

Indonesia's Dividend Policy Determinants Analysis

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ABSTRACT

Keywords:

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Kata Kunci:

Kebijakan dividen,
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Dividend payment policy serves as a key consideration for investors when making investment decisions in a particular firm. This policy can be influenced by various financial and non-financial factors, including liquidity, profitability, leverage, firm growth, firm size, prior year dividends, corporate taxation, free cash flow, and retained earnings. This study aims to examine the determinants of dividend payment policy in non-financial companies listed on the Indonesia Stock Exchange (IDX), by analyzing data from 291 firms over the period 2018 to 2022. The regression analysis, employing the Pooled Ordinary Least Squares (Pooled OLS) method, reveals that profitability, firm size, previous year's dividends, corporate tax, free cash flow, and retained earnings have a significant positive impact on dividend payment policy. Conversely, leverage and firm growth exhibit a negative effect, while liquidity is found to have no significant influence. These findings suggest that companies with higher profitability and stronger internal cash holdings are more likely to distribute dividends. The study also highlights that industry sectors may play a critical role in shaping a firm's dividend payment policy.

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SARI PATI

Kebijakan pembayaran dividen berfungsi sebagai pertimbangan utama bagi investor saat membuat keputusan investasi di suatu perusahaan tertentu. Kebijakan ini dapat dipengaruhi oleh berbagai faktor keuangan dan non-keuangan, termasuk likuiditas, profitabilitas, leverage, pertumbuhan perusahaan, ukuran perusahaan, dividen tahun sebelumnya, pajak perusahaan, arus kas bebas, dan laba ditahan. Penelitian ini bertujuan untuk menguji faktor-faktor penentu kebijakan pembayaran dividen pada perusahaan non-keuangan yang terdaftar di Bursa Efek Indonesia (BEI), dengan menganalisis data dari 291 perusahaan selama periode 2018 hingga 2022. Analisis regresi yang menggunakan metode Pooled Ordinary Least Squares (Pooled OLS) mengungkapkan bahwa profitabilitas, ukuran perusahaan, dividen tahun sebelumnya, pajak perusahaan, arus kas bebas, dan laba ditahan memiliki dampak positif yang signifikan terhadap kebijakan pembayaran dividen. Sebaliknya, leverage dan pertumbuhan perusahaan menunjukkan efek negatif, sementara likuiditas ditemukan tidak memiliki pengaruh yang signifikan. Temuan ini menunjukkan bahwa perusahaan dengan profitabilitas yang lebih tinggi dan kepemilikan kas internal yang lebih kuat cenderung lebih sering membagikan dividen. Penelitian ini juga menyoroti bahwa sektor industri dapat memainkan peran penting dalam membentuk kebijakan pembayaran dividen sebuah perusahaan..

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INTRODUCTION

The capital market serves as a platform where issuers and investors converge. Issuers are entities in need of capital, whereas investors are the parties who possess financial resources and seek to allocate their funds through investment. The primary expectation of investors in channeling their capital into such markets is to attain a return on investment, either in the form of capital gains or dividends (Hanif & Bustamam, 2017). Dividends have become one of the key attractions for investors, with some even placing greater value on dividend income than on capital gains (Brigham & Houston, 2012). Dividend policy constitutes a managerial decision regarding the allocation of the excess profits, which may either be distributed to shareholders in the form of dividends or retained to support future investment needs. This decision-making process must undergo deliberation through the General Meeting of Shareholders (GMS) and requires collective approval. In accordance with statutory regulations in Indonesia, only companies with a positive retained earnings balance are permitted to distribute dividends.

Since 2021, there has been a significant increase in the number of single investor identifications (SID), reaching seven million (KSEI, 2021). As of December 2024, the number of SIDs has continued to rise, surpassing 14 million ([OJK.go.id](https://www.ojk.go.id), 2024), and is projected to continue its upward trend in the coming years (KSEI, 2024). This surge in SID registrations is also attributed to the growing number of dividend distributions by several companies (Laabs, 2013). For instance, PT Bukit Asam Tbk distributed dividends amounting to IDR 7.91 trillion, representing a dividend payout ratio (DPR) of approximately 99% of its net income—a substantial increase from the previous year's payout ratio of only 35%. The dividend payout ratio (DPR) refers to the proportion or percentage of net income that is distributed to shareholders as dividends. According to the dividend signaling theory, companies that distribute dividends are often perceived to be in a strong financial position and are expected to perform well in the future. Dividend distribution activities are also believed to enhance a company's reputation, thereby increasing its credibility in the eyes of investors (Salsabila & Isbanah, 2020). Furthermore, companies that have initiated dividend distributions tend to continue doing so on a regular basis, primarily to avoid generating negative sentiment in the market (Lintner, 1956; Sawicka & Ulrichs, 2020).

Numerous prior studies have also analyzed the determinants that influence a company's decision in formulating its dividend policy. The majority of earlier research has predominantly focused on financial aspects, such as liquidity ratios, profitability, leverage, corporate taxation, free cash flow, and retained earnings. These studies have yielded varying results regarding the relationship between these financial ratios and dividend policy (Angelia dan Toni, 2020; Gill, Biger, dan Tibrewala, 2010; Handayani et al., 2022; Herbowo, Niandari, dan Grediani, 2023; Khan et al., 2022; Pangestuti, 2019; Ullah, Bagh, dan Arif, 2010; Setiawan dan Vivien, 2021; Tumiwa dan Mamuaya, 2019; Wahjudi, 2018; dan Yusof dan Ismail, 2014). In addition, dividend policy may also be influenced by non-financial factors such as company growth, firm size, and the dividend paid in the preceding year (Arko & Abor, 2014; Lintner, 1956; Rafique, 2012; Sawicka dan Ulrichs, 2020; Ullah, Bagh, dan Arif, 2010; dan Wahjudi, 2018).

Thus, the inconsistency of finding across several previous studies highlights the need for further research. Moreover, this study incorporates several non-financial factors that have been relatively underexplored in prior literature, such as company growth, firm size, and the dividend distributed in the previous year. Additionally, this research adopts more appropriate proxies for measuring dividend policy. The primary objective of this study is to examine and verify the influence of liquidity, profitability, leverage, and company growth on dividend policy. The research is focused on non-financial companies listed on the Indonesia Stock Exchange (IDX) during the period 2018-2022. The selected companies must have a positive retained earnings balance and provide complete data necessary to support the research analysis.

Literature Review & Research Framework

Signalling Theory

According to Ross (1977), dividend distribution serves as a means of communication from management to signal the company's financial stability and future prospects. Signaling theory can also be utilized by investors as a tool to interpret the internal condition of a firm (Siahaan & Herijawati, 2023). This becomes particularly important in the presence of information

asymmetry, where investors or shareholders typically have less access to internal company information compared to management. Various signals conveyed by management about the firm's internal state can serve as valuable inputs for investors in determining their investment strategies. For instance, companies with high dividend payouts often signal strong or increasing profitability (Laabs, 2013).

Agency Theory

According to Jensen and Meckling (1976), agency theory addresses the relationship between principals and agents, wherein shareholders (principals) delegate authority to managers (agents) to operate the firm. This delegation can give rise to information asymmetry, as agents typically possess greater knowledge about the firm's internal conditions than the principals. However, considering the ownership structure commonly found in Indonesian firms, this theory may not be entirely applicable. Companies in Indonesia are often characterized by family ownership and concentrated shareholding, with dominant majority and minority ownership structures (Rusmin et al., 2011). Nevertheless, firms still endeavor to mitigate agency problems and avoid excessive agency costs. One strategy to address such concerns is to limit the amount of cash held by management in order to reduce the risk of unproductive or opportunistic expenditures that do not align with the firm's best interests.

Dividend

Dividends represent one of the critical elements considered by investors prior to making investment decisions. A dividend refers to the distribution of excess profits to shareholders, proportionate to the number of shares they hold. According to statutory regulations in Indonesia, a company is permitted to distribute dividends only if it maintains a positive retained earnings balance. Stice et al. (2005) assert that cash dividends are generally more appealing in the eyes of investors. Therefore, profitability becomes a pivotal factor in a company's consideration when formulating its dividend policy. Dividend policy is defined as the set of decisions made by management regarding whether to pay dividends, as well as the amount and pattern of cash distributions to shareholders over time (Lease et al., 2000). Each company evaluates its dividend decisions based on its individual considerations, particularly its capital requirements and operational needs. For the purposes of this study, dividend policy is measured using the Dividend Payout Ratio (DPR), calculated by dividing dividends per share by earnings per share.

Liquidity

The liquidity ratio serves to measure a company's ability to meet its short-term obligations through the utilization of current assets (Kasmir, 2019). This ratio is closely linked to signaling theory, which suggests that companies with high liquidity levels send positive signals to investors regarding their ability to pay dividends (Handayani et al., 2022; Ullah, 2020). Several previous studies have indicated that liquidity positively influences dividend policy, including those by Amidu and Abor (2006), Pattiruhu and Paais (2020), and Prasetyo et al. (2021), who assert that cash availability, as part of current assets, is a primary basis for dividend payments. However, contrasting findings were reported by Angelia and Toni (2020) and Wahjudi (2018), who revealed that high liquidity may actually indicate inefficiency in the management of current assets, particularly if it is dominated by receivables and inventories. Thus, the hypothesis formulated is:

H₁: The liquidity ratio positively influences a company's dividend policy

Profitability

Profitability is a key indicator used to assess a company's ability to generate earnings, which subsequently serves as a basis for determining dividend distribution policies (Kasmir, 2019). In the context of signaling theory, high profitability reflects a favorable financial outlook and sends a positive signal to investors that the company is capable of paying dividends. Herbowo, Niandari, dan Grediani (2023) assert that companies that report profits are less likely to rely on their assets to cover funding gaps, thus having greater flexibility to distribute dividends. Several studies, such as Amidu and Abor (2006), Angelia and Toni (2020), and Ullah, Bagh, dan Arif (2010), indicate that profitability positively influences dividend policy, with

companies that pay dividends generally reporting higher net profits (Fama & French, 2001). Conversely, Maladjian and Khoury (2014) found an opposite result, demonstrating a negative relationship between profitability and dividend policy. This occurs because companies with large profits often retain funds for investments and expansion rather than distributing them as dividends. Therefore, the hypothesis formulated is:

H₂: The profitability ratio positively influences a company's dividend policy.

Leverage

Leverage reflects the extent to which a company relies on external financing to fulfill its short-term and long-term financial obligations (Wiagustini, 2010). A high leverage ratio indicates a strong dependence on debt, which may increase the risk of default (Herbowo, Niandari, & Grediani, 2023). Debt financing can also reduce the potential for agency problems, as the amount of cash under managerial control is limited, and management is obligated to meet interest and principal payments. Firms with high leverage levels tend to prioritize debt repayment over distributing profits in the form of dividends (Handayani et al., 2022). This notion is supported by the findings of Collins et al. (1996), Wahjudi (2018), and Yusof and Ismail (2014), which demonstrate a negative relationship between leverage and dividend policy. Accordingly, the hypothesis formulated is as follows:

H₃: The leverage ratio negatively influences a company's dividend policy.

Company's Growth

In addition to financial ratio analysis, investors should also consider a company's historical growth, which can be observed through the increase in total assets. Asset growth may reflect the company's expansion trajectory; however, in some cases, it can lead to a reduction in dividend distributions. This is due to management's tendency to allocate profits toward long-term investment activities rather than dividend payouts (Wahyudi & Baidori, 2008). Such circumstances may also give rise to agency problems, wherein management prioritizes operational expansion over shareholders' interests, particularly the distribution of profits (Wahjudi, 2018). Several studies, including those by Amidu and Abor (2006), Gill, Biger, dan Tibrewala (2010), and Ullah, Bagh, dan Arif (2010), confirm that company growth is negatively associated with dividend policy, as funding requirements for expansion are often prioritized over distributions to shareholders. Accordingly, the hypothesis formulated is:

H₄: Company growth, as measured by total asset growth, negatively influences a company's dividend policy

Control Variable

Cash holdings represent one of the critical elements that must be considered prior to formulating a company's dividend policy. The level of cash ownership, as reflected through the firm's cash flow variables, significantly influences its dividend policy. Since dividend payments are made in cash, companies with high levels of cash reserves are more inclined to distribute dividends (Amidu & Abor, 2006). Furthermore, firms tend to maintain consistent dividend payments to avoid negative market sentiment that may arise from suspending dividends in a given period (Lintner, 1956). According to prevailing Indonesian legislation, only companies with a positive retained earnings balance are permitted to distribute dividends (Article 71, Paragraph 3 of Law Number 40 of 2007). Additionally, corporate taxation may also serve as a determinant of a company's dividend policy. An increase in tax obligations may lead to reduction in dividend payments, and vice versa (Amidu & Abor, 2006). Firm size is another potential determinant in shaping dividend policy. Studies by Setiawan and Vivien (2021) as well as Yusof and Ismail (2014) suggest that firm size positively influences dividend policy, indicating that mature companies typically possess larger cash reserves and are less reliant on internal financing for operations, as they have greater access to external funding sources.

Framework Research

Deriving from the previously formulated hypotheses, a schematic framework for the research may thus be delineated as follows:

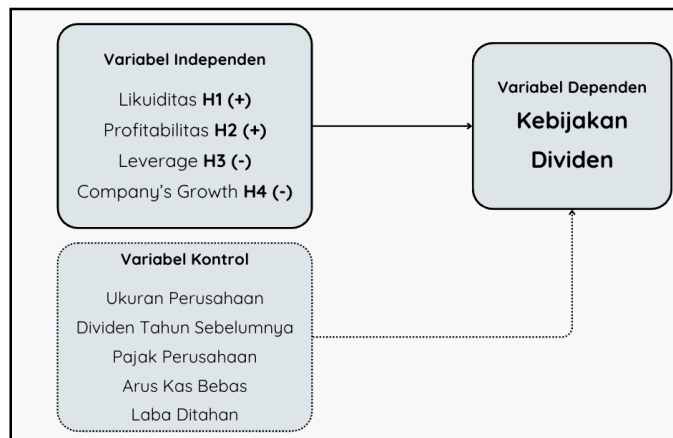


Illustration 1. Framework Research

Resource: Processed Data, 2025

RESEARCH METHOD

Samples and Population

The population in this inquiry encompasses all non-financial corporations listed on the Indonesia Stock Exchange (IDX) throughout the 2018–2022 period, characterized by a positive retained earnings balance (exceeding IDR 1), and possessing comprehensive data requisite for the sustenance of this study, as procured from the official IDX platform. This investigation employs a purposive sampling technique. Table 1 delineates the number of entities that satisfy the established research criteria, thereby constituting the population.

Table 1. Sample Data Filtering

Criteria	Number of Companies
Non-financial sector entities listed on the Indonesia Stock Exchange (IDX)	728
Corporations maintaining a positive retained earnings balance (exceeding IDR 1), as entities with negative retained earnings are statutorily prohibited from distributing dividends (Article 71(3) of Law No. 40 of 2007)	(278)
Companies listed on the IDX during the 2018–2022 period that have neither undergone initial listing (post-2018) nor experienced delisting, and that have furnished uninterrupted annual financial statements	(159)
Total Sample (291 x 5 year)	1,455

Resource: Bursa Efek Indonesia

RESULT AND DISCUSSION

Descriptive Statistics

Predicated upon the outcomes of the descriptive statistical examination conducted on 1.455 data samples, this analysis expounds upon the mean, minimum, and maximum values corresponding to each variable.

Table 2 Descriptive Statistics

Variable	Before Winsorize			After Winsorize		
	Mean	Min	Max	Mean	Min	Max
Dividend Policy (DPR)	0.34	- 6.28	33.28	0.23	- 0.27	0.78
Liquidity (CR)	2.88	0.15	206.86	2.38	0.33	7.02
Profitability (ROE)	0.09	- 1.50	2.38	0.09	- 0.14	0.39
Leverage (DER)	0.52	0	6.64	0.50	0	1.77
Company's Growth (GROW)	18.55	- 0.99	8,159.15	5.08	- 0.99	34.44
Firm Size (SIZE)	15.17	9.02	19.72	Didn't Need Winsorize		
Previous Year's Dividend (DPR_{it-1})	0.33	- 6.28	33.28	0.23	- 0.25	0.76
Corporate Tax (TAX)	0.08	- 105.43	13.96	0.17	- 0.21	0.52
Free Cash Flow (FCF)	0.12	- 0.74	0.87	0.12	- 0.17	0.45
Retained Earnings (RE)	0.53	0	6.64	0.51	0.03	0.99

Abbreviations: **DPR** = Dividends per share divided by earnings per share; **CR** = Current assets divided by current liabilities; **ROE** = Net income divided by total equity; **DER** = Total liabilities divided by total equity; **GROW** = The difference between total assets in the current year and the preceding year, divided by total assets of the preceding year; **SIZE** = The natural logarithm of total assets; **DPR_{it-1}** = *Dividend payout ratio (DPR)* previous year; **TAX** = Corporate income tax divided by earnings before tax; **FCF** = Operating cash flow subtracted by capital expenditure, with the result divided by total assets; **RE** = Retained earnings divided by total equity

Based on the results presented in Table 2 concerning the descriptive statistical assessment the findings reveal a substantial range between minimum and maximum values across variables—excluding firm size. Notably, the dividend policy variable and the previous year's dividend registered minimum and maximum values of -6.28 and 33.28, respectively. Similarly, pronounced extremities were observed in liquidity and corporate taxation variables, while the company's growth variable recorded a peak value as high as 8,159.15. These extreme ranges suggest the presence of potential outliers, which may compromise the precision of regression estimations. Consequently, an adjustment procedure—namely winsorization—was deemed requisite.

Correlation Test

The correlation analysis results presented in Table 3 serve to ascertain the presence of interrelationships among the independent variables within the scope of this investigation.

Table 3 Correlation Test Table

Variabel	DPR	CR	DER	GROW	SIZE	DPR _{it-1}	TA	FCF	RE
DPR	1.00								
CR	0.04**	1.00							
ROE	0.45	-0.01	1.00						
DER	-0.17	-0.46	-0.04**	1.00					
GROW	0.02**	-0.13	0.01***	0.21	1.00				
SIZE	0.12	-0.24	0.06*	0.27	0.59	1.00			
DPR _{it-1}	0.61	0.06	0.42	-0.20	0.05**	0.15	1.00		
TAX	0.23	0.07	0.17	-0.22	-0.01***	0.04**	0.23	1.00	
FCF	0.34	-0.10*	0.44	-0.09*	0.02**	0.11	0.37	0.12	
RE	0.23	-0.00	0.26	-0.12	0.07*	0.18	0.23	0.15	1.00

Note: The symbols *, ** and *** denote statistical significance levels at 10%, 5%, and 1% respectively; **DPR** = Dividends per share divided by earnings per share; **CR** = Current assets divided by current liabilities; **ROE** = Net income divided by total equity; **DER** = Total liabilities divided by total equity; **GROW** = The variation in total assets, calculated as the current year's total assets minus those of the preceding year, divided by the total assets of the previous year; **SIZE** = The natural logarithm of total assets; **DPR_{it-1}** = Dividend payout ratio for the preceding fiscal year; **TAX** = Corporate income tax divided by earnings before tax; **FCF** = Operating cash flow minus capital expenditures, with the result divided by total assets; **RE** = Retained earnings divided by total equity

The correlation analysis in Table 3 reveals that the majority of inter-variable associations within this study lie within the weak to moderate range, with the strongest correlation—measured at 0.61—observed between the dividend policy and the previous year's dividend. This suggests a degree of consistency in corporate dividend distribution practices over time. Furthermore, profitability and free cash flow exhibit a positive correlation with dividend policy, indicating that sound financial performance underpins a greater propensity for dividend disbursement. Conversely, leverage displays a negative association with dividend policy, aligning with the notion that elevated debt burdens tend to constrain a firm's dividend-paying capacity. Given that none of the correlation coefficients surpass the threshold of 0.80, the model is deemed sufficiently robust for subsequent regression analysis without necessitating additional structural adjustments. These findings bolster the model's validity and provide a solid foundation for further empirical examination of each variable's influence on dividend policy.

Normality Test

Table 4 Skewness and Kurtosis Values of the Research Variables

Variable	Before Winsorize		After Winsorize	
	Skewness	Kurtosis	Skewness	Kurtosis

Dividend Policy (DPR)	15.26	303.63	0.76	2.30
Liquidity (CR)	20.97	535.34	1.43	4.19
Profitability (ROE)	4.02	46.56	0.66	4.03
Leverage (DER)	2.33	14.27	1.05	3.22
Company's Growth (GROW)	34.15	1,245.38	2.00	5.67
Firm Size (SIZE)	0.03	2.92	Didn't Need Winsorize	
Previous Year's Dividend (DPR_{it-1})	16.38	347.06	0.77	2.28
Corporate Tax (TAX)	- 35.28	1,312.97	- 0.23	4.16
Free Cash Flow (FCF)	0.43	6.26	0.52	3.34
Retained Earnings (RE)	5.61	86.38	0.08	2.04

Note: **DPR** = Dividends per share divided by earnings per share; **CR** = Current assets divided by current liabilities; **ROE** = Net income divided by total equity; **DER** = Total liabilities divided by total equity; **GROW** = The variation in total assets, calculated as the current year's total assets minus those of the preceding year, divided by the total assets of the previous year; **SIZE** = The natural logarithm of total assets; **DPR_{it-1}**=Dividend payout ratio for the preceding fiscal year; **TAX** = Corporate income tax divided by earnings before tax; **FCF** = Operating cash flow minus capital expenditures, with the result divided by total assets; **RE** = Retained earnings divided by total equity

The results of the skewness and kurtosis tests indicate that the majority of the variables in this study do not follow a normal distribution, with the exception of firm size. The skewness and kurtosis values prior to winsorization were relatively high, signaling distortions caused by outliers. Consequently, a winsorization process was applied to the non-normally distributed variables, including dividend policy, liquidity, profitability, leverage, firm growth, previous year's dividends, taxation, free cash flow, and retained earnings. Post-winsorization, the data distribution exhibited a significant improvement. Skewness values approached zero, and kurtosis fell below the maximum threshold of 10, in accordance with the criteria for financial data with large sample sizes. This indicates that the winsorization process was effective in normalizing the data distribution, rendering it more suitable for regression analysis in subsequent stages.

Table 5. Normality Test: Skewness and Kurtosis of Residuals

Variabel	Pr (<i>Skewness</i>)	Pr (<i>Kurtosis</i>)	Adj chi2(2)	Prob>chi2
<i>error</i>	0.0000	0.0000	136.41	0.0000

The results of the normality test on the residuals of the regression model, conducted via the skewness and kurtosis test (sktest), reveal that the residuals do not follow a normal distribution. This is evidenced by a Prob > chi² value of 0.0000,

which falls below the 0.05 significance threshold. This suggests a deviation from the assumption of residual normality in the regression model. Nevertheless, the regression model remains viable for further analysis, as the large sample size—exceeding 30—permits the application of the Central Limit Theorem.

Multicollinearity, Autocorrelation, and Heteroscedasticity Tests

Based on the multicollinearity test conducted, the average Variance Inflation Factor (VIF) value is 1.39, well below the threshold of 10, thus concluding that multicollinearity issues are absent. The autocorrelation test recorded a Prob > χ^2 value of 0.0000, indicating the presence of autocorrelation within the regression model. Furthermore, the heteroscedasticity test also yielded a Prob > χ^2 value of 0.0000, suggesting that the regression model is affected by heteroscedasticity.

Hypothesis Testing

Hypothesis testing was conducted using the Pooled Ordinary Least Squares (Pooled OLS) method. This method was selected due to the relatively high R-squared value obtained, which reached 0.4312 or 43.12%. In addition, the use of the Pooled OLS model is consistent with the approach employed by Gill, Biger, and Timberwala (2010), whose study serves as a key reference for this research. The regression results are presented in Table 6:

As presented in Table 6, the coefficient of determination is 0.4312, or 43.12%, indicating that the explanatory variables account for 43.12% of the variation in the dependent variable, while the remaining 56.88% is attributable to other unobserved factors. Furthermore, the F-test yields a Prob > F value of 0.0001, signifying that the independent variables collectively exert a statistically significant influence on the dependent variable.

1. Liquidity

The resulting probability value is 0.37, indicating that the liquidity variable does not exert a statistically significant effect on dividend policy. Consequently, Hypothesis H_1 , which posits a significantly positive relationship between liquidity and dividend policy, is rejected.

2. Profitability

The obtained p-value is 0.00, and the coefficient registers a positive value of 0.55, suggesting that profitability has a significantly positive effect on dividend policy. Thus, Hypothesis H_2 , asserting that profitability positively and significantly affects dividend policy, is accepted.

3. Leverage

The obtained probability value is 0.01, and the coefficient is negative at -0.03, indicating that leverage has a significant negative effect on dividend payment policy. Therefore, Hypothesis 3 (H_3), which states that leverage has a significant negative influence on dividend policy, is accepted.

4. Company's Growth

The probability value obtained is 0.08, and the coefficient is negative at -0.00, indicating that company's growth has a significantly negative effect on dividend payment policy. Therefore, Hypothesis 4 (H_4), which states that company's growth has a significant negative influence on dividend policy, is accepted.

Table 6. Result of Hypotheses Testing

Variable	<i>Pooled OLS (Model Terbaik)</i>		
	Koefisien	t-statistik	P-value
Constanta	0.1181	- 1.76	0.04

CR	0.0010	0.28	0.37
ROE	0.5493	8.77	0.00***
DER	- 0.0323	- 2.39	0.01***
GROW	- 0.0009	- 1.40	0.08*
SIZE	0.0108	2.38	0.01***
DPR _{it-1}	0.4825	20.07	0.00***
TAX	0.1099	2.65	0.00***
FCF	0.1325	2.48	0.01***
RE	0.0304	1.34	0.09*
Description	Prob > F = 0.0000	R² = 0.4312	

Note: The symbols *, ** and *** denote statistical significance levels at 10%, 5%, and 1% respectively

5. Control Variables

The test results indicate that all five control variables have a significantly positive effect on a company's dividend payment policy. Firm size and free cash flow yielded probability values of 0.01, with coefficient values of 0.01 and 0.13, respectively. Furthermore, the previous year's dividend and corporate tax recorded probability values of 0.00, with coefficients of 0.48 and 0.11, respectively. The retained earnings variable showed a probability value of 0.09 and a coefficient of 0.03.

Discussion

1. Liquidity

The regression results reveal that the liquidity variable does not exert a statistically significant influence on the company's dividend policy. This finding suggests that the availability of current assets does not directly compel firms to distribute dividends to shareholders. This outcome aligns with the studies conducted by Herbowo, Niandari, dan Grediani(2023) and Handayani et al. (2022), which similarly concluded that liquidity bears no significant relationship with dividend policy. However, it diverges from earlier empirical works such as those by Pattiruhu and Paaïs (2020), Prasetyo et al. (2021), and Ullah, Bagh, dan Arif (2010), which documented a positive association between liquidity and dividend distribution. Likewise, it does not corroborate the findings of Angelia and Toni (2020) and Wahjudi (2018), who identified a negative influence. Moreover, this result stands in contrast to both signaling theory and agency theory. According to signaling theory, firms in strong financial positions—particularly those with ample liquidity—are expected to convey positive signals to the market through dividend payments. Similarly, agency theory posits that dividend disbursements serve as a mechanism to mitigate conflicts of interest, especially in situations where firms possess excess cash reserves.

2. Profitability

The regression results indicate that profitability exerts a positive influence on dividend policy, signifying that higher levels of corporate profitability increase the likelihood of dividend distribution to shareholders. This finding is consistent with a body of prior empirical studies, including those by Herbowo, Niandari, dan Grediani (2023), Ullah, Bagh, dan Arif (2010), Angelia and Toni (2020), and Yusof and Ismail (2014). Within the framework of signaling theory, dividends are regarded as a mechanism through which management conveys favorable information regarding the firm's performance and financial health to the market. A consistent dividend payout reinforces investor perceptions of earnings sustainability and long-term stability. However, the impact of profitability on dividend decisions may vary across industrial sectors and national contexts. Gill, Biger, dan Tibrewala (2010) found that within the service sector, profitability positively influences dividend policy due to relatively modest capital investment requirements, enabling surplus funds to be redistributed to shareholders. Conversely, in the manufacturing sector, profits are frequently reinvested into fixed asset acquisition, thereby diminishing the propensity for dividend distribution.

Country-specific factors also play a pivotal role in shaping these dynamics. Khan et al. (2022) revealed that in South Korea, profitability promotes dividend payouts as a means to alleviate agency conflicts. In contrast, in Japan, profitability may actually dampen dividend disbursement, particularly among firms embedded in Keiretsu structures—where strong inter-corporate ties obviate the need to send market signals. This structure bears resemblance to the family-controlled conglomerates prevalent in Indonesia (Chabachip et al., 2020), where intercompany relationships between parent firms and subsidiaries often lead to dividend policy being determined by group-level strategic considerations rather than solely by firm-level earnings. This underscores the notion that in certain Indonesian enterprises, high profitability does not necessarily translate into generous dividend payouts.

Moreover, not all studies affirm a significant association between profitability and dividend policy. Investigations by Pangestuti (2019), Pattiruhu and Paais (2020), Sejati et al. (2020), and Wahjudi (2018) report divergent outcomes. In some instances, firms may adopt a stable dividend policy irrespective of fluctuations in earnings. These findings suggest that while profitability remains an important determinant, dividend policy is also contingent upon internal managerial discretion, organizational structure, industrial sector characteristics, and broader macroeconomic conditions.

3. Leverage

The regression results indicate a significant negative relationship between leverage and dividend payout policy, suggesting that firms with lower debt levels are more likely to distribute dividends. This finding aligns with previous studies, which argue that companies with lighter debt burdens possess greater financial flexibility to allocate profits to shareholders after fulfilling their financial obligations (Angelia & Toni, 2020; Herbowo et al., 2023; Wahjudi, 2018). Moreover, the use of debt as a source of financing may serve as a mechanism to mitigate agency problems by compelling management to prioritize debt repayment over unproductive cash utilization.

Nevertheless, this result differs from several studies that found leverage to have no significant impact on dividend policy, as reflected in the cross-country study by Khan et al. (2022) on firms in Japan and South Korea. Their findings suggest that corporate structure and inter-firm relationships in these countries may neutralize the effect of leverage. Sectoral differences may also explain the variation in results, as discussed by Dhillon (1986) and further explored by Gill, Biger, and Timberwala (2010). Additionally, some research has reported a positive relationship between leverage and dividend policy, attributing it to the tax advantages of debt financing, which can influence dividend strategy (Kania, 2005; Ullah, Bagh, & Arif, 2010). These divergent findings underscore the complexity of the leverage-dividend relationship, which appears to be highly contingent upon structural, sectoral, and country-specific characteristics.

4. Company's growth

The regression results reveal that company growth has a significant negative effect on dividend payout policy. This finding suggests that firms with high growth rates tend to retain earnings to finance business expansion or increase asset capacity, rather than distribute dividends to shareholders (Amidu & Abor, 2006; DeAngelo et al., 2006). For example, several companies in the property and real estate sector, such as PT Agung Podomoro Land Tbk (APLN), PT Alam Sutera Realty Tbk (ASRI), and PT Bumi Serpong Damai Tbk (BSDE), demonstrate a similar pattern, prioritizing retained earnings to support long-term investments. Despite not distributing dividends, these firms have maintained their reputations due to clear and well-communicated expansion strategies. In the long term, these companies may still increase dividend payments after realizing returns from their investments.

However, not all studies support this relationship. Prior research by Nurwulansari and Rikumahu (2018) and Sejati et al. (2020), for instance, indicates that firm growth does not have a significant effect on dividend policy. In those studies, dividend decisions were not necessarily influenced by investment activities or asset development but could be affected by other factors. Thus, the relationship between company growth and dividend policy remains inconsistent across the literature, highlighting the need for further investigation that considers sectoral context and firm-specific managerial strategies.

5. Control Variables

The regression results (Table 6) indicate that profitability, leverage, and company growth significantly influence dividend payout policy. Additionally, control variables such as firm size, previous year's dividend policy, corporate tax, free cash flow, and retained earnings also exhibit significant effects. These findings support the signaling theory, which suggests that stable or increasing dividend payments are used by management as a communication tool to convey positive outlooks and sound financial health to investors. Even under declining financial performance, companies often strive to maintain dividend stability to avoid negative market perceptions. Furthermore, firms with large cash reserves tend to distribute higher dividends as a means to limit managerial discretion over excess cash, thereby reducing the potential for agency problems (Amidu & Abor, 2006; Gill, Bigger, & Timberwala, 2010; Wahjudi, 2018).

Moreover, corporate tax is found to have a significant positive effect on dividend policy, suggesting that higher tax burdens may lead firms to increase dividend payouts as part of their financial management strategy. Retained earnings also show a significant positive association with dividend payments, indicating that companies with higher retained earnings balances have greater capacity to distribute dividends. This finding aligns with regulatory requirements in Indonesia, which mandate a positive retained earnings balance as a prerequisite for dividend distribution (Yusra, Hadya, & Fatmasari, 2019).

6. Additional Analysis

The Influence of Research Variables on Dividend Policy (Per Sector)

Previous findings (Table 6) indicate a significant positive relationship between profitability, firm size, prior year dividends, corporate tax, free cash flow, and retained earnings with dividend payout policy. In contrast, leverage and company growth exhibit a significant negative association with dividend distribution. These patterns are largely explained by differences in sectoral characteristics. For instance, the property sector often requires substantial cash reserves to support operations and capital investments, prompting firms to retain earnings for internal financing. This behavior is evident in companies such as APLN, ASRI, BSDE, and KIJA, which, despite posting high net profits, opted not to pay dividends to support expansion initiatives.

Conversely, other sectors exhibit different dividend behavior. Companies like PT Delta Djakarta Tbk (DLTA) and PT Hexindo Adiperkasa Tbk (HEXA) consistently distributed dividends, even during periods of declining earnings. This highlights the importance of sectoral analysis in understanding dividend policy determinants more accurately. As suggested by Gill, Bigger, and Timberwala (2010), and supported by Brigham and Houston (2012),

further sector-based analysis is valuable, particularly given Indonesia's eleven-industry classification. Each industry may exhibit distinct dividend determinants, shaped by its specific operational context. Such in-depth analysis prevents overgeneralization and provides more contextually relevant insights, aiding investors—particularly those seeking dividend-based returns—in making informed decisions. While the Indonesia Stock Exchange lists eleven sectors, this study is limited to only seven due to data availability.

The results in Table 7 reveal that the influence of financial factors on dividend policy varies by industry. The healthcare and industrial sectors record the highest R-squared values, at 17% and 21.1%, respectively, suggesting the model explains a substantial portion of dividend decisions in these industries. In contrast, for sectors such as consumer non-cyclicals, energy, and property, the regression model is not statistically significant, indicating that financial metrics are not the primary drivers of dividend policy in these cases. This finding reinforces the critical role of industry-specific factors in shaping dividend decisions. The behavior of property companies like APLN, BSDE, and KIJA—retaining profits despite high earnings to fund investment and working capital—further supports this perspective. These findings align with Brigham and Houston's (2012) theory that firms may prefer to retain earnings when promising investment opportunities are present.

Table 10 Each Business Sectors Analysis

Variabel	Sektor															
	Healthcare		Basic Materials		Industrials		Consumer Non Cyclical		Energy		Infrastructures		Property & Real Estate		Semua Perusahaan	
	Koefisien	p-value	Koefisien	p-value	Koefisien	p-value	Koefisien	p-value	Koefisien	p-value	Koefisien	p-value	Koefisien	p-value	Koefisien	p-value
CR	0.02	0.31	-0.01	0.29	0.01	0.39	-0.05	0.04**	-0.03	0.13	-0.01	0.42	-0.01	0.03**	-0.01	0.15
ROE	0.46	0.17	0.80	0.00	0.39	0.06*	0.39	0.18	-0.22	0.26	1.16	0.05**	0.07	0.22	0.52	0.00***
DER	-0.21	0.11	-0.01	0.41	-0.15	0.04**	-0.16	0.04**	0.00	0.50	-0.08	0.17	-0.01	0.32	-0.04	0.15
GROW	-0.02	0.17	-0.00	0.40	-0.00	0.42	-0.00	0.45	0.00	0.27	-0.01	0.00***	0.00	0.05**	-0.00	0.12
SIZE	-0.03	0.34	-0.06	0.22	-0.03	0.40	0.01	0.47	-0.15	0.03**	0.22	0.03**	-0.02	0.36	0.02	0.14
DPR _{it-1}	0.11	0.23	-0.14	0.03**	0.12	0.17	0.01	0.46	-0.05	0.32	-0.07	0.23	-0.15	0.20	-0.05	0.08*
TAX	-1.56	0.02**	0.05	0.25	0.21	0.03**	-0.27	0.08*	-0.38	0.1*	0.52	0.09*	0.03	0.15	0.03	0.27
FCF	-0.11	0.31	-0.07	0.35	0.02	0.47	-0.07	0.39	-0.34	0.11	-0.01	0.48	0.05	0.35	-0.05	0.24
RE	-0.05	0.41	0.52	0.03**	0.44	0.05**	0.35	0.03**	0.22	0.26	0.16	0.06*	0.03	0.27	0.23	0.00***
Heteroskedastis	Tidak Ada		Ada		Tidak Ada		Tidak Ada		Ada		Tidak Ada		Ada		Ada	
Autokorelasi	Ada		Ada		Ada		Ada		Ada		Ada		Tidak Ada		Ada	
R ²	17%		1.1%		21.1%		10.63%		7.42%		2.23%		3.36%		13.23%	
Prob > F	0.0000		0.0098		0.0013		0.1136		0.3981		0.0001		0.2027		0.0001	

Note: The symbols *, ** and *** denote statistical significance levels at 10%, 5%, and 1% respectively

CONCLUSION, IMPLICATIONS, AND LIMITATIONS

This study aims to identify the factors that influence dividend payment policy in non-financial companies listed in Indonesia during the 2018–2022 period. The regression results (Table 6) indicate that profitability, leverage, company growth, firm size, prior year dividends, corporate tax, free cash flow, and retained earnings have a significant impact on dividend policy. These findings are consistent with signaling theory and agency theory, which suggest that dividends serve not only as a communication tool to convey a company's financial condition to investors but also as a mechanism to limit excess cash holdings, thereby mitigating potential agency conflicts.

Further analysis based on business sectors (Table 7) reveals that the influence of these variables may vary depending on industry characteristics. The healthcare and industrials sectors show higher R-squared values, indicating that the model better explains dividend policy in these sectors. In contrast, the property sector does not exhibit a significant influence due to its large working capital requirements. Overall, dividend policy is not solely determined by financial performance but also shaped by a company's long-term strategic considerations and the specific context of its industry.

This study is subject to several limitations. The selected variables, as reflected in the initial regression model, yield a coefficient of determination of only 0.50 or 50%. Furthermore, dividend policy decisions are made through the General Meeting of Shareholders (GMS), which typically occurs in the year following the fiscal year-end. Thus, global economic events occurring between the fiscal year-end and the GMS may also influence dividend decisions. Additionally, due to data limitations, the sectoral analysis could only be conducted on seven business sectors and was restricted to non-financial firms. Therefore, the findings of this study provide practical implications for investors, corporate management, and academics—highlighting that dividend policy should not be viewed merely as a managerial decision but rather as one that must account for multiple influencing factors affecting corporate reputation and strategic direction.

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