
DOES LIQUIDITY SHAPE DIVIDEND POLICY? EVIDENCE FROM PUBLIC FIRMS IN AN EMERGING MARKET

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Abstract

Purpose: This research aims to re examine the relationship between liquidity and dividend policy by introducing a multidimensional liquidity framework. While traditional studies often rely on single indicators, this study integrates Agency Theory and the Liquidity Hypothesis to explain how distinct liquidity dimensions comprising internal, short term, and structural aspects dictate the Dividend Payout Ratio within an emerging market context. **Design and Methodology:** The study employs a quantitative approach with a causal associative design. The sample includes 82 nonfinancial public firms with 272 firm year observations listed on the Indonesia Stock Exchange from 2019 to 2023. Data were analyzed using three separate Random Effect panel regression models to prevent measurement bias and capture the specific impacts of Free Cash Flow for internal liquidity, Current Ratio for short term liquidity, and Cash to Total Assets for structural liquidity on the Dividend Payout Ratio. **Findings Empirical:** results demonstrate that all three liquidity dimensions exert a positive and statistically significant influence on the Dividend Payout Ratio. Specifically, firms with abundant internal cash generation, robust short term solvency, and high structural cash reserves are significantly more inclined to distribute earnings to shareholders. These findings provide strong support for Agency Theory where dividends serve as a disciplining mechanism to mitigate potential management misallocation of excess cash. **Originality and Value:** This research contributes to the literature by addressing the research gap of unidimensional liquidity measurement through a comprehensive multidimensional framework. It offers practical insights for corporate management to balance various liquidity dimensions and provides investors with robust parameters for evaluating the sustainability of dividend distributions in emerging markets.

Keywords: Dividend Policy, Multidimensional Liquidity, Free Cash Flow, Agency Theory, Indonesia Stock Exchange, Emerging Market.

INTRODUCTION

Dividend policy represents one of the most critical strategic financial decisions for a firm, as it encapsulates the delicate equilibrium between shareholders' expectations for immediate cash returns and the

corporate necessity to retain internal funds for sustainable growth (Wijaya, 2022). Within the context of the Indonesian capital market, the dynamics of dividend policy are evidenced by the significant fluctuations in the Dividend Payout



Ratio (DPR) across various public sectors. Paradoxically, during the 2019-2023 period, certain firms with robust liquidity opted to retain earnings, while others with constrained liquid positions consistently maintained dividend distributions which is a trend marked by shifting payout levels and specific annual surges in dividends (Armelia & Syah, 2025). This phenomenon reinforces the view that dividend policy is an outcome of complex interactions between internal and external factors, necessitating a comprehensive reassessment of the role of liquidity through its various dimensions.

The theoretical underpinnings of this relationship are primarily rooted in Agency Theory. Jensen & Meckling (1976) posit that conflicts of interest between managers and shareholders intensify when a firm possesses excess free cash flow. Managers in control of such liquid assets may prioritize unproductive projects or personal gains over shareholder value. Consequently, dividend payments serve as a rigorous monitoring mechanism to mitigate agency costs by restricting managerial discretion over inefficient cash utilization. In this framework, free cash flow represents the internal liquidity dimension with high relevance to dividend distribution. However, empirical evidence remains inconclusive; while Abdullah (2002) identified a significant impact of free cash flow on the DPR, other studies, such as Rahayu et al. (2021) found no significant relationship.

Complementary to this, the Liquidity Hypothesis emphasizes that a firm's capacity to distribute dividends is fundamentally contingent upon the availability of adequate cash and liquid assets (Borges et al., 2024; Xu Feng & Zang, 2022). Firms possessing strong short term liquidity that typically measured by the current ratio or cash to total assets are perceived as more capable of distributing profits without jeopardizing operational stability. Nevertheless, empirical results in emerging markets like Indonesia remain fragmented. For instance, Shabrina & Hadian (2021) reported a positive correlation between liquidity and dividends, whereas Lohonauman & Budiarto (2021) identified negative or nonsignificant outcomes.

A critical research gap identified in existing literature is the overreliance on single liquidity indicators, such as the current ratio for short term liquidity or free cash flow for internal liquidity. Such unidimensional approaches fail to capture the comprehensive nature of a firm's liquid position. A firm's dividend paying capacity is not merely a function of immediate cash availability but is also driven by strategic cash reserves and the free cash flow generated from core operations.

This study addresses this gap by introducing a multidimensional liquidity approach, which constitutes the novelty of this research. We employ three primary indicators: Free Cash Flow (internal liquidity), Current Ratio (short term liquidity), and Cash to Total

Assets (structural liquidity). To ensure robust findings and eliminate measurement bias, these variables are analyzed through separate models rather than a singular composite. The objective is to provide a theoretical integration of Agency Theory and the Liquidity Hypothesis to elucidate how distinct liquidity dimensions dictate dividend policies. Beyond theoretical contributions, this study offers practical insights for management in optimizing profit distribution and for investors in evaluating the stability of dividend policies in the Indonesian context, proposing a multidimensional framework that remains under explored in emerging market literature.

LITERATURE REVIEW

The fundamental framework of this study is rooted in Agency Theory, as conceptualized by Jensen & Meckling (1976). This theory posits that a principal agent relationship arises when owners (principals) delegate decision making authority to management (agents) to operate the firm. However, conflicts of interest often emerge because managers' incentives may not perfectly align with those of shareholders (Ratnaningsih & Hartono, 2003). Managers might prioritize personal utility, such as aggressive corporate expansion or perquisite consumption, rather than maximizing shareholder wealth (Abdullah, 2002).

These conflicts generate agency costs, which include monitoring expenses and potential losses from resource misappropriation (Cuñat, V. &

Guadalupe, 2020). Within this perspective, dividend policy serves as a vital governance mechanism. By distributing profits, the firm reduces the amount of "free cash flow" under managerial control, thereby limiting their ability to engage in opportunistic or suboptimal investments (Ratnaningsih & Hartono, 2003). Consequently, consistent dividend payouts force management to seek external financing for new projects, which subjects them to more rigorous external monitoring and increases corporate transparency.

The Liquidity Hypothesis emphasizes a firm's capacity to meet short term obligations and maintain operational continuity through readily convertible assets. Beyond simple cash availability, liquidity reflects the efficiency of converting current assets into cash without significant value loss (Siahaan et al., 2020). Under this hypothesis, corporate liquidity levels are assumed to be a primary determinant of dividend policy. Firms with robust liquidity are perceived as more capable of maintaining routine dividend payments without disrupting their core operations.

However, the relationship is nuanced. Excessively high liquidity might signal inefficient capital utilization, leading some firms to retain earnings for future growth instead of distributing them (Santosa et al., 2020). Moreover, healthy liquidity acts as a signal of financial stability, bolstering investor confidence during market

uncertainty (Wijaya, 2022). Given these varying effects, this study argues that a multidimensional liquidity approach encompassing internal, short term, and structural dimensions is essential to fully capture the dynamics of dividend distribution.

The Link Between Multidimensional Liquidity and Dividend Payout Ratio

Internal Liquidity (Free Cash Flow) and DPR

Free Cash Flow (FCF) represents the residual cash available after fulfilling all investment and working capital requirements. From an agency perspective, high FCF often exacerbates conflicts, as managers may misallocate these funds (Al-Fasfus, 2020). Dividend payments act as a disciplinary tool to mitigate these agency costs by distributing excess cash (Lohonauman & Budiarmo, 2021). Previous empirical evidence widely supports that FCF positively influences the Dividend Payout Ratio (DPR), indicating that firms with high internal liquidity have greater financial flexibility to reward shareholders (Agustina et al., 2022; Jani & Gandakusuma, 2022).

H₁: Free Cash Flow has a positive effect on the Dividend Payout Ratio.

Short Term Liquidity (Current Ratio) and DPR

The Current Ratio (CR) serves as a proxy for the financial safety margin, indicating a firm's ability to cover its immediate liabilities. A higher CR suggests that a firm can simultaneously meet its operational needs and fulfill dividend commitments (Arsyad et al.,

2021). Previous studies demonstrate that firms with strong short term liquidity tend to be more consistent in their dividend payouts (Shabrina & Hadian, 2021; Sugiono, 2025). This aligns with the liquidity preference hypothesis, where adequate liquid assets facilitate the distribution of earnings.

H₂: Current Ratio has a positive effect on the Dividend Payout Ratio.

Structural Liquidity (Cash to Total Assets) and DPR

The Cash to Total Assets (CTA) ratio reflects the structural liquidity reserve held to navigate market volatility or sudden financing needs (Kosasih et al., 2022). Firms maintaining high cash reserves are better positioned to sustain stable dividends even during economic downturns, as they do not need to rely heavily on external financing (Arsyad et al., 2021). Empirical evidence suggests that a robust cash position is positively correlated with dividend stability and investor trust (Al-Najjar & Hasan, 2024; Chairunisa et al., 2023).

H₃: Cash to Total Assets has a positive effect on the Dividend Payout Ratio.

METHOD

This study employs a quantitative approach to empirically examine the impact of liquidity dimensions on dividend policy. The quantitative method is selected to facilitate objective variable measurement and robust statistical analysis of intervariable relationships. This research is classified as a causal associative study, aimed at identifying

the cause and effect relationship between the Dividend Payout Ratio (DPR) as the dependent variable and various liquidity dimensions as independent variables. The analysis integrates a comprehensive set of control variables, including firm size, board structure, leverage, and retained earnings, to ensure internal validity.

The research population encompasses all publicly listed companies across multiple sectors available in the Bloomberg database for the 2019 to 2023 period. Firms within the financial sector are excluded due to their idiosyncratic financial reporting standards, unique risk structures, and distinct regulatory environments compared to nonfinancial entities. Bloomberg is utilized as the primary data source due to its provision of highly standardized and comprehensive financial information, ensuring data consistency and reliability for empirical extraction.

The sample is selected through purposive sampling to ensure the data is relevant to the research objectives (Anggraeni & Soliha, 2020). The inclusion criteria are:

1. Firms must provide complete data for all tested variables, specifically Free Cash Flow, Current Ratio, Cash to Total Assets, Dividend Payout Ratio, and all designated control variables.
2. Firms must operate outside the financial services sector.

Secondary data spanning from 2019 to 2023 is sourced from Bloomberg. The dataset constitutes an unbalanced panel, combining cross sectional units (firms) and time series dimensions (years). The use of unbalanced panel data is appropriate as modern econometric software like STATA can effectively handle variations in observations across entities and time periods. STATA is employed as the primary analytical tool to produce valid and comprehensive results regarding liquidity impacts on dividend policies in the Indonesian Stock Exchange. This study utilizes three separate panel regression models to capture distinct dimensions of corporate liquidity. This disaggregated approach prevents measurement bias and allows for a robust assessment of each liquidity indicator:

Model 1: Internal Liquidity (Free Cash Flow)

$$DPR_{it} = \beta_0 + \beta_1 FCF_{it} + \sum_{k=2}^{10} \beta_k Controls_{it} + \gamma_t + \delta_j + \epsilon_{it}$$

Model 2: Short Term Liquidity (Current Ratio)

$$DPR_{it} = \alpha_0 + \alpha_1 CURA_{it} + \sum_{k=2}^{10} \alpha_k Controls_{it} + \gamma_t + \delta_j + \epsilon_{it}$$

Model 3: Structural Liquidity (Cash to Total Assets)

$$DPR_{it} = \sigma_0 + \sigma_1 CTA_{it} + \sum_{k=2}^{10} \sigma_k Controls_{it} + \gamma_t + \delta_j + \epsilon_{it}$$

Description of Variables: Where DRP_{it} represents the Dividend Payout Ratio for firm i in year t . The primary independent variables are FCF_{it} for internal liquidity, $CURA_{it}$ for short term liquidity, and CTA_{it} for structural liquidity. The term $\Sigma Controls_{it}$ encompasses the nine control variables including firm size, board structure, leverage, and retained earnings. Crucially, γ_t denotes Time Fixed Effects to capture annual aggregate shocks, while δ_j represents Industry Fixed Effects to account for time invariant sectoral heterogeneity. The symbol ϵ_{it} refers to the idiosyncratic error term.

The study employs a rigorous model selection process involving the Chow, Hausman, and Lagrange Multiplier tests to determine the most consistent and efficient panel data estimator. To enhance data integrity, a winsorizing technique at the 1% and 99% levels is applied to mitigate the impact of outliers, while multicollinearity is strictly monitored through Variance Inflation Factor (VIF) thresholds to ensure stable regression coefficients. Furthermore, the inclusion of industry and time fixed effects serves as a dual control mechanism to account for sector specific idiosyncrasies and aggregate macroeconomic shocks,

thereby minimizing omitted variable bias.

Statistical inference is derived from the coefficient of determination (R^2), F tests for simultaneous significance, and t tests to evaluate partial relationships at a 95% confidence level. A p -value below 0.05 is established as the threshold for statistical significance in assessing how distinct liquidity dimensions dictate the Dividend Payout Ratio. This comprehensive analytical framework, ranging from robust diagnostic testing to the interpretation of coefficient directions, is designed to isolate the effects of corporate liquidity and provide a highly accurate representation of dividend dynamics within the Indonesian emerging market context.

RESULT AND DISCUSSION

The descriptive analysis elucidates the fundamental financial characteristics of non financial public firms listed on the Indonesia Stock Exchange during the 2019 hingga 2023 period. The Dividend Payout Ratio (DPR), serving as the primary dependent variable, exhibits a mean of 40.61%. However, the substantial standard deviation of 48.90 underscores a high degree of heterogeneity in corporate distribution policies. This

variation reflects a broad spectrum of capital market behaviors ranging from conservative zero payout regimes to aggressive dividend strategies.

Regarding liquidity dynamics, the Free Cash Flow (FCF) across 272 firm year observations yields a robust mean of 978,247.6. This figure suggests that Indonesian firms generally retain significant internal liquidity after accounting for capital expenditures. This position is complemented by a Current Ratio (CR) mean of 126.58%, indicating a conventional safety margin for meeting short term liabilities. Additionally, the Cash to Total Assets (CTA) ratio averages 0.149, signifying that liquid assets constitute

approximately 14.9% of the corporate asset structure and act as a strategic liquidity buffer.

To ensure the integrity of the econometric estimations, the dataset underwent a rigorous winsorization process at the 1st and 99th percentiles. This procedure was instrumental in mitigating the influence of extreme outliers to prevent skewed results and ensure that the subsequent regression coefficients represent stable economic relationships. These baseline metrics confirm that the sample is statistically robust and serves as a reliable foundation for further inferential analysis.

Table 4. Statistic descriptive for 3 model

Variabel	N (Obs)	Mean	std. Dev	Min	Max
Dividend Payout Ratio	272	40.61155	48.90201	0	371.9566
Free Cash Flow	272	978247.6	1823204	-2224351	5739288
Ln Total Assets	272	14.69174	3.862976	4.721078	18.3279
Board Size	272	5.077206	1.847886	2	10
retained Earnings	272	5214917	6652246	-7534599	2.41e+07
Percenteg Independent Directors	272	45.78832	12.96014	25	83.333
Total BOD Compensation	272	1.51e+10	1.68e+10	1.19e+07	9.63e+10
Board Meeting Attendance	272	96.00577	6.53878	66.67	100
Sales Growth	272	11.42129	32.64522	-47.983	277.5354
Size of Audit Committee	272	1.996324	1.021894	1	4
Debt to Total Assets	272	78.19474	105.0874	0	995.4895

Variabel	N (Obs)	Mean	std. Dev	Min	Max
Dividend Payout Ratio	259	39.4423	45.087	0	371.9466
Current Ratio	259	126.5781	432.8255	-2374406	2409.599
Ln Total Assets	259	14.77089	3.86184	5.546074	18.3279
Board Size	259	5.111969	1.857055	2	10
retained Earnings	259	5384482	6760927	-7534599	2.41e+07

Percenteg Independent Directors	259	45.64312	12.8243	25	83.333
Total BOD Compensation	259	1.55e+10	1.71e+10	1.23e+07	9.63e+10
Board Meeting Attendance	259	96.85033	6.643108	66.67	100
Sales Growth	259	9.674531	28.10894	-47.983	169.0374
Size of Audit Committee	259	2.003861	1.024877	1	4
Debt to Total Assets	259	82.11957	106.1897	.0033	995.4895

Variabel	N (Obs)	Mean	std. Dev	Min	Max
Dividend Payout Ratio	272	40.61155	48.90201	0	371.9466
Cash to Total Assets	272	.1498823	.1355989	-.0067853	.6534592
Ln Total Assets	25	14.69174	3.862976	4.721078	18.3279
Board Size	259	5.077206	1.847886	2	10
retained Earnings	259	5214917	6652246	-7534599	2.41e+07
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The Impact of Internal Liquidity: Free Cash Flow and Dividend Determination

Empirical evidence derived from the Random Effects Model demonstrates that Free Cash Flow (FCF) exerts a positive and statistically significant influence on the Dividend Payout Ratio at the 1% level. This finding confirms the proposition that enhanced internal liquidity enables firms to increase the magnitude of wealth distribution to shareholders. The model yields an overall R-squared of 0.2538, suggesting that the included firm level predictors account for approximately 25.38% of the observed variation in corporate dividend policy.

From a theoretical perspective, this relationship provides robust empirical support for Agency Theory. The accumulation of substantial free cash flow often intensifies agency conflicts between managers and shareholders because managers may prioritize non productive or empire building investments over shareholder interests. By committing to elevated dividend payouts, Indonesian firms employ dividends as a potent disciplining mechanism to deplete the residual cash available to management. This strategic distribution effectively mitigates agency costs and serves as a credible signal of superior corporate governance standards.

Furthermore, the significant positive coefficient highlights that internal liquidity remains a primary determinant of payout capacity within the Indonesian emerging market. In contrast to prior literature that reported non significant results, this study aligns with the premise that firms characterized by strong internal cash generation prioritize shareholder rewards to sustain investor confidence. Consequently, Free Cash Flow functions as a reliable metric for market participants to evaluate the long term sustainability and predictability of corporate dividend policies.

Consistent with the agency cost hypothesis, the findings of this study demonstrate that free cash flow (FCF) exerts a significant positive influence on the dividend payout ratio, aligning with the empirical evidence provided by Agustina et al. (Agustina et al., 2022)

and Susilowati (2025), who argue that firms with robust FCF utilize higher dividend distributions as a mechanism to mitigate agency conflicts between managers and shareholders. Conversely, these results diverge from the findings of Irsutami and Fortuna (Irsutami & Fortuna, 2024) as well as Kristanti and Ardiningrum (2022), who reported no significant relationship, a discrepancy potentially attributable to variations in sample characteristics, observation periods, or firm specific internal dynamics. Ultimately, this research reinforces the pivotal role of FCF in shaping dividend policy within the Indonesian non financial sector, suggesting that firms strategically manage liquidity to balance capital expenditure requirements with the necessity of maintaining investor confidence through consistent payouts.

Tabel 4.2 FCF and DPR

Variabel Independen	Koefisien	Std. error	z-value	Prob. (p-value)	Keterangan
Free Cash Flow	5.79E-06	1.64E-06	3.52	0	Signifikan (+)
Ln Total Assets	-2.503122	1.789415	-1.4	0.162	Tidak signifikan
Board Size	0.9819727	2.397127	0.41	0.682	Tidak signifikan
Retained Earnings	6.11E-07	7.18E-07	0.85	0.395	Tidak signifikan
Percentage of Independent	0.412229	0.2968509	1.39	0.165	Tidak signifikan
Total Board Compensation	1.19E-10	1.99E-10	0.6	0.549	Tidak signifikan
Board Meeting Attendance	-0.1172897	0.2673145	-0.44	0.661	Tidak signifikan
Sales growth	-0.1949462	0.0965744	-2.02	0.044	Signifikan (-)
Size of Audit Committee	-14.42913	3.291736	-4.38	0	Signifikan (-)
Debt to Total Equity	-0.0358135	0.0381489	-0.94	0.348	Tidak signifikan

Statistik Model	Nilai
Jumlah Observasi	272
R-squared (overall)	0.2538
Chi	240.56
Prob > chi2	0
Model	Random Effect

Years	Yes
Industri	Yes
Short term Solvency and Payout Decisions: The Role of Current Rasio	
The empirical analysis further demonstrates that the Current Ratio (CR) exerts a positive and statistically significant influence on the Dividend Payout Ratio, with a p value of 0.004. Characterized by an R squared of 0.28, the model suggests that short term liquidity serves as a robust predictor of corporate dividend behavior. These results indicate that firms possessing a superior capacity to satisfy their immediate liabilities are significantly more inclined to distribute profits to stockholders. This finding provides substantial empirical weight to the Liquidity Hypothesis, which posits that dividend disbursements are fundamentally contingent upon the availability of liquid assets. A high current ratio affords management the necessary operational flexibility and financial confidence to execute dividend payments without compromising the working capital requirements of the firm. Within the specific context of the Indonesian capital market, the maintenance of a healthy short term solvency position appears to be a critical prerequisite for establishing a consistent and credible dividend track record. The managerial implications of these results are significant. Maintaining an optimal equilibrium between liquid assets and short term obligations is essential not only for operational viability but also for	meeting shareholder expectations regarding returns. For the investment community, the Current Ratio serves as a vital proxy for financial health, signaling that a corporation is both profitable and maintains the requisite liquidity to uphold its payout commitments. This relationship reinforces the prevailing notion that dividends in the Indonesian market are primarily distributed from realized cash flows rather than being merely a reflection of accounting earnings. Furthermore, this study confirms that the current ratio significantly influences the dividend payout ratio, providing empirical support for the findings of Saribu and Januardin (2021) and Shabrina and Hadian (2021), which suggest that robust liquidity in the short term is a prerequisite for sustained distributions. While these results contrast with the evidence presented by Fauziah (2022) and Nurmahfudi and Yuniningsih (2024) who found no significant impact, such discrepancies may stem from variations in corporate conditions, observation periods, and idiosyncratic cash management strategies. Ultimately, these findings reinforce the perspective that a strong liquidity position serves as a critical determinant in dividend policy, reflecting the capacity of the firm to meet immediate obligations while satisfying shareholder expectations for returns.

Tabel 4.3 CR and DPR

Variabel Independen	Koefisien	Std. error	z-value	Prob. (p-value)	Keterangan
Current Ratio	0.0099742	0.003487	2.86	0.004	Signifikan (+)
Ln Total Assets	-1.78431	1.950888	-0.91	0.36	Tidak signifikan
Board Size	1.517336	2.361171	0.64	0.52	Tidak signifikan
Retained Earnings	1.39E-06	7.80E-07	1.78	0.075	Signifikan (+)
Percentage of Independent	0.7649668	0.327721	2.33	0.02	Signifikan (+)
Total Board Compensation	2.43E-10	2.16E-10	1.13	0.26	Tidak signifikan
Board Meeting Attendance	-0.032344	0.275422	-0.12	0.907	Tidak signifikan
Sales growth	-0.2013586	0.102832	-1.96	0.05	Signifikan (-)
Size of Audit Committee	-13.64335	3.11784	-4.38	0	Signifikan (-)
Debt to Total Equity	-0.0398225	0.029128	-1.37	0.172	Tidak signifikan

Statistik Model	Nilai
Jumlah Observasi	259
R-squared (overall)	0.28
Chi	220.98
Prob > chi2	0
Model	Random Effect
Years	Yes
Industri	Yes

Structural Liquidity and Financial Slack: Cash to Total Assets Perspective

The empirical analysis of the panel data utilizing a random effect model demonstrates high statistical validity, as evidenced by a Prob > chi2 value of 0.0000. The overall R squared value of 0.2349 indicates that the model accounts for approximately 23.49% of the variation in the Dividend Payout Ratio (DPR), whereas the remaining 76.51% is attributed to exogenous factors beyond the scope of the current framework. Specifically, the Cash to Total Assets (CTA) variable exhibits a positive and significant influence on the DPR with a p value of 0.045, thereby providing robust empirical support for the third hypothesis.

From a corporate finance perspective, the CTA ratio serves as a

critical metric for structural liquidity. This ratio represents the proportion of liquid assets available to ensure short term financial flexibility without necessitating the liquidation of productive assets. A robust structural liquidity position affords management the financial latitude to distribute dividends consistently while preserving operational stability. Furthermore, in alignment with Agency Theory, these findings suggest that dividend payments function as a governance mechanism to mitigate agency conflicts. By distributing excess cash to shareholders, the firm prevents the accumulation of redundant funds that management might otherwise

misallocate for suboptimal investments or personal entrenchment.

The results of this study are consistent with the scholarly findings of Das and Dhole (2025) as well as Wirama et al (Wirama et al., 2024), who contend that a strong cash to asset position facilitates greater flexibility in sustaining dividend disbursements. Conversely, these findings diverge from the research conducted by Hendayani et

al (2023) and Hutabarat et al (2023), who identified a non significant relationship between CTA and dividend policy. Such discrepancies within the existing literature are frequently attributed to variations in industry sectors, differing observation periods, or specific macroeconomic contexts that shape how corporations manage their cash reserves and payout strategies.

Table 4.4 CTA and DPR

Variabel Independen	Koefisien	Std. error	z-value	Prob. (p-value)	Keterangan
Cash to Total Asset	53.44781	26.63941	2.01	0.045	Signifikan (+)
Ln Total Assets	-2.001686	1.924021	-1.04	0.298	Tidak signifikan
Board Size	2.219789	2.464902	0.9	0.368	Tidak signifikan
Retained Earnings	1.50E-06	7.91E-07	1.9	0.058	Signifikan (+)
Percentage of Independent	0.6101733	0.322775	1.89	0.059	Signifikan (+)
Total Board Compensation	1.37E-10	2.06E-10	0.67	0.506	Tidak signifikan
Board Meeting Attendance	0.0297639	0.269038	0.11	0.912	Tidak signifikan
Sales growth	-0.1822636	0.095895	-1.9	0.057	Signifikan (-)
Size of Audit Committee	-13.85577	3.357503	-4.13	0	Signifikan (-)
Debt to Total Equity	-0.0181966	0.036334	-0.5	0.616	Tidak signifikan

Statistik Model	Nilai
Jumlah Observasi	272
R-squared (overall)	0.2349
Chi	197.91
Prob > chi2	0
Model	Random Effect
Year	Yes
Industri	Yes

CONCLUSION

This research aims to analyze the influence of liquidity dimensions on dividend policy among nonfinancial public companies listed on the Indonesia Stock Exchange during the 2019 hingga 2023 period. Liquidity is evaluated through three comprehensive dimensions which include internal

liquidity measured by free cash flow, short term liquidity represented by the current ratio, and structural liquidity assessed through the cash to total assets ratio. Utilizing panel data consisting of 272 observations from 82 distinct firms, the study employs a Random Effect regression model to examine the impact

of these liquidity metrics on the Dividend Payout Ratio.

The empirical results demonstrate that all three liquidity dimensions namely Free Cash Flow, Current Ratio, and Cash to Total Assets exert a positive and statistically significant influence on the Dividend Payout Ratio. These findings indicate that firms characterized by abundant free cash flow, a robust capacity to meet immediate obligations, and a high proportion of cash within their asset structure are significantly more inclined to distribute earnings to shareholders. This evidence consistently suggests that the availability of cash from diverse operational and structural sources remains a primary determinant in the formulation of dividend policies within the Indonesian capital market.

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