



THE EFFECT OF PROFITABILITY, INVESTMENT OPPORTUNITY SET, AND NET INCOME ON DIVIDEND POLICY IN FINANCIAL SECTOR COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE FOR THE 2020–2024 PERIOD

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ARTICLE INFORMATION

Article History:

Received 17 Januari, 2026

Revised 05 Februari, 2026

Published 25 April , 2026

Keyword:

*Investment Opportunity Set (IOS),
Dividend Policy,
Net Income,
Profitability, and Return on Assets
(ROA).*

ABSTRACT

Abstract: This study was conducted to examine the extent to which taxpayer awareness, tax sanctions, service quality, and tax knowledge influence the compliance of individual taxpayers in Tarakan City. The research used a quantitative method by distributing questionnaires to 110 respondents. The collected data were analyzed through data quality tests, classical assumption tests, multiple linear regression, t-tests, F-tests, and the coefficient of determination. The results show that partially, only the taxpayer awareness variable has an effect on compliance. Tax sanctions, service quality, and tax knowledge did not show a significant effect. Simultaneously, all independent variables were proven to influence the compliance of individual taxpayers in Tarakan City. These findings emphasize the importance of raising taxpayer awareness, improving services, providing tax education, and implementing more effective sanctions to encourage the level of taxpayer compliance.

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Introduction

Dividend policy is a corporate decision that determines the proportion of profit to be distributed to shareholders as dividends or retained as a source of internal financing. This decision is important because it not only affects shareholder welfare but also reflects the company's financial condition and prospects. According to Signaling Theory, as proposed by Spence, management conveys information about the company's condition and prospects through financial information to reduce information asymmetry between management and investors. Information such as profitability, the Investment Opportunity Set (IOS), and net income becomes the basis for investors in assessing a company's ability to distribute dividends.

Financial sector companies have characteristics that differ from other sectors because they must maintain capital adequacy, liquidity, and comply with various regulatory provisions. This condition makes dividend distribution decisions more complex, as companies must balance shareholder interests with funding needs to support company growth. Therefore, research on the effect of profitability, the Investment Opportunity Set (IOS), and net income on dividend policy in financial sector companies is important to conduct.

Table 1. Dividend Distribution Data

Company Name	2020	2021	2022	2023	2024
Asuransi Multi Artha Guna Tbk.	150,046,575	250,077,626	249,309,221	99,721,782	148,606,107
Asuransi Dayin Mitra Tbk.	14,976,000	18,240,000	13,824,000	12,672,000	15,360,000
Bank Central Asia Tbk.	13,634,221	13,732,840	19,107,633	26,195,948	34,208,826
BFI Finance Indonesia Tbk.	179,573	374,109	570,747	902,363	827,166
Bank CIMB Niaga Tbk.	1,392,177	1,098,577	2,349,751	2,888,334	3,106,040

Source: Indonesia Stock Exchange

Table 1 shows that various companies operating in Indonesia's financial sector regularly distributed dividends over the five consecutive years between 2020 and 2024. The amount of dividends distributed varied, reflecting each company's response to macroeconomic conditions and their internal financial performance.

Asuransi Multi Artha Guna Tbk experienced significant fluctuations, with an increase in 2021–2022, a sharp decline in 2023, and a rebound in 2024. Asuransi Dayin Mitra Tbk was relatively stable with small dividends, declining slightly in 2022–2023 before rising again in 2024. Bank Central Asia Tbk showed a consistent growth trend from 2022–2024, reflecting strong financial performance. BFI Finance Indonesia Tbk also showed a sharp increase from 2020–2023, although slightly corrected in 2024. Meanwhile, Bank CIMB Niaga Tbk rose steadily through 2024. Overall, this data confirms that dividend policy reflects a company's profit conditions and strategy.

Dividend policy is a company's decision regarding the distribution of profit to shareholders or its retention as an internal funding source to support investment and company growth. This decision is influenced by various factors, including profitability, the Investment Opportunity Set (IOS), and net income. Profitability reflects a company's ability to generate profit, so theoretically, companies with high profitability have a greater capacity to distribute dividends. However, previous research findings remain inconsistent. Hidayat et al. (2022), Anggraeni and Priyadi (2023), and Syahwildan et al. (2023) found that profitability has a positive effect on dividend policy, whereas Uqba and Hindasah (2025), Qomariyah and Sukoco (2021), and Swandana et al. (2023) found a negative effect, because profit is prioritized as retained earnings to finance company expansion.

In addition to profitability, the Investment Opportunity Set (IOS) and net income are also thought to influence dividend policy. IOS reflects a company's investment opportunities to create future growth. Putri et al. (2020), Noviyana and Rahayu (2021), and Will (2022) found that IOS has a positive effect on dividend policy, whereas Yani and Maharani (2022), Wibawa (2021), and Rifai et al. (2022) obtained the opposite result. Meanwhile, net income as an indicator of a company's ability to generate profit also shows differing results. Simanjuntak et al. (2025), Riana et al. (2023), and Hermawati et al. (2024) state that net income has a positive effect on dividend policy, whereas Jeniwati and Yovita (2023), Zahra and Lesmana (2023), and Wibawa (2023) found that net income has no effect on dividend policy.

These differing research results indicate that a research gap remains regarding the factors that influence dividend policy. This study offers novelty in its use of a combination of profitability, Investment Opportunity Set (IOS), and net income variables in financial sector companies listed on the Indonesia Stock Exchange for the 2020–2024 period, using Signaling Theory as its theoretical foundation. Therefore, this study aims to analyze the effect of profitability, the Investment

Opportunity Set (IOS), and net income, both partially and simultaneously, on dividend policy in financial sector companies listed on the Indonesia Stock Exchange for the 2020–2024 period.

Literature Review and Hypothesis Development

Signaling Theory

Signaling Theory was first proposed by Spence (1973), which explains that management, as the party with more complete information about the company's condition, will convey information to investors to reduce information asymmetry. According to Brigham and Houston (2012) in Asridah and Saputra (2024), this information becomes a signal for investors in assessing the company's condition and prospects. Hanafi (2016) in Uqba and Hindasah (2025) also states that signals are conveyed through financial statement disclosures to reduce the information gap between internal and external parties.

In this study, Signaling Theory is used to explain that profitability, the Investment Opportunity Set (IOS), and net income are pieces of information that serve as signals for investors in assessing a company's financial condition and prospects. This information influences investor perceptions of the company's ability to distribute dividends, thereby influencing dividend policy in financial sector companies listed on the Indonesia Stock Exchange.

The Effect of Profitability on Dividend Policy

Profitability is a company's ability to generate profit from its operational activities. According to Sartono (2017) in Maula and Yuniati (2019), profitability is one of the indicators investors pay attention to because it relates to a company's ability to distribute dividends. Based on Signaling Theory, high profitability provides a positive signal about the company's performance and prospects, thereby increasing investor confidence in the company's ability to pay dividends (Brigham & Houston, 2012). Therefore, the higher a company's profitability, the greater the opportunity for the company to distribute dividends to shareholders.

The research results of Hidayat et al. (2022), Maula and Yuniati (2019), and Nugrahandini et al. (2019) show that profitability has a positive effect on dividend policy. Based on the theory and previous research results, the following hypothesis is formulated:

H1: Profitability has a positive effect on dividend policy.

The Effect of IOS on Dividend Policy

The Investment Opportunity Set (IOS) reflects a company's future investment opportunities. According to Brigham and Houston (2011) in Putri et al. (2020), companies with a high IOS tend to reduce dividend payments because profit is prioritized as an internal funding source to finance investment. This condition is in line with Signaling Theory, which explains that the decision to retain earnings signals that the company is prioritizing investment to increase company value in the future. Several previous studies by Yani and Maharani (2022), Wibawa (2021), and Rifai et al. (2022) show that the investment opportunity set has a negative relationship with dividend policy. IOS has a negative effect because of investment decisions. Based on the theoretical foundation and findings of prior research, the hypothesis in this study is as follows:

H2: IOS has a negative effect on dividend policy.

The Effect of Net Income on Dividend Policy

Based on Signaling Theory, net income is information that can serve as a positive signal for investors regarding a company's ability to generate profit. According to Kasmir (2015) in Riana, Setiorini, and Sriwahyuni (2023), net income is the profit obtained by a company after all operating expenses, non-operating expenses, and taxes are deducted from revenue. The greater the net income generated, the greater the company's ability to distribute dividends to shareholders, thereby increasing investor confidence in the company's prospects.

The research results of Simanjuntak et al. (2025), Riana, Setiorini, and Sriwahyuni (2023), and Hermawati et al. (2024) show that net income has a positive effect on dividend policy. Based on the theoretical foundation and previous research results, the following hypothesis is formulated:

H3: Net income has a positive effect on dividend policy.

The Effect of Profitability, Investment Opportunity Set, and Net Income on Dividend Policy

Based on Signaling Theory, profitability, the investment opportunity set (IOS), and net income are pieces of information that reflect a company's condition and prospects and can influence dividend policy. Profitability shows a company's ability to generate profit, IOS reflects the company's decision in allocating profit for future investment, while net income shows the availability of profit that can be used to distribute dividends. These three variables jointly signal to investors regarding the company's ability to meet its obligations to shareholders while maintaining company growth. Based on this theoretical foundation, the following hypothesis is formulated:

H4: Profitability, investment opportunity set, and net income affect dividend policy.

Research methods

This study uses a quantitative approach with an explanatory research design to analyze the effect of profitability, the Investment Opportunity Set (IOS), and net income on dividend policy in financial sector companies listed on the Indonesia Stock Exchange (IDX) for the 2020–2024 period. The data used is secondary data obtained through documentation from annual financial statements published on the official IDX website (www.idx.co.id). The study population consists of 106 financial sector companies, while the sample was determined using purposive sampling based on certain criteria, resulting in 18 companies with a total of 90 observations. Dividend policy is proxied using the Dividend Payout Ratio (DPR), profitability using Return on Assets (ROA), the Investment Opportunity Set (IOS) using the Market to Book Value of Assets (MBVA), and net income is measured based on the company's net income value. Data analysis was performed using multiple linear regression analysis with IBM SPSS Statistics, preceded by classical assumption tests, followed by partial tests (t-test), simultaneous tests (F-test), and the coefficient of determination (R^2).

Operational Definition of Variables

Dividend Policy (Y)

Dividend policy is a management decision regarding the use of profit obtained at the end of a period whether the profit will be distributed to shareholders or retained as additional capital to finance future investment (Harjito and Martono, 2019) in (Swandana et al., 2023).

The Dividend Payout Ratio (DPR) is a ratio used to measure the level of dividend policy; DPR is the ratio of the amount of dividends distributed to the company's net income. The formula for the Dividend Payout Ratio according to Triyonowati (2022) is as follows:

$$\text{DPR} = \text{Total Dividends} / \text{Net Income}$$

Profitability

Profitability is a company's ability to generate profit through the utilization of its assets or resources (Sartono, 2001, in Qomariyah & Sukoco, 2021). Profitability can be measured using several ratios, such as Return on Assets (ROA), Return on Equity (ROE), and Return on Investment (ROI). In this study, profitability is proxied by Return on Assets (ROA) because it can show a company's efficiency in managing assets to generate profit. The higher the ROA value, the better the company's ability to generate profit. The ROA formula according to Hery (2015) in Astuti et al. (2021) is as follows:

$$\text{Return on Assets} = \text{Net Income} / \text{Total Assets}$$

Investment Opportunity Set (X2)

The Investment Opportunity Set (IOS) is a value held by a company that is determined by management's planned future expenditures, which currently represent investment options expected to provide higher returns (Gaver and Gaver, 1993, in Hidayah, 2015). This means that if a company has many profitable investment opportunities, it will result in lower dividend payments, and vice versa. Market to Book Value of Assets is a ratio that shows the comparison between a company's value and the book value of its assets. The higher this ratio, the greater the company's utilization of its assets, indicating a higher IOS. MBVA, according to Hasnawati (2015), can be calculated with the following formula:

$$MBVA = (\text{Total Assets} - \text{Total Equity} + \text{Number of Shares Outstanding} \times \text{Closing Price}) / \text{Total Assets}$$

Net Income (X3)

Net profit is the profit obtained by a company after all operating expenses, non-operating expenses, and taxes are deducted from revenue in one period (Kasmir, 2015, in Riana, Setiorini, & Sriwahyuni, 2023). In this study, the profit used is Earnings After Tax (EAT) because it reflects the final profit that belongs to the company after all expenses have been met. Unlike profitability, which measures a company's ability to generate profit based on assets or capital, net income shows the size of the company's profit in nominal value. The greater the net income obtained, the greater the company's ability to distribute dividends to shareholders.

$$\text{Net Income} = \text{Net Sales} - (\text{Operating Costs} + \text{Interest} + \text{Taxes})$$

Results and Discussion

Descriptive Statistics Results

Table 2. Descriptive Statistics Test Results

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	90	.003	.407	.03710	.053542
IOS	90	.154	1.725	1.01537	.27347
Net Income	90	22.359	31.728	27.47490	2.39707
DPR	90	.012	6.912	.66860	.84196
Valid N (listwise)	90				

Source: Data processed with SPSS

The descriptive statistical analysis results show that the study used 90 observation data points from 18 financial sector companies during the 2020–2024 period. Profitability (ROA) had a minimum value of 0.003 at PT Bank Negara Indonesia (Persero) Tbk and a maximum value of 0.407 at PT Saratoga Investama Sedaya Tbk, with an average of 0.037 and a standard deviation of 0.053. The Investment Opportunity Set (IOS) had a minimum value of 0.154 and a maximum value of 1.725, both at PT BFI Finance Indonesia Tbk, with an average of 1.015 and a standard deviation of 0.277. Net income had a minimum value of 22.359 at PT Asuransi Bintang Tbk and a maximum value of 31.728 at PT Bank Rakyat Indonesia (Persero) Tbk, with an average of 27.474 and a standard deviation of 2.397. Meanwhile, dividend policy (DPR) had a minimum value of 0.012 at PT Saratoga Investama Sedaya Tbk and a maximum value of 6.912 at PT MSIG Life Insurance Indonesia Tbk, with an average of 0.668 and a standard deviation of 0.841.

Classical Assumption Tests

Normality Test

Table 3. Normality Test Results (Original Data)

	Unstandardized Residual
N	90
Mean	.0000000

	Unstandardized Residual
Std. Deviation	.79477543
Absolute	.208
Positive	.208
Negative	-.174
Test Statistic	.208
Asymp. Sig. (2-tailed)	.000

Based on the Kolmogorov–Smirnov normality test results, the Asymp. Sig. (2-tailed) value obtained was 0.000. The decision rule for the Kolmogorov–Smirnov test is that if the significance value is > 0.05 , the data is normally distributed, whereas if the significance value is < 0.05 , the data is not normally distributed. Because the Asymp. Sig. (2-tailed) value of 0.000 is < 0.05 , it can be concluded that the residual data is not normally distributed. Thus, the regression model in this study did not yet meet the normality assumption.

Table 4. Normality Test Results After Transformation (Ln)

	Unstandardized Residual
N	90
Mean	.0000000
Std. Deviation	.74487276
Absolute	.047
Positive	.047
Negative	-.040
Test Statistic	.047
Asymp. Sig. (2-tailed)	.200

Based on the normality test results after data transformation using Ln, the Asymp. Sig. (2-tailed) value obtained was 0.200, greater than 0.05. This shows that the residual data is normally distributed, so the normality assumption is met.

Multicollinearity Test

Table 5. Multicollinearity Test Results

Model	Tolerance	VIF
ROA	.838	1.193
IOS	.754	1.327
Net Income	.789	1.268

Dependent Variable: DPR. Source: Data processed with SPSS

The multicollinearity test results show that all independent variables have a Tolerance value > 0.10 and a Variance Inflation Factor (VIF) value < 10 , namely ROA (0.838; 1.193), IOS (0.754; 1.327), and net income (0.789; 1.268). These results indicate that the regression model does not experience multicollinearity, so it is suitable for further analysis.

Heteroscedasticity Test

The heteroscedasticity test results show that the points on the scatterplot graph are randomly scattered above and below the zero axis without forming a specific pattern. This indicates that the regression model does not experience heteroscedasticity, so the homoscedasticity assumption is met.

Autocorrelation Test

Table 6. Autocorrelation Test Results (Original Data)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.626	.391	.370	.75775	1.628

Predictors: (Constant), Net Income, ROA, IOS. Dependent Variable: DPR. Source: Data processed with SPSS

The autocorrelation test results using the Durbin–Watson method show a DW value of 1.628. This value lies between dL (1.5889) and dU (1.7264), so the test result falls in the inconclusive zone and cannot yet confirm the presence or absence of autocorrelation. Therefore, this study uses the Cochrane–Orcutt method to correct the regression model so that it meets the assumption of no autocorrelation.

Table 7. Autocorrelation Test Results (Cochrane–Orcutt Method)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.603	.364	.342	.74472	2.050

Predictors: (Constant), LAG_X3, LAG_X1, LAG_X2. Dependent Variable: LAG_Y. Source: Data processed with SPSS

The autocorrelation test results after correction using the Cochrane–Orcutt method show a Durbin–Watson value of 2.050. This value falls within the range $dU < DW < 4 - dU$ ($1.726 < 2.050 < 2.273$), so the regression model does not experience autocorrelation and meets the assumption of residual independence.

Hypothesis Testing

Table 8. Multiple Linear Regression Analysis Results

Model	B	Std. Error	Beta	t	Sig.
(Constant)	.041	.934		.044	.965
ROA	-8.076	1.639	-.453	-4.928	.000
IOS	1.082	.338	.310	3.197	.002
Net Income	-.060	.038	-.152	-1.602	.113

Dependent Variable: DPR. Source: Data processed with SPSS

Based on the multiple linear regression test results in the table above, the following regression equation is obtained:

$$Y = 0.041 - 8.076X_1 + 1.082X_2 - 0.060X_3 + e$$

Based on this multiple linear regression equation, it can be concluded as follows:

1. The constant value obtained is 0.041, indicating that if the ROA, IOS, and Net Income variables remain constant (unchanged), the DPR value would be 0.041.
2. The regression coefficient value of the ROA variable (X_1) is negative at -8.076. This means that if ROA increases by 1 unit, DPR will decrease by 8.076 units. A negative coefficient indicates a negative relationship between ROA and DPR, so the higher the ROA, the lower the DPR tends to be.
3. The regression coefficient value of the investment opportunity set variable (X_2) is positive at 1.082. This means that if IOS increases by 1 unit, DPR will increase by 1.082 units. A

positive coefficient indicates a positive relationship between IOS and DPR, so the higher the IOS, the higher the DPR.

4. The regression coefficient of the Net Income variable (X3) is negative at -0.060. This means that if net income increases by 1 unit, DPR will decrease by 0.060 units. However, because its significance value is greater than 0.05, net income does not have a significant effect on DPR.

Partial Test (t-test)

Table 9. Partial Test (t) Results

Model	B	t	Sig.	Hypothesis Result
(Constant)	.041	.044	.965	
ROA	-8.076	-4.928	.000	H1 Rejected
IOS	1.082	3.197	.002	H2 Rejected
Net Income	-.060	-1.602	.113	H3 Rejected

Dependent Variable: DPR. Source: Data processed with SPSS

H1: Based on the analysis results, profitability has a regression coefficient of -8.076 with a t-value of -4.928 and a significance of 0.000 (<0.05). These results indicate that profitability has a negative and significant effect on dividend policy. Therefore, the hypothesis stating that profitability has a positive effect on dividend policy is rejected.

H2: Based on the analysis results, the Investment Opportunity Set (IOS) has a regression coefficient of 1.082 with a t-value of 3.197 and a significance of 0.002 (<0.05). These results indicate that IOS has a positive and significant effect on dividend policy. Therefore, the second hypothesis, which states that the Investment Opportunity Set has a negative effect on dividend policy, is rejected.

H3: Based on the analysis results, net income has a regression coefficient of -0.060 with a t-value of -1.602 and a significance of 0.113 (>0.05). These results indicate that net income does not have a significant effect on dividend policy. Therefore, the third hypothesis (H3), which states that net income has a positive effect on dividend policy, is rejected.

Simultaneous Test (F-test)

Table 10. Simultaneous Test (F) Results

Model	Sum of Squares	df	Mean Square	F	Sig.	Hypothesis Result
Regression	31.752	3	10.584	18.433	.000	H4 Accepted
Residual	49.380	86	.574			
Total	81.133	89				

Dependent Variable: DPR. Predictors: (Constant), Net Income, ROA, IOS. Source: Data processed with SPSS

Based on the F-test results, an F value of 18.433 was obtained with a significance value of 0.000 (<0.05). These results indicate that profitability, the Investment Opportunity Set (IOS), and net income simultaneously have a significant effect on dividend policy. Therefore, the fourth hypothesis (H4), which states that profitability, the Investment Opportunity Set, and net income simultaneously affect dividend policy, is accepted.

Coefficient of Determination Test

Table 11. Coefficient of Determination (R^2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.626	.391	.370	.75775

Predictors: (Constant), Net Income, ROA, IOS. Dependent Variable: DPR. Source: SPSS Data

Based on the test results, an Adjusted R Square value of 0.370, or 37%, was obtained. This indicates that the profitability, Investment Opportunity Set, and Net Income variables are able to explain 37% of the dividend policy variable, while the remaining 63% is explained by other variables outside the research model that were not examined.

Discussion

Profitability Has a Negative and Significant Effect on Dividend Policy

The research results show that profitability, as proxied by Return on Assets (ROA), has a negative and significant effect on dividend policy, so the first hypothesis is rejected. These results indicate that the higher the profitability of financial sector companies, the lower the dividends distributed to shareholders. This condition indicates that companies tend to allocate profit to strengthen capital, meet investment needs, and maintain financial stability rather than distributing it as dividends. This finding does not align with Signaling Theory, but supports the Residual Dividend Theory, which states that companies will prioritize investment funding needs before distributing the remaining profit as dividends.

Empirically, this condition can be seen at PT Bank Negara Indonesia (Persero) Tbk, where ROA increased from 0.003 to 0.011 in 2021, yet DPR decreased from 1.396 to 0.077, accompanied by a 6.20% increase in fixed assets and a 1,138.9% increase in cash flow for investment activities. This research result is in line with Uqba and Hindasah (2025), Qomariah and Sukoco (2021), and Swandana et al. (2023), who state that profitability has a negative effect on dividend policy because companies prioritize the use of profit for internal needs and business development over dividend distribution.

Investment Opportunity Set (IOS) Has a Positive and Significant Effect on Dividend Policy

The research results show that the Investment Opportunity Set (IOS) has a positive and significant effect on dividend policy, so the second hypothesis, which states that IOS has a negative effect on dividend policy, is rejected. This finding indicates that financial sector companies with high investment opportunities are still able to increase dividend payments to shareholders. This result does not align with the theory stating that companies with a high IOS tend to retain earnings to finance investment, but it supports Signaling Theory, which explains that dividend distribution serves as a positive signal about a company's financial condition and prospects. In addition, this finding is also in line with the Bird in the Hand Theory proposed by Gordon (1959), which states that investors prefer dividends received now over capital gains, which remain uncertain.

Empirically, this condition can be seen at PT Adira Dinamika Multi Finance Tbk, where the share price increased from Rp9,000 in 2023 to Rp10,950 in 2024 (a 21% increase), accompanied by an increase in DPR from 0.413 to 0.691. This research result is in line with Putri et al. (2020), Noviyana and Rahayu (2021), and Will (2022), who state that IOS has a positive effect on dividend policy.

Net Income Has No Significant Effect on Dividend Policy

The research results show that net income does not have a significant effect on dividend policy, so

the third hypothesis, which states that net income has a positive effect on dividend policy, is rejected. This finding indicates that the size of net income is not the primary factor in determining dividend distribution in financial sector companies. This result does not align with Signaling Theory, which states that an increase in net income serves as a positive signal for investors. This condition can be explained by the fact that financial sector companies prioritize the use of profit to strengthen their capital structure, maintain financial stability, and meet regulatory requirements rather than increasing dividend distribution.

Empirically, PT Asuransi Bintang Tbk recorded a 30.49% decrease in net income in 2021 compared to 2020, yet dividend payments actually increased by 75.57%. A similar condition occurred at PT Bank Pembangunan Daerah Jawa Barat dan Banten Tbk, where net income in 2023 decreased by 22.83%, while dividends increased by 5.49%. Conversely, PT Bank Danamon Indonesia Tbk experienced a 56.12% increase in net income in 2021, but dividend payments decreased by 80.76%. These findings indicate that changes in net income are not always followed by changes in dividends in the same direction. This research result is in line with Jeniwati and Yovita (2023), Purba and Rikumahu (2022), and Wibawa (2023), who state that net income has no significant effect on dividend policy.

Profitability, Investment Opportunity Set (IOS), and Net Income Simultaneously Affect Dividend Policy

The research results show that profitability, the Investment Opportunity Set (IOS), and net income simultaneously have a significant effect on dividend policy, so the fourth hypothesis is accepted. This finding indicates that dividend policy in financial sector companies is determined by a combination of profitability conditions, investment opportunities, and a company's ability to generate profit. In other words, dividend distribution decisions result from the joint consideration of various aspects of a company's finances.

This finding supports Signaling Theory, which states that dividend policy is a signal conveyed by companies to investors regarding their financial condition and prospects. Through dividend policy, companies demonstrate their ability to manage financial resources, meet funding needs, and maintain performance and business continuity, thereby increasing investor confidence.

Conclusion

Based on the analysis results, it can be concluded that profitability, as proxied by Return on Assets (ROA), has a negative and significant effect on dividend policy, while the Investment Opportunity Set (IOS) has a positive and significant effect on dividend policy. Meanwhile, net income does not have a significant effect on dividend policy. Simultaneously, profitability, the Investment Opportunity Set (IOS), and net income have a significant effect on dividend policy in financial sector companies listed on the Indonesia Stock Exchange for the 2020–2024 period.

Recommendations

Based on the research results, companies are advised to improve the efficiency of asset utilization and cost management, as well as to determine an appropriate proportion between retained earnings and dividends. Companies also need to optimize investment opportunities while maintaining a balance between investment needs and dividend distribution. Although net income does not have a significant effect on dividend policy, companies are still advised to distribute dividends in accordance with the Bird in the Hand Theory. Thus, companies are expected to be able to increase profitability, the Investment Opportunity Set (IOS), and net income to support increased dividend payments to shareholders.

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