

Analysis of dividend policy in the banking sector of 3 ASEAN countries



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ABSTRACT

This study investigates the determinants of dividend policy in the banking sector across Indonesia, Singapore, and Malaysia by examining the effects of profitability, growth opportunities, valuation, liquidity, bank size, and credit risk. Using panel data regression analysis, the study analyzes 102 bank-year observations from 17 conventional banks based on annual financial reports. The findings reveal that profitability, measured by Return on Assets (ROA), and bank size exert a positive and significant influence on dividend policy, indicating that larger and more profitable banks are more likely to distribute higher dividends to shareholders. In contrast, liquidity and non-performing loans (NPLs) demonstrate significant negative effects, suggesting that banks facing greater liquidity pressures or higher credit risk tend to retain earnings rather than increase dividend payouts. Meanwhile, market-to-book value and price-to-earnings ratio do not significantly affect dividend policy decisions. These results highlight the importance of internal financial performance and risk management in shaping dividend distribution strategies within the banking industry. The study contributes to the literature on banking finance by providing comparative evidence from Southeast Asian banking markets and offers practical insights for managers, investors, and policymakers regarding dividend policy formulation in a dynamic financial environment.

Keywords: Bank Size; Dividend Policy; Liquidity; Market to Book Value;
Non Performing Loan; Price/Earning Ratio; Return on Asset



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INTRODUCTION

Dividend policy is a strategic decision that determines the share of profits given to shareholders as dividends, compared to the portion of profits kept for company investments (Twairesh, 2025). This policy has significant effects on company value, capital structure, and investor preferences (Twairesh, 2025). Even though it has been widely studied, dividend policy is still seen as complex because different theories have not provided a single widely accepted explanation. According to Booker et al. (2023), dividend policy directly affects company value because it reflects management's ability to handle financial performance and sends a signal of confidence to investors. Dividend policy is an important decision in company financial management, especially in the banking sector, which plays a strategic role in the economies of ASEAN countries. Recent research by Fachraesy and Tsakilla (2025) shows that internal factors of banks in the ASEAN region have varying influences on dividend distribution decisions.

Return on Assets (ROA) is usually used to measure profitability Bagiana et al. (2025) and it is a key indicator in deciding whether a company or bank can pay dividends. The higher the ROA, the more profit is available to distribute to shareholders. Twairesh (2025) also explains that Return on Assets is used to measure a bank's profitability through its ability to generate profit using its assets. ROA is calculated by dividing pre-interest and pre-tax profit by total assets. A higher ROA indicates that the bank is more efficient in using its assets to generate profit, thus likely increasing its ability to pay dividends. Market to Book Value (MBV) shows how the market views a bank's growth potential by comparing its market equity value with its book equity value. A high MBV means the market believes in the bank's future growth and performance (Tambunan, 2023). This variable is often used to determine whether a company prefers to retain earnings for investment or distribute dividends (Twairesh, 2025).

Market-to-Book Value reflects how the market evaluates a company by looking at how much the market value of equity reflects expectations of future growth and performance that exceed its book value. This ratio serves as a key indicator of investor optimism regarding the company's ability to increase value in the future (Baker et al., 2025).

The Price/Earnings Ratio (PER) helps understand how the market views a company's risk and future profit growth (Budiman et al., 2023). A high PER is often linked to higher market volatility and risk. In the context of dividend policy, higher market risk usually makes companies more cautious about paying dividends because of the uncertainty in stock prices (Budiman et al., 2023). Market risk is measured using the Price-to-Earnings Ratio (P/E Ratio). This ratio shows the level of uncertainty and expectations about future profit growth. A high P/E ratio indicates that investors are willing to pay more for current earnings, which is usually related to higher risk or strong growth prospects (Twairesh, 2025).

Liquidity shows a bank's ability to meet its short-term obligations. In this study, liquidity is measured by comparing adjusted liquid assets (liquid assets minus inventory plus cash received in advance) with short-term liabilities (Twairesh, 2025). High liquidity means the bank has enough funds to pay dividends and support short-term operations steadily (Twairesh, 2025). Liquidity risk refers to a bank's ability to meet short-term obligations without causing significant financial loss. Banks with low liquidity tend to be more cautious about paying dividends, as keeping cash reserves becomes a priority to maintain customer trust and operational stability. Nguyen and Rahman (2023) show that banks with strong liquidity positions tend to be more consistent in paying dividends. However, when liquidity pressure increases, dividend policy becomes more conservative

to maintain a financial buffer.

Bank size is an important factor that influences a company's ability to pay dividends (Sbai et al., 2024). Banks with larger total assets usually have more stable financial resources, broader risk diversification, and easier access to capital markets. This allows larger banks to set more consistent dividend policies compared to smaller banks (Sbai et al., 2024). Bank size is calculated using the natural logarithm of total assets. This variable shows the scale of operations and financial capacity of the bank (Twairesh, 2025). Larger institutions generally have higher stability, better access to funding, and a tendency to have more consistent dividend policies (Twairesh, 2025).

Non-Performing Loans (NPL) is a ratio used to show the level of problematic loans in a bank, which are loans that are not being paid on time or are not being paid at all (Khoffash & Awwad, 2025). This ratio is an important indicator for evaluating the quality of loan distribution and the level of credit risk a bank faces. The higher the NPL ratio, the greater the potential loss that can affect the bank's financial stability and other strategic decisions, including dividend policies (Khoffash & Awwad, 2025). Non-performing loans are a credit risk indicator that reflects the quality of a bank's loan portfolio. High NPL increases the risk of default, thus reducing profitability. Reduced profitability eventually limits the bank's ability to distribute dividends to shareholders (Hakiimah et al., 2023).

The banking sector in Malaysia, Singapore, and Indonesia plays a very important role in supporting the stability and promoting economic growth in Southeast Asia, as these three countries are major financial centers in ASEAN with different but integrated banking systems through regional capital flows, trade, and investment; Singapore is known as a regional financial hub with a modern, efficient banking system supported by strong regulation and supervision, which makes its dividend policy reflect performance stability and investor confidence, while the Malaysian banking sector is at an intermediate development stage with a relatively consolidated market structure and stable regulation, making its dividend policy more consistent although still influenced by liquidity conditions and credit risk, and on the other hand, Indonesia represents a large-scale banking market with high growth but faces more complex credit and liquidity risks, so these differences in characteristics allow cross-country analysis to capture variations in the influence of internal bank factors on dividend policy, as well as strengthen the external validity of the findings in these three ASEAN countries (Agustin et al., 2026).

Therefore, this study aims to analyze the impact of Return on Asset, Market to Book Value, Price/Earning Ratio, Liquidity, Bank size, and Non-Performing Loans on dividend policy (Dividend Policy) in the banking sector, using Dividend Yield as the measurement method, and refers to the research findings of Twairesh (2025) as the main journal and Khoffash and Awwad (2025) as the basis for developing the conceptual model with the new variable of non-performing loans affecting dividend policy.

LITERATURE REVIEW, RESEARCH FRAMEWORK, AND HYPOTHESES

Dividend policy is the process of deciding how much profit is given to shareholders as cash dividends, taking into account the bank's financial condition and performance, as well as the need to keep operations stable (Khoffash & Awwad, 2025). This policy shows the management's strategic priorities in balancing returns to investors and efforts to maintain financial stability, especially in the face of risks, including credit risk (Khoffash & Awwad, 2025). Dividend policy refers to a company's strategic decision on how to allocate profits, whether to pay them to shareholders or keep them for operating activities and investments (El-Halaby et al., 2018). This decision reflects the company's priorities between providing returns to owners and maintaining internal funds to support business

stability and growth (El-Halaby et al., 2018).

Return on Assets (ROA) is an important financial metric used to evaluate bank performance, according to Shubita (2024). ROA measures how well a bank can generate profits using all assets under its control, indicating how efficiently and effectively management converts productive and non-productive assets into income (Olawale & Obinna, 2023). In the context of dividend policy research, ROA is typically viewed as a reflection of a bank's ability to generate profits, which can influence a company's decision to distribute dividends to shareholders (Twairesh, 2025). Banks with a higher ROA generally have greater profit potential, which can ultimately support a more stable or even higher dividend policy (Nana et al., 2018).

Market-to-Book Value (MBV) is a ratio that helps determine how much the market values a company compared to its book value, which is recorded in financial reports (Twairesh, 2025). This ratio compares the market price of shares or total market value of equity with the book value per share or total equity based on accounting records (Twairesh, 2025). Therefore, MBV reflects investors' perceptions about a company's growth potential, earnings ability, and long-term performance. Market-to-Book Value is often seen as an important indicator that can influence a company's decisions on dividend distribution. Companies with a high MBV are usually viewed as having promising investment opportunities, so management tends to keep most of the profits to fund expansion or growth projects (Twairesh, 2025). This can result in lower dividend payouts. On the other hand, companies with a low MBV usually show limited growth opportunities, so the profits they generate are more likely to be distributed as dividends to shareholders. In other words, MBV acts as a signal for management in deciding the balance between internal funding needs and dividend policy (Twairesh, 2025).

The price/earning ratio shows a negative relationship with dividend policies, especially in banking and developing markets. Twairesh (2025) found that companies with high P/E ratios reflecting higher expected future profits, tend to keep more earnings to support growth, resulting in lower cash dividends paid to shareholders. This aligns with the findings of Khoffash and Awwad (2025), which show that market expectations for growth lead companies to be more cautious in distributing profits. Research by Novriani et al. (2025) also concludes that companies with high growth potential prefer to increase retained earnings rather than raise dividend policies. Therefore, based on these studies, the P/E ratio, as an indicator of valuation and investor expectations, tends to have a negative impact on dividend policies because companies prioritize internal financing to support long-term growth.

According to Twairesh (2025), liquidity shows how much cash and liquid assets a bank has available to keep its business running smoothly. The higher the level of liquidity, the stronger the bank's position in dealing with uncertainty and meeting urgent cash needs. Therefore, liquidity is an important indicator for assessing financial stability and the bank's ability to maintain customer and investor confidence. Liquidity plays a key role in determining dividend policies, especially in the banking industry, which relies heavily on managing cash flow (Twairesh, 2025). Banks with high liquidity are generally better able to provide funds for paying dividends without affecting their operational needs or other obligations. A sufficient level of liquidity gives banks the flexibility to share part of their profits with shareholders (Twairesh, 2025).

Bank size or bank size refers to an indicator that shows the scale of operations of a financial institution (Shubita, 2024). This is usually measured by total assets, as assets reflect all the economic resources a bank has available to carry out its activities like intermediation, managing funds, and business expansion (Shubita, 2024). Banks with

larger total assets typically have more complex operations, a wider service network, and greater ability to manage risks and meet financial obligations (Sbai et al., 2024). In the context of dividend policy, bank size plays an important role because larger assets usually mean the company has more capability to generate profits and maintain financial stability. Large banks generally have more diverse revenue portfolios, more mature risk management, and stronger liquidity compared to smaller banks. These conditions make large banks more capable of paying dividends regularly without affecting internal funding needs (Sbai et al., 2024). Moreover, large banking companies often face higher reputation pressure from shareholders, so they tend to maintain consistent dividend distributions (Sbai et al., 2024).

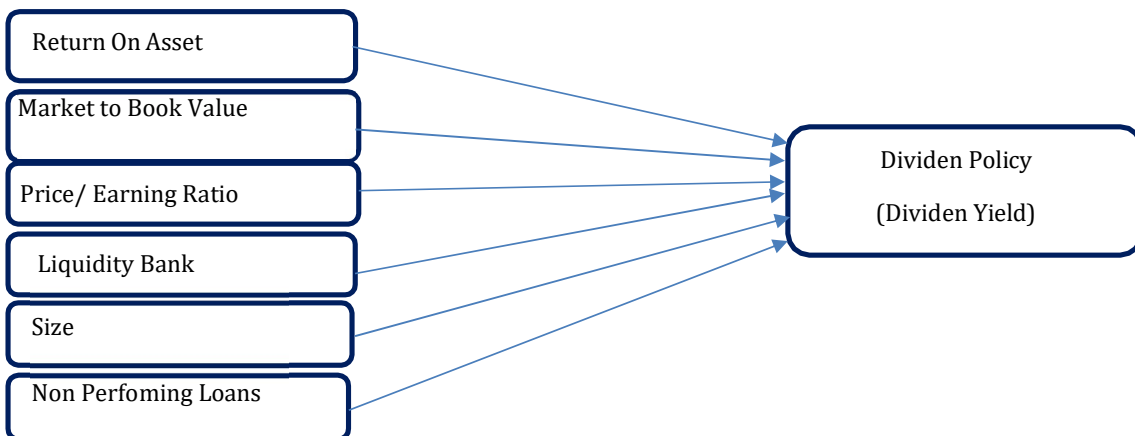
The percentage of non-performing loans in a bank's loan portfolio is represented by the non-performing loan (NPL), a crucial indication of credit quality (Hakiimah et al., 2023). Greater credit risk and lower asset quality are indicated by a higher NPL, which might affect profitability because of reduced interest revenue and higher loan loss provisions (Hakiimah et al., 2023). As a result, banks typically hold onto earnings in order to bolster capital and preserve financial stability, which limits their capacity to pay dividends. Consequently, smaller dividend payouts are typically linked to high NPL levels (Hakiimah et al., 2023)

Research Framework

Research framework in this study is a follows :

Independent Variable

Dependent Variable



Source: Author's elaboration based on previous literature, 2025

Figure 1
Research Framework Model

Hypotheses

The effect of return on asset on dividend policy

Farooq and El Bahir (2021) found that Return on Asset has a positive and significant effect on dividen policy. High profitability is a main factor that encourages an increase in dividend payments, as banks with good profit performance have more financial flexibility. In addition, high dividend payments are used by management to signal confidence to investors that the bank can maintain profitability and long-term stability. These results support the view that Return on Asset does not only show operational

efficiency, but also determines the ability to pay sustainable dividends. Khan et al. (2022) found that Return on Assets (ROA) has a positive and significant effect on dividend policy. An increase in Return on Asset reflects the ability of bank management to efficiently manage assets to generate profits (Twairesh, 2025). Return on Asset has a positive and significant effect on dividend policy. Profitability is a main determinant of dividend policy, as high profits give banks the room to distribute cash dividends to shareholders. The following hypothesis is put out in light of the previously described arguments and empirical evidence.

H₁: Return on asset affects dividend policy in banking sector of 3 ASEAN countries

The effect of market to book value on dividend policy

Al-Najjar and Kilincarslan (2019) found that Market to Book Value (MBV) has a positive relationship with dividend policy. Companies with high market value tend to pay larger dividends to maintain their image and reduce investor uncertainty about stock value. Ismail et al. (2023) revealed that Market to Book Ratio (MBV) has a positive and significant relationship with dividend policy. Banks with high MBV ratios generally have strong market value and financial performance, allowing them to pay higher dividends without sacrificing capital needs. Louziri and Oubal (2022) found that Market to Book Value has a significant negative effect on DPS. This means that companies with high growth prospects prefer to retain earnings to fund expansion rather than pay cash dividends. Farooq and El Bahir (2021) found that the Market to Book Value (MBV) ratio has a positive and significant effect on dividend policy. Companies with high market value show investor confidence in management performance and future company growth. The following hypothesis is put out in light of the previously described arguments and empirical evidence.

H₂: Market to book value affects dividend policy in banking sector of 3 ASEAN countries

The impact of price/earning ratio on dividend policy

A low P/E ratio usually shows that the market sees a company as having more controlled risk and more stable income. In such situations, management has more ability to share profits with shareholders because the need to keep earnings as a buffer against risk is smaller. Therefore, a decrease in the P/E ratio usually has a positive effect on increasing the dividend policy, as the company is in a better financial position to set higher dividend policies (Baker et al., 2025). This finding is supported by other research that shows companies with lower risk levels are more likely to increase their dividend payments (Twairesh, 2025).

H₃: Price/Earning Ratio affects dividend policy in banking sector of 3 ASEAN countries

The impact of liquidity on dividend policy

Khan & Nawaz (2022) and Ismail et al. (2023) state that banks with high liquidity have a significant positive effect on dividend policy, as having more cash flexibility allows them to distribute cash dividends without disturbing their main operational activities. Shubita (2024) also shows that liquidity has a significant positive effect on dividend policy. According to Shubita, banks with strong liquidity reserves have greater financial flexibility to pay dividends without affecting their operational activities or capital ratios. Effective liquidity management not only ensures bank stability but also expands the ability to distribute profits. The following hypothesis is put out in light of the previously

described arguments and empirical evidence.

H4: Liquidity affects dividend policy in banking sector of 3 ASEAN countries

The impact of bank size on dividend policy

According to Sbai et al. (2024), bank size has a positive relationship with dividend policy. Larger banks have advantages in terms of reputation and stable earnings, so they are more likely to regularly pay dividends to maintain investor confidence and show their financial strength. In addition, ownership structure also strengthens the influence of bank size on dividend policy, where larger banks with high institutional ownership show higher dividend payment levels. Bank size positively affects dividend policy, but this effect is moderated by market conditions, ownership structure, and growth expectations (Shin, 2023). According to Shubita (2024), bank size has a significant positive relationship with dividend policy in the banking sector in Jordan because larger operations allow companies to generate stronger cash flows and more stable profits. The following hypothesis is put out in light of the previously described arguments and empirical evidence.

H5: Bank size affects dividend policy in banking sector of 3 ASEAN countries

The impact of non performing loans on dividend policy

Non Performing Loans (NPL) have a significant negative impact on dividend policies. An increase in NPLs shows that a bank's asset quality is getting worse, which leads to the need for higher provisions and reduces the bank's ability to generate net profit. This situation limits the company's ability to distribute dividends. This consistency is supported by research conducted by Khan & Nawaz (2022), which found that an increase in problematic loans clearly reduces the amount of dividends that can be paid to shareholders. Therefore, it can be concluded that NPL is an important determinant that has a negative and significant effect on dividend policies in the banking sector, as high credit risk reduces the financial capacity of banks to maintain a stable level of dividend payments. The following hypothesis is put out in light of the previously described arguments and empirical evidence.

H6: Non-Performing Loans affect dividend policy in banking sector of 3 ASEAN countries

METHOD

The research design used in this study is a hypothesis testing study that aims to examine the influence of independent variables consisting of Return on Assets, Market to Book Value, Price/Earning Ratio, Liquidity, Bank size, and its novelty variable consisting of Non-Performing Loans on the dependent variable, namely Dividend Yield. The unit of analysis in this study is 17 banks on the Indonesia Stock Exchange, Singapore Stock Exchange, and Malaysia Stock Exchange for six years (2019 - 2024 period).

The analytical method in this study uses panel data regression with analysis tools using Eviews 13 software (Novriani et al., 2025). Purposive sampling, a strategy for choosing samples based on predetermined criteria set by the researcher, was utilized in this study to identify the research sample. Conventional banking firms that satisfied the eligibility criteria for the study's goals made up the research sample. The following sampling criteria were used:

1. Conventional banks listed between 2019 and 2024 on the Indonesia Stock Exchange, Singapore Stock Exchange, and Malaysia Stock Exchange.
2. Traditional banks that regularly and thoroughly released yearly financial

reports throughout the study period.
The following samples can be obtained depending on the sample conditions:

Tabel 1
Sampling Results

Information	Indonesia	Singapura	Malaysia	Amount
Number of banking customers registered on the Indonesia Stock Exchange, Singapore Stock Exchange, and Malaysia Stock Exchange during the period 2019- 2024.	47	3	8	58
Conventional banking has incomplete data in its financial reports and years.	-32	0	-3	-35
Islamic banking that did not report financial reports for the 2019-2024 period.	-5	0	-1	-6
Number of research analysis units	10	3	4	17
Number of observations over 6 years	60	18	24	102

Source: Data that has been processed by the author, 2025

The purpose of measuring each variable in this study is to ascertain how the independent and control factors affect the dependent variable. Dividend yield is the dependent variable in this study. Return on assets, market to book value, price/earnings ratio, liquidity, bank size, and non-performing loans are the independent variables. The factors included in this study can be measured as follows:

Tabel 2
Measurement Method

Variable Types	Variable	Symbol	Formula	References
Dependent Variable	Dividen Per Share	DY	$\frac{\text{Dividen per share}}{\text{Stock Price}}$	(Twairesh, 2025)
Independent Variables	Return On Asset	ROA	$\frac{\text{Net Profit}}{\text{Total Assets}}$	(Twairesh, 2025)
	Market to Book Value	MBV	$\frac{\text{Market Capital}}{\text{Book Value Equity}}$	(Twairesh, 2025)
	Price/Earning Ratio	P/E	$\frac{\text{Stock Price}}{\text{Earning Per Share}}$	(Twairesh, 2025)

Liquidity	LQ	$\frac{Total\ Loans}{Total\ Assets}$	(Twairesh, 2025)
Bank Size	BSZ	$Ln(Total\ Assets)$	(Twairesh, 2025)
Non Performing Loans Ratio	NPL	$\frac{Non\ Performing\ Loans}{Total\ Credit}$	(Khoffash & Awwad, 2025)

RESULTS AND DISCUSSION

Coefficient of Determination Test (Adj. R²)

This examination seeks to assess how well the independent factors can clarify the dependent variable within a framework (Hakiimah et al., 2023).

Therefore, the results obtained from the coefficient of determination test are as follows:

Table 3
Goodness of Fit Test Results

Dependent	R ²	Adjusted R ²
Dividend Yield	0.992079	0.989874

Source: Data that has been processed by the author, 2025

The coefficient of determination test's findings are indicated by an Adjusted R² value of 0.989874, which means that Return on Assets, Market to Book Value, Price/Earnings Ratio, Liquidity, Bank Size, and Non-Performing Loans can explain 98.9874% of the variation in Dividend Yield. The remaining 1.0126% indicates that Dividend Yield can be influenced by other factors not included in this model. Therefore, there is a very strong relationship between the independent variables return on assets, market to book value, price/earnings ratio, liquidity, bank size, and non-performing loans and Dividend Yield.

Simultaneous Test (F Test)

This test is aimed to determine if the independent factors significantly affect the dependent variable at the same time (Novriani et al., 2025).

- A F-test sig. <0.05 indicates that the independent variables influence the dependent variable concurrently, making the regression model appropriate for usage.
- A F-test sig. >0.05 indicates that the independent variables have no effect on the dependent variable, making the regression model unsuitable for application.

Additionally, the F-statistic test is utilized to assess the sample regression function in estimating actual values (goodness of fit), according to Novriani et al. (2025). The F-test in this study used a significance level of 5%. Thus, the following are the outcomes of the F test:

Table 4
F Test Results

Dependent	F-Statistic	Prob	Decision
Dividend Yield	449.7748	0.000000	Rejected H0

Source: Data that has been processed by the author, 2025

Based on the test results, the probability of the F-statistic yielding a value of 0.000000 < 0.05 is shown. Therefore, the analysis in this study indicates that the independent variables return on assets, market-to-book value, price/earnings ratio, liquidity, bank size, and non-performing loans simultaneously influence the dependent variable, Dividend Yield, thus the regression model is suitable for use in this study.

Individual Test (T-Test)

The purpose of this test is to ascertain whether each independent variable significantly affects the dependent variable (Novriani et al., 2025). The criteria for this test are: if the T-test sig. < 0.05, then H₀ is rejected, meaning the independent variable has an influence on the dependent variable. If the T-test sig. > 0.05, then H₀ is accepted, meaning the independent variable has no influence on the dependent variable (Novriani et al., 2025). Thus, the following are the findings of each individual test:

Table 5
Regression t-Test Results

Independent Variables	Dependent Variable		
	Dividend Yield		
	Coefficient	Probability	Conclusion
Constant	-9.035926	-	-
ROA	18.57579	0.0020	Significant Positive
MBV	-0.169016	0.1992	Not Significant
PE	0.007754	0.5889	Not Significant
LQ	-0.209381	0.0000	Significant Negative
BSZ	0.204691	0.0331	Significant Positive
NPL	-15.44160	0.0094	Significant Negative

Source: Data that has been processed by the author, 2025

Research Regression Model

The panel data regression model that was employed in earlier studies Twairesh (2025) can be expressed as follows.:

$$DY = - 9.035926 + 18.57579ROA - 0.169016MBV + 0.007754PE - 0.209381LIQ + 0.204691BSZ - 15.44160NPL$$

β = Constant

β_{1-6} = Coefficient

DY = Dividend Yield ROA = Return on Assets

MBV = Market to Book Value

P/E = Price/Earnings Ratio (Risk) LQ = Liquidity risk

BSZ = Bank Size

NPL = Non-Performing Loans i = Intercept

t = Period (Time)

ϵ = Error Term

Return on Assets (ROA) has a probability value of $0.0020 < 0.05$ (alpha 5%), indicating a significant effect. The coefficient is 18.57579. The results of this study conclude that there is a positive and significant effect between Return on Assets and Dividend Yield. This result is also supported by Farooq and El Bahir (2021) and Khoffash and Awwad (2025), which states that Return on Assets significantly influences dividend policy. The higher a bank's ability to generate profits from its assets, the greater the dividends paid. ROA has been shown to be the main determinant of dividend policy. Return on Assets Twairesh, (2025) also states that ROA has a positive and significant effect on dividend policy, especially dividend yield.

Market to Book Value (MBV) has a probability value of $0.1992 > 0.05$ (alpha 5%), indicating an insignificant effect. The results of this study conclude that there is no effect between Market to Book Value and Dividend Yield. This finding aligns with research Twairesh (2025), which shows that the relationship between market to book value and dividend yield is insignificant.

Price/Earnings Ratio (PE) has a probability value of $0.5889 > 0.05$ (alpha 5%), suggesting a negligible impact. The study's findings indicate that the Price/Earnings Ratio and Dividend Yield are unrelated. Therefore, there is no evidence that the price-earnings ratio has a beneficial effect on bank dividend policy in ASEAN countries, thus rejecting this hypothesis. Twairesh (2025) also stated that there is no effect between the price-earnings ratio (PE) and dividend policy, especially dividend yield.

Liquidity (LQ) has a probability value of $0.0000 < 0.05$ (alpha 5%), indicating a significant effect. The coefficient is -0.209381. The study's findings indicate that there is a substantial and adverse relationship between liquidity and dividend yield. Meanwhile, the results of research Twairesh (2025) have the opposite direction, showing that liquidity has a positive and significant effect on dividend policy, especially dividend yield. This suggests that a high dividend yield indicates a highly liquid bank. Meanwhile, according to Fachraesy et al. (2025), liquidity has an insignificant effect on dividend yield. This indicates that a bank's ability to meet short-term obligations is not a determinant in determining the amount of dividend yield. Thus, a high level of liquidity does not directly encourage increased dividends, as banks prioritize stability and compliance with regulatory requirements over dividend distribution.

Bank Size (BSZ) has a probability value of $0.0331 < 0.05$ (alpha 5%), indicating a significant effect. The coefficient is 0.204691. The results of this study conclude that there is a positive and significant effect between Bank Size and Dividend Yield. This indicates that larger banks can pay higher dividends because the dividend policy of smaller banks decreases by 0.20469 for every one percent increase in bank size. Research Twairesh (2025) also shows a positive and significant relationship between bank size and dividend policy, particularly dividend yield. Similar results are confirmed by Bostancı et al. (2018), who explain that large companies have broader access to capital markets and high investor confidence, resulting in less pressure to retain earnings.

Non-Performing Loans (NPLs) have a probability value of $0.0094 < 0.05$ (alpha 5%), indicating a significant effect. The coefficient is -15.44160. This study concludes that there is a negative and significant effect between non-performing loans and dividend yield. This contrasts with the results of research conducted by Khoffash and Awwad (2025), which stated that there was no effect between non-performing loans and dividend policy.

CONCLUSION AND SUGGESTION

Based on the empirical test results, it can be concluded that Return on Assets (ROA),

liquidity, bank size, and Non-Performing Loans (NPLs) significantly influence dividend policy in the banking sector. ROA and Bank Size exhibit positive and significant effects, indicating that increased profitability and asset scale strengthen banks' ability to distribute dividends. Conversely, liquidity and NPLs have a negative and significant effect on dividend policy, indicating that high liquidity needs and credit risk encourage banks to retain earnings to maintain financial stability. Meanwhile, Market to Book Value (MBV) and Price Earnings Ratio (PER) are not proven to significantly influence dividend policy.

These findings have important implications for bank management and investors. For management, the research confirms that dividend policy is more determined by internal fundamental performance, particularly profitability, asset size, and credit risk management, than by market valuation indicators. Therefore, strengthening operational performance and risk management are key factors in maintaining the sustainability of dividend policy. For investors, ROA and Bank Size can be used as key indicators in assessing dividend potential, while liquidity and NPL levels should be considered as risk signals that could suppress dividend payments.

This study is limited by the number and types of variables used. Future research is recommended to include other variables, such as the Capital Adequacy Ratio (CAR), Loan-to-Deposit Ratio (LDR), operational efficiency (BOPO), profit growth, and macroeconomic factors. Furthermore, expanding the observation period, sample size, and regional coverage, as well as the use of more advanced analytical methods, such as dynamic panel data or non-linear approaches, is expected to provide more comprehensive results and have stronger generalizability.

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