

The Impact of Profitability, Growth, and Solvency on Dividend Policy

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Abstract

Dividend policy represents a crucial management decision that reflects management's ability to balance profitability, growth, and financial stability. Aims to analyze the influence of Earnings per Share, Asset Growth, and Debt-to-Equity Ratio on Dividend Policy in agricultural food product manufacturing companies listed on the Indonesia Stock Exchange, based on dividend distribution criteria. Therefore, the sample consists of companies that distributed dividends for six consecutive years (2018 to 2023). Based on quantitative research techniques using signaling theory and the "bird-in-the-hand" principle, which explain the relationship between company performance indicators and dividend decisions as signals of management credibility and financial soundness. This study employs a descriptive-associative approach using secondary data derived from financial statements. Samples were selected through homogeneous purposive sampling and were analyzed using multiple linear regression via Eviews. The findings reveal that Earnings per Share and the Debt-to-Equity Ratio have a significant positive effect on dividend policy. Asset Growth, however, has a negative effect on dividend policy. Understanding the contributions of these three factors helps management formulate dividend policies that are not only responsive to financial conditions but also strategic in maintaining corporate reputation and long-term investment attractiveness

1. Introduction

Every corporation engages in financing activities that involve management decisions regarding the portion of profits to be distributed to shareholders as dividends, as well as the portion to be kept and allocated as retained earnings to meet future working capital and investment needs. Dividend policy decisions are crucial as they directly impact shareholder wealth; consequently, when formulating this policy, management must carefully consider the factors that determine it.

Researchers focusing on the factors that determine corporate dividend policy have found it crucial to measure balance sheet and income statement components in order to establish policies that are controlled and measurable. Consequently, this study will project its findings through the observation and measurement of management functions specifically profitability (indicated by the earnings per share ratio), growth (indicated by the asset growth ratio), and solvency (indicated by the debt-to-equity ratio). However, the researcher aims to determine whether these three functions reflect an alignment between business planning and strategy and their roles as determinants of dividend distribution policy considering the effective use of earnings, the efficiency of working capital costs, and the necessity for reinvestment.

It carries a meaning consistent with the perspective of the "bird-in-the-hand" theory (relevance theory). This means that the distribution of dividends to owners is a primary business objective, and dividends are eagerly awaited by shareholders as a return on the investments they have made through equity ownership in a company. Research by Angelica and Iryanto (2024) indicates that firm value is positively influenced by dividend payments, as investors tend to prioritize current dividends over future capital growth.

The objective of business planning and strategy is to optimize benefits while minimizing risks faced by the company through effective and efficient financial management. A key aspect of this involves planning dividend distribution policies to ensure continued investor support. Investor support for management performance is crucial; this is reflected in the dividend distribution trends of companies listed on the Indonesia Stock Exchange operating in the agro-food manufacturing sector, such as PT Charoen-Pokphand Indonesia Tbk (CPIN), PT Astra Agro Lestari Tbk (AALI), and PT Japfa Comfeed Indonesia Tbk (JPFA). In 2022, PT Charoen-Pokphand Indonesia Tbk distributed dividends totaling IDR 1.63 trillion after recording a profit of IDR 2.94 trillion, demonstrating strong corporate performance (PT Charoen-Pokphand Indonesia Tbk Annual Report 2022). Stable dividend distribution boosts investor confidence by reducing the uncertainty associated with investing capital in the company. In reality, however, companies face various considerations when distributing dividends, such as their growth rate, obligations to lenders, and equity structure.

Previous studies regarding the indicators influencing corporate dividend distribution policies have yielded differing conclusions, even when the same indicators were tested. Consequently, in accordance with the research methodology plan, the variables selected as testing indicators for this study are the earnings per share ratio, the asset growth ratio, and the debt-to-equity ratio.

Earnings per share indicates the amount of profit a company generates for each outstanding share. Asset growth reflects a company's ability to expand its operations and increase its value. Meanwhile, the debt-to-equity ratio refers to the use of debt to finance assets. Collectively, these three indicators provide a comprehensive overview of a company's financial health and growth potential, offering signals that help investors make better decisions when evaluating the company's performance.

Empirical evidence regarding the dependent variable dividend policy and the independent variables earnings per share, asset growth, and debt-to-equity ratio continues to yield mixed research results. Similarly, findings from prior studies indicate that the conclusions drawn regarding earnings per share, asset growth, and the debt-to-equity ratio vary depending on data characteristics. Furthermore, empirical literature reveals inconsistencies: some studies employing four independent variables show a weak coefficient of determination, whereas others using the same number of variables show a strong coefficient; meanwhile, studies utilizing five independent variables have also been found to yield a weak coefficient of determination.

A gap identified in previous research within the same sector reveals that simply increasing the number of independent variables does not necessarily validate predictions of a high coefficient of determination in empirical studies. This gap highlights the need for research within the context of agro-food manufacturing companies to determine whether the appropriate selection of independent variables can validate the coefficient of determination specifically, whether its strength or weakness can be predicted during the formulation of the research methodology.

Previous research findings indicate that the percentage of variation in the coefficient of determination predictable by the independent variables within a robust regression model demonstrates that a high coefficient of determination reflects excellent predictive power derived from the appropriate selection of independent variables; specifically, a robust model emerges when partial testing (t-test) of all independent variables supports the hypotheses, thereby serving as a validation of the strength or weakness of the coefficient of determination.

For a more comprehensive understanding, this study is based on a review of previous research articles using testing indicators in the manufacturing sector, which is consistent with the focus of this study. It is known that generally accepted reference information indicates that whether the coefficient of determination is strong ($R^2 \geq 70\%$) or weak ($R^2 < 70\%$) depends on the objectivity or bias in the selection of appropriate *independent* variables.

This study analyzes the relationships within agricultural food product manufacturing companies listed on the Indonesia Stock Exchange (IDX) that have paid dividends for six consecutive years. It employs a descriptive-associative approach utilizing secondary data, including financial statements covering the six-year period (2018–2023), annual reports, and General Meeting of Shareholders (GMS) minutes, alongside data on average stock trading volume and positive trading performance. The study's novelty lies in its integration of earnings per share, asset growth, and the debt-to-equity ratio as determinants of management policy for agricultural food product manufacturing companies that have paid dividends for six consecutive years.

Literature Review

Signaling Theory

In this study, the researcher will examine the relationship between independent and dependent variables by applying signaling theory and the "bird-in-the-hand" theory to analyze dividend payout policy decisions. This approach incorporates findings from prior research regarding dividend policy (Dividend Payout Ratio/DPR), profitability (measured by Earnings Per Share/EPS), growth (measured by Asset Growth/AG), and solvency (measured by the Debt-to-Equity Ratio/DER). Consequently, based on the established research methodology, the variables selected as indicators for this study are the dividend payout ratio, earnings per share, asset growth, and the debt-to-equity ratio.

Signaling theory is a form of testing theory developed to account for the reality that accurate information regarding a company's *value* and future prospects is naturally accessible to insiders before it is available to investors. Spence (1973) argues that the sender (signaler) discloses certain relevant information and data that can be utilized by the receiver. In line with Miller and Modigliani (1961), who argued regarding this theory that a decline *in cash dividends* indicates a decline in corporate earnings, suggesting that future earnings are likely to be disappointing. One implication of this is that high dividend payments announced by a company will signal that the company's performance has a brighter outlook than expected.

Morris (1987) argues that signaling theory explains why a company discloses information to the capital market. In other words, signaling theory suggests that if a company is of high quality, it will automatically send signals to the market, thereby highlighting which companies are of high quality and which are not. To prioritize disclosure regarding how a company should signal its success or failure to financial statement users specifically, what actions management has taken this helps satisfy shareholders' curiosity. Wicaksana (2012) states that one of a manager's obligations is to signal to *shareholders* regarding the company's condition as part of their responsibility in managing the company's operations.

This responsibility involves explaining operational performance through annual reports and financial statements including summaries of key ratios such as *earnings per share*, *asset growth*, and *debt-to-equity ratio* as well as the company's financial statements (income statement, cash flow statement, and statement of changes in equity). These serve as the primary basis for owners to forecast *the dividend payout ratio* (DPR) they will receive. Based on empirical studies, it has been found that there are many dimensions of implementation in this theory. For instance, Syahirah, Ahmad, and Dalimunthe (2023) argue that information on *cash dividends* paid plays a crucial role in signaling the company's future prospects, due to the occurrence of *miscommunication* between company management and investors, which can be utilized as an indicator of dividend policy signaling the company's future prospects. However, a contrasting view holds that companies that increase their dividend payments may be perceived as having poor future prospects. This occurs because, fundamentally, companies pay high dividends when investment needs are low or even nonexistent, leading some shareholders to interpret this as the company's inability to expand its business (Mnune and Purbawangsa, 2019).

Although many research findings acknowledge the importance of signals related to financial statements that indicate a healthy picture of a company's performance and balance sheet position, the accuracy of positive signals will elicit a positive response as well, and a company's profitability as reflected in its financial statements can also attract investors' attention. Consequently, investors are willing to invest their capital in a company if that company can provide added value on the capital they invest.

The “Bird-in-the-Hand” Theory

The dividend relevance theory (*bird-in-the-hand*), developed by Gordon (1956), posits that shareholders prefer the option of receiving dividends over waiting for the uncertain returns from their asset investments. However, the “*Bird-in-the-Hand*” theory is a relevance theory that illustrates the simple relationship between management's strong motivation to invest in assets and investors' high expectations of receiving returns in the form of dividends—due to use of retained earnings. This creates an inverse relationship between dividend distribution policy and corporate growth, which continuously requires a large portion of retained earnings. Thus, this relationship indicates that as corporate growth increases, dividend distributions to shareholders will decrease or be withheld.

Management has the option to retain the company's profits for reinvestment without reducing returns to shareholders in the slightest, provided that the minimum rate of return on those investments matches the rate of return expected by shareholders equivalent to the returns obtained from alternative investments with comparable risk levels. However, such a management decision would reduce investor interest and cause the company's stock price to fall in the market, which would lower the dividend yield.

Furthermore, in the context of the “*bird-in-the-hand*” theory, it is a more rational management decision to retain the company's profits, as the high returns from the company's investments will exceed the shareholders' cost of capital. This decision is inconsistent with the dividend relevance theory (*bird-in-the-hand*), which was also popularized by Lintner (1962), who stated that investors prioritize receiving dividend payments from their investments over waiting for capital gains from those investments.

According to Purwanti and Mispiyanti's (2024) analysis of the “*bird-in-the-hand*” dividend relevance theory, dividends can reduce uncertainty because they are received immediately, whereas *capital gains* are received in the future; thus, the uncertainty associated with dividends is smaller than that associated with *capital gains*. A similar perspective is found in the study by Wijaya and Felix (2017), which notes that while investors who invest their funds in a company naturally seek higher returns on their investments through dividends, the company also has the objective of surviving and continuing to grow; therefore, the decision to distribute dividends must be carefully considered. This implies that the “*bird-in-the-hand*” theory of dividends is viewed as an obstacle to growth and a threat to the company's survival.

Dividend Policy (DPR)

The dividend payout ratio (DPR) reflects a company's management's decision to distribute dividends when the portion of retained earnings remains stable. Amalia and Wahyuni (2023) argue that the dividend payout ratio is the ratio of the dividend per share to earnings per share; this ratio serves as a useful tool for analyzing a company's dividend policy. Regarding the explanation of the dividend payout ratio, Rozi and Almurni (2020) argue that the dividend ratio can indicate changes in net income—whether increasing or decreasing relative to retained earnings. Ikhsanuddin and Sutrisno (2022) argue that dividend policy involves a choice between distributing *returns* in the form of dividends to shareholders or retaining them for reinvestment in the company. Meanwhile, Febrianti and Zulvia (2020) note that larger companies tend to pay higher and more stable dividends because they are perceived as capable of generating more stable profits as well.

However, Zulkifli and Latifah (2021) offer a different perspective, stating that the composition of the board of commissioners also shapes the corporate governance structure to protect shareholders' interests, which in turn encourages management to pay high dividends to shareholders. Consequently, dividend distribution policy is a difficult and dilemmatic decision because it must balance investors' expectations of receiving a return on their investment with management's need to ensure the company's operations continue to run smoothly, as well as its strategic choices to pursue business development through diversification or expansion to sustainably increase the company's periodic net profit.

Earnings Per Share

Earnings per share (EPS) can also influence management's decision to pay dividends. Ramma and Gunawan (2023) argue that *earnings per share* is the net income available to common shareholders over a specific period divided by the average number of shares outstanding. Meanwhile, Rahayu and Haq (2023) argue that *earnings per share* provide a realistic picture of how much of a company's net profit, after taxes, is attributable to the number of outstanding shares ready to be distributed to shareholders.

The researchers conclude that EPS is a dividend payment policy to shareholders based on their share ownership, determined according to the company's profitability level. This ratio influences management's decisions regarding dividend policy. Consistent with the findings of an empirical study conducted by Ramma and Gunawan (2023), titled "*The Effect of Company Growth, Earnings Per Share, and Capital Structure on Dividend Policy with , Company Age as a Control Variable,*" the study found that the *earnings per share* variable has a significant positive effect on dividend policy.

Asset Growth

Asset Growth (AG) reflects a company's financial independence, stability, and future business prospects, thereby influencing managers' decisions regarding dividend distribution policies to investors. Sejati, Ponto, Prasetyaningrum, and Sumbari (2020) argue that the magnitude of dividend policies does not account for or depend on company growth variables. Meanwhile, in their study, Alifah and Pangestuti (2021) argue that *asset growth* is a measure of a company's growth based on changes in its total assets from year to year.

Company growth is an indicator of an increase in corporate value; high asset growth implies high levels of the company's operational activity. This indicates that the company is growing and thus capable of allocating funds, including for asset investments and dividend distributions to shareholders. The definition the researchers propose is that AG is an analysis of changes in the rate of a company's asset growth over several prior periods, which reflects the company's profitability and expansion.

Companies with high growth rates do not necessarily refrain from paying dividends to investors; in fact, dividend payments can reassure investors that their investments have good prospects. Investors are more likely to favor companies with high growth because such companies can generate returns.

Debt-to-Equity Ratio

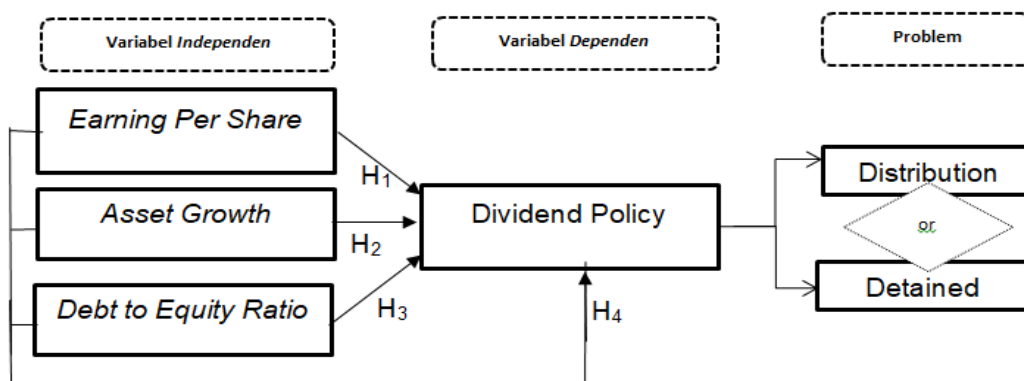
The *debt-to-equity* ratio is a metric used to assess the extent to which a company's fixed assets can finance a surge in debt usage. Syahirah, Ahmad, and Dalimunthe (2023) argue that leverage is the

ratio of total liabilities to total capital, indicating a high level of corporate debt, while Febrianti and Zulvia (2020) contend that the greater a company's debt, the lower its ability to pay dividends, as the company is burdened by high interest expenses on that debt.

According to Dewantara, Siswanto, and Rizqi (2019), *the debt-to-equity ratio* (DER) is used to calculate the extent of a company's debt relative to its equity. Meanwhile, Bramaputra, Musfitria, and Triastuti (2022) argue that the higher the proportion of debt used in the capital structure, the higher the debt burden, and consequently, the lower the company's ability to pay dividends.

Dhani and Utama (2017) used *the debt-to-equity ratio* to measure the capital structure of manufacturing companies listed on the Indonesia Stock Exchange and found that the larger a company's capital structure, the higher its enterprise value; however, this factor alone was not sufficient to influence enterprise value. This study uses the DER as a solvency indicator to demonstrate a company's ability to meet its long-term liabilities, meaning the company's top priority is to maintain liquidity for paying off long-term liabilities rather than paying dividends to investors.

Signalling theory is a management policy designed to provide investors with guidance regarding a company's future prospects. Meanwhile, the bird-in-the-hand theory describe shareholders' motivation to secure dividend payments based on the company's profitable operating performance and financial position. Based on the explanation above, the conceptual framework for this empirical study is as follows:



Overall, based on a review of previous research supporting the implementation of signaling theory, the “bird-in-the-hand” theory, and financial performance indicators such as the EPS ratio, AG ratio, and DER, it was shown that there is a correlation with dividend policy (DPR), with a predominance of positive and significant results, while a small portion of the results showed a negative effect or no effect. In line with this theoretical framework, this empirical study aims to further explore the correlation between the EPS ratio, AG ratio, and DER ratio and dividend policy (DPR) in the context of manufacturing companies producing agricultural food products listed on the Indonesia Stock Exchange (IDX). Specifically, this study formulates the following hypotheses to be tested:

The EPS ratio represents the portion of a company's net income available for distribution to each shareholder, indicating the earnings return generated per share. Fluctuations in the EPS ratio reflect changes in the company's net income (Earnings After Tax) performance; this highlights a key management decision—specifically, whether to retain earnings for asset investment or to boost production and sales before opting to distribute dividends to investors.

It can be inferred that a higher EPS ratio indicates more optimal profitability reflecting the company's positive performance thereby signaling a promising future and serving as a relevant indicator of high dividend payouts. On the other hand, however, the company may aim for continued growth by utilizing its internal capital. Consequently, the following hypothesis can be formulated regarding the first independent variable:

H1: *Earnings per share* influence dividend policy.

Corporate growth serves as an indicator of rising firm value; high asset growth implies a high level of operational activity. This demonstrates that the company is expanding and is thus capable of allocating funds toward initiatives such as asset investment and dividend distributions to shareholders. High-growth companies do not necessarily withhold dividends from investors; in fact, dividend payments can reassure investors regarding the investment's promising prospects, leading them to favor high-growth companies capable of generating returns.

It can be inferred that a higher AG ratio indicates a declining proportion of retained earnings; this serves as a negative signal regarding the company's short-term future and fosters negative investor expectations, as the dividends received lose their relevance under the "bird-in-the-hand" theory. Conversely, however, companies aiming for sustained growth face need for internal capital, making the motivation to optimize stable profitability a crucial issue. Thus, a hypothesis regarding the second independent variable can be formulated as follows:

H2: *Asset growth* influences dividend policy.

The debt-to-equity ratio is used to assess the extent to which a company's assets can support a increase in debt. Essentially, it measures the level of debt burden a company can manage relative to the value of its assets. A high debt-to-equity ratio indicates a high proportion of debt, thereby reducing the company's capacity to distribute dividends to investors.

It can be inferred that a high Debt-to-Equity Ratio (DER) indicates a reduction in the portion of retained earnings allocated for dividend payments in order to maintain financial liquidity. This situation serves as a negative signal to current and prospective investors regarding the company's performance and future prospects; furthermore, it renders investor expectations concerning dividend payouts viewed through the lens of the "bird-in-the-hand" theory irrelevant. Consequently, a hypothesis regarding the third independent variable can be formulated as follows:

H3: *The debt-to-equity ratio* influences dividend policy.

Based on empirical evidence, it can be inferred that fluctuations in the EPS, AG, and DER ratios which influence the portion of retained earnings and, consequently, dividend payout policies serve as signals (positive or negative) to current and prospective investors. These signals create inconsistent assessments regarding investor expectations concerning the magnitude of dividends and whether they are paid at all. However, balancing the "bird-in-the-hand" theory (prioritizing dividend distribution) with the need to sustain corporate growth (consistent with signaling theory) requires the optimization of stable profitability. Thus, hypotheses regarding the following three independent variables can be formulated:

H4: *Earnings per share, asset growth, and the debt-to-equity ratio* collectively influence dividend policy.

2. Research Method

This study uses a descriptive-associative approach. A descriptive-associative approach is a research method used to provide an explanation of the mean, minimum, maximum, and standard deviation of *independent* and *dependent* variables, with the aim of identifying the relationship between two or more *independent* variables and their dependent variable.

To conduct statistical data analysis, the researcher utilized secondary data in the form of six years of financial statements (2018–2023) and annual reports as well as data on average *stock trading volume* with positive trading performance.

The population consisted of 87 manufacturing companies listed in the IDX-IC (IDX *Industrial Classification*) Sectoral Index under the IDXNONCYC index code, specifically in the industrial goods sector for poultry feed, agriculture, and fisheries products. The sample was determined using a *homogeneous purposive sampling* mechanism across all companies, ensuring that all samples were of the same type; thus, all samples were used for a 6 (six)-year, with a total of 30 test samples. The inclusion criteria for selecting sample companies were limited to those with a track record of having distributed dividends consecutively for six years. Additionally, companies were explicitly required to demonstrate

a positive trend in stock trading performance during the same period and to operate within the same manufacturing sub-sector of agricultural food products.

Based on these criteria, the study identified five agricultural food product manufacturing companies listed as the test sample: PT Charoen Pokphand Indonesia Tbk, PT Japfa Comfeed Indonesia Tbk, PT Astra Agro Lestari Tbk, PT BISI International Tbk, and PT PP London Sumatra Indonesia Tbk.

The amount of the dividend distribution policy is determined based on the net profit (EAT) reserves that can be distributed to shareholders after being allocated to the net profit (EAT) that the company must retain. The formula used to measure the Dividend Payout Ratio (DPR) on a ratio scale is as follows:

$$\text{DPR} = \frac{\text{Dividen per Share}}{\text{Earning per Share}}$$

Earnings per Share (EPS) is a measure of the profit distributed to shareholders for each share they own. The formula used to measure EPS on a ratio scale is as follows:

$$\text{EPS} = \frac{\text{Net Profit}}{\text{number of outstanding Shares}}$$

Asset Growth (AG) is a measure of a company's growth that strongly indicates the company has profitable revenue and high expectations for returns on investments made as part of sound development strategies. The formula used to measure AG on a ratio scale is as follows:

$$\text{AG} = \frac{\text{Total Assets the current year} - \text{Total Assets Last Year}}{\text{Total Assets Last Year}}$$

The debt-to-equity ratio (DER) is the ratio of total debt to total equity, indicating the percentage of debt that can be accommodated by the company's equity. The formula used to measure DER on a ratio scale is as follows:

$$\text{DER} = \frac{\text{Total Liabilities}}{\text{Total Equity}}$$

Next, we will explain the relationships between each variable in sequence (descriptive explanation) when analyzing data using parametric inferential statistics via panel data regression analysis—which combines *cross-sectional* and *time-series* data—through the model estimation stages. The relationship model formed in this test is as follows:

$$\text{DPR}_{it} = \alpha_0 + \beta_1 \text{EPS}_{it} + \beta_2 \text{AG}_{it} + \beta_3 \text{DER}_{it} + e_{it}$$

where:

DPR_{it} = dependent variable (dividend policy)

α_0 = constant

$\beta_1 \beta_2 \beta_3$ = multiple linear regression coefficients

$\text{EPS}_{it} \text{ AG}_{it} \text{ DER}_{it}$ = independent variables (EPS, AG, and DER)

e_{it} = standard error

Furthermore, the regression coefficients α_0 define the strength of the relationship between two variables; the regression coefficients $\beta_1 \beta_2 \beta_3$ indicate whether the relationship is positive, negative, or zero, depending on the strength of the coefficients—whether they point in the same direction, in opposite directions, or indicate no relationship at all. The regression value e_{it} defines the validity of the influence of the established relationship between variables, while the regression value DPR_{it} is defined as the dependent variable that follows the regression value of the *independent* variable. To illustrate the relationship between the variables, we will proceed with selecting a regression equation estimation model, starting with *the Chow test*, *the Lagrange test*, and *the Hausman test*, as well as testing the classical assumptions.

3. Results and Discussion

Three approaches were used—*common effects*, *fixed effects*, and *random effects*—in selecting the appropriate panel data model.

Table 1. Selected *Random-Effects Model* —Lagrange Multiplier Test

Effect Test	Probability
Cross-Section Chi-Square	0.00
Cross-section Random	0.00
Breusch-Pagan cross-section	18,27 (0.00)

Source: researcher-processed data

Table 1 presents the results of the Chow, Hausman, and Lagrange Multiplier tests; the Random Effect Model (REM)—indicated by a Cross-section Breusch-Pagan value of 0.00—was selected as the best model. Consequently, the Random Effect Model (REM) is the appropriate panel data model for conducting classical assumption tests and linear regression analysis, serving as the basis for determining whether a correlation exists between the independent variables and the dependent variable.

Descriptive Statistical Analysis

Table 2. Results of Descriptive Statistics Test s of Variables

	DPR	EPS	AG	DER
Mean	0.44	253.68	1.07	0.42
Median	0.40	176.65	1.10	0.35
Maximum Value	1.50	973.50	1.10	1.00
Minimum Value	0.10	58.00	0.20	0.10
Standard Deviation	0.28	243.94	0.16	0.31

Source: researcher-processed data

Table 2 shows that the standard deviation of the DPR, at 0.28%, is quite high compared to the mean DPR of 0.44%, resulting in a coefficient of variation of 63.64%. This indicates that the variation in management's decisions regarding dividend distribution to shareholders over six consecutive years remains relatively high. These results indicate that decisions regarding how net income (EAT) is allocated whether distributed as dividends or retained as retained earnings vary across the sample companies. The decision to distribute dividends to shareholders on a continuous basis indicates that companies optimally achieve periodic profitability to maintain the proportion of retained earnings. In line with the research by Sejati, Ponto, Prasetyaningrum, and Sumbari (2020), who argue that companies with free cash flow are more likely to pay dividends compared to those without free cash flow.

EPS exhibits a standard deviation of 243.94%, which is very high compared to the mean value of 253.68%, resulting in a coefficient of variation of 96.16%. This implies that the high coefficient of variation which approaches 100% is nearly equivalent to the mean value itself. These results indicate that extremely high profit fluctuations reflect a fundamental risk in the form of revenue uncertainty across the entire sample of companies. Management's success in managing its finances to create opportunities and certainty for generating optimal profits for the company, as well as its ability to maintain or even increase the proportion of retained earnings, ensures that shareholders receive dividends on a sustainable basis. A similar finding is reported in the study by Saptiwi, Lestari, and Arumsari (2022), which states that companies facing uncertainty regarding future profits will adopt a policy of lower dividend payments.

The AG variable shows a standard deviation of 0.16%, which is very low compared to the data mean of 1.07%, with a coefficient of variation of 14.95%. These results indicate that the increase or decrease in assets for each sample company follows a highly stable pattern that allows for effective planning, thereby making it a predictable variable.

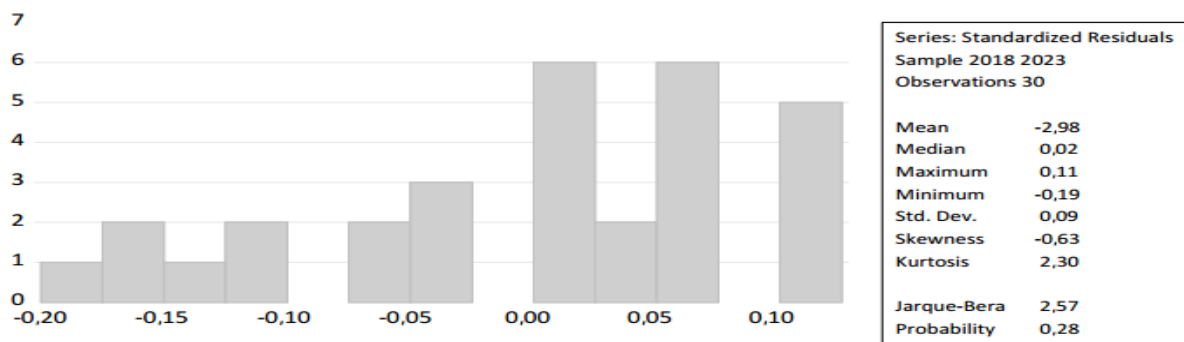
As for the DER variable, it shows a standard deviation of 0.31%, indicating a fairly wide dispersion compared to the mean data value of 0.42%. With a coefficient of variation of 73.81%, this implies that the variation in dispersion exhibits level of heterogeneity. These results reflect the existence of heterogeneity in capital structure and the use of the DER across the sample companies, indicating highly varied risk profiles meaning each company demonstrates inconsistent approaches to managing capital structure risk. Efficient management of equity capital has been shown to result in a low DER, thereby sparing the company from additional costs. This aligns with the view of Saptiwi, Lestari, and Arumsari (2022) that the DER is a ratio measuring the extent to which a company is financed by debt; a higher ratio generally indicates an unfavorable condition for the company.

Classical Assumption Tests

The classical assumption test is a key requirement for regression analysis to ensure that the regression model becomes a *Best Linear Unbiased Estimator* (BLUE)—that is, the best and unbiased model (Manihuruk, 2024). Therefore, to eliminate misinterpretations of the regression equation—thereby increasing confidence and ensuring that the regression equation can be interpreted correctly—this test also eliminates any lingering doubts, such as doubts regarding residuals (remaining disturbance variables), doubts regarding the presence of strong correlations among *independent* variables (multicollinearity), and doubts regarding equal variance among residuals from multiple observations (homoscedasticity).

Based on the analysis of the sample data using the Eviews software, the results of the normality test using the Jarque-Bera (JB) test criteria are as follows:

Figure . 1. Results of the Normality Test



Source: researcher's processed data

Figure 1. It is observed that the Jarque-Bera (JB) probability value is $0.28 > 0.05$, leading to the conclusion that the sample data are normally distributed and that the assumption of normality is satisfied.

Based on the analysis of the sample data using the Eviews software, the results of the multicollinearity test using the *Variance Inflation Factors* (VIF) criterion are as follows:

Table 3. Results of the Multicollinearity Test

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.00	1.34	N/A
D(EPS)	1.53	1.19	1.00
D(AG)	0.00	1.04	1.00
D(DER)	0.01	1.11	1.00

Source: researcher-processed data

Table 3 presents the results of the multicollinearity test following differentiation (prior to which the values were: **EPS** tolerance 2.16 or uncentered VIF 9.92; **AG** tolerance 0.01 or uncentered VIF 70.33; and **DER** tolerance 0.01 or uncentered VIF 10.47). The results show Centered Variance Inflation Factor (VIF) values of 1.00 for earnings per share **D(EPS)**, 1.00 for asset growth **D(AG)**, and 1.00 for the debt-to-equity ratio **D(DER)**. The decision-making criteria indicate that VIF values below 10 satisfy the

objective of the multicollinearity test—namely, to detect strong correlations among independent variables that could interfere with or bias the linear regression equation. Since all variables exhibit Centered VIF values below 10, it is concluded that there is no strong correlation among the independent variables in the sample data (i.e., no evidence of multicollinearity); thus, the assumption regarding multicollinearity has been met.

Based on the analysis of the sample data using Eviews, the results of the heteroscedasticity test using the Breusch-Pagan-Godfrey test criteria are as follows:

Table 4. Heteroscedasticity Test Results

Obs*R-squared	4.96	Prob. Chi-square(3)	0.18
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Source: researcher-processed data

Table 4 shows that the Chi-Square (3) probability value of $0.18 > 0.05$, indicating that the data is free from heteroscedasticity. Since the assumption of heteroscedasticity has been met, the regression equation analysis can proceed to examine and describe the causal relationship.

Multiple Linear Regression Analysis

Based on the systematic processing of the sample data and the selection of an appropriate panel data estimation model, a *random-effects* (REM) model was identified for application in the multiple linear regression equation. Using the Eviews software, the following sample data coefficients were obtained:

Table 5. Variable Coefficient Results

Variable	Coefficient
C	0.94
EPS _{it}	0.01
AG _{it}	-0.70
DER _{it}	0.38

Source: researcher-processed data

Table 5 shows that the coefficient values for *the constant* (C), *earnings per share* (EPS_{it}), and *debt-to-equity ratio* (DER_{it}) are positive. However, this contrasts with the coefficient for *asset growth* (AG_{it}), which is negative. Nevertheless, all variables have coefficient values that can be used to illustrate their respective effects on *the dividend payout ratio* (DPR_{it}) based on their respective coefficient values. Thus, the following multiple linear regression equation is formed:

$$\text{DPR}_{it} = 0.94 + 0.01 \text{EPS}_{it} - 0.70 \text{AG}_{it} + 0.38 \text{DER}_{it}$$

The resulting multiple linear regression equation implies that, first, if the coefficients of the other *independent* variables are held constant, the value of DPR_{it} will adjust by a factor of 0.94. The coefficient (α_0) serves as a benchmark that captures the influence of these factors on *the dividend payout ratio* (DPR_{it}) as the *dependent* variable. This means that if there is a positive or negative change in the coefficients of *earnings per share* (β_1 EPS_{it}), *asset growth* (β_2 AG_{it}), and *debt-to-equity ratio* (β_3 DER_{it}), it will result in an increase or decrease in *the dividend payout ratio* (DPR_{it}).

If the coefficients of other *independent* variables remain constant, the value of DPR_{it} will change by 0.01 for every one-unit change in the EPS_{it} coefficient, meaning that if the *earnings-per-share* coefficient (β_1 EPS_{it}) increases by one unit, the *dividend payout ratio* (DPR_{it}) will increase proportionally by 0.01. This implies that the higher the net income (EAT) earned, the higher the EPS value will be, which in turn increases the DPR ratio, leading to a larger amount of dividends paid to shareholders—provided that the AG and DER coefficients remain constant. Thus, the results above support the signaling theory, which posits a positive relationship between high profitability and dividend

payments, and align with the “*bird-in-the-hand*” theory in ensuring dividend payments to shareholders – ; the opposite condition also holds true.

If the coefficients of other *independent* variables remain constant, the value of DPR_{it} will change dynamically by -0.70 for every one-unit change in the AG_{it} coefficient, meaning that if the *asset growth* coefficient ($\beta_2 AG_{it}$) increases by 1 unit, the *dividend payout ratio* (DPR_{it}) will decrease by -0.70. This implies that as the asset growth (AG) ratio rises, the need for retained earnings to finance investments increases, thereby lowering the dividend payout ratio (DPR) and resulting in smaller dividend payments to shareholders or even the non-payment (retention) of dividends assuming constant EPS and DER coefficients. These findings support signaling theory, which links firm value to continuous asset growth, but do not support the “bird-in-the-hand” theory regarding investor expectations for dividend receipt; the converse holds true as well.

Assuming the coefficients of other independent variables remain constant, the DPR_{it} value changes dynamically by a factor of 0.38; this means that a one-unit increase in the debt-to-equity ratio coefficient ($\beta_3 DER_{it}$) corresponds to a direct increase of 0.38 in the dividend payout ratio (DPR_{it}). Consequently, a rising DER ratio directly leads to a larger portion of earnings being retained for debt repayment, thereby reducing the amount of dividends paid to shareholders or resulting in no dividend payment at all (full retention) provided the EPS and AG coefficients remain constant. These results, based on signaling theory, indicate an unhealthy financial condition that fails to support the “bird-in-the-hand” theory regarding shareholder expectations for dividend payouts; the converse holds true as well.

Meanwhile, the *standard error* coefficient (ϵ_{it}) in the linear regression equation shows a *standard error* value (ϵ_{it}) of 0.09, which tends to approach 0. This indicates that the resulting linear regression equation is accurate.

Results of the Coefficient of Determination Analysis (R^2)

Table 6. Coefficient of Determination Results

R-squared	0.88	Mean dependent variable	0.24
Adjusted R-squared	0.87	S.D. dependent variable	0.20

Source: researcher-processed data

Table 6 shows the results of the analysis of the *independent* variables: *earnings per share* (EPS_{it}), *asset growth* (AG_{it}), and *debt-to-equity ratio* (DER_{it}) have a coefficient of determination, or R-squared, of 0.88, indicating that these *independent* variables collectively account for 88% of the variation in the dependent variable. Meanwhile, the remaining 12% (100% – 88%) is influenced by other predictors outside the linear regression equation that were not examined in this study.

Elaborating further on the phenomenon (gap) identified in the background—specifically regarding the research gap concerning the coefficient of determination in constructing a robust regression model—hypothesis testing (t-test) results revealed probability values of 0.00 for EPS, AG, and DER. These findings indicate that all variables significantly influence the dependent variable. Consequently, a highly robust regression model was established, aligning with initial predictions made during the research methodology planning stage through the appropriate selection of independent variables.

Hypothesis Results (F-Test)

Table 7. F-Test Output Results

F-statistic	69.76		
Prob(F-statistic)	0.00		

Source: researcher-processed data

Table 7 shows the results of the data analysis with a Prob(F-statistic) value of 0.00; thus, it can be concluded that since $\text{Prob(F-statistic)} = 0.00 < 0.05$, the first hypothesis (H1) is accepted—meaning that, collectively, the *independent* variables have a significant effect on the dependent variable. These results support the research question formulated in Chapter I, concluding that *earnings per share* (EPS_{it}), *asset growth* (AG_{it}), and *debt-to-equity ratio* (DER_{it}) collectively have a significant effect on dividend policy.

Results of the F-Test

Based on the analysis of the sample data using the Eviews application, the probability values can be used as an indicator for evaluating the coefficient results by comparing these values.

Hypothesis Results (T-Test)

Table 8. T-Test Results

Variable	Probability	t-Statistic
C	0.00	9.48
EPS_{it}	0.00	3.58
AG_{it}	0.00	-8.50
DER_{it}	0.00	4.57

Source: researcher-processed data

Table 8 shows the probability values for *earnings per share* (EPS_{it}) at 0.00, *asset growth* (AG_{it}) at 0.00, and *debt-to-equity ratio* (DER_{it}) at 0.00, indicating whether or not these variables have an effect on *the dividend payout ratio* (DPR_{it}). The t-statistic values for *earnings per share* (EPS_{it}) are 3.58, for *asset growth* (AG_{it}) are -8.50, and for *the debt-to-equity ratio* (DER_{it}) are 4.56, indicating either a positive or negative significant effect. Thus, these results support the research question formulated in Chapter I: *earnings per share* (EPS_{it}) with a p-value of $0.00 < 0.05$ has a positive and significant effect on dividend policy, while *asset growth* (AG_{it}) with a p-value of $0.00 < 0.05$ has a negative and significant effect on dividend policy. Furthermore, *the debt-to-equity ratio* (DER_{it}) with a p-value of $0.00 < 0.05$ has a positive and significant effect on dividend policy.

The first hypothesis (H1) indicates that *earnings per share* (EPS_{it}) has a significant positive effect on *the dividend payout ratio* (DPR_{it})—is supported. This conclusion is consistent with the findings of Napitupulu and Afrina (2020), who stated that, when considered partially, *earnings per share* has a positive and significant effect on dividend policy. Similarly, the findings of Saptiwi, Lestari, and Arumsari (2022) indicate that, in part, *earnings per share* has a positive and significant effect on dividend policy. In their study, Sari and Hermuningsih (2020) found that, in a partial analysis, EPS has a positive effect on the dividend payout ratio. This is also consistent with the conclusion reached by Tandiono, Gunawan, Sitorus, and Putri (2019) that *earnings per share* has a positive and significant effect on *the dividend payout ratio*.

The primary role of the EPS ratio is heavily influenced by the company's ability to optimize its profitability. Similarly, Napitupulu and Afrina (2020) noted that dividend growth stems from growth in earnings per share; as profits increase, the dividends received by shareholders also rise.

Thus, the relationship between these results and the trend in the dividend payout ratio (DPR) during the 2018–2023 period reflects management's consistent choice to distribute dividends supported by stable retained earnings. This aligns with Purwanti's (2021) view that the greater the profit a company earns, the higher the dividend value distributed to investors. However, these results do not align with the view of Ikhsanuddin and Sutrisno (2022), who argue that a focused dividend policy involves choosing between distributing *returns* (dividends) to shareholders or retaining them for reinvestment in the company.

These results reflect the success of management's performance, which focuses on business strategy through profit optimization coupled with effective risk mitigation—thereby maintaining the effectiveness and efficiency of financial management, as indicated by the EPS ratio of one company, PT

Charoen Pokphand Indonesia Tbk, and its income statements for the past two years (2022 and 2023) with net income (EAT) in 2022 amounting to 2.93 trillion rupiah and in 2023 amounting to 2.31 trillion rupiah, while the *gross profit margin* remained stable at 14.30% in 2022 and 13.41% in 2023.

An increase in profitability is directly proportional to a rise in the EPS ratio, meaning that management plays a crucial role in maximizing the level of profitability achieved. Whatever the EPS ratio is in each period will affect the amount of dividend distribution and simultaneously distort the dividend payout ratio (DPR).

This means that the higher the net income (EAT), the higher the EPS (assuming the number of outstanding shares remains constant), and consequently, the greater the amount of dividends distributed to shareholders.

These results indicate that although the dividend payout per share may fluctuate, management has ensured that the level of the dividend policy—whether high or low—always aligns with the net income (EAT) and has decided to distribute dividends continuously for six years, reflecting stable annual profits. This conclusion aligns with the research by Zakaria (2021) on which states that the higher a company's *earnings per share*, the more profitable it is considered to be for investors.

The second hypothesis (H2) shows that) is accepted: *the dividend payout ratio (DPR_{it})* is negatively and significantly influenced by *asset growth (AG_{it})*. Similar results were also found in the study by Purba, Lorent, Angga, Cynthia, and Juli (2020), which stated that *asset growth* has a negative and significant effect on dividend policy. Similarly, Zulkifli and Latifah (2021) concluded that firm growth has a negative and significant effect on dividend policy. A similar conclusion was reached by Ardiani, Prihatni, and Handarini (2021), who found that firm growth has a negative effect on dividend policy. This aligns with the findings of Tandiono, Gunawan, Sitorus, and Putri (2019), who concluded that *asset growth* has a partial negative effect on *the dividend payout ratio*.

However, a different result emerged from the study by Munika, Hanafi, and Nurzali (2022), which stated that *asset growth* does not affect a company's dividend policy. This conclusion aligns with the findings of Devi and Mispiyanti (2020), who stated that *asset growth* has no effect on a company's dividend policy.

The primary role of the AG ratio is also influenced by the company's long-term investment and financing plans, aimed at optimally utilizing its assets to generate profit. Thus, the relationship between these results and the DPR trend during the 2018–2023 period reflects management's ongoing decision to distribute dividends, supported by asset growth that will optimize net income in the coming years. Companies with high growth rates will see their shares in demand over the long term because this indicates optimal net income (EAT) in the future, which will certainly increase the portion of retained earnings available for dividend distribution to shareholders. In line with the views of Nurhayati, Eka, and Ariawan (2021), high-growth companies' stocks are attractive to prospective investors because they tend to distribute dividends on a regular basis.

These results reflect the success of management in implementing business strategies through profit optimization coupled with effective risk mitigation, thereby maintaining the effectiveness and efficiency of financial management—as signaled by the AG ratio demonstrated by one company, PT Charoen Pokphand Indonesia Tbk, in its income statement, with total assets increasing from 2022 to 2023 by 1.12 trillion rupiah, and measured and planned investment activities in the form of fixed asset purchases totaling 2.53 trillion rupiah in 2022 and 1.29 trillion rupiah in 2023.

Each asset investment decision made by management is expected to make contribution to the company by increasing its earnings after tax (EAT) in order to sustain dividend distributions to shareholders. This depends on the investment choices made—whether to pursue profitable short-term investments such as the purchase of land and/or buildings, financial instruments such as stocks, bonds, and mutual funds as a means of diversifying the company's revenue sources, or to undertake long-term investments such as leasing long-term assets in the form of capital goods for business expansion. However, in a study by Sejati, Ponto, Prasetianingrum, and Sumbari (2020), the authors argue that growth does not affect the *dividend payout ratio*, whether the company is growing rapidly or not.

Thus, even though management chooses to continue implementing the company's long-term business plan to invest or secure long-term financing for business expansion, at the same time, management is also able to decide to distribute retained earnings through dividends to shareholders on a sustainable basis, driven by the effectiveness and efficiency of financial management. Finally, the results align with the hypothesis that AG has a negative and significant effect on the DPR.

The third hypothesis (H3) indicates that is accepted: *the debt-to-equity ratio* (DER_{it}) has a significant positive effect on *the dividend payout ratio* (DPR_{it}). In their study, Sari and Hermuningsih (2020) also found that the DER has a significant positive effect on the DPR. Anggraeni (2023) also found that the DER has a significant and positive effect on dividend policy. Similar results were found by Abrar, Ghazyla, and Arisandi (2017), who stated that leverage has a significant positive effect on *dividend policy*. However, this differs from the conclusion reached by Febrianti and Zulvia (2020), who stated that "*the debt-to-equity ratio* has a significant negative effect on dividend policy."

Meanwhile, the conclusion reached by Bramaputra, Musfitria, and Triastuti (2022) states that *the debt-to-equity ratio* has a negative effect on a company's dividend policy. Consistent with the findings of Purwanti and Mispriyanti (2024), *leverage* has a negative effect on dividend policy. Similarly, the study by Ardiani, Prihatni, and Handarini (2021) concluded that leverage has no effect on dividend policy. However, this finding is inconsistent with the results presented by Wijaya and Felix (2017), who stated that *leverage has no effect on dividend policy*.

The significance of the Debt-to-Equity Ratio (DER) is largely determined by a company's financial health, reflecting its liquidity in terms of meeting obligations and fulfilling shareholder entitlements through dividend payments. Consequently, an ideal scenario involves maintaining stable cash flow to service debt and distribute dividends to shareholders. Analyses by researchers indicate that this ratio reflects a company's capacity to meet long-term obligations; in other words, a higher DER necessitates that management prioritize maintaining liquidity or repaying long-term debt over distributing dividends. This aligns with the empirical findings of Febrianti and Zulvia (2020), which demonstrate that the higher a company's debt, the lower its capacity to distribute dividends, as the company is burdened by the high interest costs associated with that debt.

However, successful management performance in executing business strategies through profit optimization coupled with effective risk mitigation can maintain the effectiveness and efficiency of debt management, as evidenced by the DER ratio of PT Charoen-Pokphand Indonesia Tbk, which maintained an average debt ratio of 10% from 2018 to 2023, PT Japfa Comfeed Indonesia Tbk, with an average debt-to-equity ratio of 30% from 2018 to 2023; PT BISI International Tbk, with an average debt-to-equity ratio of 50% from 2018 to 2023; PT Astra Agro Lestari Tbk with an average debt-to-equity ratio of 40% from 2018 to 2023, and PT PP London Sumatra Indonesia Tbk with an average debt-to-equity ratio of 80% from 2018 to 2023. According to generally accepted standards, an average debt-to-equity ratio below 100% of total equity is still considered low. Saptiwi, Lestari, and Arumsari (2022) argue that the lower a company's liabilities, the smaller its financial obligations will be, which in turn leads to higher dividends being distributed.

These results indicate that the company's financial condition is sound because management's prudent decision to maximize the use of equity to fund its operations has helped avoid the risk of liquidation, allowing the company to focus on its dividend distribution policy to ensure continued support from shareholders. The use of retained earnings also serves to mitigate the company's risk when deciding to increase its debt. A similar view is expressed by Shabrina and Hadian (2021), *who note that companies with a high debt-to-equity ratio (DER) tend to distribute smaller dividends, as the profits generated by the company are used to repay existing debt—and vice versa*.

Thus, the relationship between these results and the trend in *the dividend payout ratio* during the 2018–2023 period reflects management's consistent choice to distribute dividends supported by the company's sound financial position, optimal profit generation, and sustained cash flow, enabling management to focus on its dividend policy to distribute retained earnings as dividends to shareholders.

The dividend distribution policy in this study draws upon signaling theory and the “*bird-in-the-hand*” theory. These theories are used to describe the types and behaviors of business actors—both individuals and organizations in gathering information as part of their approach. Business actors naturally possess information flows and analytical techniques involving the identification and evaluation of factors that constitute a company’s strengths, whether positive or negative. This knowledge facilitates an understanding of how these factors influence management policies, including dividend distribution policies. Furthermore, a perspective-based mindset helps assess whether a company is performing well or not from various viewpoints, so that business actors value all information to make wiser investment decisions, including considering the implications of their choices.

Miller and Modigliani (1961) argue in their signaling theory that a decline in *cash dividends* indicates a decline in the company’s earnings, suggesting that future shareholder returns may be disappointing. Meanwhile, Lungkang and Rusgowanto (2022) note that signals regarding a company’s *value* can be observed, among other things, through the *earnings per share* (EPS) metric. Therefore, when a company announces a high dividend payout, it signals that the company’s *value* and performance are strong and that it has promising prospects.

The publication of financial information is an obligation for companies that have *gone public*. Shareholders can interpret the signals provided through financial statements and analyze them further to determine whether the company will distribute large or small dividends each period. If a company is of high quality, signaling theory suggests that management will certainly be prepared to send signals to the capital market, indicating which companies are of high quality and which are not.

Signaling theory explains that company management possesses better information regarding the company’s prospects and internal conditions than investors do. Therefore, financial policies adopted—including dividend distribution policies can serve as signals to investors and prospective investors regarding the company’s future prospects. High dividend payments are considered a positive signal that a company has strong financial performance and stable cash flow, whereas a reduction or delay in dividend distribution can be interpreted as a negative signal regarding the possibility of a decline in profits or financial pressure on the company.

The “*bird-in-the-hand*” theory explains that the certainty of dividend payments for investors represents their expectation regarding their investment an expectation likened to the certainty that a single bird in the hand is more valuable than a thousand birds flying in the sky. This means that management’s decision to ensure dividend distribution to investors is highly relevant in balancing the uncertainty of investors’ expectations from their stock investments against the risks they face—namely, the uncertainty of management’s fluctuating profit levels and the certainty of increased investment in long-term assets to sustain the company’s growth.

In this context, research findings showing that EPS has a significant positive effect on dividend policy fully support signaling theory. An increase in earnings per share serves as a strong signal that the company has high profitability and is capable of meeting its obligations while providing returns to shareholders. Management that is confident in its performance will increase dividend payouts to strengthen its reputation and attract investor interest. Thus, dividends serve not only as a distribution of profits but also as a communication mechanism between management and the capital market. This finding is also consistent with the “*bird-in-the-hand*” theory, which posits that investors value current cash dividends more than potential future returns.

Meanwhile, the research findings indicate that AG has a significant negative effect on dividend policy, meaning that the higher a company’s asset growth rate, the lower the portion of net income (EAT) distributed as dividends. This finding can be explained through a combination of signaling theory. Companies with high asset growth tend to require substantial internal funds to finance their business expansion, resulting in a decrease in the proportion of retained earnings and a reduction in dividend payments. Within the framework of signaling theory, the decision to retain net income (EAT) can also be interpreted as a signal that the company has positive long-term growth prospects. Therefore, although

this policy reduces dividends in the short term, investors may interpret this move as a positive signal regarding future increases in the company's value.

Research findings indicating that the debt-to-equity ratio (DER) has a significant positive influence on dividend policy offer an interesting interpretation within the contexts of signaling theory and the "bird-in-the-hand" theory. Conventionally, a high DER is often associated with increased financial risk, prompting companies to reduce dividend payouts. However, in this study, the positive relationship between DER and dividend payouts suggests that the sampled companies are capable of effectively managing their capital structures and financial obligations while maintaining stable cash flows. In other words, despite rising debt levels, management continues to distribute dividends as a signal of the company's robust cash flow and financial stability. Investors interpret this as a sign of management's confidence in the company's ability to meet debt obligations while simultaneously delivering returns to shareholders. This reinforces the core premise of signaling theory: that financial policy serves as a strategic communication tool to build investor confidence.

Overall, these results support signaling theory and the "*bird-in-the-hand*" theory in explaining dividend policy behavior among manufacturing firms in Indonesia. The three variables examined profitability, growth, and solvency indicate that dividend policy stems from management's considerations that are not only financial in nature but also serve as a form of communication with the investment market. The combination of increased earnings after tax (EAT), the ability to manage liabilities, and growth strategies serves as the primary signal that investors pick up on when assessing a company's performance and prospects. Thus, the empirical results of this study expand the application of signaling theory in the context of manufacturing firms in developing countries and reinforce the view that dividends serve a dual function as both a dividend policy and a mechanism for communicating with the investment market.

Based on the data analysis and discussion above, the study concludes that, regarding the *independent* variables: *earnings per share* have a significant positive effect on dividend policy, consistent with the hypothesis that *earnings per share* influence dividend policy. Regarding the *independent* variable: *asset growth* has a significant negative effect on dividend policy, consistent with the hypothesis that *asset growth* influences dividend policy. Partially, the *independent* variable "*debt-to-equity ratio*" has a significant positive effect on dividend policy, consistent with the hypothesis that *the debt-to-equity ratio* influences dividend policy. Collectively, the *independent* variables *earnings per share*, *asset growth*, and *debt-to-equity ratio* have a significant effect on the *dependent* variable dividend policy in line with the hypothesis that *earnings per share*, *asset growth*, and *debt-to-equity ratio* collectively influence dividend policy.

The implications of this study for each variable specifically, *earnings per share* show that they have a significant positive effect on dividend policy; therefore, management needs to maintain stable net income (EAT) performance to ensure consistent dividend distributions while also boosting shareholder confidence.

Meanwhile, *asset growth* was found to have a significant negative effect on dividend policy; therefore, management must balance asset investment strategies with shareholder interests so that the company's growth does not come at the expense of potential dividend distributions. As for *the debt-to-equity ratio*, it was found to have a significant positive effect on dividend policy; thus, management needs to carefully manage the capital structure so that debt burdens do not reduce the company's ability to pay dividends.

Meanwhile, the simultaneous implications of this research suggest that understanding these three factors can help management formulate a dividend distribution policy that is not only responsive to the company's financial condition but also strategic in maintaining corporate reputation and long-term investment appeal in the capital market.

Based on these findings, prospective investors are encouraged to apply this knowledge by enhancing their understanding of a company's business conditions and comprehensively analyzing all received signals to identify opportunities for appropriate investment choices before making investment decisions. As for shareholders, implementation involves consistently monitoring the sustainability of

dividend distributions, periodically observing stock trading activity, and playing a more active role at General Shareholders' Meetings to influence the company's dividend policy.

From a managerial perspective, implementation involves executing business strategies through profit optimization and risk mitigation to maintain financial management effectiveness and efficiency, ensure cash flow stability, drive corporate growth as a positive signal, and design sustainable dividend policies—including options for dividend smoothing to consistently retain shareholder support.

4. Conclusion

The research methodology was well-executed, with the selection of all *independent* variables being highly appropriate, resulting in a robust regression model and a strong coefficient of determination.

EPS has a significant positive effect on dividend policy, indicating that the company has a stable level of profitability. This means that the higher this ratio, the greater the expectation for a dividend payout policy. Therefore, investors and prospective investors are encouraged to consider this as a key variable before making investment decisions.

AG has a significant negative effect on dividend policy, indicating that even though a company's assets continue to grow, it can still pay dividends sustainably. However, as this ratio increases, the portion of retained earnings available for dividend payments decreases. Therefore, investors and prospective investors who prioritize dividend payment policies in line with the "*bird-in-the-hand*" theory should consider this ratio before making investment decisions.

The DER has a significant positive effect on dividend policy, indicating that the company has a sound financial position to make dividend payments. This means that the lower this ratio is, the lower the financial risk associated with high interest expenses. Therefore, it is expected to serve as a key indicator of high investor and prospective investor expectations regarding dividend payment policy.

5. Suggestion

Based on the conclusions above, the researcher offers the following recommendations to parties with an interest in this topic for future research:

This study utilizes a sample of companies from the agricultural food product manufacturing sector, specifically those characterized by the distribution of dividends for six consecutive years (2018–2023). Future researchers are encouraged to consider a period of continuous dividend distribution that falls outside the years impacted by the COVID-19 pandemic. This study also considers the characteristics of positive stock trading performance over a consecutive six-year period. Therefore, future research is encouraged to simultaneously utilize a combination of positive and negative stock trading performance outcomes.

Future researchers are expected to comprehensively understand the context and focus of the research theme by formulating a sound research methodology including the precise selection of all variables—to construct a robust regression model and validate a strong coefficient of determination. Regarding variable selection, one can employ a profitability function using indicators such as return on investment and return on capital employed; a growth function using indicators like net profit growth and sales growth; and a solvency function using indicators such as the debt-to-asset ratio (DAR) and debt-to-capital ratio, applied to a sample of companies in the agro-food manufacturing sector.

EPS has a significant positive effect on dividend policy, indicating that the company maintains a stable level of profitability; a higher ratio implies greater expectations regarding dividend payouts, making it a crucial variable for current and prospective investors to consider before making investment decisions. Conversely, Asset Growth (AG) has a significant negative effect on dividend policy; while a company with growing assets can still pay dividends sustainably, an increase in this ratio reduces the portion of earnings retained for dividend payments. Therefore, investors and prospective investors who prioritize dividend payouts in line with the "*bird-in-the-hand*" theory should take this ratio into account before deciding to invest.

The Debt-to-Equity Ratio (DER) has a significant positive effect on dividend policy, indicating that the company possesses the financial health to make dividend payments. This implies that a lower

ratio corresponds to reduced financial risk associated with high interest expenses; consequently, it can serve as a key indicator of the high expectations regarding dividend payout policies held by current and prospective investors.

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