International Journal of Entrepreneurship and Management Practices
IJEMP
EISSN : 2600-8750
Volume 9 Issue 35 (September 2026) PP. 1360-1373



INTERNATIONAL JOURNAL OF ENTREPRENEURSHIP AND MANAGEMENT PRACTICES (IJEMP)
www.gaexcellence.com/ijemp

ANALYSIS OF FIRM PERFORMANCE DETERMINANTS: THE ROLE OF DIVIDEND POLICY AND CAPITAL STRUCTURE

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Article Info:

Article history:
Received date: 23.07.2026
Revised date: 20.08.2026
Accepted date: 24.09.2026
Published date: 30.09.2026

To cite this document:

Sudirman, W. F. R., Zulfadil, Z., & Rabialdy, F. (2026). Analysis Of Firm Performance Determinants: The Role of Dividend Policy and Capital Structure. *International Journal of Entrepreneurship and Management Practices, 9*(35), 1360-1373.

Abstract:

A critical indicator of a company's ability to generate profits and create value for shareholders is its performance. Many financial decisions made by a company (e.g., capital structure, dividend policy) can influence its profitability. As such, the purpose of this study is to examine how both dividend policy and capital structure affect the performance of firms that are part of the LQ45 Index from 2021 through 2024. The methodology used in this study was quantitative. The sampling technique used in this study was purposive sampling, resulting in a total sample size of 37 firms and 148 observations. Data analysis was done using panel data regression. Based on the model selection results, the Random Effects Model (REM) was selected as the dominant model. The results show that business success is positively and significantly impacted by the Debt to Equity Ratio (DER) and Dividend per Share (DPS). However, neither the Dividend Payout Ratio (DPR) nor the Debt to Asset Ratio (DAR) significantly affect company performance. The dividends paid out by the corporation are distributed according to the dividend. These findings corroborate Signaling Theory and Trade-Off Theory, which explain the relationship between dividend policy, capital structure, and company performance. Corporate management should take this research's conclusions into account when creating the optimal financing and dividend policies in order to improve business performance.

International Journal of Entrepreneurship and Management Practices
IJEMP
EISSN : 2600-8750
Volume 9 Issue 35 (September 2026) PP. 1360-1373
DOI: 10.35631/IJEMP.935074 **Keyword:**
Capital Structure, Debt-To-Equity Ratio, Dividend Policy, Dividend Per Share, Firm Performance.

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Introduction

Company performance is one of the main indicators used by investors, creditors, and other stakeholders to assess a company's success in managing its resources. For companies included in the LQ45 Index, performance is becoming increasingly important because they represent issuers with high liquidity and market capitalization on the Indonesia Stock Exchange. However, not all LQ45 companies can maintain stable performance over time. Fluctuations in global economic conditions, changes in monetary policy, rising funding costs, and capital market dynamics cause significant variations to company performance. Under these conditions, management is required to make appropriate financial decisions, particularly regarding dividend policy and capital structure, as both decisions are directly related to the company's ability to generate profits and maintain business sustainability. Dividend policy reflects the company's decision to distribute profits to shareholders or retain them as a source of internal funding. At the same time, capital structure shows how the company combines funding sources from debt and equity to support operations and business expansion. Therefore, identifying factors that influence company performance through dividend policy and capital structure is a crucial issue in financial management (Ridayanti et al., 2025).

Theoretically, there is still disagreement over how dividend policy and business performance are related. According to Signaling Theory, dividend payments can act as a positive indicator of a business's future, boosting investor confidence and promoting better business performance. Residual Dividend Theory, on the other hand, contends that businesses that keep earnings to fund profitable ventures may outperform those that provide a sizable percentage of their income to shareholders. Additionally, employing debt can boost a company's worth through tax benefits, according to Trade-Off Theory. However, using too much debt can raise the danger of bankruptcy and have a detrimental effect on business performance. According to the Pecking Order Theory, businesses often employ internal funding sources before taking on debt or issuing additional shares. These divergent opinions point to a theoretical gap on how capital structure and dividend policy affect business performance (Myers & Majluf, 1984; Baker & Weigand, 2015).

Previous research also shows inconsistent empirical results. Tambunan (2025) found that dividend policy had a positive effect on firm value in LQ45 companies, indicating that investors still view dividends as a positive signal regarding a company's prospects. However, Adli et al. (2024) found that leverage, as proxied by the Debt-to-Equity Ratio, had no significant effect on the dividend policy of LQ45 companies. Similar findings were obtained by Yolinda and

Nurfadillah (2022), who stated that capital structure had no significant effect on dividend policy. Furthermore, Furqoni and Anggraeni (2023) found that the Debt-to-Equity Ratio had no significant effect on the Dividend Payout Ratio in companies included in the LQ45 index. On the other hand, Uzzulfa and Imronudin (2025) showed that leverage and dividend policy were able to explain changes in company value. These differing research findings indicate that the relationship among dividend policy, capital structure, and company performance remains inconsistent and warrants further testing.

Companies in this index have distinct characteristics compared to other companies, such as high stock liquidity, broader access to funding, and relatively greater investor oversight. These characteristics allow dividend policy and capital structure to have different impacts on company performance. Furthermore, changes in post-pandemic economic conditions and increasing global economic uncertainty are encouraging companies to be more cautious in determining profit distribution policies and debt use. Therefore, inconsistencies in previous research present opportunities for further research into the roles of dividend policy and capital structure in determining company performance among companies included in the LQ45 index (Aulia & Sukiswo, 2024; Yasmin et al., 2025). According to this definition, it is crucial to examine how capital structure and dividend policy affect the performance of LQ45 index businesses. This research is expected to add to the development of financial management literature, notably linked to Signaling Theory, Trade-Off Theory, and Pecking Order Theory in explaining the relationship between dividend policy, capital structure, and firm performance. Additionally, it is anticipated that the study's findings will help management of the company create the best possible financial policies and that investors will use them as a guide when choosing which companies to invest in that are part of the LQ45 index.

Literature Review

Signaling Theory

According to signaling theory, management might use dividend policy to inform investors about the company's future. Information asymmetry occurs when management has more comprehensive information than investors. The corporation has a growth can be seen as a strong future prospect. On the other hand, a decline in dividends is sometimes interpreted as a bad indication of the state of the business. According to Njoku and Lee (2024), companies that consistently pay dividends tend to receive a positive market response because investors view dividends as an indicator of the company's financial health.

Agency Theory

Agency Theory explains the potential for a conflict of interest between management, as the agent, and shareholders, as the principals. Under certain circumstances, management may use company funds for purposes inconsistent with shareholder objectives. Dividend payments can reduce the amount of free funds available to management, thereby mitigating the potential for agency conflicts. Therefore, dividend policy is seen as a control mechanism that can increase company efficiency and ultimately improve company performance (Njoku & Lee, 2024).

International Journal of Entrepreneurship and Management Practices
IJEMP
EISSN : 2600-8750
Volume 9 Issue 35 (September 2026) PP. 1360-1373

Capital Structure

Capital structure is the combination of debt and equity used by a company to finance its operations and investments. Decisions regarding capital structure are strategic because they determine the cost of capital, risk level, and the company's ability to generate profits. Modern financial literature explains that there is no single capital structure that applies to all companies, as each company has different characteristics, risks, and growth opportunities. Recent research shows that capital structure decisions are influenced by various factors, including macroeconomic conditions, company characteristics, industry concentration, and the behavior of similar companies in the same industry (Yeboah et al., 2024; Zaighum et al., 2024).

The Trade-Off Theory states that businesses will work to attain an ideal capital structure by weighing the advantages of utilizing debt—such as tax shields—against the costs of bankruptcy that result from using debt excessively. According to this hypothesis, a company's value and performance can be improved by taking on a specific amount of debt because it lowers the cost of capital. Nonetheless, financial risk is unfortunately poorly negatively negatively negatively negatively negatively. Research by Hussain et al. (2024) found that capital structure significantly influences company performance in developing countries, but that this influence is nonlinear, suggesting an optimal debt level companies should aim for. Meanwhile, Pecking Order Theory explains that companies tend to use internal funding sources before turning to debt and issuing new shares.

Firm Performance

Firm performance is a company's ability to manage its resources to generate profits, improve operational efficiency, and create value for shareholders. In financial research, company performance is generally proxied through profitability indicators such as Return on Assets (ROA), Return on Equity (ROE), or market-based measures such as Tobin's Q. Company performance is an important measure because it reflects the effectiveness of managerial decisions in managing the company's assets and funding sources. Recent studies have shown that company performance is influenced not only by operational factors but also by strategic financial decisions such as capital structure and dividend policy. For companies in developing countries, financing and profit distribution decisions become increasingly important due to high market uncertainty and information asymmetry facing investors (Kiymaz et al., 2024; Khim et al., 2025).

Dividend Policy

Dividend policy is a company's choice on how much of its income should be delivered to shareholders as dividends and how much should be kept supporting future investments. Dividend policy has remained a hot topic in the financial literature to this day, owing to the dividend puzzle, in which no one can explain why investors react differently to dividend payments. Dividend policy research is ongoing, and the results have been mixed in terms of its impact on corporate value and performance (Baker et al., 2023).

The Effect of Dividend Policy on Firm Performance

The relationship between dividend policy and company performance continues to show mixed results. Some studies find that dividends positively affect company performance by reducing

information asymmetry and increasing investor confidence. However, other studies indicate that excessive dividend payments can reduce internal funds available for investment, potentially reducing long-term company performance. Nevertheless, the majority of recent research supports the view that a stable dividend policy is a positive signal to the market and can improve company performance. Based on Signaling Theory and Agency Theory, the following hypothesis can be formulated: H1: Dividend policy positively affects company performance.

The Effect of Capital Structure on Firm Performance

Empirical study into the relationship between capital structure and firm performance continues to yield mixed results. Hussain et al. (2024) demonstrated that leverage has a considerable impact on non-financial company performance in emerging markets. Sarwoko and Viverita (2024) discovered that capital structure effects the performance of Indonesian construction enterprises, which supports similar findings. However, other research show that this effect varies with the company's debt level and is not always linear. Excessive debt usage can increase the danger of bankruptcy and lower corporate performance. Based on Trade-Off Theory and Pecking Order Theory; the following hypothesis can be formulated: H2: Capital structure affects company performance.

Methodology

This study uses both a quantitative methodology and an associative research approach. It looks at how companies listed on the Indonesia Stock Exchange's (IDX) LQ45 Index perform in relation to capital structure and dividend policy. The Indonesia Stock Exchange (IDX) (http://www.idx.co.id) and each company's official website published annual financial statements and reports between 2021 and 2024, which provided the secondary data. To confirm data accuracy and consistency, supporting information about stock listings, company profiles, and LQ45 Index members was also obtained from IDX publications. All businesses that were part of the LQ45 Index during the observation period made up the study's population. Purposive sampling, a technique for choosing samples based on predetermined standards set by the researcher to guaranty the sample is in line with the research goals, was used to choose the sample (Sekaran & Bougie, 2020). The following criteria were applied: (1) companies that were regularly listed on the LQ45 Index between 2021 and 2024; (2) companies that released complete annual financial statements during the research period; and (3) companies that had complete data pertaining to the research variables, specifically dividend policy, capital structure, and company performance; and (4) companies that did not experience delisting or prolonged suspension during the observation period. Based on these criteria, 37 companies met the requirements and were selected as research samples. In contrast, other companies were excluded because they did not satisfy one or more of the established criteria. With a four-year observation period, this study included 148 firm-year observations.

This study used panel data regression analysis to investigate the impact of dividend policy and capital structure on firm performance. Because the data included cross-sectional observations from multiple organizations as well as time-series observations spanning four years, panel data analysis was deemed appropriate because it can capture differences between companies and throughout time at the same time (Baltagi, 2021). Before hypothesis testing, the Chow Test, Hausman Test, and Lagrange Multiplier Test were used to identify the best estimating model from the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model

International Journal of Entrepreneurship and Management Practices
IJEMP
EISSN : 2600-8750
Volume 9 Issue 35 (September 2026) PP. 1360-1373

(REM). After deciding on the optimal estimation model, classical assumption testing was performed to check that it matched the optimal Linear Unbiased Estimator (BLUE) requirements. The classic assumption tests used in this study included heteroscedasticity and autocorrelation. The Breusch-Pagan-Godfrey Test was used to examine if the residual variance is constant across observations. According to Gujarati et al. (2022), a good regression model should not exhibit heteroscedasticity because such a condition may lead to inefficient coefficient estimates. In the Breusch-Pagan-Godfrey test, decisions are based on the probability value of Obs R-Squared. If the p-value exceeds the 0.05 significance level, the regression model is considered free of heteroscedasticity; otherwise, heteroscedasticity is indicated.

Furthermore, an autocorrelation test was conducted using the Breusch-Godfrey Serial Correlation Lagrange Multiplier (LM) Test. This test is used to detect correlations among residuals across periods. It is considered superior to the Durbin-Watson Test because it can detect higher-order autocorrelation and applies to models containing lagged variables (Wooldridge, 2021). According to Greene (2020), the presence of autocorrelation may bias the variance estimates of regression coefficients and reduce estimation efficiency. Decision-making in the Breusch-Godfrey test is based on the probability value of Obs R-Squared. If the p-value is greater than 0.05, the regression model is regarded free of autocorrelation; otherwise, autocorrelation is indicated. After the model was deemed to meet the required assumptions, hypothesis testing was carried out with panel data regression analysis. The significance of the regression coefficients was determined using both partial (t-tests) and simultaneous (F-tests). The coefficient of determination (R^2) was used to evaluate the model's ability to explain variations in firm performance among LQ45 Index companies from 2021 to 2024.

Table 1: Variable Measurement

Variable	Proxy	Measurement	Rationale
Firm Performance	ROE	Net Income / Total Equity × 100%	Measures return generated for shareholders
	ROA	Net Income / Total Assets × 100%	Robustness measure of asset-based performance
Dividend Policy	DPS	Dividend / Number of Shares	Captures absolute dividend distributed per share
	DPR	Dividend / Net Income	Captures proportion of earnings distributed
Capital Structure	DER	Total Debt / Total Equity	Captures debt relative to shareholders' equity
	DAR	Total Debt / Total Assets	Captures proportion of assets financed by debt

Results

There are 148 observations from businesses included in the LQ45 Index between 2021 and 2024, according to the descriptive statistics in Table 2. An overview of the features of the research data, such as the minimum, maximum, average (mean), and standard deviation values of each study variable, is provided by descriptive statistics. With an average of 7.3334 and a standard deviation of 7.02261, the return on assets (ROA) variable ranges from a minimum of 0.02 to a maximum of 45.45. According to this average figure, the sample enterprises can

International Journal of Entrepreneurship and Management Practices
IJEMP
EISSN : 2600-8750
Volume 9 Issue 35 (September 2026) PP. 1360-1373

typically turn a profit of 7.33% of their total assets. This shows that the smaller variation in the smaller variation is the smaller variation in the smaller variation in the smaller standard standard standard standard standard standard standard standard standard standard data data data. As a result, the distribution of the data tends to be uniform around the average value. The ROE variable ranges from 0.05 to 156.74, with an average of 17.8764 and a standard deviation of 22.78041. The sample companies were able to produce a net profit of 17.88% of shareholder capital, according to this average number. Nonetheless, the standard deviation, which is higher than the average, shows that there is substantial variety in the ROE data among businesses, which leads to variations in their capacity to provide returns to shareholders.

With an average of 337.7021 and a standard deviation of 1,040.00200, the dividend per share (DPS) variable ranges from 0.00 to 7,168.00. While the maximum value shows that some companies paid out very substantial dividends, the minimum value of 0.00 shows that some companies did not pay out dividends during the study period. The DPS data show a very high degree of dispersion when the standard deviation is much higher than the mean, indicating that the sample companies' dividend distribution practices differ greatly from one another. The dividend payout ratio (DPR) variable ranges from 0.00 to 1,067.08, with an average of 53.7824 and a standard deviation of 96.40405. This average reveals that corporations pay out around 53.78% of their income to shareholders as dividends. A standard deviation greater than the mean shows a considerable difference in profit distribution practices between enterprises. Some corporations have extremely high DPR levels, which could be due to dividend distributions exceeding current-year profits or the utilization of retained earnings for dividend payments.

The debt to asset ratio (DAR) variable has a minimum value of 0.11 and a maximum value of 0.88, with a mean of 0.5161 and a standard deviation of 0.21373. The average value indicates that approximately 51.61% of the company's assets are financed by debt. A standard deviation smaller than the average value indicates that the level of debt usage to assets in the sample companies is relatively homogeneous and does not show significant differences between companies. With an average of 2.0568 and a standard deviation of 2.54830, the debt to equity ratio (DER) variable ranges from a minimum of 0.13 to a maximum of 15.31. This implies that the company's debt is the company's debt-equity ratio is the debt-equity ratio is the debt-to-to-to-to-equity. The sample companies' capital structures varied significantly, with some having very high levels of leverage in comparison to others, as indicated by the standard deviation being higher than the average.

Table 2: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Return on Asset	148	.02	45.45	7.3334	7.02261
Return on Equity	148	.05	156.74	17.8764	22.78041
Dividend Per Share	148	.00	7168.00	337.7021	1040.00200
Dividend Payout Ratio	148	.00	1067.08	53.7824	96.40405
Debt to Asset Ratio	148	.11	.88	.5161	.21373
Debt to Equity Ratio	148	.13	15.31	2.0568	2.54830

Source: Data processed by SPSS 26 (2026).

International Journal of Entrepreneurship and Management Practices
IJEMP
EISSN : 2600-8750
Volume 9 Issue 35 (September 2026) PP. 1360-1373

The Cross-section Chi-square value was 441.183346 with a probability of 0.0000, and the Cross-section F value was 55.601048 with a probability of 0.0000, according to the Chow Test results. H_0 is rejected but H_1 is approved since the probability value is less than 0.05. As a result, the Fixed Effect Model (FEM) outperforms the Common Effect Model (CEM). Consequently, the study model needs to take company-specific differences into consideration. Additionally, the Chi-Square Statistic value was 6.978279 with a probability value of 0.1370 based on the Hausman Test results. This is due to the possibility that the probability is rejected. These findings show that the fixed random application is less. Regression Regression Regression Regression Regression Regression Regression Regression Regression Regression. This model option shows that the characteristics of the sample companies differ randomly and are unrelated to the independent variables of the research. For additional hypothesis testing, the random effects model (REM) was employed.

Table 3: Chow Test And Hausman Test

Redundant Fixed Effects Tests Equation: Untitled Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	55.601048	(36,107)	0.0000
Cross-section Chi-square	441.183346	36	0.0000

Correlated Random Effects - Hausman Test Equation: Untitled Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	6.978279	4	0.1370

Source: Data processed by E-view 12 (2026).

Model Specification

The empirical model was specified to examine the relationship between dividend policy, capital structure, and firm performance. Firm performance was measured using ROE as the primary dependent variable, while ROA was employed as an alternative performance proxy to assess the robustness of the results. Dividend policy was represented by DPS and DPR, whereas capital structure was represented by DER and DAR to capture both equity- and asset-based leverage dimensions. The baseline specification employed the Random Effects Model (REM), which allows for unobserved firm-specific heterogeneity while assuming that the individual effects are uncorrelated with the explanatory variables. The baseline model was specified as follows:

$$ROE_{it}=\beta_0+\beta_1 DPS_{it}+\beta_2 DPR_{it}+\beta_3 DER_{it}+\beta_4 DAR_{it}+\epsilon_{it}$$

Additional specifications using ROA as the dependent variable and Fixed Effects (FE) and Ordinary Least Squares (OLS) estimations were employed as robustness checks. The use of ROA as an alternative measure of firm performance was intended to examine whether the relationship between dividend policy, capital structure, and firm performance remained consistent when performance was measured from an asset-based perspective rather than an equity-based perspective. The Fixed Effects specification was employed to control for time-

invariant, unobserved firm-specific characteristics that may be correlated with the explanatory variables, thereby reducing potential omitted-variable bias arising from persistent differences across firms. Meanwhile, the OLS specification was used as an alternative estimation approach to assess whether the main findings were sensitive to the panel-data estimation framework. Consistency in the direction, statistical significance, and substantive interpretation of the estimated coefficients across these alternative specifications would provide additional support for the robustness of the baseline findings.

Hypothesis Testing Results

In accordance with the panel data model selection results using the Hausman Test, this study employed a random effects model (REM) with return on equity (ROE) as the dependent variable based on the hypothesis testing results in Table 4. According to the test results, dividend per share (DPS) significantly and favorably affects business performance. An increase in dividends per share is linked to an improvement in return on equity (ROE), according to the main model's DPS coefficient of 0.004 and t-statistic of 5.102. Additionally, DPS consistently displayed a positive and significant coefficient in all other models, including Random Effects with ROA, Fixed Effects with ROA and ROE, and Ordinary Least Squares (OLS) with ROA and ROE. This result suggests that a factor that is consistently linked to better business performance is the quantity of dividends paid to shareholders.

In contrast, the Dividend Payout Ratio (DPR) variable produced differing results. In the main model, DPR had a coefficient of -0.002 and a t-statistic of -0.259, showing no significant effect on ROE. All further models, which used both ROA and ROE proxies as well as alternative estimating methodologies, yielded insignificant findings. This research suggests that the percentage of profits allocated as dividends is not a major predictor of corporate performance. The findings of testing the capital structure variable revealed that the debt-to-equity ratio (DER) had a favorable and substantial effect on company performance in the main model. The DER coefficient was 3.408, with a t-statistic of 2.764, demonstrating that increasing the usage of debt relative to equity can boost Return on Equity (ROE). Similar results were obtained in the Fixed Effects model with ROE as the dependent variable, with DER having a coefficient of 5.416 and a t-statistic of 3.601. When corporate performance is measured using ROA, the influence of DER is insignificant in either the Random Effects, Fixed Effects, or OLS models. Meanwhile, the Debt to Asset Ratio (DAR) variable has no meaningful influence in the main model or the majority of the supplemental models. In the main model, DAR has a coefficient of 9.961 and a t-statistic of 0.681, showing no significant effect on ROE. Only in the OLS model with ROE as the dependent variable does DAR have a significant positive effect (coefficient of 25.724 and t-statistic of 2.024). However, given these results are inconsistent with the main model or the other panel models, the study's principal interpretation is based on the Random Effects Model results. Additionally, the primary model's coefficient of determination (R^2) is 0.26, meaning that variables related to capital structure and dividend policy account for around 26% of the variation in firm performance as measured by ROE, with the remaining portion being attributable to factors not included in the research model.

International Journal of Entrepreneurship and Management Practices
IJEMP
EISSN : 2600-8750
Volume 9 Issue 35 (September 2026) PP. 1360-1373

Table 4: Hypothesis Testing

Variabels	Random		Fixed		OLS	
	RoA	RoE	RoA	RoE	RoA	RoE
DPS	0.002** (5.660)	0.004** (5.102)	0.002** (4.880)	0.004** (4.647)	0.003** (6.348)	0.005** (2.728)
DPR	0.003 (-0.945)	-0.002 (-0.259)	-0.003 (-0.915)	-0.003 (0.378)	-0.001 (-0.252)	0.015 (0.770)
DER	-0.509 (-1.150)	3.408** (2.764)	-0.933 (-1.211)	5.416** (3.601)	-0.322 (-1.124)	-0.083 (-0.079)
DAR	-4.925 (-0.934)	9.961 (0.681)	-3.50 (-0.383)	6.597 (0.340)	-5.313 (-1.538)	25.724* (2.024)
Obs	148	148	148	148	148	148
R^2	0.21	0.26	0.87	0.95	0.30	0.10

Notes ** and ** are significant at level 1 and 5, respectively Source(s): Table by authors.

Discussion

The results of this study indicate that Dividend per Share (DPS) is positively and significantly associated with company performance. This finding suggests that companies that distribute larger dividends tend to have higher returns to shareholders. This can be explained by Signaling Theory, which posits that dividend payments are a positive signal from management to investors about the company's prospects and financial condition. When a company can pay high dividends, investors will perceive it as capable of generating profits and strong cash flow, thereby increasing trust in the company. These results align with research by Njoku and Lee (2024), who found that dividend policy is positively associated with company performance by reducing information asymmetry and increasing investor confidence. These findings also support research by Baker et al. (2023), which explains that companies with a stable dividend policy tend to receive a more positive market response than companies without a consistent dividend policy.

On the other hand, the Dividend Payout Ratio (DPR) variable was not significantly related to company performance. These results indicate that investors are less concerned with the percentage of profits distributed as dividends than with the amount of dividends received directly. Furthermore, a high DPR does not always correspond to better company performance, as companies also need to consider internal funding requirements for investment and business expansion. Therefore, a high profit-sharing ratio does not necessarily correspond to higher profitability or shareholder returns.

The results of this study indicate that the Debt-to-Equity Ratio (DER) is positively and significantly associated with company performance. This finding suggests that greater use of debt relative to equity is associated with higher ROE. These results support the Trade-Off Theory, which holds that using debt can provide tax shields, thereby being associated with higher company profitability when debt levels remain within optimal limits.

Companies included in the LQ45 Index generally have better access to external funding sources and a greater ability to manage financial obligations, allowing them to use debt to support operational activities and profitable investments. These results align with research by Hussain

et al. (2024), which found that capital structure is positively associated with company performance in developing countries. Similar findings were also reported by Sarwoko and Viverita (2024), who showed that effective debt use is associated with higher company performance through capital cost efficiency. Meanwhile, the Debt-to-Asset Ratio (DAR) was not significantly related to company performance. This result suggests that the proportion of debt to total assets does not necessarily reflect a company's ability to generate profits. A company's high asset holdings are not always accompanied by productive asset utilization, thus limiting their contribution to profitability. Furthermore, not all assets financed by debt are used for activities that are associated with higher returns to shareholders. Therefore, the DAR does not significantly explain the variation in company performance in this study.

Conclusion

The purpose of this study is to examine how capital structure and dividend policy affect company performance in companies included in the LQ45 Index between 2021 and 2024. Dividend per share (DPS) has a favorable and significant impact on business success as measured by return on equity (ROE), according to panel data analysis using the random effects model (REM). These findings suggest that the company's return to shareholders increases with the amount of dividends paid to shareholders. On the other hand, the percentage of profits paid out as dividends cannot account for variations in business success since the dividend payout ratio (DPR) has not been shown to significantly impact business performance. In terms of capital structure, the findings demonstrated that the debt to equity ratio (DER) significantly and favorably affected business performance. This implies that ideal rate of return in relation to equity. Conversely, there was no discernible impact of the debt to asset ratio (DAR) on business performance. Therefore, the ratio of debt to equity rather than the percentage of debt to total assets better captures the impact of capital structure on business performance. According to the study's findings, the debt to equity ratio (DER) and dividend per share (DPS) are significant factors that affect how well businesses in the LQ45 Index perform. These results validate trade-off theory, which maintains that the best use of debt can enhance business performance through tax savings, and signaling theory, which contends that dividends convey a company's prospects to investors. According to this study, in order to enhance business performance and generate shareholder value, organizations should take into account dividend distribution policies and efficient capital structure management. Due to its limited observation period and use of only LQ45 Index businesses, this study has certain limitations. Additionally, the model's capacity to explain differences in business performance is still restricted, thus it may be influenced by other factors. Therefore, in order to obtain a more thorough understanding of the factors influencing company performance, additional research is advised to broaden the sample scope, extend the research period, and include additional variables, such as company size, company growth, liquidity, corporate governance, and macroeconomic factors.

International Journal of Entrepreneurship and Management Practices
IJEMP
EISSN : 2600-8750
Volume 9 Issue 35 (September 2026) PP. 1360-1373

Acknowledgements: The authors would like to sincerely thank Universitas Pahlawan Tuanku Tambusai and Univeristas Riau for providing the institutional resources and assistance required for this study. Additionally, the authors would like to express their gratitude to every respondent who took part in the study and contributed important data. Additionally, special thanks are given to peers and colleagues who offered insightful comments and helpful criticism that helped to improve this paper.

Funding Statement: No Funding.

Conflict of Interest Statement: Regarding the publishing of this work, the authors state that they have no conflicts of interest. Each author has contributed to this work and given their approval for the final draft to be submitted to the International Journal of Entrepreneurship and Management Practices (IJEMP).

Ethics Statement: This investigation was carried out in compliance with recognized ethical and scholarly research guidelines. Prior to data collection, all respondents were made aware of the goal of the study, and participation was entirely voluntary. Prior to their involvement, the individuals gave their informed consent. The confidentiality and identity of respondents were protected throughout the research process, and the data collected were used purely for academic and research purposes.

Author Contribution Statement: Wahyu Febri Ramadhan Sudirman (First Author) helped to conceptualize the research design, methodology, literature review, data gathering, and initial article writing. Zulfadil (Second and Corresponding Author) contributed to the manuscript's conceptualization, study technique, data analysis, result interpretation, overall supervision, and critical revision. Fakhri Rabialdy (Third Author) contributed to data gathering, literature review, findings interpretation, and text critical revision. All authors contributed to the manuscript's preparation, read and approved the final version, and agreed to submit it to the International Journal of Entrepreneurship and Management Practices (IJEMP).

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