

DIVIDEND POLICY IMPACT OF FREE CASH FLOW, CAPITAL STRUCTURE AND RETURN ON ASSETS WITH COMPANY SIZE AS A CONTROL VARIABLE

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Abstract:

Background: Dividend policy decisions are influenced by factors such as free cash flow, capital structure, and return on assets, with company size acting as a control variable.

Purpose: The aim of this research is to determine the influence of Free Cash Flow, debt to equity ratio and Return on Assets on company size in banking companies before and after the Covid 19 pandemic

Design/methodology/approach: This research uses a descriptive method, namely research procedures or problem solving that are investigated by describing the subjects or objects used in the form of people, institutions, society, and others.

Findings/Results: The results show that free cash flow had a positive and insignificant effect, the debt-to-equity ratio had a negative and significant effect, return on assets had a negative effect on company size before the Covid-19 pandemic, and there was a significant increase in dividend policy before and during the Covid-19 pandemic.

Conclusion: The implications of the results of this study for the dividend policy impact of free cash flow, capital structure and return on assets with company size as a control variable

Originality/value (State of the art): Companies with higher free cash flows tend to pay out more dividends, whereas a well-managed capital structure and strong return on assets can also support dividend payouts. Company size, as a control variable, helps isolate the effect of these financial factors on dividend policy, ensuring that the results aren't skewed by the size of the firm.

Keywords: company size, debt to equity, dividend policy, free cash flow, return on assets

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INTRODUCTION

During the Covid 19 pandemic, the Indonesian government focused on various sectors, including the banking sector, as part of its efforts to deal with economic problems, considering the strategic role of banking in supporting national economic growth. The Covid 19 pandemic caused problems for debtors in the banking sector, including debtors from micro, small, and medium enterprises (Soko & Harjanti, 2022), because the pandemic affected debtors from all aspects of the economic layer. The focus of this problem lies in business sustainability; when the cash flow from the business is insufficient to cover costs, capital will be eroded. Community economic activities are highly dependent on banks' role as capital providers. In the first 6 months of 2020, there was a decline in profits for several banks in Indonesia whose core capital was more than 30 trillion rupiah and who had active operations at home and abroad. These banks include BCA, BNI, BRI, CIMB Niaga, Danamon, Mandiri, and Panin, where banks in this category are included in. Warta Ekonomi stated that several conventional banking companies in Indonesia experienced a significant decline in their net profit, with a range between -4.8% to a high of -53.4% in the first semester of 2020. This is due to bad credit, which causes the interest burden to be paid to continue, while expenses to pay interest to depositors also continue. Consequently, the financial performance of banking companies is negatively affected. There was a difference in banking performance in Indonesia in two periods, namely 2019 (before the pandemic) and 2020 (during the pandemic), if seen from Return on Assets. ROA declined from the year before the pandemic to the year when the pandemic took place (Soko & Harjanti, 2022). Meanwhile, Sullivan and Widodoatmodjo (2021), who examined 43 banks that were registered and had gone public on the IDX from the second quarter of 2019 to the third quarter of 2020, found a significant difference in the financial performance of the banking sector in Indonesia between the period before and during the pandemic.

This can be observed through several indicators, such as the Capital Adequacy Ratio, Non-Performing Loans, and the comparison of operational entities to operational income (Sullivan & Widodoatmodjo, 2021). The number of non-performing loans in the national banking sector has reached its highest level in history. Referring to OJK Indonesian banking statistics data, banking NPLs

reached IDR 186.16 trillion in July 2021. This figure grew 3.01% from the previous month and 4.35% compared to the previous year. The increase in NPL occurred in early 2020, at the start of the pandemic, until it reached its highest point in July 2021 (OJK, 2022). The NPL ratio reflects a bank's ability to manage problem loans. Banking companies are not passively waiting for policy direction from the government amidst the pandemic situation but are trying to maintain their performance, especially to attract investor interest. Companies use various strategies to attract investors and highlight their quality and performance. The cash flow generated from operational activities will be used by the company to invest in fixed assets and working capital to keep business operations running. If cash flow remains after meeting these needs, it is referred to as free cash flow (Fairuz et al. 2019). The existence of free cash flow in a company indicates that it can generate cash from its business activities.

This situation attracts the attention of investors because they can see the extent to which the company can maintain its business continuity in the future. The company's ability to generate cash flow from business operations is important because, without this ability, the company will have difficulty maintaining its business, especially in difficult situations such as the Covid-19 pandemic, which is full of uncertainty. Financial managers must carefully consider whether the company should distribute dividends to shareholders so that operational activities run well in the following year. Dividend policy is a determining factor in determining the amount of profit shareholders will receive (Lende, 2021). This decision involves two different interests, namely shareholders as the first party and the company itself as the second party (Hwihanus, 2022; Ingwarni & Hariadi, 2022; Lende, 2021). Research has revealed that dividend policy is determined by several factors, such as the company's cash flow, capital structure (Rochmah & Ardianto, 2020; Widyasti & Putri, 2021), and profitability, especially return on assets (Ingwarni & Hariadi, 2022).

Funding for all activities is an important consideration because the economic capital structure significantly influences the allocation of funds, both in the short and long term. The company has various future that create opportunities for optimal fund allocation. Capital structure includes the proportion of meeting a company's financial needs, whether through debt,

equity, or share issuance (Mudjijah et al. 2019). Capital structure is important for strengthening company value because decisions regarding funding in company policy affect the company's profitability and position. If a company chooses to use internal capital, it reduces its dependence on external parties. However, if the company chooses to take on debt, it will be very dependent on outside parties to obtain funds. Return on Assets is an indicator used to measure the extent to which a company can generate profits from its investments. Yanti and Darmyanti (2019) state that this ratio is used to measure the extent to which management can create total profits. The higher the ROA, the higher the profit the company receives, and the better its position in terms of asset utilization. Several studies have tested the effect of ROA on dividend policies. Dividends are part of a company's profits that investors receive in the form of stock dividends, and some are in the form of cash. Dividend policy is the company's decision at the end of the year whether to distribute the profits it earns to investors to increase the agency's capital as investment funds in the future (Kadim et al. 2020). Dividend provisions determine the value of profits obtained by the agency, which will later be given in the form of dividends to shareholders and how much profit is retained for the agency's needs (Husain et al. 2020). Dividend policy is a problem that often arises in companies. Management tends to find it difficult to make decisions regarding the distribution or retention of profits for investment in various projects that can provide benefits to support the agency's growth (Amaliyah & Herwiyanti, 2020). Each agency determines the number of dividends to be distributed, and management's assessment of the dividend policy is vital.

Company size is a scale of measurement based on the total assets of a company or organization that combines and organizes various resources to produce goods or services for sale. Company size based on total assets is generally due to the manager's assumption that a company with large total assets indicates that the company is relatively stable and capable of generating large profits. Large companies have a wider stakeholder base; therefore, company policies will have a greater impact on public interest than small companies. Company policies will have implications for investors' future cash flow prospects. Meanwhile, for regulators, this will impact the amount of taxes received and the effectiveness of their role in providing protection to society in general.

Free cash flow, obtained from cash flow from operating activities minus investment expenditure, is the amount of cash that a company can pay to investors after paying for all investment activities needed for the company's growth. Basically, needed for the ongoing processes of the company. Free cash flow is the cash flow available in a company's financial reports that can be used or allocated to meet the company's operational needs. Free cash flow is the excess funds obtained that are distributed to investors, and this adjusts to the provisions of each agency (Ginanjar, 2020). Several previous studies have been conducted to examine the influence of free cash flow on dividend policy. The results of this study show that free cash flow significantly influences dividend policy (Fairuz et al. 2019; Felicia, 2020). Ingwarni and Hariadi (2022) and Mudjijah et al. (2019) stated that "free cash flow" is free cash flow which is a "discretionary" flow belonging to the agency, and this flow of funds can be used to pay off receivables, increase investment, purchase treasury shares, or liquidity. Felicia (2020) argues that there are 3 parts to calculating "free cash flow", including working capital transformation, net capital expenditure, and operating cash flow. Operating cash flow is calculated by determining the difference between income and cost values from cash flow. Capital expenditures are budgeted costs incurred by agencies to obtain and maintain capital capable of increasing assets. Net working capital is the difference between an agency's current assets and current liabilities if it obtains output that has a positive value, indicating that the agency is in a healthy and good condition (Felicia, 2020).

Capital structure is a company's way of trying to form the right side of the balance sheet, namely, capital and debt. The capital structure consists of short-term funding, long-term funding, and equity. Short- and long-term debts can be obtained from external parties to the company (Sintyana & Artini, 2019). The capital structure is a combination of items included on the right side of the balance sheet from which the agency's capital originates.

Company profitability describes the relationship between profits earned and the assets or capital used to generate these profits. The profitability of an agency will affect the provisions of shareholders for the investments made. An agency's ability to gain profits will attract investors' interest in lending funds to expand its business; in contrast, a weak level of profitability of an agency can result in funds lent by shareholders being

withdrawn (Kadim et al. 2020). Agency profitability is one of several fundamental parameters of an agency's condition; therefore, tools are needed to analyze its value (Setyawan, 2019; Yanti & Damayanti, 2019). Therefore, business continuity is more guaranteed when the company can and continuously increases its profit level.

This study aims to determine the effect of free cash on company size in banking companies before and after the Covid 19 Pandemic. In addition, we determined the effect of free cash on company size in banking companies before and after the Covid 19 Pandemic. In addition, the study aims to determine the effect of the debt-to-equity ratio on company size in banking companies before and after the Covid 19 Pandemic. To determine the effect of ROA on company size in banking companies before and after the Covid 19 Pandemic. Finally, to simultaneously test the effect of Free Cash, Free Cash, Debt to Equity Ratio and Return on Assets on Company Size in Banking Companies before and after the Covid 19 Pandemic.

METHODS

A sample is a subset of a population that serves as a source of data in a study, where the population represents the sum of the characteristics of the population. Sampling is a technique used to determine the sample to be used in the study. In this study, a population-based sampling technique was used, employing non-probability sampling with a purposive sampling method. This sampling technique considers predetermined considerations for the respondents. The sample for this study was banking companies listed on the Indonesia Stock Exchange for the 2019-2021 period. A non-probability sampling technique was used to obtain a sample of 43 companies.

Data collection in this study was conducted to obtain the data required to achieve the research objectives. Primary data originate from original or primary sources and are collected by researchers to answer research questions. This data was obtained directly from the informants, either through interviews or questionnaires. The type of data used in this study is secondary data, which is obtained indirectly through intermediary media in the form of published and unpublished historical reports. The method used for collecting secondary data in this study is documentation. Secondary data were obtained by reading, studying, and understanding other sources, including company documents.

This research method uses a descriptive method, namely a research procedure or problem-solving that is investigated by describing the subjects or objects used in the form of people, institutions, communities, and others. The advantages of the descriptive method are as follows: Describing the Phenomenon in Detail: The descriptive method allows researchers to describe phenomena or events in detail and accurately. In addition, it can identify Patterns and Trends. Descriptive methods can increase understanding of the phenomena or events being studied, produce Accurate Data, and provide descriptive research results that are easy to understand and can be interpreted by readers. Thus, the descriptive method is very useful in research that aims to describe phenomena or events in detail and with accuracy. The technical analysis is a multiple regression analysis.

Free cash flow is excess agency funds that can be distributed to investors that are no longer needed as fixed asset investments or working capital (Rochmah & Ardianto, 2020; Widyasti & Putri, 2021; Lestari, 2018). The distribution or retention of profits obtained by the agency to investors is determined based on the free cash flow obtained, which is the excess funds given to investors after the agency has funded the agency's operational activities and investments. Widyasti et al. (2021) state that companies can distribute large dividends when they have high free cash flow to avoid agency conflicts. The greater the free cash flow, the higher the probability that dividends will be distributed (Widyasti et al. 2021). Meanwhile, research conducted (Nugraha et al. 2019) shows that free cash flow does not significantly influence dividend distribution. The company has low free cash flow, which does not mean that the company cannot distribute dividends, but the company can use external funds to make dividend payments to shareholders (Rudiyanto & Fierana, 2022). Based on this description, the hypotheses proposed in this study are as follows:

H1: Free cash flow influences Dividend Policy

Capital structure is the balance of the value of fixed short-term receivables, long-term debt, ordinary shares, and preferences. The financial structure is the balance between overall receivables and personal capital. Capital structure is proxied by the debt-to-equity ratio (DER), which compares the amount of debt to equity. The higher the DER, the greater the obligations that the company must fulfill, so that the company's profits decrease, which has an impact on dividend distribution. Research conducted by Yolinda et al. (2022) states

that there is a negative influence on dividend policy in LQ45 companies for the 2016-2019 period. Companies with a high capital structure indicate that the company's debt to depositors is high, resulting in greater interest expenses that banking companies must pay. Therefore, companies tend to prioritize paying interest to depositors over paying dividends to shareholders. Meanwhile, research conducted (Wardini et al. 2022) states that the capital structure influences a company's dividend policy. Large dividend provisions will also be accompanied by an increase in the selling value of shares so that the value of the agency increases (Warnidi et al. 2022). Based on this description, the hypotheses proposed in this study are as follows:

H2: Capital structure influences Dividend Policy

Research conducted by Dewi and Abudanti (2020) found that companies that can utilize their assets to generate stable profits are attractive to shareholders and investors because this reflects the level of dividend payments and the quality of the company's profits. Companies with stable profits can determine the level of dividend payments and signal the quality of their profit. Profitable companies can pay dividends and retain internal funds in the form of profits to pay for their investments. A company's ability to pay dividends is a signal that the company is good, because it can generate profits. The greater the company's profits, the greater the dividend payments (Widyasti et al. 2021). Halik (2019) states that profitability has a significant positive effect on dividend policy. This statement is supported by Ingwarni and Hariadi (2022), who state that profitability has a significant positive effect on dividend policy. Research conducted by Yolinda et al. (2022) on the LQ45 company shows that profitability, as proxied by ROA, has a significant positive influence on dividend policy. This condition shows that the company prefers to maintain most of its profits rather than increase dividends when it has higher profit. Based on this description, the hypotheses proposed in this study are as follows:

H3: ROA as a control variable influences Dividend Policy

A company with large assets indicates good prospects. Yusof et al. (2016) prove that company size can influence dividend payments. According to agency theory, the wider the spread of ownership in large companies, the more difficult it is for shareholders to monitor funding activities, both internal and external, which leads to greater asymmetric information and increased agency costs. One approach to minimize this problem is through dividend payments. Companies with a large scale tend to pay dividends. The relationship between company size and dividend policy is based on the transaction cost theory. Transactional costs arise from the company's efforts to reduce agency problems through dividend policies. Agency costs can be reduced, but a company's efforts to minimize agency costs can increase flotation costs. The trade-off between agency and flotation costs ultimately forms the basis of the relationship between company size and dividend policy. However, a high level of debt means that the company has easy access to external funding but does not necessarily increase the dividend policy to shareholders; therefore, company size does not affect the dividend policy. Most manufacturing companies have debt levels above 30 percent, making them more careful in making decisions regarding external funding. This shows that companies with high levels of debt are more vulnerable to financial difficulties. Thus, the transaction cost theory underlying the relationship between company size and dividend policy has not proven to be true. Based on this description, the hypotheses proposed in this study are as follows:

H4: Company size as a control variable influences Dividend Policy

Based on the theories and hypotheses above, the research framework can be described as in Figure 1.

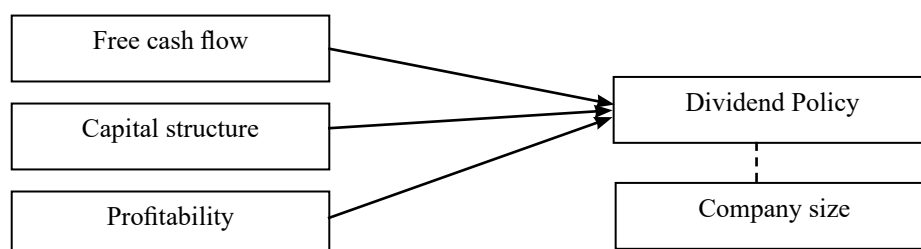


Figure 1. Conceptual framework

RESULTS

Panel Data Regression Analysis During the Covid-19 Pandemic

Based on Table 2, the multiple linear regression equation during the Covid-19 pandemic is as follows:

$$Y = 0.871620 - 0.000177 X_1 - 0.096224 X_2 + 2.581905 X_3 + 0.000171 Z$$

Analysis of multiple linear regression equations

1. The constant of 0.871620 indicates that when Free Cash Flow, Capital Structure, Profitability and Company Size are zero, then the Dividend Policy will have a positive value of 0.871620
2. The Free Cash Flow regression coefficient of -0.000177 indicates that for every additional Free Cash Flow of 1, it will reduce the Dividend Policy by 0.000177
3. The capital structure regression coefficient is -0.096224, indicating that for every increase in capital structure by 1 unit, the dividend policy will decrease by 0.096224.
4. The profitability regression coefficient of 2.581905 indicates that every additional profitability of 1 unit will increase the Dividend Policy by 2.581905
5. The dividend policy regression coefficient of 0.000171 indicates that for every increase in company size by 1, it will increase the dividend policy by 0.000171

This study aims to determine the influence of free cash flow, capital structure, and profitability on dividend policy, with company size as a control variable. The influence of each independent variable on the dependent variable is described below. The results of the testing data before the Covid-19 pandemic showed that free cash flow had a positive but not significant effect on dividend policy. The results of data testing during the Covid-19 pandemic show that free cash flow has a negative but not significant effect on dividend policy. The results of data testing before and during the Covid-19 pandemic showed that free cash flow had no significant effect on dividend policy. The results of this study are not in line with those of Widiyasti et al. (2021), who state that free cash flow has a significant effect on dividend policy. Before the Covid-19

pandemic, banking companies consistently distributed dividends every year. Banking companies with negative free cash flows continuously distribute dividends to shareholders. Research conducted by Nugaraha et al. (2019) found that a company does not always have to rely on internal funding to make dividend payments but can use external funds. Negative free cash flow is not always a bad signal, but it is caused by the company using cash to invest to develop the business and increase profits. The results of this study are in line with the Financial Services Authority Regulation no. 17/POJK.03/2021 concerning National Economic Stimulus as a Countercyclical Policy for the Impact of the Spread of Covid-19. However, under negative free cash flow conditions, banks continue to pay dividends to shareholders. This is confirmed because the company's performance is still quite stable due to the national economic stimulus policy and the company's strategic policy. This is supported by research conducted by Rudiyanto and Fierna (2022), which states that in conditions where a company has small or negative free cash flow, the company can still use external funds to make dividend payments to shareholders.

The results of testing data before the Covid-19 pandemic show that Capital Structure has a negative but not significant effect on Dividend Policy. Meanwhile, the results of data testing during the Covid-19 pandemic show that Capital Structure has a negative and significant effect on Dividend Policy. During the Covid-19 period, capital structure, as proxied by the debt-to-equity ratio, showed significantly negative results. The greater the DER, the smaller is the dividend distributed to shareholders. During Covid-19, Indonesian people tended to save rather than spend, and there was an increase in the number of liabilities in banking companies in Indonesia. To fulfil their obligation to pay deposit interest to the public, banks choose to distribute smaller dividends. The increase in people's savings in banks is influenced by the level of people's confidence in engaging in other economic activities. This causes the banking capital structure to have a high DER, implying that it has more capital from liabilities than equity. The results of data testing before and during the Covid-19 pandemic stated that capital structure had a negative effect on dividend policy, but the effect was only significant during the Covid-19 pandemic.

Table 1. Fixed effect model test results during the covid-19 pandemic

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.871620	0.115755	7.529865	0.0000
X1_FCF	-0.000177	0.000393	-0.451938	0.6562
X2_DER	-0.096224	0.018370	-5.238168	0.0000
X3_ROA	2.581905	2.764449	0.933967	0.3615
Z_SIZE	0.000171	0.000169	1.013231	0.3231
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.965168	Mean dependent var	0.474604	
Adjusted R-squared	0.939044	S.D. dependent var	0.183923	
S.E. of regression	0.045409	Akaike info criterion	-3.045102	
Sum squared resid	0.041240	Schwarz criterion	-2.341316	
Log likelihood	70.81184	Hannan-Quinn criter.	-2.799462	
F-statistic	36.94594	Durbin-Watson stat	2.538186	
Prob(F-statistic)	0.000000			

The results of data testing before and during the Covid-19 pandemic showed that profitability, as proxied by ROA, did not significantly affect dividend policy. In this study, ROA is not the main consideration for banks' dividend distribution policies. Banks are always consistent in making dividend payments and tend to increase every year with consideration as appreciation to shareholders who always support the company's strategy, especially during the Covid-19 pandemic. The decline in profitability was allegedly due to banks making large provisions for credit risks. According to banking management, they will gain profits in the future due to strategic policies in the field of risk management. The results of testing data before the Covid-19 pandemic show that company size has a positive but not significant effect on dividend policy. Meanwhile, the results of data testing during the Covid-19 pandemic show that company size has a positive but not significant effect on dividend policy. The results of data testing before and during the Covid-19 pandemic showed that company size did not significantly affect dividend policy. Thus, company size does not affect dividend policy.

The results of different tests show that there are significant differences in Dividend Policy before and during the Covid-19 pandemic. The dividend policy before the Covid-19 pandemic had an average of 37.58%, with a standard deviation of 13.82%. Meanwhile, during the Covid-19 pandemic, the dividend policy had an average of 47.46% with a standard deviation of 18.39%. This shows that there

was an average increase in Dividend Policy of 9.88%. It can be concluded that there was a significant increase in Dividend Policy before and during the Covid-19 pandemic. The increase in dividend policy in banking companies from year to year is in accordance with the signalling theory. However, the results of this study are not in line with the dividend policy implemented by banking companies. The OJK stated that there must be a basis for the dividend policy issued by the banks. According to Financial Services Authority Regulation (POJK) Number 17 of 2023, OJK intends to regulate the distribution of banking dividends with several policies: (1) bank considerations in distributing dividends, (2) the number of dividends given, (3) the mechanism for approving proposals for dividend distribution, and (4) the period for updating dividend policies.

Managerial Implications

Free Cash Flow (FCF) had a positive but insignificant effect on company size before the Covid-19 pandemic. Managerial Implications: Although free cash flow shows a positive trend towards company growth, management cannot rely solely on FCF as an indicator of company scale expansion. Financial managers must explore more efficient cash management strategies, including investing FCF in high-value-added projects or making acquisitions that can expand the company's size. There is a need to strengthen strategic investment and financing decisions rather than relying solely on the availability of free cash.

The debt-to-equity ratio (DER) has a negative but significant effect on company size. Managerial Implications: A capital structure that is too high in debt can hinder company growth. Management must be cautious when using debt-based financing. Leverage management strategies must be reviewed regularly. Companies should maintain a healthy DER to avoid limiting their capacity for growth. It emphasizes the importance of long-term financial planning that balances debt and equity to support business expansion. Return on Assets (ROA) negatively impacts company size. Managerial Implications: Although uncommon, high ROA can occur in small, highly efficient companies. This suggests that large companies are not necessarily efficient in asset utilization. Managers must focus on asset optimization and operational efficiency, especially in large companies that may have unproductive assets. Management of large companies must avoid overinvestment and ensure that their assets contribute significantly to their performance.

Dividend Policy Increased Significantly Before and During the Covid-19 Pandemic. Managerial Implications: Company managers may maintain or increase dividend payments to maintain investor confidence during crises. This policy demonstrates the importance of considering market signals and shareholder expectations when setting dividends for companies. However, management must ensure that dividend decisions do not compromise the company's liquidity, especially during uncertain times, such as a pandemic. Strategic Implications: Managers must develop financial policies that balance long-term growth and shareholder interests. A prudent capital structure, efficient asset management, and a prudent dividend policy are key to building a resilient company, especially in the face of crises such as the pandemic.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

Free Cash Flow: (1) Before the Covid-19 pandemic: had a positive but insignificant effect on dividend policy. (2) During the Covid-19 pandemic: It had a negative effect on dividend policy. This means that (1) before the pandemic, although companies had free cash, this was not a significant factor in dividend payment decisions. (2) During the pandemic, free cash flow decreased or was allocated to survive the crisis

rather than to pay dividends. Therefore, free cash flow has a negative relationship with dividend policy during crises.

Capital Structure (debt-to-equity ratio): (1) before and during the pandemic: had a negative and significant effect on dividend policy. This means that the higher a company's debt (DER), the less likely the company is to distribute dividends, both before and during the pandemic. This reflects that companies with high debt burdens tend to retain earnings to meet their debt obligations first rather than distribute profits to shareholders.

Profitability (ROA): (1) Before the pandemic: It had a negative and insignificant effect on dividend policy. (2) During the pandemic: It has a positive but insignificant effect on dividend policy. This means that (1) before the pandemic, even profitable companies did not necessarily distribute dividends, perhaps because earnings were retained for expansion or reinvestment. (2) During the pandemic, even if profitability increased or persisted, it did not significantly drive dividend increases because economic uncertainty remained a key consideration.

Company Size (Size), Control Variable: Before and during the pandemic, it has a positive but insignificant effect on dividend policy. This means that company size is not a strong factor in determining the number of dividends distributed, although larger companies tend to pay dividends. The size of a company's assets or scale does not guarantee a higher dividend policy, especially amid the uncertain conditions of the pandemic.

Differences in Dividend Policy Before and During the Pandemic: There significant increase in dividend policy from before to during the pandemic. This means that despite the economic pressures during the pandemic, companies significantly increased dividend payments. This could reflect a company's strategy to maintain investor confidence, demonstrate stable performance, or serve as a positive signal to the market that the company can survive the crisis.

These results indicate that dividend policy is not solely determined by financial performance (cash, profitability, and debt) but also by management's strategy in responding to external conditions such as the pandemic. The capital structure (DER) is a significant factor influencing dividend policy. Dividends increased

during the pandemic, possibly as a signal of stability or an effort to maintain investor loyalty in the face of uncertainty.

Recommendations

Related to the Bird in the Hand Theory by Lintner (1956), which states that investors will tend to prefer dividend distribution as a return that is certain to be obtained compared to a return from capital gain that is uncertain, investors and potential investors in consumer goods sub-sector companies in Indonesia who expect returns in the form of cash dividends can pay more attention to companies that have high Free Cash Flow, Cash Ratio and Firm Size, as well as companies with low to moderate Company Growth rates.

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