

The Dynamics of Dividend Policy: The Role of Profitability, Liquidity, and Collateralizable Assets

Roni Padliansyah^{a*}, Mika Indriani^b, Mappa Panglima Banding^c

^a Departemen of Accounting, Universitas Borneo Tarakan, Indonesia

^b Departemen of Accounting, Universitas Borneo Tarakan, Indonesia

^c Departemen of Accounting, Universitas Borneo Tarakan, Indonesia

*Corresponding Author: ronip@borneo.ac.id

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ABSTRACT

Dividend policy is a critical aspect of corporate management as it influences investor perceptions of a company's financial health and future prospects. This study examines the impact of profitability, liquidity, and collateralizable assets on the dividend policy of companies listed in the LQ45 index of the Indonesia Stock Exchange from 2018 to 2022. Using purposive sampling, 17 companies were selected, resulting in 85 analytical units. Multiple linear regression analysis and t-tests were employed for hypothesis testing. The findings indicate that profitability positively affects dividend policy, while liquidity and collateralizable assets have a negative impact. High profitability boosts investor confidence through larger dividend distributions, whereas companies with high liquidity and collateralizable assets tend to allocate funds for short-term obligations and operational needs instead of dividends. This study contributes to a deeper understanding of dividend policy determinants in Indonesia, with a novel focus on collateralizable assets, an area rarely explored in prior research.

ABSTRAK

Kebijakan dividen merupakan keputusan strategis yang memengaruhi persepsi investor terhadap kinerja dan prospek perusahaan. Penelitian ini menganalisis pengaruh profitabilitas, likuiditas, dan collateralizable assets terhadap kebijakan dividen pada perusahaan yang tergabung dalam indeks LQ45 Bursa Efek Indonesia periode 2018–2022. Sebanyak 17 perusahaan dipilih melalui metode purposive sampling, menghasilkan 85-unit

observasi. Pengujian hipotesis dilakukan menggunakan regresi linier berganda dan uji t. Hasil penelitian menunjukkan bahwa profitabilitas berpengaruh positif terhadap kebijakan dividen, sedangkan likuiditas dan *collateralizable assets* berpengaruh negatif. Temuan ini menunjukkan bahwa perusahaan dengan profitabilitas tinggi cenderung membagikan dividen lebih besar, sementara perusahaan dengan likuiditas dan *collateralizable assets* tinggi lebih memprioritaskan kebutuhan operasional dan kewajiban jangka pendek. Studi ini memperluas literatur mengenai determinan kebijakan dividen di Indonesia, terutama melalui penekanan pada peran *collateralizable assets* yang masih jarang dikaji.

INTRODUCTION

Companies play a vital role in the modern economy, with their primary goal being to maximize shareholder value and profitability (Pramana & Sukartha, 2015). To achieve this goal, companies must make strategic decisions regarding profit allocation between dividends for shareholders and retained earnings for future investments (Sejati, Ponto, Prasetianingrum, Sumartono, & Sumbari, 2020). Companies must allocate resources efficiently to achieve their objectives. Capital can come from both internal and external sources—internal sources refer to funds generated within the company, while external sources refer to funds obtained from outside entities. Investment involves the allocation of financial resources with the expectation of future returns.

Dividend policy is crucial as it influences investor perceptions regarding a company's financial health and future prospects (Syamsiyah, Anita, & Nisa, 2022). When making investment decisions, investors must be cautious and understand the facts about the company issuing the shares. Stocks are a preferred investment option for many investors due to the potential returns from dividends and capital appreciation. According to PSAK No. 23 of 2009, dividends are the distribution of profits to shareholders based on their ownership percentage. Consistent dividend payments are often seen as a positive indicator of a company's future prospects and enhance investor confidence (Syahzuni, 2023).

The capital market, as the main mechanism for stock trading, plays a crucial role in allocating investor funds to companies that need capital for growth (Meidawati, Nurfauziya, & Chasanah, 2020). Several elements influence a company's decision-making process regarding dividend distribution, with dividend policy itself being one of the primary considerations for investors (Syahzuni, 2023). Dividend policy is an essential decision for companies, as increasing dividend payments annually is perceived as a positive sign of future prospects, while decreasing dividends are viewed

negatively, indicating declining profitability. Companies must strive to maintain their stability to ensure consistent dividend payments each year.

To enhance corporate value through dividend payments and maintain shareholder equity growth, companies retain earnings that could be distributed as dividends. The goal is to establish an optimal dividend policy to maximize company value. According to Wahjudi (2020), the optimal dividend policy balances current dividends with future growth, ultimately maximizing the company's stock price. Dividend allocation is determined by company management and distributed to shareholders either as dividends or retained earnings.

According to Article 71, Paragraph (2) of the Indonesian Company Law (UUPT), shareholders can receive dividends as a portion of net profit after deducting reserves, unless otherwise decided in the General Meeting of Shareholders (GMS). If management chooses to distribute dividends, the earned profit is allocated as dividends. If dividends are not distributed, the company retains the earnings to strengthen internal funding. Typically, companies maintain a consistent or progressively increasing dividend payout over time.

Investors generally prefer consistent dividend payments and view dividend increases as a positive indication of the company's outlook. Conversely, dividend reductions may signal financial distress. Chasanah and Chabachib (2008) stated that dividends, whether in cash or stock, are typically distributed quarterly. Dividends can only be paid from retained earnings and not from invested capital. Dividend policy serves as an indicator of corporate performance and correlates strongly with company characteristics. Riyanto (1993) categorizes dividend policies into four types: (1) stable dividend policy, (2) minimum dividend plus additional amount, (3) constant dividend payout ratio, and (4) flexible dividend policy.

Table 1. Dividend Payout Ratio (DPR)

No	Kode Emiten	DPR				
		2018	2019	2020	2021	2022
1	ADRO	0,57	0,67	0,79	0,53	0,36
2	ANTM	0,05	1,58	0,06	0,22	0,24
3	ASII	0,31	0,42	0,51	0,28	0,38
4	BBCA	0,25	0,31	0,50	0,44	0,47
5	BBNI	0,32	0,24	1,16	0,07	0,15
6	BBRI	0,24	0,47	1,11	0,39	0,68
7	BMRI	0,36	0,40	0,90	0,34	0,02
8	HMSB	0,92	0,99	1,62	1,19	1,16
9	ICBP	0,58	0,31	0,39	0,46	0,62
10	INDF	0,72	0,33	0,39	0,37	0,46
11	INTP	2,25	1,10	1,48	1,03	0,94

12	KLBF	0,48	0,49	0,45	0,42	0,49
13	PTBA	0,66	0,95	1,52	0,12	0,63
14	SMGR	0,27	0,53	0,10	0,54	0,43
15	TLKM	0,99	0,94	0,78	0,88	0,90
16	UNTR	0,34	0,44	0,68	0,31	0,31
17	UNVR	0,77	1,24	1,03	1,10	1,09

Source: Processed Data, 2024

Table 1 shows fluctuations in the dividend payout ratio of LQ45 index companies listed on the Indonesia Stock Exchange from 2018 to 2022. These fluctuations may be influenced by specific factors determined by the companies. This issue forms the basis for exploring the factors affecting dividend policy and understanding the considerations companies consider each year.

Several factors influence dividend distribution, but this study focuses on profitability, liquidity, and collateralizable assets. Shareholders tend to refrain from investing in companies that lack transparency in dividend distribution. Companies that consistently pay dividends assure shareholders of a reliable return on their investment. Simply put, as profits increase, so does a company's capacity to distribute dividends.

Thus, companies with strong profitability and increasing earnings tend to distribute larger dividends. Profitability refers to a company's ability to generate profits relative to sales, assets, and equity (Lailia & Suhermin, 2017). Agustini and Budiyo (2015) define profitability as a company's ability to generate income from its operations. Dividend policy primarily depends on a company's ability to generate profits. Profitability is a key measure of a company's financial performance and sustainability, influencing investor decisions.

However, dividend policy is not solely determined by profitability. Liquidity also plays a crucial role. Liquidity measures a company's ability to meet short-term financial obligations by assessing its current assets in relation to liabilities (Fitria & Yulianto, 2022). High liquidity may enable a company to pay dividends, but it may also lead companies to retain earnings for operational needs.

Collateralizable assets, which can be used as loan security, also influence dividend policy. Companies with substantial collateralizable assets can mitigate agency conflicts between management and creditors (Fitria & Yulianto, 2022). Higher asset security allows firms to distribute more dividends. Conversely, insufficient collateral may lead creditors to restrict dividend payments, forcing companies to retain earnings instead (Mollah, 2011).

This study examines the combined effects of profitability, liquidity, and collateralizable assets on dividend policy in LQ45 index companies, providing a novel perspective within the Indonesian capital market. Unlike previous studies that

analyzed these factors individually, this research integrates them to offer a more comprehensive understanding of dividend policy determinants. The focus on LQ45 companies, which represent highly liquid firms on the Indonesia Stock Exchange (IDX), distinguishes this study from prior research. Additionally, by utilizing updated data from 2018–2022, this study captures economic fluctuations, including the COVID-19 pandemic, providing insights into how firms adjust dividend policies in volatile conditions. The use of multiple linear regression analysis enhances methodological rigor, ensuring robust empirical findings. These contributions offer practical implications for financial managers and policymakers, enabling them to develop optimal dividend strategies aligned with market dynamics and economic conditions.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Theoretical Framework

Signaling Theory

Signaling Theory Spence (1974) explains that information asymmetry exists between managers and investors, where dividends serve as a signal of financial performance. A higher-than-expected dividend signals positive financial health, increasing investor confidence, whereas lower dividends may indicate future earnings decline, leading to a drop-in stock price.

Agency Theory

Agency Theory (Jensen & Meckling, 2019) highlights conflicts of interest between managers, shareholders, and creditors, leading to agency costs. Dividend payments help reduce agency costs by ensuring that managers allocate resources efficiently rather than engaging in opportunistic behavior. Higher dividends impose external monitoring through increased investor and creditor scrutiny, improving corporate governance.

Dividend Policy

Dividend policy determines whether earnings are distributed to shareholders or retained for investment (Firstyarini, 2015). Companies that consistently distribute dividends attract investor confidence, while those that retain earnings focus on growth. The optimal policy balances current dividends and future growth to maximize shareholder value (Wahjudi, 2020).

a. Determinants of Dividend Policy

Several factors influence a company's dividend policy (Manurung, 2012):

- Liquidity – Companies with higher liquidity are more capable of paying dividends, whereas low liquidity increases default risks if dividends are

prioritized over obligations.

- Debt Obligations – Firms with high debt levels prioritize repayments before distributing dividends.
- Growth & Investment Needs – Firms requiring substantial investment retain more earnings, reducing dividend payouts.
- Profit Stability – Companies with stable profits can commit to regular dividend payments, minimizing investor uncertainty.
- Legal Restrictions – Laws mandate that dividends be paid from net profits and prohibit excessive distributions that may jeopardize financial stability.
- Corporate Control – Retaining earnings prevents ownership dilution, but investor pressure may force dividend payouts.
- Debt Covenants – Lenders often impose restrictions on dividend payments to ensure loan repayment, limiting a firm's ability to distribute profits.

Borrowing Capacity – Companies with high debt-financing ability can afford higher dividends without liquidity concerns.

b. Profitability and Dividend Policy

Profitability is a key determinant of dividend policy (Meidawati et al., 2020). Higher profitability increases dividend distribution, as firms have excess earnings after reinvestment. Conversely, firms with declining profitability retain earnings to stabilize operations (Nainggolan & Wahyudi, 2023). Return on Assets (ROA) is commonly used to measure a company's ability to generate profit relative to its total assets.

c. Liquidity and Dividend Policy

Liquidity affects a company's ability to meet short-term obligations while maintaining dividend payments (Hidayati & Rahmawati, 2021). Profitable firms with low liquidity may struggle to distribute dividends due to cash flow constraints. Higher liquidity enhances a company's ability to maintain stable dividends, which attracts investors.

d. Collateralizable Assets and Dividend Policy

Collateralizable assets, or assets pledged as loan security, impact dividend policy (Hariyanti & Pangestuti, 2021). Firms with substantial collateral face lower borrowing constraints, allowing them to pay higher dividends. In contrast, firms with limited collateral retain earnings to satisfy creditor demands, reducing dividend payouts (Fitria & Yulianto, 2022).

Previous Research

Previous studies serve as references for this research, providing insights into the factors influencing dividend policy. The following table summarizes relevant prior studies.

Table 2. Summary of Previous Research

Author(s) & Year	Title	Independent Variables	Dependent Variable	Findings
Wahjudi (2020)	<i>Factors Affecting Dividend Policy in Manufacturing Companies on the Indonesia Stock Exchange</i>	Collateralizable assets, net asset growth, liquidity, leverage, profitability	Dividend policy	- Collateralizable assets have a negative but insignificant effect. - Net asset growth, liquidity, and leverage have a negative and significant effect. - Profitability has a negative but insignificant effect.
Hermanto and Fitriati (2022)	<i>Pengaruh profitabilitas, likuiditas, leverage, sales growth, dan firm size terhadap kebijakan dividen pada perusahaan sektor energi yang terdaftar di bursa efek indonesia periode 2016-2020</i>	Profitability, liquidity, leverage, sales growth, firm size	Dividend policy	- Profitability, liquidity, and firm size have a positive and significant effect. - Leverage and sales growth have a negative and significant effect.
Fitria and Yulianto (2022)	<i>Faktor-Faktor Yang Mempengaruhi Kebijakan Dividen</i>	Collateralizable assets, liquidity, profitability, company growth	Dividend policy	- Collateralizable assets and company growth have no effect. - Liquidity and profitability have a positive effect on dividend policy.
Syamsiyah et al. (2022)	<i>Faktor-Faktor yang Mempengaruhi Kebijakan Dividen pada</i>	Profitability, managerial ownership, leverage, firm size	Dividend policy	- Profitability and firm size have a positive effect. - Managerial ownership has a

Author(s) & Year	Title	Independent Variables	Dependent Variable	Findings
Meidawati et al. (2020)	<i>Perusahaan Sektor Keuangan di Indonesia: Analisis Panel Data</i>			negative effect. - Leverage has a positive but insignificant effect.
	<i>Faktor-faktor yang mempengaruhi Kebijakan Dividen</i>	Liquidity, profitability, firm size	Dividend policy	- Profitability and firm size have a positive and significant effect. - Liquidity has a negative and significant effect.

This research builds upon these findings by analyzing profitability, liquidity, and collateralizable assets as key factors influencing dividend policy in LQ45 index companies in Indonesia.

Conceptual framework

This study examines the impact of Profitability, Liquidity, and Collateralizable Assets as independent variables on Dividend Policy as the dependent variable. The conceptual framework of figure 1 illustrates how these factors influence a company's dividend decisions.

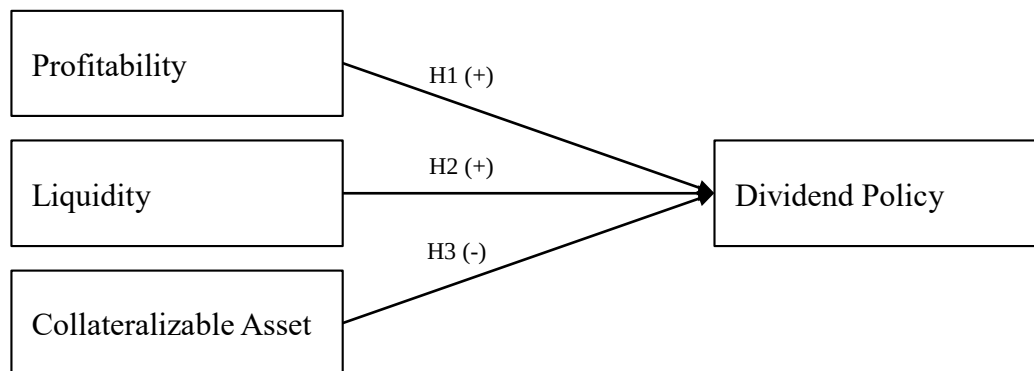


Figure 1. Conceptual framework

Hypothesis Development

a. *The Effect of Profitability on Dividend Policy*

Profitability reflects a company's ability to generate earnings and significantly influences dividend policy. Signaling Theory (Hidayati & Rahmawati, 2021) suggests that firms distribute dividends to signal strong financial performance, while Agency Theory (Jensen & Meckling, 2019) argues that profitable firms prefer distributing earnings over retention to reduce agency conflicts. Empirical studies (Argamaya & Putri, 2017; Azizah, Dewi, & Siddi, 2020; Oktavia & Wahidahwati, 2022) confirm a positive relationship between profitability and dividend payments.

H1: Profitability has a positive effect on dividend policy.

b. *The Effect of Liquidity on Dividend Policy*

Liquidity, measured by the current ratio, indicates a firm's ability to meet short-term obligations, influencing its capacity to pay dividends. Signaling Theory suggests that strong liquidity signals financial stability, while Agency Theory (Jensen & Meckling, 2019) highlights its role in minimizing agency conflicts. Prior studies (Nainggolan & Wahyudi, 2023) demonstrate that higher liquidity enhances dividend payouts.

H2: Liquidity has a positive effect on dividend policy.

c. *The Effect of Collateralizable Assets on Dividend Policy*

Collateralizable assets serve as loan security, reducing agency conflicts between shareholders and creditors (Agency Theory, Jensen and Meckling (2019)). However, firms with high collateralizable assets often retain earnings for asset expansion rather than paying dividends (Hariyanti & Pangestuti, 2021). Empirical findings (Argamaya & Putri, 2017) confirm a negative relationship between collateralizable assets and dividend payments.

H3: Collateralizable assets have a negative effect on dividend policy

RESEARCH METHODOLOGY

Research Design

This study employs a quantitative research approach utilizing secondary data from LQ45 index companies listed on the Indonesia Stock Exchange (IDX). The research follows a causal-comparative design, aiming to investigate the relationship between profitability, liquidity, and collateralizable assets as independent variables and dividend policy as the dependent variable. Multiple linear regression analysis is applied to examine the statistical significance and strength of these relationships

Research Scope and Period

The research focuses on LQ45 companies over the 2018–2022 period, a timeframe that includes significant economic fluctuations, notably the COVID-19 pandemic in 2020. The study was conducted in 2023, depending on data availability and research objectives.

Population and Sample Selection

The research population comprises 72 companies listed in the LQ45 index on the Indonesia Stock Exchange (IDX). A purposive sampling method is employed, selecting 17 companies based on the following criteria:

- Listed in the LQ45 index continuously during 2018–2022.
- Published complete financial reports on the IDX during the period.
- Consistently distributed dividends from 2018 to 2022.

Table 3. Sample Selection Process

No	Selection Criteria	Number of Companies
1	Total LQ45 companies (2018–2022)	72
2	Companies delisted during the period	-49
3	Companies without complete financial reports	0
4	Companies that did not distribute dividends consistently	-6
5	Final Sample	17
6	Total Firm-Year Observations (17 × 5 years)	85

Operational Definitions and Measurement of Variables

- Profitability (ROA):

Measures a company's ability to generate profit relative to its assets.

Formula: $ROA = \text{Net Income} / \text{Total Assets}$ (Hermanto & Fitriati, 2022).

- Liquidity (CR):

Indicates the company's ability to meet short-term financial obligations.

Formula: $CR = \text{Current Assets} / \text{Current Liabilities}$ (Chasanah & Chabachib, 2008).

- Collateralizable Assets (CA):

Represents fixed assets that can be pledged as loan collateral.

Formula: $CA = \text{Fixed Assets} / \text{Total Assets}$ (Fitria & Yulianto, 2022).

- Dividend Policy (DPR):

Represents the proportion of net income distributed as dividends.

Data Analysis Techniques

This study employs descriptive statistics to summarize data distribution using mean, standard deviation, minimum, and maximum values (Ghozali, 2018). To ensure the validity of the regression model, classical assumption tests are conducted, including the normality test, which examines whether residuals follow a normal distribution (p-value > 0.05 indicates normality); the heteroskedasticity test, which detects variance inconsistency in residuals using scatterplots; the multicollinearity test, which evaluates correlations among independent variables using Variance Inflation Factor (VIF < 10) and Tolerance Values (> 0.10); and the autocorrelation test, which applies the Durbin-Watson (DW) test, where $du < d < 4 - du$ indicates no autocorrelation, while $d < dl$ or $d > 4 - dl$ suggests its presence. Lastly, the model feasibility test is assessed through the coefficient of determination (R^2), measuring the proportion of variance in the dependent variable explained by the independent variables, where R^2 values closer to 1 indicate stronger explanatory power (Ghozali, 2018).

Hypothesis Testing

This study applies a multiple linear regression model to examine the effect of independent variables on dividend policy:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon \quad (1)$$

Where:

Y = Dividend Policy (DPR)

X_1 = Profitability (ROA)

X_2 = Liquidity (CR)

X_3 = Collateralizable Assets (CA)

α = Constant

$\beta_1, \beta_2, \beta_3$ = Regression Coefficients

ε = Error Term

t-Test (Partial Test)

Assesses the significance of each independent variable on dividend policy. Decision

Rule: Reject H_0 if t-value > t-table or p-value < 0.05 (Ghozali, 2018).

RESULTS AND DISCUSSION

Descriptive statistics provide an overview of the data distribution, including mean, standard deviation, minimum, and maximum values for each variable. The study includes Profitability (X_1), Liquidity (X_2), Collateralizable Assets (X_3) as independent variables and Dividend Policy (Y) as the dependent variable. Table 4

summarizes the descriptive statistics.

Table 4. Descriptive Statistics

Variable	N	Min	Max	Mean	Std. Dev
Profitability	85	0.0037	0.4666	0.0975	0.0926
Liquidity	85	0.1900	22.1893	1.8194	2.5001
Collateralizable Assets	85	0.0180	0.7196	0.2892	0.2259
Dividend Policy	85	0.0170	2.2487	0.6230	0.4140

Key Findings:

- Profitability: The average value of 0.0975 indicates that firms, on average, generate 9.75% profit per unit of assets, with Unilever Indonesia Tbk (UNVR) having the highest profitability (0.4666).
- Liquidity: The mean liquidity ratio is 1.8194, with Bank Negara Indonesia (BBNI) having the highest liquidity (22.1893), indicating high variations across firms.
- Collateralizable Assets: Firms have an average fixed asset ratio of 28.92%, with Semen Indonesia (SMRG) having the highest ratio.
- Dividend Policy: The mean Dividend Payout Ratio (DPR) is 0.6230, with Indocement Tunggal Prakarsa Tbk (INTP) having the highest dividend distribution.

Classical Assumption Tests

Normality Test

Using the Kolmogorov-Smirnov (K-S) test, the residuals were tested for normal distribution. The test result shows a significance value of 0.200 ($p > 0.05$), confirming that the regression model residuals are normally distributed.

Heteroskedasticity Test

The scatterplot analysis on Figure 2 shows a random and dispersed pattern, indicating that the model does not exhibit heteroskedasticity.

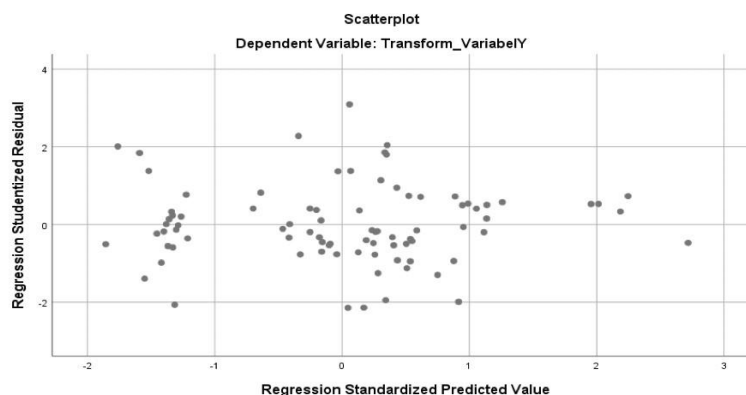


Figure 2. Scatterplot analysis

Multicollinearity Test

The Variance Inflation Factor (VIF) and Tolerance values confirm the absence of multicollinearity, as all VIF values < 10 and Tolerance > 0.1 .

Autocorrelation Test

The Durbin-Watson (DW) test yielded a DW value of 2.111, which falls within the acceptable range ($1.721 < DW < 2.279$), confirming that the model is free from autocorrelation.

Model Feasibility Test

The Adjusted R^2 value of 0.82 (82%) suggests that profitability, liquidity, and collateralizable assets explain 8.2% of the variation in dividend policy, while the remaining 9.18% is influenced by other factors.

Hypothesis Testing

Multiple Linear Regression Analysis

The multiple regression equation is:

$$Y = 0.535 + 0.455X_1 + (-0.013)X_2 + 0.203X_3 + \varepsilon \quad (2)$$

Where:

Y = Dividend Policy

X_1 = Profitability (ROA)

X_2 = Liquidity (CR)

X_3 = Collateralizable Assets (CA)

ε = Error term

T-test Results

Table 4.2 presents the t-test results, assessing the significance of each independent variable.

Table 5. t-test results

Variable	t-value	Sig.	Conclusion
Profitability	2.046	0.044	Significant (H1 Accepted)
Liquidity	-0.284	0.777	Not Significant (H2 Rejected)
Collateralizable Assets	1.601	0.113	Not Significant (H3 Rejected)

Key Findings:

- Profitability significantly influences dividend policy ($p = 0.044 < 0.05$), supporting Signalling and Agency Theories.
- Liquidity and collateralizable assets do not significantly impact dividend policy,

implying that firms prioritize operational and debt financing over dividend payouts

Discussion

Effect of Profitability on Dividend Policy

Profitability is a key determinant of dividend policy, as higher profits increase the firm's ability to distribute dividends. The findings align with Signaling Theory, where firms use dividends to signal strong financial health, and Agency Theory, which suggests that higher profitability reduces retained earnings, benefiting shareholders. Case examples from Kalbe Farma (KLBF) and HM Sampoerna (HMSP) demonstrate how fluctuations in profitability influence dividend payouts. These results are consistent with Syahzuni (2023) and Hinggo and Irman (2023).

Effect of Liquidity on Dividend Policy

Contrary to expectations, liquidity does not significantly impact dividend policy. While high liquidity suggests strong cash reserves, firms may prioritize debt repayment or operational expansion over dividend payouts. Adaro Energy (ADRO) and Astra International (ASII) showed instances where dividend payouts declined despite rising liquidity, reinforcing that liquidity is not a primary driver of dividend policy. These findings align with Bahri (2017) and Lestari, Tanuatmodjo, and Mayasari (2017).

Effect of Collateralizable Assets on Dividend Policy

Collateralizable assets also do not significantly affect dividend policy, as firms often reinvest in fixed assets rather than distribute dividends. Companies with higher collateralizable assets may prioritize asset expansion over shareholder returns, limiting dividend growth. Case studies from Aneka Tambang (ANTM) and Astra International (ASII) confirm that fluctuations in fixed assets do not directly impact dividend payouts. These findings align with Anggraini (2018) and Argamaya and Putri (2017).

Summary of Findings

- a. Profitability positively influences dividend policy, supporting Signaling and Agency Theories.
- b. Liquidity does not significantly impact dividend policy, as firms prioritize operational and financial obligations.
- c. Collateralizable assets do not significantly affect dividend policy, indicating firms prefer asset investment over dividend distribution.

Implications

- a. Investors should assess profitability as a primary indicator of dividend potential.
- b. Managers should balance profit retention and dividend payouts to maximize shareholder value.
- c. Future research should explore additional variables like firm size, leverage, and sales growth for deeper insights into dividend policy determinants.

CONCLUSION AND RECOMMENDATIONS**Conclusion**

This study examines the impact of profitability, liquidity, and collateralizable assets on dividend policy in LQ45 index companies listed on the Indonesia Stock Exchange (IDX) from 2018 to 2022. Using a purposive sampling method, 17 companies were selected based on predefined criteria. Based on the research objectives, theoretical framework, hypothesis testing, and empirical findings, the following conclusions are drawn:

- a. Profitability has a significant positive impact on dividend policy. Companies with higher profitability tend to distribute higher dividends, signaling financial strength and stability to investors. Conversely, lower profitability results in lower dividend payouts, reflecting reduced earnings capacity. A strong profitability position enhances investor confidence, making the company more attractive for investment.
- b. Liquidity does not influence dividend policy. This indicates that the level of liquidity does not determine dividend distribution, as companies prioritize profitability over short-term liquidity considerations when making dividend decisions. Firms may retain liquid assets for operational needs rather than distributing them as dividends.
- c. Collateralizable assets do not affect dividend policy. Companies with high debt levels tend to pledge assets as collateral to secure financing for operational needs rather than dividend payments. As a result, the availability of fixed assets does not directly impact the firm's decision to pay dividends.

Recommendations

For Corporate Management: Companies with high profitability should maintain or enhance their dividend policies to attract and retain investors. A stable and increasing dividend payout can serve as a positive signal of financial strength and long-term growth potential. *For Investors:* Profitability should be a key criterion when selecting stocks, as it strongly influences dividend payouts. Investors seeking stable

dividend returns should prioritize firms with consistent and strong profitability performance. *For Future Research:* Future studies should consider additional factors affecting dividend policy, such as capital structure, firm size, leverage, macroeconomic conditions, and corporate governance practices. Expanding the sample size and study period could provide deeper insights into the determinants of dividend policy in the Indonesian capital market.

This study provides valuable insights into dividend policy determinants, helping corporate managers, investors, and policymakers make informed decisions regarding dividend strategies.

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