Determinants of Dividend Policy with Liquidity as a Moderating Variables in Financial Companies Listed on the Indonesia Stock Exchange (IDX)

Mutiasari Nur Wulan*[1], Nurul Husna[1]
[1] Faculty of Economics and Business, University of Lampung
E-mail: mutiasarinurwulan88@gmail.com

Article Info
Article History
Received: May, 2025
Revised: June, 2025
Published: June, 2025

Keywords:
Profitability, Leverage, Investment, Opportunity Set, Liquidity, Dividend Policy

Doi:http://dx.doi.org/10.23960/E3J/v8.i1.78-88

Abstract
Dividend policy is one of the most important things that companies need to pay attention to. Dividends are what makes investors interested in investing in a company, because the main goal of the company is to maximize the welfare of its shareholders. Making this decision is indeed a difficult thing, because in addition to the company having to maximize the welfare of its shareholders, the company must also think about funding the company's investment in the future. This study aims to examine the effect of profitability, leverage, and investment opportunity set on dividend policy in manufacturing companies with liquidity as a moderating variable. The results showed that profitability and investment opportunity set have a positive and significant effect on dividend policy. Meanwhile, leverage was found to have a negative and significant effect. Furthermore, liquidity managed to moderate all independent variables in this study. Liquidity is empirically proven to be able to strengthen the relationship between profitability, leverage, and investment opportunity set on dividend policy.

INTRODUCTION

A company is an organizational entity whose main objective is to optimize the welfare of its sharehold-ers. Shareholders can achieve financial success through the receipt of dividends, which are the profits that the company distributes over a certain period. There is a positive correlation between the level of dividends dis-tributed by a company during a certain time and the level of investor interest in investing in the company.

Dividends are often distributed by companies to their shareholders if the company makes a profit. The correlation between the profitability of a company in a given period and the potential amount of dividends that investors can receive is positive. However, it is important to note that in a practical scenario, not all com-panies consistently transfer their earnings to shareholders in the form of dividends. Instead, companies must also consider the allocation of earnings towards future expenses for the betterment of the organization. The decision taken presents a considerable challenge as companies have to thoroughly evaluate the optimal allocation of earnings, weighing the option of distributing them to shareholders against the alternative of retaining earnings to support future investments.

Investors and management often have different perspectives due to their different interests. Investors usually prioritize dividend distribution as an immediate return on their investment in the company, while managers tend to prioritize their personal interests by choosing to reinvest the profits with the hope of gener-ating higher returns in the future. Differences in individual interests often lead to conflicts, thus posing chal-lenges for organizations in reaching consensus and making effective decisions. Therefore, to mitigate the con-flicts that arise, the dividend policy is set as an effort to minimize these conflicts.

The payout policy is in line with the company's strategic choice to distribute most of its income as dividends. This is because investors prefer companies that show a pattern of continuous dividend payments compared to companies that rarely pay dividends to their shareholders. If a company chooses to retain its profits rather than distribute them, this may discourage potential investors who are interested in providing financial support for the company's activities, which ultimately has negative consequences for the company. However, it should be noted that not all organizations adhere to this

particular approach, with the exception of companies engaged in the financial industry. These organizations have the capacity to generate huge prof-its given society's dependence on the financial sector for daily activities, such as banking and insurance. Today, most people engage in routine banking activities, including savings, loans, and credit acquisition. In addition, nowadays, almost all human endeavors are covered by insurance mechanisms, which aim to miti-gate possible future threats. This suggests that the financial industry has the capacity to generate substantial profits, suggesting that financial firms tend to distribute their profits to shareholders in the form of dividends, rather than keeping them as retained earnings. As an illustrative example, the following data relates to profit generation and dividend distribution in the banking industry from 2018 to 2021.

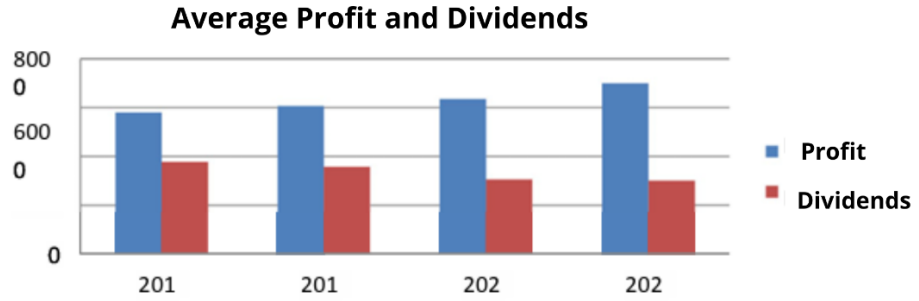

Figure 1. Graph of Average Earnings and Dividend Distribution
Source: www.idx.co.id (data processed)

Based on the data presented in Figure 1, it can be seen that dividend payouts for companies in the finan-cial sector show consistent fluctuations. Based on the visualization presented, it can be seen that company profitability shows an increasing trend, while dividend allocation has decreased. It is commonly argued that companies with greater profitability should assign a greater proportion of earnings as dividends. However, empirical evidence in the financial industry shows that companies do not consistently distribute their profits as dividends, choosing instead to retain them.

There are several determinants that influence the adoption of dividend policy by firms for their income distribution. These elements include profitability, leverage, and investment opportunity set (IOS). Profitability refers to a firm's capacity to earn financial returns (Kasmir, 2016). Profitability is a key metric used in as-sessing a company's performance. A higher level of profitability indicates that the company has effectively improved its performance by generating increased revenue, commonly referred to as profit. corporations rely on their profits as a basis for determining dividend allocations. The capacity to generate profits allows the company to obtain internal cash, which is then distributed as dividends or retained as income. The amount of dividends given depends on the value of profits, because dividends come from the company's income. There is a positive correlation between a company's profitability and the amount of dividends distributed to shareholders.

Another element that may lead a firm to adopt a dividend policy is the Investment Opportunity Set (IOS). The IOS platform represents prospective investment opportunities for companies, with the potential to generate asset increases and capital growth (Tjandra, 2005). This investment opportunity provides a potential oppor-tunity for the company to advance its development. According to Kole and Putri (2011), the valuation of In-formation Systems (IOS) depends on future expenditures determined by management. These allocated funds are intended for investment purposes, with the aim of achieving higher returns. The presence of investment opportunity set (IOS) has a significant impact on the formulation and implementation of dividend policy by companies. The company's ability to effectively analyze existing situations is very important in taking ad-vantage of this opportunity, with the ultimate goal of achieving profitability in the future (Purnamasari et al., 2019).

In addition to the components mentioned above, experts also use the Liquidity variable as a moderating variable to assess its impact on the relationship between the independent variable and the dependent variable. Cashmere (2016) states that liquidity is related to the company's capacity to meet its short-term financial commitments. The inclusion of liquidity as a moderating element is justified on the premise that companies with a favorable liquidity position are more likely to distribute higher dividend payments. By including the liquidity variable as a moderating variable, it is expected that the

relationship between the independent fac-tors (profitability, leverage, and IOS) and the dependent variable (dividend policy) will be stronger. The pur-pose of this study is to examine the effect of liquidity as a moderating variable on dividend policy.

Researchers use the Liquidity variable as a variable that will moderate the relationship between the in-dependent variable and the dependent variable. Liquidity is the company's ability to pay off its short-term debt (Kasmir, 2016). The use of liquidity as a moderating variable is because with the company having good liquidity, the company will be able to pay more dividends. Thus, with the addition of this liquidity variable as a moderating variable, it is hoped that it will further strengthen the relationship between the independent variables, namely profitability, leverage, and IOS on the dependent variable, namely dividend policy.

Researchers use the Liquidity variable as a variable that will moderate the relationship between the independent variable and the dependent variable. Liquidity is the company's ability to pay off its short-term debt (Kasmir, 2016). The use of liquidity as a moderating variable is because with the company having good liquidity, the company will be able to pay more dividends. Thus, with the addition of this liquidity variable as a moderating variable, it is hoped that it will further strengthen the relationship between the independent variables, namely profitability, leverage, and IOS on the dependent variable, namely dividend policy.

For more details, the researcher presents the framework of thought shown in Figure 2 below:

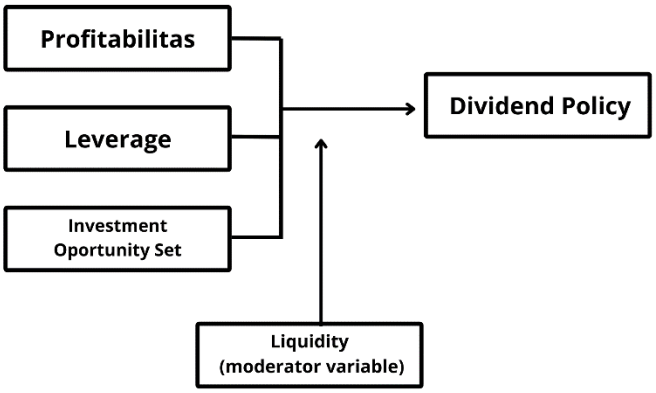

Figure 2. Framework of Thought

METHODS

This study uses an explanatory quantitative method with a moderated regression analysis (MRA) approach to test the effect of profitability (ROA), leverage (DER), and investment opportunity set (IOS) on dividend policy (DPR) with liquidity (CR) as a moderating variable.

The research population consists of 80 issuers or financial sector organizations listed on the Indonesia Stock Exchange (IDX). This study will use a purposive sampling approach to determine the sample size and sam-ple selection procedure (Technical sampling). The selection criteria will be based on companies that have conducted an initial public offering (IPO) with a duration of more than 5 years on the Indonesia Stock Ex-change. This criterion results in a total of 73 companies.

Tools of Analysis and Variable Operationalization

This research descriptive analysis tool uses Moderating Regression Analysis (MRA), as the main analysis tool. The following is the equation and framework used for data analysis.

$Y = \alpha + \beta1(ROA) + \beta2(DER) + \beta3(IOS) + e(\quad 1)$
$Y = \alpha + \beta1(ROA) + \beta2(DER) + \beta3(IOS) + \beta4(CuR) + e(\ 2)$
$Y = \alpha + \beta1(ROA) + \beta2(DER) + \beta3(IOS) + \beta4(CuR) + \beta5X^*(CuR) + e(\quad 3)$

Equation (1). Testing the predictors X1 and X2
Description:
α : Intercept

β : Regression coefficient (beta)
X : Independent variable
X1 = ROA, X2 = DER and X3 = IOS
Y : Dependent variable Dividend policy (Devidend Payout Ratio)CuR
: Moderating variable, namely Liquidity (Current Ratio)
XM : Intersection variable (multiplication between independent variables and moderating variables).

Based on the results of the regression equation above, several possibilities can occur, namely:
1. If the regression test results of equation 1 and equation 2 are significant or otherwise insignificant, but the regression test results of equation 3 are insignificant, then the M variable is not a moderating variable, for X1.
2. If the regression test results of equation 1 and equation 2 are insignificant or vice versa, but the regression test results of equation 3 are significant, then variable M is a moderating variable.

Moderating variables can be grouped into 3, namely:
1. Variable M is a homologizer moderator, this happens if the regression coefficient (β) test results from equations 1, 2, and 3 are all significant.
2. Variable M is a pure moderator (quasi moderator). This happens if the regression test result (β) from equa-tion 2 is insignificant and the regression coefficient test result (β) of the interaction variable from equation 3 is also significant.
3. The regression coefficient (β) from equation 2 is insignificant and the test result of the regression coeffi-cient (β) of the intersection variable from equation 3 is significant.

Research Variables

In the next section, researchers provide formulas regarding the calculation of the variables considered in this study, both independent and dependent variables. Independent factors in this study include profitability, leverage, and information systems and technology (IOS). In this study, the dependent variable is dividend policy, while liquidity serves as a moderating variable.

Dependent variable

According to Riyanto (2014), dividend policy is a matter related to the determination of the division of income (earnings) between the use of income to be paid to shareholders as dividends or to be used within the compa-ny, which means that the income must be retained within the company as a form of retained earnings. Re-tained earnings are one of the most important sources of funds to finance the growth of the company, but dividends are cash flows that are distributed to shareholders.

The formula that can be used to measure dividend policy according to Sartono (2015) is as follows:

$$DPR = \frac{Dividen\ per\ share}{Earning\ per\ share}$$

Independent Variable

In this study, the independent variables are:

1. Profitability

According to Hanafi and Halim (2016) is to measure the company's ability to generate profits (profitability) at a certain level of sales, assets, and share capital. Meanwhile, Husnan and Pudjiastuti (2014) state that the profitability ratio is a ratio that measures the effi-ciency of using company assets. The profitability ratio according to Hanafi and Halim (2016) can be meas-ured by the following formula:

ROE = Net Income / Share Capital

2. Leverage

Harahap (2015), says that the leverage ratio is a ratio that measures how far the company is financed by liabilities or outside parties with the company's ability to be represented by equity. According to Fahmi (2015) "Leverage ratio is a measure of how much the company is financed by debt". According to Husnan and Pudjiastuti (2012), leverage can be calculated using the following formula:

$$DER = \frac{Total\ debt}{Own\ capital}\ x\ 100\%$$

3. Investment Opportunity Set (IOS)

According to Hartono (2013), Investment Opportunity Set (IOS) describes the extent of investment opportuni-ties for a company. A company's investment activities will IOS determines the profit earned by the company in the future. IOS is the company's alternative in utilizing its net profit. Companies can use profits for reinvestment or for distribution in the form of dividends. Accord-ing to Husnan and Pudjiastuti (2012), IOS can be calculated using the following formula:

$$MBVE = \frac{Number\ of\ share\ outstanding\ x\ Closing\ price}{Total\ equity}$$

Classical Assumption Data Test

Classical assumption testing is carried out with the aim of obtaining an unbiased research model (Gujarati, 2004). Gujarati (2004) states that classical assumption testing is important to do in regression analysis to ob-tain good, linear and unbiased regression coefficients (Best Linear Unbiased Estimated - BLUE). Data testing includes auto correlation, multicorrelability, heteroscedatism and normality of the variable data used.

Regression Model Test

Before conducting hypothesis testing, a partial t test is first carried out. The regression model described above will be tested using the Fisher F Test and the coefficient of determination (R2). This assessment is used to de-termine the extent to which the dependent variable is influenced by the independent variable. that the inde-pendent variable does not provide any information to predict fluctuations in the dependent variable. The collective independent variables fail to provide a comprehensive explanation of the dependent variable.

Hypothesis Test

This study uses a significance level value of 5% to determine whether there is a real influence of the inde-pendent variable on the dependent variable (Ghozali, 2018). The criteria for this test are:

1. If (α)>0.05, then H0 is rejected or partially the independent variable has a significant effect on the depend-ent variable.
2. If (α) <0.05 then H0 is accepted, which means that partially the independent variable does not have a sig-nificant effect on the dependent variable.

RESULTS AND DISCUSSION

A. Result

Before testing using a dynamic panel model, it is necessary to test panel data diagnosis, such as normality, stationary test, multicollinearity test, autocorrelation test, and heteroscedasticity test. Table 1 shows the statis-tical description of all variables, both dependent and independent variables. Based on this table, the DER and IOS variables are normally distributed, while the DPR, RoE, and CAR variables are not normally distributed because they have Skewness and Kurtosis values exceeding the standard: -2 < Skewness value < 2, and -7 < Kurtosis value < 7. Therefore, these variables must be converted into natural logarithm (Ln) form so that the data is normally distributed.

Table 1. Descriptive Summary

VARIABLES	OBS	MEAN	S. D	MIN	MAX	SKEWNESS	KURTOSIS
DPR	365	0.0837	0.1108	0.0002	0.8572	3.2716	16.5573
ROA	365	2.5433	14.5776	-133.6300	31.6100	-5.0086	39.7346
DER	365	0.2373	0.1796	0.0002	1.1367	0.8278	4.1817

IOS	365	0.5160	0.2276	-0.0791	1.0492	0.0842	2.3734
CR	365	1.4936	1.4268	-1.0500	11.4700	3.1596	16.8384

After being converted into natural logarithm form, the data was then tested for stationarity using two tests, namely Levin-Lin-Chu (L-L-C) and Im-Pesaharan-Shin (IPS). Table 2 shows the results of these tests. The table shows that all variables reject H0, i.e. all variables are stationary at the level order.

Table 2. Unit Root Test

Stationary Test at Level		
Variables	**L-L-C**	**I-PS**
LnDPR	-13.0994**	-4.5213**
LnRoA	-14.8074**	-4.5250**
DER	-13.4198**	-4.2945**
IOS	-9.0098**	-3.5428**
LnCR	-10.2886**	-4.6172**

The next diagnostic test is the multicollinearity test. Table 3 shows the correlation matrix and VIF scores. Based on the table, it can be seen that both from the correlation matrix and the VIF score, there is no strong relationship between the independent variables. So it can be concluded that there is no multicollinearity dis-order in the research model.

Table 3. Correlation Matrix and VIF Score

	LnRoA	**LnCH**	**DER**	**IOS**	**LnCR**	**VIF**
LnRoA	1.000					-
LnCH	-0.013	1.000				1.14
DER	0.033	0.039	1.000			1.55
IOS	-0.108	-0.027	-0.577	1.000		1.75
LnCR	-0.118	-0.028	0.037	0.039	1.000	1.16

B. Discussion

Furthermore, regarding the autocorrelation test and heteroscedasticity test, it can be eliminated by adding the “robust” command. Table 4 shows the test results using the Fixed Effect Model (FEM) panel. Based on Table 4, profitability has a positive and significant effect on dividend policy. The company's profitability basically forms its dividend policy by becoming the basis for sustainable dividend payments to shareholders. According to Nirawati et al. (2022), profitability is a measure of company performance as indicated by the profit generated by the company. According to Sudiartana et al. (2020), profitability, which reflects the company's ability to generate income, directly affects its capacity to distribute dividends to shareholders. Based on theory, the profitability ratio is used to measure how profitable a company is, by using all the company elements contained in it to achieve maximum profit, it can be concluded that the ratio is profitability. This profitability indicator is usually used by investors as a consideration in investing in shares in a company. If a company is very profitable in terms of stock returns, investors choose the company to invest in stocks (Nirawati et al., 2022). Based on this opinion, a profitable company will show stability and continuity in its income stream, encouraging a predictable and consistent dividend payment pattern. This income is translated into cash reserves, which act as a financial buffer during economic downturns or periods of declining income. This buffer allows the company to maintain dividend payments without drastic cuts, thereby increasing investor confidence and trust in the company's financial health. The larger the buffer, the lower the risk. The current ratio indicates the level of safety available to cover the decline in the value of non-cash current assets when they are disposed of or liquidated (Silalahi et al., 2018).

In addition, profitability empowers companies to invest in growth opportunities, thereby strengthening their potential to maintain or even increase dividend payments in the future. This positive financial performance improves the market perception of the company, which often results in increased investor confidence, higher stock prices, and higher demand for shares from dividend-seeking investors. However, it is important to recognize that while profitability significantly impacts a company’s ability to pay dividends, other important factors such as capital requirements, industry standards, tax

considerations, and overall financial objectives collectively shape a company's dividend policy. Therefore, while profitability is an important pillar supporting dividend distribution, the actual dividend policy is the result of a variety of financial considerations that go beyond profitability alone.

Table 4. Fixed Effect Panel Estimation Results

	Without Interaction Term	**With Interaction Term**
	(1)	**(2)**
LnRoA	-0.0637	1.7268*
	(0.0146)	(0.3922)
LnRoA x LnCR		0.4612**
		(0.1100)
DER	1.3379***	-1.1609***
	(0.1246)	(0.2074)
DER x LnCR		0.7870**
		(0.4864)
IOS	0.2810**	0.1890**
	(0.0576)	(0.0615)
IOS x LnCR		0.1382
		(0.0590)
LnCR	-0.0651**	-0.0713*
	(0.0129)	(0.0145)
Constant	2.2400	3.4960
	(0.7038)	(1.7980)
Observation	365	365
Adj. R-squared	0.86	0.84

Robust standard errors in parentheses. *p < 0.1, **p < 0.05, ***p < 0.01

Furthermore, liquidity is found to be able to strengthen the relationship between profitability and dividend policy. According to Krismandari and Amanah (2021), dividend policy moderates the effect of liquidity on stock returns in identifying other factors that also influence, so dividend policy is expected to be a variable that strengthens or weakens the effect of liquidity on stock returns. According to Hanafi and Abdul (2014) that a high level of liquidity proves that the company is able to meet its short-term needs smoothly, this also allows the company to pay dividends to shareholders so that it can be said that the higher the liquidity, the higher the dividend payments to shareholders in these conditions result in investor interest in investing so that there is an increase in stock prices and accompanied by an increase in stock returns. A strong liquidity position, driven by profits, allows companies to maintain dividends even during temporary profit declines. This provides flexibility in managing cash needs and signals financial strength to investors, thus supporting consistent dividends. However, the balance between dividends and maintaining sufficient liquidity for operations is critical to sustainable financial health. However, it is important to note that while liquidity strengthens the relationship between profitability and dividend policy, prudent management must balance the desire for high dividends with the need to maintain adequate liquidity for operational needs and potential future investments. Thus, the synergy between profitability, liquidity, and dividend policy forms a critical relationship in corporate finance, underscoring the various considerations that shape a company's strategic financial decisions.

Another independent variable, namely leverage, was found to have a negative and significant effect. High leverage increases the company's financial risk. According to Novianti & Amanah (2017), costs incurred by the company that are continuously incurred will result in high corporate debt which will cause a decrease in dividends because most of the profits are allocated as debt repayment reserves. This causes a reduction in the portion of income available to distribute dividends to shareholders. In times of economic downturn or financial stress, commitments to pay debts are prioritized over dividend payments, potentially causing dividend cuts or suspensions to meet debt obligations.

Lenders often limit a company's ability to pay dividends when leverage is high. Debt covenants typically restrict companies from paying dividends unless certain financial ratios can be maintained.

Therefore, the existence of these debt-related restrictions can hinder a company's flexibility in deciding dividend distribution, especially in situations where leverage is already high. In addition, leverage, which refers to the use of debt to finance operations and expansion, affects a company's capital structure and financial risk (Chen & Cheng, 2020). Companies with high leverage face large interest expenses, which can reduce net income. A high leverage situation can worsen this condition, reducing the company's ability to generate profits and meet other obligations (Hidayat et al., 2024). This can result in a decrease in demand for the company's shares from investors seeking income, thus affecting the stock price and the overall market perception of the company (Saputro & Gusni, 2025).

Then the interaction between liquidity and leverage is found to be positive and significant. This means that liquidity strengthens the negative relationship between leverage and dividend policy. Liquidity, a cornerstone of financial health, emphasizes the unfavorable relationship between leverage and dividend policy. A strong liquidity position serves as a buffer against the trap of high leverage. When a company faces increasing debt burden, sufficient liquidity will protect its ability to maintain dividend payments in times of financial stress. High leverage often diverts substantial earnings to debt payments, but a strong liquidity position ensures sufficient cash reserves for dividend distribution, protecting shareholders from potential cuts or suspensions. In addition, liquidity allows flexibility in managing debt obligations and maintaining dividends, thereby strengthening investor confidence in the company's financial stability. The interaction between liquidity and leverage underscores the important role of managing cash resources to mitigate the negative impact of high leverage on a company's dividend policy.

IOS is still based on Table 4 significant positive effect on dividend policy. The impact of investment op-portunities on dividend policy is an interesting aspect of corporate finance. The existence of favorable in-vestment prospects positively affects a firm's dividend policy in various ways. First, when a firm identifies promising investment opportunities, it often channels its profits into these ventures to promote growth and expansion. This strategic allocation of profits to growth initiatives may lead to no dividend payments or rela-tively lower dividend amounts. Companies may prioritize investments in projects that have the potential to generate higher returns, seeing these investments as more beneficial to shareholder value in the long run than outright dividend payments.

In addition, successful investment opportunities can increase the company's future earnings potential. When these ventures materialize and contribute to increased profitability, they provide a strong foundation for continued or increased dividend payments in the future. The positive impact on earnings resulting from these ventures not only supports the potential for higher dividends, but also increases investor confidence in the company's ability to generate sustainable profits. However, it is critical to strike a balance between in-vestment opportunities and dividend policy. While pursuing growth is essential for long-term success, not paying excessive dividends in favor of investment could potentially discourage income-oriented investors from investing and impact the company's stock performance.

Meanwhile, based on the empirical results, liquidity is shown to strengthen the relationship between IOS and dividend policy, although not significantly. A firm's strong liquidity position plays an important role in supporting the positive relationship between investment opportunities and dividend policy in several signif-icant ways. First, sufficient liquidity offers the necessary flexibility for firms to finance valuable investment opportunities without sacrificing dividend payments. The availability of liquid assets allows firms to pursue promising investment prospects without unduly burdening their ability to meet dividend obligations. By utilizing liquid reserves for these opportunities, companies can avoid the need to reduce or suspend divi-dends, thus maintaining confidence among income-oriented shareholders. In addition, a strong liquidity position acts as a safeguard, ensuring that the company can meet its capital needs for investment while maintaining dividend distributions. This balance allows the company to pursue growth opportunities that enhance future profitability and, subsequently, the capacity to increase or maintain dividend payments.

In addition, a company's ability to utilize liquidity for strategic investments positively affects future earnings potential. Successful investment ventures backed by liquidity often result in better profitability, strengthening the foundation for sustained or increased dividend payments over the long

term. This strengthens investor confidence and enhances the company's reputation for delivering consistent returns.

However, while liquidity strengthens the positive relationship between investment opportunities and dividend policy, prudent management is essential. Companies must balance investment allocation and maintenance of sufficient liquidity for ongoing operational needs and unforeseen circumstances.

CONCLUSIONS AND SUGGESTIONS

A. Conclusion

The huge impact of profitability on corporate dividend policy is undoubted in the field of corporate fi-nance. Strong and consistent profitability serves as the foundation for sustainable dividend distribution. Prof-itability ensures stability, offering a predictable stream of income that supports a company's ability to pay consistent or growing dividends to shareholders. Moreover, the impact of profitability goes beyond the avail-ability of earnings for dividends. Profitability fosters investor confidence, increases the financial stability of the company, and provides the means for further growth and investment, thereby strengthening the founda-tion for sustainable dividend payments and potentially increasing dividend payouts.

Liquidity serves as an important force that strengthens the relationship between profitability and divi-dend policy. It ensures profitable earnings support consistent dividends and provides a safety net during earnings fluctuations. In addition, it enables strategic reinvestment for growth, reinforcing a sustainable or increasing dividend distribution. However, a balanced and comprehensive financial approach remains es-sential for a resilient dividend strategy amidst a dynamic corporate finance landscape.

A complex relationship between leverage and dividend policy, it is evident that high leverage exerts a substantial negative influence on a firm's ability to maintain a stable and desirable dividend policy. A signif-icant debt burden increases financial risk, as a significant portion of earnings is directed towards servicing debt obligations, thereby reducing the availability of earnings for dividend distribution. In addition, lenders often impose restrictions on dividend payments when leverage levels are high, limiting the company's flexi-bility in determining dividends. This not only impacts immediate dividend payments, but also erodes inves-tor confidence in the company's ability to maintain or increase dividends. Balancing debt commitments with the aspiration to deliver consistent returns to shareholders is a key challenge in crafting a sustainable divi-dend policy amidst the complexity of corporate finance.

The important role of liquidity in strengthening the negative relationship between leverage and dividend policy is very clear in the financial realm. A strong liquidity position acts as a bulwark against the adverse impact of high leverage on a firm's dividend policy in several significant ways. Sufficient liquidity serves as a safety net, allowing firms to meet both debt obligations and dividend commitments, thereby reducing the potential pressure on dividend payments caused by large debt repayments. In addition, a strong liquidity position offers the necessary flexibility to manage debt without compromising the company's ability to main-tain or even increase dividends. However, while liquidity is an important mitigating factor against the nega-tive effects of high leverage on dividend policy, prudent management and a balanced approach to financial decision-making are critical to maintaining a resilient and stable dividend strategy in a complex corporate finance landscape.

The impact of investment opportunities on dividend policy is clear that a company's pursuit of promis-ing ventures positively affects its dividend strategy. While these opportunities may temporarily reduce divi-dend payouts as profits are channeled into growth initiatives, successful investments contribute to future earnings potential. The resulting increase in profitability will form a strong foundation for continued or in-creased dividend payments. However, balancing these investment choices with returns for shareholders is critical. A prudent balance between investing in growth opportunities and maintaining a stable dividend policy is essential to ensure sustainable long-term value and shareholder confidence in the company's evolv-ing financial landscape.

The important role of liquidity in strengthening the relationship between investment opportunities and dividend policy is of paramount importance in the field of corporate finance. A strong liquidity position of-fers firms the flexibility to pursue valuable investment prospects without compromising

their ability to meet dividend commitments. This gives companies the ability to finance growth opportunities without sacrificing dividends. Moreover, sufficient liquidity supports the financing of these opportunities while maintaining a stable dividend policy, which contributes to sustainable or increasing dividends over time. Nevertheless, carefully managing the balance between investing for growth and ensuring a consistent dividend policy is critical for long-term value creation and investor confidence amidst a dynamic corporate finance landscape.

B. Suggestion

Based on the analysis results, several suggestions can be formulated for companies in optimizing dividend policy. First, companies are advised to develop an integrated dividend policy framework by considering the interaction of profitability, liquidity, leverage, and investment opportunities simultaneously. This framework should include a sustainable target payout ratio and a minimum dividend policy that can be maintained in various business conditions. Second, companies need to strengthen liquidity management by maintaining adequate cash buffers and optimizing working capital to ensure flexibility in dividend payments. This will mitigate the negative impact of earnings fluctuations and provide stability in dividend distribution. Third, in managing leverage, companies are advised to maintain an optimal debt-to-equity ratio and develop a proactive covenant management system to prevent conflicts between debt obligations and dividend commitments. In addition, the establishment of a comprehensive investment evaluation framework is needed to balance the trade-off between reinvestment and dividend payments. Finally, the formation of a dividend committee and the implementation of a robust monitoring system are recommended to ensure a structured decision-making process and timely policy adaptation in accordance with changes in the company's internal and external conditions.

REFERENCES

Cashmere. (2016). *Financial Statement Analysis*. Jakarta: Raja Grafindo Persada.

Fahmi, I. (2012). *Introduction to Capital Markets. First Edition*. Bandung: Alfabeta.

Fitriana, F., Mahmudi, B., & Khaerunnisa, E. (2023). The effect of profitability on dividend policy with liquidity as a moderating variable. *Jurnal Riset Akuntansi Terpadu*, *16*(2), 218-226.

Gozhali, I. (2018). *Application of Multivariate Analysis with the SPSS Program*. Semarang: Universitas Diponegoro.

Gujarati, D. N. (2004). *Basic Econometrics Fourth Edition*. McGraw Hill: International Edition.

Husnan, S., & Pudjiastuti, E. (2012). *Dasar-Dasar Manajemen Keuangan*. Yogyakarta: UPP STIM YKPN.

Krismandari, E. C., & Amanah, L. (2021). Pengaruh likuiditas, profitabilitas, leverage terhadap return saham dengan kebijakan deviden sebagai variabel moderasi. *Jurnal Ilmu Dan Riset Akuntansi 10*(6).

Nirawati, L., Samsudin, A., Stifanie, A., Setianingrum, M. D., Syahputra, M. R., Khrisnawati, N. N., & Saputri, Y. A. (2022). Profitabilitas dalam perusahaan. *Jurnal Manajemen Dan Bisnis*, *5*(1), 60-68.

Novianti, Z. E. W., & Amanah, L. (2017). Pengaruh Profitabilitas, Growth, Kebijakan Hutang Dan Kepemilikan Institusional Terhadap Kebijakan Dividen. *Jurnal Ilmu dan Riset Akuntansi*, *6*(9).

Nurchaqiqi, R., & Suryarini, T. (2018). The effect of leverage and liquidity on cash dividend policy with profitability as moderator moderating. *Accounting Analysis Journal*, *7*(1), 10-16.

Riyanto, B. (2014). *Basic Company Purchasing.* Yogyakarta: BPFE.

Saputro, F. B., & Gusni, G. (2025). Peran leverage dalam memoderasi pengaruh kebijakan dividen, nilai perusahaan dan esg terhadap profitabilitas. *Jurnal Ilmiah Manajemen, Ekonomi, & Akuntansi, 9*(1), 1181-1199.

Sartono, A. (2015). *FinancialManagement. Third Edition*. Yogyakarta: BPFE.

Silalahi, H. R. D., Kristanti, F. T., & Muslih, M. (2018). Pengaruh rasio keuangan dan ukuran perusahaan terhadap kondisi kesulitan keuangan (financial distress) pada perusahaan sub-sektor transportasi yang terdaftar di bursa efek Indonesia (BEI) periode 2013-2016. *eProceedings of Management*, *5*(1).

Sudiartana, I. G. P., & Yudantara, I. G. A. P. (2020). Pengaruh ukuran perusahaan, likuiditas, profitabilitas dan leverage terhadap kebijakan dividen. *JIMAT (Jurnal Ilmiah Mahasiswa Akuntansi) Undiksha*, *11*(2), 287-298.