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Determinants of Dividend Policy in IDX Consumer Manufacturing Companies

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ABSTRACT
Research aim
This study aims to examine the influence of corporate governance mechanisms on dividend policy with leverage, firm size, liquidity, and profitability as control variables in consumer manufacturing companies listed on the Indonesia Stock Exchange during 2019–2024.
Design/methodology/approach
This study uses a quantitative approach with panel data regression analysis. The sample consists of 33 companies selected through purposive sampling. Model selection was conducted using the Chow test, Hausman test, and Lagrange Multiplier test.
Findings
The results show that corporate governance mechanisms do not significantly influence dividend policy. Meanwhile, leverage, firm size, and liquidity significantly influence dividend policy, while profitability does not. These findings indicate that dividend policy decisions are more strongly influenced by financial conditions than by governance mechanisms.
Research limitations/implications
This study is limited to consumer manufacturing companies listed on the Indonesia Stock Exchange during 2019–2024. Future research is expected to include broader sectors and additional variables.
Practical implications
The findings suggest that managers should prioritize liquidity management, financial stability, and capital structure in determining dividend policy. Investors may also consider financial indicators in evaluating dividend prospects.
Originality/value
This study provides updated evidence regarding dividend policy in the post-pandemic period by integrating governance mechanisms and financial factors within an emerging market context.

Keywords: dividend policy; corporate governance mechanisms; leverage; f irm size; liquidity; profitability.

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Introduction

The capital market has an important function in supporting economic development because it provides companies with access to external funding while offering investment opportunities for the public. In Indonesia, the development of the capital market has increased significantly alongside the growing need for corporate financing and business expansion. Investors generally expect returns in the form of capital gains and dividend

income, making dividend policy an important issue in financial management. Dividend policy reflects managerial decisions regarding the allocation of corporate earnings between dividend distribution and retained earnings used to support future operations and investment activities (Brigham & Houston, 2022).

Dividend policy is commonly proxied by the Dividend Payout Ratio (DPR), which measures the proportion of earnings distributed to shareholders. Dividend payments are often interpreted as a signal of the company's financial strength and future prospects because stable dividends indicate management confidence in maintaining sustainable performance (Ross et al., 2019). On the other hand, reductions or delays in dividend payments may generate negative perceptions among investors regarding the company's financial condition. In Indonesia, companies are not required to distribute dividends annually because dividend decisions are determined through the General Meeting of Shareholders in accordance with Law No. 40 of 2007 concerning Limited Liability Companies. This condition allows management to determine dividend policy according to the company's financial capability and strategic objectives.

The economic recovery period after the COVID-19 pandemic created substantial challenges for manufacturing companies in Indonesia. Many companies experienced pressure on profitability, liquidity, and operational stability due to declining consumer purchasing power and economic uncertainty. During this period, firms were required not only to maintain earnings performance but also to strengthen financial resilience and internal liquidity to sustain business operations (Ali, 2022). Consequently, several listed companies reduced or postponed dividend distributions in order to preserve cash flow and improve financial flexibility. This phenomenon indicates that dividend policy decisions are increasingly influenced by financial constraints and corporate survival considerations in uncertain economic conditions.

Consumer manufacturing companies are among the sectors most sensitive to economic fluctuations because their performance depends heavily on household consumption and market demand. In 2024, Indonesia experienced weakening consumer purchasing power and declining domestic consumption growth, which directly affected the performance of consumer sector companies. These conditions encouraged firms to become more cautious in determining dividend distribution because companies tended to prioritize liquidity management, operational efficiency, and debt obligations. Therefore, the determinants of dividend policy in consumer manufacturing companies remain an important issue to examine, particularly in the context of post-pandemic economic recovery.

Agency theory provides a relevant theoretical foundation for explaining dividend policy decisions. According to Jensen & Meckling (1976), conflicts often arise between shareholders as principals and managers as agents because both parties have different objectives. Shareholders generally expect higher dividend payments as a direct return on investment, while management tends to retain earnings to finance expansion and future investment opportunities. This difference in interests creates agency conflicts that require effective monitoring mechanisms to reduce opportunistic managerial behavior and align corporate decisions with shareholder expectations.

Corporate governance mechanisms are expected to reduce agency conflicts and improve the quality of financial decision-making. Governance structures such as audit committees, institutional ownership, managerial ownership, and independent commissioners function as monitoring mechanisms that oversee managerial actions and improve corporate transparency. Audit committees play an important role in supervising financial reporting quality and internal control systems. Institutional ownership may strengthen managerial oversight because institutional investors generally possess greater monitoring capability and financial expertise. Managerial ownership can reduce agency problems because managers also become shareholders who directly experience the consequences of corporate decisions. Meanwhile, independent commissioners contribute to objective supervision and help minimize conflicts of interest within the company.

Besides governance mechanisms, several financial factors are also considered determinants of dividend policy. Leverage reflects the extent to which a company relies on debt financing. Firms with high leverage generally face larger financial obligations, reducing their flexibility in distributing dividends because cash flow must be allocated to debt repayment (Kasmir, 2019). Firm size also influences dividend policy because larger firms usually possess more stable earnings, broader access to capital markets, and lower information asymmetry, allowing them to maintain more consistent dividend payments (Sudiartana & Yudantara, 2020). Liquidity represents a company's ability to meet short-term obligations and distribute cash dividends without disrupting operational activities. Profitability indicates the company's ability to generate earnings, which directly determines the availability of distributable profits.

Previous studies investigating dividend policy have produced inconsistent findings. Novianti & Amanah (2017) found that institutional ownership positively affects dividend policy because stronger monitoring mechanisms encourage companies to distribute profits to shareholders. Nauli Sinaga & Pangestu (2021) also reported that audit committees positively influence dividend policy through improved financial supervision and transparency. International studies similarly indicate that stronger corporate governance mechanisms can reduce agency conflicts and encourage dividend distribution (Roy, 2015; Elmagrhi et al., 2019). However, Setiyowati & Sari (2017) found that governance mechanisms do not significantly influence dividend policy because governance structures may operate only as administrative compliance tools without affecting strategic financial decisions. Dewasiri et al. (2019) further explained that the determinants of dividend policy vary across firms and institutional environments, especially in emerging markets.

Inconsistencies are also found in studies examining financial factors. Hidayat et al. (2022) and Sudiartana & Yudantara (2020) reported that leverage negatively influences dividend policy because firms prioritize debt repayment over dividend distribution. Conversely, Aulia & Sukiswo (2024) found that leverage does not significantly affect dividend policy, indicating that some companies continue paying dividends despite high debt levels to maintain investor confidence. Angraini & Sari (2022) showed that liquidity and profitability positively influence dividend policy because firms with stronger financial performance have greater capacity to distribute dividends. However, Swandana (2023) found that profitability does not significantly affect dividend policy during periods of financial uncertainty. Abdullah

(2021) also documented inconsistent relationships between leverage, profitability, and dividend policy in emerging economies experiencing economic instability.

These mixed findings indicate that the determinants of dividend policy remain inconclusive, particularly in emerging markets such as Indonesia where governance quality, financial flexibility, and market conditions differ across companies. In addition, most previous studies focused on pre-pandemic conditions and used relatively short observation periods, limiting their ability to capture changes in corporate financial behavior during the post-pandemic recovery period. Companies currently face greater liquidity pressures, financing uncertainty, and operational risks, which may alter the relationship between governance mechanisms, financial factors, and dividend policy decisions.

Furthermore, previous studies generally examined governance variables and financial variables separately, resulting in limited understanding of how governance mechanisms and financial constraints simultaneously influence dividend policy. Therefore, this study develops a more comprehensive model by integrating governance mechanisms and financial determinants within the same analytical framework. This study examines the influence of audit committees, institutional ownership, managerial ownership, independent commissioners, leverage, firm size, liquidity, and profitability on dividend policy in consumer manufacturing companies listed on the Indonesia Stock Exchange during the 2019–2024 period.

This study contributes to the literature in several ways. First, it provides a more integrated perspective by combining governance and financial variables in explaining dividend policy. Second, this study offers updated evidence from the post-pandemic period, which remains relatively underexplored in dividend policy research within emerging markets. Third, this study focuses specifically on consumer manufacturing companies, which are highly sensitive to economic changes and fluctuations in purchasing power. The findings are expected to contribute to the development of agency theory and provide practical implications for managers and investors in determining dividend-related decisions during uncertain economic conditions.

Literature Review and Hypotheses Development

Agency Theory

Agency theory is a theoretical basis that explains the relationship between shareholders as principals and management as agents authorized to manage the company and make decisions on behalf of the owners. An agency relationship arises when the principal delegates decision-making authority to the agent with the expectation that the agent will act to maximize the principal's interests. However, in practice, this relationship often gives rise to conflicts of interest due to differing objectives between the two parties (Eisenhardt, 2017).
Agency conflict in the context of dividend policy arises when shareholders desire high dividend distributions as a means of realizing profits, while management tends to retain profits for investment, expansion, or payment of company obligations. In the context of

consumer manufacturing companies listed on the Indonesia Stock Exchange, agency conflict is often reflected in dividend policy. Shareholders generally expect company profits to be distributed in the form of dividends as a return on investment. Conversely, management tends to have an interest in retaining profits to finance company expansion, increase assets under management, or maintain the company's financial flexibility. This divergence of interests makes dividend policy an important mechanism for mitigating agency conflict (Hendrastuti & Harahap, 2023).

Overall, agency theory provides a strong foundation to explain dividend policy, but inconsistent empirical results across variables indicate that agency conflict is influenced by multiple factors beyond profitability and governance. These contradictions highlight that dividend policy is not only a financial decision but also a strategic tool shaped by managerial behavior, control mechanisms, and firm-specific conditions.

Dividend policy

Dividend policy is an integral part of a company's decision. A company that generates profits will make decisions regarding the allocation of those profits. Profits can be distributed as dividends to shareholders or reinvested as retained earnings, which can then be used to fund the company's operational activities.

Dividend payments provide a positive signal regarding a company's future prospects and performance. Felia Sari (2022) states that dividend policy can increase investor confidence, provide income certainty for certain investors, and reflect a company's financial stability.
Dividend policy is generally measured through Dividend Yield and Dividend Payout Ratio (DPR). Dividend yield reflects the dividend's contribution to total investor returns, while the Dividend Payout Ratio (DPR) indicates the proportion of profits distributed as dividends. According to Husin Dama et al. (2024), the Dividend Payout Ratio (DPR) provides an overview of management's policy in balancing investor interests with the company's internal funding needs. Dividend payments typically follow the company's life cycle, with companies in the growth stage tending to pay lower dividends than companies in the mature stage.

Hypothesis Development

The Effect of Audit Committee on Dividend Policy

The audit committee is a crucial mechanism in the implementation of Good Corporate Governance (GCG), assisting the board of commissioners in carrying out its oversight duties over the company. The audit committee is formed to ensure that the financial reporting process, internal control system, and audit implementation are carried out effectively and in accordance with applicable regulations.

Previous research has shown that the audit committee's influence on dividend policy remains inconsistent. Some studies found that audit committees have a positive effect by increasing transparency and investor confidence, while others found no significant effect,

indicating that dividend decisions are more influenced by a company's financial factors such as profitability and liquidity.

Research by Putra et al. (2022) shows that audit committees have a positive effect on dividend policy because they increase corporate transparency. However, research by Sari and Andini (2021) states that audit committees have no effect on dividend policy, as their function focuses more on overseeing financial statements than determining dividends.

***H_1*: Audit Committee influences dividend policy**

The Effect of Institutional Ownership on Dividend Policy

Institutional ownership is the proportion of a company's shares held by institutions such as banks, insurance companies, pension funds, and investment firms. Institutional ownership is considered an effective oversight mechanism for the implementation of Good Corporate Governance (GCG), as institutional investors generally have better resources and capabilities to monitor management performance.

Several studies have shown that institutional ownership does not always influence dividend policy, especially if the company prioritizes reinvestment of profits for growth. In this study, institutional ownership is measured by the percentage of the number of shares owned by institutions to the total shares outstanding.

This is supported by research by Rahmawati and Haryanto (2020), which found that institutional ownership positively influences dividend policy. However, Wulandari (2023) found a different finding, stating that institutional ownership had no effect on dividend policy, as companies prioritized internal funding needs and expansion plans over the demands of institutional investors.

***H_2*: Institutional Ownership influences dividend policy**

The Effect of Managerial Ownership on Dividend Policy

Managerial ownership is the proportion of a company's shares held by management, such as directors and managers. This ownership reflects the extent to which management participates in the company, thus aligning the interests of management and shareholders.
In relation to dividend policy, managerial ownership can have a two-way influence. On the one hand, management, who own shares, may tend to favor dividend distributions to obtain immediate benefits. However, on the other hand, management may also retain earnings for reinvestment to increase the company's future value. Thus, the influence of managerial ownership on dividend policy remains inconsistent. In this study, managerial ownership is measured by the percentage of shares owned by management relative to total outstanding shares.

Prasetyo and Sari's (2021) research shows that managerial ownership influences dividend policy. Conversely, Utami's (2022) research found that managerial ownership had no

significant effect on dividend policy because the proportion of management shares was relatively small, making it incapable of influencing dividend decisions.

***H_3*:** Managerial Ownership influences dividend policy

The Effect of Independent Commissioners on Dividend Policy

An independent commissioner is a member of the board of commissioners who has no financial, managerial, shareholding, or family ties with management or major shareholders. The existence of independent commissioners aims to create objective and independent oversight of company management. Independent commissioners play a crucial role in ensuring that the company is run in accordance with the principles of Good Corporate Governance, namely transparency, accountability, responsibility, independence, and fairness.

Previous research has shown that the influence of independent commissioners on dividend policy varies. This suggests that the effectiveness of the independent commissioner's role is highly dependent on the conditions and characteristics of each company. In this study, independent commissioners are measured by the proportion of independent commissioners to the total board of commissioners.

Research by Lestari and Nugroho (2020) found that independent commissioners have a positive influence on dividend policy. However, research by Fahmi (2023) showed that independent commissioners have no influence on dividend policy, as dividend decisions are predominantly determined by the board of directors and the company's financial condition.

***H_4*:** Independent Commissioners influence dividend policy

Conceptual Framework

Based on the theoretical basis that has been described and summarized from the results of previous research, the following is a research framework model regarding the analysis of the influence of Good Corporate Governance (Audit Committee, Institutional Ownership, Managerial Ownership, Independent Commissioners), Leverage (Debt to Equity Ratio), Company Size, Liquidity (Current Ratio), and Profitability (Return on Assets) on dividend policy in Figure 1

Methode

This research applies panel data regression to examine the determinants of dividend policy among several firms over the 2019–2024 observation period. The estimation procedure is conducted through three sequential model selection tests, namely the Chow test, Hausman test, and Lagrange Multiplier (LM) test. Initially, the Chow test is employed to evaluate the suitability of the common effects model (CEM) relative to the fixed effects model (FEM). A statistically significant outcome suggests that the FEM provides a better fit for the data.

Subsequently, the Hausman test is performed to identify the most appropriate specification between the FEM and the random effects model (REM). The significant Hausman test findings indicate that the FEM is preferable because the individual-specific effects are correlated with the explanatory variables. In addition, the LM test is utilized as a complementary procedure to assess the appropriateness of the REM compared with the CEM.

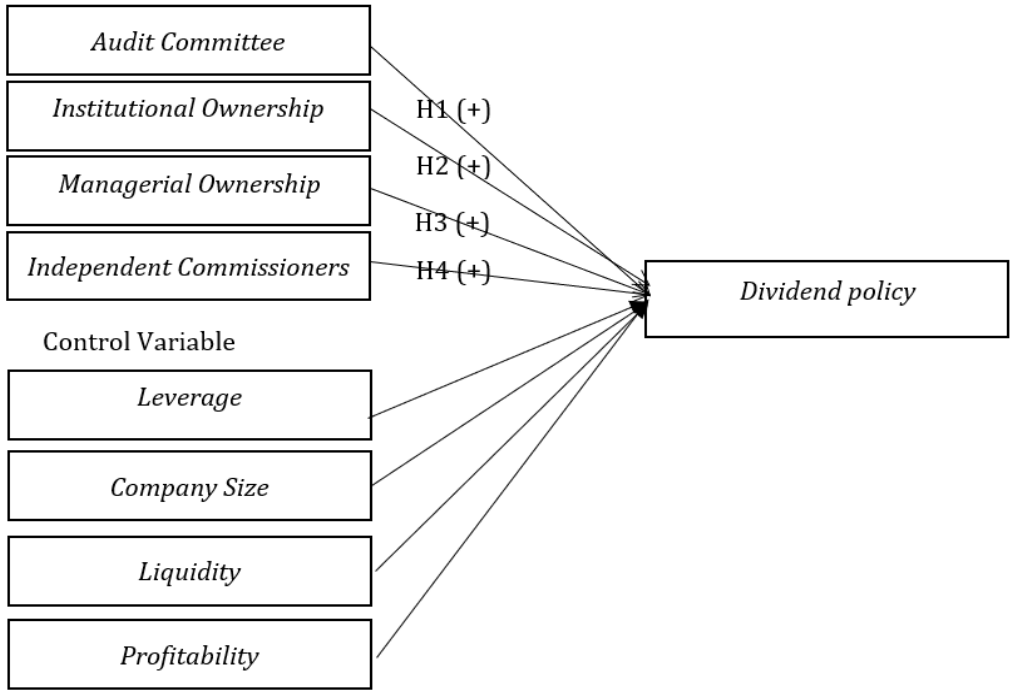

Figure 1. Framework of Thought

Based on the test results, the fixed effects model (FEM) was selected as the most appropriate model for this study. This choice is theoretically justified, as the FEM is able to capture unobserved firm-specific characteristics—such as managerial behavior and governance quality—which are relevant in the context of agency theory.

Model Selection Analysis

To determine the best model, a selection test was carried out using the Chow test, Lagrange Multiplier test, and Hausman test.

Results and Discussions

This section presents the results of the panel data regression analysis and discusses the findings related to the influence of corporate governance mechanisms and financial factors on dividend policy in consumer manufacturing companies listed on the Indonesia Stock

Exchange during 2019–2024. The discussion focuses on interpreting the empirical findings based on agency theory and previous empirical studies. In addition, this section explains the significance of leverage, firm size, liquidity, and profitability as control variables in explaining dividend policy decisions during the post-pandemic period.

Descriptive Statistical Analysis

Before conducting hypothesis testing, descriptive statistical analysis was performed to provide an overview of the research variables used in this study. This analysis describes the characteristics of the data through minimum values, maximum values, mean values, and standard deviations for each variable. The results of the descriptive statistical analysis are presented in Table 1

Table 1. Descriptive Statistics

	DPR	KA	KINS	KM	KI	DER	FS	CR	ROA
Mean	0.328808	3.015152	0.664402	0.088125	0.414263	0.950158	28.62587	2.694156	0.072161
Median	0.205950	3.000000	0.755500	0.003000	0.375000	0.651050	28.33749	1.950100	0.072650
Maximum	5.385100	4.000000	0.985500	0.706200	0.833000	17.03010	32.93787	13.31000	0.943600
Minimum	-6.602700	3.000000	0.000000	0.000000	0.250000	-23.16540	24.60427	0.193700	-0.989900
Std. Dev.	0.847023	0.122465	0.266013	0.180065	0.106643	2.473917	1.794082	2.434626	0.168374
Skewness	-1.269396	7.938223	-1.165738	2.420713	1.777818	-2.440422	0.484284	2.150923	-1.009115
Kurtosis	33.75674	64.01538	3.457384	7.715439	7.641218	59.08001	3.096865	8.168383	16.91566
Jarque-Bera	7857.484	32793.24	46.57107	376.8170	282.0134	26142.52	7.816936	373.0489	1631.181
Probability	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.020071	0.000000	0.000000
Sum	65.10390	597.0000	131.5516	17.44870	82.02400	188.1313	5667.922	533.4429	14.28780
Sum Sq. Dev.	141.3373	2.954545	13.94030	6.387391	2.240418	1205.693	634.0901	1167.699	5.584928
Observations	198	198	198	198	198	198	198	198	198

The audit committee variable consists of 198 observations, with values ranging from 3 to 4. The mean value is 3.02, while the standard deviation is recorded at 0.12, indicating relatively low variation among the observations. Institutional ownership demonstrates values between 0 and 0.98, with an average of 0.66 and a standard deviation of 0.26. Managerial ownership ranges from 0 to 0.70 and produces a mean value of 0.08 with a standard deviation of 0.18.

Furthermore, the proportion of independent commissioners varies from 0.25 to 0.83, with an average value of 0.41 and a standard deviation of 0.10. The leverage variable shows substantial dispersion, as reflected by its minimum value of −23.17 and maximum value of 17.03. The average leverage is 0.95, accompanied by a standard deviation of 2.47. Firm size

records values between 24.60 and 32.94, with a mean of 28.63 and a standard deviation of 1.79.
Liquidity ranges from 0.19 to 13.31, generating an average value of 2.69 and a standard deviation of 2.43. Profitability exhibits a minimum value of −0.99 and a maximum value of 0.94, with a mean of 0.07 and a standard deviation of 0.17. Lastly, the dividend policy variable has values extending from −6.60 to 5.39, with an average of 0.33 and a standard deviation of 0.85.

Chow Test

To determine the most appropriate panel data regression model, this study conducted several model selection tests, including the Chow test, Hausman test, and Lagrange Multiplier test. The Chow test was first applied to compare the Common Effect Model (CEM) and the Fixed Effect Model (FEM). This test aims to identify whether individual cross-sectional effects should be considered in the regression model. The results of the Chow test are presented in Table 2.

Table 2. Chow Test Results

Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.918819	(32,157)	0.0047
Cross-section Chi-square	65.358334	32	0.0005

The Chow test results in Table 2 indicate that the best estimation method between common effects and fixed effects is the fixed effect. This is because the probability value of 0.0047 is less than 0.05, rejecting H0. The next step in testing the model estimation is to continue with the Hausman test to determine whether the fixed effect or random effect model is more appropriate for this study.

Hausman test

After determining that the Fixed Effect Model (FEM) was preferable to the Common Effect Model (CEM) based on the Chow test, the Hausman test was conducted to compare the Fixed Effect Model (FEM) and the Random Effect Model (REM). The Hausman test aims to identify the most appropriate estimation model by examining whether individual effects are correlated with the independent variables. The results of the Hausman test are presented in Table 3.

Table 3. Hausman Test Results

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	18.848640	8	0.0157

Table 3 shows that the best estimation method between the fixed effect and random effect models is the random effect model. This is because the probability value of 0.0157 is less than 0.05, rejecting H0. This indicates that the fixed effect model is superior to the random effect model. Given the Hausman test results that accept the null hypothesis, the next step in testing the model estimation is to continue with the Lagrange Multiplier test to evaluate the feasibility of the selected model.

Lagrange Multiplier Test

The Lagrange Multiplier (LM) test was subsequently conducted to compare the Common Effect Model (CEM) and the Random Effect Model (REM). This test aims to determine whether the Random Effect Model provides a better estimation than the Common Effect Model in panel data analysis. The results of the Lagrange Multiplier test are presented in Table 4.

Table 4. Lagrange Multiplier Test

	Test Hypothesis Cross-section	Time	Both
Breusch-Pagan	2.152359 (0.1424)	2.910457 (0.0880)	5.062816 (0.0244)

Based on Table 4 the best estimation method between the common effects and random effects models is the random effects model. This is because the probability value of 0.0228 is less than 0.05, rejecting H0. This indicates that the random effects model is superior to the common effects model. Considering the results of the Chow test, which accepts the null hypothesis for the fixed effects model, the Hausman test, which rejects the null hypothesis for the fixed effects model, and the Lagrange Multiplier test, which supports the use of the random effects model, it can be concluded that the fixed effects model is the best model to use in this study.

Multiple Regression Test

After selecting the most appropriate panel data estimation model through the Chow test, Hausman test, and Lagrange Multiplier test, the multiple regression analysis was conducted to examine the influence of corporate governance mechanisms and financial factors on dividend policy. The regression results are presented in Table 5.

Table 5. Multiple Regression Test Results

Variable	*Coefficient*	*Std. Error*	*t-Statistic*	*Prob.*
C	*1.959653*	*6.817494*	*0.287445*	*0.7742*
KA	*-0.019169*	*0.508360*	*-0.037708*	*0.9700*
KINS	*0.566279*	*0.491936*	*1.151123*	*0.2514*
KM	*-0.816068*	*0.935488*	*-0.872345*	*0.3844*
KI	*0.009383*	*0.514116*	*0.018251*	*0.9855*
DER	*0.690768*	*0.133868*	*5.160088*	*0.0000*
FS	*0.110974*	*0.029513*	*3.760209*	*0.0002*
CR	*0.310651*	*0.129469*	*2.399424*	*0.0176*

ROA	*-0.065554*	*0.102352*	*-0.640478*	*0.5228*
	Effects Specification			
Cross-section fixed (dummy variables)				
Root MSE	*0.524818*	*R-squared*		*0.473419*
Mean dependent var	*0.497470*	*Adjusted R-squared*		*0.394163*
S.D. dependent var	*0.738794*	*S.E. of regression*		*0.611835*
Akaike info criterion	*2.037411*	*Sum squared resid*		*58.77166*
Schwarz criterion	*2.718315*	*Log likelihood*		*-160.7037*
Hannan-Quinn criter.	*2.313018*	*F-statistic*		*3.256005*
Durbin-Watson stat	*1.915989*	*Prob(F-statistic)*		*0.000000*

Hypothesis Testing Analysis

Based on the multiple regression results in Table 5, all corporate governance variables do not significantly influence dividend policy because their probability values are greater than 0.05. The audit committee variable (KA) has a probability value of 0.9700, indicating that the audit committee does not significantly influence dividend policy. Therefore, **H1 is rejected**. This finding suggests that audit committees mainly function as supervisory mechanisms in financial reporting rather than influencing dividend decisions. Institutional ownership (KINS) shows a probability value of 0.2514, meaning that institutional ownership does not significantly influence dividend policy. Therefore, **H2 is rejected**. Institutional investors may prioritize long-term business sustainability and internal financing over dividend distribution. Managerial ownership (KM) has a probability value of 0.3844, indicating no significant effect on dividend policy. Thus, **H3 is rejected**. This result suggests that management share ownership is relatively small and insufficient to influence dividend decisions. Independent commissioners (KI) have a probability value of 0.9855, indicating that independent commissioners do not significantly influence dividend policy. Therefore, **H4 is rejected**. This finding implies that dividend policy decisions are more strongly influenced by financial conditions than by governance structures.

Adjusted R-Square Value

The coefficient of determination (R2) test aims to determine how much the independent variable is able to explain the dependent variable. The adjusted R square value ranges from > zero and < one, if it is closer to one, the better the model because if the adjusted R square is equal to one, it means the independent variable has an effect on the dependent variable. From the analysis in Table 5.5, the adjusted R-square value is 0.3941. This means that 39.41% of the Dividend Policy variable will be influenced by the independent variables, namely Good Corporate Governance, Leverage, Company Size, Liquidity, and Profitability. While the remaining 60.59% of the Dividend Policy variable will be influenced by other variables not discussed in this study.

Discussion

This study examines the influence of corporate governance mechanisms on dividend policy while controlling for financial characteristics, namely leverage, firm size, liquidity, and profitability. The findings indicate that corporate governance variables, including audit committees, institutional ownership, managerial ownership, and independent commissioners, do not significantly influence dividend policy. In contrast, leverage, firm size, and liquidity demonstrate significant effects, suggesting that financial considerations remain more dominant than governance mechanisms in determining dividend distribution decisions during the post-pandemic period. These findings support agency theory, which explains that dividend policy is closely related to managerial decisions in managing corporate resources and reducing agency conflicts between managers and shareholders (Jensen & Meckling, 1976).

The insignificant effect of the audit committee indicates that the presence of audit committees may not necessarily strengthen shareholder protection in dividend-related decisions. Agency theory emphasizes that monitoring mechanisms should reduce agency conflicts and improve managerial accountability (Eisenhardt, 2017). However, the findings imply that audit committees in the observed firms may focus primarily on compliance and financial reporting supervision rather than influencing strategic financial policies. This result is consistent with Setiyowati and Sari (2017), who found that governance mechanisms may function only as formal compliance structures without significantly affecting dividend policy decisions in emerging market firms.

Institutional ownership was also found to have no significant effect on dividend policy. This finding suggests that institutional investors may prioritize long-term corporate sustainability, reinvestment opportunities, and operational stability over short-term dividend payments. In the context of post-pandemic economic uncertainty, institutional investors may tolerate lower dividend distributions if retained earnings are used to strengthen corporate resilience and future growth capacity. This finding aligns with Novianti and Amanah (2017), who explained that institutional ownership does not always pressure management to distribute higher dividends because companies often prioritize internal financing and business expansion.

Similarly, managerial ownership does not significantly influence dividend policy. From the agency theory perspective, managerial ownership is expected to align managerial and shareholder interests because managers directly benefit from dividend payments (Jensen & Meckling, 1976). However, when managerial ownership remains relatively low, managers may continue prioritizing retained earnings to support investment and operational flexibility. This finding supports Bahri (2017), who argued that managerial ownership may not significantly influence dividend policy when managerial share ownership proportions are relatively small and insufficient to affect strategic corporate decisions.

Independent commissioners were likewise found to have no significant influence on dividend policy. This finding implies that the monitoring role of independent commissioners may not effectively extend to strategic financial decisions such as dividend distribution. In many emerging market firms, independent commissioners may possess limited authority in influencing managerial financial policies because dividend decisions are predominantly

determined by executive management and the company's financial condition. This result is consistent with Setiyowati and Sari (2017), who found that governance structures do not always significantly influence dividend policy due to limited effectiveness in managerial oversight.

While governance variables were insignificant, the control variables provide important insights into the determinants of dividend policy. Leverage was found to positively and significantly influence dividend policy. According to agency theory, debt may function as a disciplinary mechanism that restricts managerial discretion over free cash flow and reduces agency conflicts (Jensen & Meckling, 1976). Companies with higher leverage may therefore maintain dividend payments to preserve investor confidence and market credibility. This finding differs from Hidayat et al. (2022), who found that leverage negatively affects dividend policy because firms prioritize debt repayment obligations. However, the result supports Aulia and Sukiswo (2024), who explained that some firms continue distributing dividends despite higher leverage to maintain positive market perceptions and investor trust.

Firm size also demonstrates a significant positive effect on dividend policy. Larger firms generally possess more stable cash flows, broader access to external financing, and lower information asymmetry, enabling them to distribute dividends more consistently. From the signaling theory perspective, stable dividend payments provide positive signals regarding the company's financial strength and future prospects (Ross et al., 2019). This finding is consistent with Sudiartana and Yudantara (2020), who found that larger firms tend to maintain dividend stability because they possess stronger financial capacity and lower operational risk.

Liquidity was found to positively influence dividend policy, indicating that firms with stronger liquidity positions possess greater flexibility in distributing dividends. Cash availability remains an essential factor in dividend decisions because dividend payments require sufficient liquid resources rather than merely accounting profits. Agency theory also explains that dividend payments may reduce excess free cash flow under managerial control, thereby limiting opportunities for opportunistic managerial behavior (Jensen & Meckling, 1976). This finding supports Angraini and Sari (2022), who found that firms with stronger liquidity levels possess greater ability to distribute dividends consistently.

In contrast, profitability does not significantly influence dividend policy. This finding suggests that higher profitability does not necessarily lead to higher dividend distributions. During the post-pandemic recovery period, companies may prefer to retain earnings to strengthen liquidity reserves, improve financial flexibility, and finance future operational needs. This result aligns with Swandana (2023), who found that profitability may become less relevant in determining dividend policy during periods of economic uncertainty because firms prioritize financial resilience and operational continuity.

Overall, the findings demonstrate that dividend policy decisions in consumer manufacturing companies are influenced more strongly by financial capacity and operational stability than by governance structures. The significant role of leverage, firm size, and liquidity confirms

that financial resilience has become a critical determinant of corporate payout policy in the post-pandemic period. These results contribute to the dividend policy literature by highlighting that, in emerging market contexts, governance mechanisms may not always function effectively in influencing strategic financial decisions, particularly during periods of economic uncertainty.

Conclusion

This study examines the influence of corporate governance mechanisms on dividend policy while controlling for financial factors in consumer manufacturing companies listed on the Indonesia Stock Exchange during the 2019–2024 period. The findings indicate that audit committees, institutional ownership, managerial ownership, and independent commissioners do not significantly influence dividend policy. In contrast, leverage, firm size, and liquidity significantly influence dividend policy, while profitability does not show a significant effect. These results suggest that dividend policy decisions during the post-pandemic period are driven more strongly by financial conditions and operational stability than by formal governance structures.

The findings contribute to agency theory by demonstrating that financial constraints and financial capacity play a more important role in shaping dividend policy than governance mechanisms in emerging market contexts. The significant effects of leverage and liquidity indicate that dividend policy may function as a mechanism to manage free cash flow, maintain investor confidence, and strengthen financial discipline during periods of economic uncertainty. These results also indicate that governance structures may not always operate effectively in influencing strategic financial decisions, particularly when firms prioritize financial resilience and operational continuity.

From a practical perspective, the findings provide important implications for corporate managers and investors. Managers should pay greater attention to liquidity management, capital structure, and financial stability when formulating dividend policies, especially under uncertain economic conditions. Investors should also consider financial indicators, particularly leverage, firm size, and liquidity, as important signals in evaluating corporate dividend prospects.

This study offers novelty by examining dividend policy in the post-pandemic period and integrating governance mechanisms with financial determinants within a comprehensive framework over a longer observation period. The study therefore provides updated empirical evidence regarding dividend policy behavior in emerging markets, particularly in the consumer manufacturing sector. However, this study is limited to consumer manufacturing companies listed on the Indonesia Stock Exchange and uses a limited number of governance variables. Future studies are encouraged to expand the research scope by including other industrial sectors, macroeconomic variables, and alternative governance indicators to provide broader insights into the determinants of dividend policy.

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