Research Horizon

ISSN: 2808-0696 (p), 2807-9531 (e)

Research Horizon
Volume: 06
Issue: 01
Year: 2026
Page: 197-208

Citation:
Susanto, H., & Rahmawati, M. I. (2026). The effect of profitability, liquidity, and leverage on dividend policy with firm size as a moderating variable. *Research Horizon*, *6*(1), 197-208.

Article History:
Received: December 16, 2025
Revised: February 9, 2026
Accepted: February 24, 2026
Online since: February 28, 2026

The Effect of Profitability, Liquidity, and Leverage on Dividend Policy with Firm Size as a Moderating Variable

Herry Susanto[1*], Mia Ika Rahmawati[1]

[1] Sekolah Tinggi Ilmu Ekonomi Indonesia Surabaya, Surabaya, Indonesia

[*] *Corresponding author: Herry Susanto (hezhuanbao1@gmail.com)*

Abstract

This study aims to examining and analysing how profitability, liquidity, and leverage affect dividend policy is the goal of this study. It also seeks to determine whether business size influences the correlations between these variables. The study focuses on businesses that were part of the Indonesia Stock Exchange's (IDX) LQ45 index between 2021 and 2024. Purposive sampling was used to choose the sample, and only companies that regularly paid dividends during the observation period were included. The IDX audited yearly financial statements serve as the data source. Data analysis was conducted using multiple linear regression and moderated regression analysis. Profitability and liquidity have a positive and significant effect on dividend policy, while leverage has a negative and significant effect. Firm size strengthens the relationship between liquidity and dividend policy but does not moderate the effects of profitability and leverage. These results highlight how crucial it is for a company to sustain profitability and efficiently manage its capital structure to guarantee the long-term viability of dividend payments. The study's findings might be considered by investors when evaluating a company's stability and prospects in light of its size and financial performance.

Keywords

Dividend Policy, Firm Size, Leverage, Liquidity, Profitability.

1. Introduction

The development of information technology, supported by the increasing ease of access to financial services, has driven changes in the financial management behavior of the Indonesian public. One of the most notable changes is the growing public interest in investment instruments, particularly investments in the capital market, where individuals are commonly referred to as investors. Issues related to dividend policy have therefore become increasingly relevant, as dividend payments are directly linked to the returns investors expect (Vidiati et al., 2022). In evaluating companies whose shares they intend to purchase, investors seek firms that can provide optimal returns. Consequently, it is essential to understand corporate performance more comprehensively to assess a company's ability to generate optimal returns and ensure the security of investors' investments. Returns from stock ownership are realized through dividend distributions.

Dividend policy is one of the most important corporate policies because it directly affects shareholder welfare. Moreover, dividend policy not only affects shareholder welfare but also enhances positive perceptions of firm value in the eyes of both existing and potential investors (Brigham & Houston, 2011; Damayanti & Sucipto, 2022). Corporate decisions regarding dividend policy, such as whether to retain earnings or distribute dividends and the number of dividends paid, also provide signals about the firm's future direction and prospects.

Companies in Indonesia apply different approaches in implementing dividend policies. These differences are influenced by various factors that extend beyond the level of corporate profits, including internal factors such as profitability, liquidity, and leverage. Therefore, further examination is needed to determine whether these factors significantly influence corporate dividend policy. Previous studies examining dividend policy using various variables have produced mixed results. Ratnasari and Purnawati (2019) and Susellawati et al. (2022) found that profitability and liquidity have a positive effect on dividend policy, while leverage does not significantly affect dividend policy in manufacturing firms. However, other studies have reported contrasting findings. Putri et al. (2022) found that profitability does not influence dividend policy, as firms tend to retain earnings for reinvestment rather than distribute dividends to shareholders. These inconsistent findings indicate unresolved empirical issues regarding the determinants of dividend policy. Accordingly, further research is required to deepen the understanding of the factors influencing dividend policy, particularly for companies listed on the Indonesia Stock Exchange (IDX).

In relation to dividend policy, profitability is a key indicator of a firm's financial performance, as it reflects the company's ability to generate profits from its operating activities (Susilo, 2023; Dika et al., 2023; Andini & Nabilah, 2024). Qurochman (2022) argues that higher profitability increases a firm's capacity to distribute dividends compared to firms with lower profits. Profitability is therefore a fundamental factor in dividend policy, as dividend payments represent the distribution of operational profits. In other words, without sufficient profitability, dividend distribution cannot be implemented (Damanik et al., 2023).

In addition to profitability, another important factor in dividend policy is liquidity, which reflects a firm's ability to meet its short-term obligations using current assets such as cash, receivables, and inventories. According to Kasmir (2014), liquidity describes a firm's short-term financial health, indicating its ability to fulfill short-term liabilities without selling long-term assets. An optimal level of liquidity supports smooth operational activities. As operations become more stable, management may allocate profits toward market expansion, research and development, business expansion, or dividend distribution (Sagala et al., 2022).

Firm size, commonly measured by total assets, also influences dividend policy. Larger firms generally have greater access to resources and more stable cash flows,

which may increase their ability to distribute dividends. This is supported by Sapruwan et al. (2023), who find that firm size has a positive and significant effect on dividend policy. Another factor affecting dividend policy is leverage, which represents the extent to which a firm uses debt to finance its assets (Rahmadani et al., 2024). Firms with higher leverage tend to prioritize financial stability, as higher debt obligations require careful cash-flow management. Consequently, firms with high leverage may be more conservative in distributing dividends. Based on the above description, there remains a research gap regarding the consistent influence of profitability, liquidity, leverage, and company size on dividend policy among companies listed on the IDX. Therefore, this study aims to examine the effects of profitability, liquidity, and leverage on dividend policy, as well as to analyze the moderating role of firm size in these relationships.

2. Literature Review and Hypothesis Development

2.1. The Effect of Profitability on Dividend Policy

The ability of a business to make money off of the capital that shareholders have invested is known as profitability. The amount of net income a business makes from each unit of stock invested by shareholders is known as return on equity, or ROE. Return on Equity (ROE) serves as a stand-in in this study. Kasmir (2014) explains that Return on Equity (ROE) is a financial ratio used to measure a company's ability to generate profits from its shareholders' equity. ROE can be calculated by dividing the net income by the total equity. This ratio provides an indication of how effectively a company is utilizing the owners' investment to produce earnings.

According to agency theory proposed by Jensen and Meckling (1976), profitability reflects management's effectiveness in generating returns for shareholders. Higher profitability indicates better managerial performance and reduces information asymmetry between managers and owners. Companies with substantial profits are more likely to distribute dividends as a mechanism to mitigate agency conflicts and limit managerial discretion over free cash flow. By distributing dividends, firms can reduce the potential misuse of retained earnings and align managerial interests with those of shareholders. Furthermore, Brigham and Houston (2011) argue that firms with strong profitability possess sufficient internal funds to pay dividends without disrupting financial stability or operational sustainability.

Empirical evidence also supports the positive relationship between profitability and dividend policy. Susetyo et al. (2023) and Salah and Jarboui (2024) find that profitability has a positive and significant effect on dividend policy, indicating that firms with higher earnings tend to distribute greater dividends. Similarly, Sari and Sudjarni (2015) demonstrate that highly profitable companies are more inclined to allocate a larger portion of earnings to shareholders, reinforcing the theoretical argument that profitability is a key determinant of dividend decisions.

H1: Profitability has a positive effect on dividend policy.

2.2. The Effect of Liquidity on Dividend Policy

A business's ability to fulfil its short-term obligations is indicated by its liquidity. The Current Ratio (CR), an often-used proxy for liquidity, measures a company's ability to meet short-term obligations using its current assets. The higher this ratio, the better the business's liquidity condition. Kasmir (2014) states that the Current Ratio (CR) is used to measure a company's ability to meet its short-term obligations. It is calculated by dividing current assets by current liabilities, indicating the firm's level of liquidity in covering immediate debts.

Liquidity reflects a company's ability to meet its short-term obligations, commonly measured by the CR, which compares current assets to current liabilities. A higher ratio indicates stronger financial capacity to settle immediate debts. Taher and Al-Shboul (2023) argue that liquidity is directly related to dividend policy, as firms with higher liquidity are more capable of distributing dividends without disrupting operational activities. Angela and Daryanti (2023) also finds that liquidity has a positive and significant effect on dividend policy, suggesting that financially liquid firms are more likely to share profits with shareholders.

Furthermore, Hasibuan (2015) and Saputra and Daryanti (2023) explain that liquidity ratios serve as key indicators in evaluating a firm's short-term financial strength and stability. Adequate liquidity ensures that dividend payments do not compromise the company's ability to fulfill current obligations. Based on these theoretical and empirical arguments, it is hypothesized that liquidity has a positive effect on dividend policy.

H2: Liquidity has a positive effect on dividend policy.

2.3. The Effect of Leverage on Dividend Policy

Leverage refers to the extent to which a company relies on external debt financing. The proxy used to examine leverage in this study is the Debt-to-Equity Ratio (DER). DER measures the proportion of total debt relative to shareholders' equity and indicates the extent to which a company is financed by external parties compared to its own capital. According to Kasmir (2014), the Debt-to-Equity Ratio (DER) is used to measure the proportion of a company's total debt relative to its total equity. It is calculated by dividing total debt by total equity, indicating the extent to which the company relies on borrowed funds to finance its operations.

Leverage reflects the extent to which a company relies on debt to finance its operations. Within the framework of agency theory, debt can function as a monitoring mechanism that disciplines managerial behavior. However, excessive leverage may create financial pressure and increase the risk of financial distress. As a result, firms with high debt levels may reduce dividend payments to preserve cash flow. Trade-off theory further explains that highly leveraged firms tend to be more cautious in distributing dividends because of fixed interest obligations. Brigham and Houston (2011) emphasize that companies with high leverage ratios generally prioritize debt repayment over dividend distribution.

Empirical findings also support this argument. Bon and Saputra (2022) and Anuar et al. (2023) demonstrate that leverage has a negative effect on dividend policy, indicating that firms with higher debt ratios are less likely to distribute dividends. This suggests that debt commitments limit managerial flexibility in allocating earnings to shareholders. Based on these theoretical and empirical considerations, it is hypothesized that leverage negatively affects dividend policy.

H3: Leverage has a negative effect on dividend policy.

2.4. The Effect of Firm Size as a Moderating Variable

Firm size represents the scale of a corporation and may influence its operational and financial decisions, including dividend policy. In this study, firm size is treated as a moderating variable that can strengthen or weaken the relationship between independent and dependent variables. It is measured using the natural logarithm of total assets, as this approach reflects financial strength, reduces extreme value differences, and improves data normality. Larger firms generally have better access to external financing and higher investor confidence, enabling more consistent

dividend payments. Setyaningsih and Sucipto (2021) found that firm size strengthens the relationship between profitability and dividend policy.

Liquidity reflects a company's ability to meet its short-term obligations and influences its capacity to distribute dividends. Higher liquidity generally facilitates dividend payments, but its impact may vary depending on firm size. Larger firms tend to have more sophisticated financial management systems, allowing them to maintain stable dividend policies even when liquidity fluctuates. Fitriyah (2024) finds that firm size strengthens the effect of liquidity on dividend policy, as large firms are better able to utilize liquid assets to ensure consistent payouts. Conversely, high leverage may restrict dividend distributions because firms prioritize debt obligations. However, firm size can moderate this relationship. Large companies with strong credibility and financial stability are typically more capable of managing leverage effectively, reducing its negative impact on dividends. Ali et al. (2025) show that firm size moderates the effect of leverage on dividend policy, enabling larger firms to remain flexible in dividend decisions despite debt levels.

H4: Firm size moderates the relationship between profitability and dividend policy.
H5: Firm size moderates the relationship between liquidity and dividend policy.
H6: Firm size moderates the relationship between leverage and dividend policy.

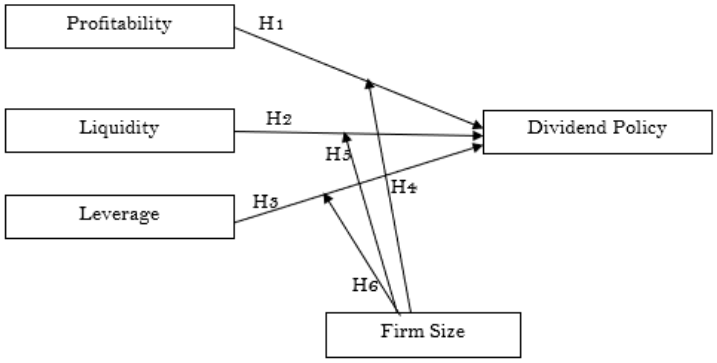

Figure 1. Conceptual Framework

Figure 1 shows a research model that analyzes the influence of profitability, liquidity, and leverage on dividend policy, with firm size as a moderating variable. Profitability (H1), liquidity (H2), and leverage (H3) have a direct influence on dividend policy. Furthermore, firm size acts as a moderating variable, testing whether firm size can strengthen or weaken the relationship between profitability and dividend policy (H4), liquidity and dividend policy (H5), and leverage and dividend policy (H6). Thus, this model not only examines the direct influence of financial factors on dividend policy but also the role of firm size in moderating this relationship.

3. Methods

This study adopts a quantitative approach with a causal associative research design to examine the effects of profitability, liquidity, and leverage on dividend policy, with firm size acting as a moderating variable. This design is selected because it enables the identification and measurement of causal relationships among variables in an objective and systematic manner. The measurement of variables in this study was conducted using financial ratio proxies derived from companies' annual financial statements. Profitability was measured by Return on Equity (ROE), liquidity by the Current Ratio (CR), leverage by the Debt-to-Equity Ratio (DER), and firm size by the natural logarithm of total assets, while dividend policy was proxied by the Dividend Payout Ratio (DPR). The analysis employs panel data, combining time

series data from 2021 to 2024 and cross-sectional data from the sampled firms. By integrating these two dimensions, the study is able to capture both inter-firm variations and intra-firm changes over time, thereby providing a more comprehensive understanding of the determinants of dividend policy.

The population of this research consists of all companies listed in the LQ45 Index of the Indonesia Stock Exchange during the 2021–2024 period. The LQ45 Index is selected because it comprises companies with high stock liquidity and large market capitalization, making it representative of well-established and actively traded firms in the capital market. The sampling technique employed is purposive sampling, based on specific criteria, namely companies that were consistently included in the LQ45 Index throughout the observation period and regularly distributed dividends. Based on these criteria, a sample of eligible firms was obtained for further empirical analysis in accordance with the research objectives.

Data collection is conducted using a documentation method based on secondary data sources. The data are obtained from audited annual financial statements published by the Indonesia Stock Exchange and the official websites of the respective companies. The financial data collected includes net income, total assets, current assets, current liabilities, total debt, and dividends distributed. These data are subsequently processed to calculate financial ratios representing the research variables, namely profitability, liquidity, leverage, firm size, and dividend policy. The use of audited financial statements ensures data reliability and enhances the credibility of the research findings.

The data analysis technique applied in this study is multiple linear regression to examine the direct effects of the independent variables on dividend policy, while Moderated Regression Analysis (MRA) is employed to test the moderating role of firm size. Prior to hypothesis testing, classical assumption tests are conducted to ensure the validity of the regression model, including tests of normality, multicollinearity, heteroskedasticity, and autocorrelation. Hypotheses are evaluated using the t-test to assess partial effects, the F-test to determine overall model feasibility, and the coefficient of determination (R^2) to measure the explanatory power of the model. All statistical analyses are performed using SPSS software.

4. Results

Before conducting multiple linear regression and Moderated Regression Analysis (MRA), classical assumption tests were performed to ensure that the regression model met the required statistical assumptions. The classical assumption tests applied in this study include the normality test, multicollinearity test, heteroskedasticity test, and autocorrelation test. The normality test was conducted to examine whether the residuals in the regression model were normally distributed. This test was performed using the Kolmogorov–Smirnov (K–S) test and graphical analysis through the Normal P–P Plot.

Table 1. Normality Test Result

Test	Value
N	124
Mean	0.0000000
Std. Deviation	0.09347544
Absolute	0.119
Positive	0.119
Negative	-0.090
Kolmogorov-Smirnov Z	1.323
Asymp. Sig. (2-tailed)	0.060

Based on Table 1, the results of the normality test indicate that the Asymp. Sig. (2-tailed) value is 0.06, which is greater than 0.05. Therefore, it can be concluded that the residuals are normally distributed.

The multicollinearity assessment was performed to check if a strong correlation exists between the independent variables in the regression model. The examination involved assessing the Variance Inflation Factor (VIF) and Tolerance metrics. A regression model is deemed free of multicollinearity when the Tolerance value exceeds 0.10, and the VIF value is under 10 (Ghozali, 2018). Table 2 displays the outcomes of the multicollinearity assessment:

Table 2. Multicollinearity Test Result

Model	Tolerance	VIF
Profitability (ROE)	0.986	1.014
Liquidity (CR)	0.766	1.306
Leverage (DER)	0.764	1.309

Table 2 presents the results of the multicollinearity test, which aims to determine whether high correlations exist among the independent variables in the regression model. The results indicate that ROE has a Tolerance value of 0.986 and a VIF value of 1.014, CR has a Tolerance value of 0.766 and a VIF value of 1.306, and DER has a Tolerance value of 0.764 and a VIF value of 1.309. Generally, a regression model is considered free from multicollinearity when the Tolerance value exceeds 0.10, and the VIF value is below 10. Since all variables meet these criteria, it can be concluded that there is no indication of multicollinearity in this research model. Therefore, the independent variables are appropriate for inclusion in the regression analysis to examine their effects on dividend policy.

The heteroscedasticity test was performed to assess if there is an imbalance of residual variances among observations. An effective regression model must have no heteroskedasticity, signifying that the residuals are homoscedastic. In this research, the Breusch Pagan Godfrey test was utilized to examine heteroskedasticity

Table 3. Heteroscedasticity and Autocorrelation Test

Test	Statistics	Value
Heteroscedasticity Test	F-statistic	0.804742
	Obs*R-squared	2.445500
	Scaled explained SS	13.16054
	Prob. F (3.120)	0.4936
	Prob. Chi-Square (3)	0.4852
	Prob. Chi-Square (3)	0.0043
Autocorrelation Test	Durbin Watson	1.896

Table 3 presents the results of the heteroskedasticity test to assess whether the residual variance in the regression model is constant across observations. The results show that the Prob. F-statistics is 0.4936, and the Prob. Chi-Square (ObsR-squared) value is 0.4852, both of which exceed the 0.05 significance level. This indicates that the null hypothesis of homoskedasticity cannot be rejected, meaning there is no evidence of heteroskedasticity in the model. Although the Prob. Chi-Square value for the Scaled Explained SS is 0.0043, which is below 0.05, the primary reference for this test is generally the ObsR-squared probability. Since this value is greater than 0.05, it can be concluded that the regression model does not suffer from heteroskedasticity and satisfies the classical assumption required for further analysis.

Table 3 shows that the results indicate a Durbin–Watson value of 1.896. This value lies between the upper critical value (dU) and (4 – dU), namely between 1.722 and 2.278, for a sample size (n) of 124 and three independent variables (k = 3). Since

the Durbin–Watson statistic lies within this range, the regression model is free of autocorrelation.

Table 4. Coefficient Determination

Test	Value
R	0.831[a]
R Square	0.690
Adjusted R Square	0.683
Std. Error of the Estimate	0.094637
F-Statistics	89.142
Sig (F)	0.000

The findings show that the R Square value is 0.690, while the Adjusted R Square value stands at 0.683. This indicates that 69% of the changes in dividend policy can be accounted for by the independent variables ROE, CR, and DER, whereas the remaining 31% is attributed to other influences not included in the model. Table 4 presents the F-test results, indicating an F-statistic of 89.142 and a significant value of 0.000, which is below 0.05. This suggests that ROE, CR, and DER simultaneously have a notable impact on DPR. Consequently, the multiple linear regression model is suitable and fitting for illustrating the connection between the independent variables and the dependent variable, and it satisfies the requirements for model adequacy.

Table 5. Multiple Linear Regression Analysis Results

Model	B	Std. Error	Std. Coeff. Beta	p-value
(Constant)	0.409	0.020		
Profitability (ROE)	0.549	0.035	0.794	0.000
Liquidity (CR)	0.030	0.006	0.274	0.000
Leverage (DER)	-0.007	0.004	-0.121	0.040

Based on Table 5, the results indicate that profitability has a positive and statistically significant effect on dividend policy ($p = 0.000 < 0.05$), thereby supporting H1 and suggesting that firms generating higher returns on equity tend to distribute larger dividends to shareholders. Similarly, liquidity as measured by the current ratio demonstrates a positive and significant influence on dividend policy ($p = 0.000 < 0.05$), confirming H2 and indicating that companies with stronger short-term financial capacity are more capable of paying dividends. In contrast, leverage measured by the debt-to-equity ratio shows a negative and significant impact on dividend policy ($p = 0.040 < 0.05$), supporting H3 and implying that higher debt levels decrease a firm's likelihood of distributing dividends.

Table 6. Result of the MRA

Model	B	Std. Error	Stand. Coeff. Beta	t-statistics	Sig
(Constant)	0.432	0.006		76.488	0.000
Profitability (ROE)	0.987	0.369	1.693	2.674	0.009
Liquidity (CR)	0.154	0.024	1.690	6.552	0.000
Leverage (DER)	-0.152	0.026	-2.923	-5.960	0.000
ROE x Size	-0.013	0.012	-0.705	-1.129	0.261
CR x Size	0.004	0.001	1.394	5.480	0.000
DER x Size	0.004	0.001	2.766	5.604	0.000

Table 6 shows that the moderating analysis reveals varying roles of firm size in the relationship between financial variables and dividend policy. First, firm size does not moderate the effect of profitability on dividend policy, as indicated by the interaction term ROE x SIZE, which has a negative but statistically insignificant

coefficient (p = 0.261), leading to the rejection of H4. This finding suggests that the influence of profitability on dividend decisions remains relatively stable across firm sizes, meaning that firm size neither strengthens nor weakens the impact of profitability on dividend distribution.

Second, firm size is found to moderate the relationship between liquidity and dividend policy. The interaction term CR x SIZE is statistically significant (p = 0.000 < 0.05), supporting H5 and indicating that firm size strengthens the positive effect of liquidity on dividend policy. Larger firms with strong liquidity positions are more likely to distribute dividends, as they typically benefit from more stable cash flows and more effective managerial control.

Third, firm size does not moderate the effect of leverage on dividend policy. Although the interaction term DER x SIZE is positive and statistically significant (p = 0.000), H6 is rejected because the moderating effect is not consistent in shaping dividend decisions. This result implies that firm size does not systematically influence how leverage affects dividend policy, as dividend decisions may be more strongly driven by investment needs, financial strategies, or growth opportunities rather than by firm size alone.

5. Discussion

The findings of this study indicate that profitability has a positive and statistically significant effect on dividend policy, with a significance value of 0.000 (< 0.05). This result suggests that the higher the return on equity generated by a firm, the greater its propensity to distribute dividends to shareholders. This evidence is consistent with Agency Theory proposed by Jensen and Meckling (1976), which posits that dividend payments can function as a mechanism to mitigate agency conflicts between management and shareholders. Firms with higher profitability possess sufficient earnings capacity to distribute dividends without disrupting operational activities, thereby signaling managerial commitment to shareholder interests. These findings are also in line with prior studies conducted by Sari and Sudjarni (2015), both of which conclude that profitability has a positive and significant influence on dividend policy. Accordingly, profitability can be regarded as a primary determinant in dividend distribution decisions.

In addition to profitability, liquidity is found to exert a positive and significant effect on dividend policy, with a significance level of 0.000 (< 0.05). This indicates that a firm's ability to meet its short-term obligations contributes to its capacity to distribute dividends. Companies with strong liquidity positions tend to have more stable cash availability, enabling greater flexibility in determining dividend payments. This finding is consistent with the Trade-Off Theory, which emphasizes the balance between maintaining liquidity and distributing dividends. The results also support previous empirical studies by Arazi et al. (2025) and Supriyatna and Akbar (2025), who report that liquidity positively affects dividend policy. Therefore, sound short-term financial conditions constitute an important supporting factor in corporate dividend decisions.

Conversely, leverage demonstrates a negative and statistically significant effect on dividend policy, with a significance value of 0.040 (< 0.05). This finding implies that firms with higher debt levels tend to allocate a smaller proportion of earnings to dividend payments. Companies with substantial leverage are more likely to prioritize debt servicing obligations over dividend distribution. This result aligns with the Trade-Off Theory, which suggests that firms with high debt ratios adopt more conservative dividend policies to preserve financial stability. The findings are further supported by prior studies conducted by Indana and Pangestuti (2024), both of which conclude that leverage negatively influences dividend policy. Hence, capital structure considerations play a crucial role in determining dividend payouts.

Regarding the moderating role of firm size, the results indicate that firm size does not moderate the relationship between profitability and dividend policy, as the interaction term is statistically insignificant (p = 0.261). This suggests that the effect of profitability on dividend policy is direct and not contingent upon the scale of the firm's assets. However, firm size is found to moderate the relationship between liquidity and dividend policy, with the interaction term being statistically significant (p = 0.000) and positive. This implies that in larger firms, the positive impact of liquidity on dividend policy becomes stronger. These findings are consistent with the study by Fitriyah (2024), which reports that firm size strengthens the liquidity dividend policy relationship. In contrast, firm size does not moderate the relationship between leverage and dividend policy, despite the statistical significance of the interaction term, as the coefficient direction does not support the proposed hypothesis. This result is in line with Hidayati and Endang (2019), who conclude that firm size does not function as a moderating variable in the leverage–dividend policy relationship. These findings emphasize that fundamental financial factors profitability, liquidity, and leverage play a more dominant role in shaping dividend policy than firm size as a moderating variable.

6. Conclusion

Based on the analysis of companies listed in the LQ45 Index during the 2021–2024 period, this study concludes that profitability and liquidity have a positive and significant effect on dividend policy, while leverage has a negative and significant effect. Firms with higher profitability are more likely to distribute dividends, supporting agency theory, which posits that dividends serve as a mechanism to reduce agency conflicts. Similarly, firms with strong liquidity positions demonstrate greater financial capacity to maintain dividend payments, signaling stability to investors. In contrast, firms with higher leverage tend to prioritize debt repayment over dividend distribution. Regarding the moderating role of firm size, the findings indicate that firm size strengthens the positive relationship between liquidity and dividend policy but does not moderate the relationship between profitability or leverage and dividend policy. These results imply that internal financial performance remains the primary determinant of dividend decisions, while firm size only enhances the effect of liquidity due to better access to capital and more stable cash flows.

The implications of this study highlight the importance for managers to maintain profitability and liquidity to sustain consistent dividend payments, while carefully managing leverage levels. For investors, the findings provide insight into key financial indicators that influence dividend distribution. However, this study is limited to LQ45 firms within a specific period, which may restrict generalizability. Future research is recommended to expand the sample to different sectors, longer observation periods, or comparative cross-country analyses, and to incorporate additional variables such as growth opportunities, cash flow volatility, or corporate governance mechanisms to obtain a more comprehensive understanding of dividend policy determinants.

References

Ali, S., Muzammil, M., & Ahmed, S. (2025). Effect of liquidity, profitability, leverage and firm size on dividend policy. *International Journal of Social Sciences Bulletin*, *3*(8), 836–853.

Andini, A., & Nabilah, Z. (2024). Analisis profitabilitas untuk mengukur kinerja keuangan pada PT Akasha Wira International periode 2018–2022. *Prosiding Seminar Nasional Manajemen*, *3*(2), 821–830.

Angela, M. G., & Daryanti, S. (2023). The effect of leverage, liquidity, and firm size on dividend policy. *International Journal of Application on Economics and Business*, *1*(2), 257–265.

Anuar, A. Z. W., Haniff, M. N., & Azero, M. A. (2023). Determinants of dividend policy: Evidence from Malaysian public listed companies. *International Journal of Academic Research in Business and Social Sciences, 13*(4), 357–370.

Arazi, M. G. A.-G., Arip, S., & Muchtar, S. (2025). Determinants of profitability in Indonesian listed insurance companies. *Research Horizon, 5*(3), 559–572.

Bon, S. F., & Hartoko, S. (2022). The effect of dividend policy, investment decision, leverage, profitability, and firm size on firm value. *European Journal of Business and Management Research, 7*(3), 7–13.

Brigham, E. F., & Houston, J. F. (2011). *Dasar-dasar manajemen keuangan.* Jakarta, Indonesia: Salemba Empat.

Damanik, M. W., Ndraha, J. S., & Afrilia, D. (2023). Analisis faktor-faktor yang berpengaruh terhadap kebijakan dividen pada perusahaan manufaktur periode 2019–2021. *Mufakat: Jurnal Ekonomi, Manajemen dan Akuntansi, 2*(2), 209–219.

Damayanti, R., & Sucipto, A. (2022). The effect of profitability, liquidity, and leverage on firm value with dividend policy as intervening variable (Case study on finance sector in Indonesian Stock Exchange 2016–2020 period). *International Journal of Economics, Business and Accounting Research, 6*(2), 1214–1223.

Dika, F. R., Sholihin, M. R., & Bakti, M. H. S. (2023). The influence of liquidity, leverage, company growth and profitability on dividend policy in manufacturing companies on the Indonesia Stock Exchange for the period 2017–2019. *International Journal of Accounting and Management Research, 4*(2), 76–84.

Fitriyah, B. (2024). Pengaruh profitabilitas, leverage, likuiditas, pertumbuhan perusahaan terhadap kebijakan dividen dengan firm size sebagai variabel moderasi pada perusahaan sektor infrastruktur yang terdaftar di Bursa Efek Indonesia periode 2018–2022. *Jurnal Ilmu Manajemen, 12*(2), 421–436.

Hasibuan, H. (2015). Analisis rasio likuiditas dalam memenuhi kewajiban jangka pendek perusahaan. *Jurnal Riset Akuntansi dan Bisnis, 23*(2), 59–68.

Hidayati, & Endang, S. (2019). Pengaruh profitabilitas, likuiditas, leverage, dan kepemilikan manajerial terhadap kebijakan dividen dengan ukuran perusahaan sebagai variabel moderasi. *Jurnal Akuntansi dan Keuangan Indonesia, 16*(1), 1–18.

Indana, D., & Pangestuti, I. R. D. (2024). Analysis of financial characteristics of sustainability report: Company size as moderating variable. *Research Horizon, 4*(4), 197–204.

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics, 3*(4), 305–360.

Kasmir. (2014). *Analisis laporan keuangan.* Jakarta, Indonesia: Rajagrafindo Persada.

Putri, E., Ardiningrum, B. N., & Nursiam, N. (2022). The influence of liquidity, leverage, profitability and business risk on the dividend policy of manufacturing companies listed on the IDX. *Riset Akuntansi dan Keuangan Indonesia, 1*(2), 244–250.

Qurochman, A. N. (2022). The influence of profit growth, leverage, and profitability on dividend policy in state-owned enterprises listed on the Indonesia Stock Exchange. *Enrichment: Journal of Management, 12*(2), 1280–1286.

Rahmadani, A. S., Kusuma, I. C., & Didi, D. (2024). The effect of dividend policy, liquidity, leverage on company value. *Jurnal Ilmiah Akuntansi Kesatuan, 12*(4), 587–598.

Ratnasari, P. S. P., & Purnawati, N. K. (2019). Pengaruh profitabilitas, likuiditas, tingkat pertumbuhan perusahaan dan leverage terhadap kebijakan dividen. *E-Jurnal Manajemen Universitas Udayana, 8*(10), 6179–6198.

Sagala, A., Febby, R., Maksum, A., & Abubakar, E. (2022). The effect of leverage, liquidity, profitability, and growth on dividend policy with firm size as a moderating variable at consumer goods industry manufacturing companies listed on the Indonesia Stock Exchange 2015–2020. *International Journal of Research and Review, 9*(6), 442–455.

Salah, B. O., & Jarboui, A. (2024). The relationship between dividend policy and earnings management: A causality analysis. *Journal of Economics, Finance and Administrative Science, 29*(57), 166–185.

Sapruwan, M., Ulfa, M., Dyah, S. H. T., & Dasman, S. (2023). The influence of profitability, liquidity, leverage and company size on dividend policy. *Growth: Journal Management and Business, 1*(1), 33–41.

Saputra, A., & Hartono, H. (2025). The effect of liquidity, profitability, and firm size on dividend policy in infrastructure companies on the Indonesia Stock Exchange. *Journal La Bisecoman, 6*(5), 974–989.

Sari, K. A. N., & Sudjarni, L. K. (2015). Pengaruh likuiditas, leverage, pertumbuhan perusahaan, dan profitabilitas terhadap kebijakan dividen. *E-Jurnal Manajemen Unud*, *4*(10), 3346–3374.

Setyaningsih, I. P., & Sucipto, A. (2021). Moderasi ukuran perusahaan pada profitabilitas, leverage dan rasio aktivitas terhadap kebijakan dividen. *Iqtishoduna: Jurnal Ekonomi Islam*, *17*(2), 186–199.

Supriyatna, Y., & Akbar, T. (2025). The effect of liquidity, leverage, and firm size on firm value with profitability as a moderating variable. *Research Horizon*, *5*(5), 1829–1842.

Susellawati, S., Sari, D. P., Nabella, S. D., & Fadlilah, A. H. (2022). The effect of profitability, liquidity, leverage, and activity ratios on dividend policy in manufacturing companies in the food and beverage industry sector listed on the Indonesia Stock Exchange in the 2016–2020 period. *Jurnal Mantik*, *6*(2), 141–152.

Susetyo, D. P., Frankus, A. G., Firmansyah, D., & Sukabumi, S. P. (2023). The effect of profitability and liquidity on dividend policy. *International Journal of Management and Business Intelligence*, *1*(2), 143–158.

Susilo, D. D. B. (2023). The effect of liquidity, leverage and profitability on dividend policy in IDX High Dividend 20 Index companies listed on the Indonesia Stock Exchange. *Social Science and Humanities Journal*, *7*(8), 3143–3154.

Taher, A. F. N., & Al-Shboul, M. (2023). Dividend policy, its asymmetric behavior and stock liquidity. *Journal of Economic Studies*, *50*(3), 578–600.

Vidiati, C., Al-Ghozali, M. I., Faturrizky, I., Selasi, D., Munajim, A., & Tardjono, T. (2022). Effects of the money market and the need for knowledge of interest rates and the foreign exchange market for benefit: Evidence in Indonesia. *IJOBBA: International Journal of Bunga Bangsa Cirebon*, *1*(1), 37–60.

Acknowledgment
We gratefully acknowledge the contributions of individuals who supported the completion of this article.

Funding Information
This research did not receive any funding.

Conflict of Interest Statement
The authors declare that there is no conflict of interest.

Ethical Approval and Originality Statement
Ethical approval was obtained for this study. The manuscript represents original work and has not been previously published, nor is it under consideration by another journal.

Data Disclosure Statement
The data that support the findings of this study are available from the corresponding author upon reasonable request.