

**THE MEDIATING ROLE OF GOOD CORPORATE
GOVERNANCE ON THE EFFECTS OF LIQUIDITY AND FIRM
GROWTH ON DIVIDEND POLICY IN MANUFACTURING
COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE
IN 2019 - 2021**

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Abstract

The determination of an appropriate dividend policy is influenced by various internal and external factors, including a company's financial health, growth prospects, and governance practices. In recent years, scholars and practitioners have shown a growing interest in understanding the intricate relationship between dividend policy and factors such as liquidity, company growth, and corporate governance. This study aims to examine the effect of liquidity and firm growth on dividend policy mediated by good corporate governance in manufacturing companies listed on the Indonesia Stock Exchange. The research method used quantitative with secondary data from financial report. The population in this research are manufacturing companies listed on the Indonesia Stock Exchange during 2019-2021. The sample selection used a purposive sampling. The data analysis method in this research is path analysis used SmartPLS software. The results showed that liquidity had a significant negative effect on dividend policy, firm growth had no effect on dividend policy, liquidity had a significant negative effect on good corporate governance, firm growth had a significant positive effect on good corporate governance, good corporate governance had a significant positive effect on dividend policy, good corporate governance can mediate the relationship liquidity on dividend policy in a negative significant, and good corporate governance can mediate the relationship company growth on dividend policy in a positive significant.

Keywords: Company Growth, Dividend Policy, Good Corporate Governance, Liquidity

1. INTRODUCTION

Development economy in the era of globalization accompanied progress technology make various industries field must be optimized in innovate so that capable compete for prosperity and progress his company. On this competition, role management company in determine decision funding, decisions investment and dividend policy must effective order value company increase so that get image positive from investors. this increase investor confidence for invest in the company the so that funding in fulfil all activity operational company for reach desired profit achieved (Oktavia & Nugraha, 2020).

Interest between investors and participant of management different company raises conflict because investors hope will fulfill with company share dividend, meanwhile for company exists distribution dividend will reduce amount profit detained that will used company for finance future investment. Dividend policy is decision funding companies that consider two interests, interest holder share with dividend and interests company with

profit detention (Susellawati et al.,2022). Thus dividend policy be one part important of the term strategy long company Where become something capable value binding investors to loyal embed capital in one company (Salim & Pardiman, 2022).

Companies listed on the Indonesia Stock Exchange routinely share dividend for increase investor confidence to invest the capital. However, dividend is distributed not in line with acquisition profit company. In research conducted by Meyliza & Efrianti (2020) PT Kalbe Farma Tbk (KLBF) in 2019 experienced enhancement profit to IDR 2,537 trillion compared in 2018 amounted to IDR 2,497 trillion, however dividend distributed experience drop in 2020 only to Rp937.5 billion compared more in 2019 big worth IDR 1.2 trillion. Next case permanent issuer share dividend although profit net gain experience decreased, namely PT Mayora Indah Tbk (MYOR) distributed dividend in accordance with Mayora's GMS on June 28, 2022. MYOR distributed dividend Rp469.53 billion in cash or 38.73% of profit year walk For year book 2021 with profit clean decreased by 42.3% which resulted in Rp1.21 trillion, from year previously IDR 2.09 trillion (Idxchannel, 2022) Next case at PT Semen Baturaja (Persero) Tbk (SBMR) based on the GMS decided in the 2021 book no share dividend, IDR 51.85 billion profit net earned used for reserves and investments in accordance consideration condition economy.

Based on a number of above phenomena seen exists inequality dividend policy each company so that interesting for analyzed influencing factors dividend policy especially in companies manufacturing in Indonesia. Besides that supported research conducted by Ali (2022) found that distribution dividend during pandemic in the countries listed in the G-12 though experience decline, in part big company can maintain distribution dividend, with objective for apply policy more dividend stable in respond crisis pandemic. So, in research the profitability company, prospect income, size, and leverage to be determinant important decision dividend policy during pandemic. On this research, researcher choose liquidity and growth company as variable independent.

A number of results research conducted by Nugraheni and Mertha (2019), Ratnasari and Purnawati (2019), Ardiansyah (2020), also Feizal et al. (2021) stated that influence liquidity to dividend policy is positive significant. Proxied liquidity with the current ratio when level good liquidity will capable for fulfil his obligations like payment dividend. Bird in the hand theory also states decision dividend distributed to holder share can reduce risk uncertainty that investors accept. Whereas research conducted by Lestari et al. (2019), Widyasti and Putri (2021), dan Mauris and Rizal (2021) stated that liquidity no influential to dividend policy. Angelia and Toni (2020) stated that liquidity influential negative significant to dividend policy.

Next factor is firm growth to be determinant as far as capability company develop through growth asset. Growth company is change in total assets good form enhancement or experienced decline company between year walk with year before. Besides through growth assets, firm growth can be measured from level reflecting sales success investment from the past and can predict future growth (Taufiqurrahman & Fachrudin, 2021). A number of results research conducted by Anggraeni and Krisnando (2020), Hudiwijono et al., (2018), also Pascally (2013) states that influence growth company to dividend policy is significant and positive. If growth company worth positive showing that the Sales Growth Ratio is experiencing increase so will cause the Dividend Payout Ratio will also experience increase. Different results discovered by Rahmawati (2020) states that firm growth and dividend policy influential negative significant. In addition, Devi and

Mispiyanti (2020) also Gunawan and Harjanto (2020) stated that firm growth no influential significant to dividend policy. Growth company can't become benchmark in distribution magnitude its small dividend because distributing company dividend cash more consider availability cash.

Research results previously inconsistent about influence liquidity and growth company as variable independent to dividend policy as variable dependent suspected caused exists involvement variable else, as variable mediation like Good Corporate Governance because relate with trust public with company. In realizing Good Corporate Governance practices exist mechanism from within the company like the board of commissioners independent and proprietary predictable management own influence to dividend policy. at the moment this still few do study about dividend policy influenced by variables the author's mediation select, this proven with network visualization results from application VOS viewer.

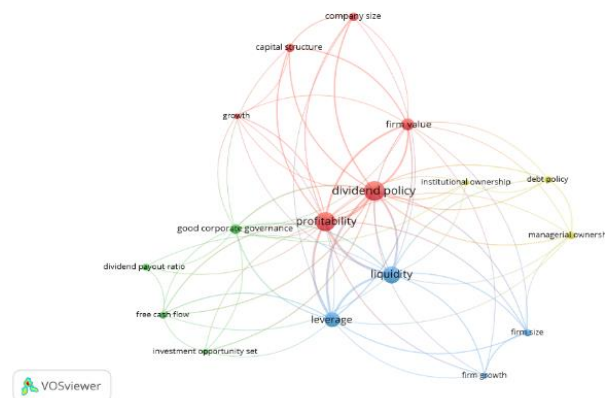


Figure 1. VOS Viewer visualization

Source: by the author

The goal of this study is to thoroughly examine and investigate the dividend policy of manufacturing companies, focusing particularly on the interplay of factors such as good corporate governance, liquidity, and firm growth. This research aims to bridge the existing gap in knowledge by delving into the complexities of dividend policy in this context. By conducting a comprehensive assessment, we seek to provide a clearer understanding of how these elements interact and influence dividend decisions. This study is motivated by the need to address the inconsistencies and variations observed in previous research findings. The ultimate objective is to shed light on the mediating role of good corporate governance and its impact on the relationship between liquidity, firm growth, and dividend policy within the manufacturing companies listed on the Indonesia Stock Exchange during the period 2019-2021.

2. LITERATURE REVIEW

2.1. Agency Theory

Jensen & Meckling (1976) stated that theory agency in the company is connection capital owner (principal agent) with management company (agent) For do activity services and delegate authority in take decision. Principal agent is the giving party command, control, evaluation and feedback to the job to be agents do. Whereas agent is parties who receive and implement work (Baker et al., 2019).

Shareholders (principals) expect dividend distributions with a substantial amount, while the company's management (agents) prefers to distribute smaller dividends to retain funds for investments that benefit the company. This conflict is known as the agency problem (Erfiana & Ardiansari, 2016).

2.2. Dividend Policy

Dividend is distribution part profit earned by company to investors proportional in accordance ownership shares (Kieso, 2018). Dividend payment has done based on decision of the board of commissioners or board of directors in meeting General Meeting of Shareholders in Indonesian namely RUPS in determine amount dividend paid to holder share with consider position finance company (Sadalia, 2010). Dividend Payout Ratio as a calculation of dividend policy, with the calculation being the dividend distributed per share. Following the formula:

$$\text{Dividend Payout Ratio} = \frac{\text{Dividend Per Share}}{\text{Earning Per Share}}$$

2.3. Liquidity

According to Kasmir (2018) liquidity is ratio for measure how much liquid something company. Liquidity is ability company for fulfil obligation period in short use assets smoothly owned. This Study use Current Ratio as calculation on liquidity to compare between asset fluent with obligation smoothly, following the formula:

$$\text{Current Ratio} = \frac{\text{Current Asset}}{\text{Current Liabilities}}$$

2.4. Firm Growth

Firm growth is ratio that shows ability company maintain position in the middle development world economy and increasingly competitive industry tight (Kasmir, 2016). Firm growth can be seen from change in total sales good form enhancement or experienced decline company between year walk with year before. This Study use Sales Growth as calculation on firm growth following the formula:

$$\text{Sales Growth} = \frac{\text{Total Sales } t - \text{Total Sales } t-1}{\text{Total Sales } t-1}$$

2.5. Good Corporate Governance

According to the World Bank (Effendi, 2009), Good Corporate Governance refers to the regulations, laws, and rules that must be implemented to enhance the performance of

a company, enabling it to function efficiently and productively in a continuous manner, benefiting both shareholders and the general public.

The mechanism of Good Corporate Governance involves clear procedures, rules, and relationships between decision-makers and those responsible for supervision. These mechanisms can be categorized into two groups: internal mechanisms, including institutional ownership, managerial ownership, independent board of commissioners, and the audit committee; and external mechanisms, such as investors, auditors, creditors, and certifying agencies (Nuryana & Surjandari, 2019). Indicator mechanism Good Corporate Governance used in study This is the board of commissioners independent and ownership managerial. Following the formula:

$$DKI = \frac{\text{Total Independent Board of Commissioners}}{\text{Total Board of Commissioners}}$$

$$KM = \frac{\text{total managerial shares}}{\text{total outstanding shares}}$$

2.6. Development Hypothesis

According to Zainudin et al. (2021) liquidity be one influencing factors dividend policy that is use proxy ratio fluent in count liquidity company, when level ratio fluent tall so ability company in pay dividend are also high. it supported with research conducted by Ratnasari and Purnawati (2019), Kusuma (2019), Nugraheni and Mertha (2019), Sari and Suryantini (2019), also Ardiansyah (2020) stated that liquidity influence dividend policy in a positive and significant.

H 1: Liquidity influential to dividend policy

Measure level firm growth can use sales growth through level reflecting sales success investment from the past and can predict future growth (Taufiqurrahman et al., 2021). Research conducted by Hudiwijono et al. (2018), Anggraeini and Krisnando (2020), also Natalia et al. (2022) found that proxy company growth with sales growth have influence positive and significant to dividend policy. Sales growth become consideration in dividend policy Because increase growth sale will increase profit company so that amount payment dividend will increased (Nurwulandari, 2020).

H 2: Firm growth influential to dividend policy

Liquidity showing ability company for fulfil obligation smoothly. Liquidity is ratio financial showing ability company in fulfil obligation period in short use asset owned (Hidayat et al., 2018). When liquidity company low will push company for disclose quality and repair implementation Good Corporate Governance will so support level liquidity company. Supported with study by Lestari and Priyadi (2017) who found that liquidity influential negative and significant to Good Corporate Governance.

H 3: Liquidity influential to Good Corporate Governance

Level company growth tall need additional funds For do expansion company and push company For do repair in apply Good Corporate Governance (Black et al., 2006). Study This supported by Kartika and Nuswandari (2022) also Yudiasti and Priyadi (2015) stated that growth company own influence negative and significant to Good Corporate Governance.

H 4: Firm growth influential to Good Corporate Governance

Agency theory state with exists corporate governance own function for give belief to the holders share that they will receive a return on the funds that have been invested so that implementing company corporate governance can bring significant increase for dividend (Sari & Riki, 2018). Research conducted Gunawan et al. (2019), Dewi and Setiyowati (2023), Limbong and Darsono (2021) also Rahayu and Rusliati (2019) stated that Good Corporate Governance influential positive and significant to dividend policy. Implementing company Good Corporate Governance in a manner strict will share dividend higher as form possible protection given to the holder stock.

H 5: Good Corporate Governance influential to dividend policy

Position comparison asset fluent with obligation fluent or liquidity is one consideration in dividend policy. Good practice in Good Corporate Governance so the more increase ability company in fulfil obligation period in short (Puspaningsih & Pratiwi, 2018). Research conducted by Christiani dan Rure (2020) states that Good Corporate Governance influential as mediation between liquidity to dividend policy.

H 6: Good Corporate Governance influential as mediation between liquidity to dividend

Growth high company investors prefer expect a return on the investment you have prospect well, so implementing company corporate governance will give signal form information about dividend policy company the. The good more quality Good Corporate Governance so the more Good payment dividend to investors (Sari & Riki, 2018)). Research conducted by Adnan et al. (2014) stated that growth company influential positive to dividend policy with Good Corporate Governance as intervening variable.

H 7: Good Corporate Governance influential as mediation between firm growth to dividend policy

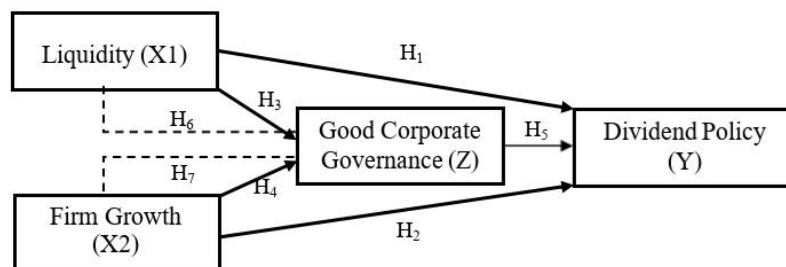


Figure 2. Conceptual Framework

Source: by the author

3. RESEARCH METHODS

The research method used is quantitative, with secondary data obtained from financial report on the Indonesian Stock Exchange website. Population in this research is a manufacturing companies listed on the Indonesia Stock Exchange during the 2019–2021. The sample selection used a purposive sampling, which produces 111 samples. The data analysis method in this research is path analysis used SmartPLS software. Meanwhile, according to Hair et al. (2014) approach, the research used three main analysis stages: examining instrument validity and reliability, obtaining a suitable

predictive model, and testing relationships between variables. By validating the measurements and uncovering important connections, the study gained valuable insights into the impact of liquidity, firm growth, and Good Corporate Governance on dividend policy decisions.

4. RESULTS AND DISCUSSION

4.1. Results

4.1.1. Descriptive Analysis

Table 1. Descriptive Statistics Results

Year	Size Statistics	Liquidity	Firm Growth	Good Corporate Governance	Dividend Policy
Total	Means	2,750	0.115	0.416	0.412
	Std. Deviation	2,170	0.445	0.109	0.273
	Minimum	0.610	-0.320	0.170	-0.010
	Maximum	12,760	4,200	0.830	1,210

Source: Processed by the author

Based on table 1 statistics descriptive results the analysis can explained as following:

On research This liquidity be measured with current ratio that is comparison between total assets fluent with current debt. The level of liquidity in the company manufactures selected 2019-2021 years become sample has an average value of 2,750 with standard deviation of 2.170. this showing that required lancer assets company sample 2.75 times more Lots For cover current debts. kindly whole variable measured liquidity with the current ratio has average value over 3 years is 2,750. However, development level liquidity experience fluctuating Where in 2019 with an average of 2,880 then experience enhancement up to 2,898 in 2020 and experiencing decreased in 2019 to 2,472. Spread or variation of liquidity data experience decline from in 2019 worth 2,140 to 1,603 in 2021 as with decline mark maximum its liquidity.

Variable Growth measured company with sales growth have the average value of growth positive of 0.120 and a sales growth rate of 2019 to 2021 experience increase. In 2019 the average growth company is 0.048 then increase to 0.088 in 2020 until 2021 increases reached an average of 0.210. Whereas variation growth company relatively fluctuating with standard deviation of 0.124 in 2019 to 0.241 in 2021.

Variable Good Corporate Governance with proxies for the board of commissioners independent has an average of 3 years of 0.416 with standard deviation 0.109 where development of the board of commissioner independent experience fluctuating average value from 0.397 in later 2019 increase up to 0.431 in 2020 and decreasing to 0.418 in 2021. Next proxy ownership managerial has an average of 3 years of 0.095 where development ownership managerial company manufacturers on the selected Indonesian Stock Exchanges become sample in research This experience fluctuating average value from 0.096 in later 2019 increase to 0.087 in 2020 and decreasing to 0.097 in 2021.

Variable policy measured dividend with the dividend payout ratio has an average whole for 3 years is 0.412 with fluctuating developments. In 2019 the average dividend payout ratio is 0.380 then experience increase in 2020 to 0.446 and decrease in 2021 to 0.409. Although thereby variation dividend policy 2021 is relative lower than 0.260 in comparison in 2019 worth 0.280.

4.1.2. Measurement Model Analysis (Outer Model)

A. Validity Test

Table 2. Validity Test Results

	GCG	Dividend Policy	Liquidity	Firm Growth
CR			1.000	
DKI	0.973			
DPR		1.000		
GROWTH				1.000
KM	-0.266			

Source: SmartPLS output, 2023

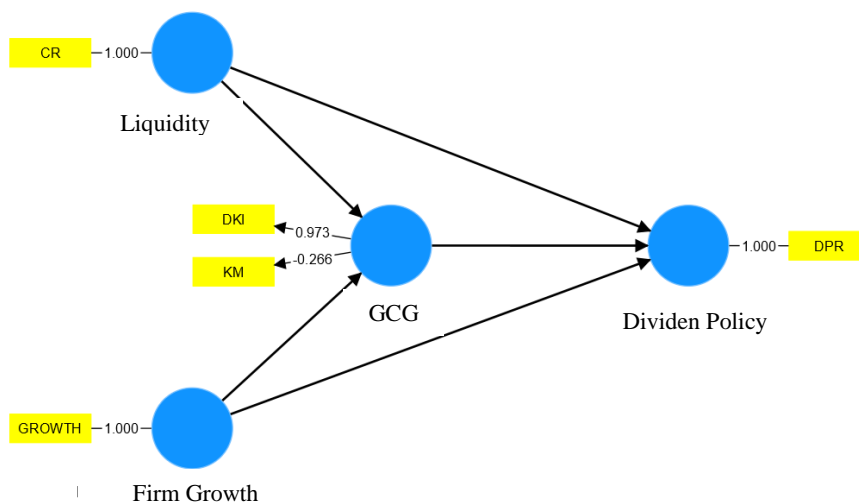


Figure 3. Validity Test Convergent with Outer Loadings

Source: SmartPLS output, 2023

Based on testing validity with outer loadings in Table 2 and Figure 3 are known indicator Good Corporate Governance on ownership managerial invalid because outer loadings value $-0.266 < 0.07$. So that indicator ownership managerial eliminated from the analysis process. Furthermore, testing validity with outer loadings without indicator ownership managerial on variables Good Corporate Governance, the result as following:

Table 3. Validity Test Convergent with Outer Loadings

	GCG	Dividend Policy	Liquidity	Firm Growth
CR			1.000	
DKI	0.973			
DPR		1.000		
GROWTH				1.000

Source: SmartPLS output, 2023

Discriminatory validity no need done for secondary data only with one indicator. So the result will definitely valid

Table 4. Discriminant Validity Test with AVE

	AVE	Keterangan
CR	1,000	Valid
DKI	1,000	Valid
DPR	1,000	Valid
GROWTH	1,000	Valid

Source: SmartPLS output, 2023

B. Reliability Test

Reliability test is size consistency tool measuring seen through composite reliability for measure that construct own high reliability. Research using secondary data with one indicator no need reliability test was carried out. So the result will definitely reliabel.

Table 5. Reliability Test Result

	Composite Reliability	Cronbach's Alpha	Keterangan
CR	1,000	1,000	Reliabel
DKI	1,000	1,000	Reliabel
DPR	1,000	1,000	Reliabel
GROWTH	1,000	1,000	Reliabel

Source: Output SmartPLS, 2023

4.1.3. Structural Model Analysis (Inner Model)

A. Variance Inflation Factor (VIF)

Table 6. Multicollinearity Test with VIF

	VIF
GCG -> Dividend Policy	1.165
Liquidity -> GCG	1.005
Liquidity -> Dividend Policy	1.037
Firm Growth -> GCG	1.005
Firm Growth -> Dividend Policy	1.129

Source: SmartPLS output, 2023

Based on visible data processing that VIF value for influencing variables Good Corporate Governance that is variable liquidity and firm growth have VIF value $1.005 < 5$ indicates No There is multicollinear. In addition, the variables that influence dividend policy that is variable liquidity, firm growth, and Good Corporate Governance own VIF value is less of 5 then confirmed no There is multicollinear. The estimated results of the PLS model are unbiased and predictable accepted.

B. R-Squared (R²)

Table 7. R-Squared Test Result

	R-Square	R-Square Adjusted
GCG	0.142	0.126
Dividend Policy	0.144	0.120

Source: SmartPLS output, 2023

Based on results processing so is known magnitude influence together liquidity and firm growth to Good Corporate Governance of 14.2% and the remaining 85.8% is influenced by variables other. The magnitude influence together liquidity and growth company as well Good Corporate Governance to dividend policy of 14.4% and the remaining 85.6% is influenced by variables other. this show that dividend policy influenced a lot of factors.

C. Q-Squared (R²)

Q-Squared is measurement for showing model feasibility of all research models. Q-Squared has range value $0 < Q^2 < 1$, if Q² value close to 1 mean the more its good.

$$Q^2 = 1 - (1 - R_{12})(1 - R_{22})$$

$$Q^2 = 1 - (1 - 0.142)(1 - 0.144)$$

$$Q^2 = 1 - 0.734$$

$$Q^2 = 0.266$$

Calculation results showing the Q-Squared value is $0.266 > 0$ then the proposed PLS model have predictive relevance. this show that various factors from dividend policy can explained 26.6 % of the overall model and the remaining 73.4% is influenced by other variables that are not investigated in research this.

4.1.4. Path Analysis

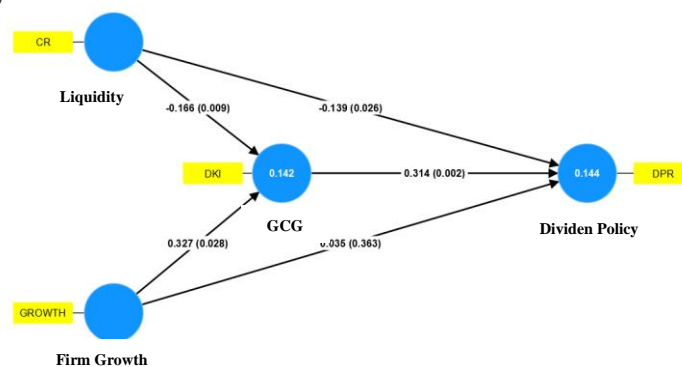


Figure 4. Bootstrapping output

Source: SmartPLS output, 2023

As for the similarities structural path analysis on research this is as following:

$$GCG = -0.166 LK + 0.327 GRWTH$$

$$DPR = -0.249 LK + 0.035 GRWTH + 0.134 GCG$$

4.1.5. Hypothesis Test

Table 8. Direct Influence Hypothesis Test Result

	Original Sample (O)	T Statistics (O/STDEV)	P Values	Description
GCG → DPR	0.314	2.922	0.002	Significant
CR → GCG	-0.166	2.372	0.009	Significant
CR → DPR	-0.139	1.951	0.026	Significant
Growth → GCG	0.327	1.91	0.028	Significant
Growth → DPR	0.035	0.350	0.363	Not Significant

Source: SmartPLS output, 2023

Table 9. Indirect Influence Hypothesis Test Result

	Original Sample (O)	T Statistics (O/STDEV)	P Values	Description
CR → GCG → DPR	-0.052	1.692	0.045	Significant
Growth → GCG → DPR	0.103	1.699	0.045	Significant

Source: SmartPLS output, 2023

On hypothesis testing noteworthy value are P-Values with criteria if smaller of 0.05 or 5% means effect. Criteria second is marked original sample, if value positive so show that variable own connection in the same direction whereas if value negative so connection variable opposite direction meaning when independent variable experienced increase so variable dependent experience decline.

4.2. DISCUSSION

4.2.1. Influence Liquidity to Dividend policy

Liquidity has a negative and significant effect on dividend policy so that the first hypothesis in this study is **accepted**. The test results show the P-Values value of 0.026 which means it is smaller than the criterion of 0.05. Then the original sample value is negative 0.139. This shows that liquidity is one of the factors affecting dividend policy which uses the current ratio proxy in calculating the company's liquidity, when the current ratio level is high, the dividend distributed decreases because if the company pays dividends, the available cash must be quite a lot so that if the dividend distributed increases it is feared that the liquidity level will be disrupted.

Research results This support research conducted by Hadi and Rahayu (2019), Angelia and Toni (2020) also Taufiqurrahman et al. (2021) which proves that liquidity influential negative and significant to dividend policy, this because company not yet of course own sufficient cash availability. Whereas usually dividend paid in form cash

dividend. This result is also supported theory put forward by Brigham & Houston (2018) that dividend cash can be shared only with company cash so that lack of cash availability Enough can limit distribution dividend. However, the results of this study contrary with research conducted by Ratnasari dan Purnawati (2019), Ardiansyah (2020) and Feizal et al. (2021) stated that liquidity influential positive and significant to dividend policy.

4.2.2. Influence Firm Growth to Dividend policy

Firm growth has no effect on dividend policy so that the second hypothesis in this study is **rejected**. The test results show the P-values of 0.363 which means greater than the criterion of 0.05. Although the original sample value is positive 0.035. This shows that the growth measured by the company by the level of sales growth does not affect the decision on the size of the dividend distribution.

The results of this study support research conducted by Evant and Zulvia (2019). Taufiqurrahman and Fachrudin (2021), as well as Azizah et al. (2020), experienced company enhancement sales that do not ensure significant dividends for small companies paying dividends to stockholders. These research findings are not in line with the studies by Anggraeini and Krisnando (2020), as well as Hudiwijono et al. (2018), which stated that the influence of a company's growth on dividend policy is positive and significant. Growth in sales becomes a consideration in dividend policy because an increase in sales growth will subsequently lead to higher company profits, resulting in an increased amount of dividend payments (Nurwulandari, 2020).

4.2.3. Influence Liquidity to Good Corporate Governance

Liquidity has a negative and significant effect on Good Corporate Governance so that the third hypothesis in this study is accepted. The test results show a P-Values value of 0.009 which means less than the criterion of 0.05. Then the original sample value is negative 0.166. This shows that liquidity as measured by the current ratio will encourage companies to make higher quality disclosures and improve the implementation of Good Corporate Governance.

The results of this study support research conducted by Lestari and Priyadi (2017) which states that liquidity influential negative and significant to Good Corporate Governance. When the current ratio level of a company is low, it means that the company has difficulty in meeting its short-term obligations. However, the results of this study contradict research Kusuma (2019) which states that liquidity no influential to Good Corporate Governance.

4.2.4. Influence Firm Growth to Good Corporate Governance

Firm growth has a positive and significant effect on Good Corporate Governance so that the fourth hypothesis in this study is accepted. The test results show a P-Values value of 0.028 which means it is smaller than the criterion of 0.05. Then the original sample value is positive 0.327. This shows that company growth as measured by sales growth will encourage companies to disclose the quality and improve the implementation of Good Corporate Governance.

The results of this study are in line with research conducted by Sugeng and Bambang (2009) which states that Good Corporate Governance become controller manager in something company when take decision as effort increase mark one company

through sales growth. So that firm growth has a positive and significant effect on Good Corporate Governance. However, the results of this study contradict research conducted by Fatiyah and Sulistiyo (2018) Because in his research state that firm growth no influential to Good Corporate Governance.

4.2.5. Influence Good Corporate Governance towards Dividend policy

Good Corporate Governance has a positive and significant effect on dividend policy so that the fifth hypothesis in this study is accepted. In realizing the practice of Good Corporate Governance, there are mechanisms from within the company such as the independent board of commissioners and managerial ownership which are thought to have an effect on dividend policy. However, in testing this research, managerial ownership as a proxy for Good Corporate Governance is invalid because the outer loadings value is $-0.266 < 0.07$. So that the managerial ownership indicator is removed from the analysis process and researchers only use the independent board of commissioners as a proxy for Good Corporate Governance. The test results show that the P-Values value of 0.002 is smaller than the 0.05 criterion. Then the original sample value is positive 0.314. This shows that Good Corporate Governance with the proxy of the independent board of commissioners is one of the factors that influence dividend policy.

The results of this study support research conducted by Gunawan et al. (2019), Limbong and Darsono (2021), also Setiyowati and Sari (2017) stated that Good Corporate Governance influential positive and significant to dividend policy. Supervision is carried out by the board of commissioners independent to performance directors expected for avoid agency conflicts like concerned directors his business than interest holder stock.

However, the results of this study contrary with research by Natsir and Bangun (2021) serta Hartawan and Lestari (2021) explained that the number of independent commissioners in a company is generally much less than the total number of commissioners in the company, so that the voice of independent commissioners is not meaningful enough in every policy decision made by the company, including dividend policy. So that the independent board of commissioners has no effect on dividend policy.

4.2.6. Influence Liquidity to Dividend policy with good Corporate Governance as Variable Mediation

The sixth hypothesis states that Good Corporate Governance can mediate the relationship between liquidity and dividend policy. The test results show a P-Values value of 0.045 which means it is smaller than the 0.05 criterion. Then the original sample value is negative 0.052. Based on the P-values, it can be stated that the sixth hypothesis is accepted, namely Good Corporate Governance can mediate the relationship between liquidity and dividend policy.

The results of this study support research conducted by Christiani and Rure (2020) in his research explain Good Corporate Governance influential as mediation between liquidity to dividend policy. However results study This contrary with research by Lestari and Priyadi (2017) which stated that Good Corporate Governance cannot mediate the influence between liquidity on dividend policy, this is because when the company's liquidity level is too high, investors respond negatively to these events so that Good Corporate Governance does not work.

4.2.7. Influence Firm Growth to Dividend policy with Good Corporate Governance as Variable Mediation

The seventh hypothesis states that Good Corporate Governance can mediate the relationship between firm growth and dividend policy. The test results show that the significant value of P-Values of 0.045 is smaller than the criterion of 0.05. Then the original sample value is positive 0.103. Based on the P-Values value, it can be stated that the seventh hypothesis is accepted, namely Good Corporate Governance can mediate the relationship between firm growth and dividend policy.

The results of this study support research conducted by Adnan et al. (2014) in his research explain Good Corporate Governance influential as mediation between firm growth to dividend policy. However, the results of this study are in line with research by Puspansih dan Pratiwi (2018) which stated that Good Corporate Governance cannot mediate the influence between firm growth on dividend policy.

5. CONCLUSION

In conclusion, this comprehensive study explored the intricate relationship between liquidity, firm growth, Good Corporate Governance, and dividend policy. The quantitative analysis of secondary data from manufacturing companies listed on the Indonesia Stock Exchange yielded valuable insights. Notably, liquidity emerged as a significant factor influencing dividend policy, with a negative effect observed. On the other hand, firm growth did not directly impact dividend decisions, highlighting the need for businesses to carefully consider alternative strategies for enhancing shareholder value. The study also shed light on the pivotal role played by Good Corporate Governance, which exhibited a positive and significant influence on dividend policy. Moreover, Good Corporate Governance acted as a mediator for both liquidity and firm growth, further emphasizing its importance in driving optimal dividend policy outcomes.

These findings carry important implications for corporate decision-makers and investors alike. Companies should strive to maintain sufficient liquidity levels to support sustainable dividend payouts while also focusing on implementing effective Corporate Governance practices. By fostering transparency, accountability, and ethical conduct, businesses can build investor trust and foster long-term value creation. Investors, in turn, can leverage these findings to make informed choices when assessing companies' dividend policies and overall financial health. As the economic landscape evolves, further research in this domain could provide additional nuances and insights, contributing to a deeper understanding of the factors shaping dividend policy and its impact on the broader market dynamics.

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