Ekonomi dan Bisnis
Vol.12, No.2, 2025, 132-147
DOI: 10.35590/jeb.v12i2.9067
P-ISSN 2356-0282 | E-ISSN 2684-7582

Received : 02 August 2024
Revised : 13 May 2025
Accepted : 09 February 2026

Profitability and Dividend Policy: A Strong Energy That Transforms Corporate Financial Strategy

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Abstrak

- **Tujuan:** Penelitian ini bertujuan untuk menganalisis pengaruh investment opportunity set, kebijakan utang, dan efektivitas usaha terhadap kebijakan dividen dengan profitabilitas sebagai variabel intervening pada perusahaan sektor industri barang dan konsumsi yang terdaftar di Bursa Efek Indonesia periode 2018–2022.
- **Desain/metodologi/pendekatan:** Penelitian ini menggunakan pendekatan kuantitatif dengan data sekunder. Sampel dipilih melalui metode purposive sampling, diperoleh 24 perusahaan selama 5 periode (2018–2022) dengan total 120 observasi. Analisis data menggunakan regresi data panel yang diolah dengan software Eviews versi 13.
- **Temuan**: (1) Investment opportunity set tidak berpengaruh terhadap kebijakan dividen, (2) Kebijakan utang tidak berpengaruh terhadap kebijakan dividen, (3) Efektivitas usaha berpengaruh terhadap kebijakan dividen, (4) Profitabilitas berpengaruh terhadap kebijakan dividen, (5) Investment opportunity set berpengaruh terhadap profitabilitas, (6) Kebijakan utang tidak berpengaruh terhadap profitabilitas, (7) Efektivitas usaha berpengaruh terhadap profitabilitas, (8) Investment opportunity set tidak berpengaruh secara langsung terhadap kebijakan dividen melalui profitabilitas, (9) Kebijakan utang tidak berpengaruh secara langsung terhadap kebijakan dividen melalui profitabilitas, (10) Efektivitas usaha tidak berpengaruh secara langsung terhadap kebijakan dividen melalui profitabilitas.
- **Batasan penelitian/dampak:** Penelitian ini terbatas pada sektor industri barang dan konsumsi serta periode pengamatan lima tahun, sehingga hasilnya belum dapat digeneralisasi ke seluruh sektor. Penelitian selanjutnya disarankan memperluas sektor, periode penelitian, serta menambahkan variabel lain yang relevan.
- **Implikasi praktis:** Hasil penelitian ini memberikan pertimbangan bagi manajemen perusahaan dan investor dalam merumuskan kebijakan dividen dengan memperhatikan efektivitas usaha dan tingkat profitabilitas sebagai faktor utama yang memengaruhi keputusan pembagian dividen.

Cite This As: Yono, et al. 2025. The Impact of Paradox Leader Behavior on Subordinate Performance through Openness to Experience and Learning Goals Orientation. *Ekonomi dan Bisnis*, 12(2), 132-147. doi.org/10.35590/jeb.v12i1.9067

- **Keaslian/nilai**: Penelitian ini memberikan kontribusi empiris dengan menguji peran profitabilitas sebagai variabel intervening dalam hubungan antara investment opportunity set, kebijakan utang, efektivitas usaha, dan kebijakan dividen pada sektor industri barang dan konsumsi di Indonesia.
- **Jenis Makalah:** Makalah ini merupakan penelitian empiris kuantitatif yang menggunakan analisis regresi data panel.

Kata Kunci: *Investment Opportunity Set; Kebijakan Utang; Efektivitas Usaha; Profitabilitas; Kebijakan Dividen.*

Abstract

- ***Purpose:*** *This study aims to analyze the effect of the investment opportunity set, debt policy, and business effectiveness on dividend policy with profitability as an intervening variable in consumer goods industry companies listed on the Indonesia Stock Exchange during the 2018–2022 period..*
- ***Design/methodology/approach:*** *This research employs a quantitative approach using secondary data. The sample was selected through purposive sampling, resulting in 24 companies over five periods (2018–2022) with a total of 120 observations. Data were analyzed using panel data regression processed with Eviews version 13.*
- ***Findings:*** *The results show that (1) the investment opportunity set has no effect on dividend policy, (2) debt policy has no effect on dividend policy, (3) business effectiveness affects dividend policy, (4) profitability affects dividend policy, (5) the investment opportunity set affects profitability, (6) debt policy has no effect on profitability, (7) business effectiveness affects profitability, (8) the investment opportunity set does not directly affect dividend policy through profitability, (9) debt policy does not directly affect dividend policy through profitability, and (10) business effectiveness does not directly affect dividend policy through profitability.*
- ***Research limitations/implications:*** *This study is limited to the consumer goods industry sector and a five-year observation period; therefore, the findings cannot be generalized to all sectors. Future research is recommended to expand the sectoral scope, extend the observation period, and include additional relevant variables.*
- ***Practical implications:*** *The findings provide insights for company management and investors in formulating dividend policies by considering business effectiveness and profitability as key determinants of dividend distribution decisions.*
- ***Originality/value:*** *This study offers empirical evidence by examining the role of profitability as an intervening variable in the relationship between the investment opportunity set, debt policy, business effectiveness, and dividend policy within the Indonesian consumer goods industry sector.*
- ***Paper Type:*** *This paper is a quantitative empirical research study employing panel data regression analysis.*

Keywords*: Investment Opportunity Set; Debt Policy; Business Effectiveness; Profitability; Dividend Policy.*

Introduction

In the ongoing era of globalization, economic activities are growing rapidly and dynamically. The capital market plays a significant role in economic activities, especially in countries that implement a market economy system. The capital market is a place where individuals or entities with excess funds meet those in need of funds and conduct transactions involving various financial instruments. This enables investors to choose investments that offer optimal returns (Tandelilin, 2017).

There is a fundamental motivation driving investors to allocate their funds with the expectation of obtaining optimal returns, even if it involves certain risks. The consumer goods and retail sector is one of the main contributors to Indonesia's economy. The growth trends during and after the pandemic in the 2018 –2022 period cover the time before, during, and after the COVID -19 pandemic, which significantly altered consumption patterns. During this period, there was a significant shift in consumer behavior, such as the move toward online shopping and increased consumption of basic necessities. This makes the consumer goods sector a good indicator for observing the resilience and adaptability of companies in this sector in response to sudden economic changes. Choosing this sector provides a more holistic understanding of how companies in Indonesia innovate and adapt during times of uncertainty.

The consumer goods and retail sector in Indonesia is attractive to investors due to its active participation in the capital market, its key role in boosting investment and exports, and its position as a crucial sector in national economic growth (Hartanto, 2019). This sector enjoys high liquidity and strong appeal to various types of investors, and it makes a significant contribution to global export markets—particularly in food, beverages, and consumer products. With its strategic position, the sector has the potential to be a major driver of an economy that is resilient to global market fluctuations, while also supporting integration into international supply chains and is projected to continue being a growth engine in terms of both export contributions and foreign direct investment (FDI).

According to the Ministry of Trade in 2022, the export value of the manufacturing industry experienced an increase. This growth was driven by rising global demand for manufactured products and the industry's ability to adapt to changing trends and international market demands, which led to a successful increase in exports, as shown in the following table

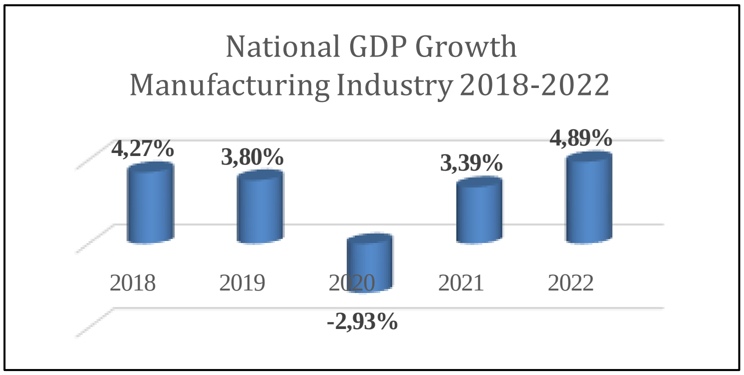
Table 1. Export Growth of the Manufacturing Industry from 2018 to 2022

Years	Manufacturing Industry Exports (million US$)
2018	130.118,1
2019	127.377,7
2020	131.087,0
2021	177.204,4
2022	206.068,5

Source : Ministry of Trade. 2022

Based on Table 1 above, it is shown that in 2018, manufacturing industry exports reached USD 130,118.1 million, followed by a decline in 2019 to USD 127,377.7 million. However, exports recovered in the following year, reaching USD 131,087.0 million in 2020. In 2021, exports continued to increase, reaching USD 177,204.4 million, and in 2022, there was a significant rise to USD 206,068.5 million. The manufacturing industry also makes the largest contribution to the national gross domestic product (GDP). Referring to the GDP growth driven by manufacturing companies, including the consumer goods industry, this can be seen in Figure 1 below.

Figure 1. GDP Growth Data of the Manufacturing Industry in 2018 –2022

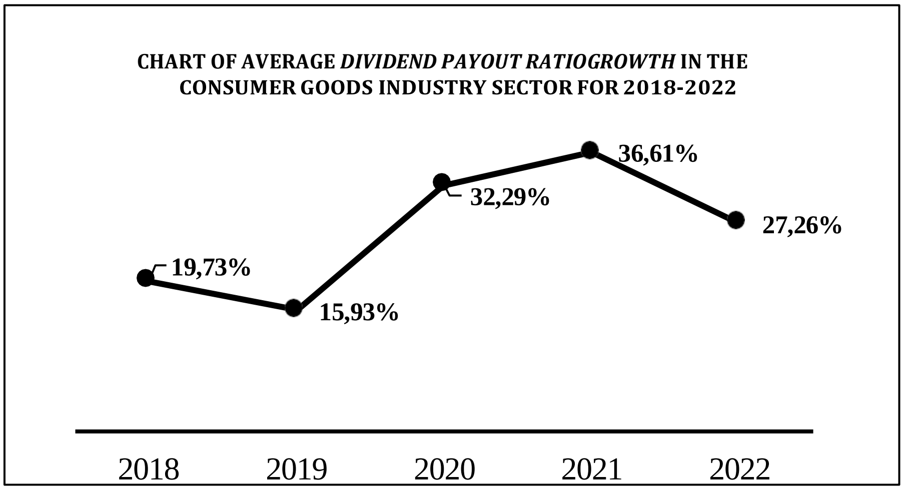


Source : Statistic Indonesia, 2022

The data presented in Figure 1 shows that the national GDP growth in the manufacturing sector experienced fluctuations. In 2018, it stood at 4.27%, then declined to 3.80% in 2019, and experienced a significant drop to -2.93% in 2020. This was followed by a recovery to 3.39% in 2021 and a further increase to 4.89% in 2022. From Figure 1, it can be concluded that the growth of the manufacturing sector—including the consumer goods industry—plays an important role in national economic growth.

A strong, competitive, sustainable, and inclusive industrial outlook is one of the reasons investors are interested in investing in a company. Investors or external parties that make investments provide funds that companies can use to achieve their main objective, which is to maximize profit. The profit earned will be distributed to shareholders in the form of dividends or retained as earnings for future investment (Sartono, 2017). Dividend policy involves decisions regarding how profits—belonging to shareholders—will be used, where the company determines the percentage of profit to be distributed to investors or retained for operational reinvestment (Husnan and Pujiastuti, 2018). Each company has a different dividend policy regarding dividend payments. Referring to the dividend policy ratio of companies in the consumer goods industry sector listed on the Indonesia Stock Exchange, the average dividend payout growth for the 2018–2022 period is presented in the following chart:

Figure 2. Average Growth Chart of Dividend Payout Ratio



Source : Processed data, 2023

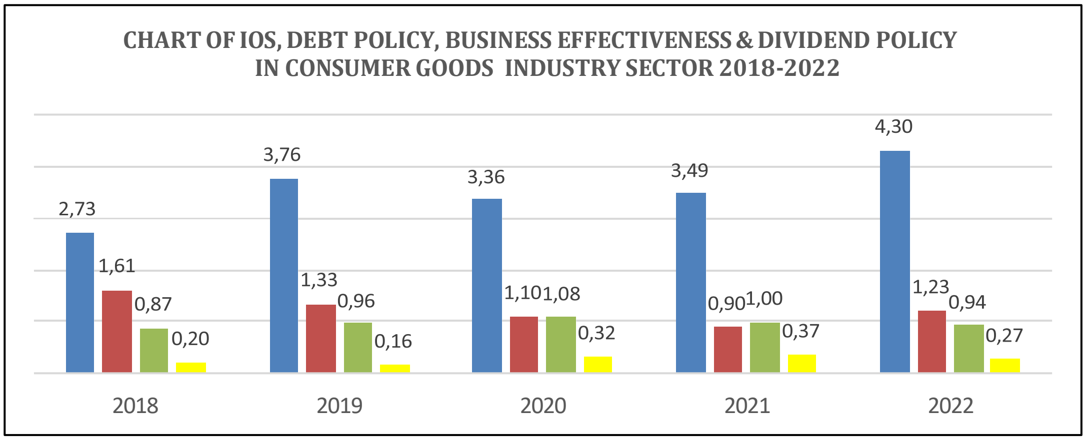
From Figure 2, it can be seen that in 2019, companies in the consumer goods industry sector experienced a decline in the dividend payout ratio from 19.73% in 2018 to 15.93%. According to a report by CNBC Indonesia (2019), this decline was caused by poor performance in the consumer goods sector on the Indonesia Stock Exchange. Some issuers that contributed negatively to the sector's performance included PT Hanjaya Mandala Sampoerna Tbk (HMSP) with -43.9%, PT Gudang Garam Tbk (GGRM) with -36.08%, PT Unilever Indonesia Tbk (UNVR) with -6.66%, and PT Mayora Indah Tbk (MYOR) with -17.18%.

Furthermore, Figure 2 shows that the average dividend payout ratio in 2022 experienced a significant decline compared to 2021. This was due to several large companies with active trading on the capital market experiencing a drop in profits. These companies chose to retain their earnings for future investments, which had a significant impact on the amount of dividends distributed to shareholders. According to a report from Investasi.kontan (2022), one such company—PT Gudang Garam Tbk (GGRM)—saw a net profit decline of 50.40% in 2022. Its profit as of the end of December 2022 was IDR 2.77 trillion, compared to IDR 5.60 trillion in 2021. Meanwhile, one of the major companies contributing to this sector and consistently distributing dividends to investors is PT Unilever Indonesia Tbk (UNVR). According to the Coordinating Ministry for Economic Affairs (2022), in support of accelerating national economic growth, UNVR is committed to increasing its investment in Indonesia by supporting various positive campaigns for Indonesian palm oil in Europe.

There is also PT Hanjaya Mandala Sampoerna Tbk (HMSP), operating in the tobacco manufacturing and trading sector and investing in other companies. HMSP has been actively expanding its smoke-free tobacco product IQOS under the HEET brand, targeting markets in the Asia-Pacific region.

An abnormal yet interesting phenomenon is that despite the significant contribution of the consumer goods sector to national economic growth, the dividend payout ratio remains relatively low. This reflects the companies' preference to prioritize business expansion. Based on the average investment opportunities, debt policy, and operational effectiveness of companies in the consumer goods sector, the following chart presents a further overview.

Figure 3. Comparison Chart IOS, Debt Policy, Business Effectiveness & DPR



Source : Processed data, 2023

Based on the data presented in Figure 3 above, there is a noticeable phenomenon involving the relationship between independent and dependent variables in companies within the consumer goods industry sector during the 2018 – 2022 period. The changes observed—such as increased investment opportunities, reduced debt policies, and stagnant business effectiveness—have had a considerable impact on the fluctuating and relatively stagnant average dividend payments in this sector during that period.

Investment opportunity refers to the value of a company based on its future spending plans determined by management. The greater the investment opportunity, the less likely dividends are paid, as funds are allocated to take advantage of investment opportunities. Conversely, when investment opportunities are limited, more funds are allocated to dividend payments. Dividend policy can also be influenced by debt policy, which refers to how a company finances its operations through external sources. Debt policy involves decisions made by a company to operate using debt (Zainuddin and Manahonas, 2020). Business effectiveness of a company can be reflected through its activity ratios. Activity ratios measure how effectively a company utilizes its resources. Therefore, asset turnover efficiency can lead to strong company performance, which in turn increases profits and benefits investors (Triono and Artati, 2019). There is also an indication of other factors influencing dividend policy variables, such as profitability. Management may distribute dividends as a signal of the company's success in generating profits over a specific period (Wirjolukito et al., 2019). Profitability is considered a key determinant and predictor of dividend payments. The higher the profitability, the more likely a company is to pay dividends (Meidawati et al., 2020).

Literature review and hypothesis development

Signaling Theory

Management uses signaling theory to convey information to investors. Investors' decisions about the company's condition are ultimately influenced by this process. This theory helps reduce the information gap between investors (the principal owners) and company management (Akerlof, 1970). Signaling theory examines how success or failure is communicated to owners or shareholders through specific informational signals (Brigham and Houston, 2020).

Signaling Theory Agency Theory

In agency theory, an agent refers to an agreement between one or more individuals (principals) who assign another person (agent) to carry out actions or activities in the decision-making process on behalf of the principals (Purwanto et al., 2021). This encourages managers to create dividend policies that determine whether company profits will be distributed to shareholders as dividends or retained as retained earnings to support company capital. This policy must be carefully considered to avoid conflicts among managers, investors, and company owners (Yani and Maharani, 2022). As investment risks increase, investors naturally expect greater returns, and dividends become one way for investors to gain profit from their investment risks (Hartadi et al., 2020).

Bird in The Hand Theory

Bird in the hand theory refers to the idea that having something certain or in hand now is more valuable than risking something potentially greater in the future but uncertain (Gordon and Lintner, 1963). In the context of uncertainty in the business environment, investors tend to feel more confident about dividends because their benefits are immediately realized, whereas capital gains offer no immediate result and carry greater risk (Natasya and Yusbardini, 2022).

Dividend Irrelevance Theory

Dividend policy is considered insignificant or unrelated to stock prices or company value. Business risk and the ability to generate profit determine company value more than the amount of dividend paid. Therefore, dividend policy is not considered a major factor.

Residual Theory

The residual dividend theory discusses the origin and use of company funds. The concept is that dividends are paid from net profits after retained earnings are used for investment or business expansion. In other words, dividend payments occur only after internal resources are fulfilled to support company growth (Miller and Modigliani, 1961).

Tax Preference Theory

Tax preference theory implies that investors tend to favor companies that pay minimal dividends due to higher taxes imposed on dividends compared to capital gains. Additionally, dividend payments trigger immediate tax obligations for shareholders. Thus, to maximize shareholder value, companies ideally maintain low dividend payments (Brennan, 1970).

Clientele Effect Theory

Clientele effect theory suggests that different groups of shareholders have varying preferences for a company's dividend policy. Companies typically aim to attract types of investors that align with their established dividend policies. Shareholders seeking current income tend to prefer high dividends, while those not needing immediate funds prefer that the company retain most of its earnings (Brigham and Houston, 2016).

Dividend Policy

Dividend policy results from decisions made by management and approved during the general meeting of shareholders, concerning the allocation of company earnings—whether to be distributed to shareholders as dividends or retained as undistributed earnings to be used as an internal funding source for the company's future growth (Gennusi and Maharani, 2021). Dividend policy also provides an opportunity to study how companies simultaneously manage the interests of shareholders and creditors (Resti et al., 2018).

Investment Opportunity Set (IOS)

Myers (2020) explains that the investment opportunity set refers to the range of investment choices available to a company in the future, reflecting the growth potential of the company's assets and equity. Although investment options offer growth potential, not all opportunities can be realized within a specific timeframe. Companies that fail to utilize these opportunities will incur higher costs than the value of the missed opportunities (Sukarti et al., 2022).

Debt Policy

Debt policy can be defined as a strategy or approach taken by a company in managing its funding sources and capital structure. It includes decisions about how much debt will be used to finance operations. Debt policy is part of a company's obligation to repay certain amounts of debt—both short- and long-term—arising from goods and services received from other parties as a result of previous transactions (Purwanto, 2022).

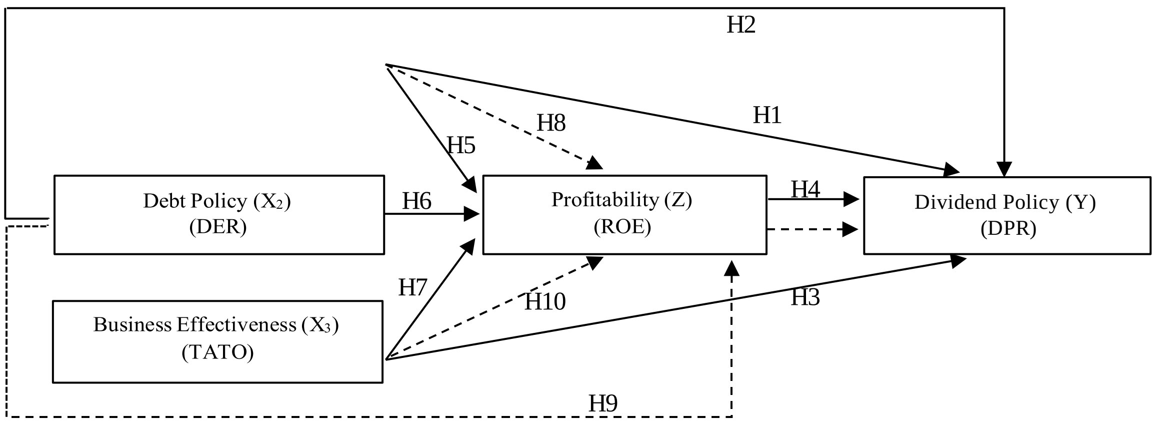
Business Effectiveness

Effectiveness refers to the extent to which planned goals are successfully achieved. An action is considered effective when it meets previously established objectives. The measure of how effective a company is in managing its resources is known as the activity ratio (Husnan and Pudjiastuti, 2015). High asset turnover indicates management's ability to manage assets efficiently to achieve optimal results. This ratio shows how quickly assets turn over in a given period and reflects the efficiency of using total company assets to generate specific sales (Purwanto et al., 2021).

Profitability

Profitability is a crucial aspect of determining a company's performance and serves as an indicator in assessing the company's sustainability in the future. Furthermore, profitability plays a key role in guiding a company's financial decisions and behavior, as well as in determining how investors receive higher returns from the company (Sholikhah et al., 2022). Within signaling theory, profitability serves as a positive signal from the company to investors regarding its prospects, based on the level of profit generated.

Figure 4. Theoritical Framework



Research Method

In this study, the type of data used is secondary data in the form of quantitative data, which implies that the research employs relevant theories and previous research findings to formulate hypotheses. The population of this research includes all companies listed on the Indonesia Stock Exchange (IDX) in the consumer goods industry sector during the period of 2018–2022. The sampling technique used is purposive sampling. This study uses time series data over a five-year period (2018–2022), and also applies cross-sectional data by collecting information from multiple companies (pooled data). The sample consists of 24 companies in the consumer goods industry sector listed on the IDX. The data is analyzed using EViews 13 software with a panel data regression model approach, including testing of the panel regression model.

The first stage of the data analysis involves testing the direct effect of the independent variables (X) on the intervening variable (Z), which acts as the dependent variable in the first model. After this test, the next stage is to examine the influence of variable X (independent) and variable Z (intervening) on the dependent variable Y. Subsequently, the study conducts a Sobel Test to determine whether variable Z mediates the relationship between variable X and variable Y.

Result and discussion

This research uses a series of testing stages to obtain the best model approach and results according to the data obtained. The testing steps begin by selecting the appropriate panel data regression model to test the dependent, independent, and intervening variables. Next, a panel data regression model is selected to test the intervening variable.

The Effect of Investment Opportunity Set on Dividend Policy

The results show that the t-statistic of IOS is 1.118752 < t-table value of 1.65821 or a p-value of 0.2662 > 0.05, with a positive coefficient direction. This indicates that the investment opportunity set does not affect the dividend policy in the consumer goods and industrial sectors during the 2018 –2022 period, thereby rejecting the first hypothesis. This suggests that the characteristics of this sector focus more on dividend payment stability to maintain investor confidence. This sector tends to have consistent demand and stable cash flows, so dividend policies are more influenced by profitability and shareholder loyalty strategies than by expansive investment opportunities. As a result, companies in this sector continue to pay dividends even when investment opportunities exist, as stable dividends are seen as a positive signal to the market.

These results are consistent with previous research by Karang et al. (2020), Utami (2021), Rizal and Triyanto (2021), and Widyawati (2022), who state that the investment opportunity set does not significantly influence dividend policy. Overall, the companies in the sample are established entities that have been operating for a long time. Therefore, even with significant investment opportunities, companies tend not to alter or reduce their dividend payments, as they already have substantial retained earnings reserves.

The Effect of Debt Policy on Dividend Policy

The research shows that the t-statistic of debt policy is -1.970209 < t-table value of 1.65821 or a p-value of 0.0518 > 0.05, with a negative coefficient direction. This indicates that debt policy does not affect the dividend policy in the consumer goods and industrial sectors during 2018–2022, thereby rejecting the second hypothesis. This sector generally has stable cash flows and a lower dependency on external financing for operations. Companies rely more on operating income to fund business activities, so the level of debt does not affect their ability or willingness to pay dividends. Furthermore, since this sector focuses on daily necessities with relatively stable demand, companies prefer to maintain a consistent dividend policy to attract investors, regardless of changes in debt policy.

The findings support previous research indicating that debt policy does not significantly affect dividend policy. Companies with sufficient retained earnings can meet debt obligations using internal funds, ensuring financial flexibility and efficient capital structure management. As a result, they can maintain consistent dividend payments, with changes in debt levels having minimal impact on dividend distributions.

The Effect of Business Effectiveness on Dividend Policy

The results show that the t-statistic of business effectiveness is 1.980399 > t-table value of 1.65821 or a p-value of 0.0506 < 0.05, with a positive coefficient direction. This indicates that business effectiveness has a positive and significant effect on dividend policy in the consumer goods and industrial sectors during 2018 – 2022, thus accepting the third hypothesis. High business effectiveness shows the company's ability to optimally manage resources, reduce costs, and maximize profits. Greater profits allow companies in this sector to pay higher dividends to shareholders. Since this sector focuses on basic necessities with stable demand, improved business effectiveness is a key factor supporting more consistent and sustainable dividend policies, thereby attracting investors seeking stable returns.

This finding supports earlier research by Triono and Artati (2019), Purwanto et al. (2021), and Setyaningsih and Sucipto (2021), who found that business effectiveness significantly affects dividend policy. It indicates that faster asset turnover increases net profit, as companies can use their assets to boost sales, impacting revenue. Thus, greater asset efficiency improves company performance, ultimately increasing both profits and dividends for investors.

The Effect of Profitability on Dividend Policy

The results show that the t-statistic of profitability is 2.182115 > t-table value of 1.65821 or a p-value of 0.0316 < 0.05, with a positive coefficient direction. This indicates that profitability has a positive and significant effect on dividend policy in the consumer goods and industrial sectors during 2018–2022, thereby accepting the fourth hypothesis. High profitability reflects the company's ability to generate sufficient profits, thereby increasing its capacity to consistently distribute dividends.

Furthermore, this sector generally focuses on essential goods with stable demand, even in uncertain economic conditions. Hence, profitability is often used as a primary indicator in determining dividend policy, as companies aim to demonstrate solid performance and maintain investor confidence through balanced dividend distributions.

This result supports previous studies by Nai et al. (2022), Sholikhah et al. (2022), Handayani et al. (2022), Madyoningrum (2019), and Prastya and Jalil (2020), who found that profitability significantly affects dividend policy. In essence, higher company profitability leads to higher dividend payouts. Companies that consistently generate profits can confidently set dividend payment levels, demonstrating the quality of their earnings.

The Effect of Investment Opportunity Set on Profitability

The results show that the t-statistic of IOS is 3.012295 > t-table value of 1.65810 or a p-value of 0.0033 ≤ 0.05, with a positive coefficient direction. This indicates that the investment opportunity set has a positive and significant effect on profitability in the consumer goods and industrial sectors during 2018 –2022, thereby accepting the fifth hypothesis. This relationship shows that companies in this sector can utilize investment opportunities to enhance operational efficiency, expand production capacity, and develop new products aligned with market demand. Investments in production technology, distribution, or marketing help reduce operational costs and increase economies of scale, which positively affect profitability.

This finding is consistent with the research by Muthohharoh and Pertiwi (2021), which found that investment opportunity sets significantly affect profitability. Wise investment decisions allow companies to take advantage of opportunities for growth and efficiency, ultimately increasing profitability. These investments, when executed well, generate significant returns and strengthen financial position, directly contributing to revenue growth and profitability.

The Effect of Debt Policy on Profitability

The results show that the t-statistic of debt policy is 1.451192 < t-table value of 1.65810 or a p-value of 0.1501 > 0.05, with a positive coefficient direction. This indicates that debt policy does not affect profitability in the consumer goods and industrial sectors during 2018–2022, thus rejecting the sixth hypothesis. This is due to the sector's characteristics, which generally feature more stable funding structures with lower reliance on debt to finance operations. These companies often rely on operating income and internal capital for expansion and activities, so debt levels do not significantly affect profitability.

This finding aligns with previous research by Astrid (2021), Tarigan and Sudjiman (2022), Tan and Hadi (2020), and Purwanto et al. (2022), which states that companies face little financial risk based on stable debt-to-equity ratios. This means management can maintain a conservative or low debt policy without affecting company profitability.

The Effect of Business Effectiveness on Profitability

The results show that the t-statistic of business effectiveness is 3.860362 > t-table value of 1.65810 or a p-value of 0.0002 ≤ 0.05, with a positive coefficient direction. This indicates that business effectiveness has a positive and significant effect on profitability in the consumer goods and industrial sectors during 2018 – 2022, thereby accepting the seventh hypothesis. Specifically, in this sector focusing on basic needs, business effectiveness plays a key role in maintaining competitiveness, as consumers tend to choose products offering the best balance of price, quality, and availability. Therefore, the more effective a company's operations, the higher the achievable profitability. This positive relationship is crucial in creating sustainable competitive advantage.

This finding supports earlier studies by Ambari et al. (2020), Cahya et al. (2021), and Triono and Artati (2019), which found that business effectiveness significantly affects profitability. Greater efficiency in asset utilization helps increase productivity, reduce costs, improve quality, and boost competitiveness, ultimately contributing to higher company profitability.

The Influence of Investment Opportunity Set on Dividend Policy through Profitability

The Sobel test result is 1.767186 < 1.98045 at a 5% significance level, meaning that the investment opportunity set does not affect dividend policy through profitability. This can be explained by the nature of companies in this sector, which tend to prioritize the stability of dividend payments over pursuing investment opportunities. Even though companies may have investment opportunities for expansion or diversification, these do not significantly influence dividend policy through increased profitability, as companies in this sector are more focused on maintaining shareholder trust by sustaining a stable dividend policy.

This finding aligns with previous studies showing that investment opportunities do not necessarily influence dividend payments in industrial and consumer goods companies. Instead of basing dividend decisions on investment prospects, companies prioritize profit maximization to build retained earnings. Most sampled companies are in a maturity stage, focusing on consistently generating and distributing profits while using retained earnings for investments without reducing dividends.

The Influence of Debt Policy on Dividend Policy through Profitability

The Sobel test result is 1.208373 < 1.98045 at a 5% significance level, meaning that debt policy does not affect dividend policy through profitability. In this sector, companies generally have stable cash flows due to the constant demand for essential products, enabling them to fund operations and distribute dividends independently, without relying on debt. As a result, the addition of debt or changes in capital structure do not significantly impact profitability, and thus, do not have a considerable effect on dividend policy.

However, this finding supports previous research by Alessya and Tasman (2022), Purwaningsih et al. (2019), and Junianto et al. (2022), which revealed that investors' decisions to invest or purchase shares in companies in this sector are not based on debt levels. This is because the sector's financial ratios are not in good condition or are increasing, discouraging investors from buying shares due to high debt ratios. The size of a company's profits does not influence investors' perceptions of its debt levels, meaning that debt policy does not affect dividend policy through profitability.

The Influence of Business Effectiveness on Dividend Policy through Profitability

The Sobel test result is 1.899629 < 1.98045 at a 5% significance level, meaning that business effectiveness does not affect dividend policy through profitability. This indicates that in the consumer goods sector, dividend payment stability is often a top priority for companies as a way to maintain reputation and attract investors. Companies prioritize consistent dividend distribution, even when business effectiveness rises or falls. Dividend policy is thus more influenced by other considerations such as stable cash availability and management's long-term outlook, rather than solely on profitability derived from operational efficiency.

The study aligns with previous research showing that business effectiveness does not significantly affect dividend policy in mature companies. This is because such companies usually have stable, proven business models and capital structures. As a result, profitability fluctuations and changes in asset turnover have minimal impact on their dividend decisions. Their primary focus is on efficiently using existing capital rather than altering capital allocation.

Conclusions

Based on the results of the research, analysis, and previously formulated hypotheses, the following conclusions can be drawn:

1. The investment opportunity set does not affect dividend policy.
2. Debt policy does not affect dividend policy.
3. Business effectiveness has a significant positive effect on dividend policy.
4. Profitability has a significant positive effect on dividend policy.
5. The investment opportunity set has a significant positive effect on profitability.
6. Debt policy does not affect profitability.
7. Business effectiveness has a significant positive effect on profitability.
8. The investment opportunity set does not have a direct effect on dividend policy through profitability.
9. Debt policy does not have a direct effect on dividend policy through profitability.
10. Business effectiveness does not have a direct effect on dividend policy through profitability.

In addition, the researcher acknowledges that there are still limitations and shortcomings in this study. Therefore, for future research, it is recommended that future researchers consider using this as input for assessing a company's performance with the aim of evaluating the return on investments that have been made or are being considered. Furthermore, fundamental analysis should also be taken into account when making investment decisions to ensure wise investment policies that can minimize investment risk. For management, those with high investment opportunities are advised to reduce unprofitable investments so that the available profits can be better allocated to increase dividend distribution to shareholders.

Acknowledgement

The author would like to express sincere gratitude to the academic advisors and lecturers at Universitas Pembangunan Nasional Veteran Jakarta for their invaluable guidance and support throughout the course of this research. Special thanks are extended to Ibu Prof. Dr. Erna Hernawati, Ak., CPMA., CA and Ibu Dr. Jubaedah, SE., MM whose insights, feedback, and encouragement were essential to the completion of this study. The author is also grateful to the faculty members and administrative staff of the Faculty of Economic and Business for providing the necessary resources and assistance. Appreciation is also extended to family and friends for their unwavering support and motivation during the completion of this master's program. Finally, the author acknowledges all individuals and institutions who contributed directly or indirectly to this research.

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