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Analysis of Financial Factors on Dividend Policy of Manufacturing Companies

Titin Maryana[1*], Hasbullah Hasbullah[2], Maria Septijantini Alie[3], Armalia Reny WA[4], Eka Travilta Oktaria[5], M. Nasir[6]
Mitra Indonesia University, Bandar Lampung, Indonesia[1,2,3,4,5,6]
titinmaryana.student@umitra.ac.id[1*], hasbullah@umitra.ac.id[2], maria_alie@umitra.ac.id[3], armalia.reni@umitra.ac.id[4], ekatravilta@umitra.ac.id[5], muhamadnasir5161@gmail.com[6]

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Abstract
Purpose: This study analyzes the effect of liquidity, firm size, and profitability on dividend policy in manufacturing companies, specifically in the basic and chemical industry subsector listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period.
Methodology/Approach: This study uses a quantitative approach. The population consists of 75 companies with 375 firm-year observations, and the sample includes 15 companies observed over five years (75 samples). Data were collected by reviewing annual financial reports. Data analysis was conducted using multiple linear regression with the help of SPSS software.
Results/Findings: The findings show that liquidity (CR), firm size (SIZE), and profitability (ROA) have positive and significant effects on dividend policy (DPR). Liquidity, firm size, and profitability also have positive and significant effects on dividend policy.
Conclusions: The study concludes that higher liquidity, larger firm size, and greater profitability contribute to the improvement of dividend policy among manufacturing companies in the basic and chemical industry subsectors in Indonesia.
Limitations: This study is limited to manufacturing companies in the basic and chemical industry subsector listed on the IDX, with the observation period restricted to 2020–2024.
Contributions: This study contributes to the field of financial management by providing empirical evidence on how liquidity, firm size, and profitability affect dividend policy. The results are useful for academics, investors, and company managers to understand dividend decisions.

Keywords: *Dividend Policy, Firm Size, Liquidity, Manufacturing Companies, Profitability*

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1. Introduction

The Manufacturing Industry, particularly the basic industry and chemical subsector, plays a crucial role in Indonesia's economy. In 2024, this sector recorded positive performance, with non-oil and gas processing industry exports reaching 196.54 billion USD, an increase of 5.33% over the previous year. Additionally, investment realization in the manufacturing sector reached IDR 721.3 trillion, contributing 42.1% to the total national investment (Azzahra, Suhardi, & Amin, 2025). However, despite these achievements, challenges remain. The growth of the manufacturing production index in 2023 was only 2.41%, with the Chemical Industry and Chemical Products sub-sector growing at 1.71%. This indicates that although investment and exports have increased, production growth is not aligned, which could affect the financial performance of companies in the sector (Hidayati & Hwihanus, 2025).

The financial performance of manufacturing companies, including liquidity, company size, and profitability, plays an important role in influencing dividend policies in the capital market. Companies with high liquidity and good profitability are generally more able to pay dividends to their shareholders (Firza & Agustina, 2025). Stagnation in production growth may pressure profits and liquidity, which, in turn, affects dividend distribution decisions (Widiana, Ernawatiningsih, & Sudiartana, 2024). The amount of dividends distributed is influenced by various internal factors such as liquidity, company size, and profitability (Uqba & Hindasah, 2025). These three factors are directly related to a company's ability and tendency to distribute profits to shareholders.

Agency theory views dividend policy as a mechanism for reducing conflicts between management (agents) and shareholders (principals). The structure of modern companies creates information asymmetry, where management often has more complete information about the company's condition and prospects than the shareholders. Dividend distribution can serve as a control tool over the use of a company's internal funds, which could be misused. High liquidity and profitability enhance a company's ability to pay dividends and demonstrate its commitment to shareholders. Signaling theory places dividend policy as a signal sent by management to the market (Bawamenewi & Afriyeni, 2019).

The decision to pay a large dividend can be interpreted as a positive sign of a company's prospects and financial stability (Maharani & Valdiansyah, 2025). However, the decision to withhold dividends can create a negative perception among investors unless supported by rational and acceptable strategic reasons. Companies with high profitability tend to distribute dividends as a form of confidence in the stability of future cash flows. Investors, when investing capital, expect to receive a high rate of return on investment. This return can be in the form of dividends, which are profits earned from the policies made by the company. These policies are calculated using the Dividend Payout Ratio (DPR). The average DPR of manufacturing companies is presented in figure below:

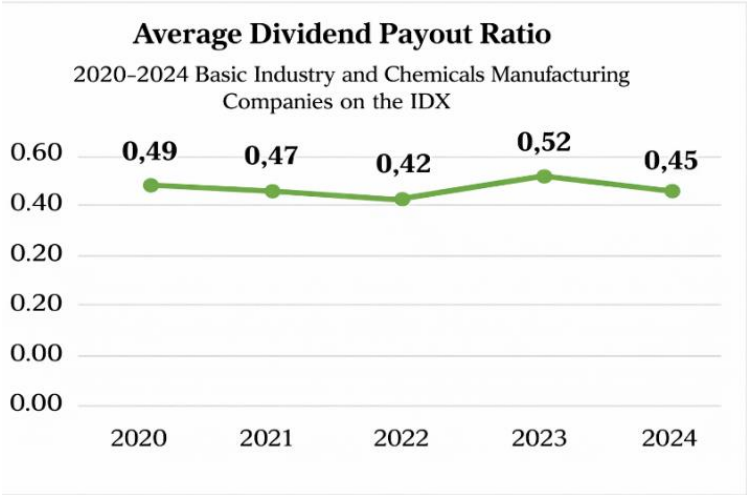

Figure 1. Average Dividend Payout Ratio (DPR)
Source: www.idx.co.id

Figure 1 shows the variations in the average Dividend Payout Ratio (DPR) from 2020 to 2024. In 2022, the DPR reached its lowest point at 0.42%, a decrease of 0.05% from 2020. Conversely, 2023 recorded the highest DPR of 0.54%, an increase of 0.10% over the previous year. This average DPR reflects the proportion of a company's profits that are distributed to shareholders. The amount of profit allocated to shareholders is determined by the dividend policy. Research on the effect of liquidity on dividend policy has shown inconsistent results. Some studies, such as those by Afni and Fitria (2024); Barokah and Ariyani (2024); Mardiyanti and Indrati (2024), state that liquidity positively influences dividend policy because companies with high liquidity tend to be able to pay dividends regularly. However, different results were shown by Azizah and Paramita (2024), who stated that there is no significant effect between liquidity and dividend policy, as companies prioritize long-term investments over dividend payments, even when they have sufficient cash.

This inconsistency represents an important research gap that should be examined further, considering the strategic role of liquidity in determining profit distribution policies for shareholders. Company size is often assumed to be an important factor in determining the dividend policy. Studies by Barokah and Ariyani (2024); Hikmah, Haldy, and Wangdra (2024); Puspitaningrum and Hanah (2024); Septian (2024) found that larger companies are more likely to pay dividends because of stable profits and external pressure from institutional shareholders. However, research by Ratih and Surasmi (2025); Uqba and Hindasah (2025) shows the opposite, with no significant or even negative relationship between company size and dividend policy because larger companies are more active in reinvesting.

This difference in findings shows empirical uncertainty that has not been consistently answered in the literature, creating a need for further research to examine this relationship in different contexts, such as publicly listed companies in Indonesia. Profitability is a variable widely studied in dividend policy research, but empirical findings have shown varied results. According to Afni and Fitria (2024); Azizah and Paramita (2024); Haya and Riduwan (2024); Mardiyanti and Indrati (2024), more profitable companies tend to pay higher dividends because large profits provide more room for profit distribution. However, Maharani and Valdiansyah (2025) suggest that profitability does not always guarantee high dividend payments, as companies may choose to retain profits to fund growth. The differences in research findings show that profitability does not automatically determine dividend policy; therefore, it is important to revisit its influence considering specific conditions such as industry structure, business cycle, and company growth rate.

These inconsistencies open up important areas for future research to explore how these three variables interact and influence dividend policy, especially in the context of public companies in Indonesia, which have market and regulatory characteristics that differ from those of other countries. Based on the phenomenon and empirical gaps described, there is inconsistency in the results of previous research as well as significant fluctuations in the Dividend Payout Ratio (DPR) reports of Manufacturing Companies in the Basic Industry and Chemical Sub-Sector Listed on the Indonesia Stock Exchange from 2020 to 2024**.** Therefore, a more in-depth study is needed on the **"**The Influence of Liquidity, Company Size, and Profitability on Dividend Policy (Case Study of Manufacturing Companies in the Basic Industry and Chemical Sub-Sector Listed on the Indonesia Stock Exchange from 2020 to 2024)**."**

2. Literature Review and Hypothesis Development

2.1. Agency Theory and Signalling Theory

Agency theory explains the relationship between managers as agents and shareholders as principals, where potential conflicts of interest may arise because managers do not always act in the best interests of the company's owners (Jehoni & Tyasari, 2025). To reduce this conflict, one of the mechanisms used is the dividend policy, because by distributing part of the profit, the company can limit the funds controlled by management and simultaneously maintain the reputation and trust of its investors. Meanwhile, signaling theory focuses on how management communicates information to the market regarding a company's condition and future prospects (Firmansyah & Hasmarini, 2025). Dividend payments are viewed as a positive signal that a company has good financial performance and promising prospects (Marwah & Amalina, 2025). Therefore, signaling theory emphasizes that profitability, liquidity, and company size not only affect dividend policy but also serve as communication tools for management to create positive perceptions among investors.

2.2. Dividend Policy Ratio

The dividend policy ratio is the company's decision to determine the proportion of profits distributed to shareholders and retained for internal financing (Fahmi, 2015). According to Anisa and Meirina (2025), the ideal dividend policy balances profit distribution and retention to support the company's long-term growth.

$$Dividend\ Payout\ Ratio = \frac{Total\ Dividend}{Net\ Profit} \quad (1)$$

2.3. Liquidity Ratio

The liquidity ratio measures a company's ability to meet its short-term obligations using current assets (Arifin, 2018). According to Fahmi (2015), this ratio is important for assessing a company's financial health and its ability to meet urgent financial obligations.

$$Cash\ Ratio = \frac{Cash\ and\ Cash\ Equivalents}{Current\ Liabilities} \quad (2)$$

2.4. Company Size Ratio

According to Arifin (2018), the company size ratio is used to assess the size of a company based on aspects such as assets, income, or number of employees. This ratio helps assess a company's ability to grow and expand.

$$Size\ =\ Log\ in\ (Total\ Assets) \quad (3)$$

2.5. Profitability Ratio

According to Arifin (2018), the profitability ratio measures a company's ability to generate profit from sales and assets used. This ratio also serves as an indicator for investors to assess the potential profit and efficiency of the company's management.

$$ROA = \frac{\text{Net Profit}}{\text{Total Assets}} \times 100\% \quad (4)$$

2.6. The Influence of Liquidity on Dividend Policy

The Influence of Liquidity on Dividend Policy Liquidity refers to a company's ability to meet its short-term debt obligations (usually due within less than one year) (Kumalasari & Haq, 2025). According to Putri and Wardani (2025), the higher the liquidity of a company, the better its ability to pay off short-term debts. Yanti, Gunadi, and Gama (2025) state that good liquidity reflects strong company performance, as it facilitates the company in fulfilling dividend payment obligations. Furthermore, Violiandani, Wahyuni, and Sari (2025) emphasize that the higher the liquidity, the greater the chance for the company to distribute dividends to shareholders.

Moreover, Hanafi and Halim (2016) argue that companies with high liquidity tend to pay dividends to prevent acquisition by other parties. Technically, liquidity can be measured using the current ratio (CR), which shows how well the company can pay its short-term liabilities (Wiratama, Widnyana, & Sukadana, 2025). High liquidity indicates that the company has a good ability to meet short-term obligations and consistently distribute dividends (Anisa & Meirina, 2025).

Based on signaling theory, high liquidity can be a positive indicator for investors, as it reflects healthy financial performance and the company's ability to pay dividends (Husin, Dama, & Ishak, 2025). This finding is consistent with the research by Hajriyanti and Zahra (2025); Maharani and Valdiansyah (2025); Wiratama et al. (2025), which states that liquidity significantly influences dividend policy. This means that the higher the liquidity of a company, the greater the dividends that can be distributed (dividend payout ratio).

H_1: Liquidity is suspected to affect Dividend Policy.

2.7. Dividen The Influence of Company Size on Dividend Policy

In this study, company size is calculated based on the total assets owned (Munfarida & Istanti 2025). Companies with large total assets are generally considered to have reached maturity, where their cash flows are positive and they have good long-term prospects (Husin et al., 2025). In addition, large companies tend to be more stable and generate higher profits than smaller companies (Putra & Lestari, 2016). Company size reflects the scale of the business, which is assessed based on the size of assets Setiawan, Novitasari, and Arizona (2025). The larger the company, the more stable it is, thus attracting more investors to the company. Investors expect large companies to pay higher dividends.

Signaling theory explains that large companies provide positive signals about future prospects; therefore, investors are more confident in investing (Wijaya, 2025). Larger companies are also considered more capable of distributing larger dividends than smaller companies (Widiantari, Ernawatiningsih, & Suryandari, 2025). This finding is consistent with the research by Husin et al. (2025); Munawaroh, Sutanti, and Lestari (2025); Uqba and Hindasah (2025), which states that company size has a positive and significant effect on dividend policy. This means that the larger the company, the higher the Dividend Payout Ratio (DPR).

H_2: Company Size is suspected to have an effect on Dividend Policy

2.8. The Influence of Profitability on Dividend Policy

High company profits strengthen the ability to distribute dividends while maintaining operational continuity and business expansion through reinvestment (Hajriyanti & Zahra, 2025). Based on signaling theory, an increase in dividends is viewed as a positive signal that management projects strong financial performance in the future. Profitability, as reflected by Return on Assets (ROA), is an indicator of the company's efficiency in generating profits from the total assets owned (Mery, Zulbahridar, & Kurnia, 2017), and investors tend to be more attracted to companies with high ROA because it indicates the ability to generate larger profits (Putri & Wardani, 2025). Recent research by Hajriyanti and Zahra (2025); Maharani and Valdiansyah (2025); Rochmah and Fitria (2017); Violiandani et al. (2025) consistently shows that profitability has a positive and significant effect on dividend policy, meaning that companies with optimal ROA tend to distribute higher dividends to shareholders.

H_3: Profitability affects Dividend Policy

H_4: Liquidity, Company Size, and Profitability are suspected to affect Dividend Policy

3. Research Methodology

This study uses a quantitative method with the object of manufacturing companies in the basic industry and chemical subsector listed on the Indonesia Stock Exchange (IDX) for the period 2020–2024. Secondary data were obtained from the companies' annual financial reports, the IDX website, the OJK, and supporting literature. The research sample was selected using a purposive sampling method, with the criteria of companies that were consistently listed, paid dividends, and published annual financial reports during the research period, resulting in 15 companies or a total of 75 observation data points.

Data analysis was performed using SPSS with multiple linear regression to test the influence of liquidity, company size, and profitability on the dividend policy. Before the analysis, validity, reliability, and classical assumption tests (normality, multicollinearity, and heteroscedasticity) were conducted. The tests were followed by an F-test for simultaneous effects, a t-test for partial effects, and the calculation of the coefficient of determination (R^2) to assess the contribution of independent variables to dividend policy.

4. Results and Discussion

4.1. Data Processing Results

4.1.1. Classical Assumption Test

In this stage, various analysis steps will be tested, namely the normality, multicollinearity, autocorrelation, and heteroscedasticity tests.

4.1.1.1. Normality Test

Table 1. Kolmogorov-Smirnov normality test results

Kolmogorov-Smirnov	
Asymp. Sig. (2-tailed)	0,097

Table 1 show the results of the One-Sample Kolmogorov-Smirnov Test for liquidity (CR), company size (SIZE), profitability (ROA), and dividend policy (DPR) indicate that the asymp sig (2-tailed) value is 0.097. According to Ghozali (2015), the data are considered normally distributed if the One-Sample Kolmogorov-Smirnov Test yields an asymp sig (2-tailed) > 0.05.

4.1.1.2. Multicollinearity Test

Table 2. Multicollinearity test results

Variable	Tolerance	VIF
CR	0,695	1,438
SIZE	0,607	1,648
ROA	0,830	1,204

Based on table 2, the VIF and Tolerance calculations, the VIF value for liquidity (CR) is 1.438 with a tolerance value of 0.695, the VIF for company size (SIZE) is 1.648 with a tolerance value of 2.765, and the VIF for profitability (ROA) is 1.204 with a tolerance value of 0.830. Each independent variable had a VIF value < 10 and a tolerance value ≥ 0.10, indicating that there was no multicollinearity problem among the independent variables in the regression model.

4.1.1.3. Autocorrelation Test

Table 3. Run test autocorrelation test results

Run Test	
Asymp. Sig. (2-tailed)	0,307

Based on table 3, the Run Test results, the test value was 0.10654, and the probability value was 0.307, which was greater than 0.05. Therefore, it can be concluded that there is no autocorrelation issue, and the residual values for liquidity (CR), company size (SIZE), and profitability (ROA) against dividend policy (DPR) do not exhibit autocorrelation.

4.1.1.4. Heteroscedasticity Test

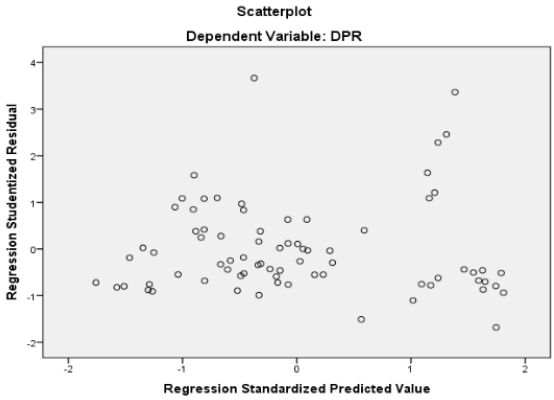

Figure 2. Scatterplot of heteroscedasticity test results

Figure 2 shows a scatterplot indicating that the points are spread randomly both above and below the Y-axis zero. This suggests that there is no heteroscedasticity in the regression model for liquidity (CR), company size (SIZE), and profitability (ROA) on dividend policy (DPR).

4.1.2. Hypothesis Testing

4.1.2.1. Multiple Linear Regression

Table 4. Multiple linear regression test results

Model		Unstandardized Coefficients	
		B	Std. Error
1	(Constant)	2,326	1,032
	CR	,049	,042
	SIZE	,092	,033
	ROA	,055	,048

Based on the multiple regression analysis results, the regression equation is as follows:

$$\mathbf{Y = 2.326 + 0.049X1 + 0.092X2 + 0.055X3 + e} \quad (5)$$

Table 4 show the Whare Constant value is 2.326, indicating that if liquidity (CR), company size (SIZE), and profitability (ROA) are fixed, the dividend policy (DPR) will increase by 2.326. Liquidity (CR) has a positive coefficient of 0.049, indicating that a one-unit increase in liquidity will result in a 0.049 increase in dividend policy (DPR). Company size (SIZE) has a positive coefficient of 0.092, indicating that a one-unit increase in company size will result in a 0.092 increase in dividend policy (DPR). Profitability (ROA) has a positive coefficient of 0.055, indicating that a one-unit increase in profitability will result in a 0.055 increase in dividend policy (DPR).

4.1.2.2. Coefficient of Determination (R^2)

Table 5. Coefficient of determination test results

Model	R Square
1	0,502

Based on table 5, the coefficient of determination (R^2) test, the R^2 value was 0.502. This means that the independent variables (liquidity (CR), company size (SIZE), and profitability (ROA)) influence the dependent variable (dividend policy (DPR)) by 50.2%, and the remaining 49.8% is due to other variables not studied in this study.

4.1.2.3. F-Test

Table 6. F-Test results

Model	F	Sig.
Regression	12,697	,000[b]

Table 6 show the F-test results show that F-calculated = 12.697, which is greater than F-table = 2.73, and the significance value (0.000) is less than 0.05. Therefore, it can be concluded that the independent variables (liquidity (CR), company size (SIZE), and profitability (ROA)) significantly affect the dependent variable (dividend policy (DPR)).

4.1.2.4. Partial Test

Table 7. T Test results

Model		t	Sig.
1	(Constant)	2,254	,027
	CR	1,763	,029
	SIZE	2,765	,007
	ROA	1,818	,041

To conduct the t-test above, it is necessary to calculate the t-table value using the formula:
$\mathrm{T-table} = (\alpha; \mathrm{n-k})$
$\mathrm{T-table} = (0{,}05;\ 75-4) = (0{,}05; 71) = 1{,}667$

Based on Table 7, the results show that the t-value for the independent variable liquidity (CR) is 1.763, with a significance level of 0.029. This means that the t-value (1.763) is greater than the t-table value (1.667), and the significance level is less than 0.05, indicating that liquidity (CR) has a positive and significant effect on Dividend Policy (DPR) in manufacturing companies in the Basic Industry and Chemical Sub-Sector listed on the Indonesia Stock Exchange from 2020 to 2024. The t-value for the independent variable, Company Size (SIZE), is 2.765, with a significance level of 0.007.

This means that the t-value (2.765) is greater than the t-table value (1.667), and the significance level is less than 0.05, indicating that Company Size (SIZE) has a positive and significant effect on Dividend Policy (DPR) in manufacturing companies in the Basic Industry and Chemical Sub-Sector listed on the Indonesia Stock Exchange from 2020 to 2024. The t-value for the independent variable profitability (ROA) is 1.818, with a significance level of 0.041. This means that the t-value (1.818) is greater than the t-table value (1.667), and the significance level is less than 0.05, indicating that profitability (ROA) has a positive and significant effect on Dividend Policy (DPR) in manufacturing companies in the Basic Industry and Chemical Sub-Sector listed on the Indonesia Stock Exchange from 2020 to 2024.

4.1.3. Discussion

4.1.3.1. The Effect of Liquidity (CR) on Dividend Policy (DPR)

Based on the results of hypothesis testing conducted partially, it shows that the Liquidity (CR) variable has a positive and significant effect on Dividend Policy (DPR) in manufacturing companies in the Basic Industry and Chemical Sub-Sector listed on the Indonesia Stock Exchange for the period 2020-2024. This indicates that the higher the liquidity level of a company, the greater the likelihood that the company will distribute dividends to shareholders. In other words, companies with good liquidity tend to have the ability to meet their short-term obligations and are also more capable of providing stable dividends, which can increase shareholder satisfaction and attract more investors. Thus, the alternative hypothesis proposed in this study is supported by the research findings.

These findings are consistent with those of Hajriyanti and Zahra (2025); Maharani & Valdiansyah, (2025); Wiratama et al. (2025), who state that liquidity significantly affects dividend policy. This means that the higher the liquidity of a company, the greater the dividends that can be distributed (dividend payout ratio). This is supported by signaling theory, which reveals that high liquidity can be a positive indicator for investors because it reflects healthy financial performance and the company's ability to pay dividends(Husin et al., 2025). Liquidity refers to a company’s ability to meet its short-term debt obligations (usually due within less than one year) (Kumalasari & Haq, 2025). According to Putri and Wardani (2025), the higher a company’s liquidity level, the better its ability to settle short-term debts.

Yanti et al. (2025) state that good liquidity reflects solid company performance because it facilitates the company’s ability to meet dividend payment obligations. Violiandani et al. (2025) emphasized that the higher the liquidity, the greater the company's chances of distributing dividends to shareholders. The findings indicate that companies with higher liquidity tend to be more capable of distributing dividends to shareholders, which, in turn, can increase investor satisfaction and attract more investor interest. This highlights the importance of effective liquidity management in supporting stable dividend policies. Companies need to maintain a balance between having sufficient liquidity to meet short-term obligations and the ability to provide profitable dividends to shareholders because good liquidity not only reflects healthy financial performance but also serves as a positive signal to investors, which can increase the company’s attractiveness in the stock market.

4.1.3.2. The Effect of Company Size (SIZE) on Dividend Policy (DPR)

Based on the results of hypothesis testing conducted partially, it shows that the Company Size (SIZE) variable has a positive and significant effect on Dividend Policy (DPR) in manufacturing companies in the Basic Industry and Chemical Subsector listed on the Indonesia Stock Exchange for the period 2020-2024. This indicates that larger companies tend to have a better capacity to generate profits and pay dividends to shareholders. A larger company size can reflect financial stability and operational sustainability, allowing the company to provide higher and more consistent dividends, making it more attractive to investors. Thus, the alternative hypothesis proposed in this study is supported by the research findings.

These findings are consistent with those of Husin et al. (2025), Munawaroh et al. (2025), and Uqba and Hindasah (2025), who stated that company size has a positive and significant effect on dividend policy. This means that the larger the company, the higher its Dividend Payout Ratio (DPR). According to signaling theory, large companies send positive signals about future prospects; therefore, investors are more confident in investing (Wijaya, 2025). Larger companies are also considered more capable of

distributing larger dividends than smaller ones (Widiantari et al., 2025). In this study, company size is calculated based on the total assets owned (Munfarida & Istanti 2025).

Companies with large total assets are generally considered to have reached maturity, where their cash flows are positive and they have good long-term prospects. Additionally, larger companies tend to be more stable and generate higher profits than smaller companies (Putra & Lestari, 2016). Company size reflects the scale of the business and is assessed based on asset size. The larger the company, the more stable its condition, thus attracting more investment. Investors expect large companies to pay higher dividends.

The findings indicate that larger companies tend to have higher and more consistent dividend policies, which can send a positive signal to investors regarding financial stability and the company's long-term prospects. This highlights the importance of company size in dividend decisions, as larger companies are perceived to be more capable of distributing higher dividends owing to better stability and profitability. Therefore, companies that want to attract more investors and maintain shareholder confidence should consider increasing their operational scale and stability to maintain a profitable dividend policy and create long-term value for shareholders.

4.1.3.3. The Effect of Profitability (ROA) on Dividend Policy (DPR)

The results of partial hypothesis testing show that the profitability (ROA) variable has a positive and significant effect on Dividend Policy (DPR) in manufacturing companies in the Basic Industry and Chemical Sub-Sector listed on the Indonesia Stock Exchange for the period 2020-2024. This indicates that companies with higher profitability tend to have a greater capacity to generate profits that can be distributed as dividends. Good profitability reflects a company's operational efficiency in generating profits, which in turn gives it a greater ability to maintain or increase dividend policies as a form of appreciation to shareholders. Thus, the alternative hypothesis proposed in this study is supported by the research findings.

These findings are consistent with those of Hajriyanti and Zahra (2025), Maharani and Valdiansyah (2025), and Violiandani et al. (2025), who state that profitability has a positive and significant effect on dividend policy. Thus, companies that achieve an optimal ROA generally distribute higher dividends to shareholders. According to signaling theory, increasing dividends can be interpreted as a positive signal for investors that management will project strong financial performance in the future. This theory reinforces the idea that high profitability, reflected by Return on Assets (ROA), has a positive effect on dividend policy, especially in terms of the dividend payout ratio.

A high ROA indicates the efficiency of a company in generating profits relative to its total assets (Mery et al., 2017). Investors tend to prefer companies with high ROA because it reflects the ability to generate greater profits compared to companies with low ROA. High profits increase a company’s ability to distribute dividends while supporting operational continuity or business expansion through reinvestment (Hajriyanti & Zahra, 2025). According to Septiyanti, Rifan, and Ramdani (2025), the greater the company’s profit, the higher the dividends that can be distributed to shareholders.

The implications of these findings are that companies with high profitability, reflected by a good ROA, tend to have a greater capacity to distribute dividends to shareholders. This shows that companies with strong financial performance, capable of generating optimal profits, can enhance dividend policies as a positive signal to investors regarding promising future prospects. Therefore, companies should focus on improving operational efficiency and profitability to maintain or increase dividend policies, which, in turn, can strengthen investor confidence and support sustainable company growth.

4.1.3.4. The Effect of Liquidity (CR), Company Size (SIZE), and Profitability (ROA) on Dividend Policy (DPR)

The results of hypothesis testing conducted simultaneously show that liquidity (CR), Company Size (SIZE), and profitability (ROA) positively and significantly affect Dividend Policy (DPR) in manufacturing companies in the Basic Industry and Chemical Sub-Sector listed on the Indonesia Stock

Exchange for the period 2020-2024. Therefore, the alternative hypothesis proposed in this study is supported by the research findings. This can be seen from the significance value of F-calculated, which is 12.697, which is greater than the F-table value of 2.73, indicating that F-calculated > F-table and is significant, because the significance value (sig) < 0.05 (0.00 < 0.05). This indicates that, statistically, all three variables are significantly related to Dividend Policy, supporting the alternative hypothesis proposed in this study. These findings provide empirical evidence that managing liquidity, company size, and profitability plays an important role in determining dividend distribution policy in the observed company.

5. Conclusions

5.1. Conclusion

Based on the analysis and discussion, several key findings were obtained. Partially, Liquidity (CR) has been found to have a positive and significant effect on Dividend Policy (DPR). This finding indicates that companies with higher liquidity tend to have more financial room to distribute dividends. Therefore, increasing liquidity is a factor that can support dividend payment policies. Company Size (SIZE) also has a positive and significant effect on Dividend Policy (DPR). However, despite its significance, company size is not the only dominant factor, as the operational characteristics and financial structures of companies may vary.

This shows that larger companies tend to be more stable in paying dividends, but dividend distribution decisions still depend on other financial considerations. Profitability (ROA) has been found to have a positive and significant effect on Dividend Policy (DPR). This means that the higher the company's ability to generate profits, the greater the potential for the company to distribute dividends to shareholders. These findings are consistent with dividend theory, which emphasizes the importance of profit as the basis for dividend distributions. Simultaneously, Liquidity (CR), Company Size (SIZE), and profitability (ROA) have positive and significant effects on Dividend Policy (DPR).

This emphasizes that dividend policy is influenced by a combination of internal factors of the company that reflect financial stability, operational capacity, and profit performance. Therefore, the results of this study suggest that to strengthen dividend policies, companies need to pay attention to liquidity conditions, business scale, and their ability to generate profits sustainably. These findings provide a more comprehensive understanding of the key factors affecting dividend policy in Indonesian manufacturing companies during the study period.

5.2. Limitations and Further Studies

This study is limited to manufacturing companies in the basic industry and chemical subsectors listed on the Indonesia Stock Exchange (IDX) for the period 2020–2024; therefore, the results cannot be generalized to other sectors. The variables used are only liquidity (CR), Company Size (SIZE), and profitability (ROA); it does not include other financial or non-financial factors that may also influence dividend policy. Additionally, the short study period and the use of multiple linear regression analysis limit the scope of the study; therefore, future research is expected to expand the sample, add more variables, extend the period, and use other analytical methods, such as Structural Equation Modeling (SEM), for more comprehensive results.

5.3. Suggestions

These findings emphasize that company management needs to optimize short-term cash management, utilize company size for operational efficiency, and improve profitability through cost-control strategies and measured growth to strengthen the consistency of dividend policies. For investors, these ratios are important indicators for assessing the financial health and prospects of a company, thus serving as a key consideration in investment decision-making. Meanwhile, future researchers are recommended to expand the scope of the research not only to the basic industry and chemical sub-sectors but also to other sectors or indices in the IDX, as well as to add other variables such as NPM, FDR, ROE, GROWTH, DER, LDR, NIM, BOPO, CAR, PBV, and CSR to make the research more comprehensive.

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