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Original Article

Analysis of Factors Affecting Dividend Policy in the IDX High Dividend 20 Companies Listed on the Indonesia Stock Exchange (IDX) During the Period of 2019-2023

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Abstract

Deciding on how to distribute net income to shareholders or reinvest it for business operations is a crucial strategic move known as dividend policy. The focus of this research is to examine the influencers affecting dividend policy within businesses listed in the IDX High Dividend 20 on the Indonesia Stock Exchange from 2019 to 2023. The analyzed factors consist of the current ratio, debt-to-equity ratio, return on assets, and firm size. A quantitative method with a descriptive-analytical framework is utilized in the study. Information is gathered from the yearly financial statements of 18 chosen businesses from the total of 20 companies in the IDX High Dividend 20 group. Information gathering is carried out using various record-keeping techniques, while an assortment of linear regression is utilized for data examination. It has been revealed through the findings that the proportions of the present resources to liabilities and the magnitude of the company do not notably impact how dividends are managed. Conversely, the level of debt relative to equity and the return generated on assets have a notable beneficial impact on the dividend strategy. The calculation of the determination coefficient presents that approximately 14% of the fluctuation in dividend strategy can be accounted for by the independent factors, with the rest being influenced by external elements not covered in this research. This research contributes to understanding the factors influencing dividend policy in Indonesia, particularly among companies that focus on high dividend distribution.

Keywords: Dividend Policy, High Dividend, Indonesia Stock Exchange.

1. Introduction

Dividends originated from Latin, namely *divendium*, which means something to be divided. Meanwhile, in the Indonesian Dictionary, dividends refer to the portion of a business's earnings that is given to its investors. Dividends are defined by Baridwan (1997) as part of the profit or profit that can be distributed to shareholders. Shareholders receive a portion of the earnings based on the number of shares they own. The management can choose to distribute the profits to investors or use them to fund future business activities by retaining the earnings within the company. This decision making is called dividend policy (Irnawati, 2021).

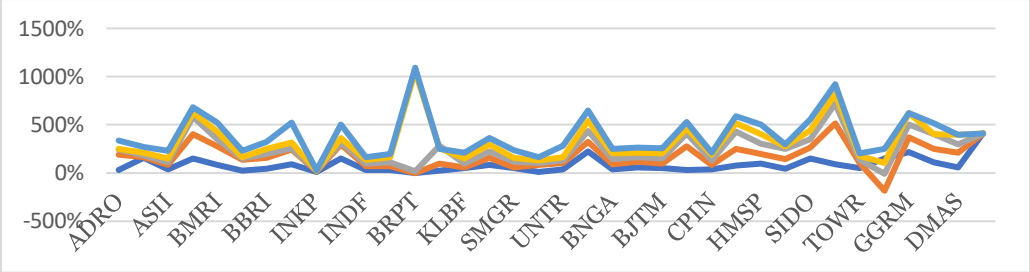

Figure 1. Dividend Payout Ratio of Companies Listed in the IDX High Dividend 20 on the Indonesia Stock Exchange for the Period 2019-2023

Based on the data above, it can be noted that several companies included in the IDX High Dividend 20 on the Indonesia Stock Exchange for the 2019-2023 period have fluctuating dividend policy ratio values. For example, PT Barito Pacific, Tbk. which did not pay dividends in 2019 and 2020 and PT Waskita Beton Precast which paid dividends in 2019 but then in 2020-2023 did not pay dividends. Meanwhile, PT Sarana Menara Nusantara Tbk. has a policy ratio that continues to decline.

This phenomenon indicates that not all organizations with strong financial performance, including high liquidity and substantial revenue, are obligated to distribute a portion of their net income to shareholders as dividends. Various factors can influence dividend policy. The dividend policy is a financial decision that is usually not discussed in conjunction with funding options. Management has an obligation to decide whether the net profit earned during the year will be divided entirely or divided partially and partly into retained earnings.

Dividend policy is influenced by several factors as stated by Harahap (2015) that with sufficient liquidity a company should be able to distribute dividends. Among the various liquidity ratios, one of them is the current ratio. The efficiency of current assets in settling immediate liabilities determines the current ratio. If a company manages to clear its short-term debt, the current ratio will rise.

The debt ratio, as discussed by Kasmir in (2019), is commonly utilized to evaluate how much of a company's assets are funded through debt financing. When profits are allocated to debt repayment, it impacts the reduction of dividend payments. In this research, the debt-to-equity ratio (DER) is used as a leverage ratio. As stated by Prihadi (2019), the debt-to-equity ratio compares the amount of debt to equity.

Sunarwijaya et al. (2023) explain in their study that the impact of profitability on dividend policy is evident. Profitability is defined as a source of business earnings. Investors receive larger dividends when companies generate higher profits. Return on Assets (ROA) measures how profitable a company is. According to Siswanto (2021), the ability of a company to generate post-tax income using all its assets is known as Return on Assets (ROA).

The size of a company can be determined by looking at its total assets, total revenue, and market capitalization (Halim, 2015: 93). Meanwhile, according to Hartono (2010), a company's size can be determined by taking the logarithm of its total assets. The bigger the company's total assets, the bigger the company itself.

Research conducted by Barokah & Ariyani (2024) and Rahman et al. (2022) found that liquidity ratios, an increase in the current ratio can exert a favorable influence on the implementation of dividend policy. An increase in dividends is a result of improved company liquidity. However, studies by Meidawati et al. (2020) and Purnasari et al. (2020) suggest that the current ratio negatively affects dividend policy. Similarly, research by Angela & Budiman (2022) indicates that the current ratio does not influence dividend policy.

Angela & Budiman (2022), Kristianti et al. (2022), and Sunarwijaya et al. (2023) state that the debt-to-equity ratio (DER) negatively impacts dividend policy. Excessive debt beyond optimal limits increases the risk of default and corporate bankruptcy. As DER rises, the debt burden also increases, which can reduce net income, as part of the earnings is used for debt repayment, leading to lower dividends. In contrast, findings by Barokah & Ariyani (2024) and Rahman et al. (2022) suggest that DER does not influence dividend policy. This is because some companies are committed to consistently paying dividends regardless of their debt levels. These companies regard investors as equally important as creditors and strive to ensure shareholders receive dividends.

Studies by Kristianti et al. (2022), Ridhwan & Dwiati (2022), and Sunarwijaya et al. (2023), confirm that ROA positively affects dividend policy. ROA is used to evaluate how efficiently a company uses its resources to make money. A low ROA indicates poor productivity and inefficiency in asset management. ROA, which is an important metric for measuring profitability, can help determine the range of dividend amounts, from the most generous to the least. Higher profitability increases the likelihood of dividend distribution. However, research by Putri & Marsono (2022) and Rahman et al. (2022) contradicts this, showing that ROA does not influence dividend policy.

According to Meidawati et al. (2020), dividend policy is positively affected by firm size. Large companies commonly use dividends to reward shareholders and attract further investment. However, research by Sunarwijaya et al. (2023) and Purnasari et al. (2020) finds that firm size does not influence dividend policy, as many companies continue to prioritize business expansion over dividend distribution.

Given the inconsistencies in previous research findings, there is a research gap that justifies further study. The selection of these variables is based on the fact that, despite prior research and empirical testing, different timeframes and study objects may yield varying conclusions. Hence, the primary objective of this study is to analyze the different factors that influence the dividend policies of firms belonging to the IDX High Dividend 20 index listed on the Indonesia Stock Exchange (IDX) between 2019 and 2023.

2. Literature Review

2.1. Dividend Theories

Referring to Gumanti (2013), there are at least five (5) theories related to dividends. However, this does not mean that theories attempting to explain the phenomenon of dividend variability are limited to just these five. These five theories are generally known as follows:

2.1.1. Irrelevant Dividend Proposition

According to Modigliani and Miller (in Darmawan (2018)), the amount of dividends a company pays out does not impact the company's worth, which is instead represented by its stock price. An increase in a company's external funding for investment purposes is accompanied by an increase in nominal dividends. Retained earnings for future investments will decrease due to the reduction in after-tax income allocated for dividend payments. Therefore, management will issue new shares as an alternative. This action leads to a decline in stock value. Consequently, the decrease in stock prices due to new stock issuance will be directly proportional to the increase in stock prices due to the rise in dividend yield. The theory proposed by Modigliani and Miller is built on weak assumptions as they rely on conditions that are difficult to achieve. They assume a perfect capital market where market participants behave rationally, there are no issuance costs when a company issues new shares, no taxes, and no changes in investment policies.

2.1.2. Smoothing Theory

Gumanti (2013) states that the smoothing theory was initially proposed by Lintner (1956). Lintner formulated dividend policy based on interviews with company managers in the United States regarding factors influencing dividend policy. First, companies have a long-term target payout ratio. Second, managers have a tendency to pay closer attention to fluctuations in dividends rather than the actual amount of dividends being distributed. Third, in the long run, dividend changes follow a stable pattern if corporate earnings remain at a certain level. Fourth, managers are reluctant to make dividend changes that may require fund reserves due to concerns that the company may not have the capacity to make payments of dividends at similar levels in future periods.

Lintner's (1956) smoothing theory implies that dividends depend partly on the company's current year earnings and partly on the previous year's dividends. To test this theory, Lintner examined the annual dividend trends of companies using data from 1918 to 1941. He found that his proposed model could explain 85% of dividend variation or changes.

2.1.3. The Bird in Hand Theory

The dividend theory introduced by Miller & Modigliani (1961), suggesting that the value of a company is independent of its dividend policy, resulted in various discussions and disagreements during that period. Financial theorists and corporate managers believe that dividends are preferred over capital gains (i.e., profits from changes in stock prices), and by adopting an attractive dividend policy, companies can increase or at least support their value through stock prices (Gumanti, 2013). Gordon (1959), an advocate of the Bird in Hand Theory claimed that the value of future dividend payments is assessed at a lower rate compared to potential capital gains and expectations. This perception is formulated in Gordon's stock valuation model, which states that companies will be valued higher if their expected dividends are higher compared to companies with lower dividends.

2.1.4. Tax Effect Theory

Litzenberger & Ramaswamy (1979, 1980, 1982) were the first scholars to propose the tax difference theory. They challenged the assumption of Miller and Modigliani, which ignored taxation. Litzenberger and Ramaswamy stated that investor income from dividends and capital gains is subject to taxes. If the tax rates for investment profits and earnings from stocks are equal, investors will prefer capital gains over dividends. This is because investors can defer taxes until they sell their stock holdings (Darmawan, 2018).

2.1.5. Taxes and Transaction Cost Theory (also known as the Clientele Effect Theory)

According to the client effect hypothesis, a different viewpoint suggests that dividend policies can lead investors to adjust their portfolios, which may in turn incur transaction expenses. Small investors, such as retirees, tend to rely on dividends to meet their consumption needs. Investors who prefer stocks with consistent and generous dividend payments are more inclined to avoid selling due to the hefty transaction fees involved. Alternatively, wealthy investors who do not need to use their investment portfolios for immediate expenses may opt for a lower dividend payout ratio in order to minimize the expenses associated with reinvesting unused earnings (Bishop et al. in Gumanti (2013)).

This study aims to test the Bird in Hand Theory because dividends provide more certainty in generating returns for shareholders. According to this theory, dividends can support company value through stock prices by implementing an attractive dividend policy.

2.2. The Effect of Current Ratio on Dividend Policy

The current ratio of a company influences how well it is able to meet its short-term financial obligations. This ratio reflects the level of satisfaction of short-term creditors towards the company's liquid assets estimate. A greater level of current ratio is linked with stronger probability of increased dividend payouts (Angela & Budiman, 2022). According to Weston and Copeland (quoted in Gumanti (2013)), the high need for funds to finance the company's assets urged management to prioritize internal sources of funds. In addition, if the company is still relatively new, access to capital is not very good because creditors are not yet able to provide large loans. As the company's position becomes more established, usually indicated by a reduction in the need for assets, management begins to think about prospering investors by paying dividends.

2.3. The Effect of Debt to Equity Ratio on Dividend Policy

A high debt-to-equity ratio (DER) makes a company's position less favorable as it increases the risk of failure. A high DER in a company can directly affect dividend payments by allocating profits to cover interest expenses and repay loans (Purnasari et al., 2020). The company's capacity to meet its obligations can be seen through its debt-to-equity ratio (DER), which is the percentage of equity capital used to pay debt. The amount of profits available for shareholders is affected by this increased debt, as stated by Armereo & Rahayu (2019). Dividends must be reduced if the company requires high liquidity, as stated by Weston and Copeland (in Gumanti (2013)) for internal funding sources like retained earnings. This is because paying dividends reduces liquidity as cash expenditures are required. In other words, unless unexpected expenses necessitate a reduction or delay in dividend payments to shareholders, the amount of dividends relative to retained earnings is determined by liquidity needs.

2.4. The Effect of Return on Assets on Dividend Policy

Return on Assets (ROA) is calculated by taking the net income and dividing it by the total assets of the company. This metric offers a glimpse into the company's profitability in relation to its past assets. This metric is further examined to forecast the company's potential for profit generation in the future (Punagi & Fauzi, 2022). When a company makes more profit, it has more money to distribute as dividends. In other words, the higher the ROA, the larger the possibility of paying dividends (Kristianti et al., 2022). Companies with higher ROA are associated with better financial performance because their profits from assets are expected to be higher (Meidawati et al., 2020).

2.5. The Effect of Company Size on Dividend Policy

According to Gumanti (2013), the size of a company does not necessarily determine its dividend payout ratio. In fact, larger companies in terms of market value tend to pay out a higher percentage of their profits as dividends in comparison to smaller companies. With more money, established companies can afford to pay large dividends; in fact, it is not impossible for them to incur losses when repurchasing their own shares in the capital market (outstanding shares).

Company size is used to measure the capital they have. One of the elements that influences lenders and investors' decisions on dividend payments is the company's industry size, which is gauged by metrics such as sales, gross profits, total assets, and taxes. On the other hand, company size is a very important factor for raising funds and attracting investors. This is because investors will decide whether a company is worth investing in based on its size (Angela & Budiman, 2022).

The ability to quickly raise capital and distribute it to shareholders is an advantage for larger companies with greater market access. A larger company size allows for higher profits and, therefore, provides more dividends to shareholders. Investors will keep a close watch on the company's progress over time as a key consideration in their decision-making process to buy shares, in addition to evaluating different financial metrics (Meidawati et al., 2020).

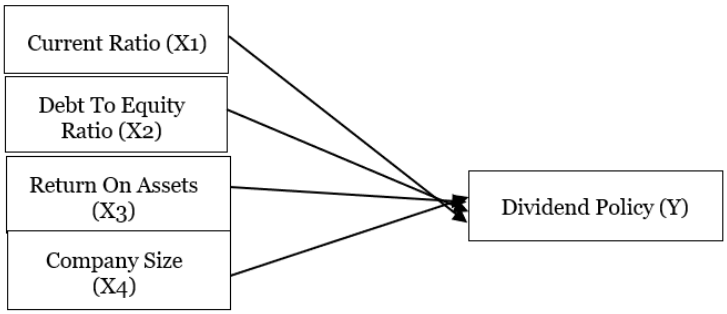

Figure 1. Research Framework
Source: Author, 2024

This study explores the factors influencing the dividend policy of companies in the IDX High Dividend 20 from 2019 to 2023, with the following hypotheses:
H1: The dividend policy is influenced by the current ratio.
H2: The debt-to-equity ratio affects the dividend policy.
H3: Return on assets plays a role in shaping the dividend policy.
H4: Company size influences the dividend strategies adopted during this period.

3. Methods

3.1. Research Design

The method used for research in this particular study relies on quantitative methods and aligns with the positivist philosophy (Sugiyono, 2017).

3.2. Research Variable

The researcher in this investigation has identified the existing proportion, debt-to-equity proportion, return on assets, and company magnitude as autonomous components, with dividend strategy as the reliant component.

3.3. Population, Sample, and Sampling Technique

The focus of this study will be on the companies listed in the IDX High Dividend 20 on the Indonesia Stock Exchange spanning from 2019 to 2023. The primary source of data for this research will be the financial records of the companies within the IDX High Dividend 20 on the Indonesia Stock Exchange over the specified timeframe, totaling 18 companies. The selection process for this study will utilize a non-probability sampling technique known as saturation sampling.

Table 1. Sample Selection Criteria

No.	Description	Total
1.	Companies listed in IDX High Dividend 20 on the Indonesia Stock Exchange during 2019-2023	36
2.	Companies listed in IDX High Dividend 20 on the Indonesia Stock Exchange during 2019-2023 that did not distribute dividends consecutively from 2019-2023	5
3.	Companies listed in IDX High Dividend 20 on the Indonesia Stock Exchange during 2019-2023 with a negative dividend payout ratio during the period 2019-2023	2
4.	Companies listed in IDX High Dividend 20 on the Indonesia Stock Exchange during 2019-2023 selected as research samples	29
Observation Year		5
Total Observations (Annual Reports 2019-2023)		145

Source: Data processed from the Indonesia Stock Exchange

3.4. Data Collection Techniques

This research gathers numerical data through methods such as frequency distribution, percentages, and financial reports. The information for this study comes from secondary sources. The secondary sources utilized include financial reports, securities reports, and academic journals pertaining to the topic of study. The data is obtained from financial statements. This study focuses on examining the yearly financial reports of firms that are part of the IDX High Dividend 20 on the Indonesia Stock Exchange between 2019 and 2023, and have made their financial data public for that time frame.

3.5. Data Analysis Techniques

This study employs several data analysis techniques. The classical assumption test ensures the validity of the linear regression model. Multiple linear regression analysis examines the relationship between independent and dependent variables Priyastama (2020). The coefficient of determination (R^2) measures how well the model explains the dependent variable, ranging from 0 to 1 (Ghozali, 2018). Hypothesis testing includes the t-test, which assesses the significance of individual independent variables, and the F-test, which evaluates their collective influence (Ghozali, 2006).

4. Results and Discussion

4.1. Research Results

4.1.1. Classical Assumption Test

1) Normality Test

Table 2. Normality Test Result

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		145
Normal Parameters[a]	Mean	.0000000
	Std. Deviation	.56315891
Most Extreme Differences	Absolute	.110
	Positive	.110
	Negative	-.084
Kolmogorov-Smirnov Z		1.328
Asymp. Sig. (2-tailed)		.059
a. Test distribution is Normal.		

Source: Processed secondary data, 2024

The significance value is established through the normality test results from the Kolmogorov-Smirnov test, showing a value of 0.059 which is equivalent to 5.9%, exceeding the typical thresholds of 0.5% or 0.05. Therefore, it can be inferred that the unstandardized variables display a normal distribution.

2) Multicollinearity Test

Table 3. Multicollinearity Test Result

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	Collinearity Statistics	
		B	Std. Error	Beta	Tolerance	VIF
1	(Constant)	-2.913	1.490			
	Current Ratio (X1)	-.065	.087	-.062	.806	1.241
	Debt To Equity Ratio (X2)	.103	.044	.223	.605	1.654
	Return On Assets (X3)	7.644	1.395	.470	.761	1.313
	Company Size (X4)	.097	.045	.196	.668	1.498
a. Dependent Variable: Dividend Policy (Y)						

Source: Processed secondary data, 2024

Multicollinearity test obtained tolerance value for current ratio of 0.806> 0.1, debt to equity ratio of 0.605> 0.1, return on assets of 0.761> 0.1, company size of 0.668> 0.1 and VIF current ratio value of 1,241 < 10.00, debt to equity ratio of 1.654 < 10, return on assets of 1.313 < 10.00 and company size of 1.498 < 10 noted that in this study, there were no signs of multicollinearity present in any of the variables used.

3) Heteroscedasticity Test

Table 4. Heteroscedasticity Test Result

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.486	.469		1.035	.303
	Current Ratio (X1)	-.004	.002	-.155	-1.820	.071
	Debt To Equity Ratio (X2)	-.001	.013	-.010	-.102	.919
	Return On Assets (X3)	-.042	.098	-.036	-.425	.672
	Company Size (X4)	-.002	.015	-.010	-.107	.915
a. Dependent Variable: Abs_RES						

Source: Processed secondary data, 2024

According to the results shown, it is evident that the significance value of the Current Ratio (X1) variable is 0.071. The Debt To Equity Ratio (X2) variable has a significance value of 0.919. For the Return on Assets (X3) variable, the significance value is 0.672, while the company size variable (X4) has a significance value of 0.915. All the significance values of the mentioned variables were found to be greater than 0.05. Thus, following the Glejser test, it can be concluded that there is no evidence of heteroscedasticity present in the regression model for the variables such as current ratio, debt to equity ratio, return on assets, and company size.

4) Autocorrelation Test

Table 5. Autocorrelation Test Result

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.466[a]	.217	.194	.97474	1.801
a. Predictors: (Constant), Company Size (X4), Current Ratio (X1), Return on Assets (X3), Debt to Equity Ratio (X2)					
b. Dependent Variable: Dividend Policy (Y)					

Source: Processed secondary data, 2024

Based on the output results above, there is no autocorrelation with the Durbin Watson test results calculated at 1.801 and based on the Durbin Watson table with N = 145 with the limits DU = 1.7856, DL = 1.6724 and 4-DU of 2.2144 obtained DU < DW < 4-DU or equal to 1.7856 < 1.801 < 2.22144.

5) Coefficient of Determination (R^2)

Table 6. Coefficient of Determination (R^2)

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.466[a]	.217	.194	.97474
a. Predictors: (Constant), Company Size (X4), Current Ratio (X1), Return on Assets (X3), Debt to Equity Ratio (X2)				

Source: Processed secondary data, 2024

According to the information from table 6, the coefficient of determination (R2) is 0.194. This indicates that the independent variables such as current ratio, debt to equity ratio, return on assets, and company size have a 19.4% impact on the dividend policy variable. This suggests that the current ratio, debt to equity ratio, return on assets, and company size only have a weak influence on the dividend policy variable, with the remaining 81.6% of the impact being attributed to factors not studied in this research or other variables not included in the analysis.

4.1.2. Hypothesis Test

1) Partial Test (t-Test)

Table 7. Partial Test (t-Test)

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2.913	1.490		-1.955	.053
	Current Ratio (X1)	-.065	.087	-.062	-.747	.456
	Debt To Equity Ratio (X2)	.103	.044	.223	2.316	.022
	Return On Assets (X3)	7.644	1.395	.470	5.479	.000
	Company Size (X4)	.097	.045	.196	2.144	.034
a. Dependent Variable: Dividend Policy (Y)						

Source: Processed secondary data, 2024

Based on the output of Table 7, the following conclusions can be drawn from the t-test results:

1) Partial Test between Current Ratio (X1) and Dividend Policy (Y)

The results suggest that dividend policy is not influenced by the Current Ratio, as the significance level of 0.456 exceeds 0.05, resulting in the null hypothesis (H1) being rejected.

2) Partial Test between Debt-to-Equity Ratio (X2) and Dividend Policy (Y)

The results indicate that there is a relationship between the debt-to-equity ratio and dividend policy, as the p-value of 0.022 is statistically significant and supports hypothesis (H2). The dividend policy is observed to change by 22.3% in response to fluctuations in the debt-to-equity ratio.

3) Partial Test between Return on Assets (X3) and Dividend Policy (Y)

Hypothesis (H3) is supported by the data, suggesting that the dividend policy is influenced by the return on assets. This is because the significance value of 0.000 is lower than the typical threshold of 0.05.

4) Partial Test between Company Size (X4) and Dividend Policy (Y)

The results indicate that the size of a company positively influences its dividend policy. Despite this, hypothesis (H4) is not supported, with a significance value of 0.034 exceeding 0.05. The relationship between firm size and dividend policy is noted to be 0.196, equivalent to 19.6%.

2) Simultaneous Test (F-Test)

Table 8. Simultaneous Test (F-Test)

ANOVA[b]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	36.801	4	9.200	9.683	.000[a]
	Residual	133.016	140	.950		
	Total	169.817	144			
a. Predictors: (Constant), Company Size (X4), Current Ratio (X1), Return On Assets (X3), Debt To Equity Ratio (X2)						
b. Dependent Variable: Dividend Policy (Y)						

Source: Processed secondary data, 2024

According to the findings in Table 8, it can be inferred that the current ratio, debt to equity ratio, return on assets, and company size collectively impact the dividend policy of companies listed on the IDX High Dividend 20 in the Indonesian Stock Exchange for the period of 2019-2023, as the significance value is less than 0.05.

4.2. Discussion

4.2.1. The Effect of Current Ratio on Dividend Policy

According to the research results, the current ratio does not play a role in determining dividend policy. The significance value of 0.456 supports this conclusion, as it is above the threshold of 0.05. This suggests that changes in the current ratio do not affect dividend policy. An uptick in the current ratio does not necessarily result in an increase in dividend distribution. The variations in the current ratio have no bearing on the level of dividends distributed.

This finding aligns with the research conducted by Armereo & Rahayu (2019) as well as Angela & Budiman (2022), which demonstrated that The dividend policy is not influenced by the current ratio, as a company's current assets are typically allocated for supporting day-to-day activities, procuring assets, or funding new initiatives.

4.2.2. The Effect of Debt to Equity Ratio on Dividend Policy

The results of the study suggest that the relationship between debt-to-equity ratio and dividend policy is favorable, showing a 22.3% impact. This conclusion is backed by a significance level of 0.022, indicating that the debt-to-equity ratio has a significant impact on dividend policy. An uptick in the debt-to-equity ratio results in a higher dividend policy being adopted. Companies that can efficiently manage funds obtained through debt to finance their operations can generate optimal profits. With these profits, companies can distribute dividends to investors. This finding is consistent with prior studies by Oktavia & Resmi (2021) and Nugraha et al. (2021), which confirmed that the relation between the ratio of debt to equity and dividend policy is a beneficial one.

4.2.3. The Effect of Return on Assets on Dividend Policy

The study's results suggest that the return on assets has a significant impact on dividend policy, accounting for 47.0%. This conclusion is further validated by a significance value of 0.000, which is below the threshold of 0.05, indicating a beneficial relationship between return on assets and dividend policy. A growth in return on assets results in an increase in dividend policy. If a company can efficiently manage its assets, it will generate higher profits, increasing the likelihood of dividend distribution to shareholders.

The analysis findings are consistent with Sukamulja (2024), who explains that Profitability metrics are utilized to evaluate a company's capacity to make money and evaluate the effectiveness of investments. Profitability ratios also reflect management performance in maintaining operational efficiency. Among the various indicators of financial success, return on assets stands out as a key metric. This research is in agreement with earlier studies that have been conducted by Kristianti et al. (2022), Meidawati et al. (2020), and Purnasari et al. (2020), which demonstrated that return on assets affects dividend policy.

4.2.4. The Effect of Company Size on Dividend Policy

The results of the study suggest that the size of a company has a beneficial impact on its dividend strategy, accounting for 19.6% of the influence. This conclusion is reinforced by a statistically significant value of 0.034, indicating that the size of the company significantly impacts its dividend policy. Large companies can purchase raw materials in bulk, reducing costs due to volume discounts, and produce goods on a large scale, lowering per-unit production costs. This efficiency leads to increased profits, allowing companies to distribute dividends to their investors.

The analysis findings align with Brigham & Houston (2010), who state that firm size is determined by total assets, sales volume, profit margins, and tax burdens. As a company's assets grow, its cash flow becomes more stable, enabling it to sustain operations and distribute dividends to shareholders.

This research aligns with prior studies conducted by Angela & Budiman (2022), Barokah & Ariyani (2024), and Meidawati et al. (2020), which found that firm size influences dividend policy through the dividend payout ratio. The debt-to-equity ratio, return on assets, and firm size are all key factors that have a significant impact on dividend policy. This discovery is in line with the Bird in the Hand Theory, indicating that shareholders value the reliability of dividend payments more than the possibility of future gains.

5. Conclusion

After analyzing the test findings and engaging in discussion to tackle the research queries and confirm the formulated hypotheses, the following deductions can be made. The dividend policy of companies in the IDX High Dividend 20 on the Indonesia Stock Exchange for the period of 2019-2023 is not influenced by the current ratio. However, the debt-to-equity ratio has a favorable impact on dividend policy, suggesting that an uptick in this ratio results in increased dividend payouts. Likewise, dividend policy is influenced by return on assets, indicating that companies that are more profitable are inclined to pay out higher dividends. Additionally, the size of the company also plays a role in dividend policy, with larger companies being more inclined to distribute dividends to their shareholders.

6. References

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