



The Influence of Cash Flow and Profitability on Dividend Policy at PT. Unilever Indonesia

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Abstract : With an eye on cash flow and profitability, this research will examine the dividend policy of PT. Unilever Indonesia (a firm listed on the Indonesia Stock Exchange) from 2018 to 2022. This research will be using associative quantitative analysis as its method of analysis. Profitability and cash flow seem to have little impact on dividend policy, according to this research. Profitability and cash flow should not be the deciding factors in dividend policy, this research found. The discussion of the significant value reveals that it exceeds the constant value, indicating that PT. Unilever Indonesia's Dividend Policy was unaffected by Cash Flow and Profitability from 2018 to 2022.

IndexTerms – Cash Flow, Dividend, Profitability

INTRODUCTION

A company's financial performance is a key indicator of its health and success during a given period. One indicator of a company's well-being and development potential in terms of financial performance is its cash flow. One indicator of a company's financial flexibility is its cash flow, which shows how easily it can pay its expenses and issue dividends.

There has never been a more unpredictable and unpredictable period for businesses than the current one. Once predictable economic and business situations have been replaced by uncertainty, complexity, and swift change (Hernawati & Hasanah, 2019). Many different company factors affect free cash flow's importance. If a company's growth rates are moderate, for instance, it's ideal to distribute its high cash flow to shareholders. But if growth rates are robust, a company may choose to hold on to its large cash flow for the time being and put it toward future developments.

A healthy cash flow is ideal for every company (Karunia Saputra Hidayat, 2019). The cash flow of a firm is a good indicator to investors that dividends are not a marketing tactic to increase the value of the company. The amount of dividends paid out is based on a number of variables and the strategies of individual companies, although cash flow plays a significant role in dividend policy (Rosdini, 2009).

Typically, investors are ready to pay a premium for stocks that have the potential to provide greater dividends. Investors may be enticed to put more money into the firm if dividend payouts were to grow. Cash Flow and the profitability of the organization are two factors that might affect the dividend amount. A profit-driven firm must be profitable in order to have a high Return on Assets (ROA). Organizational leaders often use productivity as a measure of success, whereas investors use financial statements as a roadmap for determining whether or not to invest in a company.

Due to the interrelated and mutually impacting structure of the accounts, the distribution of a company's dividends depends on several factors, some of which may be defined in financial statements. When making decisions, particularly ones that affect dividend policy, it is important to consider both profitability and cash flow. The cash flow of a company shows its investment and operational operations. Rifai et al. (2022) further states that profitability is the extent to which a company's sales operations, cash, capital, staff, branches, and other resources generate profit.

As a result, the writer set off on a research project called "The Influence of Cash Flow and Profitability on Dividend Policy at PT. Unilever Indonesia".

THEORY REVIEW

2.1 Understanding Cash Flow

If one is interested in gauging the health of a firm, they might examine its cash flow, which refers to the inflow and outflow of funds. The capacity to earn and hold onto cash is crucial to the longevity of any business (Cimbniaga, 2020). With the help of the operating, finance, and investment categories, cash flow statements may provide valuable insight into the incoming and outgoing money for a certain period (Syafri, 2004:257). The many definitions and theories around cash flow have led to the conclusion that the term consists of three distinct types of activity reports: operational, investment, and financial. These reports outline the flow of funds into and out of a company.

2.2 Understanding Dividends

A portion of a company's income or profit is distributed to all shareholders in the form of dividends. The board of directors determines and gets shareholder approval for the dividend amount. Providing dividends to all shareholders should be the principal objective of any organization. All things considered, it's safe to say that the rules for distributing profits to shareholders and reinvesting them are laid out in a company's dividend policy (Ode Nurfatiatul & Jasiyah, n.d.). You may evaluate a company's dividend payout using one of the famous measures. Dividend policy initiatives may be shown by the following, according to Ary (2013):

- One quantitative metric that links dividend payments to stock prices is Dividend Yield. The following formula may be used to determine dividend yield:

$$\text{Dividend Yield} = (\text{annual dividends per company}) / (\text{price per share})$$

- Distribution of dividends to shareholders as a proportion of net profit per share is referred to as the "Dividend Payout" ratio. The formula that yields this ratio is:

$$\text{Dividend Payout Ratio} = (\text{cash dividends}) / (\text{net profit})$$

2.3 Understanding Profitability

Key performance indicators include profitability ratios, which measure an organization's capacity to generate profits (Kasmir, 2014). The profitability of a company is one indicator of how well it manages its capital in proportion to its profits. If a company can generate a profit from its sales, assets, and capital, then it may be said to be profitable (Prsetyo and Putra, 2022). Dividends to shareholders may be paid out of this profit.

RESEARCH METHODOLOGY

3.1 Research Method

This study use associative quantitative analysis as its research technique. It is standard practice to use numerical data to provide a more accurate representation of the phenomenon being studied while doing quantitative research. Numbers are included in audited financial reports. Associative research aims to find the influence or relationship between numerous elements (Sugiyono, 2013:11). This study employs the associative technique to investigate the impact of Cash Flow on dividend policy at PT. Unilever Indonesia, a stock-exchange-listed firm in Indonesia.

Data Collection Approach Sources used for this research include the IDX website (www.idx.co.id) and the capital market information center (Gallery Investasi Kampus Politeknik Piksi Ganesha, Jl. Gatot Subroto No.301, Maleer, Kec. Batununggal, Kota Bandung, 2024).

3.2 Population and Sample

This study focuses on PT Unilever Indonesia, a firm that is listed on the Indonesia Stock Exchange. Instead of employing a random selection technique, the researchers in this study used the Purposive Sampling method, which incorporates non-random characteristics to acquire information. To choose these businesses, we looked at the following factors:

- Having the study's financial records publicly
- Money coming in, making a profit, and having dividends are all research-related variables.
- Making dividend payments at various intervals between 2018 and 2022

Descriptive statistics and hypothesis testing are the methods used for data analysis.

3.3 Hypotheses

The following theories form the basis of this study's hypotheses:

H1 = "Cash Flow affects Dividend Policy"

H2 = "Profitability affects Dividend Policy"

H3 = "Cash Flow and Profitability affect Dividend Policy"

3.4 Previous Research

- The research "The Influence of Cash Flow on Company Dividend Policy (Study on Manufacturing Companies Listed on the IDX 2017-2020)" was carried out by Wa Ode Nurfatiatul and Rabiyyatul Jasiyah in 2023. According to the research, Cash Flow does not have a major role on dividend policy.

- Article titled "The Influence of Cash Flow, Profitability, and Company Size on Dividend Policy in Manufacturing Companies Listed on the Indonesia Stock Exchange 2018 - 2020" written by Eko Prasetyo and Muhammad Reza Soekarno Putra in 2021.

Dividend policy is highly affected by profitability, as defined by net profit margin, whereas cash flow has little influence, according to the research.

3.5 Data Analysis Techniques

These methods were used for analyzing the data:

- Input Data: PT. Unilever Indonesia dividend movement graphs from 2018 to 2022, as posted on the IDX.
- One dividend variable that has been included in this analysis is the dividend policy, which is also known as the dividend payout ratio (DPR).
- Cash Flow: Cash flow per share (CFPS) is the independent variable used in this research.
- Return on Assets (ROA) is the second variable used to measure profitability in this research.

After the data is acquired, it undergoes processing and analysis utilizing a battery of tests:

3.5.1 Descriptive Assumption Test

The goal of the descriptive assumption test is to provide a broad overview of the factors being reviewed in this evaluation—Cash Flow, Profitability, and Dividend Policy. For a better grasp of the research variables, we employ minimum, maximum, mean, and standard deviation.

3.5.2 Classic Assumption Test

In order to do regression testing, the model developed from this study must first pass the conventional assumption test. According to Mangundap et al. (2018), this testing should be used to verify the regression test findings. Regression and hypothesis testing can't begin until the usual assumption tests have been completed, which comprise:

- Kolmogorov-Smirnov revealed a result of 0.553 for the normality test, rendering the findings inconclusive at the 0.05 level. The findings point to a normal distribution for the regression model.
- In order to demonstrate that the independent variables in the regression model do not display multicollinearity, the VIF value must be less than 10 or the Tolerance value must be more than 0.01.
- It is suitable for making predictions in the regression model since there is no heteroskedasticity.

3.6 Multiple Regression Analysis

What follows is an example of multiple regression analysis using moderated regression (MRA):

$$Y = a + b_1X_1 + b_2X_2 + e$$

Where:

Y: Dividend Policy

X1: Cash Flow

X2: Profitability

b1: Cash Flow Coefficient

b2: Profitability Coefficient

e: Error variable

3.7 Hypothesis Testing

3.7.1 t-test (Partial Test)

Using the t-test, one may examine hypotheses that are partially dependent on their independent variables. The t-value is compared to the t-table in order to do this test. The influencing variable is deemed to have a substantial impact at a 5% significance level (α) if the t-value exceeds the t-table.

3.7.2 F-test (Simultaneous Test)

The F-test allows for the simultaneous testing of several hypotheses. This testing is done by comparing the F-value to the F-table. If the F-value is greater than the F-table at a 5% significance level (α), the influencing variable is deemed to have a strong impact.

3.7.3 Coefficient of Determination Test

One way to evaluate a model's ability to explain variation in related variables is by looking at its R² value. Any number between zero and one may represent the coefficient of determination. Insufficient explanatory power of the independent variables for the dependent variables is shown by a low coefficient of determination (R²).

IV. RESULTS AND DISCUSSION

4.1 Descriptive Statistical Analysis

By examining the range of values for each study variable, descriptive statistics provide a broad picture of their properties. A test using descriptive statistics yielded the following results:

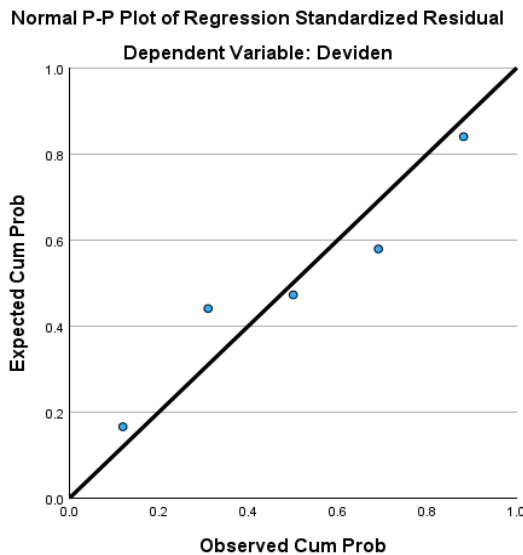
Table 1 Descriptive Statistics Test

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Cash Flow	5	20.71	113.62	73.7620	48.36626
Profitability	5	29287.000	46589.00	35352.0000	6892.91317
Dividend	5	76.64	124.34	104.6160	17.46175
Valid N (listwise)	5				

Source: Data Processing Results from SPSS Application 29, 2024

According to the descriptive statistics table, the Cash Flow runs from 20.71 to 113.62, with an average of 73.7620, based on the study's five samples. There is an average profit of 35,352.00 USD, with a range of 29,287.000 to 46,589,000 USD. With a mean of 104.6160, dividends vary from 124.34 to 76.64.

Figure 2 Normality Test Results



Source: Data Processing Results from SPSS Application 29, 2024

The data clearly follows a normal distribution, as seen in the image above. The data is dispersed around the diagonal line, indicating a normal distribution pattern, as seen in the graph that serves as the basis for decision-making. Therefore, the regression model satisfies the normality assumption.

4.2.2 Multicollinearity Test

Table 3 Multicollinearity Test Results

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	194.978	34.562		5.641	.030		
	Cash Flow	.239	.168	.663	1.426	.290	.513	1.949
	Profitability	-.003	.001	-1.206	-2.594	.122	.513	1.949

a. Dependent Variable: Deviden

Source: Data Processing Results from SPSS Application 29, 2024

The data clearly follows a normal distribution, as seen in the image above. The data is dispersed around the diagonal line, indicating a normal distribution pattern, as seen in the graph that serves as the basis for decision-making. Therefore, the regression model satisfies the normality assumption.

4.2.3 Heteroskedasticity Test.

Table 4 Heteroskedasticity Test Results
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	194.978	34.562		5.641	.030
	Cash Flow	.239	.168	.663	1.426	.290
	Profitability	-.003	.001	-1.206	-2.594	.122

a. Dependent Variable: Deviden

Source: Data Processing Results from SPSS Application 29, 2024

The significance value is more than 0.05, as seen in the table above. Since all of the independent variables have significance levels greater than 0.05, we may infer that the regression model does not exhibit heteroskedasticity.

4.3 Multiple Linear Regression Test

To find out how the independent factors affect the dependent variable and in what direction, researchers use the Multiple Linear Regression Test (Ghozali, 2018).

Table 5: Multiple Linear Regression Test Results
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics		
	B	Std. Error	Beta			Tolerance	VIF	
1	(Constant)	194.978	34.562		5.641	.030		
	Cash Fow	.239	.168	.663	1.426	.290	.513	1.949
	Profitability	-.003	.001	-1.206	-2.594	.122	.513	1.949

a. Dependent Variable: Deviden

From the data in the table, we can get the equation for multiple linear regression:

$$Y = 194.978 + 0.239 X_1 - 0.003 X_2 + e$$

The following may be further explained using the multiple regression equation given above:

Constant Value $a = 194.978$

When both Cash Flow X_1 and Profitability X_2 are set to zero, the value of the dividend policy is determined to be 194.978 according to the regression equation.

Regression Coefficient of Cash Flow $X_1 = 0.239$

As we can see from the Cash Flow X_1 regression coefficient of 0.239, an increase in Cash Flow will result in an increase in Dividend Policy. For every one unit increase in cash flow, the dividend policy will grow by 0.239 units, provided that all other independent variables remain constant.

Regression Coefficient of Profitability $X_2 = -0.003$

The fact that Dividend Policy and Profitability x_2 are negatively correlated ($r = -0.003$) indicates that these two factors are unrelated. Based on these results, it's clear that as profits go up, dividend policy will go down. The dividend policy will decrease by 0.003 units for every one unit increase in profitability, supposing no change in the other independent variables.

4.4 Hypothesis Testing

4.4.1 Partial Regression Coefficient Testing (t-test)

Table 6: t-Test Results

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	194.978	34.562		5.641	.030		
	Cash Flow	.239	.168	.663	1.426	.290	.513	1.949
	Profitabilitas	-.003	.001	-1.206	-2.594	.122	.513	1.949

a. Dependent Variable: Deviden

Source: Data Processing Results from SPSS Application 29, 2024

The experiments conducted and the findings shown in the table above demonstrate that Dividend Policy is unaffected by Cash Flow. The significance value of $0.290 > 0.05$ clearly indicates this. Similarly, Profitability does not have a significant impact on Dividend Policy, since its significance value is $0.122 > 0.05$.

4.4.2 Simultaneous Test (F-test)

Table 7: F-test Results

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	949.160	2	474.580	3.509	.222 ^b
	Residual	270.491	2	135.245		
	Total	1219.651	4			

a. Dependent Variable: Deviden

b. Predictors: (Constant), Profitabilitas, Cash Flow

With a significance level of $0.222 > 0.05$, the data table clearly shows that the F-test for Cash Flow and Profitability is significant. Given this, it may be inferred that Dividend Policy remains unchanged.

4.4.3 Coefficient of Determination Test (R²)**Table 8: Coefficient of Determination (R²) Test Results**

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.882 ^a	.778	.556	11.62950

a. Predictors: (Constant), Profitabilitas, Cash Flow

b. Dependent Variable: Deviden

Source: Data Processing Results from SPSS Application 29, 2024

The value of R² is 0.778, or 77.8%, as can be seen from the table above. Taking into consideration just the independent factors of cash flow and profitability, we find that they account for 77.8% of the dividend policy, while other variables account for the remaining 22.2%.

DISCUSSION

The results of the hypothesis testing demonstrate that Cash Flow has no effect on Dividend Policy. The t-test result shows a p-value of 0.290, which is above the statistical significance level of 0.050. We reject H1 since it was shown that Cash Flow has no effect on Dividend Policy.

Wa Ode Nurfatiatul and Rabiyyatul Jasiyah's (2023) previous work, "The Effect of Cash Flow on Dividend Policy of Companies (Study on Manufacturing Companies Listed on the Indonesia Stock Exchange 2017-2020)" provides support for their conclusions. The analysis indicates that cash flow has little to no impact on dividend policy.

There is a significant relationship between profitability and dividend policy, contrary to the results of the profitability hypothesis test, which rejects the null hypothesis (H2). A significance level of 0.122 was produced by the t-test, above the 0.05 threshold for significance.

In contrast to these findings, a study by V Eko Prasetyo and Muhammad Reza Soekarno Putra (2021) entitled "The Effect of Cash Flow, Profitability, and Company Size on Dividend Policy in Manufacturing Companies Listed on the Indonesia Stock Exchange 2018-2020" has been investigated. The study found that profitability has a major impact on dividend policy.

Furthermore, the results of the F-test demonstrate a significant value greater than the significance level of 0.222, further supporting the argument. Since X1 and X2 have no effect on Y, we may conclude that Cash Flow and Profitability have no bearing on Dividend Policy, and therefore, we can reject H3.

V. CONCLUSION AND RECOMMENDATIONS

5.5.1 Conclusion

This study aims to analyze PT. Unilever Indonesia's dividend policy from 2018–2022, taking a look at how cash flow and profitability (as assessed by ROA) affect it. We may infer the following from the test findings:

1. Cash Flow does not significantly impact dividend policy, according to partial testing findings.
2. Similarly, there is no substantial impact of profitability on dividend policy according to the findings of the partial testing.
3. Dividend Policy is unaffected by Cash Flow and Profitability, according to findings of simultaneous testing.

5.5.2 Recommendations

On the basis of the studies indicated above, here are some recommendations for companies and other stakeholders to consider:

1. A company's capacity to enhance its dividend distributions is dependent on a number of factors, the most important of which are its cash flow and profitability.
2. Hey there, investors! Potential investments, collateralizable assets, ownership by management and institutions, and capital structure are other factors that might influence dividend policy.
3. Third, in the future, scholars should look at the factors that affect dividend policy more thoroughly. Future research should expand upon this one by investigating other characteristics that may influence dividend policy, including as liquidity, management ownership, investment prospects, stock ownership structure, and others.

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