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The Effect Of Liquidity, Leverage, Firm Size, Managerial Ownership, And Earnings Per Share On Dividend Policy In Food And Beverage Sub-Sector Companies Listed On The Indonesia Stock Exchange 2022–2024

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Abstract

Dividends are the portion of company profits, determined by the board of directors and approved at the general meeting of shareholders, that is returned to shareholders. This decision is critically important for companies as it directly impacts investment and corporate financing. This study aims to examine the effects of liquidity, leverage, firm size, managerial ownership, and earnings per share on dividend policy among food and beverage subsector companies listed on the Indonesia Stock Exchange (IDX) for the period 2022–2024. The research population comprises food and beverage companies listed on the IDX during 2022–2024. The sample consists of 18 companies selected through purposive sampling, resulting in 54 observations. Multiple linear regression analysis was employed as the analytical technique. Results indicate that liquidity and earnings per share have a positive and significant effect on dividend policy, while leverage, firm size, and managerial.

Keywords: Dividend Policy; Liquidity; Earnings per Share; Leverage; Firm Size; Managerial Ownership.

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INTRODUCTION

Investment is the activity of placing capital in the form of money or other valuable assets into an object, institution, or party with the expectation that investors will gain profits after a certain period of time (Royda & Riana, 2022). Stock investment is a channel for available funds, with the hope of making profits in the future by investing in securities such as shares (Lestari, 2024). Shares are among the most preferred capital market instruments for investors because they offer attractive returns.

Investment growth in Indonesia is inseparable from the growth of companies listed on the Indonesia Stock Exchange (IDX), which automatically drives economic growth in Indonesia. At the end of 2023, there were 906 companies registered on IDX. Among the largest sectors was consumer non-cyclicals, with 125 companies. The food and beverage sub-sector, which has the most companies among the top 3 sectors in consumer non-cyclicals (www.idx.co.id), plays a crucial role in people's lives by providing basic daily necessities and attracting investors who believe in its profit-generating prospects (Dimas, 2021).

Companies distribute profits to investors through dividend distribution. Dividend policy is the process of determining how much net profit will be distributed to investors and how much will be retained for investment (Yuliyanti & Turmudhi, 2024). This decision is critically important as it directly impacts investment and corporate financing. Dividend policy in this study is proxied by the Dividend Payout Ratio (DPR), defined as the proportion of profits distributed as dividends to shareholders (Pinto et al., 2020).

Fluctuations observed in dividend payments among food and beverage companies listed on the IDX during 2022-2024 motivate this study to examine the factors affecting dividend policy. This study extends the research of Sudiartana and Yudantara (2020), who used firm size, liquidity, profitability, and leverage as variables, by adding managerial ownership and earnings per share. Based on prior inconsistent findings, this paper investigates the effect of liquidity, leverage, firm size, managerial ownership, and earnings per share on dividend policy.

LITERATURE REVIEW

Theoretical Framework

Agency Theory. Agency theory was first introduced by Jensen and Meckling (1976) to describe the principal-agent relationship. Type I agency problems arise from conflicts between shareholders (principals) and management (agents), while Type II agency problems emerge from conflicts between majority and minority shareholders (Shleifer & Vishny, 1997). Agency theory

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suggests that mechanisms such as increasing managerial and institutional ownership, dividend payments, and debt usage can reduce agency costs (Jensen & Meckling, 1976).

Signaling Theory.

First proposed by Michael Spence (1973), signaling theory explains how senders (information owners) signal favorable company conditions to receivers (investors) (Makadao & Saerang, 2021). Financial information published by companies serves as an important signal for investors in evaluating the company's future prospects and its ability to generate returns.

Dividend Policy Theory.

Several theoretical frameworks underlie dividend policy decisions, including: (1) Bird-in-the-Hand Theory (Gordon, 1959; Lintner, 1962), which suggests investors prefer current dividends over uncertain future capital gains; (2) Dividend Irrelevance Theory (Modigliani & Miller, 1961), arguing that dividend policy does not affect firm value; (3) Tax Preference Theory (Litzenberger & Ramaswamy, 1982), suggesting investors prefer lower dividend payout ratios due to tax considerations; and (4) Clientele Effect Theory, which recognizes that different shareholders have different dividend preferences. This study adopts the Bird-in-the-Hand Theory as its primary theoretical foundation.

Research Model and Hypotheses

H1: Liquidity has a positive effect on dividend policy. High liquidity indicates that a company has sufficient funds to pay dividends. This positive relationship is supported by Astuti (2020), Bramaputra et al. (2022), and Wulandari et al. (2022).

H2: Leverage has a negative effect on dividend policy. Companies with high debt levels will use their cash to settle obligations, thereby reducing their ability to pay dividends. This is supported by Arimbi et al. (2024) and Miswanto et al. (2022).

H3: Firm size has a positive effect on dividend policy. Larger companies have broader market access and a greater capacity to generate profits, enabling them to pay dividends more consistently (Meidawati et al., 2020; William & Sha, 2021).

H4: Managerial ownership has a positive effect on dividend policy. A greater proportion of shares held by management aligns managers' and shareholders' interests, thereby encouraging larger dividend distributions (Afni & Fitria, 2024; Arimbi et al., 2024).

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H5: Earnings per share have a positive effect on dividend policy. Higher earnings per share reflect strong financial performance and the company's ability to pay consistent dividends (Asrini, 2020; Saptiwi et al., 2022).

Research Model

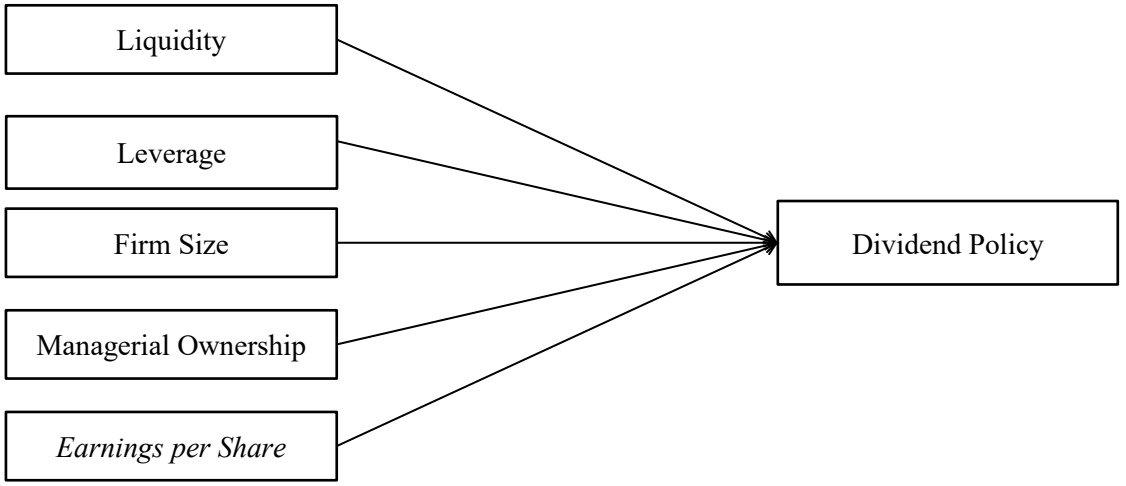


Figure 2.1
Source: Researchers' conceptual framework (2025)

RESEARCH METHOD

This study was conducted on food and beverage sub-sector companies listed on the Indonesia Stock Exchange (IDX) for the period 2022–2024, using data sourced from www.idx.co.id. The research employs a quantitative approach using secondary data from annual financial reports.

Variable Operationalization:

a) Dividend Policy (DPR) is measured using the Dividend Payout Ratio, calculated as Dividend per Share divided by Earnings per Share multiplied by 100%.
b) Liquidity (CR) is measured using the Current Ratio, calculated as Current Assets divided by Current Liabilities multiplied by 100%.
c) Leverage (DER) is measured using the Debt to Equity Ratio, calculated as Total Debt divided by Total Equity multiplied by 100%.

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d) Firm Size (UP) is measured by the natural logarithm of total assets at the end of each year.
e) Managerial Ownership (KM) is measured as the proportion of shares held by management to total shares outstanding.
f) Earning Per Share (EPS) is measured as net profit after tax divided by total shares outstanding.

Population and Sample

The population comprises 83 food and beverage subsector companies listed on the IDX during 2022–2024. Purposive sampling was applied based on specific criteria, resulting in 18 sample companies with 54 total observations (18 companies × 3 years).

Analysis Technique

Data analysis employed multiple linear regression, preceded by descriptive statistical analysis and classical assumption tests (normality, multicollinearity, autocorrelation, and heteroscedasticity). The regression model is:

$$DPR = \alpha + \beta 1CR + \beta 2DER + \beta 3UP + \beta 4KM + \beta 5EPS + e$$

RESULTS AND DISCUSSION

Descriptive Statistics

Table 2
Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation
CR	54	0.96	13.40	3.1120	2.90426
DER	54	0.07	2.46	0.6561	0.55096
UP	54	0.01	361.13	27.2976	63.03860
KM	54	0.000031	0.545014	0.08166	0.14273
EPS	54	-0.63	1489.39	173.2801	296.30736
DPR	54	-2.87	106.85	2.3040	14.50877

Source: Appendix 3, Processed Data (2025)

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Table 2 shows that the liquidity variable (CR) ranges from 0.96 to 13.40, with a mean of 3.1120. Leverage (DER) ranges from 0.07 to 2.46, with a mean of 0.6561. Firm size (UP) ranges from 0.01 to 361.13, with a mean of 27.2976. Managerial ownership (KM) ranges from 0.000031 to 0.545014, with a mean of 0.08166. Earning per share (EPS) ranges from -0.63 to 1489.39, with a mean of 173.2801. Dividend policy (DPR) ranges from -2.87 to 106.85, with a mean of 2.3040.

Classical Assumption Tests

Table 3
Normality Test Results (Kolmogorov-Smirnov)

Test	Value
N	54
Test Statistic	0.225
Asymp. Sig. (2-tailed)	0.053
Conclusion	Normally Distributed (sig > 0.05)

Source: Appendix 5, Processed Data (2025)

Table 4
Multicollinearity Test Results

Variable	Tolerance	VIF	Conclusion
CR	0.759	1.318	No Multicollinearity
DER	0.754	1.326	No Multicollinearity
UP	0.916	1.092	No Multicollinearity
KM	0.819	1.221	No Multicollinearity
EPS	0.874	1.144	No Multicollinearity

Source: Appendix 5, Processed Data (2025)

The autocorrelation test using the Durbin-Watson method yielded DW = 1.992, which falls within the range of DU (1.7684) and 4-DU (2.2316), confirming no autocorrelation. The heteroscedasticity test (Glejser) showed all variables with significance values above 0.05, confirming homoscedasticity.

Multiple Linear Regression Analysis

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Table 5
Multiple Linear Regression Results

Variable	B	Std. Error	Beta	t	Sig.
(Constant)	-14.655	2.897		-5.058	<0.001
CR	2.775	0.243	0.962	11.428	<0.001
DER	-0.001	0.001	-0.011	-0.400	0.691
UP	0.015	0.018	0.064	0.839	0.406
KM	9.355	8.233	0.092	1.136	0.261
EPS	7.235	2.223	0.275	3.254	0.002

Source: Appendix 4, Processed Data (2025)

Based on Table 5, the regression equation is:

DPR = -14.655 + 2.775CR – 0.001DER + 0.015UP + 9.355KM + 7.235EPS

Model Fit Test (F-Test) and Coefficient of Determination

Table 6
ANOVA and Model Summary

Parameter	Value
F-value	27.615
Significance	<0.001
R	0.861
R Square	0.742
Adjusted R Square	0.715
Std. Error of Estimate	7.74327
Durbin-Watson	1.992

Source: Appendix 6, Processed Data (2025)

The F-test yielded a p-value of less than 0.001, indicating that the model is a good fit and can be used for hypothesis testing. The Adjusted R^2 value of 0.715 indicates that 71.5% of the variation in dividend policy is explained by liquidity, leverage, firm size, managerial ownership, and earnings per share, while the remaining 28.5% is explained by other variables outside the

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model.

Hypothesis Testing (t-Test)

Table 7
Hypothesis Test Results

Hypothesis	Variable	B	t	Sig.	Decision
H1	CR (Liquidity)	2.775	11.428	<0.001	Accepted
H2	DER (Leverage)	-0.001	-0.400	0.691	Rejected
H3	UP (Firm Size)	0.015	0.839	0.406	Rejected
H4	KM (Managerial Ownership)	9.355	1.136	0.261	Rejected
H5	EPS	7.235	3.254	0.002	Accepted

Source: Appendix 6, Processed Data (2025)

DISCUSSION

Effect of Liquidity on Dividend Policy. Liquidity has a positive and significant effect on dividend policy (β = 2.775, sig < 0.001), supporting H1. Higher liquidity indicates greater funds available to pay short-term obligations. Since dividends represent cash outflows, the company's capacity to pay dividends increases with its liquidity position. This finding is consistent with agency theory, which holds that high liquidity enables management to make dividend payment decisions more easily, and with the bird-in-the-hand theory, which considers high liquidity a prerequisite for implementing high dividend policies preferred by investors (Bramaputra et al., 2022). This result is consistent with findings by Astuti (2020), Bramaputra et al. (2022), Saptiwi et al. (2022), Setiawati & Simanungkalit (2025), and Wulandari et al. (2022).

Effect of Leverage on Dividend Policy. Leverage has no significant effect on dividend policy (β = -0.001, sig = 0.691), rejecting H2. This indicates that the level of external financing does not meaningfully relate to dividend policy decisions. High debt levels are not preventing companies from distributing dividends because they prioritize shareholders' interests. Consistent with findings by Kristiani & Matusin (2023), Prayitno & Sapari (2021), and Sudiartana & Yudantara (2020), companies with strong future cash flow prospects can simultaneously service debt and pay dividends, making leverage an ineffective governance mechanism (Hariyani & Kurnia, 2023).

Effect of Firm Size on Dividend Policy. Firm size has no significant effect on dividend policy (β = 0.015, sig = 0.406), rejecting H3. A company's total assets do not guarantee the magnitude of

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dividend distributions. Increasing or decreasing firm size does not affect dividend policy because firm size is merely a reflection of a company's high level of operational activity, which attracts investment interest (Hariyani & Kurnia, 2023). This result supports findings by Kristiani & Matusin (2023), Miswanto et al. (2022), and Nainggolan & Wahyudi (2023).

Effect of Managerial Ownership on Dividend Policy. Managerial ownership has no significant effect on dividend policy (β = 9.355, sig = 0.261), rejecting H4. Most sample companies have low managerial ownership, meaning that dividend decisions are largely determined by outside shareholders (outsider ownership). Low managerial ownership renders managers unable to determine the direction of profit utilization—whether for retained earnings or dividends (Rianto & Maylika, 2021). This finding aligns with research by Kristiani & Matusin (2023), Makadao & Saerang (2021), and Setiawati & Simanungkalit (2025).

Effect of Earnings Per Share on Dividend Policy. Earnings per share have a positive and significant effect on dividend policy (β = 7.235, sig = 0.002), supporting H5. Companies with higher EPS are better positioned to pay dividends to shareholders. According to agency theory type II, higher EPS intensifies pressure from minority shareholders for higher dividends as a mechanism to protect their cash flow rights and minimize the risk of abuse by majority shareholders (Ramdani & Retnani, 2021). According to signaling theory, management uses achieved EPS to demonstrate to shareholders that dividend payments are financially sound (Qotimah & Kalangi, 2023). This result is consistent with Asrini (2020), Lestari & Sujana (2023), Remelko & Setiawan (2021), Saptiwi et al. (2022), and Sinaga et al. (2020).

CONCLUSION

This study examined the effects of liquidity, leverage, firm size, managerial ownership, and earnings per share on dividend policy in food and beverage sub-sector companies listed on the Indonesia Stock Exchange for the period 2022–2024. Based on an analysis of 54 observations using multiple linear regression, the following conclusions are drawn:

Liquidity has a positive and significant effect on dividend policy. Companies with higher liquidity have more funds available to pay dividends, as liquidity directly correlates with greater dividend-paying capacity. Leverage has no significant effect on dividend policy. The level of debt financing does not meaningfully influence dividend policy decisions, as companies can service debt obligations while still distributing dividends. Firm size has no significant effect on dividend policy. The size of a company does not guarantee the level of dividend distribution, as firm size merely reflects operational activity rather than dividend-paying ability. Managerial ownership has

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no significant effect on dividend policy. Low managerial ownership means that dividend decisions are predominantly determined by outside shareholders rather than management. Earnings per share have a positive and significant effect on dividend policy. Companies with higher EPS demonstrate stronger financial performance and greater capacity to distribute consistent dividends to shareholders.

The Adjusted R^2 of 0.715 indicates that the five independent variables collectively explain 71.5% of the variation in dividend policy, with 28.5% explained by variables outside the model. Future research should incorporate additional variables, such as free cash flow, asset turnover, and company age, and practitioners should pay particular attention to liquidity and earnings per share when making dividend policy decisions.

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