 2019). Fresh cash flow pays special attention to cash generated from activities after it has been used for reinvestment needs.

Asset Growth

Asset growth is a percentage change (growth rate) of total assets from the end of the fiscal year, namely from the previous calendar year to the end of the current calendar year (Purwaningsih & Lestari, 2021). Asset growth is often used as a measuring tool in assessing the development of a company. The more assets the business has that can demonstrate its expansion, the more money the business makes. Economic resources that are anticipated to yield benefits in the future are known as assets. Resources are assets used for Company activities. The larger the assets, the greater the operational results generated by the company.

Debt policy

The management's decision to collect money from outside sources to finance the business's operational expenses is known as the debt policy (Seto et al., 2021). The more capital a company needs to use external funds, the more likely it is that the company will choose to use short-term or long-term debt before issuing shares (Novianto & Haryono, 2017). The management's debt policy is a measure to secure funding for the business so that they can be used to finance the company's operational activities (Somantri & Sukardi, 2019). Debt is all the company's financial obligations or capital to other parties that have yet to be fulfilled, where this debt is the source of the company's funds or capital originating from creditors (Sihotang & Saragih, 2017).

Profitability

According to Hidayat (2019), profitability is the profit obtained from the realization of a company's income minus the costs it receives from a series of financing and investment policies. The more profitable a company is, the higher the dividends paid to shareholders. According to Zahidda (2017), the size of a company's profitability will affect the size of the dividend that will be given. The higher the company's ability to generate net profits using all its assets, the higher its ability to pay dividends, and vice versa. This finding states that the business consistently seeks to enhance its reputation by demonstrating growth in earnings, which is followed by an increase in the percentage of profits given as dividends, and by promoting an increase in the value of the company's shares.

Hypothesis Development

The Influence of Free Cash Flow on Dividend Policy

The extra or unused cash of the business that needs to be given back to the shareholders is known as free cash flow. The greater the free cash flow of the business, which shows the company is in a healthy condition, the greater the possibility of remaining cash available in the company, which can be used for growth, investing, or paying dividends (Kresna & Ardini, 2020Consistent with the findings of Mangundap et al. (2018)'s research, free cash flow has a unidirectional and positive relationship with dividend policy, where the greater the free cash flow, the greater the dividend policy. This is consistent with study by Khan et al. (2017), which claims that Pakistani manufacturing enterprises demonstrate that free cash flow has a favorable impact on dividend policy.

H1: Free cash flow has a positive effect on dividend policy.

The Influence of Asset Growth on Dividend Policy

Asset growth measures the development of The possessions that the company. Asset growth is important for companies because it can predict the size and activities of the company in the long term. Increasing company size and activity will result in high profits, so asset growth has a positive effect on dividend policy (Perwira Wiksuana, 2018). This result is consistent with studies by Perwira and Wiksuana (2018), which demonstrate that asset growth influences dividend policy in a favorable and noteworthy way. A company's dividend policy will rise in proportion to the growth

in assets possessed, and vice versa. This result is consistent with studies by Zainuddin et al. (2020) and Widiatmoko et al. (2021), which show that asset growth has a beneficial effect on dividend policy.
H2: Asset growth has a positive effect on dividend policy.

The Influence of Debt Policy on Dividend Policy
One of these is debt policy the financing decisions from external sources because it is implemented to increase company funding, which is used to meet the company's operational needs. The higher the debt level of a company, the less able it is to fulfill its obligations to shareholders and vice versa (Ismiati & Yuniati, 2017). The findings of Ismiati and Yuniati's (2017) research, which indicate that debt policy has a negative impact on dividend policy, institutional ownership has no effect on dividend policy, and management ownership has a negative impact on dividend policy, are consistent with this outcome. According to Rajagukguk et al. (2017)'s research findings, debt policy has a favorable impact on dividend policy.
H3: Debt policy has a positive effect on dividend policy.

The Influence of Free Cash Flow on Dividend Policy with Profitability as a Moderation
Profitability information can indicate the potential of an organization to make money in the future. Cash flow information can be obtained from the cash flow report. Companies make debt and dividend payments with free cash flow, which shows the ability to generate cash according to investment. The higher the profits obtained by the company and the better the the greater the dividends paid to shareholders in free cash flow. This result is consistent with studies by Diana and Hutasoit (2017), which demonstrate that profitability has the capacity to considerably reduce the impact of free cash flow on dividend policy. A company's ability to make money from its operations after making investments, paying off debt, and receiving dividends is indicated by its free cash flow. The dividends paid to shareholders increase with larger profits made and stronger free cash flow. Studies done by Zahidda (2017) indicate that a company's level of profitability will also affect the amount of dividends paid out. Research by Dewi (2019) indicates that there is evidence to support this is a positive influence.
H4: Profitability can strengthen the influence of free cash flow on dividend policy

The Effect of Asset Growth on Dividend Policy with Profitability as a Moderation
High assets have the opportunity to increase company growth which will affect dividend payments. The greater the assets, the greater the operational results generated by a company. The increase in assets, then a rise in in operational results, further increases external parties' trust in the company, especially in dividend distribution (Celmia et al., 2018). This is consistent with studies by Hardi and Andestiana (2018), who found that asset growth has a effect on dividend policy.
H5: Profitability can strengthen the influence of asset growth on dividend policy.

The Influence of Dividend Policy and Debt Policy with Moderating Profitability
The net profit generated by the company can be used for two purposes, namely, paid to investors in the form of dividends or reserved for reinvestment. High debt levels can reduce a company's operating profits and be offset by fewer dividend payments. This result is because the business believes it would be better to keep the available money as retained earnings and use it to pay its debts. This result is consistent with studies by Seto et al. (2021), which found that debt policy negatively impacts dividend policy.
H6: Profitability can strengthen the influence of debt policy on dividend policy.

Research Conceptual Framework
We illustrate the concept of the impact of debt policy, asset expansion, free cash flow, and profitability as a moderating factor on dividend policy in manufacturing companies listed on the Indonesia Stock Exchange; this information may be developed into a conceptual framework. The conceptual framework's form can be characterized as follows:

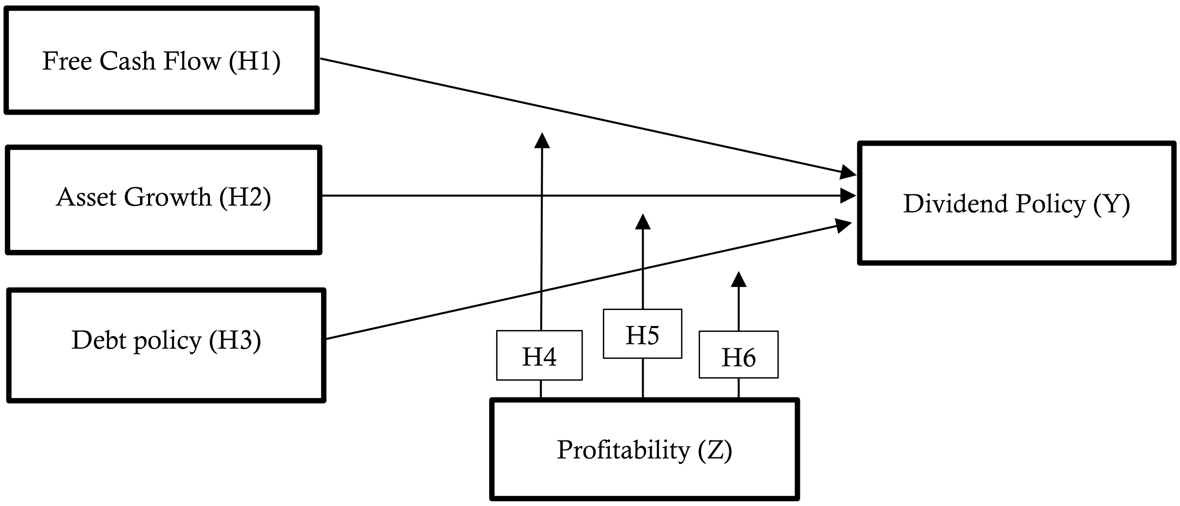

Figure 1. Research Conceptual Framework

3. Data and Methods

The research design the research methodology employed in this study is quantitative. Quantitative research is defined as research that uses many numbers, starting from the data collection process, data analysis, and data appearance. Quantitative research emphasizes the analysis of numerical data (numbers), which are then analyzed using appropriate statistical methods (Hardani et al., 2020). By studying samples, researchers will be able to draw conclusions that can be generalized to the research population. This research focuses on manufacturing firms that are registered with the IDX. Manufacturing enterprises listed on the IDX for the 2018–2020 period serve as the research sample. Purposive technique is the approach employed in this study sampling, totaling 111 samples.

Metode Analisis Data

The data mining technique that will be applied in the study is to reduce the data analysis model's hit rate by using statistical data that is being used to analyze the collected data in order to identify any trends. In order to evaluate a research study's results, the researcher uses a statistical method that is supported by the Software Eviews 10 application.

4. Results

Descriptive Statistical Analysis

Table 1. Descriptive Analysis

	DPR	FCF	AG	DER	NPM
Mean	0.495455	0.836669	0.108441	0.632151	0.132121
Median	0.406504	0.058746	0.073449	0.451358	0.076070
Maximum	1.766841	0.658984	1.676057	3.159024	2.155619
Minimum	0.019781	-0.147146	-0.433093	0.101908	0.000753
Std. Dev	0.322950	0.117711	0.222179	0.540498	0.243988

Source: Eviews version 10 processing results

As can be seen from the above table, 111 different data sets were used for this study. Aside from that, the average number, or 49.54%, can also be used to explain it. Thus, manufacturing enterprises registered on the IDX, on average distribute 49.54% of their profits to shareholders. Meanwhile, the company's remaining profits are used as retained earnings. The highest value for the DPR variable is 176%. Meanwhile, the lowest value was 1.97%. The average value of net cash availability is 8.36%. The highest value of the FCF variable is 65.89%. Meanwhile, the lowest value was negative 14.71%. A negative free cash flow value can indicate that the company's operating cash (income) is unable to support the company's expansion. This can refer to the fact that the source of funds for the company's expansion comes from debt. This external source can be in the form of debt from a bank or bonds if the company is able to issue them.

The mean value of the AG variable is 10.84% , or can be interpreted as the average growth of manufacturing company assets in 2018-2020 is 10.84%. The highest value with 167% growth. Meanwhile, the lowest value was obtained by PT Unilever Indonesia Tbk (2020), with a negative growth of 43.30%. The mean value of the DER variable is 63.21% or it can be interpreted that the total debt of manufacturing companies in 2018-2020 is 63.21% greater than the total equity. The highest score with a score of 316%.
Meanwhile, the lowest value was 10.19%. Profitability (NPM) is a moderating variable that the comparison between revenue and profit can measure. The NPM variable's average value is 13.21%, which is the company's ability to generate profits from sales that occur. The highest score with a score of 215%. Meanwhile, the lowest value is 0.07%.

Panel Data Regression Test
Test Chow

Table 2. Chow test

Redundant Fixed Effects Tests **Equation: Untitled** **Cross-Section Fixed Effects Test**			
Effects Test	**Statistics**	**df**	**Prob.**
Cross-section F	4,740,002	-36.7	0.0000
Chi-square cross-section	137,063,582	36	0.0000

Source: Eviews 10 processing results

Given that the Chow test yielded a probability of 0.0000 and that the probability cross-section chi-square was less than 0.05, H0 was accepted and the Fixed Effect Model was used (FEM) model is chosen.

Hausman test

Table 3. Hausman test

Correlated Random Effects – Hausmant Tests **Equation: Untitled** **Random Effects Cross-Section Test**			
Test Summary	**Chi-Sq. Statistics**	**Chi-Sq. df**	**Prob.**
Random Cross-section	13,721,999	44	0.0082

Source: Eviews 10 processing results

The Hausman test yields a probability of 0.0082, indicating that the random cross-section probability is less than 0.05. Therefore, H0 is deemed acceptable, and the Fixed Effect Model (FEM) model is chosen.

Classic assumption test
Normality test

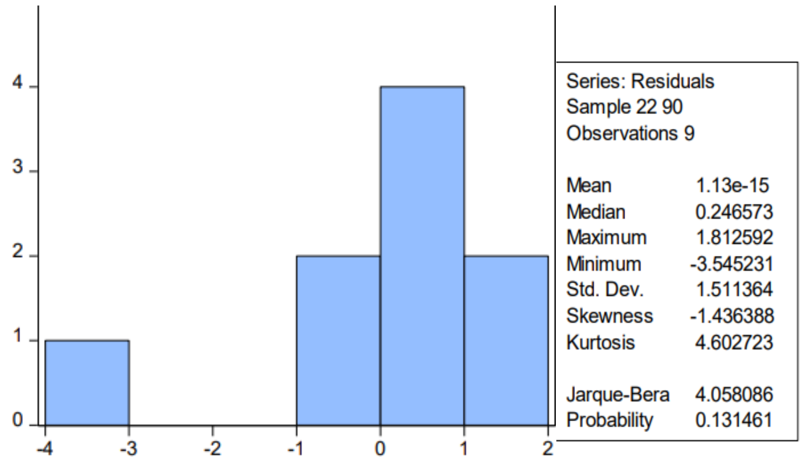

Figure 1. Normality Test

Based on Figure 1, the results of the normality test using the Jarque-bera test method obtained a Jarque-bera Value of probability: 0.131461. It is possible to conclude from the data that the Jarque-Bera Probability value is greater than 0.05. Thus, it may be said that the data has been distributed normally, which means that the normality test has been fulfilled.

Multicollinearity Test

Table 4. Multicollinearity Test

	FCF	AG	DER
FCF	1,000000	-0.227770	0.175446
AG	-0.227770	1,000000	0.019331
DER	0.175446	0.019331	1,000000

Source: Eviews 10 Processing Results

Based on Table 4, the pairwise correlation method's multicollinearity test results display the outcomes of the pairwise correlation value of each independent variable.

Heteroscedasticity Test

Table 5. Heteroscedasticity Test

Heteroskedasticity Test: Breusch-Pagan-Godfrey	
Variable	**Prob.**
C	0.0004
FCF	0.2238
AG	0.3839
DER	0.0684

Source: Eviews 10 Processing Results

Based on the table above, the results of the heteroscedasticity test with the Breusch-pagan test where the probability value of each independent variable is FCF = 0.2238 AG = 0.3839 DER = 0.0684 $>\alpha 0.05$, then H0 is accepted and means that there is no heteroscedasticity problem in the data distribution.

Autocorrelation Test

Table 6. Autocorrelation Test

Weighted Statistics			
R-Squared	0.927652	Mean dependent var	1,143,824
Adjusted R-squared	0.882966	SD dependent var	1,635,335
SE of regression	0.170623	Sum squared resid	1,979,624
F-statistic	2,075,946	Durbin-Watson stat	2,675,907
Prob (F-statistic)	0.000000		

Source: Eviews 10 Processing Results

Based on Table 6, the results of the autocorrelation test using the Durbin-Watson (DW) method obtained a value of 2.700096, located between dL of 1.6355 with the calculation of 4-dL<d< 2.700096< 4 = 2.3645 < 2.700096 < 4. So, there is no negative autocorrelation.

Coefficient of Determination

Table 7. Determination Test

Weighted Statistics			
R-squared	0.927652	Mean Dependent Var	1,143,824
Adjusted R-squared	0.882966	SD Dependent Var	1,635,335

Source: Eviews 10 processing results

Based on Table 7, the results It is evident from the coefficient of determination test (R2 test) that the R-squared value is 92.76%, or 0.927652. The dependent variable, dividend policy (DPR), of 92.76%, can be explained or described by the independent variables, free cash flow (FCF), asset growth (AG), and debt policy (DER), according to the results of the coefficient of determination test (R2 test). Furthermore, variables not included in this analysis explain or illustrate 7.24% of the data study.

Multiple Linear Regression Analysis

Table 8. Multiple Linear Regression Analysis

Variable	Coefficient	Std. Error	t-Statistics
C	0.485892	0.018744	2,592,265
FCF	0.200458	0.057953	3,458,972
AG	-0.078905	0.015724	-5,018,250
DER	0.002131	0.024281	0.087756

Source: Eviews 10 processing results

B Based on the aforementioned calculation, it is clear that the constant value is 0.485892, which means that if the free cash flow value proxied by FCF, asset growth proxied by AG, and debt policy proxied by DER have a value of 0, then the proxied dividend policy with a DPR of 0.485892. With a positive coefficient value of 0.200458 for free cash flow as measured by FCF, it can be concluded that there is a positive correlation between the independent variable FCF and the dependent variable, namely DPR. If the FCF variable increases by 1% while the independent variable AG and the independent variable DER are constant, then the dependent variable DPR will increase by 0.200458. Asset growth proxied by AG has a negative coefficient of -0.078905, so it can be interpreted that the independent variable AG has a negative relationship with the dependent variable, namely DPR. If the AG variable increases by 1% while the independent variable FCF and the independent variable DER are constant, then the dependent variable DPR will decrease by

-0.078905. Debt policy, as proxied by DER, has a positive coefficient of 0.002131, so that it can be said that the independent variable, DER, has a positive relationship with the dependent variable, namely DPR. If the DER variable increases by 1% while the independent variable FCF and the independent variable AG are constant, then the dependent variable DPR will increase by 0.002131

5. Discussion

The Influence of Free Cash Flow on Dividend Policy

The first hypothesis (H1) in this research is that dividend policy is positively impacted by free cash flow. According to H1, dividend policy is positively impacted by free cash flow, which is represented by FCF. The extra or unused cash of the business that needs to be given back to the shareholders is known as free cash flow. The likelihood of a company's success increases with its free cash flow, which shows that the business is doing well remaining cash available in the company, which can be invested in, used for expansion, or distributed as dividends. In 2020, Kresna and Ardini This is consistent with research from Mangundap et al. (2018), which shows that dividend policy and free cash flow have a positive, unidirectional connection in which the larger the dividend policy, the smaller the free cash flow. This is consistent with study by Khan et al. (2017), which claims that Pakistani manufacturing enterprises demonstrate that free cash flow has a favorable impact on dividend policy.

The Influence of Asset Growth on Dividend Policy

The second hypothesis (H2) in this research is that the dividend policy is positively impacted by asset growth. The result of H2 is that asset growth, as proxied by AG, has an adverse impact on dividend policy. Asset growth measures the development of the assets that belong to the business. Asset growth is crucial for businesses since it may be used to forecast the size and long-term operations of the enterprise. Growing the size and activity of a corporation will yield large profits; hence, asset expansion is beneficial to dividend policy (Perwira and Wiksuana, 2018). This is in keeping with studies by Perwira and Wiksuana (2018), which demonstrate that asset growth significantly and favorably influences dividend policy. A company's dividend policy will rise in proportion to the growth in assets possessed, and vice versa. This is consistent with studies by Zainuddin et al. (2020) and Widiatmoko et al. (2021) that show asset growth influences dividend policy favorably.

The Influence of Debt Policy on Dividend Policy

The third hypothesis (H3) This study shows that dividend policy is negatively impacted by debt policy. H3, thus, asserting that debt policy has a negative effect on dividend policy, is accepted. Debt policy is one of the financing decisions from external sources because it is implemented to increase company funding, which is used to meet the company's operational needs A company's ability to satisfy its responsibilities to shareholders decreases with its level of debt, and vice versa (Ismiati and Yuniati, 2017). H3 shows that dividend policy is negatively impacted by debt policy, which is represented by DER. According to study by Ismiati and Yuniati (2017), debt policy has a negative impact on dividend policy, institutional ownership has no influence on dividend policy, and management ownership has a negative impact on dividend policy. This is consistent with studies by Purwanti (2022) showing a negative relationship between debt policy and dividend policy. According to Rajagukguk et al. (2017)'s research findings, the asset structure of the organization has a negative effect on dividend policy, institutional ownership does not affect dividend policy, and debt policy has a negative effect on dividend policy. This is in line with research conducted by Purwanti (2022), which states that debt policy has a negative effect on dividend policy. The results of research conducted by Rajagukguk, et al. (2017), the company's asset structure has a positive influence on debt policy.

Free Cash Flow's Effect on Dividend Policy with Profitability as a Moderation

The fourth hypothesis (H4) in this research is that profitability can strengthen the impact of dividend policy on free cash flow. Therefore, H4, which claims that profitability can increase free cash flow's impact on dividend policy, is accepted. Data on profitability might show how likely a business is to make money in the future. The cash flow report contains information about cash flow. Businesses use their free cash flow to pay dividends and settle debt, which shows the ability to generate cash according to investment. The higher the profits obtained by the company and the better the free cash flow, the higher the dividends received by shareholders. The result of H4 is that profitability moderates (strengthens) the impact of dividend policy on free cash flow. Studies done by Zahidda (2017) indicate that a company's level of profitability will also affect the amount of dividends paid out. Dewi (2019)'s research provides evidence for this, indicating that there is a positive influence.

Growth in Assets' Impact on Dividend Policy with Profitability as a Moderation
The fourth hypothesis (H5) This study shows that profitability can amplify asset growth's impact on dividend policy. Therefore, H5, which claims that profitability might increase the impact of asset growth on dividend policy, is accepted. High assets have the opportunity to increase company growth which will affect dividend payments. The greater the assets, the greater the operational results generated by a company. A rise in assets, following by a rise in operational results further increases external parties' trust in the company, especially in dividend distribution (Celmia et al., 2018). The result of H5 is that profitability moderates (strengthens) the effect of asset growth on dividend policy. This is in line with research conducted by Hardi and Andestiana (2018), which states that asset growth has a positive effect on dividend policy. This is reinforced by research conducted by Purwanti (2022), which states that asset growth has a positive effect on dividend policy.

The Influence of Debt Policy on Dividend Policy with Moderating Profitability
The fourth hypothesis (H6) in this research is that profitability can strengthen the influence of debt policy on dividend policy. The net profit generated by the company can be used for two purposes, namely, paid to investors in the form of dividends or reserved for reinvestment. High debt levels can reduce a company's operating profits and be offset by fewer dividend payments. This is because the company hopes that the available funds are better retained as retained earnings to pay its obligations. So H6, which states that profitability is able to strengthen the influence of debt policy on dividend policy, is accepted. The result of H6 is that profitability moderates (strengthens) the influence of debt policy on dividend policy. This is in line with research conducted by Seto et al. (2021) state that debt policy has a negative effect on dividend policy.

6. Conclusion

The impact of the free cash flow variable on dividend policy is favorable. A high free cash flow will result in higher shareholder dividend payments. This is due to companies have more cash remaining after making capital expenditures and payments for the company's needs and obligations so that the available cash can be used to pay additional dividends in certain periods. The asset growth variable has a negative effect on dividend policy. High asset growth allows for lower dividend payments. If the company focuses more on company growth, the need for funds will increase, forcing management to hold back profits and resulting in low dividends. The debt policy variable has a adverse impact on the dividend policy. A company's ability to satisfy its obligations to shareholders decreases with its quantity of debt, and vice versa. This is due to the fact that using a lot of debt limits the company's capacity to pay dividends since the majority of earnings go toward paying off the debt. Profitability enhances (modifies) free cash flow's effect on dividend policy. The dividends paid to shareholders will increase in proportion to the income earned and the positive free cash flow. Data on profitability can demonstrate the business's potential to make money in the future. Free cash flow is a measure of a company's ability to make money from operations after paying dividends, making investments, and servicing debt turnover moderates (strengthens) the influence of asset growth on dividend policy.

High-profitability businesses have the chance to boost asset growth, which is a long-term predictor of business size and activity. Consequently, if the business uses more funds to increase asset growth, funds for dividend payments will decrease. Profitability moderates (strengthens) debt policy on dividend policy. If the company's profitability is higher, the company's debt level will decrease, and dividend payments will be higher, which means that profitability is used to be distributed to investors as dividends. On the other hand, if the company's profitability decreases, the company's debt level will be higher and dividend payments will decrease, which means that profitability is being retained to pay off debt.

Implication Research

The managerial implication This study focuses on managing free cash flow, if this research has a significant influence on dividend policy, managers need to consider how to manage FCF wisely. Asset growth strategy: If asset growth affects dividend policy, managers must consider the company's growth strategy carefully. Debt policy management: If debt policy has a big influence on dividend policy, thus managers need to be aware of the capital structure of the business. Managers must be aware of how the company's profitability level affects the link between profitability and other factors, since profitability is a moderating variable FCFC, asset growth, debt policy, and dividend policy.

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