The role of profitability in moderating the influence of capital structure on dividen policy

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Abstract

This research aims to analyze profitability in moderating the influence of capital structure on dividend policy. The research method uses quantitative methods with the object of research was conducted at Consumer Non-Cyclicals Sector companies listed on the Indonesia Stock Exchange (IDX) with a time period of 2019-2023. Sampling using purposive sampling with a total observation of 155 samples and using secondary data derived from the company's annual financial statements. The data analysis method uses panel data regression with Eviews tools. The results showed that capital structure through debt to assets ratio has a significant negative effect on dividend policy, while debt to equity ratio and asset structure have a significant positive effect on dividend policy. The profitability proxied by return on assets has a significant positive effect on dividend policy. Profitability is also able to significantly moderate (weaken) the effect of capital structure on dividend policy. This research is expected to provide information for investors in making investment decisions by paying attention to the company's healthy capital structure, high profitability level, and consistent implementation of dividend policies. Recommendations for future researchers can add other variables such as liquidity ratios, conduct research on different objects or increase the research time period.

***Keywords**: assets structure, capital structure, dividend policy, profitability*

Introduction

Dividend policy is one of the three important financial management decisions in maximizing firm value, in addition to investment decisions and funding decisions (Prša et al., 2022). Dividends derived from net income distributed by the company are a form of return on investment from the company to investors (Hossain et al., 2023). This is what makes the dividend policy of a company one of the attractions of investors in investing (Erfandi et al., 2024). The Consumer Non-Cyclicals sector is a sector of companies that produce basic goods that are always needed by the public so that sales are not affected by economic cycles or conditions. This makes the Consumer Non-Cyclicals sector remain stable in generating company profits. This condition makes the Consumer Non-Cyclicals sector one of the most attractive sectors for investors because of its stability in generating profits which has implications for the company's continuous dividend distribution.

Based on Figure 1, the net profit generated by the Consumer Non-Cyclicals sector has fluctuated throughout the period 2019 to 2022 and has increased again in 2023. This condition is followed by the distribution of cash dividends by companies which also fluctuates but the change in increase is not as large as the increase in net profit. This can be seen in the dividend payout ratio which, although fluctuating, has a downward trend as shown in 2022 where the dividend payout ratio amounted to 67.12% then experienced a significant decline to 42.85% in 2023. Of course, this indicates that there are other factors

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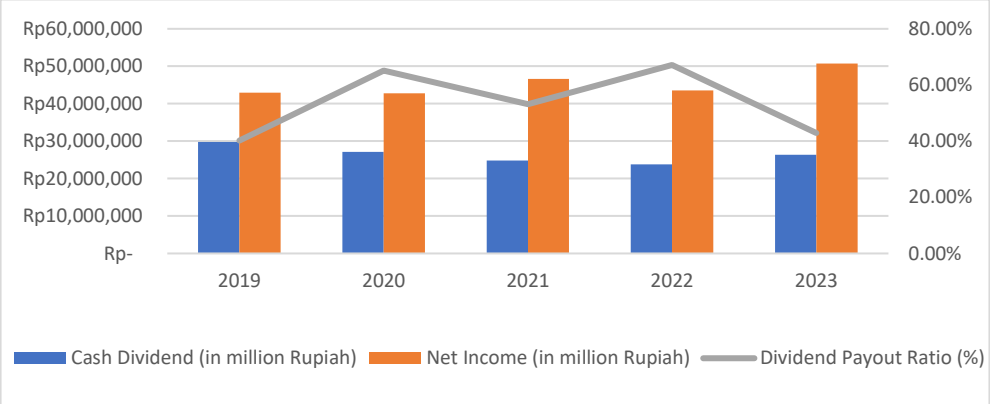
that influence the dividend policy of companies in the Consumer Non-Cyclicals Sector. To determine an effective dividend policy that has a crucial role in corporate strategy, it is very important to know what specific factors have an impact on dividend policy (Olaoye & Olaniyan, 2022).



Sources : idx.co.id (data processed)

Figure 1. Comparison of Net Income, Cash Dividend, and Dividend Payout Ratio on Consumer Non-Cyclicals

Research conducted by Yahaya et al. (2023) concluded that the company's capital structure has a positive and significant effect on dividend policy implemented by the company. The results of this research are also supported by research conducted by Tirtamara and Sri Artini (2024) which concludes that capital structure has a positive and significant effect on corporate dividend policy. This emphasizes that companies using greater debt up to a certain point benefit from tax reduction which implies more cash flow distributed as dividends. The different research results were obtained by by Edokpa et al. (2024) concluded that the dividend policy carried out by the company is negatively and significantly influenced by the company's capital structure. Akpadaka et al. (2024) in their research also concluded that capital structure also has a negative and significant effect on corporate dividend policy. Fitriyah et al. (2024) in their research also supported the results of Edokpa and Akpadaka's research which concluded that the company's capital structure has a negative and significant effect on the company's dividend policy. In contrast to the previous explanation, the capital structure has a negative effect which indicates that the higher the capital structure ratio can increase the pressure on the company's liabilities and the company's financial risk which also has implications for the decrease in cash flow distributed as dividends.

Profitability as a determinant of the proportion of dividend distribution allocation certainly has an influence on the company's dividend policy. Research conducted by Prianda et al. (2022) concluded that profitability has a negative but insignificant effect on corporate dividend policy. This shows that the size of the profit generated by the company will not necessarily be distributed as dividends. The company may reuse it as retained earnings in developing its business activities, payment of liabilities or expansion. The different research results were conducted by by Abdurrozaq et al. (2023) concluded that the company's dividend policy is positively and significantly influenced by the company's profitability. Momany et al. (2024) in their research also concluded that dividend policy is positively and

significantly influenced by company profitability. In contrast to the previous explanation, the results of this research indicate that the greater the profit generated by the company, the greater the company's dividend payout ratio given to investors.

Research conducted by Akpadaka et al. (2024) concluded that profitability positively and significantly affects the company's dividend policy and is able to negatively moderate the effect of capital structure on dividend policy. The results of his research are also supported by Edokpa et al. (2024) who in their research concluded that financial performance as a manifestation of profitability is able to positively and significantly influence the company's dividend policy and is able to negatively and significantly moderate the effect of capital structure on dividend policy. This indicates that profitability has an important role in managing the company's finances, especially in offsetting the financial risks of high debt and in implementing dividend policies that can attract investors to invest.

Based on the phenomenon and research gap above, therefore this research will focus on examining the effect of capital structure on dividend policy moderated by profitability in Consumer Non-Cyclicals sector companies. This research adds a novel variable, namely asset structure as the 3rd independent variable of capital structure into the research model. The addition of asset structure as a novelty variable in capital structure, because companies that have a high fixed asset ratio can have relatively easy access to funding sources and provide an indication of the company's ability to utilize its assets to reduce debt risk, increase profitability, while maintaining a consistent dividend policy. It can provide an indication. This refers to the results of research conducted by Akpadaka et al. (2024) who found that asset structure has a positive and significant influence on the company's dividend policy. Thus, the research objectives are to analyze the effect of debt to assets ratio (DAR), debt to equity ratio (DER), assets structure (AS), and return on assets (ROA) on dividend policy and assess profitability in influencing capital structure on dividend policy.

Dividends are net income that the company decides to distribute to shareholders (Heba et al., 2021). Dividends are said to be compensation received by shareholders for investing in a company (Erfandi et al., 2024). The proportion of profit distributed as cash dividends or also known as the dividend payout ratio reflects the form of the company's dividend policy (Ananta et al., 2023). Dividend policy is an important issue between company management and investors, where dividend policy is used to maintain the company's financial performance through investor loyalty (Alshakhanbeh et al., 2024). The higher the dividend payout ratio can attract investors to invest so as to improve the company's reputation (Edokpa et al., 2024).

Capital structure is part of the company's funding decisions that have an important role in determining the proportion of debt and equity of the company to finance its business operations (Akpadaka et al., 2024). A firm's capital structure should be able to consider factors such as the size and industry of the firm, financial risk, and current market conditions because they can affect the creditworthiness and attractiveness of the firm to investors and creditors (Edokpa et al., 2024). When the company's capital structure, where the combination of debt and shareholder capital (equity) can be maintained properly, this can increase the company's profitability (Niati & Sartika, 2024).

Profitability is an indicator that can explain management's ability to manage the company as seen from the high effectiveness and efficiency of the company in using its assets to generate profits (Januarsi & Sanusi, 2024). Profitability as a manifestation of

financial performance is very important for the sustainability of the company because it can affect the company's reputation in the market, financial stability, investor confidence, and the ability to maintain its competitive advantage (Edokpa et al., 2024). Profitability is the end result of any investment decision and it is certain that the higher the level of profitability of the company, the greater the opportunity for the company to attract investors in the form of dividend policies and easily obtain funding for future growth and business expansion (Akpadaka et al., 2024).

Research conducted by Ishaku et al. (2020) found that capital structure as measured by DAR has a negative and significant effect on dividend policy. Abdullah (2021) in his research also concluded that DAR has a negative and significant effect on dividend policy. Research conducted by Pucangan and Wirama (2021) shows that DAR has a negative and significant effect on dividend policy. The same results were also obtained from research conducted by Lee et al. (2022) that DAR has a negative and significant effect on dividend policy. Thus, the following hypothesis can be developed:

H1: DAR has a significant effect on Dividend Policy

Research conducted by Mvita et al. (2021) concluded that DER and dividend policy have a negative and significant correlation. Further research by Olaoye and Olaniyan (2022) also supports the results of previous studies that DER and dividend policy have a negative and significant effect. Edokpa et al. (2024) in their research gave the same conclusion that DER has a negative and significant effect on dividend policy. The results of this research are also supported by research conducted by Akpadaka et al. (2024) which concluded that DER has a negative and significant effect on dividend policy. Thus, the following hypothesis can be developed:

H2: DER has a significant effect on Dividend Policy

Assets Structure has a significant impact on companies, investors, and policy makers because it can increase profits for companies, reduce risk, and can increase returns for investors (Liu & Jia, 2023). When the company's fixed assets are higher, it encourages an optimized production process so as to create a huge profit opportunity which of course has implications for the company's dividend policy (Indrayani & Wentan, 2024). Research conducted by Akpadaka et al. (2024) concluded that assets structure has a positive and significant effect on dividend policy. This is because companies that have significant fixed assets can easily have access to sources of funds and are able to face financial risks and can even increase the allocation of net income distributed as dividends to shareholders. Thus, the following hypothesis can be developed:

H3: Assets Structure has a significant effect on Dividend Policy

Research conducted by Indrati and Amelia (2022) found the conclusion that ROA has a positive and significant impact on dividend policy. The research results obtained by Benyadi et al. (2022) also has the same conclusion that dividend policy is positively and significantly influenced by ROA. Momany et al. (2024) in their research concluded that ROA can positively and significantly affect dividend policy. Research conducted by Edokpa et al. (2024) also supports the results of previous studies which concluded that ROA has a positive and significant effect on dividend policy. Thus, the following hypothesis can be developed:

H4: ROA has a significant effect on Dividend Policy

Research conducted by Edokpa et al. (2024) concluded that profitability proxied by ROA is able to negatively and significantly moderate the effect of capital structure on dividend policy. These results are also supported by research conducted by Akpadaka et al. (2024) which concluded that profitability proxied by ROA is able to negatively and significantly moderate the effect of capital structure on dividend policy. Thus, the following hypothesis can be developed:

H5: ROA is able to significantly moderate the influence of Capital Structure on Dividend Policy

Various research results that have been stated above, can be described as a conceptual framework that can explain the effect of capital structure on dividend policy moderated by profitability :

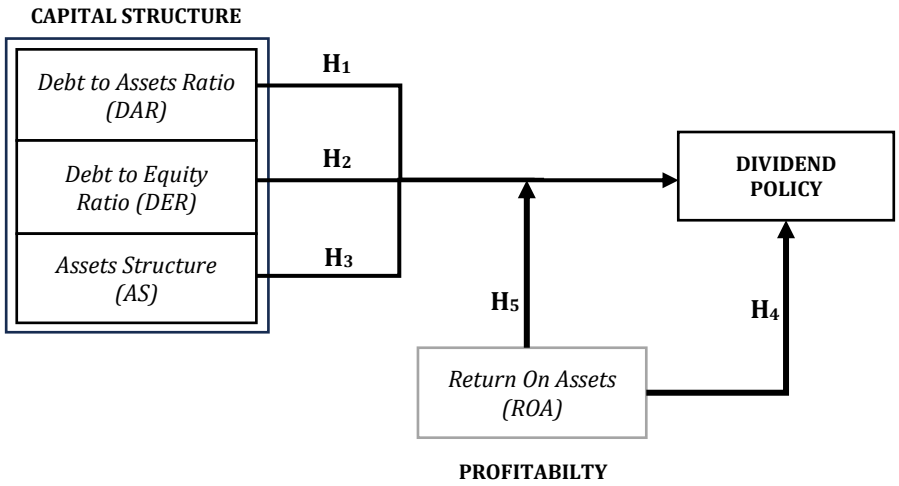


Figure 2. Conceptual Framework

Methods

This research aims to analyze the role of profitability in moderating the effect of capital structure on dividend policy. The measurement of each variable can be explained in the table below :

Table 1. Variable Measurement

Variable	Proxy	Formula	Reference
Dependen Variable			
Dividend Policy	*Dividen Payout Ratio* (DPR)	$\text{DPR} = \frac{Dividend\ Paid}{Earning\ After\ Tax}$	Edokpa et al. (2024)
Independen Variable			
Capital Structure	*Debt To Assets Ratio* (DAR)	$\text{DAR} = \frac{Total\ Debt}{Total\ Assets}$	Edokpa et al. (2024)
	Debt To Equity Ratio (DER)	$\text{DER} = \frac{Total\ Debt}{Total\ Equity}$	Akpadaka et al. (2024)
	Assets Structure (AS)	$\text{AS} = \frac{Total\ Non\ Current\ Assets}{Total\ Assets}$	Akpadaka et al. (2024)
Moderating Variable			
Profitability	*Return On Assets* (ROA)	$\text{ROA} = \frac{Net\ Income}{Total\ Assets}$	Akpadaka et al. (2024)

As the objective in this research is to analyze profitability in moderating the effect of capital structure on dividend policy, the research method used is quantitative method. This research uses a sample of companies in the Consumer Non-Cyclicals Sector consisting of 11 industrial subsectors that have been listed on the Indonesia Stock Exchange (IDX). Sampling using purposive sampling technique with the following requirements: 1) the company has been listed on the IDX; 2) the company has complete financial reports from 2019 to 2023; and 3) the company continues to distribute dividends throughout the period 2019 to 2023. From a total population of 111 companies, 31 companies became research samples with a time period of 5 years, from 2019 to 2023, so that the total observation was 155 samples. The data collection technique uses secondary data in the form of the company's annual financial statements available on the IDX website www.idx.co.id and the website of each company.

Table 2. Sampling Research

No.	Consumer Non-Cyclicals Subsector Companies	Number of Companies	According to Sampling Requirements
1	Dairy Products	5	2
2	Drug Retail & Distributors	3	2
3	Fish, Meat, & Poultry	17	0
4	Food & Retail Distributions	5	1
5	Liquors	4	2
6	Personal Care Products	8	3
7	Plantation & Crops	31	6
8	Processed Foods	24	11
9	Soft Drinks	3	0
10	Supermarket & Convenience Store	7	2
11	Tobacco	4	2
Population		111	
Sample			31
Total Observation 2019-2023		31 x 5 = 155	

Sources : idx.co.id (data processed)

As the purpose of this research is to analyze profitability in moderating the effect of capital structure on dividend policy so that in this research using multiple linear regression equation model panel data with moderated regression analysis (MRA) approach which there is interaction between two or more independent variables. The equation model in this research can be written as follows :

$$Yit = \beta0 + \beta1X1it + \beta2X2it + \beta3X3it + \beta4X4it + \beta5X1*Mit + \beta6X2*Mit + \beta4X3*Mit + \varepsilon it$$

where, the Y is the Dividend Payout Ratio (DPR), β0 is a constant, β1-β6 is the regression coefficient, X1 is the Debt to Assets Ratio (DAR), X2 is the Debt to Equity Ratio (DER), X3 is the Assets Structure (AS), X4 is the Return On Assets (ROA), X1*M is the interaction between DAR and ROA, X2*M is the interaction between DER*ROA, X3*M is the interaction between AS*ROA, ε is the standard error; i is an individual; and t is time.

In this research, to analyze profitability in moderating the influence of capital structure on dividend policy, a significance level (α) of 5% (0.05) was set for a confidence level of 95%. Apart from being widely used in social research in general, the significance level of α

5% is also considered to best balance the risk of errors in drawing research hypotheses. The significance of each independent variable is assessed by comparing the probability value with the level of α significance. If the probability value is less than the significance level of α 5% (prob. ≤ α 5%), then the null hypothesis is rejected and the alternative hypothesis is accepted which statistically indicates the influence of a significant independent variable on the dependent variable. If the probability value is greater than the significance level of α 5% (prob. > α 5%) then conversely, the null hypothesis is accepted and the alternative hypothesis is rejected which statistically indicates the absence of a significant independent variable influence on the dependent variable. The data analysis in this research uses the Eviews tool.

Result and Discussions

Descriptive statistics in this research were carried out to provide a general overview of the research sample, such as mean values, maximum and minimum values, and standard deviations. Based on the display in Table 3, descriptive statistics were carried out on 155 observations and all research variables, be it dependent, independent, or moderator. The average dividend payout ratio (DPR) is 0.537 with a maximum value of 5.382 and a minimum value of -2.870, both of which are owned by PT. Buyung Putra Sembada Tbk. (HOKI). The standard deviation from the DPR is 0.624 which is greater than the average value, so it shows that the data in the DPR is heterogeneous.

The average value of DAR is 0.425 with a maximum value of 0.831 owned by PT. Millennium Pharmacon International Tbk. (SDPC) and a minimum value of 0.093 owned by PT. PP London Sumatra Indonesia Tbk (LSIP). The standard deviation from the DAR is 0.205 which is smaller than the average value so that it shows that the data in the DAR is closer to the average value or more uniform (homogeneous). Furthermore, the average value of DER is 1.064 with a maximum value of 4.904 owned by PT. Millennium Pharmacon International Tbk. (SDPC) and a minimum value of 0.103 owned by PT. PP London Sumatra Indonesia Tbk (LSIP). The standard deviation from the DER is 1.023 which is smaller than the average value so that it shows that the data in the DER is around the average value or more uniform (homogeneous).

The average value of the asset structure (AS) is 0.444 with a maximum value of 0.834 owned by PT. Astra Agro Lestari Tbk. (AALI) and a minimum value of 0.0783 owned by PT. Tiga Raksa Satria Tbk (TGKA). The standard deviation from the US is 0.215 which is smaller than the average value, so it shows that the data in the US is closer to the average value or more uniform (homogeneous). Furthermore, the average return on assets (ROA) value is 0.098539 with a maximum value of 0.416 owned by PT. Multi Bintang Indonesia Tbk. (MLBI) and a minimum value of -0.003 owned by PT. Buyung Putra Sembada Tbk (HOKI). The standard deviation from the ROA is 0.077 which is smaller than the average value so that it shows that the data on the ROA is around the average value or more uniform (homogeneous).

In this research, there is a model selection test to choose the best model as a panel data regression model, which includes the Chow test and the Hausman test. The Chow test is carried out to choose the right model between the Common Effect Model (CEM) or the Fixed Effect Model (FEM). The decision-making criterion is that if the probability value of the Chi-square cross-section ≤ α 0.05 then the best model is FEM. Based on the results of the Chow

Test, the probability value of the Chi-square cross-section is 0.0000 < α 0.05, so the conclusion of the best model used is FEM. Furthermore, the Hausman Test is carried out to choose the right model between the Random Effect Model (REM) or the Fixed Effect Model (FEM). The decision-making criterion is that if the probability value of the cross-section random ≤ α 0.05 then the best model is FEM. Based on the results of the Hausman Test, the probability value of cross-section random is 0.0000 < α 0.05, so the conclusion of the best model used in this research is FEM.

Table 3. Descriptive Statistic

	DPR	DAR	DER	AS	ROA
Observation	155	155	155	155	155
Mean	0.537	0.425	1.064	0.444	0.099
Median	0.399	0.437	0.775	0.477	0.079
Maximum	5.383	0.831	4.904	0.834	0.416
Minimum	-2.871	0.093	0.103	0.078	-0.003
Std. Deviation	0.624	0.205	1.023	0.215	0.077

Simultaneous Test (F Test) aims to determine the simultaneous or simultaneous influence of the independent variable on the dependent variable. The decision-making criteria are if the probability value of the F-statistic < α 0.05 then the null hypothesis (H0) is rejected and the alternative hypothesis (Ha) is accepted, which means that simultaneously the independent variable has a significant effect on the dependent variable. Based on Table 8. Simultaneous Test Results (F-test), the probability value (F-statistic) is 0.000003 < α 0.05 which indicates that simultaneously the independent variables including DAR, DER, AS, and ROA as well as DAR * ROA, DER * ROA, and AS * ROA have a significant effect on dividend policy proxied by DPR.

The Goodness Fit Test aims to determine how much contribution the influence of the independent variable has on the dependent variable provided that the results of the F test in regression analysis are significant. Previously it was known that the results of the Simultaneous Test (F Test) were significant so that the Model Fit Test could be carried out. Because this research uses more than 2 variables, the conclusion will use the value of the adjusted R-squared. The adjusted R-squared value is between 0 and 1, the closer to 1, the better the model is because it is able to explain the effect of the independent and dependent variables. Based on the results of the model fit test, it can be seen that the adjusted R-squared value is 0.329 or 32.61%, meaning that this research model is able to explain the effect of the independent variable on the dependent variable by 32.61%, while the remaining 67.39% is explained by other independent variables not included in this research.

Table 4. Result of Partial Test (T Test)

Variable	Coefficient	Probability	Interpretation
C	-4.182	0.000	-
DAR	-5.878	0.000	Negative Significant
DER	0.776	0.012	Positive Significant
AS	4.282	0.000	Positive Significant
ROA	30.717	0.000	Positive Significant
DAR*ROA	37.933	0.000	Positive Significant
DER*ROA	-10.402	0.000	Negative Significant
AS*ROA	-20.109	0.004	Negative Significant

The Partial Test or T Test is a test that is carried out to determine the influence of each independent variable on the dependent variable. The decision-making criteria are if the probability value ≤ α 0.05, then the null hypothesis (H0) is rejected and the alternative hypothesis is accepted (Ha) which means that the independent variable has a significant effect on the dependent variable. Based on Table 4, show a negative regression coefficient value of -4.182 which indicates that if DAR, DER, AS, ROA, and moderation DAR*ROA, DER*ROA, and AS*ROA are equal to 0, then the value of the DPR will be equal to -4.182303. As for the results of the test, a panel data regression equation model using moderated regression analysis (MRA) can be written as follows :

DPR = -4.182 – 5.877DAR + 0.776DER + 4.282AS + 30.717ROA + 37.932DAR*ROA – 10.402DER*ROA – 20.109AS*ROA

Based on Table 4, the DAR regression coefficient has a negative value of -5.877 which indicates that DAR has a negative effect on dividend policy, meaning that the higher the DAR, the lower the dividend policy applied by the company. The probability value of DAR is 0.0000 < α 0.05 which concludes that the null hypothesis (H0) is rejected and the alternative hypothesis (H1) is accepted, which means that DAR has a significant effect on dividend policy so that the hypothesis in this research can be proven. DAR has a negative and significant effect on dividend policy because the higher the DAR indicates that the company's total assets are financed by higher debt so that the financial risk faced by the company is also higher. To reduce this risk, the net profit generated by the company must be retained as retained earnings to be used in carrying out its obligations. This directly implies the implementation of the company's dividend policy by reducing the cash dividends distributed to investors.

Companies in the Consumer Non-Cyclicals sector as producers of goods for people's primary needs, require them to invest heavily in company assets in the form of machinery and factories to support their business. This condition is also seen in the average DAR ratio of companies in the Consumer Non-Cyclicals sector which is below 0.5. Therefore, if financial risk occurs, the Consumer Non-Cyclicals sector companies will retain their net profit as retained earnings and not distribute it in the form of dividends. Thus, the higher the DAR of the Consumer Non-Cyclicals sector companies, the lower the dividend policy applied by the company. The results of this research contradict the results of research conducted by Edokpa et al. (2024) which concluded that DAR has a positive but insignificant effect on dividend policy. However, the results of this research are supported by the results of research conducted by Lee et al. (2022) which gives the same conclusion that DAR has a negative and significant effect on dividend policy. Momany et al. (2024) in their research also supports the results of this research which concluded that DAR has a negative and significant effect on dividend policy.

Based on Table 4, the DER regression coefficient shows a positive value of 0.776 which means that DER has a positive influence on Dividend Policy, meaning that the higher the DER, the higher the dividend policy applied by the company. The probability value of DER is 0.012 < α 0.05 which concludes that the null hypothesis (H0) is rejected and the alternative hypothesis (H2) is accepted, which means that DER has a significant effect on dividend policy so that the hypothesis in this research can be proven. DER has a positive

and significant effect on dividend policy because the higher the DER indicates that the use of debt in the company's capital structure is greater than equity. In addition to the tax benefits and minimum cost of capital, companies prefer to obtain additional capital from debt rather than having to reduce the composition of shareholders by increasing their equity through issuing shares. The high use of debt is a signal that the company needs additional capital to run its business operations so that the profits generated are also getting bigger. The greater the company's profit directly implies the dividend policy adopted by the company by increasing the amount of cash dividends distributed to investors.

Companies in the Consumer Non-Cyclicals sector have conditions that are in accordance with the results of this research. Companies in the Consumer Non-Cyclicals sector have a greater average DER ratio of more than 1.00 which indicates that the use of debt as additional capital is not a bad thing as long as it is still within the company's safe limits and its purpose is to support company operations. The use of debt as additional capital in carrying out the company's business operations with the aim of obtaining greater profits directly has implications for the dividend policy applied by companies in the Consumer Non-Cyclicals sector where cash dividends distributed to investors will be greater. The results of this research contradict the results of research conducted by Edokpa et al. (2024) which concluded that DER has a negative and significant effect on corporate dividend policy. However, the results of this research are supported by research conducted by Arshad et al. (2022) which concluded that DER has a positive and significant effect on dividend policy. Susanti et al. (2023) in their research also support the results of this research which concluded that DER has a positive and significant effect on dividend policy.

Based on Table 4, the AS regression coefficient is positive at 4.282 which indicates that AS has a positive influence on dividend policy, meaning that the higher the AS, the higher the dividend policy. The probability value of AS is 0.001 < α 0.05 so that the null hypothesis (H0) is rejected and the alternative hypothesis (H3) is accepted, which means that AS has a significant effect on dividend policy so that the hypothesis in this research can be proven. Assets Structure (AS) has a positive and significant effect on dividend policy, indicating that the higher the fixed assets to the company's total assets, the higher the cash dividends distributed by the company. Fixed assets in the form of plant and machinery are important production factors for companies in producing a product. With greater fixed assets, the company's ability to produce products is also maximized so that it has implications for the higher level of sales so that the net profit earned is also greater. With the greater net profit earned by the company, it directly has a positive effect on the company's dividend policy.

Companies in the Consumer Non-Cyclicals sector, which are companies that produce goods for people's primary needs, rely heavily on their fixed assets to carry out their production activities. This makes the company have to invest heavily in fixed assets in the form of factories and machinery to support the company's business operations in order to obtain maximum profits. The greater the profit earned by companies in the Consumer Non-Cyclicals sector, the greater the dividend policy applied by the company by distributing cash dividends to investors. The results of this research are in line with research conducted by Akpadaka et al. (2024) also concluded that asset structure has a positive and significant effect on dividend policy.

Based on Table 4, the regression coefficient of ROA shows a positive value of 30.717 which means that ROA has a positive influence on DPR, meaning that the higher ROA, the

higher DPR. The probability value of ROA is 0.000 < α 0.05 so that the null hypothesis (H0) is rejected and the alternative hypothesis (H4) is accepted, which means that ROA has a significant effect on DPR so that the hypothesis of this research can be proven. ROA has a positive and significant effect on dividend policy, indicating that the higher the utilization of assets in generating profits, the higher the cash dividend distribution made by the company. A high ROA in addition to showing good company performance also shows that the company is able to effectively and efficiently utilize its assets in maximizing the profit earned. The greater the profit earned by the company directly implies the company's dividend policy.

Companies in the Consumer Non-Cyclicals sector that produce goods for people's primary needs are highly evaluated for their performance through ROA in generating profits. If the ROA generated by the Consumer Non-Cyclicals sector company is considered small by investors, it shows that the company is not effective in utilizing its assets to generate profits which makes investors less attractive to invest. This makes the company must effectively and efficiently utilize its assets to generate maximum profit. The greater the profit earned by companies in the Consumer Non-Cyclicals sector, the greater the dividend policy implemented by the company by distributing cash dividends to investors. The results of this research are in line with research conducted by Edokpa et al. (2024) which concluded that ROA has a positive and significant effect on the company's dividend policy. Akpadaka et al. (2024) in their research also supports the results of this research which conclude that ROA has a positive and significant effect on corporate dividend policy.

Based on Table 4, the moderation regression coefficient of DAR*ROA on DPR is positive at 37.932 which indicates that ROA positively moderates the effect of DAR on DPR, meaning that the higher ROA, the stronger its effect in moderating DAR on DPR. The probability value of DAR*ROA on DPR is 0.000 < α 0.05, indicating that ROA is able to moderate DAR on DPR significantly. Furthermore, the moderation regression coefficient of DER*ROA and AS*ROA on DPR is negative amounting to -10.402 and -20.109 which indicates that ROA negatively moderates the effect of DER and AS on DPR, meaning that the higher ROA will weaken its influence in moderating DER and DPR. The probability value of DER*ROA on DPR is 0.0003 < α 0.05 and the probability value of AS*ROA is 0.004 < α 0.05, indicating that ROA is able to moderate DER and AS on DPR significantly. Thus, it can be concluded that the null hypothesis (H0) is rejected and the alternative hypothesis (H5) is accepted, which means that profitability is able to negatively (weaken) and significantly moderate the capital structure on dividend policy, so that the hypothesis in the research can be proven.

The results showed that if the company's profitability increases, it will be retained in the form of retained earnings as the composition of capital in the company's capital structure compared to being distributed as dividends. This condition provides an explanation that the company prioritizes the optimal composition of its capital structure to avoid financial risk rather than distributing its net profit in the form of cash dividends, which has implications for the decreasing value of cash dividends distributed to investors. The results of this research are in accordance with the conditions of companies in the Consumer Non-Cyclicals sector where out of a total of 111 companies, only 31 companies pay dividends consistently or less than 30% of the total companies. The optimal capital structure composition is the main focus for most companies in the Consumer Non-Cyclicals sector compared to implementing the company's dividend policy in order to maintain the growth and survival of the company in the future. The results of this research are supported by Edokpa et al.

(2024) who in their research concluded that profitability is able to negatively and significantly moderate the effect of capital structure on dividend policy. Research conducted by Akpadaka et al. (2024) also supports the results of this research which concluded that profitability is able to negatively and significantly moderate the effect of capital structure on dividend policy.

Conclusion

This research aims to analyze the effect of capital structure on dividend policy in the Consumer Non-Cyclicals Sector listed on the Indonesia Stock Exchange (IDX). This research also looks at how profitability moderates the effect of capital structure on dividend policy. Based on the results of statistical testing, it can be concluded that the capital structure proxied by DAR has a negative and significant effect on dividend policy while DER and AS have a positive and significant effect on dividend policy. Meanwhile, profitability proxied by ROA has a positive and significant effect on dividend policy. In addition, the test results also conclude that profitability as a moderating variable significantly weakens the effect of capital structure on dividend policy. Thus, the proposed research hypothesis can be proven.

The results of this research provide managerial implications for financial managers to pay attention to the company's capital structure through increasing DER and maintaining asset structure while reducing the company's DAR ratio to minimize the risks that will occur. In addition, it is also necessary to increase the company's profitability in this case ROA so that the dividend policy applied can run consistently so that it can attract investors to invest. As for investors, in making investments to obtain maximum returns, they should choose companies that have a capital structure with high but maintained DER and asset structure conditions, have low DAR, profitability with high ROA, and a consistently applied dividend policy.

Based on the research that has been conducted, the limitations in this research are the use of asset structure (AS) as one of the independent variables and profitability as a moderating variable. This is due to the lack of previous research articles as a supporting source in this research. Therefore, for future researchers who will conduct research with the same title can add liquidity variables, such as cash ratio and current ratio as research conducted by Alshakhanbeh et al. (2024). In addition, future researchers can also conduct research on different research objects or increase the research time period.

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