

Determinants of Dividend Per Share in Indonesia's Non-Cyclical Manufacturing Firms

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HISTORY

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ABSTRACT

Purpose: This study investigates the influence of internal firm-specific variables on dividend per share (DPS) within the non-cyclical manufacturing sector in Indonesia. It emphasizes key internal determinants that shape corporate dividend policy.

Method: A quantitative research design is employed, utilizing panel data regression on a sample of 26 non-cyclical manufacturing firms listed on the Indonesia Stock Exchange over the period 2021–2024. Secondary data are obtained from audited annual financial reports. The fixed-effects model is selected as the most appropriate estimation technique, based on the results of the Chow and Hausman specification tests, to ensure model robustness and accuracy.

Result: Empirical analysis reveals that firm life cycle, leverage, firm size, firm age, and earnings volatility exert a statistically significant influence on DPS. Conversely, profitability, liquidity, and growth opportunities are found to have no significant effect.

Practical Implications for Economic Growth and Development: The findings have important implications for corporate managers, investors, and policymakers in formulating dividend strategies that align with a firm's financial structure and stage of development. Enhanced dividend decision-making can strengthen investor confidence, improve firm valuation, and promote capital market efficiency, thereby contributing to sustainable economic development.

Originality/Value: This study extends the existing body of knowledge by integrating earnings volatility into the analysis of dividend determinants, offering original empirical evidence from the Indonesian manufacturing sector. The results provide a deeper understanding of firm-level financial factors influencing dividend policy in the context of emerging economies.

Keywords: *Dividend per Share, Earnings Volatility, Firm-Level, Life Cycle, Manufacturing*

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INTRODUCTION

Dividend policy continues to be one of the most intricate and extensively debated subjects within the domain of corporate finance. Firms across diverse sectors implement varying strategies in managing their earnings, deciding whether to distribute them to shareholders as dividends or to retain them for business expansion. The formulation of dividend policy is significantly influenced by a company's internal structure, including management's approach to profitability, leverage, and other financial variables. According to Agustina and Purnomo (2022), dividend policy serves as a reflection of a firm's internal financial condition—particularly its management of profitability and responsiveness to exchange rate fluctuations—which ultimately affects shareholder value. This viewpoint is consistent with agency theory, which posits that enhanced financial transparency and consistent dividend distribution can alleviate potential conflicts between management and shareholders. Prior research underscores the necessity of considering leverage and growth opportunities when developing dividend policy. Farooq et al. (2024) demonstrate that firms with high leverage often restrict dividend payouts to maintain their debt-servicing capacity. Additionally, companies with significant growth opportunities are more likely to retain earnings to finance internal expansion projects. Data from the Indonesia Stock Exchange (IDX) indicate that in 2023, total cash dividends distributed by listed companies surpassed IDR 330 trillion, marking a considerable increase from the previous year. This trend reflects a growing corporate commitment to shareholders, particularly notable in the manufacturing sector.

Exploring dividend policy within Indonesia's manufacturing sector is critical due to the sector's unique characteristics compared to others. Manufacturing firms frequently encounter challenges such as fluctuations in raw material prices, dependence on long-term investments, and pressure to improve operational efficiency. Ghose et al. (2025) emphasize that manufacturing firms in developing countries are often more selective in establishing dividend policies due to restricted access to external financing and substantial reinvestment demands. Research conducted by Hou et al. (2025) identifies company growth, size, and age as significant factors influencing dividend policy. Their findings suggest that firms with strong growth prospects are more inclined to retain earnings for internal expansion, while larger and more mature firms display a more stable pattern of dividend distribution. Consequently, the significance of these firm-level variables warrants empirical examination within the context of Indonesian manufacturing firms.

Dsouza et al. (2025) assert that dividend decisions are profoundly affected by firm characteristics such as profitability, size, and previously declared dividends. Aigbovo and Evbayiro-Osagie (2022) propose that a firm's life cycle stage influences its propensity to distribute dividends, with companies in the growth phase more likely to retain earnings, whereas mature firms tend to consistently distribute dividends, especially in capital-intensive industries such as manufacturing.

This research introduces a novel variable, specifically earnings volatility. While various financial variables have been extensively analyzed in relation to dividend policy, recent studies indicate that earnings volatility is an essential factor to consider. Deng et al. (2025) found that firms exhibiting high levels of earnings volatility tend to adopt a more cautious approach to dividend distribution due to uncertainties regarding the sustainability of future income. In the context of manufacturing firms, which typically experience irregular production cycles and unstable profit margins, this variable is particularly pertinent. Therefore, this study incorporates earnings volatility as a new independent variable to assess its impact on dividends per share.

The primary objective of this research is to provide empirical evidence regarding how key internal determinants influence dividend policy decisions within the non-cyclical manufacturing sector in Indonesia. By integrating earnings volatility as an additional explanatory variable, the study aims to offer a more nuanced understanding of firm-level dividend behavior in emerging markets.

Hypotheses Development

Profitability and Dividend per Share

According to Signaling Theory, dividend payments act as credible indicators of a firm's financial health and long-term sustainability. Firms with strong profitability are more inclined to distribute dividends as a positive signal to investors, reflecting stable cash flows and operational efficiency. From the perspective of Agency Theory, higher profitability allows dividend distribution to mitigate agency conflicts by limiting retained earnings that could otherwise be misallocated by management. Dsouza et al. (2025) emphasize that high profitability enhances investor confidence in dividend sustainability. Putra et al. (2024) report a significant positive effect of profitability on dividend policy, and Akpadaka et al. (2024) find that, in emerging markets, firms with higher earnings tend to pay more consistent and substantial dividends.

H₁: Profitability has a significant effect on dividend per share.

Life Cycle and Dividend per Share

Life Cycle Theory suggests that a firm's developmental stage—growth, maturity, or decline—affects its financial decisions, including dividend policy. Growth-stage firms often prioritize internal financing for expansion, innovation, and asset accumulation, resulting in lower dividend payments. In contrast, mature firms typically experience stable cash flows, fewer profitable reinvestment opportunities, and stronger shareholder expectations, which increase the likelihood of consistent dividend distribution. Dsouza et al. (2025) note that growth-phase firms retain earnings to finance expansion, whereas mature firms are more consistent in profit distribution. Oghenekaro et al. (2024) find that firm maturity significantly and positively influences the dividend payout ratio in manufacturing firms. Similarly, Ogochukwu (2024) reports a positive relationship between firm maturity and dividend policy.

H₂: Life cycle has a significant effect on dividend per share.

Liquidity and Dividend per Share

Liquidity reflects a firm's capacity to meet short-term obligations and maintain operational stability. From an Agency Theory perspective, sufficient liquidity reduces dependence on external financing and may encourage managers to distribute excess cash as dividends, thereby lowering agency costs and enhancing shareholder trust. High liquidity also enables firms to allocate resources to dividend payments without jeopardizing operations. Dsouza et al. (2025) identify liquidity as a significant factor affecting dividend per share in the manufacturing sector. Mwaifyusi (2021) finds that the current ratio positively and significantly impacts dividend payouts in financial institutions. Kumshe et al. (2024) similarly report that firms with high liquidity are more likely to distribute dividends, reflecting financial stability.

H₃: Liquidity has a significant positive effect on dividend per share.

Growth Opportunities and Dividend per Share

Under Pecking Order Theory, firms with high growth opportunities tend to retain earnings to finance future investments and reduce reliance on external financing. Retained earnings are a cost-effective and flexible funding source, especially for companies pursuing aggressive expansion. However, Signaling Theory suggests that some growing firms may still distribute dividends to project financial strength, build market confidence, and retain shareholder loyalty. Dsouza et al. (2025) note that high-growth firms generally retain earnings for reinvestment. Conversely, Syihan et al. (2024) and Subramaniam et al. (2014) find that growth opportunities can positively influence dividend policy when employed as a signaling mechanism.

H₄: Growth opportunities have a significant effect on dividend per share.

Leverage and Dividend per Share

Agency Theory posits that leverage plays a critical role in shaping dividend policy. High debt levels impose strict repayment obligations, limiting managerial discretion over cash flows and potentially reducing dividend payouts. However, firms with moderate leverage may still distribute dividends to reduce agency conflicts and signal financial discipline. The effect depends on how firms balance debt servicing and investor expectations. Dsouza et al. (2025) report that firms with high debt burdens are more conservative in distributing dividends. In contrast, Chindengwike (2024) and Margaretha and Irma (2023) find a positive and significant effect of leverage on dividend policy in manufacturing firms and companies listed on the Indonesia Stock Exchange, respectively.

H₅: Leverage has a significant effect on dividend per share.

Firm Size and Dividend per Share

Firm size is a key determinant of dividend policy. Larger firms generally benefit from more stable cash flows, greater access to capital markets, and increased institutional oversight, enhancing their capacity to maintain regular dividend payments. From a Signaling Theory perspective, consistent dividends reinforce investor confidence, while Agency Theory suggests that larger firms, due to greater scrutiny, are more likely to adopt disciplined financial practices, including dividend distribution. Dsouza et al. (2025) highlight that firms with substantial scale are better positioned to sustain regular dividends. Qinwen et al. (2025) observe that large firms in highly connected economic hubs often adopt aggressive dividend strategies. Deng et al. (2025) similarly find that larger insurance companies maintain consistent payouts due to financial security and access to funding.

H₆: Firm size has a significant effect on dividend per share.

Firm Age and Dividend per Share

Older firms typically develop stronger financial structures, mature managerial systems, and established market reputations, all of which enhance investor confidence and reduce perceived risk. Within Signaling Theory, mature firms are expected to maintain consistent dividend policies to uphold credibility. Moreover, older firms often face fewer capital constraints and possess greater internal resources, enabling more flexible dividend distribution. Dsouza et al. (2025) find that older firms tend to sustain regular dividend payments. Manowan et al. (2025) report that older ASEAN firms, particularly in Malaysia, demonstrate a stronger commitment to dividends. Edet et al. (2024) observe similar patterns among older consumer firms in Nigeria, citing stable cash flows and investor trust.

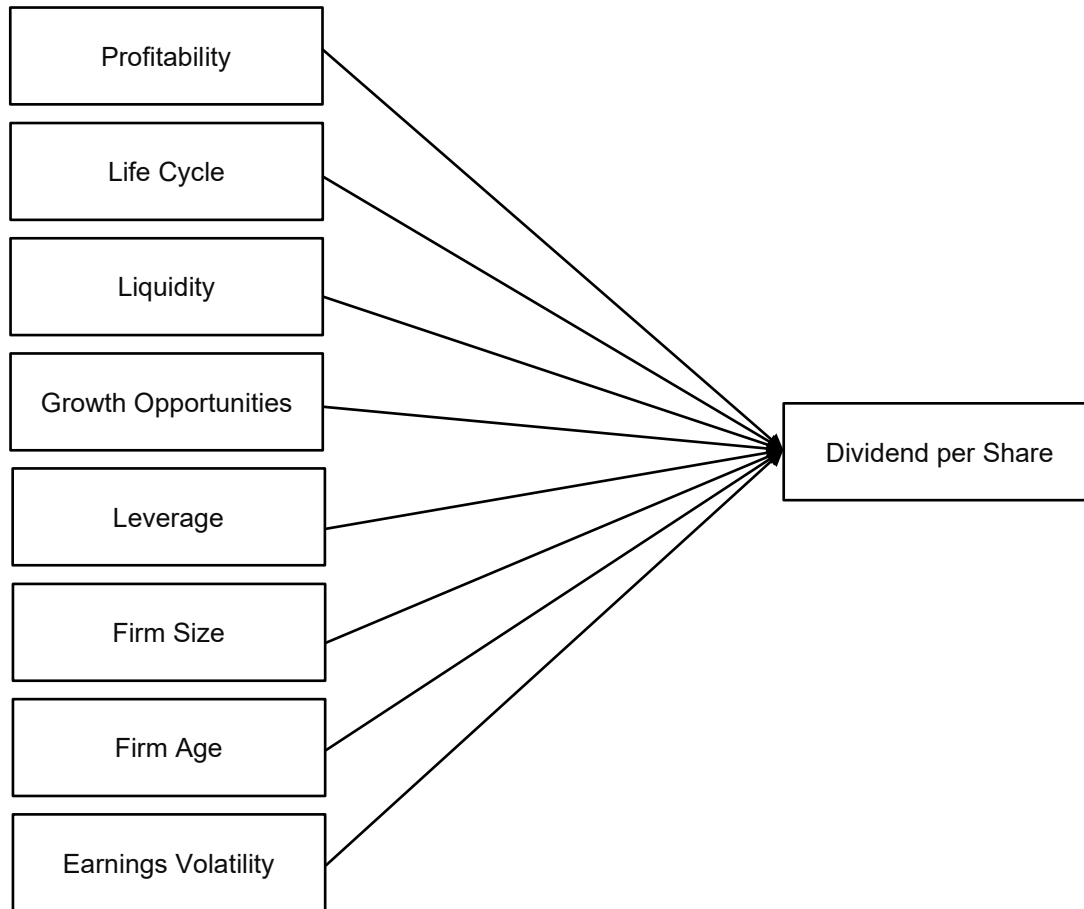
H₇: Firm age has a significant effect on dividend per share.

Earnings Volatility and Dividend per Share

High earnings volatility increases uncertainty regarding future income streams, prompting firms to avoid committing to regular dividends. From a Signaling Theory perspective, inconsistent dividend payments risk sending mixed messages to investors. Consequently, volatile firms often retain profits as a precautionary buffer, a prudent approach in cyclical or high-risk industries. Deng et al. (2025) find that high earnings volatility leads firms to retain earnings. Harnanti and Nurdiana (2025) emphasize the role of earnings stability in sustaining dividend continuity. Nguyen et al. (2019) also note that erratic income patterns influence dividend policy due to potential negative investor reactions.

H₈: Earnings volatility has a significant effect on dividend per share.

Figure 1. Conceptual Framework



Source: Developed by the authors (2025)

METHOD

This study employs quantitative research methodologies, specifically utilizing panel data analysis to investigate the relationships among Profitability, Life Cycle, Liquidity, Growth Opportunities, Leverage, Firm Size, Firm Age, Earnings Volatility, and Dividend per Share (DPS). The sample for this research is comprised of non-cyclical manufacturing companies listed on the Indonesia Stock Exchange (IDX). Initially, 132 companies were considered; however, due to constraints related to data availability, the final sample was reduced to 26 companies that met specific criteria, including the availability of complete financial statement data for all variables under investigation. The study encompasses a four-year period from 2021 to 2024. The sample was selected utilizing purposive sampling, applying criteria such as continuous listing on the IDX from 2021 to 2024, availability of complete audited annual reports, and comprehensive data for DPS and all independent variables. A total of 104 firm-year observations (26 companies × 4 years) were collected and analyzed using E-Views 10.

In this study, Dividend per Share (DPS) serves as the dependent variable, representing the amount of dividends paid per share to shareholders. The measurement adheres to the methodology outlined in Dsouza et al. (2025), utilizing data obtained from annual reports and financial statements accessible on the IDX website. Profitability, indicative of a firm's capacity to generate earnings from its operations, is measured using pertinent profitability ratios (Dsouza et al., 2025). Life Cycle denotes the stage of the company's development, calculated in accordance with the methodology employed by Dsouza et al. (2025). Liquidity, reflecting a

company's ability to fulfill short-term obligations, is proxied by the current ratio. Growth Opportunities are assessed using the book value of shares, as proposed by Zutter & Smart (2020). Leverage, quantified by the Debt-to-Equity Ratio (DER), signifies the proportion of debt within the company's capital structure. Firm Size is assessed as the natural logarithm of total assets, which reflects the scale of the company's operations, as suggested by Dsouza et al. (2025). Firm Age is calculated as the number of years since the company's establishment, indicating its maturity and operational experience, as posited by Dsouza et al. (2025). Earnings Volatility is quantified as the standard deviation of earnings before interest and tax (EBIT) over the observation period, following the methodology of Rammala & Toerien (2024).

Prior to conducting regression analysis, data screening was performed to identify and address outliers that could potentially distort statistical estimations. Outliers were identified using both the interquartile range (IQR) method and standardized residual analysis. Observations exceeding $1.5 \times \text{IQR}$ above the third quartile or below the first quartile, as well as standardized residuals surpassing ± 3 , were scrutinized for potential removal. This process ensures that the regression coefficients are not unduly influenced by extreme values, thereby enhancing the robustness and validity of the results.

Table 1. Operational Variables

Variable Type	Variable	Measurement	Source
Dependent	Dividend per Share	Annual dividend ÷ weighted average number of common shares outstanding	Dsouza et al. (2025)
Independent	Profitability	Profit before interest and tax ÷ total assets	Dsouza et al. (2025)
	Life Cycle	Retained earnings ÷ equity	Dsouza et al. (2025)
	Liquidity	Current assets ÷ current liabilities	Dsouza et al. (2025)
	Growth Opportunities	Market value per share ÷ book value per share	Dsouza et al. (2025)
		Book value per share = common stock equity ÷ number of common shares outstanding	Zutter & Smart (2020)
	Leverage	Total debt ÷ total assets	Dsouza et al. (2025)
	Firm Size	Natural log of total assets	Dsouza et al. (2025)
	Firm Age	Years since establishment	Dsouza et al. (2025)
	Earnings Volatility	Standard deviation of EBIT	Rammala & Toerien (2024)

Source: Compiled by the authors (2025)

This study utilizes panel data regression as the primary analytical methodology. Panel regression is prominent in empirical research due to its capacity to capture both cross-sectional and time-series variations, thereby facilitating more accurate estimations of the relationships between dependent and independent variables. This method is particularly apt for investigating the magnitude and significance of firm-level and financial indicators across multiple periods. The adoption of panel regression is justified by its ability to control for unobserved heterogeneity and to provide more efficient estimates than those derived from purely cross-sectional or time-series models. In this research, the dependent variable is Dividend per Share (DPS), while the independent variables encompass Profitability, Life Cycle, Liquidity, Growth Opportunities, Leverage, Firm Size, Firm Age, and Earnings Volatility. Additionally, several control variables are incorporated to account for firm-specific characteristics that may influence dividend policy, such as operational scale, company maturity, and capital structure. The analysis is conducted using E-Views 10 software. Model

specification adheres to a systematic selection process: (1) the Chow Test is employed to ascertain the appropriateness of the Common Effect versus the Fixed Effect model; and (2) the Hausman Test is utilized to differentiate between Fixed Effect and Random Effect models. The chosen model is subsequently evaluated for goodness of fit, statistical significance, and robustness prior to the interpretation of the coefficients.

Table 2. Sampling Criteria

Description	Number
Total non-cyclical manufacturing companies listed on IDX (2021–2024)	132
Companies conducting an IPO after the research period	34
Companies with incomplete data	62
Eligible companies	36
Companies included in the sample	26
Initial observations	104
Outlier observations	3
Final observations	101

Source: Processed data (2025)

The panel data regression model employed in the prior study by Dsouza et al. (2025) can be formulated as follows:

$$DPS_{it} = \alpha + \beta_1 PRFT_{it} + \beta_2 LCYCLE_{it} + \beta_3 LIQ_{it} + \beta_4 GROPP_{it} + \beta_5 LEV_{it} + \beta_6 FSIZE_{it} + \beta_7 FAGE_{it} + \beta_8 EARVOL_{it} + \eta_i + \epsilon_{it}$$

The dependent variable, Dividend per Share (DPS), quantifies the dividends disbursed per share to shareholders, thereby reflecting the company's policy on dividend distribution. The independent variables encompass Profitability, Life Cycle, Liquidity, Growth Opportunities, Leverage, Firm Size, Firm Age, and Earnings Volatility. Profitability assesses the firm's capacity to generate earnings from its operational activities. Life Cycle denotes the stage of development of the firm, which may impact dividend-related decisions. Liquidity indicates the firm's capability to satisfy short-term obligations, while Growth Opportunities represent the firm's potential for future expansion. Leverage quantifies the proportion of debt within the firm's capital structure. Firm Size is proxied by the natural logarithm of total assets, whereas Firm Age is determined by the number of years since establishment. Earnings Volatility, defined as the standard deviation of EBIT, captures the variability of the firm's earnings over time. Control variables consist of firm-specific characteristics that may affect dividend policy but are not the primary focus of this investigation. These control variables are employed to ensure that the estimated effects of the principal independent variables remain unbiased by omitted firm-level factors.

RESULT AND DISCUSSION

Descriptive Statistics

The results of the descriptive statistical analysis for Dividend per Share (DPS) indicate that the maximum value was 470.0000, achieved by PT FKS Multi Agro Tbk. (FISH) in 2024, while the minimum value was 0.5000, recorded by PT Millennium Pharmacon International Tbk. (SDPC) in 2022. The mean value of DPS was 80.7984, which exceeds the standard deviation of 88.6714, suggesting that the data is heterogeneous and exhibits a high degree of dispersion. For the Profitability (PRFT) variable, the maximum observed value was 0.3931, recorded by PT Unilever Indonesia Tbk. (UNVR) in 2021, while the minimum value of –0.0041 was noted for PT Buyung Poetra Sembada Tbk. (HOKI) in 2024. The mean profitability value of 0.1029 is greater than the standard deviation of 0.0717, indicating that this dataset is homogeneous with low variability.

The Life Cycle (LCYCLE) variable reveals a maximum value of 1.2253, attained by PT Ultra Jaya Milk Industry Tbk. (ULTJ) in 2021, and a minimum value of 0.2295, recorded by PT Hanjaya Mandala Sampoerna Tbk. (HMSP) in 2022. The mean value of 0.7038 is higher than the standard deviation of 0.2237, suggesting that the data is homogeneous with low dispersion. Regarding the Liquidity (LIQ) variable, the maximum value recorded was 13.3955 by PT BISI International Tbk. (BISI) in 2024, whereas the minimum value was 0.3818, noted for PT Indofood Sukses Makmur Tbk. (INDF) in the same year. The mean value of 2.5868 surpasses the standard deviation of 2.3772, indicating homogeneous data with low dispersion. The Growth Opportunity (GROPP) variable has a maximum value of 40.0946, recorded by PT Unilever Indonesia Tbk. (UNVR) in 2022, and a minimum value of -115.1126, noted by PT Sumber Alfaria Trijaya Tbk. (AMRT) in 2024. The mean value of 2.1447 is significantly lower than the standard deviation of 13.7108, indicating that the data is heterogeneous and exhibits a very high degree of dispersion.

For the Leverage (LEV) variable, the maximum value of 6.6478 was recorded by PT FKS Multi Agro Tbk. (FISH) in 2024, while the minimum value of 0.0672 was noted for PT BISI International Tbk. (BISI) in the same year. The mean value of 0.5013 is lower than the standard deviation of 0.6494, suggesting that the data is heterogeneous with high dispersion. The Firm Size (FSIZE) variable indicates a maximum value of 14.3047, recorded by PT Indofood Sukses Makmur Tbk. (INDF) in 2024, and a minimum value of 11.9093, noted for PT Buyung Poetra Sembada Tbk. (HOKI) in 2022. The mean value of 13.0054 exceeds the standard deviation of 0.5936, indicating that the data is homogeneous with low dispersion. The Firm Age (FAGE) variable shows a maximum value of 91.0000, recorded by PT Unilever Indonesia Tbk. (UNVR) in 2024, and a minimum value of 14.0000, noted for PT Midi Utama Indonesia Tbk. (MIDI) in 2021. The mean value of 44.0198 is greater than the standard deviation of 17.2296, suggesting homogeneous data with moderate dispersion.

Lastly, the Earning Volatility (EARVOL) variable indicates a maximum value of IDR 6.2 trillion, recorded by PT Unilever Indonesia Tbk. (UNVR) in 2021, and a minimum value of IDR 4.3 billion, noted for PT Buyung Poetra Sembada Tbk. (HOKI) in 2022. The mean value of IDR 783 billion is lower than the standard deviation of IDR 1.16 trillion, indicating that the data is heterogeneous and exhibits very high dispersion.

Table 3. Descriptive Statistics

Variable	Mean	Std. Dev.	Min.	Max.
DPS	80.79842	88.67144	0.500000	470.0000
PRFT	0.102948	0.071717	-0.004100	0.393100
LCYCLE	0.703819	0.223691	0.229500	1.225300
LIQ	2.586781	2.377223	0.381800	13.39550
GROPP	2.144667	13.71083	-115.1126	40.09460
LEV	0.501315	0.649365	0.067200	6.647800
FSIZE	13.00540	0.593629	11.90930	14.30470
FAGE	44.01980	17.22961	14.00000	91.00000
EARVOL	7.83E+11	1.16E+12	4.30E+09	6.20E+12

Source: Processed data (2025)

Model Selection

Chow Test

The Chow Test yields two potential outcomes: Common Effect or Fixed Effect. In this study, the Chow Test is employed to ascertain the more effective and appropriate model. The test is predicated on two hypotheses: the null hypothesis (H_0), which posits the absence of individual heterogeneity, and the alternative hypothesis (H_1), which asserts the presence of heterogeneity within the cross-sectional data. The results of the Chow Test reveal a p-value of 0.0000 for the cross-section chi-square test, which is significantly lower than the 5%

significance threshold (0.05). This finding leads to the rejection of H_0 , indicating that the Common Effect Model is unsuitable, thereby suggesting the Fixed Effect Model as the more appropriate alternative. Following the selection of the Fixed Effect Model based on the Chow Test, the subsequent step involves conducting the Hausman Test to verify whether the Fixed Effect Model is indeed superior to the Random Effect Model.

Table 4. Chow Test Result

Effects Test	Statistic	d.f.	Prob.
Cross-section Chi-square	173.793942	25	0.0000

Source: Processed data (2025)

Hausman Test

The Hausman Test yields two potential outcomes: the Random Effect Model or the Fixed Effect Model. This study employs the Hausman Test to ascertain the model that exhibits greater accuracy and reliability. Furthermore, the test seeks to elucidate the characteristics of each model concerning heterogeneity. The results presented in the Hausman Test table reveal a p-value of 0.0071, which is below the threshold of 5% (0.05). This finding leads to the rejection of the null hypothesis (H_0), thereby indicating that the Random Effect Model is not applicable. Consequently, the Fixed Effect Model is identified as the more appropriate choice. This conclusion aligns with the earlier findings from the Chow Test, which similarly suggested that the Fixed Effect Model represents the optimal selection. Therefore, the Fixed Effect Model is adopted as the most suitable model for this study.

Table 5. Hausman Test Result

Test Summary	Chi-sq. Statistics	Chi-Sq.d.f	Prob.
Cross-section Random	21.008347	8	0.0071

Source: Processed data (2025)

Coefficient of Determination

The coefficient of determination test is employed to assess the extent to which the independent variables elucidate the dependent variable, with a focus on the adjusted R^2 value. The regression analysis yields an adjusted R^2 of 0.859848, signifying that the variation in the independent variables—Profitability (PRFT), Life Cycle, Liquidity (LIQ), Growth Opportunities, Leverage, Firm Size, Firm Age, and Earning Volatility—accounts for 85.9848% of the variability in the dependent variable, Dividend per Share (DPS). The remaining 14.0152% of the variation is attributed to factors not incorporated within the model. This finding suggests that the model demonstrates a strong fit.

Table 6. Coefficient of Determination

R^2	Adjusted R^2
0.906098	0.859848

Source: Processed data (2025)

Hypotheses Testing

Hypothesis testing was performed utilizing the t-test to ascertain whether each independent variable exerts a significant effect on dividend per share. A variable is deemed to have a statistically significant impact if the p-value is less than 0.05. The subsequent results of the hypothesis testing are presented below.

Table 7. Hypotheses Testing Result

Variable	Coefficient	t-Statistic	Prob.
PRFT	138.3674	0.659348	0.5119
LCYCLE	73.77786	2.430644	0.0178
LIQ	-0.003076	-0.000892	0.9993
GROPP	-0.055271	-0.621791	0.5362
LEV	41.99907	4.686954	0.0000
FSIZE	-196.2468	-3.708318	0.0004
FAGE	12.51316	4.489267	0.0000
EARVOL	-1.69E-11	-4.138039	0.0001

Source: Processed data (2025)

According to Table 4, the variables Life Cycle, Leverage, Firm Size, Firm Age, and Earnings Volatility exert a significant influence on dividend per share, as evidenced by their p-values falling below the 5% significance threshold. Conversely, the variables Profitability (measured by ROA), Liquidity, and Growth Opportunities do not demonstrate a statistically significant effect.

Discussion

The findings indicate that profitability (ROA) does not significantly affect dividend per share (DPS), as reflected by a probability value exceeding the 0.05 threshold. Consequently, H_1 is rejected. This finding contrasts with Dsouza et al. (2025) and Putra et al. (2024), who documented a significant positive association between profitability and dividend policy, particularly in firms with stable earnings. In the present context, the absence of a significant relationship may suggest that manufacturing companies in Indonesia prioritize internal capital reinvestment over dividend distribution, even in periods of high profitability. Earnings may be allocated toward operational enhancements, business expansion, or liquidity reserves rather than direct shareholder payouts, indicating that profitability does not necessarily translate into higher dividends in this sector.

The life cycle variable yields a p-value of 0.0178, below the 5% significance level, signifying a statistically significant effect on DPS. Thus, H_2 is accepted. This outcome is consistent with Oghenekaro et al. (2024), Ogochukwu (2024), and Dsouza et al. (2025), all of whom found that firms in the maturity stage are more inclined to pay dividends consistently than those in the growth phase. Mature firms typically exhibit stable earnings, reduced reinvestment needs, and greater access to financing, facilitating regular dividend distribution. In the Indonesian manufacturing context, such firms may view dividends as a strategic signal of financial health and stability, in line with signaling theory. Liquidity produces a p-value of 0.9993, far exceeding the 0.05 threshold, indicating no significant effect on DPS and leading to the rejection of H_3 . This result diverges from Mwaifyusi (2021), Kumshe et al. (2024), and Dsouza et al. (2025), who identified liquidity as a determinant of dividend payments. One plausible explanation is that highly liquid manufacturing firms in Indonesia may retain cash for precautionary purposes—such as mitigating input price volatility, operational uncertainty, or funding reinvestment—rather than distributing it as dividends. This behavior aligns with pecking order theory, which posits that firms prioritize internal financing over shareholder payouts, particularly in uncertain economic environments.

Growth opportunities yield a p-value of 0.5362, exceeding the 0.05 significance level; H_4 is therefore rejected. This finding is at odds with Syihan et al. (2024) and Subramaniam et al. (2014), who reported a positive association between growth opportunities and dividend policy. However, it concurs with Dsouza et al. (2025), who argued that high-growth firms tend to retain earnings to finance expansion rather than pay dividends. In Indonesia's manufacturing sector, firms with significant growth prospects often reinvest earnings to enhance capacity or technology, consistent with life cycle theory's prediction that growth-stage firms prioritize

reinvestment over distribution. Leverage records a p-value of 0.0000, well below the 5% threshold, indicating a significant effect on DPS; thus, H_5 is accepted. This aligns with Chindengwike (2024), Margaretha and Irma (2023), and Dsouza et al. (2025), who found leverage to be positively associated with dividend policy. While high debt levels might suggest the need to conserve cash, agency cost theory offers an explanation: managers in highly leveraged firms may use dividend payments to reassure investors and mitigate agency conflicts. In Indonesian manufacturing, where long-term debt structures are common, dividends can signal financial discipline to both creditors and shareholders.

Firm size produces a p-value of 0.0004, indicating a significant positive relationship with DPS and resulting in the acceptance of H_6 . This supports the findings of Dsouza et al. (2025), Qinwen et al. (2025), and Deng et al. (2025), who observed that larger firms, due to their stronger financial capacity and market expectations, tend to pay dividends more consistently. Large firms benefit from economies of scale, operational stability, and greater public scrutiny, creating pressure for regular payouts. In the Indonesian manufacturing sector, dividend payments by large firms serve to reinforce investor confidence, consistent with signaling theory. Firm age is also significant, with a p-value of 0.0000, confirming H_7 . This is in line with Manowan et al. (2025), Edet et al. (2024), and Dsouza et al. (2025), who found that older firms are more consistent in dividend distribution due to stable operations, accumulated managerial expertise, and established reputations. In Indonesia, mature manufacturing firms may view consistent dividends as a means of retaining investor loyalty, in accordance with life cycle theory.

Earnings volatility returns a p-value of 0.0001, demonstrating a significant effect on DPS and leading to the acceptance of H_8 . This finding aligns with Deng et al. (2025), Harnanti and Nurdiana (2025), and Nguyen et al. (2019), who reported that high volatility reduces dividend payouts as firms preserve financial flexibility. For Indonesian manufacturing firms, where income fluctuations may arise from price shifts, supply chain disruptions, or demand changes, retaining earnings is a prudent response. This behavior is consistent with residual dividend theory, which holds that dividends are distributed only after funding all profitable investment opportunities.

CONCLUSION

This study examines the influence of eight internal firm variables on dividend policy in the Indonesian manufacturing sector, using dividend per share (DPS) as the primary indicator. The results reveal that five variables significantly affect DPS: life cycle, leverage, firm size, firm age, and earnings volatility. Among these, life cycle, leverage, and firm age exert a positive influence, indicating that mature firms, those with optimal debt structures, and those with longer operational histories tend to distribute higher dividends. Conversely, firm size and earnings volatility show a negative influence, suggesting that large-scale firms and those with unstable earnings adopt a more cautious approach to dividend distribution. Profitability, liquidity, and growth opportunities are found to have no significant effect on DPS in this context. These findings highlight that dividend policy in manufacturing companies is shaped more by structural characteristics and operational stability than by net income, liquidity, or growth potential, underscoring the need for a multi-dimensional approach to corporate financial decision-making.

From a practical standpoint, company management can utilize these insights to formulate dividend policies that incorporate considerations of capital structure, life cycle stage, and earnings stability. Managers should aim to maintain healthy leverage, leverage the advantages of corporate maturity, and manage earnings volatility to support sustainable dividend distribution strategies. For investors, the findings offer guidance in evaluating potential investment targets based on dividend return potential. Indicators such as firm age, leverage, and life cycle stage may be considered positive signals, whereas excessively large firm size and high earnings volatility warrant cautious assessment.

For future research, expanding the study across sectors and countries will enhance the generalizability of results. Employing a mixed-method approach that integrates quantitative and qualitative perspectives can provide deeper insights into internal corporate policies. Additionally, incorporating the Free Cash Flow (FCF) variable may yield a more comprehensive understanding of dividend determinants, especially in industries where efficient cash flow management is critical.

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