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The Influence of Firm Size, Profitability, and Solvency on Dividend Policy in BEI-Listed Property Companies (2019-2023)

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Abstract
This study examines the influence of firm size, profitability, and solvency on dividend policy in property and real estate companies listed on the Indonesia Stock Exchange (IDX) from 2019 to 2023. The independent variables include firm size (proxied by the natural logarithm of total assets), profitability (measured by return on assets/ROA), and solvency (measured by debt-to-equity ratio/DER). The dependent variable is dividend policy, represented by the dividend payout ratio (DPR). Using purposive sampling, 11 companies met the criteria, resulting in 55 observations over a five-year period. Multiple linear regression analysis was employed to test the hypotheses. The findings reveal that profitability has a significant positive effect on dividend policy ($\beta = 1.476$, $p = 0.014$), while firm size and solvency show no significant individual effects. However, collectively, the three variables have a significant influence on dividend policy ($F = 3.567$, $p = 0.020$). The model explains 12.5% of dividend policy variation, indicating that other factors such as liquidity, growth opportunities, and regulatory environment also play essential roles in dividend decisions within the Indonesian property and real estate sector.
Keywords: Firm Size, Profitability, Solvency.

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INTRODUCTION

The property and real estate sector in Indonesia represents a critical component of economic development, contributing significantly to national growth through residential, commercial, and infrastructure development. This sector has experienced substantial growth over the past decade, with market capitalization reaching IDR 285 trillion in 2023 according to IDX statistics. The strategic importance of this sector extends beyond property transactions, encompassing comprehensive urban development that drives economic progress and employment creation.

In the Indonesian context, the property and real estate sector faces unique challenges including fluctuating interest rates, government regulations on foreign ownership, and cyclical demand patterns. These factors create a complex environment for financial decision-making, particularly regarding dividend policy. The sector's capital-intensive nature requires substantial long-term financing, making dividend decisions crucial for maintaining investor confidence while ensuring adequate capital for growth.

Dividend policy has emerged as one of the most crucial corporate finance decisions, significantly affecting company value and investor perception. In Indonesia, dividend policy decisions are influenced by various factors including company financial performance, regulatory requirements, and market conditions. The Indonesian Capital Market Law (No. 8/1995) provides the regulatory framework for dividend distributions, requiring companies to maintain adequate reserves while providing returns to shareholders.

This research employs the Dividend Payout Ratio (DPR) as the primary measure of dividend policy, representing the percentage of net income distributed to shareholders. According to Indonesian Financial Accounting Standards (PSAK), DPR serves as a key indicator of management's commitment to shareholder returns. High DPR indicates strong cash flow generation and confidence in future earnings, while low DPR may suggest reinvestment priorities or financial constraints.

The property and real estate sector's dividend patterns in Indonesia show significant variation, with some companies maintaining consistent payments while others adopt more flexible approaches. This variation provides an excellent opportunity to examine factors influencing dividend policy within a specific industry context.

Several factors potentially influence dividend policy in the Indonesian property sector. Company size affects dividend capacity through scale economies and financial stability. Larger companies typically have better access to capital markets and more stable cash flows, enabling more consistent dividend payments. Profitability remains a fundamental determinant, as higher earnings provide the foundation for dividend distributions. Solvency levels impact dividend policy through their effect on financial flexibility and creditor relationships.

Prior studies on dividend policy in Indonesia have primarily focused on manufacturing companies or cross-sectional analyses across multiple sectors. Limited research specifically examines the property and real estate sector, despite its unique characteristics and economic importance. This study addresses this gap by providing sector-specific insights into dividend policy determinants.

Furthermore, previous research in the Indonesian context has not adequately addressed the interaction between signaling theory and agency theory in dividend policy decisions. This study contributes to the literature by examining how these theories apply specifically to the property and real estate sector.

LITERATURE REVIEW

Theoretical Framework

Signaling Theory

Signaling Theory, introduced by Spence (1973), explains how companies with superior information communicate their financial strength to external stakeholders. In the context of dividend policy, companies use dividend announcements to signal their financial health and future prospects to investors. This theory is particularly relevant in emerging markets like Indonesia, where information asymmetry between management and investors tends to be higher.

According to Brigham and Houston (2019), dividend payments serve as credible signals because they involve actual cash outflows, making them costly to fake. Companies with strong fundamentals can afford to maintain or increase dividends, while weaker companies cannot sustain such payments long-term. In the Indonesian property sector, dividend signals are particularly important given the sector's cyclical nature and sensitivity to economic conditions.

The signaling effect of dividends is enhanced when companies maintain consistent payment patterns over time. Indonesian property companies that establish reliable dividend policies can attract long-term investors and reduce their cost of capital. This is particularly relevant given the sector's need for substantial long-term financing.

Agency Theory

Jensen and Meckling (1976) established agency theory to explain conflicts between shareholders (principals) and management (agents). In the dividend policy context, these conflicts arise when management has incentives to retain earnings for personal benefits rather than distributing them to shareholders. Dividend payments help reduce agency costs by limiting management's control over free cash flow.

In the Indonesian corporate context, agency problems may be more pronounced due to concentrated ownership structures and weaker corporate governance mechanisms compared to developed markets. The property sector, with its complex project financing and long development cycles, presents additional opportunities for agency conflicts.

Regular dividend payments can serve as a governance mechanism by forcing management to seek external financing for growth projects, thereby subjecting their decisions to market scrutiny. This disciplinary effect is particularly relevant for Indonesian property companies, which often have significant growth opportunities requiring external capital.

Pecking Order Theory

Myers and Majluf (1984) developed the pecking order theory, which suggests that companies prefer internal financing (retained earnings) over external financing due to information asymmetries and transaction costs. According to this theory, companies establish target payout ratios based on their investment opportunities and financing needs.

In the Indonesian property sector, the pecking order theory is particularly relevant given the sector's capital-intensive nature and cyclical cash flow patterns. Companies must balance dividend payments with the need to maintain financial flexibility for future projects. The theory suggests that companies with more profitable investment opportunities should retain more earnings, leading to lower dividend payouts.

The Indonesian regulatory environment, including restrictions on foreign ownership and land acquisition, may influence the application of pecking order theory. Companies facing regulatory constraints on external financing may place greater emphasis on retained earnings, affecting their dividend policies.

Trade-off Theory

The trade-off theory suggests that companies balance the benefits of debt financing (tax shields) against the costs of financial distress. In the dividend policy context, this theory implies that companies with higher leverage should retain more earnings to reduce financial risk, leading to lower dividend payouts.

For Indonesian property companies, the trade-off theory is particularly relevant given the sector's high fixed asset requirements and sensitivity to interest rate changes. Companies must carefully balance leverage levels with dividend payments to maintain financial stability while maximizing firm value.

Empirical Literature

Firm Size and Dividend Policy

Empirical evidence on the relationship between firm size and dividend policy shows mixed results across different markets and time periods. Fama and French (2001) found that larger firms in the US market tend to pay higher dividends due to their more stable cash flows and better access to capital markets. However, this relationship may not hold universally across all markets and sectors.

In the Indonesian context, Suyanto and Rahman (2020) found that company size positively influences dividend policy in the property sector, attributing this to larger companies' greater operational stability and reduced financial uncertainty. However, their study used a smaller sample size and shorter time period than the current research.

Dewi Anwar and Hamid (2020) examined the relationship between company size and dividend policy stability across Indonesian public companies, finding that larger companies tend to maintain more consistent dividend policies. Their research supports the hypothesis that size provides financial flexibility for dividend payments.

Profitability and Dividend Policy

The relationship between profitability and dividend policy is generally positive across different markets and sectors. Lintner (1956) established that current earnings are the primary determinant of dividend payments, with companies adjusting their dividends gradually toward a target payout ratio based on profitability.

In the Indonesian context, Agustiningsih and Yunitasari (2022) found a significant positive relationship between profitability and dividend policy in manufacturing companies. Their study used ROA as a profitability measure and found that higher profitability leads to increased dividend payments.

Purwaningsih (2019) examined profitability ratios and their influence on dividend distribution policies across Indonesian public companies. The study found that companies with higher ROA tend to distribute more dividends to shareholders, supporting the positive relationship between profitability and dividend policy.

Solvency and Dividend Policy

The relationship between solvency and dividend policy is theoretically negative, as higher debt levels increase financial risk and reduce available cash for dividend payments. However, empirical evidence shows mixed results depending on the market context and measurement methods.

Azhari and Wirawan (2021) analyzed solvency ratios and their impact on corporate financial performance in Indonesian companies, finding that higher debt levels generally reduce dividend payment capacity. Their study supports the negative relationship between leverage and dividend policy.

Kisman (2020) examined dividend policy determinants in Indonesian public companies, finding that debt-to-equity ratios negatively influence dividend payments. However, the study noted that the relationship may vary across different sectors due to varying capital requirements and cash flow patterns.

Hypotheses Development

Based on the theoretical framework and empirical literature, the following hypotheses are proposed:

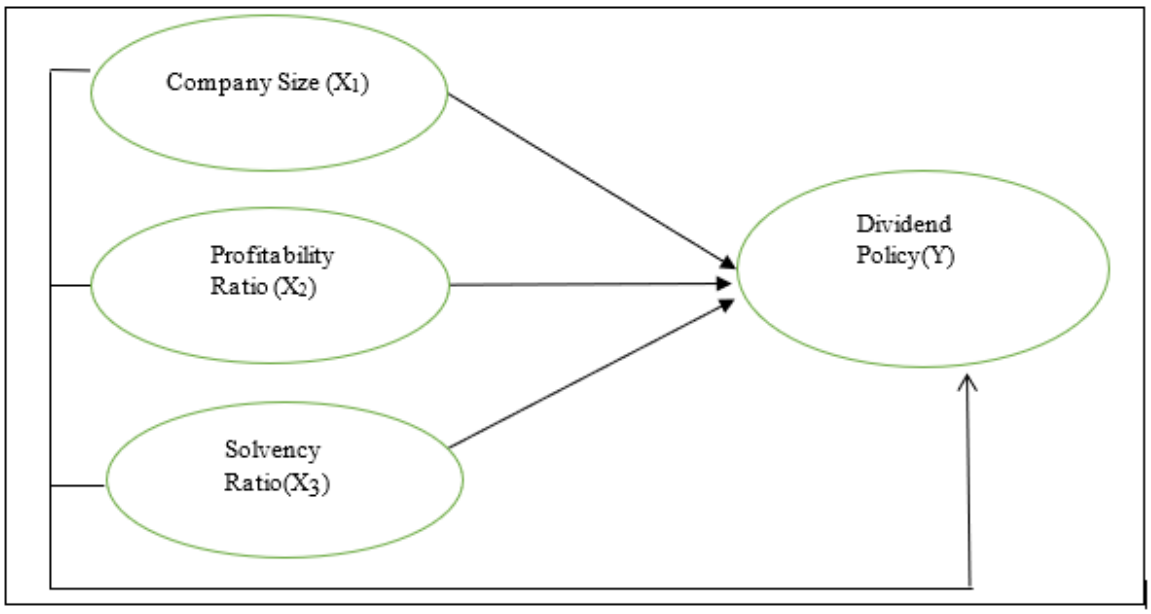
H_1: Firm size has a positive effect on dividend policy. Larger companies typically have more stable cash flows, better access to capital markets, and greater financial flexibility, enabling them to maintain higher dividend payouts. The economies of scale and operational efficiency of larger firms provide a foundation for consistent dividend payments.

H_2: Profitability has a positive effect on dividend policy. Higher profitability provides the financial capacity for dividend payments and signals management's confidence in future earnings. Companies with strong profitability can afford to share their success with shareholders through increased dividend distributions.

H_3: Solvency has a negative effect on dividend policy. Higher debt levels increase financial risk and reduce available cash flow for dividend payments. Companies with higher leverage may prefer to retain earnings to improve their financial position and reduce bankruptcy risk.

Conceptual Framework

The conceptual framework illustrates the relationships between the independent variables (firm size, profitability, and solvency) and the dependent variable (dividend policy). The framework is based on signaling theory, agency theory, and pecking order theory, which provide theoretical foundations for understanding dividend policy decisions.



RESEARCH METHODOLOGY

Research Design

This study employs a quantitative research approach with a causal-explanatory design to examine the relationships between firm size, profitability, solvency, and dividend policy. The research utilizes secondary data from financial statements and annual reports of property and real estate companies listed on the Indonesia Stock Exchange.

The study period spans from 2019 to 2023, providing a five-year window that captures various economic conditions including the COVID-19 pandemic impact and subsequent recovery. This timeframe allows for adequate observation of dividend policy patterns while ensuring data availability and consistency.

Population and Sample

The population consists of all property and real estate companies listed on the Indonesia Stock Exchange during the 2019-2023 period. As of December 2023, there were 92 companies in this sector according to IDX classification.

The sample selection employed purposive sampling with the following criteria:

1. Companies continuously listed on IDX during 2019-2023
2. Companies with complete financial data for all study variables
3. Companies that distributed dividends at least once during the study period
4. Companies with positive earnings during the majority of the study period
5. Companies with available annual reports in Indonesian or English

After applying these criteria, 11 companies were selected as the final sample, providing 55 observations (11 companies × 5 years). The sample size is adequate for multiple regression analysis according to the rule of thumb of 10-15 observations per independent variable.

Variable Definition and Measurement

Dependent Variable: Dividend Policy (DPR)

The dividend policy is measured using the Dividend Payout Ratio (DPR), which represents the percentage of net income distributed as dividends to shareholders.

Formula: DPR = (Dividend Per Share / Earnings Per Share) × 100%

Where:

- Dividend Per Share = Total dividends distributed / Number of outstanding shares
- Earnings Per Share = Net income / Number of outstanding shares

Independent Variables:

1. Firm Size (SIZE) Firm size is measured using the natural logarithm of total assets to normalize the distribution and reduce the impact of extreme values.
   Formula: SIZE = LN(Total Assets)
2. Profitability (ROA) Profitability is measured using Return on Assets (ROA), which indicates the company's efficiency in utilizing assets to generate profits.
   Formula: ROA = (Net Income / Total Assets) × 100%
3. Solvency (DER) Solvency is measured using the Debt-to-Equity Ratio (DER), which indicates the company's financial leverage and debt management.
   Formula: DER = (Total Debt / Total Equity) × 100%

Data Collection

Data collection was conducted through a documentation study of annual reports and financial statements obtained from:

1. Indonesia Stock Exchange official website (www.idx.co.id)
2. Companies' official websites and investor relations sections
3. Financial databases and publications

All financial data were collected in Indonesian Rupiah and converted to consistent units for analysis. Data quality was ensured through cross-verification between different sources and consistency checks across periods.

Data Analysis Methods

Descriptive Statistics

Descriptive analysis examines the characteristics of each variable including measures of central tendency (mean, median), dispersion (standard deviation, variance), and distribution shape (skewness, kurtosis).

Classical Assumption Tests

1. Normality Test The Kolmogorov-Smirnov test and visual inspection methods (histogram and Q-Q plot) were used to assess data normality. Data transformation was applied when necessary to achieve normal distribution.
2. Multicollinearity Test Variance Inflation Factor (VIF) and tolerance values were examined to detect multicollinearity among independent variables. VIF values below 10 and tolerance values above 0.10 indicate acceptable levels of multicollinearity.
3. Heteroscedasticity Test The Breusch-Pagan test and scatter plot analysis were employed to examine residual variance homogeneity. Random scatter patterns indicate the absence of heteroscedasticity.
4. Autocorrelation Test The Durbin-Watson test was used to detect serial correlation in residuals. Values between 1.5 and 2.5 generally indicate no significant autocorrelation.

Multiple Linear Regression Analysis

The regression model is specified as: $DPR = \alpha + \beta_1 SIZE + \beta_2 ROA + \beta_3 DER + \varepsilon$

Where:

DPR	= Dividend Payout Ratio
SIZE	= Firm Size (LN Total Assets)
ROA	= Return on Assets
DER	= Debt-to-Equity Ratio
α	= Intercept
$\beta_1, \beta_2, \beta_3$	= Regression coefficients
ε	= Error term

Hypothesis Testing

1. Individual Significance Test (t-test) The t-test examines the individual effect of each independent variable on the dependent variable. The null hypothesis is rejected if the p-value is less than 0.05.
2. Simultaneous Significance Test (F-test) The F-test examines the joint effect of all independent variables on the dependent variable. The model is significant if the F-statistic p-value is less than 0.05.
3. Coefficient of Determination (R^2) The adjusted R^2 measures the proportion of variance in the dependent variable explained by the independent variables. Higher values indicate better model fit.

RESULTS AND DISCUSSION

Research Object Description

The focus of this research encompasses Property and Real Estate sector companies registered on the Indonesia Stock Exchange during the 2019-2023 period. A total of 11 companies were selected based on specific criteria, generating 55 observation data points across the five-year research timeframe. The study examines the relationship between company size, profitability, solvency, and dividend policy within this sector.

Descriptive Statistical Test

After applying Square Root transformation [sqrt(k-x)] to normalize data distribution, the study examined 55 observations from property and real estate companies on the Indonesia Stock Exchange spanning 2019-2023. This examination determined boundary values, central tendencies, and variability measures for all variables under investigation.

Table 1. Descriptive Statistics Results

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Dividend Policy	55	.72	11.48	5.3254	2.65778
Company Size	55	5.35	5.64	5.5042	.07700
Profitability	55	1.00	5.78	4.6593	.61445
Solvency	55	2.90	13.45	7.2961	3.02222
Valid N (listwise)	55				

Source: SPSS 26 processed results, 2025

Table 1 demonstrates that all variables exhibit favorable data distribution characteristics, where mean values exceed standard deviation values, indicating good data quality suitable for analytical procedures.

Classical Assumption Tests

Normality Test Results

Table 2. One-Sample Kolmogorov-Smirnov Test

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		55
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	2.41632908
Most Extreme Differences	Absolute	.100
	Positive	.100
	Negative	-.057
Test Statistic		.100
Asymp. Sig. (2-tailed)		.200[c,d]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.

Source: SPSS 26 processed results, 2025

The Asymp. Sig. value of 0.200, which exceeds the significance threshold of 0.05, confirms that the residual variables follow a normal distribution pattern. This finding validates the assumption that the regression equation variables adhere to normal distribution requirements

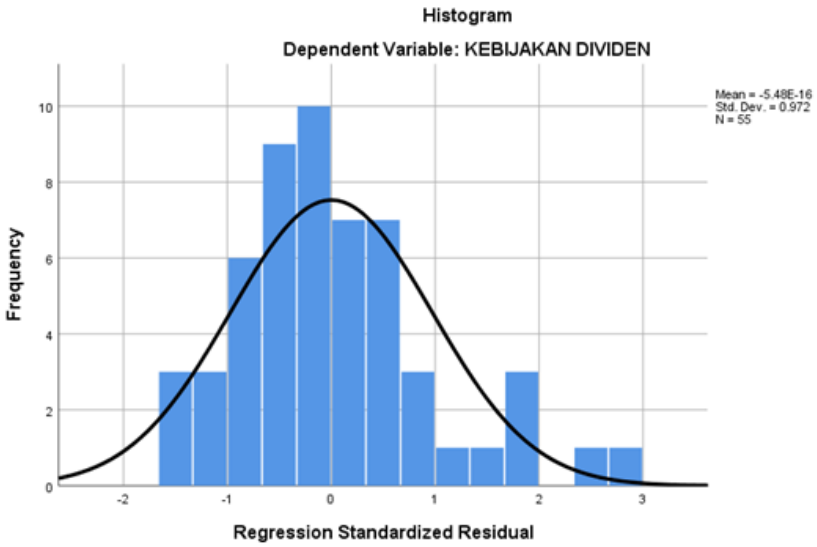


Figure 1. Normal Probability Plot Test Results
Source: SPSS 26 processed results, 2025

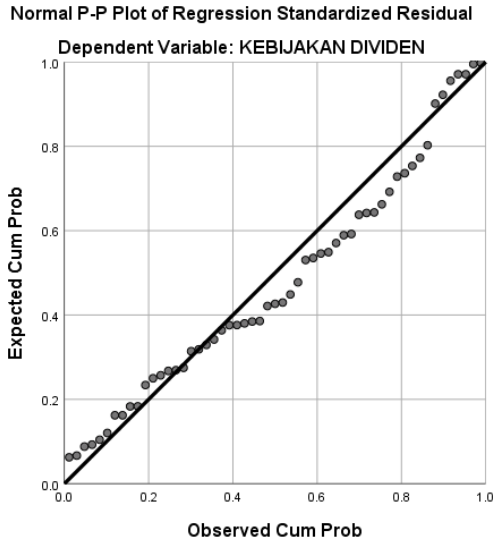


Figure 2. Histogram Graph Test Results
Source: SPSS 26 processed results, 2025

Figure 2 illustrates that the data distribution follows a normal pattern, as evidenced by the bell-shaped curve formation without significant skewness to either direction.

Multicollinearity Test

Table 3. Multicollinearity Test Results After Data Transformation

Coefficientsa

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Company Size	.556	1.799
	Profitability	.898	1.114
	Solvency	.554	1.807

a. Dependent Variable: Dividend Policy

All tolerance values exceed 0.10 and VIF values remain below 10, as demonstrated in Table 3 results. This confirms that the regression model does not experience multicollinearity issues.

Heteroscedasticity Test

The following is a scatterplot graph after data transformation, used to analyze whether heteroscedasticity occurs by observing the distribution of points in the image.

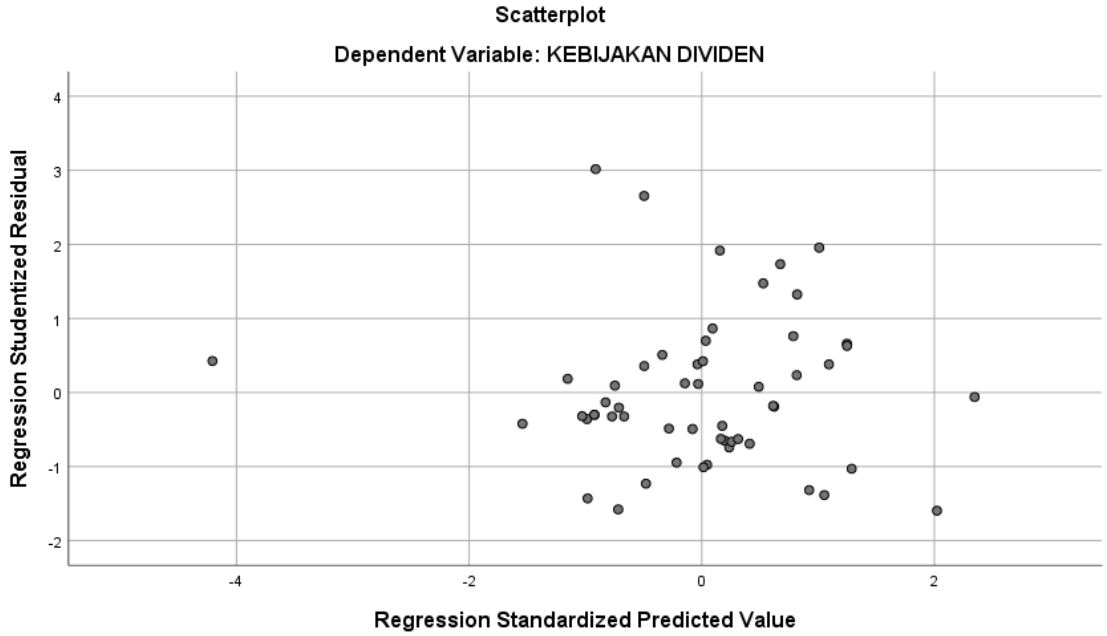


Figure 3. Heteroscedasticity Test Results After Data Transformation
Source: SPSS 26 processed results, 2025

Figure 3 displays randomly scattered points without discernible patterns, distributed both above and below the zero line. This pattern indicates the absence of heteroscedasticity in the regression model.

Autocorrelation Test

Table 4. Autocorrelation Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.416[a]	.173	.125	2.48638	1.570

a. Predictors: (Constant), Solvency, Profitability Company Size
b. Dependent Variable: Dividend Policy
Source: SPSS 26 processed results, 2025

The Durbin-Watson value of 1.570 falls within the acceptable range of -2 to +2, indicating no autocorrelation occurs in this regression model.

Multiple Linear Regression Test

Table 5. Multiple Linear Regression Test Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	15.770	31.505	
	Company Size	-2.786	5.894	-.081
	Profitability	1.476	.581	.341
	Solvency	-.272	.150	-.309

a. Dependent Variable: Dividend Policy

Source: SPSS 26 processed results, 2025

The structural equation derived from the regression analysis is as follows:

Dividend Policy = 15.770 - 2.786 Company Size + 1.476 Profitability - 0.272 Solvency

Interpretation of the regression equation:

1. α = 15.770 represents the constant value, indicating that when Company Size, Profitability, and Solvency variables remain at zero, the Dividend Policy is estimated to be 15.770 units.
2. β1 = -2.786 for Company Size demonstrates that each one-unit increase in Company Size will decrease Dividend Policy by 2.786 units, assuming other variables remain constant.
3. β2 = 1.476 for Profitability indicates that each one-unit increase in Profitability will enhance Dividend Policy by 1.476 units, assuming other variables remain constant.
4. β3 = -0.272 for Solvency shows that each one-unit increase in Solvency will reduce Dividend Policy by 0.272 units, assuming other variables remain constant.

Partial Hypothesis Test (t-Test)

Table 6. Partial Test Results

Coefficients[a]

Model		T	Sig.
1	(Constant)	.501	.619
	Company Size	-.473	.638
	Profitability	2.539	.014
	Solvency	-1.806	.077

a. Dependent Variable: Dividend Policy

Source: SPSS 26 processed results, 2025

Based on the t-table value of 2.00758, the following interpretations emerge:

1. Company Size: significance 0.638 > 0.05 with t-value -0.473 < 2.00758, indicating no significant effect on Dividend Policy.
2. Profitability: significance 0.014 < 0.05 with t-value 2.539 > 2.00758, demonstrating a positive and significant effect on Dividend Policy.
3. Solvency: significance 0.077 > 0.05 with t-value -1.806 < 2.00758, showing no significant effect on Dividend Policy.

Simultaneous Hypothesis Test (F-Test)

Table 7. F-Test Results

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	66.157	3	22.052	3.567	.020[b]
	Residual	315.287	51	6.182		
	Total	381.444	54			

a. Dependent Variable: Dividend Policy
b. Predictors: (Constant), Solvency, Profitability, Company Size
Source: SPSS 26 processed results, 2025

The F-value of 3.567 with significance 0.020 < 0.05 demonstrates that Company Size, Profitability, and Solvency simultaneously exert a significant influence on Dividend Policy.

Coefficient of Determination Test (R^2)

Table 8. Coefficient of Determination Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.416[a]	.173	.125	2.48638

a. Predictors: (Constant), Solvency, Profitability Company Size
b. Dependent Variable: Dividend Policy
Source: SPSS 26 processed results, 2025

The Adjusted R Square value of 0.125 reveals that Company Size, Profitability, and Solvency variables collectively explain 12.5% of the variation in Dividend Policy, while the remaining 87.5% is influenced by other variables not included in this regression model.

Discussion

The Effect of Firm Size on Dividend Policy

The results indicate that firm size does not have a significant impact on dividend policy (β = -2.786, p = 0.638). This finding contradicts some earlier research but may be explained by contextual factors specific to the Indonesian property sector. Property firms, regardless of their size, typically require large capital investments for land acquisition and development projects. As such, both large and small firms may prefer to retain earnings to fund future growth rather than distribute them as dividends. Moreover, regulatory constraints related to foreign ownership and land acquisition may limit the usual advantages that come with larger firm size, thereby diminishing its influence on dividend policy. Additionally, the cyclical nature of the property market in Indonesia may prompt firms to prioritize financial flexibility over consistent dividend payments. These findings align with the pecking order theory, which posits that firms prefer internal financing for investments. In a capital-intensive industry like property, this preference may persist irrespective of firm size.

The Effect of Profitability on Dividend Policy

Profitability has a significant positive effect on dividend policy (β = 1.476, p = 0.014), supporting the theoretical expectation and confirming hypothesis H_2. This result aligns with signaling theory and is consistent with prior empirical studies. Higher profitability enables companies to finance dividend distributions more comfortably, reflecting strong operational

performance. Moreover, in markets such as Indonesia where information asymmetry is high, profitable firms may use dividend payouts as a signal of their financial strength and long-term prospects. In addition, generous dividends often reflect management's confidence in the sustainability of earnings. The magnitude of the coefficient (1.476) suggests a strong relationship, where a 1% increase in ROA is associated with approximately a 1.48% increase in the dividend payout ratio.

The Effect of Solvency on Dividend Policy

Solvency shows a negative but statistically insignificant effect on dividend policy (β = -0.272, p = 0.077). While the negative direction of the relationship is consistent with theoretical expectations, the lack of statistical significance implies that leverage does not strongly constrain dividend decisions in the observed sample. One possible explanation is that the firms maintain their debt levels within an optimal range, thus minimizing the restrictive effect of leverage on dividend policy. Furthermore, although debt agreements may include covenants limiting dividends, such restrictions may not be binding for firms with moderate debt. During the research period, favorable interest rates and credit conditions may also have alleviated the financial burden associated with higher leverage, contributing to the weak observed effect. Despite the p-value being near the conventional threshold, solvency's influence on dividend decisions remains statistically inconclusive.

Simultaneous Effect

The F-test result (p = 0.020) confirms that firm size, profitability, and solvency jointly affect dividend policy, even though not all individual variables show significant effects. This finding suggests that dividend decisions are complex and influenced by multiple interacting variables. However, the relatively low R^2 value of 12.5% implies that these three factors only explain a small portion of the variation in dividend policy within the Indonesian property sector. Other influential factors may include market conditions such as economic cycles and interest rates, regulatory elements like taxation and foreign investment rules, corporate governance structures including board composition and ownership, and strategic considerations related to growth opportunities, competitiveness, and capital allocation.

CONCLUSIONS

Based on the research results, it can be concluded that Company Size and Solvency each have a non-significant negative effect on Dividend Policy, while Profitability shows a significant positive effect on dividend distribution decisions. Although simultaneously all three variables demonstrate a significant collective effect, the relationships formed show varied patterns for property and real estate sector companies listed on the Indonesia Stock Exchange (IDX/BEI) during the 2019-2023 research period. These findings indicate that large company size and high debt levels have not been able to enhance dividend policy implementation, possibly due to several sector-specific factors including high reinvestment needs in the property and real estate sector, long investment return periods characteristic of property development projects, and the nature of property business requiring substantial working capital for land acquisition and development activities, while conversely, high profitability demonstrates better company capability in distributing dividends to shareholders, aligning with the signaling theory where profitable companies use dividends to communicate their financial strength to the market. The coefficient of determination analysis reveals that the three variables (Company Size, Profitability, and Solvency) only explain a portion of Dividend Policy variation, while the remainder is influenced by other variables outside the research model, suggesting that multiple complex

factors beyond the scope of this study influence dividend policy decisions in the property and real estate sector.

Recommendations

For future research, it is suggested to expand the sample by including other industrial sectors such as manufacturing, mining, consumer goods, financial services, infrastructure, telecommunications, and technology sectors listed on the Indonesia Stock Exchange (IDX/BEI) to provide a more comprehensive picture of dividend policy determinants across different industries, while also considering moderation and mediation variables such as liquidity ratios (current ratio, quick ratio), company growth rates and investment opportunities, government regulations and tax policies affecting dividends, market volatility and economic conditions, corporate governance mechanisms, ownership structure and institutional ownership, and free cash flow availability, and developing more comprehensive measurement methods for Company Size (incorporating market capitalization, total assets, and number of employees), Profitability (using multiple ratios such as ROE, ROA, and net profit margin), and Solvency (including debt-to-equity ratio, interest coverage ratio, and debt service coverage ratio) to more accurately reflect the complexity of corporate dividend policy practices in Indonesia, and extending the research period beyond 2019-2023 to capture longer-term trends and include different economic cycles, particularly considering the impact of COVID-19 pandemic and post-pandemic recovery periods on dividend policies.

Implications

Managers should prioritize profitability to sustain dividend payments. Emphasizing operational efficiency can enhance the firm's ability to reward shareholders. Moreover, clearly communicating how dividend policy is linked to profitability can help shape investor expectations. Companies must also strike a balance between reinvesting for future growth and meeting shareholder demand for returns. Investors should consider profitability metrics, especially ROA, as a key signal of a firm's dividend-paying capacity. Understanding the unique dynamics of the property sector is essential when evaluating dividend policies. Given the low explanatory power of the tested variables, investors are encouraged to adopt diversification strategies to manage risks associated with dividend income. Policy makers should examine how existing regulations influence corporate dividend decisions and capital allocation. Enhancing market transparency and reducing information asymmetry can make dividends a more effective signaling tool. Policies that foster market development and corporate governance will also improve the overall effectiveness of dividend mechanisms in Indonesia's capital markets.

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