

Investment Decisions of Manufacturing Companies Listed on the Indonesia Stock Exchange: A Study on the Role of Dividend Policy and Total Asset Turnover as Moderating Variables

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Abstract. This study aims to analyze the effect of dividend policy on investment decisions in manufacturing companies listed on the Indonesia Stock Exchange, as well as to examine the moderating role of Total Asset Turnover. The analytical method used is multiple linear regression and Moderated Regression Analysis (MRA). The findings indicate that dividend policy does not have a significant effect on investment decisions, as reflected by a significance value of 0.098 (>0.05), meaning that dividend distribution has not been able to encourage investment activities effectively. Total Asset Turnover is also found to have no direct significant effect on investment decisions, with a significance value of 0.415 (>0.05). However, the interaction results reveal that Total Asset Turnover moderates and strengthens the relationship between dividend policy and investment decisions, shown by a significance value of 0.040 (<0.05). These results suggest that the impact of dividend policy on investment decisions becomes more optimal when companies improve the efficiency of asset utilization to support operational performance.

Keywords: Investment Decisions, Dividend Policy, Total asset Turnover

1. INTRODUCTION

Investment decisions are a crucial aspect in supporting the growth and sustainability of a company, especially in the manufacturing sector, which requires a substantial allocation of capital resources. Investment activities are an important agenda for all companies in Indonesia to maintain and advance their business [1]. Appropriate investment activities can improve operational efficiency, increase revenue, and strengthen the company's competitive advantage in the market. In the context of manufacturing companies listed on the Indonesia Stock Exchange (IDX), investment decisions become increasingly complex because they must consider both internal and external factors simultaneously [2]. Table 1 presents the average dividend policy and investment decisions of manufacturing companies listed on the IDX.

Table 1. Dividend Policy and Investment Decisions of Manufacturing Companies Listed on the IDX

Variable	2021	2022	2023
Dividend Policy (DPR)	0,80	1,21	1,08
Investment Decision (PER)	22,70	39,34	63,31

Source: processed data, 2025

Based on Table 1, the average Dividend Payout Ratio (DPR) as a proxy for dividend policy and the Price Earning Ratio (PER) as a proxy for investment decisions from 2021 to 2023 indicate a deviation from signaling theory. The theory argues that a decline in dividend policy should be followed by a decline in investment decisions. However, in 2023, PER increased despite the decrease in DPR. This finding suggests that investment decisions are not solely driven by dividend policy and that other factors also influence investor responses to corporate signaling.

Previous studies highlight that internal factors such as dividend policy contribute to determining investment decisions [3]. Companies with higher dividend policy levels are often perceived as providing a signal of managerial confidence in future performance [4]. Nevertheless, empirical findings regarding the relationship between dividend policy and investment decisions remain inconsistent across studies. One possible reason is the limited attention given to the efficiency with which firms utilize their assets to generate sales.

In this regard, Total Asset Turnover (TATO) is considered relevant as a moderating variable that may strengthen or weaken the relationship between dividend policy and investment decisions [5]. Several studies report that dividend policy does not affect investment decisions [3], [4], whereas others conclude that dividend policy has a positive effect [5], [1]. Findings on the role of TATO are also inconsistent, with some studies suggesting that TATO affects investment decisions, while others find no significant effect [5]. Considering these empirical phenomena and the inconsistency of previous research findings, further research is required to re-examine the relationship between dividend policy, Total Asset Turnover, and investment decisions in manufacturing companies.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1 Signaling Theory

Signaling Theory posits that information disclosed by firms to the market—such as dividend distribution—serves as a signal regarding future performance and growth prospects. An increase in dividend payments is generally interpreted by investors as an indication of stable profitability, low business risk, and strong expectations of future cash flows, thereby stimulating investment decisions. Conversely, a reduction in dividend payments is often perceived as a negative signal, lowering investor confidence and discouraging investment. Therefore, dividend policy functions as a strategic signaling mechanism that shapes investor perceptions and influences the magnitude of investment decisions [6].

2.2 Dividend Policy and Investment Decision

Dividend policy represents the managerial decision to distribute profits to shareholders rather than retaining them for internal financing. Firms with higher dividend payouts tend to be viewed as financially robust and capable of generating sustainable earnings, which increases investors' willingness to invest. However, empirical evidence remains inconclusive: some studies have confirmed a positive and significant relationship between dividend policy and investment decisions, while others found that dividend policy does not meaningfully influence investment behavior. This inconsistency indicates that the effect of dividend policy may depend on firm-specific characteristics and external market conditions. [7], [9], [10].

H1: Dividend policy has a positive and significant effect on investment decision.

2.3 Total Asset Turnover and Investment Decision

Total Asset Turnover (TATO) measures how efficiently firms utilize their assets to generate sales. A high TATO demonstrates superior operational efficiency and excellent asset productivity, which enhances investor confidence in the firm's ability to transform its resources into value creation. Prior studies have documented mixed findings: several reported that TATO significantly influences investment decisions, while others found no significant relationship. These contrasting results suggest that the role of TATO in investment decision-making may vary across industries and financial conditions. [8]

H2: Total Asset Turnover has a positive and significant effect on investment decision.

2.4 Total Asset Turnover as a Moderating Variable

The strength of the signal created by dividend policy is highly dependent on the firm's efficiency in managing its assets. When a company demonstrates high asset efficiency, dividend payments become more credible indicators of future financial strength, thereby amplifying their ability to stimulate investor responses and enhance investment decisions. Conversely, when asset efficiency is low, dividend signals may be perceived as weak or unreliable, reducing their influence on investment behavior. Thus, TATO is theoretically positioned to act as a moderating variable that strengthens the association between dividend policy and investment decision.

H3: Total Asset Turnover moderates the effect of dividend policy on investment decision.

3. RESEARCH METHODS

The problem-solving approach applied in this study uses a quantitative method with a causality design [11]. This approach aims to examine the direct and indirect effects between the independent variable (dividend policy) on the dependent variable (investment decision), with Total Asset Turnover as the moderating variable. The strategy used to address the research problem is as follows:

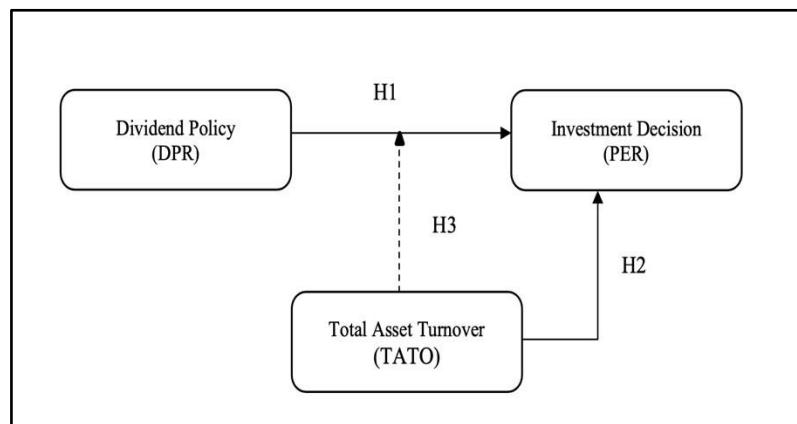


Fig. 1. Theoretical Framework

This study employed a quantitative approach with an explanatory design aimed at examining the causal relationship between dividend policy, Total Asset Turnover (TATO), and investment decisions in manufacturing companies listed on the Indonesia Stock Exchange (IDX). The population of the study consisted of all manufacturing firms listed on the IDX during the 2021–2023 period. The sampling technique used was purposive sampling, with the following criteria: (1) companies consistently publishing annual financial statements during the research period, (2) companies distributing dividends for three consecutive years, and (3) availability of the required research variables. Based on these criteria, a total of 39 sample companies were selected.

The data used in this research were secondary data obtained from annual financial reports and company performance summaries published through the official IDX website and related corporate publications. The operational definitions of the variables are as follows: dividend policy was measured using the Dividend Payout Ratio (DPR), Total Asset Turnover (TATO) was used to measure asset utilization efficiency, and investment decisions were proxied by the Price Earnings Ratio (PER).

To analyze the effects of dividend policy and Total Asset Turnover on investment decisions, this research used multiple linear regression and Moderated Regression Analysis (MRA). The classical assumption tests—normality, multicollinearity, and heteroscedasticity—were performed prior to hypothesis testing to ensure model validity. Hypothesis testing was conducted using a significance level of $\alpha = 0.05$, where a p -value < 0.05 indicates a statistically significant effect.

3.1 Equations, formulas and code

The baseline regression model used to test the direct influence of independent variables on investment decisions is formulated as follows:

$$Y = \alpha + \beta_1 DPR + \beta_2 TATO + \varepsilon \quad (1)$$

where:

Y = Investment Decision (PER)

DPR = Dividend Policy

TATO = Total Asset Turnover

α = Constant

β = Regression coefficients

ε = Error term

To test the moderating role of TATO on the relationship between dividend policy and investment decisions, the Moderated Regression Analysis (MRA) model was applied using the interaction term between DPR and TATO:

$$Y = \alpha + \beta_1 DPR + \beta_2 TATO + \beta_3 (DPR \times TATO) + \varepsilon \quad (2)$$

A moderating effect is confirmed when the interaction term ($DPR \times TATO$) produces a significance value < 0.05 and shows a change in the strength of the relationship between the predictor and dependent variable. All statistical analyses were conducted with SPSS version 25.

4. RESULTS AND DISCUSSION

4.1. Results of Regression Analysis

Multiple linear regression analysis was conducted to examine the direct effect of dividend policy and Total Asset Turnover on investment decisions. The summary of the test results is presented in Table 2 below:

Table 2. Multiple Linear Regression Results

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
1	(Constant)	292.943	10.426		28.098 <.001
	Kebijakan Deviden	.170	.055	.307	3.119 .002
	Total Asset Turnover	-.134	.203	-.065	-.657 .513

a. Dependent Variable: Keputusan Investasi

The regression results show that dividend policy has a positive and significant effect on investment decisions ($p = 0.002 < 0.05$), while Total Asset Turnover has no significant effect ($p = 0.513 > 0.05$).

4.2. Results of Moderated Regression Analysis (MRA)

Moderation analysis was carried out to determine whether Total Asset Turnover strengthens the relationship between dividend policy and investment decisions. The summary of the MRA results is presented in Table 5:

Table 3. Moderated Regression Analysis Results

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
	B	Std. Error			
1 (Constant)	286.915	10.642		26.961	<.001
Kebijakan Deviden	.104	.062	.188	1.669	.098
Total Asset Turnover	.213	.260	.103	.820	.415
Kebijakan Deviden*Total Asset Turnover	.004	.002	.290	2.087	.040
a. Dependent Variable: Keputusan Investasi					

The interaction variable (Dividend Policy \times Total Asset Turnover) is significant at the 5% level ($p = 0.040 < 0.05$), indicating that Total Asset Turnover successfully moderates the effect of dividend policy on investment decisions.

4.3. Discussion

4.3.1. Discussion of Hypothesis 1

H1: Dividend policy has a positive and significant effect on investment decision.

The results of this study indicate that dividend policy has a positive and significant effect on investment decisions ($p = 0.002 < 0.05$), thus the first hypothesis (H1) is accepted. This finding aligns with Signaling Theory, which suggests that an increase in dividend payments serves as a credible signal to investors regarding management's confidence in the company's future performance, thereby stimulating investment interest. This result supports previous studies by [12], who reported that dividend distribution increases the attractiveness of investment, and [13], who emphasized that dividends act as an indicator of financial stability influencing market valuation. However, this finding contradicts the study by [14], which found that dividend policy does not affect investment decisions in firms with highly leveraged capital structures. Overall, dividend distribution can be considered a credible indicator of a company's financial strength, thus enhancing investment decision-making, particularly in the manufacturing sector.

4.3.2. Discussion of Hypothesis 2

H2: Total Asset Turnover (TATO) has a positive and significant effect on investment decision.

The results show that TATO does not have a significant effect on investment decision ($p = 0.513 > 0.05$), thus H2 is rejected. This indicates that asset turnover efficiency is not a primary consideration for investors when making investment decisions.

The empirical results demonstrate that Total Asset Turnover (TATO) does not significantly affect investment decision, indicating that investors do not rely on asset efficiency as a primary benchmark when allocating capital. This finding is in line with the study of [15], who reported that TATO has no meaningful influence on investor decision-making within asset-intensive industries. In such sectors, high levels of fixed assets are considered normal for operational purposes, causing investors to perceive variations in asset turnover as less informative. However, the present finding contrasts with [16] who argued that higher TATO increases investment confidence because it reflects a company's effectiveness in converting assets into revenue. According to their perspective, strong asset utilization signals operational productivity that ultimately drives investor interest. Given these contrasting views, the evidence from this study reinforces the idea that investors in the manufacturing sector tend to prioritize dividend information rather than operational asset efficiency when making investment decisions, suggesting that financial distribution policies are regarded as more credible and relevant indicators of future firm performance.

4.3.3. Discussion of Hypothesis 3

H3: TATO moderates the effect of dividend policy on investment decision.

The results of the Moderated Regression Analysis (MRA) indicate that the interaction variable $DPR \times TATO$ is significant ($p = 0.040 < 0.05$), thus hypothesis 3 (H3) is accepted. TATO strengthens the relationship between dividend policy and investment decisions.

This finding is consistent with [17] who stated that dividend signals become more credible when supported by efficient asset utilization, and [18] who reported that asset effectiveness enhances investor responses to dividend announcements. However, this finding contradicts [19] who argued that TATO does not function as a moderator because investors tend to place greater emphasis on profitability rather than asset efficiency. Overall, TATO acts as a pure moderator that amplifies the effect of dividend policy on investment decisions.

5. CONCLUSION

The findings of this study indicate that dividend policy has a positive and significant effect on investment decisions in manufacturing firms, serving as a credible signal of financial strength and management's confidence in future performance. In contrast, Total Asset Turnover (TATO) does not have a significant direct effect on investment decisions, suggesting that investors tend to prioritize dividend information over operational asset efficiency. However, TATO functions as a moderator that strengthens the relationship between dividend policy and investment decisions, as efficient asset utilization enhances the credibility of dividend signals and amplifies their impact on investor decision-making. These results highlight the importance of combining sound dividend distribution strategies with effective asset management to attract and maintain investor confidence.

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