ABSTRACT

Dividend policy is the company's decision whether the profits earned by the company will be distributed to shareholders as dividends or used as retained earnings to finance future investments. The decision to distribute dividends can provide benefits for shareholders, while the decision to retain earnings can create opportunities for company growth.

This study aims to determine the partial and simultaneous effect of the variables of profitability, solvency and liquidity on dividend policy in banking companies listed on the Indonesia Stock Exchange for the 2017-2021 period.

This study uses a quantitative approach. The population in this study are banking companies listed on the Indonesia Stock Exchange for the 2017-2021 period. The sample was determined by the porposive sampling method and obtained as many as 41 companies for 5 years, thus obtaining 205 observational data. The analysis technique in this study used panel data regression using Eviews 12 software.

The results of this study indicate that simultaneously profitability, solvency, and liquidity affect dividend policy. This is demonstrated by the ability of the variables of profitability, solvency and liquidity to explain the dividend policy variable which is very high at 99%, where partially these three variables do not affect dividend policy in companies in the banking sector.

Based on the research that has been done, it is necessary to re-analyze what factors are considered by companies in the banking sector in making dividend policies. The implication for banking sector companies is that these three variables do not determine dividend policy distribution and for investors these three variables do not become a significant reference for consideration in investment decision makers. For further research it is highly recommended to choose other variables in conducting further research.

Keywords*: dividend policy, liquidity, profitability, solvency*