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The influence of liquidity, leverage, and profitability on dividend policy in manufacturing companies listed on the Indonesian stock exchange moderated by good corporate governance

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ABSTRACT

This research aims to determine the moderated influence of liquidity, leverage, and profitability on dividend policy in manufacturing companies listed on the Indonesian Stock Exchange Moderated by Good Corporate Governance. This type of research is quantitative methods. Population in this research involved manufacturing companies listed on the Indonesia Stock Exchange for the 2015-2019 period, totaling 118 companies. Sampling process was taken using the purposive sampling. The data analysis technique used the Eviews version 9 program with multiple linear regression analysis techniques. According to the research findings, it can be concluded that liquidity and leverage influence policy dividend. Meanwhile, Good Corporate Governance and leverage are unable to moderate the influence of liquidity on dividend policy. Profitability is able to moderate the influence of liquidity on dividend policy. Then, GCG can strengthen the correlation between profitability and dividend policy.

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INTRODUCTION

One of the investment forms interested by the public nowadays is investment in the form of financial assets, namely claims represented by securities on various assets owned by the issuer of those securities (Cortez et al., 2022; Darmawan & Japar, 2020; Kurniawati et al., 2022). With a good growth rate in share ownership investments, local investors must be provided good knowledge of the capital market and investment management science. Therefore, local investors are expected to be able to utilize useful information in predicting the results of their investments in the capital market. Information that can be used by investors can be classified into two things, namely information based on fundamental analysis and technical analysis (Mukhtar et al., 2022; Rehman et al., 2019; Zuk et al., 2018).

In stock investment, the investors hope to obtain the expected profits either through dividends or capital gains resulting in share price appreciation (Aldyan, 2020; Darmawan & Japar, 2020; Pratika, 2023). This occurs due to market assessment of shares traded on the stock exchange. The assessment of share prices is carried out using fundamental factors, both micro and macro, as well as technical factors (Sujana, 2017; Tanaka, 2022; Zhang & Xie, 2019).

Shareholders want dividends to be paid as much as possible, while the company management wants company profits to be retained in order to reinvest. Dividend policy issues are also closely related to company liquidity. These paying dividends requires cash outflow, so there must be sufficient liquidity (Kapoor & Peia, 2021; Simbolon et al., 2022).

The size of the company paying dividends to shareholders depends on the dividend policy of each company and is based on consideration of several factors. These factors involve the company's fundamental factors and technical factors. The fundamental factors that are the focus of the study in this research are liquidity, leverage, and profitability. Liquidity is measured using the current ratio, temporarily for leverage, use the debt-to-equity ratio (DER), then for the profitability factor measured using return on assets (ROA) (Handayani & Arrozi, 2023; Lawes & Kingwell, 2012; Mariana & Rukmana, 2020).

Liquidity is a ratio that describes a company's ability to meet short-term obligations (Kasmir, 2011). A company's decision to distribute dividends and the amount of dividends that can be distributed to shareholders depends on the company's liquidity (Nuel, 2015; Tangngisalu, 2022). The greater the Current ratio indicates the higher the company's ability to fulfill its short-term obligations. The higher the current ratio shows investors' confidence in the company's ability to pay the promised dividends. Research conducted by Noviana (2012) and Sandy & Asyik (2013) states that liquidity has no effect on dividend policy because companies can choose other funding sources besides their cash capacity to pay dividends to investors. This is closely related to the policies and strategies used by the company.

Another factor that influences dividend policy is leverage. The use of too large debt in operational activities has a negative impact on the companies because they have to pay its obligations, which will reduce the profits obtained. The use of company debt funds by using credit and debt funds so that the company can fulfill short and long-term obligations. Besudes, it will increase profits for shareholders. This shows that the leverage ratio has no influence on dividend policy.

Next, for the profitability factor is to use Return on assets (ROA). It describes the financial performance of a company in generating net profits from assets used for company operations. ROA is used to determine the performance of a company based on its ability to use the amount of assets (wealth) it owns. ROA causes appreciation and depreciation of a company's share price. The company's financial performance in generating net profits from the assets used will have an impact on the welfare of the company's shareholders. A greater ROA reflects the better performance of a company and shareholders will benefit from the increasing dividends they receive, in other words, the increase in stock prices and returns. However, this theory is not entirely supported by the reality that occurs in the capital market.

This research is different from previous research. Research conducted by Sari, Ayu, & Sudjarni (2015) states that the higher the company's profit level, the higher the company's dividend distribution level. On the other hand, companies with low profits may not necessarily be unable to pay dividends (Damayanti & Achyani, 2006). According to Raissa (2011), the size of the level of dividend payments will ultimately be determined by the GMS even if the company experiences an increase or decrease in profits. Shareholders want dividends to be paid as much as possible, while company management wants company profits to be retained in order to reinvest. In order to overcome this problem, management needs to supervise and align the interests of management with shareholders, one of which is by moderating GCG with factors that influence dividend policy (Khaliq, Khairani, & Pratiwi, 2014). *GCG* principles are used to direct and control the company to

achieve balance between power and authority company in providing accountability to shareholders in particular and stakeholders in general (Galuh, 2013).

The differences in the results of research conducted by Sinaga, Mangunwihardjo, & Sugiarto (2016) state that increasing company success is through creating a good decision-making process and improving the company's operational efficiency better besides obtaining cheaper financing funds (due to the trust factor). Last, it will increase corporate value as well as return investors' confidence in investing their capital in Indonesia, and shareholders will feel satisfied with the company's success because it will also increase shareholders value instead of dividend policy. Good performance of a manufacturing company will increase investor confidence in the company, conversely, if the performance of a manufacturing company is less than optimal, the level of investor confidence in the company will decrease (Fauziah & Widiyati, 2022; Jura & Tewu, 2021; Rosiawan et al., 2021; Supriati et al., 2019). As a result, the company must take appropriate steps in determining its dividend policy. Based on this literature, this research aims to determine the moderated influence of liquidity, leverage, and profitability on dividend policy in manufacturing companies listed on the Indonesian Stock Exchange Moderated by Good Corporate Governance**.**

RESEARCH METHOD

This type of research is causal associative (Sugiyono, 2016) using quantitative methods because it employed ratios in its formulation. The calculation results are in the form of numbers, and the population in this research involved manufacturing companies listed on the Indonesia Stock Exchange for the 2015-2019 period, totaling 118 companies. Sampling process was taken using the purposive sampling method by manufacturing companies listed on the Indonesia Stock Exchange (BEI) from 2015 to 2019, companies that used the rupiah value in financial reports, companies that distributed dividends from 2015 to 2019, and companies that published financial statements consecutively as of December 31 for the 2015-2019 period. The data analysis technique used the Eviews version 9 program with multiple linear regression analysis techniques (Ghodang & Hantono, 2020; Riyanto & Hatmawan, 2020; Unaradjan, 2019).

RESULTS AND DISCUSSIONS

A manufacturing company is a company whose business activities do not purchase finished goods from suppliers, but raw materials which are then carried out in the production process, so that finished goods are created and are ready to be marketed and used. For investors, this company is considered to have promising prospects. It can be seen through the company's profits, which always increase every year.

Table 1 F-Test Results - Simultaneous

Dependent Variable: Y
Method: panel Least Squares
Date: 02/20/23 Time: 13:44
Sample: 2015 2019
Periods included: 5
Cross-sections included: 25
Total panel (balanced) observations: 125

Variable	coefficient	Std. error	t-statistic	Prob.
C	0.164808	0.033382	4.936959	0.0000
X1	0.070987	0.016456	4.313778	0.0000
X2	0.000330	0.001653	3.199889	0.0184
X3	0.017317	0.007803	2.219145	0.0288
Z	0.007951	0.022981	2.663663	0.0051

Effects specification
Cross-section fixed (dummy variables)

r-squared	0.731688	Mean dependent var	0.098803
Adjusted R-squared	0.859308	S.D. dependent var	0.085966
S.E of regression	0.023291	Akalke info criterion	-4.481431
Sum squared reisd	0.052079	Schwarz info criterion	-3.825262
Log likelihood	309.0894	Hannan-Quinn criter	-4.214864
F-statistic	56.90050	Durbin-Waston stat	1.930807
Prob(F-statistic)	0.000000		

Source: Data processed with eviews-12, F-Test, 2023

It is obtained the $F_{\text{-count}}$ or $F_{\text{-statistical}}$ value from the data processing results above, that 56.90050 > $F_{\text{-table}}$ = 2,6801, then Ho is rejected or Ha is accepted. The probability value is less than the 5% significance level by (0,000000 < 0,05). It means that there is an influence jointly positive and significant of the variables liquidity (X1), leverage (X2), and profitability (X3) on dividend policy (Y). The results of the partial t-test are as follows:

Table 2 Partial t-Test Results

Dependent Variable: Y				
Method: panel Least Squares				
Date: 02/20/23 Time: 13:44				
Sample: 2015 2019				
Periods included: 5				
Cross-sections included: 25				
Total panel (balanced) observations: 125				
Variable	coefficient	Std. error	t-statistic	Prob.
C	0.164808	0.033382	4.936959	0.0000
X1	0.070987	0.016456	4.313778	0.0000
X2	0.000330	0.001653	3.199889	0.0184
X3	0.017317	0.007803	2.219145	0.0288
Z	0.007951	0.022981	2.663663	0.0051
		Effects specification		
		Cross-section fixed (dummy variables)		
r-squared	0.731688	Mean dependent var		0.098803
Adjusted R-squared	0.859308	S.D. dependent var		0.085966
S.E of regression	0.023291	Akalke info criterion		-4.481431
Sum squared reisd	0.052079	Schwarz info criterion		-3.825262
Log likelihood	309.0894	Hannan-Quinn criter		-4.214864
F-statistic	56.90050	Durbin-Waston stat		1.930807
Prob(F-statistic)	0.000000			

Source: Data processed with eviews-12, T-Test, 2023

Based on the results of data processing, the value of $t_{\text{-statistic}}$ = 4,313778 > 1.9797 $t_{\text{-table}}$. It means that there is a positive influence with a probability level of less than the 5% significance level by (0,0000 < 0,05). It can be concluded that there is a positive and significant influence between the liquidity variable (X1) on dividend policy (Y). The results of data processing obtained the value of $t_{\text{-statistic}}$ = 3,199889 >1,9797 $t_{\text{-table}}$. It means that there is a positive influence with the probability level being less than the 5% significance level by (0,0184 < 0,05). It can be concluded that there is a positive and significant influence between the leverage variable (X2) on dividend policy (Y). The results of data processing obtained the value of $t_{\text{-statistic}}$ = 2,219415 > 1,9797 $t_{\text{-table}}$. It means that there is a positive influence with the probability level being less than the 5% significance level by (0,0288 < 0,05). It can be concluded that there is a positive and significant influence between the profitability variables on dividend policy.

The results of the coefficient of determination test can be seen as follows:

Table 3 Determination Coefficient Test Results

Effects specification			
Cross-section fixed (dummy variables)			
r-squared	0.731688	Mean dependent var	0.098803
Adjusted R-squared	0.859308	S.D. dependent var	0.085966
S.E of regression	0.023291	Akalke info criterion	-4.481431
Sum squared reisd	0.052079	Schwarz info criterion	-3.825262
Log likelihood	309.0894	Hannan-Quinn criter	-4.214864
F-statistic	56.90050	Durbin-Waston stat	1.930807
Prob(F-statistic)	0.000000		

Source: Data processed with eviews-12, R Test², 2022

The results of the regression using the GLS method obtained R^2 (Coefficient of Determination) or Adjusted *R Square* of 0,8593, meaning that the variation in the dependent variable of (Y) the model, namely dividend policy (Y), can be explained by the variation in the independent variable (X) of liquidity (X1), leverage (X2), and profitability (X3) as well as their moderating variables of good corporate governance (Z) was 85,92%. Meanwhile, the remaining of 14,07% was explained by other variables outside the model. The results of the regression analysis for moderation 1 can be seen as follows:

Table 4 Results of Moderated Regression Analysis 1

Dependent Variable: Y				
Method: panel Least Squares				
Date: 02/20/23 Time: 14.30				
Sample: 2015 2019				
Periods included: 5				
Cross-sections included: 25				
Total panel (balanced) observations: 125				
Variable	coefficient	Std. error	t-statistic	Prob.
C	0.127072	0.042053	3.021697	0.0032
X1	0.010079	0.081623	0.123481	0.9020
Z	0.000187	0.015620	0.011980	0.9905
M1	0.020978	0.028551	0.734757	0.4643
Effects specification				
Cross-section fixed (dummy variables)				
r-squared	0.940527	Mean dependent var		0.098803
Adjusted R-squared	0.923972	S.D. dependent var		0.085966
S.E of regression	0.023704	Akalke info criterion		-4.451987
Sum squared reisd	0.054500	Schwarz info criterion		-3.818445
Log likelihood	306.2492	Hannan-Quinn criter		-4.194613
F-statistic	56.81415	Durbin-Waston stat		1.800434
Prob(F-statistic)	0.000000			

Source: Data processed with eviews - 12, Moderated Regression Analysis 1, 2023

Concerning from the probability value of M1 of 0,4643, it means that it is more than the significance value by (0,4643 > 0,05). The moderation of M1 will have no effect as the good corporate governance variable is not able to moderate the liquidity variable on dividend policy. For this reason, no further tests are carried out to determine whether the moderation strengthens or weakens it. The results of the regression analysis for moderation 2 can be seen as follows:

Table 5 Results of Moderated Regression Analysis 2

Dependent Variable: Y
Method: panel Least Squares
Date: 02/20/23 Time: 14.33
Sample: 2015 2019
Periods included: 5
Cross-sections included: 25
Total panel (balanced) observations: 125

Variable	coefficient	Std. error	t-statistic	Prob.
C	0.121515	0.038565	3.150893	0.0022
X2	0.003443	0.005483	0.627891	0.5316
Z	0.010427	0.015425	0.675974	0.5007
M1	0.002024	0.002521	0.802894	0.4240
		Effects specification		
		Cross-section fixed (dummy variables)		
r-squared	0.930374	Mean dependent var		0.098803
Adjusted R-squared	0.910994	S.D. dependent var		0.085966
S.E of regression	0.025647	Akalke info criterion		-4.294383
Sum squared reisd	0.063804	Schwarz info criterion		-3.660841
Log likelihood	296.3989	Hannan-Quinn criter		-4.037008
F-statistic	48.00609	Durbin-Waston stat		1.724030
Prob(F-statistic)	0.000000			

Source: Data processed with eviews - 12, Moderated Regression Analysis 2, 2023

Regarding from the probability value of M2 of 0,4240, which means it is more than a significance value of 5% by (0,4240 > 0,05). It means that M2 moderation is stated to have no influence, the good corporate governance variable is unable to moderate the leverage variable on dividend policy. Thus, there is no need for regression analysis between leverage and dividend policy to determine whether moderation strengthens or weakens it.

Table 6 Results of Moderated Regression Analysis 3

Dependent Variable: Y
Method: panel Least Squares
Date: 02/20/23 Time: 14.34
Sample: 2015 2019
Periods included: 5
Cross-sections included: 25
Total panel (balanced) observations: 125

Variable	coefficient	Std. error	t-statistic	Prob.
C	0.021934	0.049138	0.446374	0.6563
X3	0.061884	0.028698	2.156378	0.0335
Z	0.038204	0.019545	1.954657	0.0535
M1	0.032570	0.011616	2.803782	0.0061
		Effects specification		
		Cross-section fixed (dummy variables)		
r-squared	0.917735	Mean dependent var		0.098803
Adjusted R-squared	0.911969	S.D. dependent var		0.085966
S.E of regression	0.024362	Akalke info criterion		-4.397200
Sum squared reisd	0.057569	Schwarz info criterion		-3.763658
Log likelihood	302.8250	Hannan-Quinn criter		-4.139826
F-statistic	53.59367	Durbin-Waston stat		1.441955
Prob(F-statistic)	0.000000			

Source: Data processed with eviews - 12, Moderated Regression Analysis 3, 2023

Related to the M3 probability value of 0,0061, it means that it is smaller than the significance level by (prob 0'0061 < 0,05), meaning that M3 moderation is stated to have an influence, the good corporate governance variable is able to moderate the profitability variable on dividend policy. To find out whether this moderation strengthens or weakens, it can be seen from the Adjusted R-square value in the regression analysis of the liquidity variable (X3) and the good corporate governance (Z) moderating variable above, which produces a value of 0,9119 or 91,19% compared with the Adjusted R-square value in the regression analysis between the dependent variable dividend policy (Y) and the independent variable profitability (X3), as follows:

Table 7 Results of Regression Analysis of Dividend Policy and Profitability

Dependent Variable: Y
Method: panel Least Squares

Date: 02/20/23 Time: 14.34				
Sample: 2015 2019				
Periods included: 5				
Cross-sections included: 25				
Total panel (balanced) observations: 125				
Variable	coefficient	Std. error	t-statistic	Prob.
C	0.112864	0.008056	14.00983	0.0000
X3	-0.015220	0.008375	-1.817300	0.0722
		Effects specification		
		Cross-section fixed (dummy variables)		
r-squared	0.903202	Mean dependent var		0.098803
Adjusted R-squared	0.904851	S.D. dependent var		0.085966
S.E of regression	0.025085	Akalke info criterion		-4.350275
Sum squared reisd	0.062297	Schwarz info criterion		-3.761986
Log likelihood	297.8922	Hannan-Quinn criter		-4.111284
F-statistic	54.29082	Durbin-Waston stat		1.571690
Prob(F-statistic)	0.000000			

Source: Data processed with eviews 9, Y and X1 regression analysis test, 2023

Based on the table above, the Adjusted R-square value obtained in the regression analysis of the dependent variable dividend policy with the independent variable profitability is 0,9048 or 90,48%. This value increases to the Adjusted R-square value in the regression analysis of variable. Based on the results of the hypothesis test carried out above, the results of this research can be concluded in the following table:

Table 8 Results of the Hypothesis Test

Hypothesis	t-Test Results		
	Statistical t value	Significant value	Conclusion
1	4,313	0,0000	Hypothesis Accepted
2	3,199	0,0184	Hypothesis Accepted
3	2,219	0,0288	Hypothesis Accepted
4	0.7347	0,4643	Hypothesis Rejected
5	0.8028	0,4240	Hypothesis Rejected
6	2,803	0,0061	Hypothesis Accepted
	F Test Results		
	F value	Significant value	Conclusion
	56,90	0,0000	Simultaneous Influence

Source: Researchers' Data, 2023

The Influence of Liquidity on Dividend Policy
The Effect of Liquidity on Dividend Policy

Based on the results of partial t statistical test, the Liquidity variable (X1) produces the value of $t_{statistical}$ = 4,313778 > 1,9797 t_{table} and the probability value is less than the 5% significance level by (0,0000 < 0,05). Then, it is concluded that there is a positive and significant influence between the liquidity variable (X1) on dividend policy (Y). It is said that the higher the liquidity value, the higher the value of the company's dividend policy.

The results of hypothesis testing show that the Liquidity variable measured based on the Current Ratio (CR) has a positive and significant effect on dividend policy in manufacturing sector companies listed on the Indonesia Stock Exchange for the period of 2015 to 2019. A company can be said to be liquid if it has a CR value of 2 to 1, between current assets and current liabilities, meaning that every 10% of debt can be covered by 20% of the current assets figure.

In the theory of (Sartono A., 2012), the higher a company's CR means the smaller the risk of the company's failure to fulfill its short-term obligations. As a result, the risks borne by shareholders will also be smaller. A high CR value for a company will reduce uncertainty for

investors, but indicates that there are idle funds, which will reduce the company's level of profitability.

Research conducted by Noviana (2012) and Sandy & Asyik (2013) states that liquidity has no effect on dividend policy because companies can choose other funding sources besides their cash capacity to pay dividends to investors. The higher the level of liquidity, the greater the company's ability to pay dividends to shareholders. However, research results from Dewi & Sedana (2014) and Adnyana & Badjra (2014) state different statements from the explanation above that the level of liquidity has a positive influence on dividend payments, the greater the level of liquidity, the greater the company's ability to pay dividends.

The Effect of Leverage on Dividend Policy

Based on the results of partial t-test statistic, the Liquidity variable (X2) produces the value of $t_{\text{-statistic}}$ = 3,199889 > 1,9797 $t_{\text{-table}}$, with a probability value less than the 5% significance level of (0,0184 < 0,05). Then, it is concluded that there is a positive and significant influence between the leverage variable (X2) on dividend policy (Y). This can be concluded that if the leverage value increases, the dividend policy variable will be directly proportional, and it will also increase significantly. Therefore, the hypothesis three is accepted, which states that leverage influences dividend policy in manufacturing companies listed on the Indonesian Stock Exchange from 2015 to 2019. Leverage refers to the debt that a company has. In order to increase its production capacity, the company will use leverage. This leverage can come from within the company or outside the company. The use of leverage aims solely to increase company profits (Kuswanta, 2016).

Research conducted by Kasmir (2015) states that the high obligations that must be paid will increase the company's capital, which can potentially increase the profits earned by the company. Of course, this will have an impact on dividend distribution. This is different from research conducted by Dewi (2008), Lopolusi (2013), Puspita (2009), Harris, Garcia-Godoy, Nathe (2014), Sunarya (2013), Suharli (2006), and Jannati (2012), which states that leverage has a negative effect on dividend policy where the higher level of debt a company, the lower level of dividend distribution.

The Effect of Profitability on Dividend Policy

Based on the results of partial t-statistical test, the Profitability variable (X3) has a $t_{\text{-statistic}}$ value = 2,219415 > 1,9797 $t_{\text{-table}}$, with a probability level of less than the 5% significance level, namely (0,0288 < 0,05). Then, it is concluded that there is a positive and significant influence between the profitability variable (X3) on dividend policy (Y). It is said that if the profitability value increases, the value of the dividend policy will also increase significantly.

Profitability as measured by Return on Assets (ROA) shows a positive and significant effect. This is because manufacturing sector companies on the Indonesian Stock Exchange (BEI) from 2015 to 2019 distributed dividends constantly. Profitability in this company describes the company's financial performance in generating net profits from cash assets used for company operations and to determine company performance based on the company's ability to manage the assets it owns. The greater the profits, the greater the company's ability to pay dividends.

Management will pay dividends to provide a signal about the company's success in generating company profits. This signal concludes that the company's ability to pay dividends is a function of profits. The company's net profit means that dividends will be distributed to shareholders if the company makes a profit, so the company's profits will greatly influence the level of payments.

Good Corporate Governance Moderates the Influence of Liquidity on Dividend Policy

Based on the results of statistical testing of moderation of liquidity variables on dividend policy with GCG as moderation, the probability value is more than the 5% significance level of

(0,4643 > 0,05). It is concluded that the good corporate governance variable cannot moderate the influence between liquidity variables on dividend policy. Thus, the good corporate governance as a moderating variable has no influence on the relationship between liquidity and dividend policy.

The liquidity ratio means a ratio that describes the company's ability to fulfill short-term obligations in a timely manner. When companies are able to fulfill their short-term obligations on time as they are due, the company will also be able to pay their dividends. This happens because both dividend payments and short-term liabilities are paid using cash. Therefore, a high liquidity value can reflect the company's good financial performance, so that companies can maintain their good financial performance.

Based on Walter's Dividend Theory, it is stated that if the financial manager chooses retained earnings for investment opportunities and the benefits obtained from these investment opportunities are greater than the costs, then the impact of these investment opportunities is the increase in stock prices and company value.

However, implementing good corporate governance cannot be an alternative because the research results show that good corporate governance (GCG) cannot moderate the relationship between liquidity and dividend policy. This is because deciding whether to pay dividends, or strategies to manage liquidity value, does not require governance or other procedures that relate to the stakeholders involved in the company's management objectives.

Research conducted by Dewi (2012) and Purwaningtyas & Pangestuti (2011) stated that GCG will strengthen the correlation between liquidity and dividend policy through business operational efficiency which will influence the company in increasing shareholders value through savings on financing and the value of company shares.

Good Corporate Governance Moderates the Effect of Leverage on Dividend Policy

Based on the research results of statistical test of the moderation of the leverage variable on dividend policy with GCG as the moderation having a probability value of more than the 5% significance level of (0,4240 > 0,05). It is concluded that the good corporate governance variable cannot moderate the influence of the leverage variable on dividend policy. Thus, good corporate governance as a moderating variable has no influence on the correlation between leverage and dividend policy.

Based on agency theory, the agency problems arise because of a conflict of interest between two parties, for example between principals and managers or between majority and minority shareholders (Jensen and Meckling, 1976). Governance mechanisms are a medium for reducing conflicts of interest between stakeholders.

From the external side, the implementation of GCG has not received a positive response because investors see that profitability is still falling. The GCG function is not yet able to control management in managing working capital. It is possible that this happens because strict implementation of GCG requires sacrificing several things, such as dividend distribution or others. Likewise with the value of dividend policy, where during the observation period, the company did not distribute their dividends.

Research conducted by Griffin (2010), Franklin & Muthusamy (2011), Sunarto & Kartika (2003), and Kapoor (2009) shows that GCG strengthens the influence of leverage on dividend policy through the creation of a good decision-making process in terms of regulating the level of leverage, which will have an impact on dividend policy. The company will choose circumstances that can be mutually beneficial for investors, company value, and increased company investment .

Good Corporate Governance Moderated the Influence of Profitability on Dividend Policy

Based on the results of moderation statistical test of profitability variables on dividend policy with GCG as moderation, the results show that the probability value is smaller than the 5% significance level by (0,0061 < 0,05). It can be concluded that the good corporate governance

variable can moderate the influence between the profitability variable on dividend policy. Based on the coefficient of determination adjust R-Square 0,71% to 90,48%, this value increases and can be interpreted that the correlation strengthens the moderation of good corporate governance on the relationship between profitability and dividend policy.

Companies that tend to have small profitability are more dominant in disclosing the implementation of good corporate governance principles in order to reduce market pressure. If the company is committed and consistent in implementing GCG principles in its activities, it will automatically foster investor confidence. It is expected that GCG can also function as a tool to grow investor confidence in the company because high profitability will show the company's success. Implementing GCG will also support profitability. If the company is committed and consistent in implementing GCG principles in its activities, this will automatically increase investor confidence. The higher the profitability, the higher the dividends distributed.

GCG will strengthen the correlation between profitability and dividend policy through the company's interest in maintaining company value and reputation so that high profit companies will use these profits for company operations or investment. Besides, it will be allocated for dividend distribution. Companies with large profits will tend to distribute high dividends to maintain their reputation among investors. Research conducted by Zuhro & Suwitho (2016) and Maulina, Nuzula, and Nurlaily (2018) states that GCG can strengthen the correlation between profitability and dividend policy.

CONCLUSION

According to the research findings, it can be concluded that liquidity and leverage influence policy dividend. Meanwhile, Good Corporate Governance and leverage are unable to moderate the influence of liquidity on dividend policy. Profitability is able to moderate the influence of liquidity on dividend policy. Then, GCG can strengthen the correlation between profitability and dividend policy. The limitations of the current research is researchers utilized three independent variables and one moderating variable in measuring dividend policy, making the measurement is limited to financial ratios, which did not massively measure policies from other qualitative factors. For further research, it is necessary to analyze by expanding deviations to the measurement of the research year and other variables, such as financial report performance indicators (ROE or ROI) so that the discussion presented is more exploratory to find out the strengths and weaknesses of the characteristics based on the research variables.

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