Management Analysis Journal 12 (1) (2023)

http://maj.unnes.ac.id

FACTORS AFFECTING DIVIDEND POLICY: AN EVIDENCE FROM INDONESIAN FINANCIAL COMPANIES

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Article Information

History of article:
Accepted June 2022
Approved March 2023
Published March 2023

Keywords:
Dividend Policy, Corporate Governance, Profitability, Tobin's Q Ratio

Abstract

The main purpose of this research is to examine how dividend policy is influenced by Corporate Governance, Profitability, and Tobin's Q Ratio. The study used proxies such as Board of Directors, Proportion of Independent Commissioners, and Institutional Ownership as proxy for Corporate Governance. To assess the profitability, this study uses Return of Assets and Return of Equity. Besides, the other indicator is Tobin's Q Ratio. The research population was 94 companies from financial sector and a sample of 20 companies with 100 units of data analysis. The data for the study were analysed by using multiple linear regression analysis, using IBM SPSS Statistics. The results of this study indicate that simultaneously Corporate Governance, Profitability, and Tobin's Q Ratio have a significant effect on the Dividend Pay Out Ratio. While the Board of Directors, the Proportion of Independent Commissioners, and Return on Asset have negative significant affect the Dividend Pay Out Ratio. Meanwhile, Institutional Ownership, Return on Equity and Tobin's Q Ratio show a positive and significant direction towards the Dividend Pay Out Ratio. This research's results can be a recommendation as one of the primary considerations, either the supporting references in making decisions before investing in the company, especially in financial listed companies.

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ISSN 2252-6552
e-ISSN 2502-1451

INTRODUCTION

The financial sector in Indonesia has become an essential pillar because of the overall impact of the economy's financial industry to ensure sustainable growth. It facilitates efficient allocation of resources, increases overall productivity and management risks. In the potpourri book compiled by researchers in the field of Economics and Public Policy, the Center for Assessment, Data and Information Processing or known as P3DI, 2015, note that in Indonesia, the financial institutions are running by two financial institutions: banking institutions consisting of commercial banks and non-banking institutions consisting of the capital market, financing institutions, insurance, and pension funds. The development of the financial sector, apart from being influenced by internal

factors such as banking and capital market regulations (Ozili, 2018), is also influenced by other factors, such as real sector developments, government regulations in the economic sector, social development, politics, and democracy as well as the international community.

The goal of companies in Indonesia competes to achieve maximum profits. To get more profits, companies should increase their performance. A company needs a variety of assets that runs its operations. To finance those assets, a company requires a source of funds, which the source of funds should manage carefully (Mahrani & Soewarno, 2018). Financial management is needed in companies to allocate funds because, in financial management, the company itself involves their planning, analysis, and financial control for the best to their companies (Raaij, et al, 2020). One of the ways companies get funding sources is by obtaining investment for the company. The person or entity that invests is known as an investor.

Investors, when developed themselves in the capital market, definitely want to get the maximum profit. Activities in the capital market, make investors expect something more of the investment and generate dividends and capital gains. Driver, et al (2020) define dividends as advantages to shareholders in the proportion of shares they own. Therefore, Wahjudi (2020) argued that dividend policy deals with decisions company to determine how much profit net to distribute as dividends and how much net profit will reinvest into the company in the form of retained earnings.

Dividend policy define as the company's management related to the companies' internal funding (Reyna, 2017), which is at the same time as the benchmark of performance because through dividend policy effect of company value or share price in the capital market. Suppose the management of the company determines discussion to provide dividends in the current year. In that case, the amount of profit company's own is decreased, so that the source of internal funding will also be lesser. Aside from that, the dividends distribution will relevant with investor expectations to get a return as a profit from the investment made Ham (2020). Vice versa, if management concludes not to provide dividends, it will expand funding from company's internal sources, indeed used to maintain the level survival of a company. The dividend policy in this research is measured using the Dividend Payout Ratio (DPR). There are many obstacles the company has that can make it is not able to pay dividends to its shareholders. The inability to pay dividends will impact the decline in the percentage of dividend payout ratio.

However, the company's decision to distribute dividends is also following the General Meeting of Shareholders' results, where the company's corporate governance structure entirely dominates the decision. The research by (Baker, Farrelly, & Edelman, 1985) also signifies the importance of dividend policy for investors. Baker et al. found out that most managers believe that investors care about whether their return comes from dividends or capital gains. Firms with high DPR have high expected earnings growth because of the higher payout ratio, the higher expected earnings growth.

To provide high and stable profit growth every year, companies must ensure sustainability and performance in their internal governance. Companies require good management so that the company can provide benefits to all stakeholders. The implementation of corporate governance is a way to conceive equality between the interests of management (internal) and shareholders (external) because the performance of corporate governance itself is believed to reduce agency costs (Valls Martínez, et al, 2022), thereby increasing returns on shareholder investment in the form of dividends. The corporate governance as a way is related to how investors believe that the managing manager will contribute the benefits and will not take any adverse action against the funds that have been invested by shareholders. Companies with the implementation of corporate governance are considered to pay more massive dividends as a return on capital from shareholders (Zhang, et al, 2020)

The board of directors in the company is considered an important role that is obliged to oversee the company because the board of

directors is trusted to achieve its goals and visions by developing corporate strategies and designing implementations to solve the company's competitive environment (OJK & IFC, 2018). The next indicator is the proportion of independent commissioners. When an independent commissioner is appointed, the expectation is to balance various parties' interests: shareholders, directors, managers, employees, etc. The independent commissioners can provide managers' effective monitoring (Arslan & Alqatan, 2020). The indicator used in measuring corporate governance concerning dividend distribution is institutional ownership. Institutional ownership, a bank, insurance company, and pension fund, has a substantial responsibility. Research conducted by Borochin & Yang (2017) shows that institutional investors are thoroughly interested in companies that have good governance implementation.

Ability of the company to earn profits is the primary indicator of the company's provide dividends, so that profitability is an essential determinant of dividends (Mulchandani, et al 2020). Profitability is the company's capability to earn profit, indeed it has an control on dividend policy. Ratios of profitability used in this research are the Return on Assets (ROA) and Return of Equity (ROE). The higher the ROA, the more likely it is to pay dividends (Kaźmierska-Jóźwiak, 2015), and shows that the company is more efficient in using its resources. ROE is what the shareholders look for in return for their investment. It is further explained by (Junttila et al, 2021) that ROE is the ratio of the net income after taxes correlated by total equity capital. ROE reverse how sufficient the company management in maximizing funds of the shareholders.

This research was also objectively conducted to determine the effect of a firm's performance with a Market-based measure and accounting one to see the impact of dividend policy. Tobin's Q as a ratio that showed current financial market estimates of the return value of each fund invested. This ratio can also provide the best information because it can explain various companies' phenomena, such as making investment decisions (Bennett et al, 2020). This research extends other indicators as accounting-based, ROA and ROE, and market-based, with Tobin's Q, in measuring firms' performance. The measurement bases clearly define firms' performance in the short-term (financial-measures) and long-term (market-measures) period. Because most of the studies conducted in Indonesia limit their research on only accounting-based measures of performance, neglecting other performance measures. Overall, the board of directors, proportion of independent commissioners, institutional ownership, ROA, ROE, and the tobin's q ratio are used as proxies for the firm's performance. The dividend payout ratio is used as an indicator for the dividend policy.

Dividend policy is one of main consideration of investment decision making, therefore it is important to find out what factors that influence the company to distribute the dividend. Corporate governance and economics performance are two crucial elements that influence the way company distribute the dividend and combining those two will describe a comprehensive dimension of factors behind company's policy. This study brings a collaboration between two mains company's organs, board of directors and board of commissioner, to measure Corporate governance, while financial performance also be measured by both market and accounting based. This combination is less likely to be conducted since the previous studies usually conduct specific measurements to determine the dividend policy.

The remaining of the paper is organized as follows. Section two reviews the relevant literature. Section three explains the methodology and data, where sections four and five discuss the findings and conclusion, respectively.

In Indonesia, the financial crisis in 1997-1998 had dramatic social, economic, and political effects. The Indonesia Investments page states that the event brought the Rupiah down by almost 80% and dramatically increased poverty. According to several experts, Indonesia's recession was fuelled by many institutional weaknesses and inferior financial regulation. Indonesia had made many initiatives and efforts to implement a good corporate governance, both from the government side and private. To ensure sustainability and

performance achievements, companies require good management to provide benefits to all stakeholders.

This research is underpinned by adopting a bird in the hand and agency theories. With the adoption of agency theory, the conflict that arises is the difference in interests between agents and principals. As in human nature, to maximize their interest, agents tend to maximize their profit and do not perform according to the principal's best interest as first intended. In agency theory, Godfrey, et al (2010) states that this theory can explain the dividend-retention problems that arise because managers prefer to hold dividends and are not in line with what shareholders want. On the other hand, a bird in the hand theory is generally used to explain the dividend policy. The bird-in-hand approach demonstrates that shareholders tend to be averse to risk and prefer not to wait a long period and have access to instant dividends (Lantz & Lundgren, 2016). This theory describes that shareholders prefer to profit through cash dividends immediately rather than the uncertain capital gain (bird in bush theory). These will affect the dividend policy to pay dividends regularly.

Previous research is an essential part of finding a theoretical basis for the problem. Dewasiri et al.(2019) researched the determinants of dividend policy where evidence from an emerging and developing market explained that corporate governance and profitability have a significant positive relationship on the propensity to pay dividends and are identified as determinants of dividend payout. Wardhana (2012) shows that the resulting profitability has a significant influence on the dividend policy. Still, institutional ownership shows there is no influence on the dividend payout ratio. The size of institutional shares does not affect the DPR size; this research was conducted in the manufacturing industry in the 2009-2011 period. Wahjudi (2020) shows that the result of his research using profitability; ROA ratio has a negative but significant effect on the dividend policy in manufacturing companies in the 2011-2015 period. Abor & Fiador (2013) show that research conducted in Sub-Saharan Africa during the ten years shows that the board of directors and institutional ownership have a significant positive relationship to dividend policy. Basri (2019) indicates that profitability and institutional ownership have positively and significantly affected the cash dividend conducted 2007-2016 at government-owned companies in Indonesia. Based on the previous description, the research hypothesis can be formulated as follows:

H_1: The BOD, the proportion of the board of independent commissioners, institutional ownership, ROA, ROE, and Tobin's q simultaneously affect the dividend payout ratio.

The board of directors is responsible for all policies and decisions related to the company. One of the essential mechanisms of the corporate governance system is the board of directors; this is because the board of directors is seen as the primary means for shareholders to activity control over top management (John & Senbet, 1998). Board of directors responsible on the company's day-to-day activities and they are urged to enhance the shareholders' wealth. Since the dividend are related to the investors' wealth, and this topic is one of main agendas of the Annual General Meeting provided by board of directors, the existence of directors is crucial determining the dividend policy. The more directors concern about investors' prosperity, the higher the dividend payout ratio do. Abor & Fiador (2013) states that board size has a positive effect significant on the dividend payout ratio, which means that the greater number of directors, the higher its dividend payout ratio. Budiman & Yulyanti (2015) states that the increasing number of boards of directors will increase performance effectiveness and support management in reducing agency costs by distributing dividend.

H_2: Board of Directors partially has a significant effect on the dividend policy.

The board of commissioners has a role as a supervisor in the management company. An independent commissioner is a member of the board of commissioners who are not affiliated with the management, other members of the board of commissioners, controlling shareholder, and is free from business or other relationships that may affect the ability to act independently for the

benefit of the company (KNKG, 2006). The research conducted by Benjamin and Zain (2015) stated that independent commissioners negatively significantly influence the dividend payout ratio, which means that the higher the proportion of independent commissioners in the company, the smaller the company distributes its number dividends. Meanwhile, Cholifah & Nuzula (2018) revealed that the proportion of independent commissioners does not affect the dividend payout ratio, which means the proportion of independent commissioners is considered to have no direct role in determining the dividend ratio's amount be distributed.

H_3: Proportion Independent Commissioners partially has a significant effect on the dividend policy.

Most Indonesian companies are stockholders in business institutions, which is called institutional ownership Joher, Ali, & Nazrul (2011). Following the results of research conducted by Abor and Fiador (2013), it shows that institutional ownership significantly affects the dividend payout of companies in South Africa and Kenya. In contrast to Wardhana (2012) it shows that partially the institutional ownership variable has no significant effect on the DPR variable through a sample of companies from the manufacturing industry in Indonesia.

H_4: Institutional Ownership partially has a significant effect on the dividend policy.

In general, dividends are distributed depending on the company's success in generating profits. Based on the bird in the hand theory, the company's ability to generate high profits will affect its ability to distribute high dividends to investors. Investors will be interested in the high dividend returns because investors do not like uncertain capital gains. ROA is a significant ratio that indicates a firm's profitability and as a ratio of income to its total asset. Wen (2010) states that a higher ROA shows that the company is more efficient in using its resources. The amount of ROA that investors identify can be an indicator that attracts interest in investing in the company. A high ROA percentage makes investors assume that the company has generated high profits and commits dividends to investors. Basri (2017), looking for the determinant factors of dividend policy, found that ROA has positively and significantly affected Indonesia's government-owned companies' cash dividends. Wahjudi (2020) states that profitability, as measured in the ROA ratio, shows that profitability does not significantly affect the DPR.

H_5: ROA partially has a significant effect on the dividend policy.

In general, dividends are distributed depending on the company's success in generating profits. According to Hanafi & Hakim (2005) ROE is a financial ratio that refers to how much profit a company earned than the total shareholder based on certain shares and as a measure of profitability from shareholders' perspective. The increase in ROE for each period shows that management gives investors an increasing profit through dividends. Therefore, it can be deduced from the above statement that the better the return on equity, the more effective the management in utilizing the shareholders' capital. Dewasiri (2018) takes evidence from an emerging and developing market, which results in profitability, measured as the return of equity ratio significantly influences the propensity to pay dividends. In line with the research conducted by Prawira (2014) because, in the study, the variables that significantly affect and have a dominant effect are only the ROE variable.

H_6: ROE partially has a significant effect on the dividend policy.

The argument of using Tobin's Q Ratio in this research because this ratio measures the value provided by financial markets for any management and organization as a growing company. Many researches limited their analysis to financial-based measures of a company's performance. Given the preceding, in this research, looking at the dividend payout ratio (DPR), which is also a market-based measurement, will balance with the use of Tobin's Q Ratio. Looking at the measurement using a financial base, ROA and ROE, in this research, using market-based will also see the effects simultaneously or partially. The decision to invest

more in capital potentially relies on Tobin's Q criterion. In theory, higher Tobin's Q values should encourage more investment, as the relative cost of increasing the capital stock through new equity issuance is reduce. Besides, Harney & Tower (2003) find that Tobin's q ratio is useful in explaining real equity returns rates. Rafindadi & Bello (2019) prove that with research is dividend payment of any influence on corporate performance in Nigeria, Tobin's q has a significant effect on the DPR. That means firms' performance affects the dividend policy of listed financial companies in Nigeria in both the short-run and the long-run, which is proxied by Tobin's q ratio.

H_7: Tobin's Q Ratio partially has a significant effect on the dividend policy.

Based on the hypothesis development above, the hypothesis model is illustrated on the Figure below:

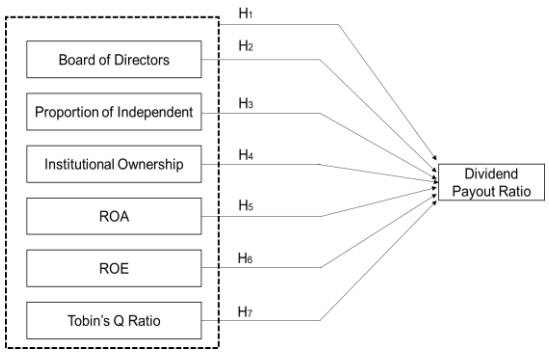

Figure 1 Hypothesis framework

METHOD

The type of research used is explanatory research. According to Zulganef (2013) explanatory research explains and examines the relationship between variables that explain certain phenomena. Explanatory research is also known as hypothesis-testing research. This type of analysis was chosen because the researcher tried to explain the relationship arising from the variables which became the research object, between the variables of corporate governance, profitability, tobin's q ratio, and dividend policy. The location of this research conducted on the Indonesia Stock Exchange, and also from the official website of each company.

SAMPLE AND DATA

The population used in this research is all of the Financial Sector Companies listed on the Indonesia Stock Exchange from 2015- 2019. The total population in this research was 94 companies.

The use of purposive sampling makes the researcher have to make criteria or limitations based on the characteristics of the subject to be the research sample. The sample criteria in this study are companies that are routinely included in the financial sector of Indonesia Stock Exchange during the 2015-2019 period. The sample criteria in this research are:

a. Companies listed on the Indonesia Stock Exchange and included in the Financial Sector have a financial report and an annual report that can be accessed from 2015-2019.
b. Companies with complete information about the Board of Directors, Proportion of Independent Commissioners, and Institutional Ownership.
c. Companies that provide data about ROA, ROE, Tobin' Q Ratio and DPR of the company have positive profits to distribute the dividends during 2015-2019.

Based on the sample criteria determined, a sample of 20 companies in the financial sector was obtained with 94 observational data for the five years from 2015-2019 with the total unit of analysis is 100 unit. The following is a list of samples selected in table 1 below

Table 1 List of Selected Companies

No.	Code	Sub Sector	Company
1.	ABDA	Insurance	PT Asuransi Bina Dana Arta Tbk
2.	ADMF	Financial Institution	PT Adira Dinamika Multi Finance Tbk
3.	ASBI	Insurance	PT Asuransi Bintang Tbk
4.	ASDM	Insurance	PT Asuransi Dayin Mitra Tbk
5.	ASRM	Insurance	PT Asuransi Ramayana Tbk
6.	BBCA	Bank	PT Bank Central Asia Tbk
7.	BBNI	Bank	PT Bank Negara Indonesia (Persero) Tbk
8.	BBRI	Bank	PT Bank Rakyat Indonesia (Persero) Tbk
9.	BBTN	Bank	PT Bank Tabungan Negara (Persero) Tbk
10.	BDMN	Bank	PT Bank Danamon Indoneia Tbk
11.	BFIN	Financial Institution	PT BFI Finance Indonesia Tbk
12.	BJBR	Bank	PT Bank Pembangunan Daerah Jawa Barat dan Banten Tbk
13.	BJTM	Bank	PT Bank Pembangunan Daerah Jawa timur Tbk
14.	BMRI	Bank	PT Bank Mandiri Tbk
15.	BNBA	Bank	PT Bank Bumi Arta Tbk
16.	LPGI	Insurance	PT Lippo General Insurance Tbk
17.	MFIN	Financial Institution	PT Mandala Multifinance Tbk
18.	MREI	Insurance	PT Maskapai Reasuransi Indonesia Tbk
19.	PANS	Securities Company	PT Panin Sekuritas Tbk
20.	SDRA	Bank	PT Bank Woori Saudara Indonesia 1906 Tbk

Variable definition and descriptive statistics

Research variables are basically anything in the form of anything that is applied by the researcher to be examined so that information is obtained, then conclusions are drawn (Sugiyono, 2015). There are two main types of variables, which is the independent variable and the dependent variable. This research uses independent variables, which is corporate governance, profitability, and tobin's q. This research uses the dependent variable, which is the Dividend Policy. Each of these variables has several indicators that can support this research. The indicator details of these variables are outlined in the following table 2:

Table 2 Operational Definitions

No.	Variable	Indicator	Operational Definition	Measurement Scale
1.	Corporate Governance	Board of Directors (X_1)	The board of directors consists of several company directors and led by the principal director. (Effendi, 2016:27)	Nominal
		Proportion of Independent Commissioners (X_2)	Member of the board of commissioners who has no relationship or affiliation with the company or other members of the board of commissioners. (Hamdani, 2016:83)	Nominal
		Institutional Ownership (X_3)	The proportion of company's share ownership by institutional investors. (Apriada, 2013:22)	Nominal
2.	Profitability	ROA (X_4)	Measure the company's effectiveness with the total assets used for operations companies in generating profits or profits. (Hery, 2015:228)	Ratio
		ROE (X_5)	The ratio is used to measure the success of the company in generating profits for shareholders. (Hery, 2015:230)	Ratio
3.	Tobin's Q	Tobin's Q Ratio (X_6)	The number of measurements that can be calculated to compare the ratio of the market value of the company's stock to the book value of the company's equity (Weston and Copeland, 2001).	Ratio
4.	Dividend Policy	Dividend Payout Ratio (Y)	The number of dividends paid to shareholders (Sudana, 2011:167) compared to the total net income of the company.	Ratio

RESULT AND DISCUSSION

The classical assumption test is carried out to ensure that the multiple linear regression equation models' results are accurate, unbiased, consistent, and relevant.

Table 3 One-Sample Kolmogorov-Smirnov Test

Parameter	Unstandardized Residual
N	100
Kolmogorov-Smirnov Z	1.032
Asymp. Sig. (2-tailed)	0.238

The table shows that the results of the probability value are asymp Sig. (2-tailed) of 0.238. These results indicate that the significance level is higher than the determined level of significance, which is 0.05. It can be concluded that the data in this research are typically distributed.

The multicollinearity test aims to determine whether there is or not a significant correlation between the independent variables.

Table 3 Multicollinearity Test

Model	Collinearity Tolerance	Statistics VIF
X1 (BOD)	0.739	1.354
X2 (PIC)	0.857	1.167
X3 (IO)	0.760	1.317
X4 (ROA)	0.596	1.677
X5 (ROE)	0.661	1.513
X6 (TQ)	0.822	1.216

The multicollinearity test results in the table indicate that the value tolerance indicator BOD, Proportion of Independent Commissioners (PIC), IO, ROA, ROE, and TQ more than 0.1, and the VIF value does not exceed 10. From the test results, it can be stated that there is no multicollinearity between the independent variables in the regression model. With the assumption test, the absence of multicollinearity can be fulfilled.

Heteroscedasticity test aims to test whether the regression model has a difference in variance from the residual of one observation to another. Heteroscedasticity detection is done by observing the presence or absence of specific patterns in the graph. It can be concluded that there is no heteroscedasticity in the regression model used.

The test results are presented in figure 2 below:

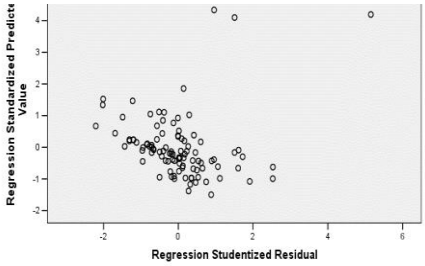

Figure 2. Scatterplot Graph

This autocorrelation test aims to determine whether the multiple regression model correlates with confounding errors in period t with confounding error at period t-1.

Table 4. Durbin Watson Test

Model	**Durbin Watson**	**Upper Limit DW (DU)**	**4-DU**
1	2.173	1.803	2.197

The results in the table show that the Durbin Watson value is 2.173. The regression model is free from autocorrelation if du < d < 4-du. The value of du is obtained from the Durbin Watson table, 1.803, and 4-du is 2.197. Based on the Durbin Watson test, the results obtained value du < d < 4-du = 1,803 < 2.173 < 2.197. Based on these results, it can be concluded that the regression model is clear from autocorrelation.

Multiple linear regression analysis is used to determine the effect of corporate governance, profitability, Tobin's q ratio on the dividend payout ratio. The following shows the results of multiple linear regression in the table 5 below:

Table 5. Multiple Linear Regression Analysis

Variable Dependent	**Variable Independent**	**Coefficient (Beta)**	**T- statistic**	**Probability**	**Information**
Y	A (Constant)	28.819	1.447	0.151	-
	X1 (BOD)	-24.110	-4.027	0.000	Negative Significant
	X2 (PIC)	-0.661	-3.186	0.002	Negative Significant
	X3 (IO)	0.480	4.214	0.000	Significant

	X4 (ROA)	-4.771	-3.768	0.000	Negative Significant
	X5 (ROE)	1.802	3.700	0.000	Significant
	X6 (TQ)	40.935	5.557	0.000	Significant
Adjusted R^2 = 0.509					

Based on the result table 5, the multiple of linear regression analysis is formulated as follows:

$$Y = \alpha + \beta_1 X_{BOD} + \beta_2 X_{PIC} + \beta_3 X_{IO} + \beta_4 X_{ROA} + \beta_5 X_{ROE} + \beta 6 X_{TQ} + e$$
$$DPR = 28.819 - 24.110BOD - 0.661PIC + 0.480IO - 4.771ROA + 1.802ROE + 40.935TQ + e$$

Based on the table 5 above, the coefficient of determination can be seen that the Adjusted R^2 is 0.509 or 50.90%. This matter means that 50.90% of the DPR variable can be explained by the variable board of directors, proportion of independent commissioners, institutional ownership, ROA, ROE, and Tobin's q ratio.

The F test is completed to determine the effect of independent variables together as simultaneously, in this research looking at six indicators of the independent variable, to the dependent variable. The conclusion is made by comparing F-statistic and F-table's value and seeing the significance of the results using a probability value of 0.05 or 5%. The results of the F test can be seen in the following table:

Table 6. F Test Result

Model		F-stats	F-table	Sig.	Info
1	Regression	18.083	2.198	0.000	Significant

Based on the table 6, the F-statistic value is 18.083 with a significance value of 0.000. By looking at the significance value of 0.000 it shows that it is less than the proxied value of 0.05. To strengthen the relationship between variables also can be seen at the value of the F-statistic that has been done. If F-statistic > F-table's value means that the independent variable (X) simultaneously affects variable Y. The value of F-table for this research is equal to 2.198, it means 18.083 > 2.198, so that the F-statistic > F-table. It can be concluded that the Ha, which states that BOD, the proportion of independent commissioners, institutional ownership, ROA, ROE, and Tobin's q ratio, simultaneously has a significant effect on the DPR can be accepted.

The t-test is done to find out how significant the influence is independent variable as individually on the dependent variable. The t-test concludes by comparing the t-statistic and t-table values and seeing the significance of the results using a significance level of 0.05 or 5%. Based on the results of the t-test in table 6 above, it can be seen that all the indicators in the variables used have a significant relationship to the dividend payout ratio. Although the results show that there are signs in the relationship to the DPR, not all of them have a positive influence.

Based on the F statistical test results, it is known that BOD, Proportion of Independent Commissioners, Institutional Ownership, ROA, ROE, and Tobin's Q Ratio simultaneously have a positive and significant effect on the DPR. The significant positive results conclude that if all the independent variable can carry out their duties and functions properly, then the dividend policy variable will also have a stable ratio and even continue to increase in value. The results can prove that the implementation of good corporate governance, the level of profitability each year, and the market value or Tobin's q can influence the dividends paid to shareholders in companies, especially in financial sector companies.

The result of this research reinforces the findings of previous studies by Abor & Fiador (2013), Wardhana (2016), Basri (2017),

Wahjudi (2018), Dewasiri et al. (2018), Cholifah & Nuzula, and Rafindadi & Bello (2019). Whereas in previous research results, the independent variable has a positive relationship simultaneously to the dividend payout ratio. It shows that F-statistic> 0.05, the model is in the criteria of a good fit and can be trusted. Basic agency theory stating that dividends can contribute to firm value explained in corporate governance variables' influence. Corporate governance mechanisms have been identified as important determinants of dividend payout. The essence of corporate governance is to ensure that investors receive returns on their investments. The simultaneous result also revealed that the measurement carried out with dividend payments can reduce uncertainty, as Gordon stated in the bird in the hand theory.

Based on the results, the relationship can describe the board of directors as a lead in the company and entirely responsible for managing activities to achieve its vision and mission. The proportion of independent commissioners is expected to carry out their duties as a neutral, objective, and impartial party in handling the existing parties' interests. Institutional ownership represented by investment institutions in the form of banks, insurance, and others can monitor the company's investment and management level so that fraud does not occur and corporate governance works appropriately. ROA and ROE as the percentage of assets and capital used by the company to see whether they are used efficiently and effectively. Profitability indicators are used to reference the company's profit level and whether the income is returned to shareholders or not as a dividend. To see the market value, Tobin's Q ratio is expected to be used as a reference for a company to create its value relative to the amount of capital invested.

To see the relationship partially, by looking at the T-test results, the BOD indicator's coefficient is |4.027| with a significance value of 0.000. These results mean that the board of directors has a significant negative effect on the dividend payout ratio. With a negative coefficient value, the higher the BOD, the lower the dividend payout ratio. This is supported by the descriptive statistical analysis in tables 4.1 and 4.7, which shows that the average value of the total BOD in 2015 was 5,95 with an average dividend payout ratio (DPR) value of 36,67. In 2016, the average BOD value increased to 6,35 with a decrease in the average value of the DPR to 34,36.

The partial result that explains the BOD on dividend payout ratio can describe the theory developed, namely the agency theory. The board of directors' involvement in contributing to effective corporate governance in addressing the agency problem is credible. Although the research describes the results as negative, they were influenced by the structural characteristics and roles of boards of directors varying across different countries and different firm types, with important implications for how effectively boards perform.

This result contradicts Dewarsiri (2018) research, which states that the number of boards of directors or those used in the study, specifically board meetings frequency, has a significant positive effect on the dividend payout ratio. Similar to the research results conducted by Abor and Fiador (2013), the board of directors affects a positive sign on Kenya's and Ghana's dividend payout ratio. With the results showing a level of significance, the more the board of directors, the greater its dividend payout ratio. Therefore, a hypothesis that consists of a board of directors who are trusted to be responsible and ensures that shareholders' interests are prioritized in the Indonesian financial sector are rejected. The board of directors' size that can increase performance and support management in reducing agency costs is also not proven in this previous research.

Researchers conclude that even with a contradictory sign of relationship, the board of directors' size does not directly affect the company's dividend policy. The negative sign in the relationship between the board of directors and dividend policy means a substitution effect relationship between BOD and dividend policy,

which is the large BOD's number makes the dividend policy decrease. In contrast, the low BOD's number makes the dividend policy high.

The PIC indicator's T-test results showed a coefficient value of |3.186| with a significance level of 0.002. These results determined that the proportion of independent commissioners have a significant negative influence on the DPR. This is supported by the descriptive statistical analysis in tables 4.2 and 4.7, which shows that the average value of the total Proportion of Independent Commissioners in 2016 was 52,34 with an average dividend payout ratio (DPR) value of 34,36. In 2017, the average proportion of independent commissioners valued decrease to 51,46 with an increase in the average value of the DPR to 37.25. The data used in the research have shown that the criteria for independent commissioners are already following OJK regulations, which is at least thirty per cent of the total number of company boards of commissioners. The researcher concludes that even though the sample companies have implemented the criteria that have been given for the implementation of good corporate governance, the existence of independent commissioners does not directly affect its relationship to the number of dividends distributed by the company.

The finding of this research is that the proportion of independent commissioners can reduce the firm agency cost. This research does not reject the validity of agency theory. Agency theory argues that boards need outside directors to promote the proportion of independent commissioners as board independence, the effective monitoring, control of management, and shareholder interest's protection (Bonn et al. 2004, Johnson et al. 1999). The contribution of the proportion of independent commissioners based on agency theory is their ability to exercise independent judgment in overseeing the business's operations and assets. Apart from that, as well as to ensure that managers are held accountable to the company's critical stakeholders in promoting the firm's future interests and success.

This research contradicts previous research conducted by Dewasiri (2018), which showed that the corporate governance indicator included in the proportion of independent commissioners is considered significant positive determinants of the dividend payout. The research conducted on Sri Lanka companies believes that the independent commissioners' ratio can be separated and neutral in supervising and monitoring company decisions and policies. Therefore, through this research, this independent commissioner's existence is still limited to meeting existing regulations and has not yet influenced the company's dividend policy.

In research conducted using institutional ownership indicators, the partial t-test shows the coefficient value of 4.214 and a significance of 0.000. These results indicate that institutional ownership has a positive and significant effect on the DPR. With the positive results, the higher the percentage of institutional ownership, the higher its dividend payout ratio. This is supported by the descriptive statistical analysis in tables **3 and 7**, which shows that the average value of the total Institutional Ownership in 2016 was 70,66 with an average dividend payout ratio (DPR) value of 34,36 with the ceteris paribus assumption, a positive relationship shows the same increase between the two variables. In 2017, the average proportion of independent commissioners valued increased to 74,73, increasing the DPR average value to 37.25. In Indonesia's context, institutional owners are found in most companies listed on the Indonesian Stock Exchange. This study suggests that if the company is in a low controlling condition towards institutional owners, then management supervision tends to be loose. Therefore, with agency theory, it is proven that institutional ownership will provoke agency conflict upon the low condition of ownership. Still, upon the high state of ownership, institutional ownership will reduce the agency conflict. These results are in line with previous research conducted by Abor and Fiador (2013) and research by Basri (2017). The two previous research show the

same results; specifically, institutional share ownership positively affects the dividend payout ratio. However, it is not in line with the research conducted by Wardhana (2016), which states that institutional ownership does not affect the size of the DPR.

Based on the research results at this time, the researcher concluded that the increase in the percentage of institutional ownership in the company would also increase the ratio of dividends distributed to shareholders. The accepted hypothesis explains that institutions' high share ownership will also impact the high supervision carried out by institutional investors towards management. Supervision given to management will also improve the company's performance to earn profits and distribute dividends in the current year.

The partial t-test results show that ROA has a coefficient of |3,768| and a significance of 0.000, which means that the ROA indicator has a significant negative effect on the dividend payout ratio. This is supported by the descriptive statistical analysis in tables 5 and 6, which shows that the average value of the total ROA in 2018 was 3,26 with an average dividend payout ratio (DPR) value of 46,43. In 2019, the average ROA valued decreased to 2,72 and increasing the DPR average value to 49,82. Under the basis of the theory of a bird in the hand that states the year's profit is one of the factors affecting the current dividend payment and the previous year's dividend. However, it is different from the results of research conducted by Wardhana (2016), Basri (2017), Wahjudi (2018), and Rafindadi & Bello (2019), where they say that ROA has positively and significantly affected the cash dividends. With the results showing a negative partial relationship, the hypothesis that companies with higher ROA will have higher dividend payouts is rejected.

The development of the absence sign of a relationship between ROA and DPR may happen if the company chooses to pay dividends with a fixed amount, no matter if the company's profitability level does not comprise the number of dividends paid to shareholders. The research result means that low dividends are produced at high ROA because the profits are used to increase retained earnings. In this way, the internal source of funds is increased so that the company can delay its debt use. Conversely, if the ROA is low, high dividends are paid; this is done because it has experienced a decline in profit. To maintain its reputation in the eyes of investors, the company will pay enormous dividends.

The partial t-test shows that another indicator of profitability, particularly ROE, has a coefficient of 3,700 and a significance level of 0,000, which means that positive ROE is significant to the dividend payout ratio. This is supported by the descriptive statistical analysis in **tables 5 and 7**, which shows that the average value of the total ROE in 2015 was 14,15 with an average dividend payout ratio (DPR) value of 39,67 with the ceteris paribus assumption, a positive relationship shows the same increase between the two variables. In 2016, the average ROE valued decreased to 13,88 and decreasing the DPR average value to 34,36. Based on the bird in the hand theory described in Sitepu (2015: 10), dividend distribution is a sign for investors where the high dividend increase indicates that management feels optimistic about its future. Companies that have profit stability can determine the level of dividend payments with certainty and can provide returns in the current year following the quality of the company's profits. The results of this research support the research conducted by Dewasiri (2018) and Rafindadi & Bello (2019), who found that the ROE indicator significantly affects the dividend payout ratio. With this relationship, the researcher concludes that the higher the value of ROE, the higher the dividend payout ratio of the company.

ROE is the ratio used to see how efficient the company is in using shareholders' equity. This research showed that the company using the invested capital for operational activities could return it in dividends in the current year.

This research can also be used as evidence that companies' managers are effective in the utilization to generate profit.

The research results indicated that Tobin's q ratio significantly affect the dividend payout ratio. It can be seen from the results of the partial t-test, where the coefficient value of Tobin's q ratio indicator is 5,800 with a significance value of 0.625. It means that the size of Tobin's q ratio, which is expected to provide a market component in this research, directly affect its dividend decision. This is supported by the descriptive statistical analysis in tables 5 and 6, which shows that the average value of the total Tobin's Q Ratio in 2015 was 1,20 with an average dividend payout ratio (DPR) value of 39,67 with the ceteris paribus assumption, a positive relationship shows the same increase between the two variables. In 2016, the average Tobin's Q Ratio value decreased to 1,14 and fell the DPR average value to 34,36. Bird-in-the-hand theory describes shareholders prefer dividends over profits in the future because of the level of risk avoided by shareholders. This will cause an increase in stock prices or, in other words, the number of dividends can affect the company's stock price and can maximize the share price, which will have an impact on the value of the company in the market. In line with the research conducted by Rafindadi & Bello (2019) that Tobin's q has a significant impact on the DPR. A previous study conducted by Rafindadi & Bello also revealed that financial companies have targeted to pay dividends regularly due to competition and increasing share value with dividend payments.

From the findings in this research, it is evident that the percentage value of Tobin's q ratio affects the amount of higher or lower dividend. Therefore, it shows that its increasing share value affects the payment or non-payment of dividends. Because Tobin's Q ratio represents the company's market value from the number of shares and outstanding debt. Supported by a statement from Peters and Taylor (2017), Tobin's q, the ratio of capital's market value to its replacement cost, perfectly summarizes a firm's investment opportunities and returns on the investment made.

CONCLUSSION AND RECOMMENDATION

Based on the research conclusions and the results of the analysis and discussion in this research. The suggestions given are expected to be an advantage for decision making for those in need, which are:

a. For companies, the results of this research can be used as a consideration for increasing investors to become part of the company's shareholders. It is proven that the influence of corporate governance, profitability, and Tobin's q ratio affects dividend policy decisions in the company. By looking at the indicators simultaneously, investors can make considerations before investing and expect dividends each year. It is not only prioritizing the company's interests and profits, but also how the internal company satisfies the shareholders who have invested.
b. For investors, this research's results can be a recommendation as one of the primary considerations, either the supporting references in making decisions before investing in the company, especially in financial listed companies. Investors who examine dividend distribution as a craved and concerned each current year can see how influential the implementation of corporate governance, profitability, and Tobin's q ratio simultaneously affects dividend policy. Not only that, but investors also need to pay attention to other variables that are not examined in this research as a basis for considering investment decisions.
c. The future researchers expect to increase the number of indicators in the variables used for future research to see how they influence the dependent variable independently. Further research can also examine the other sectors or indexes other

than those used in this research to know the dividend policy decisions in companies on the Indonesia Stock Exchange. Other variables are also expected to add to the next research, considering that many specific indicators can be used to determine the effect on dividend payouts. It is assumed that the addition of other variables can provide more accurate results, provide certainty about what indicators affect the company's dividend policy, and improve this research.

d. This study has limitations by performing an analysis in Bank and Financial institutions only. Conducting the similar research in different sector potentially bring a different result.

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