The Effect of Dividend Premium and Free Cash Flow on Dividend Policy: Evidence from Indonesia

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Abstract
Purpose: This research aims to analyze the effect of dividend premium and free cash flow that affects dividend policy.
Design/methodology/approach: This study uses a quantitative approach with multiple linear regression. This study uses a sample from public companies that is listed on the Indonesia Stock Exchange (IDX) for the 2015-2019 period. The final samples which are used are equal to 248 companies.
Findings: The findings of this study indicate that dividend premium has a significant positive effect on dividend policy, while free cash flow has significant negative effect on dividend policy.
Research limitations/implications: (1) listed on the Indonesia Stock Exchange for the period 2014 to 2019, (2) not included in the financial sector, (3) published financial reports that have been audited regularly every year, and (4) data on all variables to be studied during the period are available in full.
Practical implications: Investor in Indonesia show their preference for dividends. This could cater the firm to decide whether they distribute dividends or not.
Originality/value: Based on Baker and Wurgler's dividend catering hypothesis, which Li and Lie devised, this research provides proof of catering incentives in Indonesia. This article shows that the catering dividend idea exists not just in established countries, but also in emerging economies like Indonesia.

Keywords: Dividend Catering Theory, Free Cash Flow, Dividend Policy

Introduction
The current economic situation in any country is always susceptible to uncertain changes, and Indonesia is no exception. If a company makes a profit, it can either reinvest that money to fund its growth or distribute a portion of its profits to its shareholders. The company's decision to distribute or reinvest dividends to fund the company's expansion or development is known as a dividend policy. Baker and Wurgler (2004b) proposed a new theory, the dividend catering theory, which argues that dividend policy will be determined from the investor's desire for dividend distribution, then the company will adjust dividend distribution using one of the indicators of catering theory, namely dividend premium.

However, there are variances in the findings of dividend catering theory study from numerous earlier scholars. According to Tangjitprom (2013), dividend premium has a detrimental impact on dividend increases and decreases. Dividend premium had no influence on dividend drop, but had a considerable positive effect on dividend rise, according to Li and Lie (2006). According to Anounar and Aubert (2017), dividend premium has a favorable impact on dividend increases and decreases. Li and Zhao (2008) found significant negative results at the time of the dividend increase. The greater the dividend premium, the company or financial manager will increase dividend payments. With the differences in the findings of these researchers, this makes this topic very interesting to be studied further in developing countries such as Indonesia.

This research adds to the body of knowledge in the financial literature on dividend policy, particularly dividend catering theory. According to our findings, market sentiment has an impact on Indonesia's dividend policy. The presence of catering dividends as a factor of Indonesian dividend policy is supported by this study. Our study also adds to the literature for investors to help them determine where to invest in the most profitable firms. Our findings may be used by management in decision-making, corporate governance, policymaking, and, most importantly, corporate dividend policy. You must be aware of premium dividends in order to attract investors. Our literature also aids in the understanding and understanding of dividend policy, as well as the explanation of drivers of dividend policy and dividend catering, one of Baker and Wurgler's novel ideas in 2004.

The premise that dividend premium, free cash flow, firm size, cash ratio, profitability, and market to book ratio have a positive influence on dividend policy may be derived from the backdrop problem outlined above. Leverage, on the other hand, has a negative impact on dividend policy. The research topic in this study is whether dividend premium and free cash flow have an impact on dividend policy. The goal of our research was to determine the impact of dividend premium and free cash flow on dividend policy for public enterprises listed on the Indonesian Stock Exchange between 2015 and 2019. We apply a quantitative method with multiple linear regression in this study.

Literature Review
The authors will utilize the dividend payout ratio (DPR) as a measure of dividend policy in this study. The dividend payout ratio is a ratio that depicts the relationship between each companies share's dividends and earnings. So that the DPR can demonstrate how much profit was made from each share that was given as dividends. Dividend policy will be represented as a dividend payout ratio in this study (DPR). A company's greater DPR indicates that it distributes a larger portion of its income to its shareholders. A lower DPR indicates that a corporation is distributing a lesser portion of its revenues.

The leverage ratio of a corporation has no influence on its market value, according to Modigliani and Miller (1958). The significance of this capital structure formed the cornerstone of corporate finance theory. Miller and Modigliani (1961) went on to explain that as long as the investment program is in place, the dividend policy has no effect on the company's value. As a result, in a perfect capital market, all dividend policies are equal, with the exception of those that increase shareholder wealth. According to Miller and Scholes (1978), market imperfections such as corporate and personal taxes have no influence on the meaninglessness of dividends. Dividends are no longer substantial because to homemade leverage and insurance

programs. According to them, investors might use these two methods to reduce their personal tax dividend deficit.

Baker and Wurgler's (2004a) dividend catering theory is an alternate solution to this problem. They claim that firms respond to investors' desire for dividends by paying out suitable dividends. This market demand is referred to as a "catering incentive." As a result, in order to capture a company's desire to pay dividends, the dividend model must take into consideration the investor's attitude toward payouts. They employ proxies to keep track of the dividend requirements of their investors. Dividend premium is the difference between dividend payers' and non-payers' average market-to-book value ratios. Their research shows that fluctuations in dividend payments to shareholders may be explained by changes in dividend stock market demand. It demonstrates the link between the dividend premium and the dividend choice made by the corporation. Furthermore, the dividend premium might explain the decline of dividends (Fama & French, 2001). Labhane (2019) bases his research on Baker and Wurgler's (2004) findings and focuses on India's growing marketplaces. They discovered that financial managers in India tend to issue dividends in a sensible manner to satisfy investors' need for payouts. This is evident when investors place a premium on dividend-paying companies.

Li and Lie (2006) contribute to the development of the catering theory. They include modifications in the model companies' payout levels. Their empirical findings show that changes in dividend levels are influenced by the dividend premium. When the dividend premium is strong, corporations are more inclined to boost dividend payments, whereas when the dividend premium is low, firms are more likely to repurchase shares. The findings of Li and Zhao back up this conclusion (2008). They discovered that if company risk and year are controlled for, dividend premium has a beneficial influence on dividend policy. Tangjitprom (2013) discovered that dividend premium has a favorable influence on the Thailand Stock Exchange's dividend policy. However, research presented by Hoberg and Prabhala (2008) contradicts the presence of catering incentives. They find no significant association between dividend premium and dividend policy, and when an idiosyncratic risk element is included to the model, the relevance vanishes.

According to Jensen's (1986) free cash flow theory, if a firm retain some cash flow that are used to fund negative NPVs projects, it should be preferable to return the cash to shareholders in order to maximizing shareholder's wealth and reducing the possibility that these funds will be used for negative NPV projects. Managers apply it in initiatives with a negative net present value. Growing free cash flow should result in increased dividend distributions, according to this idea, which should dissuade corporations from overinvesting. Both Holder et al. (1993) and Chaplinsky and Niehaus (1993) suggest that dividends and free cash flow have a favorable connection (1998). DeAngelo et al. (2004) found that when companies collected large quantities of cash but paid out modest dividends, the overinvestment process deteriorated. Miguel et al. (2005) highlights the impact of dividends in regulating the process of overinvestment in enterprises with large amounts of free cash flow in a similar vein.

According to study performed by Rosdini (2009), free cash flow (FCF) may represent a company's situation, with firms with excess cash flow performing better than others since they can take advantage of restricted possibilities due to their tiny FCF. Free cash flow, according to Chen and Dhiensiri (2009), is cash earned by a firm after lowering cash outflow, which is utilized to conduct operations and sustain capital assets. Net operating cash flow is subtracted from net investment cash flow, which is then divided by total assets to get FCF. We intend to

demonstrate that the agency theory of dividend applies to the Indonesian capital market using this variable.

Dividend premium, free cash flow, and company size have large positive impacts on dividend policy, according to Rochmah and Ardianto (2020), but ROA and leverage have considerable negative effects on dividend policy. They infer that the dividend catering hypothesis is existent in the Indonesian market based on this finding. They said that managers satisfy investors' dividend demands by setting high stock prices for dividend payers. The desire of investors for corporations to pay bigger dividends has an impact on this problem. Companies may be enticed to maximize market pricing if there is investor demand. Dividend policy is influenced by free cash flow. In other words, the more established a company's dividend policy is, the greater its free cash flow. Companies with much higher FCF also have more opportunities to distribute dividends to their shareholders.

Hypothesis Development

Tangjitprom (2013) discovered that if catering incentives exist, a large number of businesses will pay dividends, leading in a positive dividend premium. Investors value companies that pay dividends and pay a premium for dividend-paying stocks. Dividend premiums have a large role in setting dividend distribution policies. The presence of a dividend premium might dissuade management from reducing dividend payments, especially if the dividend premium is substantial. When it comes to dividend distribution, managers might use market timing to maximize market value. Dividend payouts may be changed as a result of catering incentives or dividend premiums. When dividend premiums are high, managers may choose to pay dividends or make dividend payments (Baker & Wurgler, 2004a; Li & Lie, 2006; Tangjitprom, 2013). Tangjitprom (2013), Li and Lie (2006), and Baker and Wurgler (2018) research back up Riyanti and Yulianto's (2018) findings that dividend change decisions are strongly linked to dividend premium (2004a). Based on this description, the study hypothesis may be worded as follows:

Managers can utilize market timing to optimize market value when making dividend distribution choices. Catering incentives or dividend premium may cause dividend distributions to be altered. Managers may opt to pay dividends or make dividend payments when dividend premiums are high (Baker & Wurgler, 2004a; Li & Lie, 2006; Tangjitprom, 2013). Dividend change decision has a considerable positive link with dividend premium, according to Riyanti and Yulianto (2018). The study hypothesis may be framed as follows based on this description:

H$_1$: Dividend premium has a positive effect on dividend policy

According to Rosdini (2009), organizations with extra free cash flow outperform their competitors because free cash flow has access to possibilities that other companies may not have. Companies with a high level of free cash flow will profit more than those with a low level. This is because businesses with a strong free cash flow can weather the storm. Companies with significant free cash flow typically pay big dividends to shareholders, which helps them avoid agency problems. Free cash flow isn't merely put to good use for lucrative ventures.

According to the research by Chen and Dhiensiri (2009) that looked at the factors that influence dividend payments for companies listed on the New Zealand stock market, free cash flow had a significant positive impact on dividend payments. Shareholders will press agencies to release cash as dividends, causing friction amongst agencies. The assets of the firm will be re-invested by the manager. To enhance your dividend policy, increase your free cash flow. Paying

corporate dividends can assist corporations with a lot of cash flow avoid shareholder agency issues. Arfan's findings backed with Chen and Dhiensiri's (2009) findings, however Utami and Inanga (2011) discovered a significant negative correlation. The study hypothesis may be framed as follows based on this description:

H₂: Free cash flow has a positive effect on dividend policy

Methods

This research falls under the category of basic research research, which is to develop research that has been done before. Because the study was conducted to examine the effect of independent variables (dividend premium and free cash flow) and control variables (profitability, cash ratio, leverage, firm size, and market to book ratio) on the dependent variable (dividend policy represented as dividend payout ratio) in non-financial sector companies listed on the Indonesia Stock Exchange (IDX) for the period 2015-2019, this research is a causal type of research. This study is classified as quantitative research since it employs quantitative data to support the dividend policy idea. The study employed quantitative data that spans a long period of time (time series) as well as a large number of samples (cross section), commonly known as panel data. Secondary data from the financial statements of non-financial sector businesses listed on the Indonesia Stock Exchange (IDX) from 2015 to 2019 was used. In this investigation, the level of measurement employed was the ratio level. Because the ratio level is a unit that describes the real value of the object being investigated, it is employed.

The data collection procedures used in this study are as follows: 1) Determine the data on financial statements and factbooks needed in the study according to the variables used, 2) Look for secondary data from the websites www.idx.com and www.cmeds.ticmi.co id, 3) Downloading the financial statements of non-financial sector companies listed on the IDX for the 2015-2019 period and the IDX factbook in 2015-2019, 4) The data taken are dividend payout ratio, dividend premium, free cash flow, profitability, cash ratio, leverage, firm size and market to book ratio. 5) Entering data into Microsoft Excel and tabulating to obtain the variables used in this study, 6) Processing raw data in Microsoft Excel to calculate research variables, 7) Tabulating data to Eviews 9.0 and processing the data.

The hypothesis is evaluated in this study utilizing panel data or pooled data regression to identify the direct influence of the independent variable (free) on the dependent variable (bound). Panel data combines cross-sectional and time-series data. The impact of the independent variable on the dependent variable is tested using multiple regression. Microsoft Excel 2019 and Eviews 9.0 are used in this research. To compute dividends for each firm in the population, the input data comprises seven independent variables. The goal of this study is to test hypotheses using inferential statistical approaches.
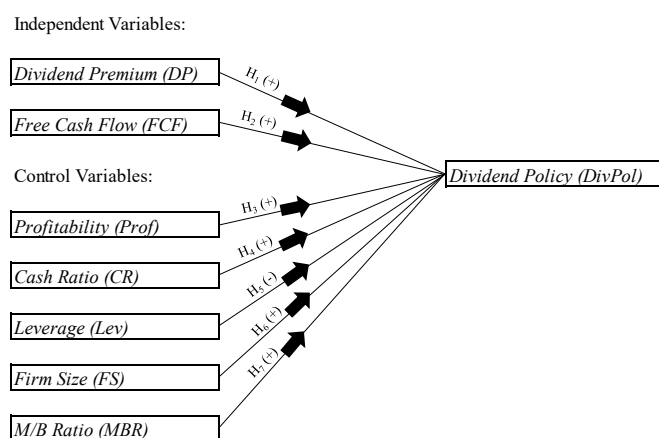

Figure 1. Research Model

This study uses a multivariate linear regression data processing technique to assess the effect of independent variables on the dependent variable. In this study, the dividend policy is the dependent variable, with dividend premium and free cash flow as independent variables and cash ratio, firm size, profitability, leverage, and market to book ratio as control variables. Dividend policy is represented by the dividend payout ratio, which is calculated by dividing dividend per share by earnings per share. By subtracting the dividend payer's log average market to book ratio from the non-dividend payer's log average market to book ratio, the dividend premium is calculated. Meanwhile, free cash flow is equal to net operating cash flow plus net investment cash flow divided by total asset. Profitability is then calculated using the formula of net income divided by total asset. Total cash divided by total assets yields the cash ratio. Total debt divided by total asset is the formula for calculating leverage. A company's market capitalization is calculated by dividing the log of total outstanding shares by the closing price. Divide the market price by the book price to get the market to book ratio. The research model of this study can be formulated as follows:

Research Model:

$$DPR_{it} = \alpha + \beta_1 DP_{ti} + \beta_2 FCF_{ti} + \beta_3 PROF_{ti} + \beta_4 CR_{ti} + \beta_5 LEV_{ti} + \beta_6 FS\_LOG_{ti} + \beta_7 MBR_{ti}$$

Description:
DPR_{it}	= Dividend payout ratio of company i in period t
α	= Constant coefficient
β	= Regression coefficient
DP_{ti}	= Dividend premium of company i in period t
FCF_{ti}	= Free cash flow of company i in period t
CR_{ti}	= Cash ratio of company i in period t
LEV_{ti}	= Leverage of company i in period t
FS_LOG_{ti}	= Firm size of company i in period t
MBR_{ti}	= Market to book ratio of company i in period t

Findings and Discussion

Table 1. shows the descriptive statistics derived from 248 companies, dividend premium has a range from 0.06443 to 0.49212, with an average of 0.13272. Free cash flow has a range from -43.47069 to 29.75006, with an average of 0.03977.

Table 1. Descriptive Statistics

Variables	Observations	Minimum	Maximum	Mean	Std. Dev
DPR	248	-35.65632	43.28146	0.20445	1.88664
DP	248	0.06443	0.49212	0.13272	0.16037
FCF	248	-43.47069	29.75006	0.03977	1.51884
CR	248	0.00013	0.80069	0.07113	0.09464
PROF	248	-1.83618	0.71602	0.03012	0.12307
LEV	248	0.00025	9.60521	0.49141	0.36661
FS_LOG	248	9.44402	14.74051	12.13613	0.92483
MBR	248	-2.93887	40.37500	1.90376	2.74014

After determining the research model, we performed classical assumptions consisting of Normality Test, Heteroscedasticity Test, Autocorrelation Test, and Multicollinearity Test. After all the classical assumptions met the criteria, we performed the Chow Test as well as the Hausman Test and found that these data are suitable for using the fixed effect model for the multiple linear regression method. The result of this research is shown on **Table 2.** based on the research model shown before.

Table 2. Research result

Independent Variables	*Coefficient*	Prob.	Conclusion
C	1.191336	0.0000	
DP	0.162953	0.0059***	Reject H_0
FCF	-0.025054	0.0028***	Do not reject H_0
PROF	-0.001453	0.0554*	No affect
CR	-0.955579	0.0013***	Affect
LEV	-0.135796	0.0029***	Affect
FS_LOG	0.122339	0.0000***	Affect
MBR	0.035948	0.0000***	Affect
R-squared			0.93961
Adjusted R^2			0.92403
F-statistic			60.33776
Prob (F-statistic)			0.00000

Description: *   : Significant at 10%
              **   : Significant at 5%
              ***   : Significant at 1%

According to the findings, dividend premium has a significant positive relationship with dividend policy, as shown in Table 1. It has a probability of 0.0059 and a coefficient of 0.162953. According to the data, free cash flow has a substantial negative relationship with dividend policy. It has a probability of 0.0028 and a coefficient of -0.025054. As a consequence, H1 is not rejected since it shows a significant positive relationship between dividend premium and dividend policy; nevertheless, H0 is. In the meanwhile, H2 is rejected since the data show a substantial negative relationship between free cash flow and dividend policy, despite the hypothesis implying that free cash flow has a positive influence on dividend policy, therefore H0 is not rejected.

The dividend premium has a positive influence on dividend policy, according to Li and Lie (2006) and Anounar and Aubert (2017). The larger the dividend premium, the more likely the manager/company would increase the dividend paid or the dividend per share (DPS), according to Li and Lie (2006). When dividend premium is high, market to book ratio tends to be high, causing the DPS to rise. When firms or managers look at the dividend premium, they'll see that if it's big, it suggests that investors prefer companies that pay dividends. The findings of this beneficial effect, according to Tangjitprom (2013), suggest that investors are more cautious, indicating the kind of risk averse investor. Then, dividends are preferred by investors over capital gains because dividends are more predictable, whereas capital gains are not. This conclusion is also backed by Baker and Wurgler's (2004) Catering Theory, which states that if investors show a high demand for dividends, corporations are less likely to limit dividend

payouts. Li and Lie (2006), Karpavicius and Yu (2018), and Anounar and Aubert (2017) all confirm these findings.

Utami and Inanga (2011) founds a significantly negative result for free cash flow on dividend policy. Utami and Inanga (2011) argue that free cash flow will be distributed as dividends if the company requires a reduction in agency costs. In addition, the research conducted by Parsian and Koloukhi (2014) found that there was a significant negative effect of free cash flow on dividend policy. This means that the smaller the FCF, the greater the dividend payout ratio. This result contradicts the results of Chen and Dhiensiri's (2009) research which obtained significant positive results. One explanation for this result is signaling theory and agency theory, where companies will try to give signals to investors by distributing dividends even though they have a small FCF. In addition, from the catering theory perspective, it can be explained that the company will distribute dividends only if the investors desire for dividends is high, shown by the dividend premium.

Tangjitprom (2013) found the same result, namely there is no effect between profitability and dividend policy. Tangjitprom (2013) argues that this can be evidence that catering theory occurs in Thailand, because it means that companies are more concerned with investor demand for dividends than the company's profitability. In accordance with the catering theory, the company will distribute dividends when the premium given to dividend payers is higher. However, if the existing premium between the company does not distribute dividends and the company distributes dividends is not significant, then the company will decide not to distribute dividends. Chen and Rhee (1990) stated that if the company is relatively new and has not controlled the market as a whole, then part of the revenue earned will be allocated for company growth. So, if the company needs these funds, the company can reduce the distribution of dividends or even not share. These results are supported by research by Tangjitprom (2013) and Chen and Rhee (1990), and supported by the catering theory proposed by Baker and Wurgler (2004).

According to Li and Lie (2006)'s research, the cash ratio has a considerable negative impact on dividend policy. The trade-off theory suggests that when a company's cash ratio rises, it will spend more money on activities with a positive net present value (NPV) rather than reinvesting. If the company's cash ratio is low, it can pay dividends and, if required, cut fundraising or liquidation costs. Najjar and Belghitar (2011) found the same findings when comparing dividend-paying companies to non-dividend-paying companies, concluding that dividend-paying companies had lower cash ratios because they may obtain capital when needed with fewer transaction costs.

According to Li and Lie (2006)'s results, leverage has a significant negative influence on dividend policy. This might be explained by the fact that companies with a lot of debt are less likely to pay dividends and instead invest to produce more money to pay down the debt. Farooq and Jabbouri (2015) come to the same result as Farooq and Jabbouri (2015), namely that leverage or debt ratio has a significant negative influence on dividend policy. Their findings reveal that the higher the leverage, the greater the company's liabilities, whereas the lower the leverage, the greater the company's ability to satisfy its responsibilities. The corporation will use retained earnings to pay down its debt if it plans to do so. As a result, the company's earnings-based dividend distribution is harmed. Studies by Li and Lie (2006) and Farooq and Jabbouri (2015) back up these conclusions.

Firm size has a strong favorable influence on dividend policy, according to the study conducted by Li and Lie (2006), Li and Zhao (2008), and Tangjitprom (2013). These findings are consistent with the result obtained by this study. As a result, the dividend payout ratio will rise in tandem with the company's growth. This can be explained by the fact that huge firms are more likely to pay dividends since they have received a large amount of cash from investors. Investors, on the other hand, will anticipate a substantial return on their investment. As a result, if the firm pays out significant dividends, it will appeal to investors and entice new ones to invest in the company. These findings are consistent with catering and signaling theories, and they are supported by research conducted by Li and Lie (2006), Li and Zhao (2008), and Tangjitprom (2013).

The results obtained by the research of Tangjitprom (2013) found that the market to book ratio has a positive effect on dividend policy. According to Tangjitprom (2013) a high market to book will affect the company to pay dividends, because with a high market to book, the company dominates the market and distributes dividends so that investors are interested in investing in the company. This result is supported by signaling theory and catering theory. Signaling theory supports this result because the company distributes dividends by considering whether investors will be interested in investing in the company. Catering theory supports this result because with a high market to book, the company will distribute dividends, a high market to book ratio means that investors have a high demand for dividends. This result is supported by Tangjitprom (2013).

The F test is used to compare the test results of the independent variables in the main model with the dependent variable. The results of statistical computations in this model demonstrate that F count = 60.33 with a probability of $0.0000 < 0.05$. This means that together the DP, FCF, PROF, CR, LEV, FS and MBR variables have a significant effect on dividend policy.

The coefficient of determination uses adjusted R^2, where this research model has a value of 0.92403 with dividend policy as the dependent variable. This suggests that the variables DPS, FCF, PROF, CR, LEV, FS, and MBR can explain 92 percent of changes in dividend policy variables, whereas the remaining 8% is explained by factors not included in this study.

Conclusion
Based on the outcomes of this study, we observed that dividend premium has a considerable favorable effect on dividend policy. As a consequence, it may be possible to establish the prevalence of catering incentives in Indonesia. Firms check to see if investors regard dividend-paying companies more highly; if investors value dividend-paying companies more highly, companies will pay out more dividends, resulting in a larger dividend payout ratio. Free cash flow, on the other hand, has a significant negative influence on dividend policy, as we discovered. This data supports catering theory while contradicting agency theory. Cash dividends, according to agency theory, lower the probability of agency problems originating from conflicts of interest between managers and shareholders. The agency problem grows more problematic when a company's cash ratio climbs. As a consequence, delivering dividends will save time and money for the agency. A company, on the other hand, will pay dividends according on investor demand, according to catering theory (dividend premium). The findings demonstrate that dividend premium, firm size, and market to book ratio all have a strong positive influence on dividend policy, but free cash flow, cash ratio, and leverage all have a considerable negative impact, while profitability has no impact.

Practical Implications

This study is intended to serve as a reference and consideration for investors who are choosing dividend policy, which is expressed as dividend payout ratio, based on parameters such as dividend premium, free cash flow, profitability, cash ratio, leverage, firm size, and market to book ratio.

This research is expected to be a material for consideration or as a reference in determining dividend policy for companies listed on the Indonesian Stock Exchange (IDX) on the variables that are the subject of this research, namely dividend premium, free cash flow, profitability, cash ratio, leverage, firm size, and market to book ratio, in order to increase the effectiveness of the company's dividend distribution in the future.

Limitations and Suggestions for Future Research

This research is anticipated to be utilized as a starting point for further research. This study has limitations, such as the number of years utilized for observations being restricted due to sample restrictions, and there are still many additional issues that dividend policy may examine. As a consequence, it is believed that future academics would be able to conduct study utilizing a larger sample of years, resulting in more accurate results. Future studies can compare catering theory in other nations to see if it exists in other countries. Future researchers might enhance this study by examining different dividend policy variables to see which indications are the most useful for determining when a corporation should increase or decrease dividend payments. Despite their flaws, our findings are a valuable addition to the financial literature on dividend policy, particularly dividend catering theory in Indonesia. According to our study, catering dividends are a predictor of dividend policy, notably in Indonesia.

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Appendix

1. Descriptive Statistics

Descriptive Statistics	DPR	DIV_PREM	FCF	CR	PROF	LEVERAGE	FS_LOG	MB_RATIO
Mean	0.204451	0.132721	0.039768	0.071128	0.030119	0.491413	12.13613	1.903763
Median	0.25015	0.29644	0.024567	0.036608	0.031935	0.4833	12.15368	1.072904
Maximum	43.28146	0.492115	29.75006	0.800694	0.716023	9.605214	14.74051	40.375
Minimum	-35.65632	0.06443	-43.47069	0.000128	-1.836179	0.000248	9.444021	-2.938866
Std. Dev.	1.886642	0.160368	1.518839	0.094637	0.123067	0.366605	0.92483	2.74014
Skewness	7.745791	0.75453	-12.88349	3.057204	-4.236537	13.21737	0.005127	5.140727
Kurtosis	381.9316	1.977491	662.4616	16.14226	59.3798	314.5355	2.71273	48.3267
Jarque-Bera	7431173	171.6772	22503600	10855.42	167941.2	5050579	4.269163	111611.3
Probability	0	0	0	0	0	0	0	0
Sum	253.5196	164.5745	49.31187	88.19882	37.34718	609.352	15048.8	2360.666
Sum Sq. Dev.	4410.12	31.86449	2858.214	11.09661	18.76534	166.5204	1059.73	9302.87
Observations	1240	1240	1240	1240	1240	1240	1240	1240

2. Normality Test
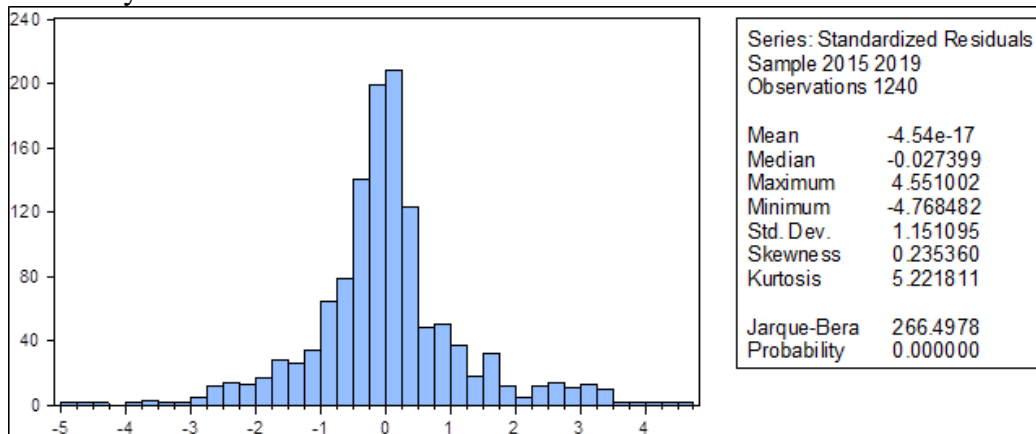
3. Multicollinearity Test

	DP	FCF	PROF	CR	LEV	FS	MBR
DP	1.00000	0.01947	0.06794	0.32938	-0.03827	0.30122	0.11842
FCF	0.01947	1.00000	0.02817	0.14157	-0.57289	0.03063	0.04750
PROF	0.06794	0.02817	1.00000	0.07781	-0.14325	-0.04538	0.04301
CR	0.32938	0.14157	0.07781	1.00000	-0.29798	0.35712	0.28740
LEV	-0.03827	-0.57289	-0.14325	-0.29798	1.00000	-0.05566	-0.02078
FS	0.30122	0.03063	-0.04538	0.35712	-0.05566	1.00000	0.44513
MBR	0.11842	0.04750	0.04301	0.28740	-0.02078	0.44513	1.00000

4. Heteroskedasticity Test

Heteroskedasticity Test: White

F-statistic	0.144078484	Prob. F(35,1214)	0.9947
Obs*R-squared	1.014268101	Prob. Chi-Square(35)	0.9946
Scaled explained SS	193.2083401	Prob. Chi-Square(35)	0.0000

5. Autocorrelation Test

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	2.506723	Prob. F(2,1240)	0.08195
Obs*R-squared	5.033689	Prob. Chi-Square(2)	0.08071

6. Chow Test

Chow test results			
Dependent variable: Dividend Payout Ratio (DPR)			
Independent variables: DP, FCF, PROF, CR, LEV, FS, MBR			
Effect test	Statistic	d.f.	prob
Cross-section F	24.26306317	(247,985)	0.0000

7. Hausman Test

Hausman test result			
Dependent variable: Dividend Payout Ratio (DPR)			
Independent variables: DP, FCF, PROF, CR, LEV, FS, MBR			
Effect test	Chi-Sq. Statistic	Chi-Sq. d.f.	prob
Cross-section random	9.188197059	7	0.0239425266

8. Multiple linear regression result from eviews 9.0

Dependent Variable: DPR
Method: Panel Least Squares
Date: 11/15/21   Time: 19:42
Sample: 2015 2019
Periods included: 5
Cross-sections included: 248
Total panel (balanced) observations: 1240

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.191336	2.775359	0.429255	0.0000
DIV_PREM	0.162953	0.485188	0.335856	0.0059
FCF	-0.025054	0.060097	-0.416892	0.0028
PROF	-0.001453	0.644467	-0.002254	0.0554
CR	-0.955579	1.151663	-0.829738	0.0013
LEVERAGE	-0.135796	0.317224	-0.428076	0.0029
FS_LOG	0.122339	0.229245	0.533661	0.0000
MB_RATIO	0.035948	0.041584	0.864462	0.0000

Effects Specification		

R-squared	0.939611	Mean dependent var	2.279385
Adjusted R-squared	0.924038	S.D. dependent var	4.431714
S.E. of regression	1.850003	Akaike info criterion	4.249317
Sum squared resid	1641.699	Schwarz criterion	5.302809
Log likelihood	-2379.576	Hannan-Quinn criter.	4.645517
F-statistic	60.33776	Durbin-Watson stat	2.468303
Prob(F-statistic)	0.000000		