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# THE INFLUENCE OF NET PROFIT, FREE CASH FLOW, NETWORKING CAPITAL, FUNDING AND PROFITABILITY ON DIVIDEND POLICY IN FOOD AND BEVERAGE COMPANIES FOR THE 2019-2022 PERIOD

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***ABSTRAK***

This research aims to prove and examine the influence of net profit, free cash flow, net working capital, funding and profitability on dividend policy in food and beverage companies listed on the Indonesia Stock Exchange (BEI) in the period 2019 - 2022. This research uses a population of 84 food and beverage companies listed on the Indonesia Stock Exchange in 2019 - 2022. By using purposive sampling techniques, the research samples obtained were 11 companies which were multiplied over 4 years until the number to be used was 44 samples. The results of research using the F test show that the net profit variable, free cash flow variable, net working capital variable, funding variable and profitability variable simultaneously influence dividend policy. The results of the T test show that partially the net profit variable, free cash flow variable, funding variable and profitability variable have an influence and significance on dividend policy. Meanwhile, partially for net working capital there is no influence on dividend policy

***Keyword:*** ***Net Profit, Free Cash Flow, Net Working Capital, Funding, Profitability, Dividend Policy***

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## INTRODUCTION

Growth in the economic sector supports the smooth running of economic activities, especially the food and beverage sector in Indonesia which is very interesting to review. The food and beverage industry has an advantage compared to other industrial sectors, namely that it continues to survive amidst the uncertainty of Indonesia's economic conditions, even during times of crisis. So this brings in many investors who are interested in injecting capital. Food and beverage companies have a large market and assume that their company's products are always needed in people's lives. In fact, currently the number of food and beverage companies continues to increase with new innovations continuing to emerge. This will require food and beverage companies to have a strategy so they can dominate the competition and not be easily displaced in their business.

The solution that can be taken by food and beverage companies in the tight competition is that the company must maintain its existence by convincing investors to invest their capital. One way is to set an appropriate dividend policy. Dividend policy is defined as a provision regarding the distribution of the amount of profit the company receives to be handed over to investors and it is hoped that dividends will be distributed consistently because stability and opportunities for future growth can be demonstrated by the company from dividends.

In this research, several factors are applied that have an influence on dividend policy, namely net profit, free cash flow, net working capital, funding and profitability. Net profit is the best parameter of a company's ability and an indicator of the company's ability to manifest cash in the future, which in several research results influences the company's policy regarding dividends. Free cash flow describes the portion of cash provided to shareholders and is directly proportional to dividends. Net working capital can be used as a tool to find out whether the company can pay off debts in the short term and generate sufficient income for the company's sustainability at that time. This can be a benchmark for shareholders to determine a company's ability to pay dividends. Funding is an indicator to predict a company's ability to pay its debts. If the funding value is large, dividends will decrease because they are used to pay debts. So the size of the funding carried out by the company will have an impact on the dividend policy of a company. The ratio to evaluate a company's ability to generate profits and have an impact on company value is called profitability. This ratio is closely monitored by prospective shareholders because it is closely related to the dividends they want to get.

## LITERATURE REVIEW

According to Rachmah (2019), “Profit in financial reports is the main focus which describes the company's ability to obtain cash in the future. The profit and loss report are the main view for investors to assess the performance results of a company. If the company's profits increase, it will increase the dividend.”

According to Rachmah (2019), “Free cash flow reflects the availability of cash because it is obtained from net capital expenditures and dividend payments. The availability of free cash flow shows financial growth and flexibility so that if free cash flow is high it shows an increase in dividend returns and also the availability of remaining cash.”

According to Rijal and Salma (2018) in their research, “Dividend policy is only related to liquidity, company profits and the regulated proportion of profits, so that net working capital has no influence on dividend policy”

According to Bahrun (2020) in his research, “If funding is linked to dividend policy, then funding will be used to finance company’s debt, so that the influence on the dividend policy given to investors will also decrease.so the dividend policy given by investors will also decrease.”

According to Bramaputra, et al (2022), “Profitability can be interpreted as a company's ability to make a profit. The high profitability of a company causes the dividend policy given to investors to be greater. So it can be concluded that profitability has an influence on dividend policy.”

The hypothesis based on the background and theoretical studies in this research is that net profit has a partial effect on dividend policy in food and beverage companies listed on the IDX for the 2019-2022 period. Free cash flow partially influences dividend policy in food and beverage companies listed on the IDX for the 2019-2022 period. Net working capital partially influences dividend policy in food and beverage companies listed on the IDX for the 2019-2022 period. Funding partially influences dividend policy in food and beverage companies listed on the IDX for the 2019-2022 period. Profitability partially influences dividend policy in food and beverage companies listed on the IDX for the 2019-2022 period. Net profit, free cash flow, net working capital, funding and profitability simultaneously influence dividend policy in food and beverage companies listed on the IDX for the 2019-2022 period.

**METHOD**

The method applied is quantitative so that the data is in the form of numbers. The data source used is secondary data. Food and beverage company data for 2019 - 2022 obtained via the official website www.idx.co.id. This research is causal in nature. The total population includes 84 companies. Sample selection used a purposive sampling method with several criteria and obtained the number of company financial reports that could be used as samples, namely 11 financial reports over a period of 4 years so that the total sample was 44.

According to Ghozali (2012:97) states that to get the coefficient of determination, it is obtained from squaring the correlation coefficient and then giving the percentage.

According to Ghozali (2012:98) the F test is used to review whether independent variables have a simultaneous influence on the dependent variable. If Fcount > Ftable has sig. with $\alpha$=5%, it means that it has a simultaneous effect. If Fcount < Ftable has sig. with $\alpha$=5%, it means there is no simultaneous effect.

According to Ghozali (2012:98) the T test is carried out using the following qualifications. If Tcount > Ttable or sig. with $\alpha$=5%, it means that the independent variables have a partial effect on the dependent variable. If Tcount < Ttable or sig. with $\alpha$=5%, it means that the independent variables have no partial effect on the dependent variable.

## RESULTS AND DISCUSSION

The results of the coefficient of determination test can be seen in the table below :

**Table 1. Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .897[a] | .805 | .780 | .20258 |

a. Predictors: (Constant), Net Profit, Free Cash Flow, Net Working Capital, Funding, Profitability

b. Dependent Variable: Dividend Policy

*Source: SPSS (2023)*

Based on the table above, The Adjusted R Square value of the regression model is 0.780, meaning that 78% of the variability (Y) is explained by the variables Net Profit (X1), Free Cash Flow (X2), Net Working Capital (X3), Funding (X4), and Profitability (X5). The remaining 22% is explained by other variables outside research such as company growth, company size and institutional ownership.

The results of simultaneous hypothesis testing can be seen in the table below :

**Table 2. ANOVA**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 6.451 | 5 | 1.290 | 31.441 | .000[a] |
| | Residual | 1.559 | 38 | .041 | | |
| | Total | 8.011 | 43 | | | |

a. Dependent Variable: Dividend Policy

b. Predictors: (Constant), Net Profit, Free Cash Flow, Net Working Capital, Funding, Profitability

*Source: SPSS (2023)*

Based on the analysis results in the table above, the Sig. amounting to 0.000 < 0.05, referring to the basis for decision making, H0 is rejected, which means that there is a significant influence jointly between the net profit variable (X1), the free cash flow variable (X2), the net working capital variable (X3), the variable funding (X4) and profitability variables (X5) on dividend policy (Y).

The results of partial hypothesis testing can be seen in the table below as follow :

**Table 3. Partial Test Results**

**Coefficients[a]**

| Model | | Unstandardized Coefficients B | Std. Error | Standardized Coefficients Beta | t | Sig. | Collinearity Statistics Tolerance | VIF |
|---|---|---|---|---|---|---|---|---|
| 1 | (Constant) | -6.534 | 1.998 | | -3.270 | .002 | | |
| | Net Profit | .105 | .044 | .391 | 2.376 | .023 | .189 | 5.296 |
| | Free Cash Flow | .131 | .032 | .684 | 4.115 | .000 | .185 | 5.399 |
| | Net Working Capital | .016 | .018 | .086 | .872 | .389 | .530 | 1.886 |
| | Funding | -.101 | .045 | -.169 | -2.270 | .029 | .929 | 1.076 |
| | Profitability | 4.345 | 1.118 | .538 | 3.885 | .000 | .267 | 3.746 |

*a.* Dependent Variable : Dividend Policy
*Source : SPSS 2023*

Based on the table above, the following results are obtained.

1) The t test results show that the net profit variable (X1) has a sig price. equal to 0.023 < 0.05 and beta is positive. This means that there is a partial positive influence of the net profit variable on the dividend policy variable (Y).

2) The t test results show that the free cash flow variable (X2) has a sig value. equal to 0.000 < 0.05 and beta is positive. This means that there is a partial positive influence of the free cash flow variable on the dividend policy variable (Y).

3) The t test results show that the net working capital variable (X3) has a sig value. of 0.389 > 0.05 and positive beta. This means that there is no partial positive influence of the net working capital variable on the dividend policy variable (Y).

4) The t test results show that the funding variable (X4) has a sig price. of 0.029 < 0.05 and beta is negative. This means that there is a partial negative influence of the funding variable on the dividend policy variable (Y).

5) The t test results show that the profitability variable (X5) has a sig value. equal to 0.000 < 0.05 and beta is positive. This means that there is a partial positive influence of the profitability variable on the dividend policy variable (Y).

## CONCLUSION

From the research carried out by researchers, the conclusions obtained are : Partially, the net working capital variable has no significant effect on the dividend policy of food and beverage companies listed on the IDX 2019-2022. Meanwhile, the variables net profit, free cash flow, funding and profitability have a significant influence on the dividend policy of food and beverage companies on the IDX 2019-2022. And simultaneously, the variables net profit, free cash flow, net working capital, funding and profitability influence the dividend policy of food and beverage companies on the IDX 2019-2022.

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