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DOES DIVIDEND STABILITY SIGNAL FIRM PERFORMANCE? EVIDENCE FROM PT TELKOM INDONESIA (PERSERO) TBK.

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Abstract

This study analyzes the dividend policy of PT Telkom Indonesia (Persero) Tbk (TLKM) during the 2020–2025 period using a quantitative descriptive approach and a longitudinal case study based on secondary data from audited financial reports. The variables analyzed include Dividend Per Share (DPS), Earnings Per Share (EPS), Dividend Payout Ratio (DPR), Dividend Yield, and Free Cash Flow (FCF), with trend analysis using the Compound Annual Growth Rate (CAGR). The results show that DPS grows 6.05% per year, higher than EPS of 1.87%, resulting in DPR increasing from 80.00% to 93.95% in 2024. Nevertheless, strong and stable operating cash flow ensures that dividends remain supported by FCF, so there is no indication of financial distress. However, the increasing FCF-to-dividend ratio indicates the company's increasingly limited reinvestment space. The decline in net profit of 20.48% in 2025 also increases the risk of dividend policy sustainability. Furthermore, the increase in dividend yield was more influenced by stock price declines than dividend growth. This finding suggests that SOE dividend stability reflects not only fundamental performance but also institutional pressure from the government as the controlling shareholder, supporting the relevance of Agency Theory and Catering Theory in explaining dividend policy of state-owned enterprises in emerging markets.

Keywords: *Dividend Policy, Dividend Payout Ratio, Dividend Yield, Free Cash Flow, PT Telkom Indonesia*

1. INTRODUCTION

The Indonesian capital market has seen rapid investor growth, from 3.88 million Single Investor Identification (SID) holders in 2020 to 20.32 million SID holders as of December 29, 2025, a 423% increase in five years (KSEI, 2025). Amid this expansion, the dividend policies of blue-chip issuers have become a key factor for investors, particularly institutional investors seeking a predictable income stream.

PT Telkom Indonesia (Persero) Tbk (TLKM) presents an academically interesting and under-documented paradox. During 2020–2025, TLKM consistently increased its Dividend Per Share (DPS) from Rp168.01 (2020) to Rp212.47 (2024), despite net profit plummeting from Rp24,560 billion (2023) to Rp22,403 billion (2024) and plummeting to

Rp17,814 billion (2025). As a result, the Dividend Payout Ratio (DPR) jumped to 93.95% in 2024, while the share price fell from Rp3,290 (end of 2023) to Rp1,545 (end of 2025). This paradox presents the main theoretical question of this research: does TLKM's dividend stability reflect a fundamental performance signal as predicted by Signaling Theory (Ross, 1977), or is it a manifestation of institutional pressure from the government as the controlling shareholder (52.09%) which requires Non-Tax State Revenue (PNBP), as explained by Agency Theory (Jensen & Meckling, 1976)?

Several previous studies are relevant but have not comprehensively examined this phenomenon. Santosa et al. (2023) documented the tendency of Indonesian banks to maintain dividends during the crisis, but limited it to the financial sector. Tinungki et al. (2022, 2025) found complex and heterogeneous dividend patterns across sectors. Bisowarno and Sutrisno (2024) confirmed profitability and leverage as significant determinants of the SOE DPR, but did not examine the post-2023 phase of systemic profitability decline. Fatmawati and Ahmad (2017) in the journal EKUITAS (Sinta 2) found that Catering Theory is relevant in explaining dividend decisions of Indonesian SOEs, while Fitriana et al. (2018) in the Journal of Finance and Banking documented that research on Indonesian dividend policy is still dominated by quantitative approaches with profitability and ownership variables. An unanswered gap is how TLKM navigates the conflict between government fiscal pressures and the need for strategic reinvestment during the phase of systemic profitability decline from 2024 to 2025.

The 2020–2025 period was chosen because it encompasses three distinct economic phases: the COVID-19 pandemic (2020–2021), recovery (2022–2023), and the dual pressures of digital transformation and competition following the Indosat Ooredoo Hutchison merger (2024–2025). TLKM was selected based on its status as the largest state-owned telecommunications company, significant government ownership, and the availability of verified data. Academically, this study aims to enrich the Indonesian financial management literature on the dynamics of state-owned enterprise dividend policy under conditions of systemic decline in profitability.

2. LITERATURE REVIEW

2.1 Understanding Dividends and Dividend Policy

Dividends are the distribution of company profits to shareholders, proportional to their shareholding. Ross, Westerfield, and Jordan (2021) define dividends as a company's payment to its shareholders in the form of cash, additional shares, or other assets. Dividend policy is a strategic decision that determines the proportion of profits distributed to shareholders versus those retained for reinvestment (Van Horne & Wachowicz, 2008). Fatmawati and Ahmad (2017) emphasize that dividend decisions in Indonesian state-owned enterprises are influenced not only by financial characteristics but also by institutional pressure from government shareholders.

2.2 Relevant Dividend Theories

a. Signaling Theory

Ross (1977) and Bhattacharya (1979) emphasized that under conditions of information asymmetry, dividend policy signals a company's prospects. Dividend increases are interpreted by the market as a signal of management optimism, while dividend cuts are negatively responded to. In the context of TLKM, Signaling Theory is relevant for explaining the 2020–2023 period, but becomes problematic when the DPR exceeds 90% amid declining profits in 2024–2025, as this could potentially be interpreted as a distress signal.

b. Bird-in-the-Hand Theory

Lintner (1956) and Gordon (1963) argued that investors prefer guaranteed current dividends to risky future capital gains. This theory explains why TLKM maintained its dividend amid performance pressures to provide cash flow certainty to institutional investors such as fixed-income mutual funds, DPLK, and BPJS Ketenagakerjaan.

c. Agency Theory

Jensen and Meckling (1976) explained the conflict of interest between shareholders and management. Easterbrook (1984) argued that high dividends reduce the agency cost of free cash flow. In the context of state-owned enterprises (SOEs), there is a multi-layered agency problem, a conflict between the government as the controlling shareholder requiring non-tax revenues, and the interests of public shareholders and the need for strategic reinvestment. The OECD and World Bank (2024) confirmed that state-owned enterprises tend to require stable dividends even though this can threaten the SOE's commercial viability. Duygun et al. (2018) empirically demonstrated that state-owned enterprises in Indonesia pay higher dividends than private companies, consistent with Agency Theory arguments in the context of SOEs.

d. Catering Theory

Baker and Wurgler (2004) argue that managers respond to investor preferences by paying dividends when investors value them. Fatmawati and Ahmad (2017) prove that the Catering Theory is relevant in explaining dividend decisions of Indonesian state-owned enterprises (SOEs). Companies tend to pay dividends when there is a positive dividend premium in the market. This theory explains why Telkom's DPS increased despite declining profitability, as management responded to the strong preference of domestic institutional investors for high dividends.

e. Dividend Irrelevance Theory

Modigliani and Miller (1961) argued that in a perfect market, dividend policy does not affect firm value. This theory is irrelevant in the context of TLKM because the 10% final dividend tax, transaction costs, and significant information asymmetry in the Indonesian capital market mean that dividend policy still has a significant impact on perceived stock value.

2.3 Factors Influencing Dividend Policy

Ross et al. (2021) identified five key determinants: (1) profitability; (2) liquidity; (3) investment needs; (4) leverage; a high Debt-to-Equity Ratio (DER) typically limits dividend payments; and (5) earnings stability. Bisowarno and Sutrisno (2024) added that leverage and profitability have a positive and significant effect on DPR in publicly listed Indonesian SOEs. The OECD and World Bank (2024) identified government fiscal pressure as the sixth unique determinant of SOE.

2.4 Previous Research

Fatmawati and Ahmad (2017) tested the Catering Theory's predictions on 110 publicly listed state-owned enterprises (SOEs) listed on the Indonesia Stock Exchange (IDX) during the 2009–2014 period, finding that financial characteristics (profitability, free cash flow) and dividend premium significantly influenced dividend payment decisions. This study provides a theoretical basis for the Catering Theory in the context of Indonesian SOEs, although it does not address the dynamics of the post-pandemic profitability decline.

Fitriana et al. (2018) found in a bibliographic review of 35 articles from accredited Indonesian journals that dividend policy research at the IDX is dominated by profitability and ownership variables, with the DPR as the primary measure. This review demonstrates the lack of research specifically examining the dynamics of dividend policy for state-owned telecommunications companies during periods of systemic financial stress.

Santosa et al. (2023) examined Indonesian banking dividend policy during the pandemic using dynamic panel data, finding that profitability and dividend lag had a significant positive effect. Tinungki et al. (2022) found that Indonesian green investment firms increased dividends during the crisis with a positive market response, while Tinungki et al. (2025) found a more complex pattern in the post-crisis period. Bisowarno and Sutrisno (2024) confirmed profitability and leverage as significant determinants of SOE DPRs, but did not analyze the implications of DPRs >90%. Prasetyo et al. (2024) documented that Indonesian SOEs increased dividends during the crisis with a stronger positive market response in the recovery phase. The fundamental differences of this study are (1) the 2020–2025 coverage, including the phase of systemic profitability decline; (2) the integration of FCF analysis as an indicator of dividend sustainability, which has not been done previously

in the context of TLKM; and (3) the synthesis of Agency Theory, Signaling Theory, and Catering Theory to explain the paradox of DPRs >90% amidst declining profits.

3. RESEARCH METHOD

This research uses a quantitative descriptive approach with a single longitudinal case study method. Yin (2018) emphasized that a single case study is appropriate when the case represents a critical case that can test existing theories, and when the case is extreme or unique, providing insights not possible from a multi-case study. TLKM meets both criteria: the DPR condition of >90% along with declining profits and stock prices is an extreme phenomenon that serves as a critical case to test the relevance of Signaling Theory versus Agency Theory in the context of Indonesian SOEs. A multi-case study would sacrifice the analytical depth necessary to answer the main theoretical questions of this research.

The object of this research is PT Telkom Indonesia (Persero) Tbk (TLKM) for the 2020–2025 period. All data are secondary data from (1) TLKM's 2020–2025 Audited Consolidated Financial Statements published by the IDX; and (2) year-end closing stock price data from the IDX. No validity testing is required because the data are sourced from audited financial statements verified by an independent Public Accounting Firm in accordance with PSAK standards.

The two main indicators are the Dividend Payout Ratio (DPR) and Dividend Yield (Van Horne & Wachowicz, 2008):

$$DPR = (Dividend\ Per\ Share / Earnings\ Per\ Share) \times 100\%$$

$$Dividend\ Yield = (Dividend\ Per\ Share / Stock\ Market\ Price) \times 100\%$$

The DPR reflects management's profit distribution policy, while Dividend Yield is more relevant for investors in evaluating investment attractiveness. Furthermore, Free Cash Flow Yield (FCF/Market Capitalization) is analyzed as a complementary indicator to assess dividend payment capacity more accurately than accounting-based DPR (Ross et al., 2021).

The analysis includes four stages, namely (1) data tabulation and verification; (2) calculation of all variables per year; (3) trend assessment using CAGR:

$$CAGR = [(Final\ Value / Initial\ Value)^{(1/n)} - 1] \times 100\%$$

where n is the number of years. CAGR was chosen because it eliminates year-over-year volatility for longitudinal analysis (Damodaran, 2022); and (4) critical evaluation of the research hypothesis by referring to the theoretical framework. Assessment criteria: DPR above 75% is categorized as high based on the domestic telecommunications industry average and the OECD reference (2024); DPR exceeding 90% is categorized as unsustainable because internal reinvestment capacity becomes very limited (Ross et al., 2021); and an FCF-to-dividend ratio below 100% indicates that dividends are still covered by operating cash flow.

4. RESULTS AND DISCUSSION

4.1 TLKM Dividend Policy Pattern 2020–2025

Table 1. PT Telkom Indonesia Dividend Policy Data 2020–2025

Year	Net Profit (Rp M)	Income (Rp M)	EPS (Rp)	DPS (Rp)	DPR (%)	Dividend Yield (%)
2020	20,804	136,462	210.01	168.01*	80.00	4.79
2021	24,760	143,210	249.94	149.97	60.00	4.20
2022	20,753	147,306	209.49	167.59	80.00	4.67
2023	24,560	149,216	247.92	178.50	72.00	5.43
2024	22,403	149,967	226.15	212.47	93.95	8.30
2025	17,814	146,742	179.83	N/A**	N/A	N/A

Source: Processed data (2026)

*Note: *DPS 2020 = regular dividend of Rp126.01 + special dividend of Rp42.00; **DPS 2025 has not been determined as of the audited financial report date of May 11, 2026; share price = IDX year-end closing price; Rp M = Rp Billion.*

Based on Table 2, DPS grew from IDR 168.01 (2020) to IDR 212.47 (2024) with a CAGR of 6.05%, outperforming EPS's CAGR of 1.87%, supporting H1. This divergence systematically pushed DPR up from 80.00% (2020) to 93.95% (2024). Dividend Yield increased from 4.79% to 8.30%, but the increase in 2024 was more due to the decline in share price (from IDR 3,290 to IDR 2,560, or -22.2%) than dividend growth. The DPR decline to 60.00% in 2021 was an anomaly due to the elimination of special dividends; regular dividends alone had a more consistent pattern. The 20.48% decline in profits in 2025 creates a serious risk that if DPS is maintained at the 2024 level, DPR will exceed 118% of 2025 profits beyond the limits of corporate sustainability.

4.2 Analysis of Free Cash Flow and Dividend Sustainability

Table 2. Analysis of TLKM's Free Cash Flow and Dividend Sustainability Ratio 2020–2024

Indicator	2020	2021	2022	2023	2024
DPS (Rp)	168.01	149.97	167.59	178.50	212.47
EPS (Rp)	210.01	249.94	209.49	247.92	226.15
DPR (%)	80.00	60.00	80.00	72.00	93.95
Dividend Yield (%)	4.79	4.20	4.67	5.43	8.30
Stock Price (Rp)	3,510	3,570	3,590	3,290	2,560

Indicator	2020	2021	2022	2023	2024
Operating Cash Flow (Rp M)	65,317	68,353	73,354	60,581	61,600
Capital Expenditure (Rp M)	32,098	32,557	38,397	36,418	29,663
FCF (Rp M)	33,219	35,796	34,957	24,163	31,937
Div. Determined (Rp M)	16,643	14,856	16,602	17,683	21,047
FCF/Div. (%)	50.1	41.5	47.5	73.2	65.9

Source: Audited Financial Reports of PT Telkom Indonesia 2020–2021, 2022–2023, and 2024–2025; IDX (processed, 2026)

Table 2 presents complete FCF data for 2020–2024, providing a more comprehensive and accurate perspective than DPR based solely on accounting earnings. Four key findings emerge from this analysis. First, TLKM's operating cash flow (OCF) proved very strong and stable throughout the study period, ranging from IDR 60,581 billion (lowest in 2023) to IDR 73,354 billion (highest in 2022). This consistent OCF strength is a key driver of TLKM's dividend payment ability, confirming Van Horne and Wachowicz's (2008) argument that real cash availability, not accounting profit, is the direct determinant of dividend payment ability. This fact explains why TLKM was able to maintain and increase its DPS despite fluctuating net income.

Second, FCF fluctuated significantly throughout 2020–2024, reaching a peak of IDR 35,796 billion (2021) and then dropping sharply to IDR 24,163 billion (2023) due to a surge in capital expenditures to IDR 36,418 billion during the peak year of network infrastructure investment intensification and digital transformation. This decline in FCF in 2023 coincided with an increase in the stipulated dividend (IDR 17,683 billion), pushing the FCF-to-dividend ratio to a high of 73.2%, meaning 73.2% of FCF was used for dividends, leaving only 26.8% for free reinvestment.

Third, and this is the most important finding of the FCF analysis, during 2020–2024, the dividends set for each fiscal year were consistently below the FCF of the same year. The FCF-to-dividend ratio ranged from 41.5%–73.2%, indicating that from a cash flow perspective, TLKM did not require new debt to finance dividends. This fundamentally distinguishes TLKM's condition from true financial distress, even though the EPS-based DPR reached 93.95% in 2024. For investors, this distinction is important: a high accounting DPR does not automatically mean unsustainable dividends if FCF is sufficient.

Fourth, the long-term trend in the FCF-to-dividend ratio shows a worrying pattern. This ratio increased from 50.1% (2020) to 73.2% (2023) before declining slightly to 65.9% (2024) as capital expenditures normalize. The overall upward trend indicates that a larger portion of FCF is being consumed by dividends, narrowing the scope for internal

reinvestment. With depreciation expenses increasing from IDR 34,181 billion (2024) to IDR 37,649 billion (2025) and net profit declining sharply to IDR 17,814 billion (2025), the dividend sustainability projection requires close monitoring.

4.3 Analysis of Determinant Factors of TLKM Dividend Policy

The first factor is profitability. TLKM's net profit fluctuated between IDR 20,804 billion (2020), IDR 24,760 billion (2021), IDR 20,753 billion (2022), IDR 24,560 billion (2023), IDR 22,403 billion (2024), and IDR 17,814 billion (2025). Interestingly, these net profit fluctuations were not fully reflected in the more progressive DPS pattern, confirming that accounting profitability is not the sole determinant of TLKM's dividend policy. Bisowarno and Sutrisno (2024) confirmed that profitability has a significant positive effect on the DPR of Indonesian SOEs, but its effect on TLKM appears to be moderated by more dominant institutional pressures.

The second factor is liquidity. Strong OCF (Rp60,581–73,354 billion during 2020–2024, and Rp63,842 billion in 2025) and year-end cash of Rp34,228 billion (2025) demonstrate the company's ability to pay dividends from a cash flow perspective, despite declining accounting profit. This stable operating cash flow is primarily supported by Telkomsel's recurring revenue, which is defensive against economic cycles.

The third factor is leverage. A net debt-to-equity ratio of 31.13% (2025) and a total DER of 0.91x indicate moderate absolute leverage, but the upward trend needs to be monitored given the substantial capital expenditure requirements. Bisowarno and Sutrisno (2024) found that in Indonesian state-owned enterprises, leverage actually has a positive effect on the DPR, in contrast to findings for private companies generally indicating that institutional pressures override conventional corporate logic, which requires DPR to be suppressed as leverage increases.

The fourth and most dominant factor is institutional pressure from the government. As a 52.09% shareholder, the government received approximately IDR 10,956 billion of the total dividend of IDR 21,047 billion for the 2024 fiscal year. The OECD and World Bank (2024) emphasize that state-owned enterprises (SOEs) tend to require relatively stable dividends based on long-term profitability assessments, rather than specific year-to-year conditions. This creates structural pressure that pushes SOEs' DPRs beyond corporate optimality. Duygun et al. (2018) empirically confirm that state ownership in Indonesia significantly increases the propensity to pay higher dividends compared to private companies. Within the framework of Agency Theory (Jensen & Meckling, 1976), this represents a manifestation of a conflict of interest between the controlling shareholder (the government) and the interests of public shareholders and the company's strategic reinvestment needs.

4.4 Empirical Fit Analysis with Dividend Theory

Referring to the data in Tables 1 and 2, H1 is empirically confirmed. The DPS CAGR (6.05%) consistently exceeded the EPS CAGR (1.87%) during 2020–2024, systematically pushing the DPR from 80.00% to 93.95%. Regarding H2, empirical evidence tends to confirm the dominance of Agency Theory during the 2024–2025 period, with Signaling Theory and Catering Theory remaining relevant as complementary frameworks.

Signaling Theory (Ross, 1977; Bhattacharya, 1979) is relevant to explain the 2020–2023 period, where the increase in DPS was positively responded to by the market, as indicated by relatively stable stock prices in the range of IDR 3,290–3,590. Tinungki et al. (2022) documented a similar pattern in Indonesian issuers during the crisis. However, in 2024–2025, the market responded negatively, with a -22.2% decline in stock prices in 2024 (to IDR 2,560) and continuing to IDR 1,545 in 2025, despite the increase in DPS. This indicates an erosion of the credibility of dividend signals when the DPR exceeds 90% amid declining profits—a point of signaling loss of effectiveness identified by Prasetyo et al. (2024) in the context of Indonesian SOEs.

Agency theory (Jensen & Meckling, 1976; Easterbrook, 1984) provides the strongest and most original explanation for the 2024–2025 period. The conflict between the government's fiscal interests, which drive high DPRs, and the company's strategic reinvestment needs, is clearly manifested in DPR data of 93.95% in 2024, coinciding with a decline in profits. While the FCF-to-dividend ratio of 65.9% indicates that dividends are still cash-protected, reinvestment space has narrowed significantly. Duygun et al. (2018) empirically prove that state ownership is a significant determinant of higher dividend payouts in Indonesia.

Catering Theory (Baker & Wurgler, 2004; Fatmawati & Ahmad, 2017) complements Agency Theory's explanation with an investor-side dimension. TLKM management also appears to be responding to the strong preference of domestic institutional investors (fixed-income mutual funds, DPLK, BPJS Ketenagakerjaan) who rely on dividends as a regular income stream. Fatmawati and Ahmad (2017) demonstrated the relevance of Catering Theory to Indonesian state-owned enterprises (SOEs): management paid dividends when there was a dividend premium in the market. Bird-in-the-Hand Theory (Lintner, 1956; Gordon, 1963) explains why investors held onto TLKM shares despite falling prices; consistent, regular cash dividends remain valuable for investors seeking periodic income.

The Dividend Irrelevance Theory (Modigliani & Miller, 1961) is definitively irrelevant in this context. The 10% final dividend tax, significant transaction costs, and high information asymmetry between TLKM management and public investors mean that dividend policy has a real and measurable impact on the perceived value of the stock.

4.5. Comparison with the Telecommunications Industry

Based on market news and publication data (IDNFinancials, 2025), the average DPR of the domestic telecommunications industry is far below that of TLKM, namely ISAT (Indosat Ooredoo Hutchison) paid 0% DPR in the 2022 merger year and increased gradually to the 25–30% range in 2023–2024 as profitability recovered post-integration, namely EXCL (XL Axiata) paid inconsistent dividends. FREN (Smartfren Telecom) never paid dividends during the study period because it was still in a deficit condition. The estimated average DPR of the domestic telecommunications industry during 2020–2024 was below 25%, much lower than TLKM's average DPR of 77.19% (2020–2024). This gap reflects TLKM's unique characteristics as a state-owned enterprise with government fiscal pressure, not merely superior financial performance. The OECD and World Bank (2024) confirm that in jurisdictions with highly profitable SOEs, dividends can be a significant source of fiscal revenue but excessive payouts threaten long-term commercial viability.

4.6 DPR Risks Are Continuously High

The first risk is reduced financial flexibility. Although the FCF-to-dividend ratio of 65.9% (2024) indicates that dividends are still cash flow protected, the remaining FCF after dividends (34.1%, or approximately IDR 10,890 billion in 2024) represents an increasingly thin margin for companies with significant capital expenditure requirements for digital transformation and 5G infrastructure. The upward trend in the FCF-to-dividend ratio from 50.1% (2020) to 65.9% (2024) illustrates the gradual erosion of financial latitude. The OECD and World Bank (2024) explicitly warn that excessive dividend payments by SOEs could threaten investment capacity and long-term commercial viability.

The second risk is downward pressure on earnings. A 20.48% decline in net profit in 2025 (from IDR 22,403 billion to IDR 17,814 billion) places management in a structural dilemma: maintaining the DPS at the 2024 level (IDR 212.47 billion) would result in a 2025 EPS-based DPR exceeding 118%, a highly unhealthy corporate signal. On the other hand, a dividend cut risks triggering a highly negative market response given expectations that have been building for more than two decades.

The third risk is managing investor expectations. Prasetyo et al. (2024) documented that market reactions to Indonesian SOE dividend policies were highly asymmetric, with dividend cuts producing a significantly greater negative impact than the positive impact of dividend increases of the same magnitude. Consistency over 20 years creates sticky expectations that are very difficult to manage. Transparent and proactive communication about medium-term dividend policies is essential before adjustments are forced.

4.7 Implications for Investors

TLKM's 8.30% dividend yield in 2024 nominally exceeds the average LQ45 dividend yield (3–4%) and the 10-year government bond yield (±6.5% at the end of 2024). However, investors who only look at the dividend yield without understanding its

composition can fall into a yield trap. The increase in yield from 5.43% (2023) to 8.30% (2024) was driven more by a 22.2% decline in share price than by an 18.9% increase in DPS. The soaring dividend yield due to share price depreciation is not a positive signal but rather reflects the risk premium of capital losses experienced by shareholders.

The FCF data in Table 3 provides three more representative metrics for evaluating TLKM's dividend sustainability. First, the FCF-to-dividend ratio (65.9% in 2024) indicates that dividends are still cash flow-covered, but its upward trend should be monitored as an early warning indicator. Second, the remaining FCF after dividends (Rp10,890 billion in 2024, down from Rp16,576 billion in 2020) reflects increasingly limited internal reinvestment capacity. Third, FCF Yield, at Rp31,937 billion (2024) in FCF to market capitalization, provides a more accurate valuation perspective than the accounting-price-based Dividend Yield.

For institutional investors using TLKM as a dividend stock in a yield-oriented portfolio, it is recommended to (1) monitor the FCF-to-dividend ratio quarterly as an early warning system; (2) consider total return (dividends plus price appreciation/depreciation) as a performance metric, not just Dividend Yield; and (3) pay close attention to TLKM's quarterly capex and profitability policy announcements as leading indicators of its future dividend payment capability.

4. CONCLUSION

This study analyzes the dividend policy of PT Telkom Indonesia (Persero) Tbk during 2020–2025 and produces five conclusions that collectively answer theoretical questions and test two proposed hypotheses.

First, H1 was confirmed. TLKM implemented a progressive but volatile dividend policy, with DPS growing at a CAGR of 6.05% (2020–2024) consistently exceeding EPS CAGR of 1.87%. This divergence systematically drove DPR to increase disproportionately from 80.00% (2020) to 93.95% (2024), while Dividend Yield rose from 4.79% to 8.30% more due to share price depreciation (-22.2%) than dividend growth. Second, TLKM's dividend policy is influenced by four main interacting determinants. Accounting profitability fluctuates, but it is not the sole determinant. Strong cash liquidity (OCF of IDR 60,581–73,354 billion during 2020–2024, IDR 63,842 billion in 2025), moderate leverage (net debt-to-equity of 31.13% in 2025), and institutional pressure from the government as the controlling shareholder (52.09%) requiring non-tax state revenues (PNBP) are proven to be the most dominant determinants.

Third, H2 was partially and contextually confirmed. In the 2020–2023 period, Signaling Theory and Bird-in-the-Hand Theory were relevant in explaining TLKM's dividend behavior, which received a positive market response. However, in 2024–2025, Fourth, the full FCF analysis for 2020–2024 reveals critical nuances not captured by the EPS-based DPR. Throughout the entire study period, established dividends were

consistently covered by FCF (ratio 41.5%–73.2%), indicating no actual financial distress. However, the upward trend in the FCF-to-dividend ratio from 50.1% (2020) to 65.9% (2024), followed by a sharp 20.48% decline in earnings in 2025, creates significant sustainability risks in the medium term. Fifth, this study contributes to the financial management literature by documenting that the stability of SOE dividends is not merely a signal of fundamental performance but also an artifact of institutional pressure from the government as the controlling shareholder.

5. Research Limitations

This study has explicit limitations. First, the single case study limits the generalizability of the findings to other companies or sectors, although the depth of analysis achieved aligns with the objectives of this critical case study. Second, the descriptive approach without inferential statistical tests cannot statistically quantify the significance or causality of the relationship between variables, particularly between government institutional pressure and the House of Representatives (DPR). Third, the FCF analysis is only available for the 2020–2024 financial year because the 2025 DPS had not been established as of the audited financial statements date (May 11, 2026), so the 2025 FCF-to-dividend ratio could not be calculated. Fourth, the stock price data used are year-end closing prices, which are potentially distorted by window dressing and do not reflect the average price for the period, so the estimated Dividend Yield may differ slightly from the actual value.

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