

## ABSTRACT

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### **THE EFFECT OF CASH FLOW AND PROFITABILITY ON DIVIDEND POLICY**

(xiii + 60 pages; 1 figure; 6 tables; 8 appendices)

Dividend policy is one of the most important decisions managers must make aside from investment and financing decisions. However, giving out dividends may bring up tax obligations which are not that preferable for some investors and companies. Even so, some investors still seek dividends from companies. It is also known that cash flow and profitability is one of the important aspects to see when firms make decisions on dividend distribution. Thus, the purpose of this research is to establish evidence on the effects of cash flow and profitability towards dividend policy where the researcher hypothesizes that cash flow and profitability negatively affect dividend policy. The sample of this research is 128 companies taken from materials and health care companies listed in Indonesian Stock Exchange for the year 2017-2019 using the purposive sampling method. The data analysis method is using multiple regression analysis. Results show that cash flow and profitability positively and significantly affect dividend policy.

References: 46 (1961 - 2020)

**Keywords:** cash flow, profitability, dividend policy, pecking order theory, agency theory, bird in hand theory.