

Dividend Payout Ratio and Investor Behavior in Shariah-Compliant Firms: The Case of PT. Semen Indonesia

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Abstract

This study investigates the impact of the Dividend Payout Ratio (DPR) on investor interest in PT. Semen Indonesia, a leading state-owned firm listed in the Jakarta Islamic Index. Using a qualitative method, the study analyzes how dividend consistency influences investor confidence in Shariah-compliant environments. The findings demonstrate that DPR serves as both a financial signal and an ethical indicator, particularly valued by Muslim investors who prioritize *al-amanah* and *al-maslahah*. Internally, profitability and retained earnings shape dividend decisions, while externally, state ownership and Islamic financial regulations set expectations for ethical conduct. The research concludes that optimizing DPR requires balancing financial performance with religious values. This study contributes to both corporate finance and Islamic economics by proposing a framework that harmonizes dividend policy with *maqāsid al-sharī'ah*, offering practical strategies for corporate managers and regulators in Islamic markets.

Keywords: *Dividend payout ratio, Shariah compliance, investor behavior, PT. Semen Indonesia, Islamic finance.*

INTRODUCTION

Dividend policy remains a cornerstone of corporate financial strategy, particularly in capital-intensive industries such as cement manufacturing. For publicly listed firms like PT. Semen Indonesia Tbk, determining an appropriate Dividend Payout Ratio (DPR) is not only a financial decision but also a strategic one that communicates corporate health to the market. Investors often interpret dividend payments as indicators of future earnings stability and managerial confidence. As such, DPR becomes a signal that shapes market sentiment and influences investor interest (Brigham & Houston, 2016, p. 288; Ross et al., 2016, p. 324). In Indonesia's evolving Islamic capital market, this signaling effect carries added complexity, requiring firms to balance profitability, liquidity, and Shariah compliance.

From a theoretical standpoint, the relevance of dividend policy has been examined extensively through models such as the Bird-in-the-Hand theory and Signaling theory. These models suggest that dividend announcements reduce information asymmetry and thereby affect stock valuation (Lintner, 1956; Miller & Modigliani, 1961). However, these theories were originally developed in conventional markets and require reinterpretation in Shariah-compliant settings, where investment behavior is shaped not only by returns but also by religious adherence (Sole, 2008). In such markets, excessive retention or high volatility in dividend payouts may be perceived as signs of financial opacity or instability, which could deter investor interest.

Empirical studies in Southeast Asia show mixed results regarding the impact of dividend policy on investor behavior. For example, studies by Hamid et al. (2015) and Zulkifli et al. (2017) indicated that stable dividends positively influence investor trust, especially among risk-averse Islamic investors. Meanwhile, research conducted on Indonesian SOEs like PT. Semen Indonesia reveals that state-ownership and dividend consistency are central to maintaining market valuation and investor loyalty (Nasih et al., 2018). These findings underscore the dual role of

dividends as both economic returns and behavioral signals in Sharia-compliant investments.

Despite a growing body of literature, a gap exists in contextualizing the dividend payout decisions of large state-linked corporations within Islamic finance frameworks. While profitability and liquidity remain primary determinants of dividend policy, few studies integrate the spiritual and ethical expectations of Muslim investors. This is particularly critical for companies listed in indices like the Jakarta Islamic Index (JII), which must adhere to both financial and religious screening (Otoritas Jasa Keuangan, 2017). As PT. Semen Indonesia operates under state ownership and serves as a bellwether for the manufacturing sector, understanding how its DPR influences investor behavior is of both academic and practical importance.

This study, therefore, investigates the relationship between DPR and investor interest in PT. Semen Indonesia Tbk. The research addresses three main questions: (1) How does DPR influence investor confidence in a Sharia-compliant corporate context? (2) What internal and external factors shape PT. Semen Indonesia's dividend decisions? (3) How can dividend policy be optimized to balance profitability and investor expectations within Islamic finance principles? By answering these questions, the research aims to provide strategic insights for managers, regulators, and investors operating within Indonesia's Islamic financial landscape.

LITERATURE REVIEW

Dividend policy has long been a subject of debate in financial literature. The classical theory by Miller and Modigliani (1961) asserts that dividend policy is irrelevant to firm value in perfect capital markets. However, real-world market imperfections such as information asymmetry, taxation, and investor preferences render this theory incomplete. More recent models like the Signaling Theory and Bird-in-the-Hand Theory argue that dividends convey private information about a firm's future earnings and risk profile, influencing investor perceptions and behaviors (Lintner, 1956; Brigham & Houston, 2016, p. 292).

Islamic finance literature expands this perspective by integrating ethical considerations into corporate financial behavior. According to the principles of *maqāṣid al-sharī'ah*, corporate actions should promote justice, transparency, and the equitable distribution of wealth (Kamali, 2008, p. 210). Dividend payments are viewed as tools not just for financial redistribution but also for fostering *al-maslahah* (public benefit). Scholars like Haniffa and Hudaib (2007) emphasize that Islamic investors prefer firms that exhibit financial prudence and social accountability, including consistent and fair dividend practices.

Empirical research on dividend policy in Indonesia reveals that consistent dividends positively affect firm value and investor loyalty. Studies by Nasih et al. (2018) and Rahmawati et al. (2016) confirm that companies listed on the Jakarta Islamic Index benefit from maintaining a stable DPR, as this aligns with investor expectations for reliability and compliance. However, few studies examine how DPR affects investor interest specifically in state-owned enterprises like PT. Semen Indonesia, which occupy a unique space between public accountability and market-driven performance. This study aims to bridge that gap.

Theoretical Framework

The foundation of this study rests on the integration of three interrelated theories: Signaling Theory, Bird-in-the-Hand Theory, and the concept of *maqāṣid al-sharī'ah*. Each offers insights into how dividend policies influence investor behavior within conventional and Islamic finance paradigms.

Signaling Theory postulates that dividend announcements serve as credible signals about a firm's future profitability and stability. Since managers are assumed to possess more information than external investors, dividends can reduce information asymmetry by signaling confidence in the firm's financial health (Ross et al., 2016, p. 330). This theory aligns with investor behavior in both conventional and Islamic markets, where transparent communication is highly valued.

Bird-in-the-Hand Theory suggests that investors prefer the certainty of dividend payments over the uncertainty of future capital gains. This perspective is particularly resonant in Shariah-compliant finance, where long-term speculative gains are discouraged, and tangible, periodic returns are considered more aligned with ethical investing principles (Brigham & Houston, 2016, p. 297).

Maqāsid al-sharī'ah, or the objectives of Islamic law, provide a moral framework for corporate behavior. This includes the protection of wealth (*ḥifz al-māl*), ensuring transparency (*al-bayān*), and promoting public interest (*al-maslahah*) (Kamali, 2008, p. 211). From this standpoint, a stable DPR not only satisfies investor expectations but also contributes to ethical governance and wealth redistribution.

By combining these theories, the research adopts a hybrid framework that evaluates dividend policy not solely as a financial metric but as an ethical communication tool, particularly relevant to Shariah-compliant corporations like PT. Semen Indonesia.

Previous Research

Lintner (1956) conducted foundational research showing that firms prefer smooth and stable dividend policies to abrupt changes. This work laid the groundwork for understanding the behavioral aspects of dividend decisions. Miller and Modigliani (1961) followed with a contrasting perspective, arguing for the irrelevance of dividends in perfect markets, a theory later critiqued for ignoring investor psychology and market frictions.

DeAngelo and DeAngelo (2006) expanded on this by investigating dividend clientele effects and concluding that certain investor groups—especially retirees and institutional investors—favor stable payouts. In Southeast Asia, Zulkifli et al. (2017) found that consistent dividends significantly enhance investor interest, especially in Islamic equity markets, where stability is often equated with compliance and ethical conduct.

Nasih et al. (2018) analyzed Indonesian firms and reported that DPR had a strong influence on firm valuation, with investor reactions tied closely to dividend consistency. Similarly, Hamid et al. (2015) highlighted that Shariah-conscious investors view dividend-paying firms more favorably due to perceived transparency and stewardship.

Despite these insights, few studies focus specifically on PT. Semen Indonesia, especially in the context of Islamic finance. Existing research tends to treat dividend policy as a generic financial variable, without incorporating ethical or religious frameworks. This study fills that gap by examining how DPR functions within an Islamic governance model and influences investor behavior in a state-linked, Shariah-compliant firm.

METHOD

This study adopts a qualitative and conceptual research approach, focusing on the interpretation of textual data rather than statistical inference. The choice of this method is based on the objective to explore behavioral and ethical dimensions of dividend policy, which are best understood through non-quantitative analysis (Creswell, 2013, p. 72).

The data sources include international peer-reviewed journal articles, official publications from Bank Indonesia and BPS, scholarly books, and company reports from PT. Semen Indonesia. These were selected based on credibility, relevance, and publication date (not later than 2018). Specific attention was given to sources grounded in Islamic finance principles to maintain the integrity of the Shariah-compliant framework (Usmani, 2002, p. 128; Kamali, 2008, p. 215).

A document analysis technique was employed to systematically review and interpret existing literature and public disclosures. This involved identifying key themes such as dividend consistency, investor signaling, and Shariah-based valuation criteria, and linking them to the DPR strategy of PT. Semen Indonesia (Bowen, 2009).

The data analysis followed a thematic coding model to extract patterns and align them with the research questions. Key themes were then organized into conceptual categories: signaling behavior, ethical consistency, investor responsiveness, and compliance reflection.

Conclusion drawing was achieved through comparative synthesis, wherein patterns observed in DPR behavior were analyzed against investor response narratives in Islamic contexts. This helped reveal how dividend policy communicates both financial performance and religious trustworthiness, forming the basis for the study's conclusions.

RESULTS AND DISCUSSION

The findings support the view that dividend policy, specifically DPR, significantly influences investor behavior in PT. Semen Indonesia. This is consistent with Signaling Theory, where dividend payments convey information about financial stability and managerial confidence (Ross et al., 2016, p. 330). In the case of Shariah-compliant firms, dividends serve a dual purpose—financial return and ethical affirmation.

New perspectives also emerge from Islamic finance literature. Scholars argue that consistent dividend payments demonstrate *ḥifẓ al-māl*, reinforcing the firm's role as an ethical steward of capital (Kamali, 2008, p. 210). The DPR thus acts not only as a signal of profitability but also of adherence to religious and corporate governance standards.

And also research offers both a conceptual advancement and a practical guide for addressing economic scarcity in today's increasingly complex and interconnected global environment. It encourages future studies to explore, refine, and broaden this integrated framework across diverse economic and cultural settings (Athoillah, 2013 p, 13).

The study contributes to the literature by integrating these dual interpretations and demonstrating that investors in Islamic markets respond to both financial indicators and moral cues. PT. Semen Indonesia's stable DPR enhances investor trust, positioning it as a preferred investment vehicle among ethically conscious shareholders.

1. Dividend Signals and Shariah-Conscious Investor Behavior

This section addresses how DPR influences investor confidence in PT. Semen Indonesia. The research shows that dividend payments act as a positive signal of firm health, reducing information asymmetry and enhancing market credibility. For Shariah-conscious investors, this signaling extends beyond profitability to include compliance assurance (Haniffa & Hudaib, 2007).

Empirical support from Zulkifli et al. (2017) confirms that consistent dividend-paying firms attract more stable investor bases. PT. Semen Indonesia's adherence to this practice reinforces perceptions of ethical governance. This is especially relevant in the context of Indonesia's Islamic capital market, where investor decisions are not purely return-driven but

also guided by al-maslahah and al-amanah.

The evidence suggests that investors interpret DPR as a marker of financial and moral discipline. A steady payout ratio signals management's commitment to transparency and accountability, values that resonate with Islamic ethical norms. Consequently, firms like PT. Semen Indonesia are perceived as low-risk, high-integrity investments, contributing to higher investor retention.

2. Factors Shaping Dividend Decisions in PT. Semen Indonesia

This section focuses on the internal and external factors that determine PT. Semen Indonesia's dividend policy. Internally, the firm's profitability, retained earnings, and capital expenditure plans directly influence DPR. Consistent with Lintner's (1956) findings, the company prefers stable dividends to erratic adjustments, which could destabilize investor trust.

Externally, state ownership plays a significant role. As a government-linked firm, PT. Semen Indonesia is subject to dividend policies set by the Ministry of State-Owned Enterprises, which emphasizes financial prudence and national revenue contributions. This dual accountability—to shareholders and the state—requires a balanced approach to dividend declaration.

Regulatory frameworks from Otoritas Jasa Keuangan (2017) also influence dividend policy by setting compliance standards and encouraging ethical transparency. The firm's inclusion in the Jakarta Islamic Index further compels it to maintain operations within Islamic legal and ethical boundaries, reinforcing the need for a consistent and Shariah-compliant DPR.

3. Optimizing Dividend Policy in Shariah-Compliant Contexts

This section examines how dividend policies can be optimized to align with investor expectations and Islamic values. The findings suggest that PT. Semen Indonesia's success lies in maintaining a moderate but consistent DPR, which satisfies both financial metrics and ethical standards.

Optimization involves more than just percentage adjustments. It requires communicating the rationale behind dividend decisions, aligning payouts with long-term strategy, and maintaining transparency. These practices embody the Islamic finance principle of al-bayān (disclosure), which enhances investor trust.

Future strategies may include integrating Shariah-based performance indicators alongside financial ones in annual reports. Such integrative reporting can further reinforce the firm's ethical credibility and attract a broader base of Shariah-conscious investors.

The study finds that DPR significantly influences investor behavior in PT. Semen Indonesia by acting as a signal of both financial strength and Shariah compliance. The research confirmed that consistent dividend payments attract investor interest, particularly in Islamic markets where transparency and ethical governance are critical. Internal financial performance, external regulatory expectations, and state ownership shape dividend decisions, which must balance profitability with accountability.

The study contributes theoretically by integrating Signaling Theory and Islamic ethical principles to interpret dividend policy in a dual framework. This conceptual refinement advances understanding of how financial strategies communicate multidimensional values in Islamic capital markets. Practically, the study provides a roadmap for corporate managers to optimize dividend policies that enhance investor trust while maintaining compliance. Regulatory bodies can also benefit by encouraging firms to disclose both financial and ethical rationales for dividend decisions.

CONCLUSION

This research concludes that the Dividend Payout Ratio is a crucial determinant of investor interest in PT. Semen Indonesia Tbk. The findings confirm that stable and moderate dividends enhance investor trust by signaling profitability, transparency, and ethical commitment. In a Shariah-compliant context, these signals carry both financial and religious weight, reinforcing the firm's reputation and market position.

The theoretical integration of signaling and Islamic principles offers a more holistic framework for evaluating dividend policy. The study recommends that corporations align their dividend strategies with both shareholder value and *maqāṣid al-sharī'ah*. Regulators and policymakers are encouraged to support this alignment through clearer disclosure standards and Shariah-informed performance metrics. Future research could extend these insights through quantitative validation across different sectors and time periods in Indonesia's Islamic capital market.

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