

Internal Factors Affecting Dividend Policy in Energy Sector Companies Listed on the Indonesian Stock Exchange

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ABSTRACT

This study aims to understand the extent to which the contribution of factors, namely profitability, liquidity, leverage, firm size, free cash flow, growth and investment opportunities, affect dividend policy in the energy sector companies period 2020-2024. 30 energy sector companies listed on the Indonesia Stock Exchange (IDX) were accumulated using purposive sampling. Random effect model (REM) is applied to determine the factors that affect the dividend policy. The result showed that companies which are matured and profitable while maintaining strong liquidity, cash flow, and less dependent on debt can affect its dividend policy significantly. However, growth and investment opportunities unable to show its effect on dividend policy. Therefore, this study provides different perspective on dividend policy in the energy sector companies listed on Indonesia Stock Exchange (IDX).

INTRODUCTION

The primary goal of a company in financial management is to enhance the wealth of its shareholders. This also means that every decision the company makes, including those about dividends, is focused towards maximizing shareholders' wealth. Dividend decisions, involve deciding how much of a percentage the company's profit will be distributed to investors. Thus, affects how the company manages its earnings, which consist of net income after taxes, either being kept as retained earnings or paid out as dividends to investors (Djazuli & Dodi, 2020).

Financial ratio analysis is a method used to compare a company's current financial performance with that of a previous period. This analysis helps assess how well the company is doing. According to Djazuli and dodi (2020), investors often rely on financial ratios to predict a company's future success. They use financial ratios as a tool to reflect the company's overall financial health and performance, which then be understood through its fundamental metrics. By examining its financial statements, we can determine the overall success of a company, which provides an overview of its performance (Lina et al., 2023).

Past studies have attempted to identify factors that affect dividend policy. A study by Gupta et al. (2024) found that KIFs in India did not change their dividend decisions based on leverage conditions and investment and growth opportunities. However, research by Dsouza et al. (2025) showed that dividend payment decisions are influenced by profitability and firm size, while liquidity, growth, and leverage do not affect dividend payment decisions of companies in the S&P 500. Additionally, research by Wahjudi (2020), shows that profitability does not influence dividend decisions, but growth, liquidity, and leverage significantly affect dividend decisions in manufacturing companies listed on the Indonesian Stock Exchange (IDX). This implies that there are differences in the factors influencing dividend policy across countries and sectors.

Research in the energy sector companies especially in Indonesia is still scarce the present research focuses on the energy sector listed on the Indonesia Stock Exchange (IDX). Over the past five years, the energy sector has been among the sectors that have distributed the most dividends. The President Director of PT Kustodian Sentral Efek Indonesia (KSEI) stated that throughout 2024, the energy sector was the largest contributor of dividends among other sectors (Tonce, 2024). However, there are companies in the energy sector that have not yet distributed dividends over the past five years despite the current conditions. PT TBS Energy Utama TBK (TOBA) one of the companies listed on the Indonesia Stock Exchange (IDX), stated that they will not distribute dividend as a result of the declining net profit for the 2023 period (Safitri & Djumena, 2024). Moreover, research on dividend policies in energy sector companies using the pecking order theory remains limited. Therefore, this research offers a different perspective for future researchers while contributing to the existing literature.

The objective of this paper is to examine six factors namely, profitability, liquidity, leverage, firm size, free cash flow, growth and investment opportunities affecting dividend policy in energy sector companies listed on the Indonesia Stock Exchange (IDX). The result of this study will be useful for investors in making their investment decisions based on their preferences.

The rest of the paper will be outlined with the arrangement as follows: The next section entails a detailed review of existing literature, development of the research hypothesis, and the framework model. This is followed by an overview of the methodology and brief explanation about the research model. The methodology is followed by an empirical analysis for the result of the regression analysis and discussion on factors affecting the dividend policy in energy sector companies. Finally, a brief conclusion to the result and is followed by implications, limitations, and suggestions for future research.

LITERATURE REVIEW

Pecking Order Theory

The grand theory that used on this research is pecking order theory. Pecking order theory suggest that companies do not have targets for their cash availability levels, but cash is used as a buffer between retained earnings and investment needs (Sitorus et al., 2020). The first source of company funding comes from business debt and accrued funds. The next source of funding is retained earnings generated from activities during the current period. Then, if retained earnings are insufficient to meet capital needs, the company issues debt securities. Finally, the company will issue new shares as a last resort (Brigham & Houston, 2021:505). Previous research has explained the use of the pecking order theory in line with the residual dividend theory, both of which explain how company growth affects dividend policy. Conceptually, they are different, but they explain that dividend payments occur after investment decisions are made, including investments financed by debt. Companies with rapid growth indicate that funding needs are higher. Therefore, companies with rapid growth require more funding (Wirama et al., 2024). This, in turn, influences their dividend decisions, as the funds generated are no longer distributed to shareholders but retained for future needs (Gupta et al., 2024).

It can be concluded that, according to the pecking order theory, firms choose their sources of funding. Internal funding is preferred over external funding. This then shows how the funds are used; companies with rapid growth will be more inclined to engage in more investment activities. Thus, this influences the company's dividend policy decisions.

Dividend Policy

Dividend policy is a decision made by a company regarding how much of the net profit from the company's operational activities will be used, reinvested, or distributed to shareholders (Pinto et al., 2020). Shareholders value relatively consistent dividend distributions because this reduces uncertainty regarding the return on their investments and enhances their confidence in the company, both of which contribute to increased stock value (Wahjudi, 2020). Furthermore, Bhuiyan and Ahmad (2022) present their findings, which show that dividend distribution policy is an inclusive process that encompasses the company's financial prospects and other aspects, such as reputation issues, indicating that investors should be cautious when interpreting a company's dividend payment decisions. Companies can pay dividends in several ways; the first is through cash dividends, specifically dividends announced and paid during a specific period and dependent on the company's profits, second, share dividends, which are dividends distributed by the company in the form of shares through the issuance of new shares or the repurchase of shares from the public, and third, property dividends, which are dividends distributed by the company in the form of property or goods (Djazuli & Dodi, 2020).

Profitability on Dividend Policy

Profitability ratio specifically, a set of statistical data that measures the impact of debt, asset management, and liquidity on the operational results of a business (Brigham & Houston, 2021:120). High profitability will increase profits and ultimately benefit shareholders (Wahjudi, 2020). A study by Setiawan et al. (2024) shows that large and profitable banks in Indonesia with a long operational history have a high retained earnings ratio compared to total equity and assets, enabling them to distribute larger dividends to shareholders. Furthermore, research conducted by Lina et al. (2023) on mining companies in Indonesia shows a significant relationship between profitability and dividend policy. Further indicating that companies with strong profitability ratios and large profits will pay larger dividends to shareholders. Based on the reported findings of Gupta et al. (2024) and other referenced journal include Boumlik et al. (2023); Dsouza et al. (2025); Tinungki et al. (2022) stated that profitability has a significant influence on dividend policy. However, these findings contradict a previous finding by Wahjudi (2020), which found that profitability does not have a significant impact on dividend policy. Thus, the following hypothesis can be formulated as follows: H₁: *Profitability has A Significant Effect on Dividend Policy.*

Liquidity on Dividend Policy

The liquidity ratio determines the relationship between a company's cash and current assets and its current liabilities. The ability to quickly convert assets into cash without significantly reducing their value indicates that the company has liquid assets (Brigham & Houston, 2021:111). Optimal liquidity must be maintained to enhance profitability (Sintha & Simbolon, 2022). Companies with high liquidity ratios have more liquid assets available to fund their operations. As a result, this can also avoid the need for external funding sources (Ramachandran et al., 2024). According to research by Franc-Dąbrowska et al.

(2020), liquidity levels and current asset structure influence dividend payment decisions in a company; high cash surplus levels can be interpreted as the distribution of retained earnings in the form of dividends to shareholders. Based on the findings of Gupta et al. (2024), also other referenced journals include Santosa et al. (2023) and Wahjudi (2020), stated that liquidity is known to have a significant effect on dividend policy. However, these findings contradict a previous study by Dsouza et al. (2025), which found that liquidity does not have a significant impact on dividend policy. Therefore, the following hypothesis can be formulated as follows:

H₂: Liquidity has a Significant Effect on Dividend Policy.

Leverage on Dividend Policy

The leverage ratio is a ratio that determines the amount of debt and equity in a company's total capital (Gupta et al., 2024). A high leverage ratio indicates a higher level of obligations that must be met, while a low leverage ratio indicates that the company can meet its funding needs with its own capital (Wahjudi, 2020). Furthermore, in the study by De Souza et al. (2024), it is stated that companies with minimal dividend payments have a low debt ratio, indicating a positive net debt policy, while companies with larger dividend payments have a large debt burden from external financing sources. The study by Li and Roberts (2023) on firm listed on the New Zealand stock exchange shows that the decision to use leverage has a significant relationship with dividend payments and company growth opportunities. Companies will try to delay the use of debt due to financial constraints or to maintain financial flexibility. Based on the findings of Boumlik et al. (2023) and De Souza et al. (2024), leverage has a significant effect on dividend policy. However, these results contradict the journal referenced in this study. Study by Gupta et al. (2024), state that leverage has no effect on dividend policy. Then, the following hypothesis can be formulated as follows:

H₃: Leverage has a Significant Effect on Dividend Policy.

Firm Size on Dividend Policy

Firm size is one of the financial data that influences firms' investment decisions (Susilawaty et al., 2024). Large companies have established greater control over market condition and can bear risks that may occur (Santoso & Pratiwi, 2023). As a result, they may find it easier to obtain external funding at lower prices and with fewer financial restrictions (Budagaga, 2020). Study by De Souza et al. (2024), shown that larger dividends are often paid by large companies, which are generally in the harvest phase and have advanced internal procedures will instill confidence in investors. A study by Bhuiyan and Ahmad (2022) on firms in the United States found that larger, more profitable companies, and larger cash flows can pay higher dividends. This aligns with the findings of Setiawan et al. (2024), who state that the size of banks that pay dividends is larger than those that do not pay dividends. Based on the findings of Gupta et al. (2024) and other reference journals by Budagaga (2020); De Souza et al. (2024); Tinungki et al. (2022), it is explained that company size has a significant effect on dividend policy. However, the results of this study contradict previous research by Lestari et al. (2021), which found that firm size does not have a significant impact on

dividend policy. Therefore, the following hypothesis can be formulated as follows:

H₄: *Firm Size has a Significant Effect on Dividend Policy.*

Free Cash Flow on Dividend Policy

Referring to previous theories, companies with significant cash flows tend to provide greater flexibility in their dividend payments (Karki & Seth, 2025). Free cash flow is also related to liquidity; companies will increase dividends when they have sufficient liquid funds and reduce the amount of dividends when faced with liquidity problems (Gupta et al., 2024). Meanwhile, when a company has excess cash, it needs to fund projects with positive value, but it is better for managers to return the excess cash to shareholders in the form of dividends to maximize shareholder wealth (Rochmah & Ardianto, 2020). Companies with significantly larger cash flows have a greater opportunity to pay dividends than companies with smaller cash flows in the banking sector, indicating that dividend payments will increase as companies have more positive cash flows (Setiawan et al., 2024). Based on the findings of Gupta et al. (2024), it is known that free cash flow has a significant effect on dividend policy. Other relevant references include De Souza et al. (2024) and Rochmah and Ardianto (2020). This indicates that free cash flow plays an important role in determining dividend decisions.

H₅: *Free Cash Flow has A Significant Effect on Dividend Policy.*

Growth and Investment Opportunities on Dividend Policy

Growth and investment opportunities are conditions in which companies are faced with financial decisions to fund investment opportunities used to increase future revenue or to increase profitability (Budagaga, 2020). Companies will reduce their dividend payments when faced with growth opportunities, and existing funds will be used for investment needs (Gupta et al., 2024). This is because companies prioritize funding from internal sources (Boumlik et al., 2023). Based on the findings of Boumlik et al. (2023), it is known that growth and investment opportunities have a significant effect on dividend policy. This is also supported by previous research by Wahjudi (2020). However, the results of this study contradict the research conducted by Gupta et al. (2024), found that growth and investment opportunities do not have a significant influence on dividend policy.

H₆: *Growth and Investment Opportunities has a Significant Effect on Dividend Policy.*

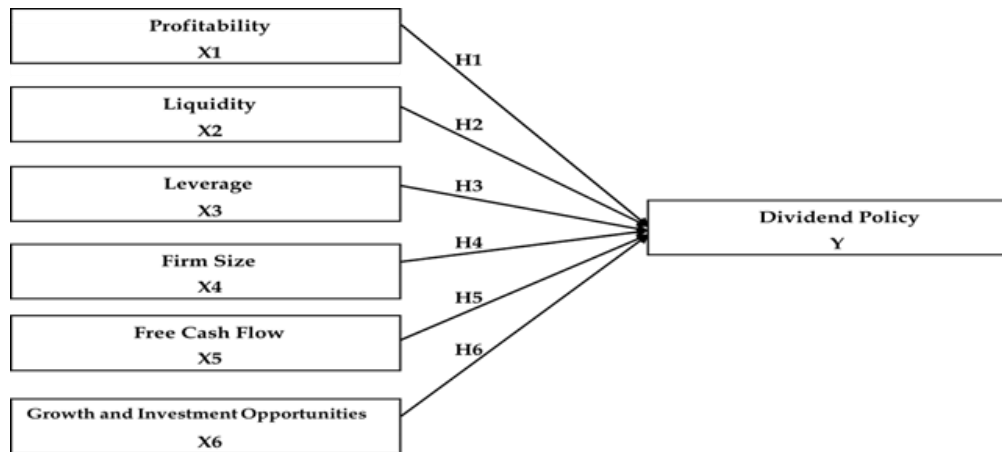


Figure 1. Research Framework

Source: Developed By Author

The hypothesis formed from the following research framework is:

H1: Profitability has a significant effect on dividend policy.

H2: Liquidity has a significant effect on dividend policy.

H3: Leverage has a significant effect on dividend policy.

H4: Firm size has a significant effect on dividend policy.

H5: Free cash flow has a significant effect on dividend policy.

H6: Growth and investment opportunities has a significant effect on dividend policy.

METHODOLOGY

For the purpose of this study, the population is energy sector companies listed on the Indonesia Stock Exchange (IDX) between 2020 to 2024. The initial sample was 90 firms, 21 of which did not meet the criteria as they do not have a complete financial statement to support the study. Also, 39 firms were excluded as they did not distribute dividends during the period from 2020 to 2024. It was found that the final sample is 30 firms and resulted in 150 data. The data that have been taken and used in this study are secondary data, which are from the firm's annual report and are obtained at the Indonesia Stock Exchange's website www.idx.co.id.

The dividend policy is the dependent variable in this study and is measured using dividend per share (DPS), which divides total dividends by total outstanding shares (Boumlik et al., 2023; Dsouza et al., 2025; Gupta et al., 2024; Tinungki et al., 2022). Furthermore, the six independent variables in this paper are profitability, liquidity, leverage, firm size, free cash flow, growth and investment opportunities. The study by Gupta et al. (2024) recommends using two measurement tools to measure the profitability variable, namely net profit margin (NPM) and return on capital employed (ROCE) in their model. The liquidity variable is measured using the current ratio (CR), the leverage variable is measured using the debt-to-equity ratio (DER), the firm size variable is measured using the natural log of total assets (SIZE), free cash flow (FCF) is measured using the total cash flow available in the firms' financial statements, and growth and investment opportunities are measured using the market to

book ratio (MBR) and increase in investment (Inc_Inv). The table below provides explanations of the variables used in this paper.

In this paper, multiple linear regression analysis was performed using e-views 13 software. Before performing multiple linear regression analysis, classical assumption tests must be performed, including (1) the normality tests to see whether the independent and dependent variables or both are normally distributed or not, (2) the autocorrelation test to indicate whether there is autocorrelation if there are residuals between periods, (3) the multicollinearity test to check whether there is a strong relationship between independent variables, and (4) the heteroscedasticity test to see if there is inconsistency in the difference between residuals from one observation to another. This is necessary to ensure an adequate regression model. Following the classic assumption test, panel data selection methods were applied to determine which model was best to use between the common effect model (CEM), fixed effect model (FEM), and random effect model (REM). The panel data selection methods used included the Chow test, Hausman test, and Breusch-Lagrange multiplier test. The multiple regression analysis model in this paper was formulated in the equation as follows:

$$Y = \alpha + \beta_1 \text{NPM} + \beta_2 \text{ROCE} + \beta_3 \text{CR} + \beta_4 \text{DER} + \beta_5 \text{SIZE} + \beta_6 \text{FCF} + \beta_7 \text{MBR} + \beta_8 \text{INC_INV} + e$$

Explanation:

Y	= Dividend per share (DPS)
α	= constanta
β	= Variable regression coefficient
NPM	= Net profit margin
ROCE	= Return on capital employed
CR	= Current ratio
DER	= Debt-to-equity ratio
SIZE	= ln (total assets)
FCF	= Total free cash flow
MBR	= Market-to-book ratio
INC-INV	= Increase in investment
e	= error

RESEARCH RESULT

Descriptive Statistic

Table 1 shows that from 150 data, DPS has an average value of 326.94 with a standard deviation of 944.30, indicating a high level of diversity and a fairly low average value when viewed in the range of 0.00 to 6416.00. CR has an average value of 2.128 with a maximum value of 10.07 and a minimum value of 0.43, indicating that firms in the energy sector have good liquidity. Meanwhile, some firms in the energy sector still did not generate profits from their business, as indicated by the lowest NPM and ROCE values of -0.284 and 0.00, respectively. The mean values are still acceptable considering the percentage of 12.8% for NPM and 23.5% for ROCE, implying that most firms in the energy sector still generate sufficient profits to maintain their dividend payment policy while sustaining

their operational activities. DER has an average value of 0.601 with a maximum value of 5.183 and a minimum value of 0.32, meaning that most firms in the energy sector did not rely heavily on external funding. SIZE, measured by the natural logarithm of total assets, has a range of value of 27.25 to 32.74 and an average value of 29.76 with a standard deviation of 1.47, means that size of firms in the energy sector did not vary as much. FCF has an average value of IDR 2.75 trillion with a maximum value of IDR 53.66 trillion and a minimum value of IDR -8.07 trillion. MBR has an average value of 2.556 with a maximum value of 32.63 and a minimum value of 0.230. Inc_Inv has an average value of 0.671 trillion IDR with a maximum value of 17.50 trillion IDR and a minimum value of 0.00.

Table 1. Descriptive Statistic

	DPS	NP M	ROC E	CR	DER	SIZ E	FCF (In trillio n IDR)	MB R	INC_IN V (In trillion IDR)
Mean	326.94	0.128	0.235	2.128	0.601	29.76	2.75	2.556	0.671
Median	27.28	0.095	0.130	1.589	0.32	29.58	0.497	0.980	0.006
Maximum	6416.00	0.768	1.398	10.07	5.183	32.74	53.66	32.63	17.50
Minimum	0.00	-0.284	0.00	0.43	0.00	27.25	-8.07	0.230	0.00
Std. Dev.	944.30	0.144	0.279	1.616	0.831	1.47	6.38	4.990	2.11
Observations	150	150	150	150	150	150	150	150	150

Source: Data Processed by Author, 2025

Classical Assumption Test

Classical assumption tests are used to ensure that linear regression models meet the BLUE (Best Linear Unbiased Estimation) requirements in order to provide adequate and unbiased models. The classical assumption test consists of four tests: normality test, multicollinearity test, heteroskedasticity test, and autocorrelation test.

The variance inflation factor reports are shown in table 2. The VIFs of every independent variable indicate how closely correlated the relationship between each variable. The highest VIF among variables was for FCF with the value VIF = 1.7998 and for the lowest VIF was for MBR with the value VIF = 1.1729. All explanatory variables in this paper have VIF values greater than 1 and less than 10; the tolerance values for all variables are greater than 0.1 or 10%. Therefore, the data is considered free from multicollinearity issues.

Table 2. Multicollinearity Test

	NPM	ROCE	CR	DER	SIZE	FCF	MBR	Inc_Inv
VIF	1.4492	1.4646	1.2361	1.4724	1.6915	1.7998	1.1729	1.1799
1/VIF	0.6900	0.6827	0.8089	0.6791	0.5911	0.5556	0.8525	0.8474

Source: Data Processed By Author, 2025

The normality test was carried out using the Jarque-Bera method. The results obtained a p -value = 0.351157 > 0.05; therefore, it can be concluded that the data is normally distributed and free from normality issues. The Breusch-Godfrey Serial Correlation LM test was used to test for autocorrelation. The probability value obtained was 0.5001 > 0.05, showing that the data obtained for this paper is free from autocorrelation issues, referring to the rule that if the p -value > 0.05, then the data is free from autocorrelation. The White test was used to test for heteroskedasticity, with a p -value of 0.2488 > 0.05, meaning that the homoscedasticity assumption is accepted. According to the heteroskedasticity test rule, a p -value > 0.05 indicates that the data is free from heteroskedasticity issue.

Table 3. Normality Test, Autocorrelation Test, and Heteroskedasticity Test

	Normality test: p - value of Jarque- Bera	Autocorrelation test: Breusch- Godfrey test	Heteroskedasticity test: White
Probability	0.351157	0.5001	0.2488

Source: Data Processed By Author, 2025

The panel data selection method is used to select the best model among the existing models. The Hausman test indicates that the random effect model (REM) is the most appropriate, with a p -value for random cross-section of 0.3881 > 0.5. Following the Hausman test, another test was conducted, namely the Breusch-Lagrange multiplier test, which produced p -value of both 0.000 > 0.05, leading to the conclusion that the random effect model (REM) is the most effective model to use. From the two panel data selection methods, it can be inferred that the panel data model used in this paper is the random effect model (REM). The REM model can be referred to as the error component model (ECM) or generalized least squares (GLS). In this model, the difference in intercepts is adjusted by the error terms of each firm.

Table 4. Panel Data Selection Method

	CEM	FEM	REM
Chow test	Rejected (-)	Accepted (+)	Rejected (-)
Hausman test	Rejected (-)	Rejected (-)	Accepted (+)
Breusch-lagrange test	Rejected (-)	Rejected (-)	Accepted (+)

Source: Data Processed By Author, 2025

Regression Result

Result of the regression model found that profitability, liquidity, leverage, firm size, and free cash flow are factors that significantly affect the dividend policy of firms. Meanwhile, growth and investment opportunities did not affect dividend policy of firms in the energy sector. The F test is used to see whether all six explanatory variables simultaneously have a significant impact on the dependent variable, and vice versa. As seen in Table 5, the F statistic test has a significance value of 0.00000 or < 0.05 , which means that the variables NPM, ROCE, CR, DER, SIZE, FCF, MBR, and Inc_Inv simultaneously have a significant effect on DPS. Following the F test, the R test also showed a p-value of adjusted R squared of 0.468126, which means that 46.81% of the change in DPS can be explained by the independent variables, namely NPM, ROCE, CR, DER, SIZE, FCF, MBR, and Inc_Inv. The remaining 53.19% is explained by other factors outside the variables used in this paper. Other factors mentioned include collateralizable assets (Wahjudi, 2020), firms' age (Boumlik et al., 2023) and (Tinungki et al., 2022), firms' life cycle (Dsouza et al., 2025), financial restatement (Bhuiyan & Ahmad, 2022), and etc.

Table 5. Result of Multiple Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Sig
Constant	-10.71360	1.725162	-6.210197	0.0000
NPM	-0.234008	0.092368	-2.533413	0.0128
ROCE	0.913179	0.201445	4.533152	0.0000
CR	0.094987	0.028766	3.302077	0.0013
DER	-0.233903	0.111512	-2.097560	0.0383
SIZE	0.403744	0.058391	6.914434	0.0000
FCF	-0.132048	0.041455	-3.185361	0.0019
MBR	0.005031	0.012251	0.410633	0.6822
Inc_Inv	-0.043447	0.031986	-1.358310	0.1772
R Squared	0.505451			
Adj. R Squared	0.468126			
F Statistic	13.54207			
F sig	0.00000			

Source(S): Data Processed by Author, 2025

DISCUSSION

Profitability on Dividend Policy

The hypothesis test result indicate that H1 is accepted, shows a significant result between profitability on dividend policy. However, the two measures, NPM and ROCE, have different effects on DPS. NPM shows a negative value, indicating that if a company experiences a decline in net profit from its operational activities, it will still distribute dividends to its investors. According to the data found, this occurred during the 2020-2021 period. All companies were hit by a crisis that directly impacted the performance of all companies. However, most companies continued to distribute dividends during the 2020-2021 period to indicate to their shareholders that the company was still operating well. Meanwhile, ROCE has positive results. Based on the pecking order theory, internal financing is preferred because it does not incur transaction costs, so the effective use of assets will generate strong profits. There is consistency between the results of this study and those reported in the reference journal Gupta et al. (2024), as well as other reference journals Boumlik et al. (2023), Dsouza et al. (2025), and Tinungki et al. (2022). However, contrary to the research by Wahjudi (2020), found that the profitability variable did not have a significant effect on dividend policy.

Liquidity on Dividend Policy

Liquidity as measured by CR has a significant influence in determining DPS, so H2 is accepted. Result showing a positive value indicates that companies with high liquidity will also have high DPS. Thus, CR can provide a significant picture of DPS. Based on the pecking order theory, companies with strong liquidity tend to maintain or increase dividend payments because they have more internal funding sources, thereby having flexibility in their financing and investment activities. Therefore, a company's dividends will increase in proportion to its liquidity (Gupta et al., 2024). The findings in this study are consistent with the results reported in the reference journal Gupta et al. (2024), as well as other journals such as Santosa et al. (2023) and Wahjudi (2020). However, the results of this study are not in line with the findings of Dsouza et al. (2025), who stated that liquidity does not have a significant effect on dividend policy.

Leverage on Dividend Policy

Leverage measured by DER significantly affect dividend policy, so H3 is accepted. The t-statistic result showing a negative value indicates that companies with high DER ratios will pay fewer dividends. The pecking order theory highlights that companies with large external financing will be very cautious in paying dividends in order to maintain their financial strength. Thus, companies with significant leverage are more likely to be conservative in their dividend policies compared to companies with low leverage and high liquidity. Thus, the higher a company's leverage, the smaller the likelihood of the company paying dividends to shareholders (Wahjudi, 2020). The results of this study are not in line with the findings reported in the reference journal Gupta et al. (2024). However, the results of this study are consistent with the research by Boumlik et al. (2023), as well as other reference journals, De Souza et al. (2024), Djazuli &

Dodi (2020), and Wahjudi (2020), which conclude that leverage has a significant effect on dividend policy.

Firm size on Dividend Policy

Firm size represented by SIZE have a significant impact on DPS, and H4 is accepted. The t-statistic result showing a positive value indicates that larger companies will also pay larger dividends. According to the pecking order theory, large companies have easy access to external financing, so they are not overly dependent on internal financing sources. Therefore, large companies have room for dividend policy. On the other hand, smaller companies view dividends as activities that reduce their ability to fund future projects, so they often focus more on developing their businesses. Thus, companies with larger asset sizes have more mature internal processes, providing flexibility in their dividend policies and instilling confidence in investors (De Souza et al., 2024). The results of this study align with findings reported in the reference journal Gupta et al. (2024), as well as in studies conducted by Budagaga (2020), De Souza et al. (2024), and Tinungki et al. (2022). However, the results of this study are not in line with the research conducted by Lestari et al. (2021), which states that company size does not have a significant effect on dividend policy.

Free Cash Flow on Dividend Policy

Free cash flow represented by FCF is found to have a significant impact on dividend policy, and H5 is accepted. The t-statistic result, which shows a negative value, indicates that the smaller the FCF value of a company, the greater the dividends distributed. This indicates that the company has carried out its financing activities for corporate obligations, including dividend payments. Referring to the pecking order theory, large companies do not rely heavily on internal funding sources for their financing activities due to their ease of access to capital markets. Therefore, dividend policies are not overly burdened by the size of the company's free cash flow. However, for smaller companies, the availability of free cash flow is an important factor in maintaining financial stability because external financing is not preferred. Thus, companies that distribute free cash flow in the form of dividends are preferred by their shareholders (Gupta et al., 2024). This finding aligns with the results reported in the reference journal Gupta et al. (2024), as well as in the research conducted by De Souza et al. (2024) and Rochmah & Ardianto (2020). It states that free cash flow has an influence on dividend policy.

Growth and Investment Opportunities on Dividend Policy

Growth and investment opportunities, as measured by two indicators, namely MBR and Inc_Inv, do not have an effect on DPS in energy sector companies, therefore H6 is rejected. Findings in the reference journal by Gupta et al. (2024) explain that the return on investment and growth activities cannot be realized directly or in the near future. This increases uncertainty regarding the company's cash flow, thereby exposing investors to higher risks. Research by Dsouza et al. (2025) adds that good management has a greater influence on dividend decisions than external market variations. Furthermore, research by

Tinungki et al. (2022) shows that companies tend to distribute dividends without considering their financing activities. Investment opportunities and growth do not have a significant impact on dividend policies in energy sector companies. Several studies have explained that investment opportunities and growth do not always have a significant impact on dividend policy variables. Furthermore, the data found by researchers regarding the MBR and INC_INV measurement tools, which measure investment opportunities and growth variables, show that decisions regarding investment and growth often move independently of dividend decisions. Thus, it can be concluded that company dividend decisions are not influenced by the presence or absence of investment opportunities and growth. This finding aligns with the results reported in the reference journal Gupta et al. (2024), which found that investment opportunities and growth do not have a significant influence on dividend policy. However, this study contradicts the results of Boumlik et al. (2023) and Wahjudi (2020), who stated that investment opportunities and growth have a significant influence on dividend policy.

CONCLUSIONS AND RECOMMENDATIONS

Based on data obtained from 150 observations of 30 energy sector companies listed on the Indonesia Stock Exchange (IDX) during the period 2020-2024, using multiple linear regression analysis on e-views 13 software, the results were obtained for use in this paper. The following is a presentation of the results from the previous discussion:

- a) Profitability, as represented by NPM and ROCE, has a significant influence on dividend policy. However, there is a difference in influence between the two, NPM has a negative correlation with dividend policy, while ROCE has a positive correlation with dividend policy in companies in the energy sector from 2020 to 2024.
- b) Liquidity, as represented by CR, has a significant positive correlation with dividend policy in energy companies from 2020 to 2024.
- c) Leverage, as represented by DER, has a significant negative correlation with dividend policy in energy companies from 2020 to 2024.
- d) The size of the company represented by FIRM_SIZE has a significant influence with a positive correlation on dividend policy in companies in the energy sector in 2020-2024.
- e) Free cash flow, represented by FCF, has a significant negative correlation with dividend policy in energy companies from 2020 to 2024.
- f) The investment and growth opportunities, represented by MBR and INC_INV, respectively, had no significant impact on the dividend policies of companies in the energy sector between 2020 and 2024.

Thus, the findings are expected to serve as a reference for companies operating in the energy sector. Effective financial performance management is necessary to balance dividend policies with growth and investment needs. Companies must identify alternative methods that can be achieved through capital markets without compromising dividend policies. Ensuring the availability of cash flow is essential for every company to meet dividend requirements while minimizing reliance on debt sources and maintaining shareholder confidence, as evidenced by the research findings. Also, in the case of post-pandemic event, recovery is also needed to ensure the resilience of companies in the energy sector. Efficient use of company assets can help in companies recovery by enhancing profitability, thereby maintaining liquidity resilience, supporting cash flow availability, and reducing reliance on debt to ensure dividend payments and investment needs, particularly in smaller companies. Furthermore, energy sector can contribute in non-tax state revenue (PNBP) and help boost national economy growth.

These findings can also serve as a reference for investors in considering their investment activities. Choose companies with healthy cash flow and strong liquidity while avoiding companies with high debt dependency. Investors are also advised to diversify their investments by taking advantage of more stable sectors or those that are experiencing a growth phase, such as renewable energy. Finally, although investment opportunities and growth do not have a significant impact on dividend payment policies, investors should pay attention to them as they may affect company performance.

ADVANCED RESEARCH

This paper contributes to the financial literature that discusses dividend policy, especially in the area of pecking order theory. This study also provides another perspective on internal factors that influence dividend policy in the energy sector, particularly those listed on the Indonesia Stock Exchange (IDX). This study also contributes to the literature for investors who are new to the stock market to be more cautious in planning their future investment plans. For company management, this study can be used as a reference in formulating future company policies, particularly in the area of dividend payment policy. Companies that are profitable, not reliant on debt, and have sufficient cash reserves are more attractive to investors.

Despite all the contributions, this study is not without limitations. This study only focuses on companies in the energy sector, so future studies can use companies from other sectors outside the energy sector or conduct cross-country analyses to provide different perspectives and broader coverage of corporate dividend policies. Secondly, this study focuses on internal company factors, so future studies could investigate external factors such as interest rate fluctuations, commodity prices, and exchange rates. Finally, it is recommended that future studies use or add different variables to determine their role and influence on dividend policies and extend the time frame to identify differences in research results.

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