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THE EFFECT OF DIVIDEND POLICY ON SUSTAINABLE FINANCIAL PERFORMANCE IN AGRICULTURE SECTOR COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE

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Abstract

Study This aim For analyze influence Policy Dividend on Financial Performance company agriculture sector listed on the Indonesia Stock Exchange (BEI) during 2023–2025 period . Financial performance in study This measured use Return on Assets (ROA) ratio , whereas Policy Dividend measured using the Dividend Payout Ratio (DPR). Research This use approach quantitative with analysis regression . Research sample consists of from 10 companies the agricultural sector listed on the IDX, so that resulting in a total of 30 observations . The sampling technique samples used is purposive sampling, and the data used is secondary data obtained from report finance annual companies and publications official Indonesia Stock Exchange . Data processed use device EViews software . Research results show that Policy Dividend own influence positive but No significant on Financial Performance . This proven with mark coefficient of 0.014361, t-statistic of 0.500713, and probability of 0.6205 > 0.05. Findings This indicates that improvement distribution dividend tend followed by an increase performance finance , but Policy Dividend No is factor main factors that determine financial performance company agriculture sector during period study .

Keywords: ***Policy Dividends , Financial Performance , Return on Assets, Agriculture***

INTRODUCTION

Financial performance is a crucial indicator used to assess a company's ability to manage its resources and generate profits. Financial performance reflects a company's level of effectiveness and efficiency in carrying out its operations. One commonly used measure of financial performance is Return on Assets (ROA), a ratio that demonstrates a company's ability to generate profits based on all its assets. The higher the ROA, the better the company's ability to utilize its assets to generate profits (Yuliana & Sulistyowati, 2023) . The agriculture sector plays a crucial role in the economy because its business activities are linked to the utilization of natural resources and the production of various commodities needed by the community. However, companies in this sector face various conditions that can impact their financial performance, such as changes in commodity prices, relatively large capital requirements, and uncertainty in production activities. These conditions require companies to manage resources and profits appropriately to maintain operational activities and business continuity (Alfathan & Manda, 2025) . One of the company's decisions related to profit management is dividend policy. Dividend policy is a company's decision regarding the amount of profit to be distributed to shareholders and the amount to be retained to finance future company needs. Dividend policy can be measured using the Dividend Payout Ratio (DPR), which indicates the proportion of company profits distributed as dividends to shareholders. Therefore, dividend policy is related to the company's decision regarding the use of earned profits (Yuliana & Sulistyowati, 2023). High dividend distributions can reduce the company's available retained earnings. However , profits detained can used as source internal funding for support activity operational , investment , and business development. If the majority of profits are distributed to shareholders, the company has more limited room to use those profits to support its needs. This situation can ultimately impact the company's ability to improve its financial performance (Alfathan & Manda, 2025). Previous research on the effect of dividend policy on financial performance shows discrepancies. Hilmi & Aini (2022) found that dividend policy has a positive and significant effect on financial performance. These results indicate that the greater the dividends distributed by a company, the better its financial performance. Dividend distribution can be an indicator that

reflects a company's ability to provide welfare to shareholders and indicates a company's good condition (Hilmi & Aini, 2022). Conversely, Nurzaeni *et al* ., (2022) found that dividend policy has a positive but insignificant effect on financial performance. Erawati *et al* ., (2022) also found that dividend policy does not significantly affect financial performance. Meanwhile, Alfathan and Manda (2025) found that dividend policy has a negative and significant effect on financial performance. These different research results indicate that the relationship between dividend policy and financial performance remains inconsistent. These differences can be influenced by the characteristics of the company sector, the research period, the company's condition, and the company's policy in determining the amount of profit distributed to shareholders (Nurzaeni *et al* ., 2023; Erawati *et al* ., 2022; Alfathan & Manda, 2025). Based on the differences in previous research findings, research on the effect of dividend policy on financial performance remains relevant, particularly for agricultural companies listed on the Indonesia Stock Exchange. This study aims to analyze and determine the effect of dividend policy on financial performance in agricultural companies listed on the Indonesia Stock Exchange for the 2023–2025 period.

LITERATURE REVIEW

Financial performance

Financial performance reflects a company's ability to manage resources to generate profits. One indicator used to measure financial performance is Return on Assets (ROA), which demonstrates a company's ability to generate profits from its assets (Yuliana & Sulistyowati, 2023). Research by Hilmi and Aini (2022) and Alfathan and Manda (2025) used ROA as a financial performance indicator to examine the impact of dividend policy. Financial performance is crucial for agricultural companies because it reflects the company's ability to manage assets and carry out operational activities effectively.

Dividend Policy

Dividend policy is a company's decision to determine whether to distribute profits to shareholders and retain them for company needs. This policy can be measured by the Dividend Payout Ratio (DPR) and influences the availability of internal funds (Yuliana & Sulistyowati, 2023; Alfathan & Manda, 2025). Research by Hilmi and Aini (2022) shows that dividend policy has a positive and significant effect on financial performance, while Nurzaeni *et al* . (2023) and Erawati *et al* . (2022) found no significant effect. Meanwhile, Alfathan and Manda (2025) found a negative and significant effect. These differences in results indicate inconsistencies with previous research.

METHOD

This research is a quantitative study with an associative approach. This study aims to analyze the influence of the independent variable, namely dividend policy, on the dependent variable, namely financial performance proxied by Return on Assets (ROA). The quantitative research method was chosen because it allows empirical hypothesis testing using numerical data. This research was conducted on agricultural sector companies listed on the Indonesia Stock Exchange (IDX) during the period 2023–2025. The quantitative method also allows the research results to be generalized to the population of agricultural sector companies listed on the IDX. The population in this study is all agricultural sector companies listed on the Indonesia Stock Exchange during the period 2023–2025. Sampling was carried out using a purposive sampling technique with the following criteria: (1) agricultural sector companies listed consecutively on the IDX during the period 2023–2025, (2) companies that publish complete and accessible annual financial reports, (3) companies that distributed dividends during the research period, and (4) companies that had complete data to calculate all research variables. Based on these criteria, 10 companies were obtained as research samples with a total of 30 observations (10 companies × 3 years). The unit of analysis in this study was the company, while the year was used as the time unit of observation. The data used were secondary data obtained from the company's annual financial reports and official publications of the Indonesia Stock Exchange.

RESULTS AND DISCUSSION

Classical Assumption Test

Normality Test Results

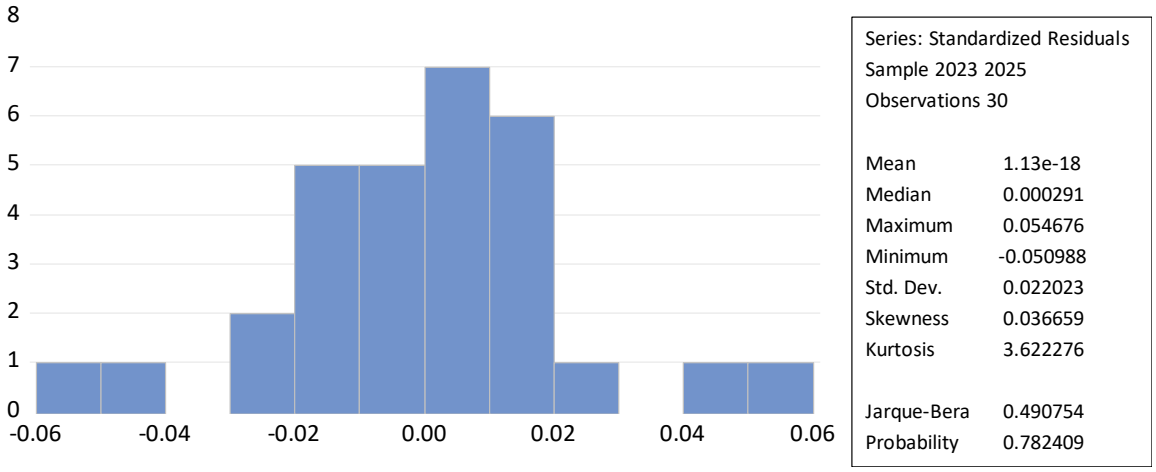

Figure 1. Normality Test Graph

Heteroscedasticity Test Results

Table 1. Heteroscedasticity Test Results

Variables	Coefficient	Std. Error	t-Statistic	Prob.
C	0.058335	0.011446	5.096428	0.0000
X1	-0.037294	0.019671	-1.895856	0.0683

Autocorrelation Test Results

Table 2. Autocorrelation Test Results

Breusch-Godfrey Serial Correlation LM Test			
F-statistic	2.405055	Prob. F(2,26)	0.1101
Obs *R-squared	4.683634	Square Prob. (2)	0.0962

Testing Hypothesis

Partial Test Results

Table 3. Partial Test Results

Variables	Coefficient	Std. Error	t-Statistic	Prob.
C	0.040114	0.016689	2.403638	0.0231
X1	0.014361	0.028681	0.500713	0.6205

Based on results regression in Table 3, obtained equality regression as following :

$$Y = 0.040114 + 0.014361X1$$

Estimation results regression use method *Least Squares* show influence variables Policy Dividends (X1) on Financial Performance (Y), which can explained as following :

a) constant value (C) is positive of 0.040114 with mark probability of 0.0231 < 0.05, which means significant at the 5% level . This is show that when variables Policy Dividend worth zero , then mark Financial Performance Prediction of 0.040114. With Thus , there are other external factors variables Policy Dividends that also affect Financial Performance company .

b) Variables Policy Dividend (X1) has coefficient of 0.014361 with mark *t-statistic* of 0.500713 and the probability of 0.6205 > 0.05. This is show that Policy Dividend own influence positive but No significant on Financial Performance company . Positive coefficient of 0.014361 indicates that every improvement Policy Dividend by 1 unit will improve financial performance of 0.014361 units , with assumptions factor other remains . However , because mark probability more big from 0.05, increase the No Enough strong in a way statistics For state that Policy Dividend influential on Financial Performance .

Coefficient Test Results Determination (R^2)

Table 4. Coefficient Test Results Determination (R^2)

Information	Mark
R-squared	0.008875
Adjusted R-squared	-0.026523

Based on the regression estimation results, the R-squared value was obtained at 0.008875 and the Adjusted R-squared was -0.026523. This indicates that the model is able to explain 0.8875% of the variation in the dependent variable, namely Financial Performance, while the remaining 99.1125% is explained by other variables outside the research model. The R-squared value of 0.0089 indicates that the regression model has a very weak ability to explain variations in Financial Performance.

DISCUSSION

The Effect of Dividend Policy on Financial Performance

Based on the results of hypothesis testing, the Dividend Policy variable (X1) has a coefficient value of 0.014361 with a t-statistic value of 0.500713 and a probability of 0.6205. Because the probability value is greater than the significance level of 0.05 (0.6205 > 0.05), then the Dividend Policy has a positive but insignificant effect on Financial Performance. Thus, the hypothesis stating that Dividend Policy affects Financial Performance is rejected. The positive effect indicates that an increase in Dividend Policy tends to be followed by an increase in Financial Performance. The coefficient of 0.014361 indicates that every increase in Dividend Policy by one unit will theoretically increase Financial Performance by 0.014361 units, assuming other factors remain constant. However, this effect is not statistically significant, so changes in Dividend Policy cannot be used as the main factor determining the Financial Performance of agricultural companies during the 2023–2025 period.

These results indicate that a company's decision to distribute dividends does not directly determine the level of Financial Performance. A company's financial performance is more likely influenced by factors other than Dividend Policy. This is also in line with the R-squared value of 0.008875, which indicates that the model is only able to explain 0.8875% of the variation in Financial Performance, while the remaining 99.1125% is explained by factors other than the research model. The findings of this study differ from the results of research by Hilmi and Aini (2022) who found that Dividend Policy has a positive and significant effect on Financial Performance. However, the results of this study are in line with the research by Erawati *et al* . (2022) who found that Dividend Policy does not have a significant effect on Financial Performance. These differences in results indicate that the relationship between Dividend Policy and Financial Performance can vary according to company characteristics, industry conditions, and the research period. Thus, the results of this study indicate that Dividend Policy is not a factor that significantly influences the Financial Performance of agricultural sector companies listed on the Indonesia Stock Exchange for the period 2023–2025.

CONCLUSION

This study aims to analyze the effect of dividend policy on financial performance, as proxied by *return on assets* (ROA), in *agricultural sector companies* listed on the Indonesia Stock Exchange for the 2023–2025 period. Based on the regression analysis, it was concluded that dividend policy has no significant effect on financial performance. The test results show coefficient of 0.014361 with t-statistic value of 0.500713 and probability of 0.6205 > 0.05. This is show that improvement policy dividend tend followed improvement performance finance , but influence the No Enough strong in a way Statistics . Thus, dividend policy is not a major factor determining the financial performance of *agricultural sector companies* during the 2023–2025 period.

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