

ABSTRACT

Since the beginning of the year 2020, the world's economy has been running into recession due to the effects of the COVID-19 pandemic. The pandemic limited the world's trade and in effect also limits firm's capabilities to generate income. Given that income is one of the components of dividend policy decisions, change in income around the globe might cause a change in firm's dividend behaviour. Adding to that, the COVID-19 also affects other financial categories, such as a firm's margin of safety regarding their debts, and that may also bring a firm into financial distress. The purpose of this study is to examine the impact of financial performance and financial distress on the dividend policy of Indonesian manufacturing firms during the COVID-19 pandemic crisis. The independent variables are profitability, financial distress, leverage, liquidity, and firm size while the dependent variable is dividend policy.

The data used in this research are secondary data from the financial statements and annual reports of manufacturing companies listed on the Indonesia Stock Exchange in 2019-2020 and selected by using purposive sampling method. Dividend pay-out data from 2021 is necessary to compensate data lag because firms pay dividends on the basis of previous year's financial performance. Descriptive statistics, classical assumption tests, and a linear-multiple regression analysis are used to test the hypothesis of this study with a 5% significance level.

The results showed that profitability has a positive effect towards the dividend policy of Indonesian manufacturing firms during COVID-19 pandemic on less than 5 percent significance. On the other hand, financial distress, leverage, liquidity, and firm size does not have a significant effect on dividend policy during the COVID-19 pandemic.

Keywords: *dividend policy, profitability, liquidity, leverage, firm size, financial distress.*