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The Effect of Free Cash Flow, Leverage, and Profitability on Dividend Policy in IDX-Listed Transportation and Logistics Companies

Abstract. *In the business world, companies continuously strive to enhance their value through various strategies and policies. One of the critical policies influencing a company's value is the dividend policy. Dividend policy is a crucial decision for company management as it reflects the financial condition and prospects of the company and can influence shareholders' investment decisions. This study examines the influence of free cash flow, leverage, and profitability on dividend policy in transportation and logistics companies listed on the Indonesia Stock Exchange from 2018-2022. The data used in this study are secondary data obtained from the companies' annual financial reports. This research employs purposive sampling to select 20 companies from a population of 37 IDX-listed transportation and logistics companies. This study measures free cash flow using the free cash flow ratio, leverage using the debt-to-equity ratio, and profitability using return on equity. This study analyzed the data using descriptive statistics and Partial Least Squares (PLS) technique. The study's results indicate that free cash flow and profitability significantly influence dividend policy. Since profitability significantly affects dividend policy, companies with high profitability have to increase dividend payments to attract and retain investors. This will increase positive perceptions in the market and increase the company's stock value. Besides, high free cash flow indicates that the company has sufficient liquidity to pay dividends without sacrificing important investments in operations or growth. Therefore, companies must adopt effective cash management strategies to ensure healthy cash flow, such as optimizing operational costs, working capital efficiency, and appropriate financing strategies to maintain liquidity. Leverage does not affect dividend policy but can provide mixed signals to the market regarding the company's financial condition.*

Keywords: *free cash flow ratio, debt-to-equity ratio, return on equity, dividend policy, transportation and logistics sector companies.*

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Вплив вільного грошового потоку, кредитного плеча та прибутковості на дивідендну політику транспортних і логістичних компаній, зареєстрованих на Індонезійській фондовій біржі

Анотація. *У світі зростаючої конкуренції за лідерство на ринку компанії постійно прагнуть підвищити свою вартість за допомогою різних стратегій і політик. Серед таких важливе місце займає дивідендна політика, яка є вирішальним фактором, оскільки відображає фінансовий стан і перспективи компанії та може впливати на інвестиційні рішення акціонерів. У цьому дослідженні вивчається вплив вільного грошового потоку, кредитного плеча та прибутковості на дивідендну політику транспортних і логістичних компаній,*

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зареєстрованих на Індонезійській фондовій біржі у 2018–2022 роках. Дані, використані в цьому дослідженні, є вторинними даними, отриманими з річних фінансових звітів компаній. У цьому дослідженні використовується цілеспрямована вибірка – 20 компаній із загальної сукупності транспортних і логістичних компаній, зареєстрованих на IDX. У цьому дослідженні вільний грошовий потік вимірюється за допомогою коефіцієнта вільного грошового потоку, кредитне плече – за допомогою співвідношення боргу та власного капіталу, а прибутковість – за допомогою рентабельності власного капіталу. Для аналізу даних використано методи описової статистики та метод часткових найменших квадратів (PLS). Результати дослідження свідчать про те, що вільний грошовий потік і прибутковість суттєво впливають на дивідендну політику. Таким чином, компанії з високою прибутковістю повинні збільшувати дивідендні виплати, щоб залучити та утримати інвесторів. Це посилить позитивне сприйняття на ринку та збільшить вартість акцій компанії. Крім того, високий вільний грошовий потік вказує на те, що компанія має достатню ліквідність для виплати дивідендів без шкоди для важливих інвестицій у діяльність або зростання. Тому компанії повинні прийняти ефективні стратегії управління грошовими коштами, щоб забезпечити здоровий грошовий потік, наприклад оптимізувати операційні витрати, ефективність оборотного капіталу та відповідні стратегії фінансування для підтримки ліквідності. Кредитне плече не впливає на дивідендну політику, але може надавати неоднозначні сигнали ринку щодо фінансового стану компанії.

Ключові слова: *коефіцієнт вільного грошового потоку, відношення заборгованості до власного капіталу, рентабельність власного капіталу, дивідендна політика, компанії транспортно-логістичного сектору.*

INTRODUCTION

Dividend policy is an important aspect of management decision-making related to shareholders' interests and the company's strategy for allocating its profits. Dividend policy provides companies with the option to distribute profits between dividends and reinvestment for future growth (Goldwin & Handayani, 2022). Good dividend distribution management will help attract and retain investors in the company.

This study focuses on the transportation and logistics sector. Referring to data published by Statistics Indonesia in the fourth quarter of 2023, the transportation and logistics sector experienced GDP growth according to business fields by 13.96%. Thus, this sector has the highest GDP growth compared to other sectors, such as agriculture, mining and quarrying, manufacturing, trade and repair. Increasing GDP growth influences consumer purchasing power, which aligns with demand. High demand will influence profitability and the availability of dividends (Romus et al., 2020). Fundamental factors for researching this topic are free cash flow, leverage, and profitability.

Free cash flow significantly influences the company's dividend policy. Wulandari et al. (2019) argued that free cash flow influences property and real estate companies listed on the Indonesia Stock Exchange. Davin and Bangun (2021) reported that free cash flow influences dividend policy. Tjhoa (2020) emphasized that a high level of free cash flow will allow management to distribute dividends. However, other researchers have obtained opposite results (Lohonauman & Budiarso, 2021; Ayu et al., 2022).

Leverage can influence dividend policy, where when a company has a high level of debt, it will allocate more funds to pay off debt than to distribute dividends. Handayani et al. (2022) found that leverage negatively influences dividend policies. Wakhi Anuar et al. (2023) state that companies with high debt levels prioritize using profits to meet financial obligations rather than distributing profits. Hartono and Matusin (2020) revealed no effect between the level of leverage and dividend policy. According to Goldwin and Handayani (2022), a high level of debt does not necessarily reduce the level of dividend policy.

Profitability is a crucial factor in dividend policy. Hariyanti and Pangestuti (2021) explain that profitability can affect dividend policy because increasing a company's profit also increases dividend payments to investors (Prastya & Jalil, 2020; Akbar & Fahmi, 2020). Instead, Indra Cahyono and Asandimitra (2021) state that profitability does not influence dividend policy because a high level of profit in a company is not necessarily prioritized for dividend payments to investors but can also be used to develop the company.

Thus, the different results lead us to investigate the relationship between these factors for companies in the transportation and logistics sector in Indonesia.

THEORETICAL BACKGROUND

Agency Theory

Andriawan and Setyawan (2020) explained that agency theory describes the contractual relationship between principal and agent where each individual has their interests, which leads to conflict between principal and agent. In a company, shareholders are the principals, while agents are the company's management. Chrisman (2004) in Ghozali (2020) stated that the problem in agency theory can be in the form of Moral Hazard or Adverse Selection. Moral Hazard is a condition where management is considered less optimal in terms of employment and can be considered a form of resistance that includes free riding, shirking, and perk consumption.

Signalling Theory

Signalling theory interprets a signal as valuable and useful, while other signals can be ignored. The valuable signal is related to the quality and elements of the signal that make it convincing and attractive (Ghozali, 2020). Practically, Andriawan and Setyawan (2020) stated that signal theory is a way for companies to give signals to outside parties through financial statement media.

Dividend Policy

Dividend policy is the distribution of profits to be paid as dividends to shareholders or to be reused for company operations, which means that the profit must be retained in the company. The higher the retained profit, the lower the dividends to be distributed to shareholders (Sejati et al., 2020). Muriungi (2020) argued that companies will try to create a consistent dividend policy to give a good signal to investors. However, high dividend payments will increase the cost of capital, so stock prices will be low. Prastya and Jalil (2020) stated that dividend policy is measured using the Dividend Payout Ratio (DPR), which shows how much of the company's net profit is reinvested or retained.

$$DPR = \frac{Dividend\ per\ Share}{Earning\ per\ Share}$$

Free Cash Flow

Free cash flow is the remaining funds after the company calculates the amount of capital needed to maintain or expand its business (Anggraini et al., 2023). Rochmah and Ardianto (2020) revealed that companies with high cash flow can reduce agency problems as they tend to distribute dividends stably to shareholders. Davin and Bangun (2021) stated that free cash flow refers to the following formula:

$$FCF\ Ratio = \frac{Net\ Operating\ Cash\ Flow + Net\ Investment\ Cash\ Flow}{Total\ Asset}$$

Leverage

Kasmir (2019) explained that leverage is a ratio measuring how much debt is owned to finance the company's operational activities compared to its own capital. A large leverage ratio illustrates a higher proportion of external funding compared to internal funding (Saputri, 2019). Leverage is calculated using the debt-to-equity ratio by comparing the amount of debt to the amount of equity.

$$DER = \frac{Total\ Liability}{Total\ Equity}$$

Profitability

Profitability is a ratio that measures a company's ability to seek profit and measure the level of management effectiveness, which can be seen from the profit generated by sales and investment earnings (Kasmir, 2019). Dirman (2020) stated that profitability is an indicator to assess a company's performance, including income and costs incurred by managing assets and liabilities in one period. This study measures profitability using the return on equity (ROE) ratio, which can measure a company's net profit compared to shareholder equity.

$$ROE = \frac{Net\ Profit}{Total\ Equity}$$

HYPOTHESES DEVELOPMENT

The Effect of Free Cash Flow on Dividend Policy

This study measures free cash flow using the free cash flow ratio. Free cash flow describes the amount of funds available to meet the company's operational and investment needs, which can be used to pay dividends (Davin & Bangun, 2021). The high level of free cash flow provides management flexibility in using funds, thereby increasing dividend payments (Tjhoa, 2020). Large free cash flow availability can lead to increased investment and decreased dividend payments, resulting in conflict between management and shareholders concerning growth opportunities and dividend distribution (Indra Cahyono & Asandimitra, 2021).

Davin and Bangun (2021) revealed that free cash flow has a significant positive effect on dividend policy. This is in line with Wulandari et al. (2019) and Tjhoa (2020). On the other hand, Prastya and Jalil (2020), Lohonauman and Budiarso (2021), and Ayu et al. (2022) stated that there is no relationship between free cash flow and dividend policy.

H1: Free cash flow influences dividend policy in IDX-listed transportation and logistics companies.

The Effect of Leverage on Dividend Policy

This study measures leverage using the debt-to-equity ratio. Leverage describes the proportion of debt in the capital structure. If the leverage level increases, the company will have a level of obligation to creditors in the form of interest expenses and an increase in principal debt; consequently, dividends that can be distributed to shareholders will decrease (Wulandari et al., 2019).

Some researchers (Davin & Bangun, 2021; Azizah et al., 2020; Prastya & Jalil, 2020; Indra Cahyono & Asandimitra, 2021) found that leverage negatively influences dividend policy. However, it contradicts the results of studies by Handayani et al. (2022), Wulandari et al. (2019), and Hariyanti and Pangestuti (2021).

H2: Leverage influences dividend policy in IDX-listed transportation and logistics companies.

The Effect of Profitability on Dividend Policy

This study measures profitability using return on equity (ROE), which describes the profit that can be generated through capital from shareholders. The provision of dividends to shareholders highly depends on the company's profitability level over a period. The higher the level of profitability, the more stable the distribution of dividends to shareholders (Azizah et al., 2020). If the company consistently distributes dividends, this will be very attractive to investors, and shareholders will consider the company's condition to be good (Prastya & Jalil, 2020).

Danu Bramaputra et al. (2022), Goldwin and Handayani (2022), Akbar and Fahmi (2020) and Prastya and Jalil (2020) found that profitability can affect dividend policy. However, it contradicts studies by Indra Cahyono and Asandimitra (2021), Tjhoa (2020) and Yusuf and Suherman (2021).

H3: Profitability influences dividend policy in IDX-listed transportation and logistics companies.

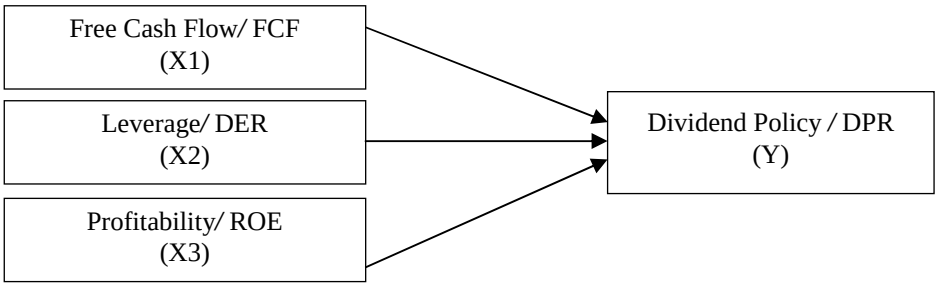

Figure 1. **Research conceptual framework**

RESEARCH METHODOLOGY

Data, sample and research variables

This associative research aims to determine the relationship between two or more variables in dividend policy. It was conducted on transportation and logistics sector companies listed on the Indonesia Stock Exchange from 2018 to 2022.

This study used secondary data from the annual financial reports of transportation and logistics companies published on their official websites and the Indonesia Stock Exchange website.

The research population was 37 transportation and logistics sector companies listed on the Indonesia Stock Exchange (Table 1). For research purposes, the companies were selected based on compliance with the following criteria:

– Transportation and logistics companies listed on the Indonesia Stock Exchange in 2018-2022.

– Transportation and logistics companies that use the Rupiah (IDR) currency.

This study used three independent variables: free cash flow (X1), leverage/debt to equity ratio (X2), and profitability /return on equity (X3). The dependent variable is the dividend policy/dividend payout ratio (Y). The operational definition of this study is presented in Table 2.

Table 1. **Sample Criteria**

No.	Sampling Criteria	Number
1	Transportation and logistics companies listed on the Indonesia Stock Exchange	37
2	Transportation and logistics companies listed on the Indonesia Stock Exchange in 2018-2022	(14)
3	Transportation and logistics companies that use the Rupiah (IDR) currency	(3)
Total eligible company		20
Total eligible sample (2018-2022)		100

Source: data processed (2024).

Table 2. **Research Variables and Operational Definitions**

Variable	Definition	Indicator	Scale
Free Cash Flow	Funds remaining after the company calculates the amount of capital needed to maintain or expand its business	FCF = (Net Operating Cash Flow + Net Investment Cash Flow) / Total Asset	Ratio
Leverage (DER)	A ratio to measure how much debt is owned to finance the company's operational activities when compared to own capital	DER = Total Liability/Total Equity	Ratio
Profitability (ROE)	A ratio measures the company's ability to seek profit. It provides a measure of the level of management effectiveness, which can be seen from the profit generated by sales and investment earnings	ROE = Net Profit/Total Equity	Ratio
Dividend Policy (DPR)	The distribution of profits to be paid as dividends to shareholders or to be reused for company operations	DPR = Dividend per Share/Earning per Share	Ratio

Source: data processed (2024).

Data Analysis Technique

This study analyzed the data using descriptive statistics and Partial Least Squares (PLS). *Partial Least Squares* is an analysis method that eliminates the assumptions of Ordinary Least Squares (OLS). The PLS uses the bootstrapping method or random duplication, so the assumption of normality is not needed in testing. The PLS evaluation model was carried out by assessing the outer and inner models.

The measurement model evaluation (outer model) aimed to assess the validity and reliability of the model. The outer model with reflective indicators was evaluated through the convergent and discriminant validity of the indicators forming the latent construct and composite reliability and Cronbach alpha for the indicator block. Meanwhile, the outer model with formative indicators was evaluated through its substantive content, namely comparing the relative weight and looking at the significance of the construct indicators (Chin 1998 in Ghozali, 2021). The outer model test covers two indicators: reflective and formative (Ghozali, 2021).

The structural model evaluation (inner model) was used to predict the relationship between latent variables and bootstrapping calculations. Inner model testing evaluation could use the R-square for dependent constructs, the Stone-Geisser Q-square test for predictive relevance, and the t-test for the significance of the structural path parameter coefficients. The R2 value measures the level of variation in changes in independent variables to the dependent variable. Q-square calculates how good the observation values produced by the model.Q2> 0 indicates that the model has predictive relevance, while Q2< 0 indicates that the model has less predictive relevance (Ghozali, 2021). In this study, the evaluation of the model only used the structural (inner) model because it used secondary data. Hence, there is no need to evaluate the measurement model (outer model).

Bootstrapping, a non-parametric procedure, solves problems with non-normal data, especially if the sample is small. Bootstrapping allows statistical significance testing of various PLS-SEM results. In bootstrapping, subsamples are created with random observations taken (with replacement) from the original data set. The number of subsamples should be large to ensure the stability of the results. A small number of bootstrap subsamples (e.g., 500) can be used for initial checks. To prepare the final results, researchers need to use many bootstrap subsamples (e.g., 5,000) (Juliandi, 2018).

Hypothesis testing was carried out by looking at the t-statistic and probability values. The t-statistic value of α 5% is 1.96. If the t-statistic value is higher than 1.96, then the hypothesis is accepted, but if it is lower than 1.96, the hypothesis is rejected. To reject the probability hypothesis, Ha is accepted if the p-value is lower than 0.05 (Ghozali, 2021).

This study used the PLS approach with the following equation model:

$$DPR = \beta 1FCF + \beta 2DER + \beta 3ROE$$

where: DPR = Dividend Policy
β1FCF = Free Cash Flow
β2DER = Leverage
β3ROE = Profitability

RESULTS AND DISCUSSION

Descriptive Statistical Analysis

Descriptive statistical analysis is carried out to describe the data in terms of the maximum value, minimum value, average value (mean), and standard deviation value of the variables FCF (X1), DER (X2), ROE (X3), DPR (Y).

Table 3. **Descriptive Statistics Based on FCF Variable (X1) / Descriptive Statistics Based on FCF (X1), DER (X2), ROE (X3), DPR (Y) Variables**

Variable	Minimum	Maximum	Mean	Std. Deviation
FCF (X1)	-0.879	0.698	0.052	0.257
DER (X2)	-40.298	41.801	1.86	9.747
ROE (X3)	-5.596	7.556	0.082	1.361
DPR (Y)	0	12	0.21	1.286

Source: data processed (2024).

Based on Table 3, the minimum value of FCF (X1) is -0.879, with a maximum value of 0.698. The average FCF (X1) is 0.052, with a standard deviation of 0.257. The minimum value of DER (X2) is -40.298, with a maximum value of 41.801. The average DER (X2) is 1.86, with a standard deviation of 9.747. The minimum value of ROE (X3) is -5.596, with a maximum value of 7.556. The average ROE (X3) is 0.082, with a standard deviation of 1.361. The minimum value of DPR (Y) is 0, with a maximum value of 12. The average DPR (Y) is 0.21, with a standard deviation of 1.286.

Evaluation of the Structural Model (Inner Model)

The structural model evaluation (inner model) was based on R^2 and F^2.

The R-Square value (R^2) indicates the level of determination of exogenous variables against their endogenous variables. A large R^2 value indicates a good level of determination.

The R-Square value of DPR (Y) is 0.338, meaning that FCF (X1), DER (X2), and ROE (X3) can explain or influence DPR (Y) by 33.8%, and other factors influence the remaining 66.2%.

Table 4. **Determination Coefficient**

	R Square
DPR (Y)	0.338

Source: data processed (2024).

Table 5. **Results of F^2 for Effect Size**

	DPR (Y)
FCF (X1)	0.137
DER (X2)	0.034
ROE (X3)	**0.284**

Source: data processed (2024).

F-Square (F2) is a measure to see the relative impact of an exogenous or independent variable and moderation on an endogenous or dependent variable.

Table 5 shows that:

– The FCF has a small effect size on DPR because the F-Square is between 0.02 and 0.15;

– The DER does not have an effect size on DPR because the F-Square value is below 0.02;

– The ROE has a moderate effect size on DPR because the F-Square is between 0.15 and 0.35.

Path Coefficients

Path Coefficients help test the hypothesis of the influence of variables X and Z on variable Y. This analysis was carried out by comparing the t-table and t-statistics produced by bootstrapping in SmartPLS. The hypothesis is accepted if the t-statistic value is higher than the t-table (1.96) with a significance level of 5% or P-value α = 5%, p-value 0.05 (Sugiyono, 2021).

Table 6. **Path Coefficients**

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
FCF (X1) → DPR (Y)	0.307	0.342	0.076	4.052	**0.000**
DER (X2) → DPR (Y)	-0.156	-0.144	0.089	1.756	**0.080**
ROE (X3) → DPR (Y)	-0.460	-0.442	0.206	2.228	**0.026**

Source: data processed (2024).

Based on Table 6, it can be said that:

– FCF (X1) has a significant effect on DPR (Y), with a P-value of 0.000 <0.05 (Hypothesis accepted).

– DER (X2) does not have a significant effect on DPR (Y), with a P-value of 0.080> 0.05 (Hypothesis rejected).

– ROE (X3) has a significant effect on DPR (Y), with P-values of 0.026 < 0.05 (Hypothesis accepted).

Based on the results of the Path Coefficients analysis presented in Table 6, the following structural equation model can be obtained:

DPR = 0.307 FCF – 0.156 DER – 0.46 ROE

The positive and negative signs in the structural equation above indicate the relationship between the independent and dependent variables. A positive sign indicates a positive or unidirectional relationship between the independent and dependent variables. Meanwhile, the negative sign shows the opposite direction between the independent and the dependent variables. In the structural model above, free cash flow is positive, while leverage and profitability have negative signs.

Discussion

The Effect of Free Cash Flow on Dividend Policy

Free cash flow describes cash that companies can use to reinvest in business growth, pay off debts, provide dividends to shareholders, or buy back their shares. The analysis results show that free cash flow has a significant positive effect on dividend policy. This indicates that with increasing free cash flow in a company, the company will be consistent in paying dividends. Transportation and logistics companies require large capital investments, while mature businesses can generate stable cash flows, which can be useful for paying dividends.

Based on agency theory, dividend payments are a control mechanism to reduce agency conflicts and ensure that agents act in accordance with the principal's interests. With high free cash flow, dividend payment announcements can also reduce the possibility of agents behaving inefficiently or even harming the principal, such as excessive investment in unprofitable projects or resource waste.

In signalling theory, stable and smooth dividend payments supported by good free cash flow indicate a good signal to outsiders. A good dividend policy is considered an indication of the company's financial health and management optimism about future performance.

The results of this study are in line with Davin & Bangun (2021), Wulandari et al. (2019), and Tjhoa (2020) that free cash flow can affect dividend policy. However, it contradicts other studies by Prastya & Jalil (2020), Lohonauman & Budiarso (2021), and Ayu et al. (2022).

The Effect of Leverage on Dividend Policy

The debt-to-equity ratio describes how much a company relies on debt to finance its operational activities. The results of the analysis show that leverage cannot influence dividend policy. Transportation and logistics companies require large capital investments to run their operations and grow, so high leverage may be considered a common financing tool. These companies have operational and financial flexibility to adapt to changing market conditions. This flexibility and the ability to adjust operations and costs allow those companies to maintain dividend payments even though their DER is high. Based on agency theory, company management (agents) can maintain or even increase dividend payments to show shareholders (principals) that the business operates well despite high leverage. This aims to reduce uncertainty and potential conflict with shareholders about how the company uses funds. Management maintains or increases dividends by showing commitment to shareholder welfare, which can minimise shareholder oversight and pressure.

In signalling theory, maintaining or increasing dividend payments despite high leverage can be interpreted as a positive signal. Transportation and logistics companies require large capital investments, so high leverage signals management that they have good growth prospects and manage debt well. This can increase investor confidence and attract higher investment.

The findings of the study are in line with Handayani et al. (2022), Wulandari et al. (2019), and Hariyanti & Pangestuti (2021) that leverage does not influence dividend policy. On the other hand, the results contradict Davin & Bangun (2021), Azizah et al. (2020), Prastya & Jalil (2020), and Indra Cahyono & Asandimitra (2021) that leverage can influence dividend policy.

The Effect of Profitability on Dividend Policy

Return on Equity indicates the efficiency of a company in generating profits from the capital investment. The results of the analysis show that profitability influences dividend policy. This indicates that companies with high profitability tend to be more capable and more likely to pay higher dividends to shareholders because more profitable companies have more profits to distribute. Besides, they can attract and retain investors by providing stable cash returns.

Based on agency theory, there is a conflict of interest between management (agent) and shareholders (principal). Management may tend to retain profits for new investment projects that may not always be in line with the interests of shareholders who prefer immediate cash returns. High profitability indicates good performance and increased profits, which can pressure managers to increase dividend distributions to satisfy shareholders and reduce potential conflicts. Managers can also show their commitment to maintaining shareholder interests by paying dividends, which can reduce agency costs that may arise from shareholder distrust.

Signalling theory explains that companies use internal information that is not publicly available as a signal to the market. Dividend payments are considered a positive signal about the company's prospects. High profitability provides a solid basis for companies to increase dividend distribution as this can be interpreted by the market as the company having sufficient cash flow and good profit prospects in the future. Thus, increasing dividend distribution can improve the market perception of the company, attract more investors, and increase the company's stock value.

The results of the study are in line with Danu Bramaputra et al. (2022), Goldwin & Handayani (2022), Akbar & Fahmi (2020), and Prastya & Jalil (2020) that profitability can influence dividend policy. However, this contradicts the findings of Indra Cahyono & Asandimitra (2021), Tjhoa (2020), and Yusuf & Suherman (2021).

CONCLUSION

After analyzing the collected data, we found that the connection of such factors as free cash flow, leverage and profitability with the dividend policy in IDX-listed transportation and logistics companies is as follows:

- Free cash flow affects dividend policy;
- Leverage does not affect dividend policy;
- Profitability affects dividend policy.

Based on these results, the following recommendations can be provided to companies and investors:

Transportation and logistics companies listed on the Indonesia Stock Exchange must consider optimal dividend policies based on profitability. Since profitability significantly affects dividend policy, companies with high profitability have to increase dividend payments to attract and retain investors. This will increase positive perceptions in the market and increase the company's stock value. Besides, the company needs to manage its free cash flow well. High free cash flow indicates that the company has sufficient liquidity to pay dividends without sacrificing important investments in operations or growth. Therefore, companies must adopt effective cash management strategies to ensure healthy cash flow, such as optimizing operational costs, working capital efficiency, and appropriate financing strategies to maintain liquidity. Moreover, companies must pay attention to their financial structure, especially leverage. However, leverage does not directly affect DPR; it can provide mixed signals to the market regarding the company's financial condition.

Investors who invest in the transportation and logistics sector must consider companies with high profitability because this shows the company's ability to generate profits from the equity owned. Companies with high profitability tend to have better dividend policies, which indicate a more stable and higher dividend payment. Investors also need to pay attention to the company's free cash flow as an additional indicator of the company's ability to pay dividends consistently. This analysis helps investors make more informed and profitable investment decisions.

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