

## ABSTRACT

### ANALYSIS OF DIVIDEND POLICY TO LISTED MANUFACTURING COMPANIES ON INDONESIA STOCK EXCHANGE IN 2014-2018

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Dividend Policy is a decision concerning the distribution of profits derived by the company, whether it will be distributed to shareholders or it will be retained in the profit for funding the future investments. The purpose of this study was to analyze the effect of Free Cash Flow, Leverage, and Retained Earning to Total Equity on Dividend Policy. Data were obtained from the Indonesia Stock Exchange using manufacturing companies. The sampling technique used a purposive sampling method by obtaining 15 companies during 2014-2018. Data were analyzed by using panel data regression techniques. The result of this study showed that the Free Cash Flow variable had a positive effect on Dividend Policy and Leverage had a negative effect on Dividend Policy. Meanwhile, Retained Earning to Total Equity did not affect the Dividend Policy. This study found that the phenomenon positively affected Free Cash Flow on Dividend Policy because the excess cash that showed the companies can expand, pay off the debt, and pay dividends. Meanwhile, the negative effect on Leverage to Dividend Policy was caused by the companies inclined to prefer holding their profits to pay debts than distributing to investors. It stated that the Free Cash Flow is able to get the has cash reserves to the that can be used for stock returns in dividends. Furthermore, Leverage using Debt to Equity Ratio (DER) of the company made a priority in paying their obligations and dividends will be distributed after paying the debt. Finally, this study was recommended to companies to be able to process Free Cash Flow and Leverage in order to meet the company's financial needs, such as distributing the dividends as a right of shareholders by developing products or looking for other business opportunities.

**Keywords: Dividend Policy, Free Cash Flow, Leverage, Retained Earnings to Total Equity, Agency Theory**

