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INTERNAL FACTORS AFFECTING DIVIDEND POLICY IN CONSUMER NON-CYCLICAL INDUSTRY

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Abstract: This research is conducted to examine the influence of internal factors of company on Dividend Policy. The independent variables in this study are Firm Size, Profitability, Growth Opportunity, Financial Leverage, and Liquidity. The research object will focus on companies in the Consumer Non-Cyclical industry listed in Indonesia Stock Exchange (IDX) that consistently paid dividends during the period 2012-2022. A total of 10 companies were selected as the research sample through purposive sampling. Data analysis was performed using multiple linear regression. Based on the analysis results, it can be concluded that Firm Size, and Financial Leverage do not have an effect on Dividend Policy, while Profitability, Growth Opportunity, and Liquidity have a negative effect on Dividend Policy.

Keywords**:** dividend policy, financial leverage, firm size, growth opportunity, liquidity, profitability

INTRODUCTION

Individuals who have a surplus of funds can invest to gain additional benefits from that surplus. Investments can be made in various forms, such as money market investments, project investments, or stock investments. Through stock investments, individuals become common stockholders, who are residual owners receiving residual funds left after all organizational financing is conducted. The position of investors as common stockholders creates expectations of returns that can be obtained in the form of dividends, capital gains, or both (Zutter and Smart 2022).

Stock investments can be made through the capital market mechanism, which is a structured trading entity where many entities participate as fund providers for those in need, such as companies. As entities that need funds, companies need to obtain external financing from the capital market to finance operations or strategic investments aimed at maximizing company value (Zutter and Smart 2022). Brigham and Ehrhardt (2019) state that the goal of company management is to maximize shareholder wealth, where dividend distribution is often used as a primary mechanism to maximize shareholder wealth (Setiawan and Vivien 2021).

Dividend policy has an impact on shareholder satisfaction. A dividend Policy is a company policy related to the amount of income distribution that will be made to shareholders, including the amount and frequency of payments. According to Le *et al.* (2019), dividend policy can be measured by comparing the value of the company's cash dividends with net income after tax and depreciation.

Shareholders tend to desire stable dividend distributions, as it can reduce uncertainty from returns on investment and can increase shareholder confidence in the company (Wahjudi 2020). Brigham and Daves (2019) explain that there is no single general dividend policy that can be applied to all companies, where company-specific factors can influence the amount of dividend payments.

Black (1976) states that the more we delve into and study dividend policy, the more it appears that the policy is like a puzzle with pieces that do not fit together. This occurs because many factors can influence a company's dividend distribution policy, as well as inconsistencies in research results regarding those factors. Some factors that can play a role in determining a company's dividend policy include firm size, profitability, growth opportunity, financial leverage, and liquidity.

The research objects in this study are companies listed under the classification of the consumer non- cyclical sector on the Indonesia Stock Exchange (IDX) from 2012 to 2022. The consumer non-cyclical sector, which includes essential products like food, beverages, and daily necessities, is distinguished by its stable demand and resilience to economic cycles. This industry consistently produces goods that people need daily, making it relatively immune to economic fluctuations.

According to Dewi and Rahyuda (2020), the consumer non-cyclical industry is stable because its products are necessities that see constant demand and growth, supported by a growing population.

Furthermore, Auliarrahman and Pinem (2024) highlight that companies in this sector are less dependent on macroeconomic conditions, enabling them to endure economic slowdowns since their products fulfill basic, everyday needs. Feryanto and Rahmawati (2023) note that consumer goods are deeply integrated into daily life, making companies in this sector attractive for both consumers and investors alike, as they not only meet daily consumption needs but also offer investment opportunities through company shares.

Additionally, Perwira and Devia (2022) observe that this sector's resilience against economic crises and competitive environment pushes companies to strengthen financial performance and operational efficiency to maintain market dominance.

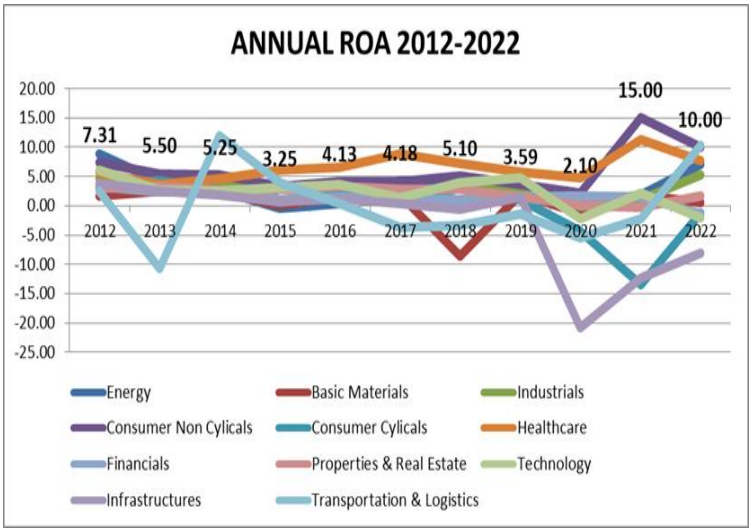

Figure 1. The Development of ROA in the Period 2012-2022 for Industries in the IDX Classification

Source: IDX Statistics (processed data)

These characteristics make the consumer non-cyclical sector a compelling subject for studying dividend policies and financial strategies aimed at balancing investor expectations with sustainable growth.

The consumer non-cyclical sector was also chosen as the research object based on a comparison of ROA, DER, and EPS values among industries classified on the IDX.

Return on Assets (ROA) is one of the indicators of a company's profitability. The higher the ROA value, the better the company's performance, as indicated by a higher return rate (Delikartika and Ferry 2017).

Based on the ROA growth analysis graph for the period 2012-2022, the consumer non-cyclical industry is one of the industries that consistently has a higher and more stable ROA compared to other industries. ROA increased during 2016-2018, indicating strong financial performance and more stable income in the industry, which could positively contribute to the dividend policy. ROA also increased in 2021 and 2022, amid the COVID-19 pandemic, showing the industry's strength during the downturn of Indonesia's economy.

Debt to Equity Ratio (DER) is the comparison between a company's total debt and total equity. A high DER value impacts the company's profitability because the profits are used to pay loans with increasing interest costs, which can reduce profitability and the amount of dividends paid (Apriliani and Natalylova 2017).

Based on the data graph, it is evident that the DER in the consumer non-cyclical industry was at 6,50 in 2012, and it decreased to 0,84 in 2022. This indicates a reduction in dependence on debt financing relative to equity over this period. In 2014, the DER ratio experienced a significant decrease to 0,64. A decrease also occurred in 2021-2022, with the value dropping from 1,86 in 2020 to 0,96 in 2021 and 0,84 in 2022. The stability and downward trend in DER show that the consumer non-cyclical industry potentially has a healthier, more efficient, and stable financial position to pay dividends.

Earnings per Share (EPS) is a financial metric that shows the portion of a company's profit allocated to each outstanding share of the company. A high EPS value indicates that the company has substantial funds to distribute dividends (Permanasari 2017). Conversely, a low EPS value suggests that management has not succeeded in enhancing shareholder wealth (Delikartika and Ferry 2017).

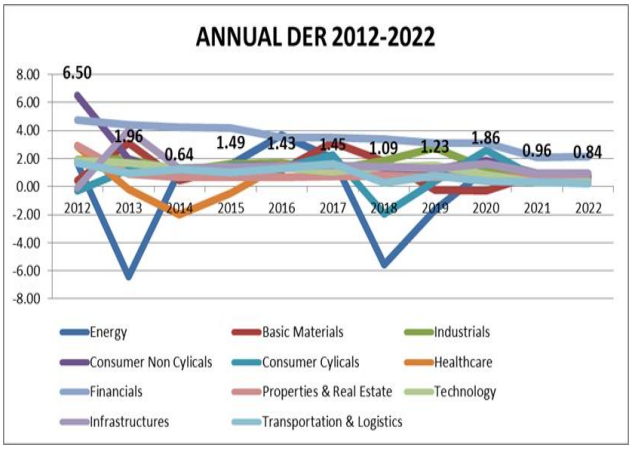

Figure 2. The Development of DER in the Period 2012-2022 for Industries in the IDX Classification

Source: IDX Statistics (processed data)

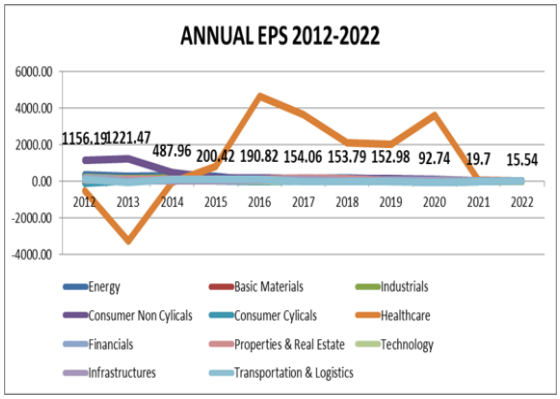

Figure 3. The Development of EPS in the Period 2012-2022 for Industries in the IDX Classification
Source: IDX Statistics (processed data)

Based on the annual EPS graph for the period 2012-2022, it is evident that in the first three years of the research period, the consumer non- cyclical industry had the highest EPS value among other industrial sectors. The consumer non-cyclical sector consistently experienced fluctuations in EPS values but remained one of the industries with the highest EPS throughout the research period. EPS decreased in 2020 from 152.98 to 92.74. Despite the decline, the consumer non- cyclical sector consistently remained one of the industries with the highest EPS levels, indicating the industry's success in generating high profits during the transition period.

This study aims to determine whether there is an influence of Firm Size, Profitability, Growth Opportunity, Financial Leverage, and Liquidity on Dividend Policy. Other factors that may influence Dividend Policy include Free Cash Flow, Past Dividend Payments, and Firm Risk. This research replicates the study by Le et al. (2019) with some modifications. This study changes the research object and extends the observation period from 2012-2022.

Literature Review and Hypothesis Development

Life Cycle Theory

Mueller (1972) explains the concept of a company's life cycle, where, in the early stages, shareholders prefer reinvestment. However, as competition increases, profitability opportunities will decrease, and companies tend to pay dividends to maximize shareholder wealth. Mature companies tend to pay dividends, while younger companies are less likely to do so (DeAngelo *et al.* 2006). This phenomenon occurs because younger companies tend to have many investment opportunities with limited prospects compared to mature companies, which tend to pay dividends due to limited investment opportunities (Singla and Samanta 2019).

Signaling Theory

Zutter and Smart (2022) explain that companies have detailed information about their prospects. To reassure shareholders, companies can undertake activities such as dividend payments to send a signal about the organization's prospects to shareholders. An increase in company dividends is considered a positive signal about earnings, while a decrease in dividends is considered a negative signal about company earnings (Zutter and Smart 2022). Therefore, companies will arrange dividend policies in such a way as to minimize changes in the amount of dividend payments (Brigham and Ehrhardt 2019). Singla and Samanta (2019) argue that high dividend payments signal current investors and prospective future investors to remain positive and maintain their investments in the company.

Signaling theory suggests that firms use dividend policies to communicate future growth potential and stability to investors. When attractive growth opportunities are available, firms may prioritize reinvestment over dividend payments as a way to signal confidence in their long term prospects.

This perspective indicates that companies can signal financial strength and stability by retaining profits instead of paying out dividends. Maladjian and El Khoury (2014) also emphasize this point, noting that companies in uncertain economic conditions or with high growth potential often retain earnings to invest in projects with positive net present value, thus reducing dividend payouts. Similarly, Al-Kayed (2017) explains that dividends serve as a signal of a firm's anticipated performance, and firms expecting to grow might reinvest earnings to convey stability rather than pay dividends.

Residual Dividend Theory

The residual theory explains that the process of dividend distribution by a company is carried out using residual funds left after other corporate financing activities (Permanasari 2017). Zutter and Smart (2022) explain that company dividend payments should be viewed as residual after all investment opportunities have been executed. Budagaga (2020) argues that the priority use of company cash flow should be allocated to previously planned financing, so the dividends paid by the company are viewed as residual.

Agency Cost Theory

Jensen and Meckling (1976) explain that agency cost is the cost of all possible deviations from shareholder objectives arising from the agency relationship. Agency cost stems from the conflict of interest between company managers and shareholders (Permataningrum and Yap 2017). Agency cost is the cost borne by shareholders due to managers' tendency to pursue their own goals. Therefore, companies committed to distributing dividends are striving to assure shareholders that managers will not misuse their investments (Zutter and Smart 2022).

Pecking Order Theory

Pecking order theory explains the hierarchy in financing activities, consisting of retained earnings, debt financing, and external equity financing (Zutter and Smart 2022). Companies have a preference for safe financing. Retained earnings are the first preference, and if external funds are needed, debt is preferred over equity financing (Myers and Majluf 1984). Pecking order theory connects a company's capital structure, dividends, and investment policies, where the company's preference is to use internal equity to finance its dividends and investments (Baker *et al.* 2019).

Dividend Policy

Dividend policy is a decision made by a company regarding the distribution of dividends, such as how much cash will be distributed and how it will be distributed (Zutter and Smart 2022). Dividend policy is an explicit or implicit decision by the board of directors regarding the total payment of residual income that should be distributed to shareholders (Raphael and Mnyavanu 2018). Dividend policy is an important decision that can provide benefits to shareholders while meeting the company's objectives.

Firm Size and Dividend Policy

Firm size explains the scale of a company, which can be determined based on total assets, total sales, or stock price (Anugrawaty and Prajitno 2017). The larger the company, the more likely it is to distribute profits to the owners in the form of dividends (Azhariyah *et al.* 2021). According to life cycle theory, dividend payments have a positive relationship with firm size because large and

mature cash flows come from their revenues rather than from investors (Le *et al.* 2019).

H_1: There is an effect of Firm Size on the Dividend Policy of companies in the Consumer Non Cyclical industry listed on the IDX for the period 2012-2022.

Profitability and Dividend Policy

Profitability is a ratio that determines a company's ability to generate profit in relation to sales, total assets, and capital (Azhariyah *et al.* 2021). Companies with high profits have a greater capacity to distribute profits to shareholders, which is difficult for less profitable companies (Budagaga 2020). According to Basri (2019), profitability has a positive effect on dividend payments, meaning that profitable companies tend to have higher payments to shareholders.

H_2: There is an effect of Profitability on the Dividend Policy of companies in the Consumer Non Cyclical industry listed on the IDX for the period 2012-2022.

Growth Opportunity and Dividend Policy

Growth Opportunity consists of various expenditures, such as investments and variable costs, that can increase the company's value at the end of the period (Myers 1977). Companies with high growth opportunities will prioritize their growth through existing investments. Growing companies have less incentive to pay dividends (Ahmad 2019). Growth opportunity has a negative relationship with dividend policy because increased funding for company expansion leads to higher retention of funds, which can ultimately affect the amount of dividends paid by the company (Raphael and Mnyavanu 2018).

H_3: There is an effect of Growth Opportunity on the Dividend Policy of companies in the Consumer Non Cyclical industry listed on the IDX for the period 2012-2022.

Financial Leverage and Dividend Policy

Financial leverage refers to the extent to which a company uses debt in its operational financing, where debt financing can increase both return and risk (Zutter and Smart 2022). Companies with low debt ratios can distribute larger dividends compared to companies with high debt ratios (Singla and Samanta 2019). Companies with high leverage will reduce dividend payments to prioritize debt repayment. Sharma (2021) explains that leverage has a negative effect on dividend policy, where companies with large amounts of debt in their capital structure tend to pay fewer dividends.

H_4: There is an effect of Financial Leverage on the Dividend Policy of companies in the Consumer Non Cyclical industry listed on the IDX for the period 2012-2022.

Liquidity and Dividend Policy

Liquidity is the company's cash position and marketable securities, as well as its ability to meet maturing obligations (Brigham and Ehrhardt 2019). The higher the liquidity, the greater the company's ability to pay dividends (Wahjudi 2020). Sharma (2021) found a positive relationship between liquidity and dividend policy, where companies with high liquidity can pay higher dividends, while less liquid companies will pay lower dividends due to limited liquid funds.

H_5: There is an effect of Liquidity on the Dividend Policy of companies in the Consumer Non Cyclical industry listed on the IDX for the period 2012-2022.

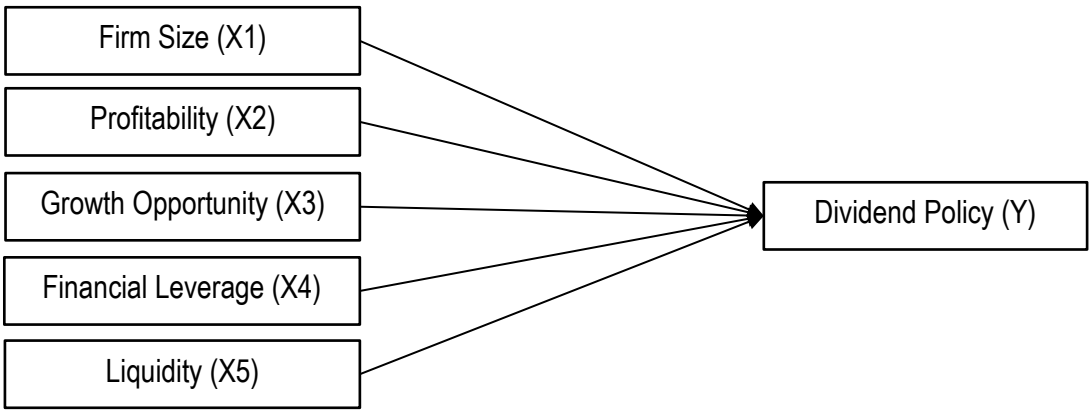

Figure 4. Conceptual Framework

METHOD

This study uses a quantitative method to determine if internal factors of company are affecting its Dividend Policy. Data is analyzed using multiple linear regression methods with secondary data obtained from the companies' financial statements. The sample selection was carried out using purposive sampling, a sampling method with certain considerations (Sugiyono 2019).

The population of the study is companies listed in the consumer non cyclical industry for the period 2012-2022. Data was then analyzed using the Eviews10 program. The criteria for the purposive sampling process are shown in Table 1 below:

Dividend Policy

Dividend policy (DIV) is a company's policy related to the distribution of income to shareholders, including the amount and frequency of payments.

The measurement used is based on the research by Le *et al.* (2019), as follows:

$$\text{Dividend Policy} = \frac{\text{Total Cash Dividend}}{\text{Net Income After Tax and Depreciation}}$$

Table 1. Sample Selection Procedure

No	Sample Selection Criteria	Total
1	All companies in the Consumer Non Cyclical industry sector listed as public companies on the Indonesia Stock Exchange (IDX) for the period 2012-2022.	53
2	All companies in the Consumer Non Cyclical industry sector that did not publish financial reports on the Indonesia Stock Exchange (IDX) for the period 2012-2022.	0
3	All companies in the Consumer Non Cyclical industry sector that did not consistently distribute dividends on the Indonesia Stock Exchange (IDX) for the period 2012-2022.	-37
4	Companies that have an outlier data.	-6
5	Total companies selected as samples.	10
6	Number of research periods.	11
7	Total data used as samples.	110

Sumber: IDX Statistics (processed data)

Firm Size

Firm size is a measure of the company's scale, which is influenced by the company's total sales or total assets. Large companies can ensure profit distribution as dividends (Azhariyah *et al.* 2021).

The measurement used is based on the research by Le *et al.* (2019), as follows:

Firm Size = ln total asset

Profitability

Profitability is the company's ability to generate profit through the use of its assets in daily operational processes. Companies with high profitability levels have the capacity to distribute dividends to shareholders (Budagaga 2020).

The measurement used is based on the research by Le *et al.* (2019), as follows:

$$\text{Profitability} = \frac{\text{Net Income}}{\text{Shareholder's Equity}}$$

Growth Opportunity

Growth opportunity is the potential for future company enhancement that can be achieved through future investments in investment opportunities and/or by increasing total sales that potentially raise the company's value. Companies with high growth opportunities will prioritize fund retention, thereby reducing the amount of dividends paid by the company (Raphael and Mnyavanu 2018).

The measurement used is based on the research by Raphael and Mnyavanu (2018), as follows:

$$\text{Growth Opportunity} = \frac{\text{Current Revenue - Previous Revenue}}{\text{Previous Revenue}}$$

Financial Leverage

Financial leverage refers to the use of external funding sources in the form of debt to finance the company's operational processes and/or investments. Companies with a low debt ratio can pay larger dividends (Singla and Samanta 2019).

The measurement used is based on the research by Le *et al.* (2019), as follows:

$$\text{Financial Leverage} = \frac{\text{Book Value of Debt}}{\text{Total Assets}}$$

Liquidity

Liquidity is the company's ability to meet its debt obligations when they are due. Wahjudi (2020) explains that the higher the liquidity level, the higher the company's ability to pay dividends.

The measurement used is based on the research by Le *et al.* (2019), as follows:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

RESULTS

The results of the descriptive statistical test are shown in Table 2 below:

Based on the observation of 110 data points, it can be concluded that DIV (Dividend Policy) has an average value of 0,468767, a median of 0,351909, a maximum of 1,623854, a minimum of 0,035827, and a standard deviation of 0,327601.

Table 2. Descriptive Statistical Test Results

Variable	DIV	SIZE	PROF	GROWTH	LEV	LIQ
Mean	0,468767	30,36171	0,299774	0,114157	0,142491	2,131414
Median	0,351909	30,58848	0,165069	0,098916	0,105093	1,493812
Max	1,623854	32,82638	1,450882	0,709445	0,437732	8,799952
Min	0,035827	28,09325	0,048199	-0,212323	0,000000	0,605632
Std. Dev.	0,327601	1,190798	0,361535	0,145504	0,132149	1,856979
N	110	110	110	110	110	110

Based on the observation of 110 data points, it can be concluded that SIZE (*Firm Size*) has an average value of 30,36171, a median of 30,58848, a maximum of 32,82638, a minimum of 28,09325, and a standard deviation of 1,190798.

Based on the observation of 110 data points, it can be concluded that PROF (*Profitability*) has an average value of 0,299774, a median of 0,165069, a maximum of 1,450882, a minimum of 0,048199, and a standard deviation of 0,361535.

Based on the observation of 110 data points, it can be concluded that GROWTH (*Growth Opportunity*) has an average value of 0,114157, a median of 0,098916, a maximum of 0,709445, a minimum of -0,212323, and a standard deviation of 0,145504.

Based on the observation of 110 data points, it can be concluded that LEV (*Financial Leverage*) has an average value of 0,142491, a median of 0,105093, a maximum of 0,437732, a minimum of 0,000000, and a standard deviation of 0,132149.

Based on the observation of 110 data points, it can be concluded that LIQ (*Liquidity*) has an average value of 2,131414, a median of 1,493812, a maximum of 8,799952, a minimum of 0,605632, and a standard deviation of 1,856979.

The results of the t-test results are shown in Table 3 below:

The multiple linear regression analysis is as follows:

DIV = 0,418631 + 0,015450 SIZE - 0,637875 PROF - 0,318786 GROWTH - 0,226848 LEV - 0,074607 LIQ + e.

The first hypothesis tests the influence of Firm Size on Dividend Policy. The probability value of 0,7039 > α 0,05. This indicates that H_{a1} cannot be accepted, meaning there is no effect of Firm Size on the Dividend Policy of companies in the Consumer Non Cyclical industry listed on the IDX for the period 2012-2022. Larger companies indeed have easier access to the capital market and tend to pay high dividends, but this does not guarantee that dividend payment decisions will always be implemented.

The research results are consistent with the studies by Le *et al.* (2019), Raphael and Mnyavanu (2018), Azhariyah *et al.* (2021), (Manaf *et al.* 2021), (Delikartika and Ferry 2017), Permataningrum and Yap (2017), (Ines and Handojo 2017), Anugrawaty and Prajitno (2017), and Rosyadi (2012). However, these results are inconsistent with the studies by Singla and Samanta (2019), Baker *et al.* (2019), Ahmad (2019), Dąbrowska *et al.* (2020), Permanasari (2017), and Apriliani and Natalylova (2017).

Table 3. T-test results

Variable	*Coefficient*	*Std Error*	*t-statistic*	*Prob*
SIZE	0,015450	0,040526	0,381232	0,7039
PROF	-0,637875	0,190163	-3,354360	0,0011
GROWTH	-0,318786	0,106170	-3,002599	0,0034
LEV	-0,226848	0,256614	-0,884005	0,3789
LIQ	-0,074607	0,020197	-3,693896	0,0004
C	0,418631	1,235715	0,338776	0,7355

The second hypothesis tests the influence of Profitability on Dividend Policy. The probability value of 0,0011 < α 0,05. This indicates that H_{a2} can be accepted, meaning there is an effect of Profitability on the Dividend Policy of companies in the Consumer Non Cyclical industry listed on the IDX for the period 2012-2022. The t-statistic value of -3,354360 indicates that an increase in profitability will reduce the value of the company's dividend policy. The observed negative relationship between profitability and dividend policy in this study aligns with previous findings that profitable firms often retain earnings rather than distribute them. Maladjian and El Khoury (2014) found that, particularly in uncertain economic contexts, surplus earnings are allocated toward growth opportunities, linking high profitability with lower dividend payouts. Hastuti *et al.* (2023) also note that profitability negatively affects dividends, as companies prefer to transfer profits into retained earnings, decreasing dividend payments to reinforce future stability. These findings suggest that profitable firms may see greater value in reinvestment, especially when growth prospects are strong, reinforcing the strategic choice to prioritize internal funding.

The research results are consistent with the studies by Al-Kayed (2017), Anugrawaty and Prajitno (2017), and Rosyadi (2012). However, these results are inconsistent with the studies by Sharma (2021), Wahjudi (2020), Ahmad (2019), and Azhariyah *et al.* (2021).

The third hypothesis tests the influence of Growth Opportunity on Dividend Policy. The probability value of 0,0034 < α 0,05. This indicates that H_{a3} can be accepted, meaning there is an effect of Growth Opportunity on the Dividend Policy (DIV) of companies in the Consumer Non Cyclical industry listed on the IDX for the period 2012-2022. The t-statistic value of -3,002599 indicates that an increase in growth opportunity will decrease the value of the dividend policy. Companies with high growth opportunities will choose investment over dividend distribution (Al-Kayed 2017). Companies with high growth opportunities often prefer to reinvest earnings rather than distribute them as dividends, using these retained earnings to capitalize on new opportunities. This decision signals to investors that the company prioritizes expansion and is actively pursuing market opportunities, reinforcing a commitment to long-term value creation. By retaining earnings, the company assures investors that it is focused on future growth potential, which could yield higher returns over time, thereby strengthening investor confidence. This result supports the pecking order and signaling theory, where companies with large investment opportunities tend to pay lower dividends to reduce external financing dependence (Baker *et al.* 2019).

The research results are consistent with the studies by Le *et al.* (2019), Raphael and Mnyavanu (2018), Al-Kayed (2017), Azhariyah et al. (2021), Prabowo and Alverina (2020), and Permanasari (2017). However, these results are inconsistent with the studies by Singla and Samanta (2019), Sharma (2021), Baker *et al.* (2019), Ahmad (2019), Permataningrum and Yap (2017), and Ines and Handojo (2017).

The fourth hypothesis tests the influence of Financial Leverage on Dividend Policy. The probability value of 0,3789 > α 0,05. This indicates that H_{a4} cannot be accepted, meaning there is no effect of Financial Leverage on the Dividend Policy of companies in the Consumer Non Cyclical industry listed on the IDX for the period 2012-2022. To reduce financial problems, companies can reduce dividend payments to finance their debt repayments (Le *et al.* 2019). This result is consistent with the residual theory concept, which explains that dividend payments are made using residual funds, unaffected by the company's debt usage policy (Permanasari 2017).

The research results are consistent with the studies by Singla and Samanta (2019), Baker *et al.* (2019), Ahmad (2019), Azhariyah *et al.* (2021), Prabowo and Alverina (2020), Permanasari (2017), Delikartika and Ferry (2017), Apriliani and Natalylova (2017), Ines and Handojo (2017), Anugrawaty and Prajitno (2017), and Rosyadi (2012). However, these results are inconsistent with the studies by Le *et al.* (2019), Sharma (2021), Raphael and Mnyavanu (2018), Basri (2019), Wahjudi (2020), Manaf *et al.* (2021), and Permataningrum and Yap (2017).

The fifth hypothesis tests the influence of Liquidity on Dividend Policy. The probability value of 0,0004 < α 0,05. This indicates that H_{a5} can be accepted, meaning there is an effect of Liquidity on the Dividend Policy of companies in the Consumer Non Cyclical industry listed on the IDX for the period 2012-2022. The t-statistic value of -3,693896 indicates that an increase in company liquidity will decrease the value of the dividend policy. The negative correlation can be a sign of agency problems and shareholder expropriation in companies (Al-Kayed 2017). The negative correlation between liquidity and dividend policy also indicates that consumer non cyclical companies prioritize maintaining sufficient liquidity to meet operational or investment needs rather than distributing it as dividend policy. High liquidity generally indicates that a company has readily available cash, which could be used for dividends. However, a decision to retain liquidity instead of issuing dividends suggests that the company is conserving cash to prepare for future investments, acquisitions, or potential economic challenges. This choice signals a prudent, forward looking approach, reassuring investors of the company's commitment to stability and its readiness to seize future opportunities, which aligns with a long-term strategic vision.

The research results are consistent with the studies by Sharma (2021), Al-Kayed (2017), and Wahjudi (2020). However, these results are inconsistent with the studies by Le et al. (2019), Singla and Samanta (2019), Baker *et al.* (2019), Azhariyah *et al.* (2021), Prabowo and Alverina (2020), Permanasari (2017), Delikartika and Ferry (2017), Apriliani and Natalylova (2017), Ines and Handojo (2017), and Anugrawaty and Prajitno (2017).

CONCLUSION

Based on the research results on 10 consumer non cyclical industry companies listed on the IDX from 2012 to 2022, it can be concluded that Firm Size and Financial Leverage do not have an effects on Dividend Policy, while Profitability, Growth Opportunity, and Liquidity have negative effects on Dividend Policy. According to signaling theory, firms use financial policies, like dividend payouts and earnings retention, to communicate private information to investors. The results of this study indicate that companies with higher profitability, liquidity, and growth opportunities tend to retain earnings rather than pay high dividends. This behavior supports signaling theory, as it suggests that these companies aim to convey financial strength and growth potential through retained earnings. In the consumer non-cyclical sector, where demand is steady, firms may prioritize reinvestment over dividends to signal stability and a commitment to long-term growth. By retaining earnings, these firms reassure investors of their future prospects, using internal financing as a clear, strategic signal of stability and sustainable growth.

While dividends can signal financial strength, they may also provide mixed messages to investors. Ardestani *et al.* (2013) caution that a dividend increase could be interpreted either as a sign of improved income or as a signal that growth opportunities are limited. In such cases, companies may opt to retain profits instead, avoiding the potential for ambiguous interpretations. Azhariyah *et al.* (2021) add that "the size of dividends paid to shareholders depends on each company's policy, as some companies retain profits for

other needs," highlighting that retained earnings serve as a deliberate strategy for companies aiming to sustain growth and avoid sending mixed signals to investors. Although much of the existing literature reports positive relationships between profitability, liquidity, and dividend policy, the unique characteristics of the consumer non-cyclical sector suggest that companies may retain earnings as a strategic signal of stability and future growth. This approach aligns with signaling theory, as firms in this sector may prioritize reinvestment to maintain resilience and profitability over immediate dividend distribution There are several limitations in this study, including the limited sample size of only 10 companies after outlier testing. Additionally, the study only analyzed 5 independent variables and had a research period of only 11 years. Considering these limitations, several recommendations can be considered for future research, such as expanding the scope of the study to analyze other industry sectors and extending the research observation period. Researchers can also consider adding more independent variables such as firm risk, past dividend payments, and free cash flow to deepen the research results. These recommendations can be considered to increase the sample data of the study and improve the accuracy of generalizing the research population.

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