

THE EFFECT OF PROFITABILITY, CAPITAL STRUCTURE, AND ASSET GROWTH ON DIVIDEND POLICY

(Case study on LQ45 companies listed on the IDX for the 2019-2024 period)

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Abstract — *This study aims to examine the influence of Profitability, Capital Structure, and Growth on Dividend Policy. The data used in this study are secondary data taken from the issuer's financial statements listed on the IDX for the 2019-2024 period. The sample was used by 114 companies. The sample sampling technique uses the Purposive sampling method. This study uses multiple linear regression analysis with the SPSS program. The results of this study show that profitability does not have a significant effect on dividend policy, capital structure has a negative effect on dividend policy, and asset growth has a positive effect on dividend policy.*

Keywords — *Profitability, capital structure, asset growth, dividend policy*

I. INTRODUCTION

Investment is an investment activity in assets owned for a long period of time with the expectation of earning profits in the future (Suhardi et al, 2022). In Indonesia itself, capital market activities are collected by an institution called the Indonesia Stock Exchange (IDX) which is a place for stockholders to trade every share they own (Nurhayati et al., 2021). Investors invest expect income and return on investment both in terms of dividend income and share selling price. Investment is an investment activity in assets owned for a long period of time with the expectation of earning profits in the future (Suhardi et al, 2022). In Indonesia itself, capital market activities are collected by an institution called the Indonesia Stock Exchange (IDX) which is a place for stockholders to trade every share they own (Nurhayati et al., 2021). Investors invest expect income and return on investment both in terms of dividend income and share selling price.

Dividend Policy is a company's decision regarding the distribution of profits to shareholders as dividends or withholding profits in the form of retained earnings for future investment (Septyadi & Bwarleling, 2020). Dividend payments in cash are more desired by investors than in other forms, because cash dividend payments can help reduce investor uncertainty in their investment activities in the company (Yuniasih & Sunarto, 2017). The ability of a company to generate a profit and earn a profit over a certain period at a certain level of sales is called Profitability. This shows that the higher the profitability of a company, the higher the dividend that will be distributed. This is supported by research (Nugroho et al., 2021) stating that profitability has a positive effect on dividend policy. Capital structure is a company's funding policy to achieve the company's long-term goals (Enrico & Sunarto, 2022).

The high capital structure of the company will result in liabilities in the form of interest rates increasing so that in the end the high interest expense is prioritized rather than paying dividends. In a study (Veronika & Munandar, 2022) it is stated that capital structure has a negative effect on dividend policy. The next factor that is suspected to affect dividend policy is asset growth. Asset growth is a change in the increase or decrease in assets or funds allocated at the level of assets carried out by the company (Rosyida et al., 2020). Companies with increased assets tend to be more able to distribute dividends to shareholders. When assets grow accompanied by increased income and profit sharing as dividends, this increases investors' confidence in a stable dividend policy. According to research conducted by (Dhindha & Maharisht, 2022) states that asset growth has a positive effect on dividend policy.

In this study, the selected company is the LQ45 company listed on the Indonesia Stock Exchange for the 2019-2024 period. Because LQ45 is a company that is in great demand and is used as an appeal by investors as a measurement of Dividend Policy. The researcher wants to examine more deeply whether Profitability, Capital Structure, and Asset Growth affect the Dividend Policy in LQ45 companies listed on the IDX for the 2019-2024 period.

II. METHOD

The population in this study is LQ45 companies listed on the IDX during the 2019-2024 period. Nonprobability sampling technique that will be used by researchers in this study. The type of nonprobability sampling method that will be used is purposive sampling. The following is the definition of variable operations:

Table 1 Variable Measurement

No.	Variable	Measurement	References
1	Profitability	ROA = Net Profit/ Total assets	Crisanti et al., (2024)
2	Capital Structure	DER = Total Debt/ Total Equity	(Ardiansyah & Isbanah, 2017)
3	Asset Growth	Asset Growth = (Total asset t – Total asset t-1)/Total asset t-1	(Rosyida et al., 2020)
4	Dividend Policy	DPR = dividend per share/Earning per share	(Jannah & Haridhi, 2016)

III. RESULT AND DISCUSSION

Descriptive Statistical Analysis

Table 2 Descriptive Statistical Analysis Results

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
ROA	114	.00155	6.71585	.1528447	.62723265
DER	113	.12	6.63	1.9376	2.17815
ASSET GROWTH	113	-.36	.69	.0733	.15931
DPR	113	.00	1.00	.4219	.26825
Valid N (listwise)	113				

Source : SPSS Output Results, 2026

The table above shows the results of the description that profitability is measured using the ROA ratio. In the table above, the deviation of ROA has an average value of 0.15284. The lowest value is 0.00154 and the highest is 6.71585, and the standard deviation is 0.62723. DER has an average value of 1.97732. The lowest value is 0.12250 and the highest value is 6.62597 with a standard deviation of 2.20957. Asset Growth has an average value of 0.72322. The lowest value is -0.36003 and the highest is 0.69453 with a standard deviation of 0.15893. The average value of the DPR is 0.42228. The lowest value is 0.00048 and the highest is 0.99868 with a standard deviation of 0.26709.

Normality Test

In this study, to test normality, it was carried out using the Kolmogorov-Smirnov Test and it is said to be normal if the boemal distributed residual value has a significant probability of more than 0.05, as follows:

Table 3 Normality Test Results

	Runs Test	
	Unstandardized Residual	Unstandardized Residual
Test Value ^a	-.02766	-.00021
Cases < Test Value	57	57
Cases >= Test Value	57	57
Total Cases	114	114
Number of Runs	35	42
Z	-4.327	-3.010
Asymp. Sig. (2-tailed)	.000	.003

Source : SPSS Output Results, 2026

In the output of the data above, it can be seen that the normality test shows a significance greater than 0.05, which is $0.000 < 0.05$. So that it can be concluded that the data is distributed normally. In the output of the data above, it can be seen that the normality test shows a significance greater than 0.05, which is $0.000 < 0.05$. So that it can be concluded that the data is distributed normally.

Classic Assumption Test

- **Multicollinearity Test**

The multicollinearity test aims to test whether there is a correlation between independent variables or independent variables. This test can be seen from the tolerance value and VIF (Variance Inflation Factor). The multicollinearity test can be turned off through a tolerance value of > 0.10 and VIF with the condition of $VIF < 10$, then it can be said to be free of multicollinearity and vice versa if the tolerance value is < 0.10 and the VIF value is > 10 , then there is a multicollinearity problem.

Table 4 Multicollinearity Test Results

Model		Coefficients ^a					Collinearity Statistics	
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Tolerance	VIF
		B	Std. Error	Beta				
1	(Constant)	.454	.036		12.637	.000		
	ROA	-.038	.039	-.090	-.987	.326	.974	1.026
	DER	-.027	.011	-.216	-2.330	.022	.941	1.063
	ASSET	.339	.155	.202	2.196	.030	.957	1.045
	GROWTH							

Source : SPSS Output Results, 2026

The results of the Multicollinearity Test above show that multicollinearity is free in the regression model. This statement is shown by the results of the multicollinearity test table values which show that the tolerance value > 0.1 and the VIF obtained by each predictor < 10 . So it can be concluded that there is no multicollinearity.

- **Heteroscedasticity Test**

Table 5 Heteroscedasticity test Results

Coefficients^a

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients Beta		
1	(Constant)	.232	.020		11.629	.000
	ROA	-.018	.021	-.079	-.823	.412
	DER	-.009	.006	-.131	-1.347	.181
	ASSET GROWTH	-.053	.086	-.060	-.621	.536

Source : SPSS Output Results, 2026

The results of the glacier test above show that there is no heteroscedasticity problem in the regression model. This statement is evidenced by the absence of independent variables that have a sig value of < 0.05, all of which are more than 0.05. It was concluded that there was no heteroscedasticity in the data.

- **Autocorrelation Test**

Table 6 Autocorrelation Test Results

Model	R	R Square	Model Summary ^b		
			Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.293 ^a	.086	.061	.23810	2.080

Source : SPSS Output Results, 2026

So it can be concluded that $dU < d < 4-dU$, where $1.7869 < 2.080 < 2.2131$. Which means that there are no symptoms of autocorrelation.

Regression Linear Analysis

Table 7 Regression Linear Analysis Results

Coefficients^a

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients Beta		
1	(Constant)	.454	.036		12.637	.000
	ROA	-.038	.039	-.090	-.987	.326
	DER	-.027	.011	-.216	-2.330	.022
	ASSET GROWTH	.339	.155	.202	2.196	.030

Source : SPSS Output Results, 2026

Based on the table above, a Constant value of 0.454 and a regression coefficient of ROA -0.038, DER -0.027, ASSET GROWTH 0.339 were obtained. So it has the following regression equation:

$$Y = 0,454 (\text{constant}) - 0,038X_1 - 0,027X_2 + 0,339X_3$$

Hypothesis Test

- **F Test**

Table 8 Test F

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.979	3	.326	5.022	.003 ^b
	Residual	7.081	109	.065		
	Total	8.059	112			

Source : SPSS Output Results, 2026

It can be seen from the table above that the profitability, capital structure, and asset growth in the dividend policy have a significant value of $0.003 < 0.005$ the model is declared to meet the goodness of fit with a value of F 5.022.

- **Coefficient Determination Test (R²)**

Table 9 Coefficient Determination Test (R²)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.348 ^a	.121	.097	.25487

Source : SPSS Output Results, 2026

Based on the results of the regression calculation, the R-Square value obtained from the table above is 0.121 or 8.5% variance of the dividend policy can be explained by independent variables (profitability, capital structure, and asset growth) in the study.

- **T Test**

Table 10 T test Results

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.454	.036		12.637	.000
	ROA	-.038	.039	-.090	-.987	.326
	DER	-.027	.011	-.216	-2.330	.022
	ASSET GROWTH	.339	.155	.202	2.196	.030

Source : SPSS Output Results, 2026

From the above results, it can be seen that X1 has no effect on Y (H1 is rejected). X2 has a negative effect on Y (H2 is accepted). X3 has a positive effect on Y (H3 is accepted).

DISCUSSION

The results of the research on profitability, capital structure, and asset growth on stock price volatility through dividend policy in LQ45 companies are as follows:

1. The Effect of Profitability on Dividend Policy

The hypothesis test proved that profitability had a t-test result of -204 with a sig of $0.830 < 0.05$. This result can be interpreted as that the hypothesis of one profitability has no effect on dividend policy. This is in accordance with research (Anila W et al., 2023) stating that large companies such as LQ45 tend to maintain dividend values stably even in conditions of high or declining profits. Therefore, this result is also in line with research conducted by Kadim

et al., (2020) that profitability has no effect on dividend policy. High profitability is not an absolute measure in determining a company's dividend policy.

H₁ : Profitability has no effect on the Dividend Policy.

2. The Influence of Capital Structure on Dividend Policy

The hypothesis test proved that the capital structure had a t-test result of -2.387 with a sig of $0.019 < 0.05$. That way X2 has a negative effect on Y. So it can be concluded that the second hypothesis is accepted. A high capital structure can cause the company's dividend policy to decrease, this is due to the high liabilities with interest expenses, which are prioritized more than dividend payments. This is in line with (Veronika & Munandar, 2022) stating that capital structure has a negative effect on dividend policy.

H₂ : Capital Structure has a negative effect on Dividend Policy

3. The Influence of Asset Growth on Dividend Policy

The hypothesis test proves that asset growth has a t-test result of 2,225 with a sig of $0.028 < 0.05$. This result can be interpreted that the third hypothesis is accepted, meaning that the rise and fall of the growth of the company's assets affects the dividend policy paid by the company. However when asset growth is accompanied by increased profitability and stable income, that gives a portion of the profits retained as dividends. It can increase positive signals to investors towards a stable and sustainable dividend policy. This is supported by research (Erric Pamella et al., 2022) stating that asset growth has a positive effect on dividend policy.

H₃: Asset growth has a positive effect on Dividend Policy

IV. CONCLUSIONS

This research was conducted to obtain empirical evidence regarding the relationship between the influence of profitability, capital structure, and asset growth on dividend policy in LQ45 companies listed on the Indonesia Stock Exchange (IDX) in the 2019-2024 period. Based on the conceptual framework that has been described earlier, it can be seen that there are 3 hypotheses proposed while the accepted hypotheses are two hypotheses. The results of the data test were obtained as follows:

1. That Profitability has no effect on the Dividend Policy.
2. Capital structure has a negative effect on dividend policy.
3. Asset Growth has a negative effect on Dividend Policy.

V. LIMITATIONS OF THE RESEARCH

This study has limitations that can affect the results obtained. Limitations – The limitations in this study are:

1. The data sample is abnormal so it is replaced using non-parametric statistics.
2. The Autocorrelation test is treated to obtain the appropriate data sample.

V. ADVICE

The results of this research are expected to have input contributions for investors, or potential investors as a reference material in conducting investment activities in companies listed on the Indonesia Stock Exchange.

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