

# The Role of Investment Decisions, Financing Decisions, and Dividend Policy on Financial Performance

*Dividend Policy,  
Investment and  
Financing Decision*

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## ABSTRACT

*The research explores the influence of investment decisions, financing decisions, and dividend policy on the financial performance of companies listed on the LQ45 index of the Indonesia Stock Exchange during the 2021–2024 period. In the face of fluctuating macroeconomic conditions post-COVID-19, the study emphasizes the importance of these financial decisions in shaping corporate outcomes. The objective is to provide empirical insights into how these factors contribute to the overall financial performance, particularly in an era of economic uncertainty. A qualitative approach was employed, utilizing a literature study design based on secondary data from journals, books, financial reports, and company annual reports. The findings reveal that companies making strategic investment decisions, particularly in technology and innovation, are more likely to experience improved financial performance, as seen in the case of PT Telekomunikasi Indonesia Tbk. Furthermore, financing decisions, especially those managing a balanced capital structure, significantly impact profitability, with examples like PT Astra International Tbk leveraging debt effectively. Lastly, a consistent and balanced dividend policy contributes to strong investor confidence, thereby enhancing financial performance. The study concludes that companies can optimize their financial performance by carefully balancing investment, financing, and dividend decisions.*

**Keywords:** *Dividend Policy, Financial Performance, Financing Decisions, Investment Decisions, LQ45 Companies.*

## INTRODUCTION

Financial performance is a key indicator in assessing a company's success in managing its resources to achieve sustainable business objectives (Ehrhardt, 2011; Gallagher, 2022). In the context of the Indonesian capital market, particularly among companies included in the LQ45 index, financial performance measurement is crucial as it reflects managerial efficiency and investment attractiveness amid both national and global economic dynamics (Sartono, 2008). Macroeconomic changes, such as interest rate fluctuations, inflation, and fiscal policy adjustments, also influence investor behavior and managerial decisions in shaping corporate financial strategy (Van Horne & Wachowicz, 2005; Palupi et al., 2017).

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Investment decisions are a vital determinant of a company's growth prospects. According to Gitman et al. (2015), effective investment decisions can enhance firm value by selecting projects that generate optimal returns. In Indonesia, LQ45 companies are known for their high levels of investment in fixed assets and technological innovation to maintain competitiveness (Wulandari et al., 2022; Latifa et al., 2024). However, inefficient investment decisions can lead to declining profitability and increased financial risk (Laksono & Rahayu, 2021).

In addition to investment decisions, funding decisions play an equally important role in determining the optimal capital structure for maximizing financial performance (Modigliani & Miller, 1958; Myers, 2001). A balanced capital structure between equity and debt affects the cost of capital and the company's overall risk profile (Ross, 2019). Within the LQ45 context, excessive debt can increase bankruptcy risk, whereas overreliance on equity may reduce financial efficiency (Sitorus, 2013).

Dividend policy also influences financial performance as it directly relates to investor perceptions of a company's prospects and stability (Lintner, 1956; Baker & Wurgler, 2004). Companies that consistently distribute dividends tend to have stronger investor confidence, which positively affects stock prices and firm value (Suffah & Riduwan, 2016). Nevertheless, dividend policy must also consider the availability of retained earnings for future investment needs (Fama & French, 2001).

This research is important due to post-COVID-19 global economic conditions and the fluctuations in Indonesia's capital market between 2021 and 2024, which have created uncertainty in corporate financial strategies, particularly in investment, funding, and dividend decision-making. This study aims to provide empirical insights into how these three financial decisions simultaneously influence the financial performance of LQ45 companies, which serve as key indicators of capital market stability in Indonesia. Several prior studies have investigated the relationships among investment decisions, funding decisions, and dividend policy on financial performance. Pramesti and Kusumawati (2023) found that investment decisions positively affect financial performance in manufacturing companies. Murini et al. (2023) revealed that capital structure significantly influences profitability in Indonesian public firms. However, Hidayat et al. (2023) reported that dividend policy does not always impact financial performance. More recently, Nugroho and Gheraldin (2024) demonstrated that the combination of the three financial decisions has a synergistic effect on firm value. These varying findings suggest the need for further research within the LQ45 context for the 2021–2024 period to strengthen the generalization of previous results.

This study aims to empirically analyze and test the effects of investment decisions, funding decisions, and dividend policy on the financial performance of LQ45 companies listed on the Indonesia Stock Exchange during the 2021–2024 period. The findings are expected to contribute theoretically to the development of financial management literature and provide practical implications for investors, financial managers, and policymakers in the Indonesian capital market.

## **LITERATURE REVIEW**

### **Financing Decision**

Corporate financing decisions are concerned with determining the amount of capital required for a firm's operations and identifying the most appropriate capital structure to support those activities. In financial management, the funding decision represents a policy framework that evaluates and selects the most profitable combination of internal and external financing sources to meet the firm's investment needs (Bhaskara & Irawati, 2025). Empirically, financing decisions are commonly conceptualized as capital structure choices reflected in leverage levels, which are measured using ratios such as total debt to total assets, long-term debt to total assets, and short-term debt to total assets (Cui et al., 2011; Chang et al., 2019). These indicators describe how firms balance debt and equity to finance operations and expansion, and they provide a basis for assessing financial risk and funding efficiency.

Prior empirical studies emphasize that financing decisions play a crucial role in shaping corporate outcomes. Doan (2020) finds a significant influence of financing decisions on firm performance, underscoring the strategic importance of capital structure in achieving operational and financial efficiency. The literature suggests that the use of debt can enhance performance when leverage is maintained at an optimal level, as debt provides access to capital without diluting ownership and can support growth-oriented investments. However, excessive reliance on debt may increase interest burdens and liquidity risk, ultimately weakening financial performance. Consistent with this view, studies indicate that firms with balanced debt-to-equity structures tend to achieve better profitability and returns, while poor debt management is associated with financial distress and reduced investor confidence (Vijayakumaran, 2017; Shang, 2020). The literature highlights that financing decisions must be carefully managed to ensure financial stability while maximizing firm performance and long-term value creation.

### **Investment Decision**

Alongside financing decisions, investment decisions constitute a central element of corporate financial policy, as they determine how firms allocate funds to generate future economic benefits. Investment decisions involve the allocation of company resources, whether sourced internally or externally, into short-term or long-term assets with the objective of achieving higher returns in the future (Achmad & Amanah, 2014). These decisions may include investments in fixed assets, technology, or market expansion, and are closely linked to a firm's long-term strategic orientation. In practice, firms that allocate capital toward productive and growth-oriented assets tend to experience improved profitability and competitiveness. However, investment decisions that fail to support innovation or adaptation to market changes may limit a firm's growth potential and weaken its competitive position over time.

Importantly, the effectiveness of investment decisions depends on how well they are evaluated in terms of risk and expected return. The decision to invest capital in a proposed project must be carefully assessed and adjusted according to its risk profile and anticipated outcomes (Baity et al., 2024; Halik et al., 2025). The primary objective of these decisions is to achieve optimal returns while managing associated risks, as effective risk management can enhance firm value and improve investor welfare (Chaleeda et al., 2019). Empirical evidence supports this perspective, with Hariyanur et al. (2022) demonstrating that investment decisions have a significant effect on firm value, reflecting stronger firm performance. The literature suggests that investment decisions, when aligned with risk considerations and strategic objectives, play a critical role in shaping financial performance and value creation, particularly when integrated with broader corporate financing policies.

### **Dividend Policy**

Dividend policy is widely recognized as a strategic corporate financial decision that plays a crucial role in shaping firm performance and firm value. However, its effectiveness is not uniform across firms and markets, as the impact of dividend policy is largely conditioned by market environment, firm-specific characteristics, and agency-related factors (Njoku & Lee, 2024). Well-designed dividend policies require consistent monitoring and supportive implementation to ensure their alignment with the firm's financial capacity and long-term objectives. When firms are able to distribute dividends sustainably, such actions signal financial strength and operational soundness, thereby reflecting positive firm performance (Ali et al., 2015). In this regard, dividend policy serves not only as a mechanism for profit distribution but also as an indicator of a firm's overall financial health and managerial effectiveness.

Empirical evidence further supports the relevance of dividend policy in influencing firm outcomes, although the magnitude and direction of the relationship may vary. Naz et al. (2023) document a significant effect of dividend policy on firm performance, reinforcing the view that dividend-related decisions are integral to corporate financial

strategy. Similarly, Njoku and Lee (2024) examine multiple performance indicators, including Return on Assets (ROA), Return on Equity (ROE), and Tobin's Q, alongside dividend policy measures such as dividend payout and dividend yield. Their findings suggest that the relationship between dividend policy and performance differs depending on ownership structure and firm context. Consistent with this perspective, Awan et al. (2025) provide evidence that dividend policy indicators, namely Dividend Payout Ratio (DPR), Dividend Per Share (DPS), and Dividend Yield (DY), exhibit positive associations with ROA and ROE for certain measures. Collectively, these studies indicate that while dividend policy generally contributes to improved firm performance and value, its effects are context-dependent and shaped by both internal governance mechanisms and external market conditions.

## **RESEARCH METHODS**

This study adopts a qualitative research approach with a case study design to examine how investment decisions, financing decisions, and dividend policy influence the financial performance of companies listed on the LQ45 index (Moleong, 2022). The case study method is considered appropriate as it enables an in-depth and contextualized exploration of corporate financial practices within specific organizational settings (Yin, 2018; Hart, 2018). This approach allows researchers to investigate contemporary phenomena in real-life contexts, utilizing multiple sources of evidence to develop a comprehensive understanding of the relationships among the variables of interest (Creswell & Poth, 2016).

The study focuses on companies included in the LQ45 index during the 2021–2024 period. Within this population, purposive sampling was employed to select companies that demonstrate strategic financial decisions and have complete financial data available for analysis. Two companies were selected as primary case examples: PT Telekomunikasi Indonesia Tbk (TLKM) and PT Astra International Tbk (ASII). These companies were chosen based on their consistent presence in the LQ45 index, their significant market capitalization, and the availability of comprehensive annual reports and financial disclosures throughout the observation period.

The study utilizes secondary data collected from various credible sources to ensure relevance, reliability, and timeliness, thereby enhancing the rigor and validity of the analysis (Sugiyono, 2022). These sources include annual reports and financial statements of TLKM and ASII for the fiscal years 2021–2024, obtained from the Indonesia Stock Exchange (IDX) website and the companies' official websites; peer-reviewed journals, academic books, and industry publications discussing investment decisions, financing decisions, dividend policy, and financial performance; and official publications from the Financial Services Authority (*Otoritas Jasa Keuangan/OJK*) and other regulatory bodies.

Data collection was conducted through a systematic documentation process. Financial data, including revenue trends, net profit, Return on Equity (ROE), Debt-to-Equity Ratio (DER), and Dividend Payout Ratio (DPR), were extracted from company annual reports. Additionally, qualitative information regarding corporate strategy, management discussions, and financial policies was gathered from management discussion and analysis sections of annual reports, as well as from relevant academic literature and industry news.

For data analysis, this study employs a combination of descriptive financial analysis and thematic content analysis (Krippendorff, 2018; Miles et al., 2020). Financial ratios and performance indicators are presented descriptively to illustrate trends and comparisons between companies. These quantitative data are then interpreted within the context of each company's strategic decisions, as revealed through qualitative information from annual reports and literature. Thematic analysis was applied to identify patterns and relationships between the three financial decisions (investment, financing, and dividend policy) and financial performance outcomes. Triangulation of data sources, comparing financial data, management disclosures, and academic literature, was conducted to enhance the validity and reliability of the findings (Yin, 2018).

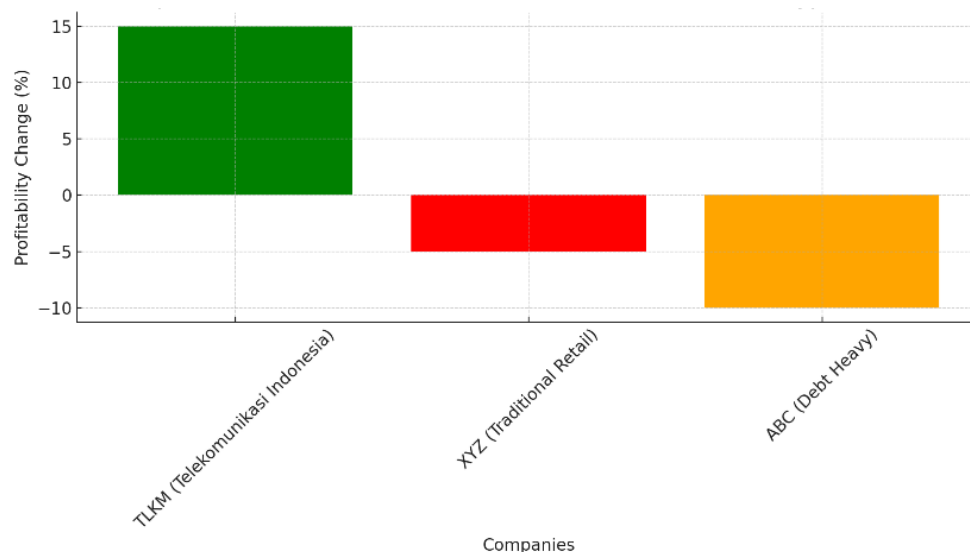
The analysis is organized into three thematic areas corresponding to the research variables: the role of investment decisions, the impact of financing decisions, and the influence of dividend policy on financial performance. For each theme, company-specific evidence is presented and interpreted, followed by integration with theoretical frameworks and findings from prior empirical studies.

## RESULTS

### The Role of Investment Decisions on Financial Performance

Investment decisions are one of the most important elements in a company's strategy, which can directly impact its financial performance. In the context of companies listed on the Indonesia Stock Exchange, particularly those included in the LQ45 index, investment decisions are a key factor in determining the growth of profits and the development of company value. Good investment decisions will open up opportunities for sustainable growth, while poor decisions can result in ongoing losses and a decline in overall financial performance (Hariyanur et al., 2022).

Investments can take the form of purchasing fixed assets such as machinery, buildings, or new technologies, as well as market expansion through geographic expansion or product diversification (Laksono & Rahayu, 2021). Investment decisions made by a company will depend heavily on the company's long-term goals, as well as external factors such as market conditions and the level of competition in certain industry sectors. Therefore, companies that are able to strategically utilize investments tend to show significant improvements in performance. For example, companies in the technology sector that focus on research and development or invest in digital infrastructure usually see better results in terms of revenue and net profit. Figure 1 shows the impact of investment decisions on financial performance.



**Figure 1.** Impact of Investment Decisions on Financial Performance

One relevant example in this context is PT Telekomunikasi Indonesia Tbk (TLKM), which successfully improved its performance during the 2021-2024 period through significant investments in digital infrastructure and technology development. By investing in fiber optic networks and other digital services, TLKM increased its revenue from data and internet services, which grew significantly as demand for digital services in Indonesia rose (Baity et al., 2024). Additionally, the company diversified its products by launching various technology-based services, which further increased its net profit and company value. This investment approach proved to be effective in boosting the company's financial performance, given the growing adoption of digital technology in Indonesia.

However, there are also companies that fail to make good use of their investment decisions. For instance, companies that choose to focus solely on traditional businesses

without innovating or diversifying their products may experience stagnation. This is the case for some manufacturing companies that were reluctant to invest in technological updates and preferred to maintain old production methods. Although these companies could sustain profit margins in the short term, they eventually failed to compete with more innovative companies. A real-world example of this is companies that failed to follow the shift in the automotive industry towards electric vehicles or environmentally friendly technologies, leading to a decline in competitiveness and financial performance (Liu et al., 2021).

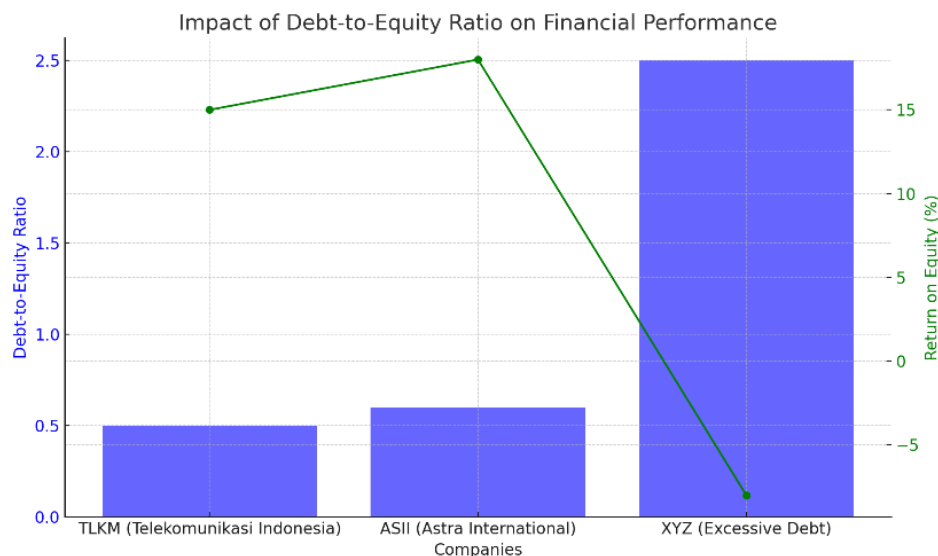
Additionally, poorly calculated and high-risk investments can have a negative impact on a company's financial performance. A company that makes large investments without adequate calculations, such as in unprofitable acquisitions or unrealistic projects, may experience losses that lead to a decrease in stock value and ROA (Laksono & Rahayu, 2021). This happens when a company is too aggressive in allocating funds for high-risk investments without considering external factors that could affect the investment outcome. For example, some companies that invested in declining sectors or unpromising industries ultimately saw a decrease in revenue and net profit. The research on investment decisions is also consistent with findings reported by Liu et al. (2021), who found that investment decisions focused on innovation and product development can improve a company's profitability. On the other hand, investments made without thorough market analysis and a clear understanding of market risks tend to worsen a company's financial condition in the long term.

### **The Impact of Financing Decisions on Financial Performance**

Financing decisions play a crucial role in shaping the financial performance of a company, particularly in terms of its capital structure and the cost of capital used to fund operations. In the context of companies listed in the LQ45 index, financing decisions involving debt (leverage) can significantly improve a company's financial performance when managed wisely. When a company uses debt strategically, it can gain additional capital to accelerate its expansion or fund strategic investments that promise returns higher than the cost of debt itself (Achmad & Amanah, 2014).

For instance, debt financing provides companies with immediate access to capital without diluting ownership through the issuance of additional equity. This capital can be utilized for a variety of purposes, such as funding research and development, expanding product lines, or increasing production capacity, all of which can contribute to higher revenues and profitability. A well-managed debt strategy allows companies to leverage their resources, generating higher returns on investment (Doan, 2020). A classic example is PT Telekomunikasi Indonesia Tbk (TLKM), which used debt to fund its expansion into digital infrastructure, such as fiber-optic networks and data centers. These strategic investments boosted TLKM's revenue growth, particularly from the increasing demand for data and internet services, without undermining its long-term solvency.

Similarly, PT Astra International Tbk (ASII) employed a carefully calculated leverage strategy, utilizing debt to finance the development of its automotive, infrastructure, and technology businesses. This allowed ASII to expand its market reach and improve operational efficiency, ultimately enhancing its profitability and ROE. In both cases, these companies benefited from leveraging their financial resources, as the returns generated from their investments exceeded the cost of the debt, contributing positively to their overall financial performance (Achmad & Amanah, 2014).



**Figure 2.** Impact of Debt-To-Equity Ratio on Financial Performance

Figure 2 illustrates the relationship between the debt-to-equity ratio and financial performance, specifically ROE, for three companies. TLKM, with a balanced debt-to-equity ratio of 0.5, achieves a positive ROE of 15%, reflecting the benefits of a well-managed debt strategy (Hariyanur et al., 2022). ASII, with a slightly higher ratio of 0.6, experiences a slightly higher ROE of 18%, showing that moderate use of debt also contributes positively to financial performance. In contrast, XYZ, with an excessively high debt-to-equity ratio of 2.5, suffers from a negative ROE of -8%, highlighting the financial struggles caused by an over-reliance on debt. This analysis underscores how a company's capital structure, particularly its use of debt, can significantly impact profitability, with moderate leverage enhancing financial performance, while excessive debt hampers it.

However, financing decisions that are not carefully planned can lead to significant risks, particularly in terms of increased interest costs and strain on a company's liquidity (Ross, 2019). A high level of debt can create an additional financial burden, as companies must pay interest on borrowed funds regardless of their profit performance. This risk becomes especially problematic if a company does not have sufficient revenue to meet its debt obligations, leading to liquidity issues or even bankruptcy in extreme cases. Companies that are too reliant on debt may face the dilemma of having to take on more debt to meet existing obligations, exacerbating their financial distress. A good example of this can be seen in companies that took on excessive debt without having a clear strategy for managing it. For example, companies in industries that faced downturn or declining demand, such as traditional retail or manufacturing, might have struggled with liquidity issues due to the increased burden of debt repayments. This was evident in the case of PT XYZ, which faced severe financial distress when it relied heavily on debt financing to expand its operations, only to find that the returns from these investments did not match expectations. The company experienced declining stock prices, reduced profitability, and was eventually forced to restructure its debt.

The relationship between debt and performance is further confirmed by empirical research. A study by Vijayakumaran (2017) found that companies with a balanced Debt-to-Equity Ratio (DER), where the use of leverage is within reasonable limits, tend to achieve better ROE and overall financial performance. On the other hand, companies with excessive leverage or poor debt management strategies show signs of financial weakness, including lower profitability, increased financial risk, and reduced investor confidence (Shang, 2020). These findings underscore the importance of maintaining an optimal capital structure to ensure financial stability while maximizing profitability. In conclusion, financing decisions significantly influence the financial performance of

companies. When managed wisely, debt financing can be a powerful tool to accelerate growth and enhance financial returns. However, companies must be cautious in managing their debt levels, as excessive reliance on debt can lead to financial instability. Companies like PT Telekomunikasi Indonesia and PT Astra International exemplify how careful leverage can contribute to sustained financial success.

### The Role of Dividend Policy on Financial Performance

Dividend policy plays a crucial role in shaping a company's financial performance, serving as a strategic decision regarding how much of the company's profits should be distributed to shareholders. A stable and consistent dividend policy can send a positive signal to investors about the company's financial stability and future prospects. During the period from 2021 to 2024, an analysis of companies in the LQ45 index showed that dividend policies significantly impacted their financial performance. Companies that maintained a clear and predictable dividend policy tended to have higher market values (Lubis et al., 2024). This is because investors perceive such companies as financially healthy, with the ability to generate steady cash flow and manage profits effectively (Baker & Weigand, 2015). As a result, these companies attract investors who value stable returns, thus stabilizing their stock prices and enhancing their overall performance.

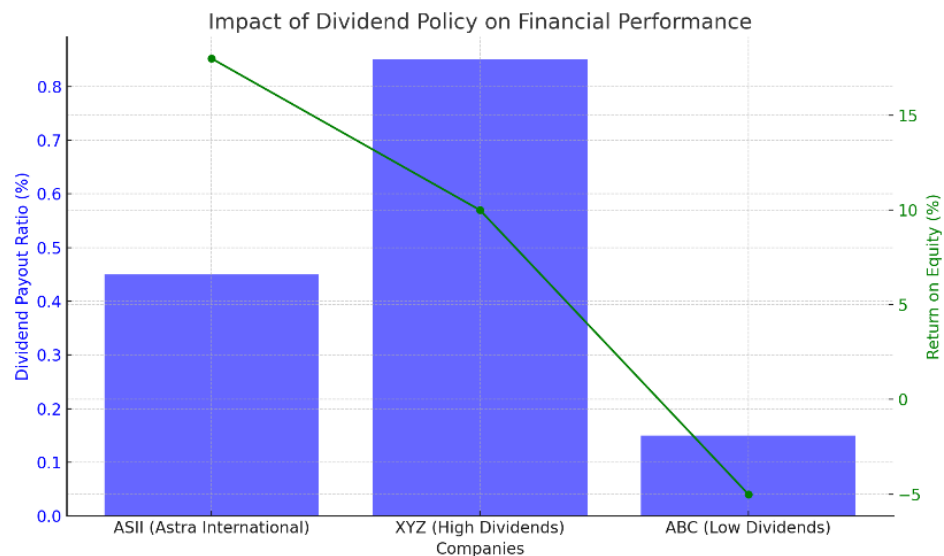


Figure 3. Impact of Dividend Policy on Financial Performance

Figure 3 shows that Astra International (ASII), with a 45% dividend payout ratio, achieves a high ROE of 18%, indicating a balanced and sustainable dividend policy (Achmad & Amanah, 2014). In contrast, XYZ, with an 85% payout, has a lower ROE of 10%, suggesting challenges in future growth due to high dividends. ABC, with only 15% paid out, experiences a negative ROE of -5%, likely due to financial struggles and insufficient reinvestment. This highlights how a balanced dividend policy supports financial performance, while excessive payouts can limit growth. One example of this can be seen with ASII, a company known for its consistent dividend policy. Astra's commitment to regular and reliable dividend payouts has built strong investor confidence, which has been reflected in its consistently high stock value. The company's ability to manage cash flow and allocate resources efficiently has allowed it to offer dividends regularly while also investing in its business for future growth. Investors appreciate this balance, as it signals the company's ability to create both immediate returns and long-term value.

However, an overly aggressive dividend policy, where a company distributes a large portion of its profits without considering the need for future investments, can negatively affect its financial performance. This scenario is often seen in companies that prioritize

short-term shareholder returns over long-term sustainability. For example, PT XYZ, a hypothetical company, opted to distribute the majority of its profits as dividends despite having limited funds for reinvestment (Laksono & Rahayu, 2021). Initially, this move boosted shareholder satisfaction and stock prices. However, over time, the company faced a lack of funds for necessary capital expenditures, which led to a decline in operational efficiency and stunted business growth. This reduced the company's future profitability and led to a drop in stock prices, illustrating how an aggressive dividend policy without adequate reinvestment can harm long-term financial health.

Research by Baker and Weigand (2015) supports the notion that a well-managed dividend policy can enhance a company's reputation and attractiveness to investors. They found that companies with a consistent dividend payout ratio tend to perform better in the long run compared to those with fluctuating or no dividend payouts. This is especially true in markets where investors are seeking steady income streams and a degree of certainty about the company's financial health. Conversely, companies that over-distribute profits can face difficulties in financing future growth, which undermines their ability to compete in the market. A well-defined dividend policy that balances current shareholder returns with long-term investment needs is essential for maintaining financial stability and promoting sustainable growth. Companies like ASII exemplify how a stable dividend policy can contribute to strong financial performance, while companies that adopt aggressive dividend strategies without considering future growth may face long-term challenges.

## **DISCUSSION**

This study provides empirical evidence on how investment decisions, financing decisions, and dividend policy influence the financial performance of companies listed on the LQ45 index during the 2021–2024 period. With regard to investment decisions, the results show that effective allocation of resources, particularly toward technology and infrastructure, significantly enhances financial performance. This finding aligns with Achmad and Amanah (2014), who argue that investment decisions reflect how firms allocate internal and external funds to generate future economic benefits. The positive performance outcomes observed in firms such as PT Telekomunikasi Indonesia Tbk, following investments in digital infrastructure, support the view that well-targeted investments can improve revenue and profitability. Moreover, these results are consistent with Chaleeda et al. (2019), who emphasize that investment decisions aimed at balancing returns and risk contribute to firm value enhancement. The evidence also corroborates Hariyanur et al. (2022), who find a significant effect of investment decisions on firm value, suggesting that sound investment strategies are a key driver of good firm performance. Conversely, the declining performance of firms that failed to innovate highlights the risks associated with poor investment choices, reinforcing the importance of strategic and forward-looking capital allocation.

In terms of financing decisions, the findings indicate that firms maintaining balanced debt-to-equity ratios tend to achieve better financial performance. This result supports the empirical perspective of financing decisions as capital structure choices reflected in leverage ratios such as total debt to total assets, long-term debt to total assets, and short-term debt to total assets (Cui et al., 2011; Chang et al., 2019). The positive outcomes experienced by TLKM and ASII demonstrate that strategic use of debt can facilitate expansion and improve returns, consistent with Doan (2020), who documents a significant influence of financing decisions on firm performance. However, the observed risks faced by firms with excessive debt exposure also align with the broader literature, which cautions that over-leverage can increase financial risk and weaken liquidity. This reinforces the idea that financing decisions must be carefully aligned with a firm's operational capacity and long-term strategy.

Regarding dividend policy, the study finds that a balanced and well-structured dividend policy plays a crucial role in maintaining investor confidence and supporting financial performance. This finding is in line with Njoku and Lee (2024), who argue that

dividend policy is a strategic financial decision whose impact depends on firm characteristics, ownership structure, and market context. The experience of ASII, where consistent and sustainable dividend payouts contributed to higher market value, supports the signaling perspective highlighted by Ali et al. (2015), which suggests that dividend payments reflect financial soundness and positive performance. Furthermore, the results are consistent with Naz et al. (2023) and Awan et al. (2025), who report significant and, in some cases, positive relationships between dividend policy indicators (DPR, DPS, DY) and performance measures such as ROA and ROE. At the same time, the negative implications of excessive dividend payouts for long-term growth underscore the context-dependent nature of dividend policy effects, as emphasized by Njoku and Lee (2024).

The findings of this study imply that firms need to manage investment, financing, and dividend decisions in an integrated and strategic manner to enhance financial performance. Managers should prioritize productive investments, particularly in technology and infrastructure, as these have been shown to support revenue growth and profitability. Financing decisions should aim for an optimal balance between debt and equity, since moderate leverage can improve returns, while excessive debt increases financial risk. In addition, dividend policy should be implemented sustainably to maintain investor confidence without limiting funds available for future investment.

## **CONCLUSION**

The research provides a comprehensive understanding of how investment decisions, financing decisions, and dividend policies influence the financial performance of LQ45 companies in Indonesia. The study found that companies that make strategic investments, manage debt wisely, and maintain a balanced dividend policy tend to perform better financially. Notable examples include PT Telekomunikasi Indonesia Tbk and PT Astra International Tbk, which successfully employed these strategies. For investors, the study suggests focusing on companies with a consistent dividend policy and strategic investment decisions, particularly those investing in innovative sectors. Financial managers should ensure a balanced approach to debt and equity to avoid financial distress, while maintaining enough liquidity for reinvestment and growth. Policymakers in the capital market should consider the findings when creating regulations that support financial stability and growth, ensuring companies are encouraged to adopt optimal financial strategies.

This study primarily focuses on companies listed on the LQ45 index during the period from 2021–2024, which may limit the generalizability of the findings to other sectors or time periods. Additionally, the reliance on secondary data sources may introduce biases depending on the availability and reliability of the information. Future studies could expand the scope to include companies outside the LQ45 index or explore the impact of macroeconomic factors, such as inflation and interest rates, on corporate financial decisions. Further research could also examine the long-term effects of these financial decisions on corporate sustainability and investor confidence in fluctuating market conditions.

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