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THE EFFECT OF OWNERSHIP STRUCTURE AND FIRM CHARACTERISTICS ON DIVIDEND POLICY IN INDUSTRIALS COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE (IDX)

Ahmad Farhan Rizki Ramadhan, Darsono[1]

Departemen Akuntansi Fakultas Ekonomika dan Bisnis Universitas Diponegoro
Jl.Prof. Soedharto SH Tembalang, Semarang 50239, Phone: +6282135240978

ABSTRACT

The purpose of this study is to determine the influence of ownership structure and company characteristics on dividend policies in industrial companies listed on the Indonesia Stock Exchange (IDX). The research method used in this study is a quantitative research method. The sample in this study is companies that make dividend payments from a total sample of 66 companies in the current policy (2018-2023) which is data of 396 and after going through the selection with existing criteria, the sample used becomes a total of 99 firms in period of 2018-2023.

Variables in the ownership structure include family ownership, institutional ownership, and foreign ownership, while variables in company characteristics include profitability, company size, and leverage. Multiple linear regression analysis is an analysis method used, using SPSS software. The results of this study reveal that there is a significant positive influence of foreign ownership and profitability on dividend policy. Meanwhile, there is no effect on other variables, which are family ownership, institutional ownership, company size, and leverage.

Keywords: *Dividend policy, ownership structure, company characteristics, family ownership, institutional ownership, foreign ownership, profitability, company size, leverage*

INTRODUCTION

One of the fundamental issues in financial management is the formulation of a dividend policy, which involves the critical decision of whether the profits earned by a company should be distributed to shareholders as dividends or retained as earnings to finance future investments (Floyd et al., 2015). Dividend policy plays a crucial role in shaping a company's growth, stock prices, financial structure, investment flows, and liquidity. It serves as a key indicator of the company's financial health and performance, influencing a variety of stakeholders, particularly investors, who have a direct interest in the company's success. Companies are expected not only to grow but also to maintain long-term financial stability while ensuring shareholder welfare, with the ultimate goal of maximizing corporate value. Companies may also optimize to distribute stock dividends, where additional shares of stock are issued to shareholders instead of cash. These stock dividends, sometimes referred to as stock splits, serve to increase the number of shares owned by shareholders without altering the overall value of their holdings. Dividend policies act as strategic guides for management, helping determine how much of the company's earnings should be distributed to shareholders versus how much should be retained to support future growth and investment. The decision-making process is closely linked to the company's broader financial strategy, particularly its approach to external financing. When a financial manager decides to distribute a significant portion of profits as dividends, it can increase the company's reliance on external sources of funds if additional capital is needed for investment opportunities This balance between distributing profits and retaining earnings is a critical aspect of corporate financial strategy, as it directly impacts the company's growth trajectory and shareholder satisfaction (Farooq et al., 2024).

Multiple factors influence corporations when setting their dividend policy. Financial performance metrics, such as profitability and free cash flow, play a crucial role in determining a company's ability to pay dividends (Baker et al., 2018). The stability of earnings is also a key consideration, as firms often aim to maintain consistent dividend payments over time (Brav et al.,

[1] *Corresponding author*

2021). Corporate governance structures and ownership patterns significantly impact dividend decisions, with institutional ownership often associated with higher dividend payouts (Moin et al., 2020). Market expectations and signaling effects are important, as dividend policies can be used to convey information about a firm's future prospects to investors Bhattacharya (1979).

Institutional investors, such as pension funds, mutual funds, and insurance companies, often favor higher dividends because they seek stable and predictable returns on their investments. Patrisia & Yusnita (2020) emphasizes the significant impact of institutional ownership on dividend policy, highlighting how a high level of institutional ownership can influence corporate governance and financial decision-making. According to the findings, a high concentration of institutional ownership is associated with increased efforts to oversee management actions, thereby reducing the likelihood of opportunistic behavior by managers. Family ownership is a significant and pervasive form of corporate ownership worldwide, particularly in emerging markets where businesses are often established and controlled by families across multiple generations. This form of ownership is characterized by concentrated equity holdings among family members, who typically exert considerable influence over management and strategic decision-making. In Asia, family ownership remains a dominant structure, shaping the corporate landscape and influencing various business practices, including governance and financial policies.

Similarly, firm characteristics such as profitability, size, and leverage play a critical role in determining a company's dividend policy, as they directly influence the availability of resources and the strategic priorities for profit distribution. Large corporations, due to their substantial size, often have greater access to capital markets, which allows them to secure funding more easily and at lower costs compared to smaller firms. This enhanced access to external financing enables larger firms to have more funds available for distribution to shareholders in the form of dividends, as they do not need to rely as heavily on retained earnings to finance growth or operational needs. Profitability is another key determinant of dividend policy. Leverage also plays a crucial role in shaping dividend policy. Firms with high levels of leverage face unique challenges when it comes to dividend distribution. High leverage increases the financial risk of a company, as it indicates a higher proportion of debt in the firm's capital structure. This heightened risk can limit the firm's ability to pay dividends, as a significant portion of its earnings may be required to service debt obligations. Some studies, such as Soi & Buigut (2020) and DeAngelo et al. (2004), have found that firms with high leverage may still pay dividends, particularly when the level of leverage is so high that the investment in the firm is considered risky in terms of cash flow.

Despite extensive research on dividend policy, much remains to be done to understand how ownership structure and firm characteristics specifically affect dividend policies in industrials companies, particularly in the context of emerging markets such as and Indonesia. Previous studies have often focused on developed markets, where the dynamics of ownership structure and firm characteristics differ from those in emerging economies (Kaur & Kaur, 2024; Mili et al., 2017). In addition, Research in Indonesia mainly focuses on individual aspects of ownership or firm characteristics without fully explaining their combined effects on dividend policy (Setiawan & Phua, 2013; Hasan et al., 2023). For example, although the impact of institutional ownership on dividend policy is well documented (Al-Najjar and Kilincarslan, 2016; Crane et al., 2016), there is little research on how ownership of family and foreign ownership interact with institutional ownership to affect dividends. decisions (Duygun et al., 2018; Mukhopadhyay and Das, 2019). In addition, most studies have focused on financial performance indicators, such as profitability, while often neglecting firm size and debt. they collectively affect dividend policies in the industrials sector (Das, 2017; Barros et al., 2020). This research aims to fill these gaps by providing a comprehensive analysis of how ownership structure (family, institutional and foreign) and firm characteristics (profitability, firm size and leverage) jointly influence the policies of dividends in industrials companies that listed in Indonesia Stock Exchange.

THEORETICAL FRAMEWORK

Resource Based Theory

The Resource-Based Theory (RBT) has become a key framework in strategic management, emphasizing how firms develop and maintain competitive advantages through their distinct resources and capabilities (Barney & Clark, 2007). Originally introduced by Edith Penrose in 1959, RBT views a firm as more than just an administrative unit; it is a collection of productive resources. The utilization of these resources is shaped by administrative decisions over time, with resources classified as tangible and intangible assets such as property, equipment, capital, and knowledge. Penrose (1959) argued that a firm's performance is not solely determined by the amount of resources it possesses but also by how effectively those resources are managed (as cited in Penrose 2009). In the process of value creation, management expertise and the dynamic interaction among resources play a significant role. This interaction can drive a firm's growth, even though it may have its limits. Thus, administrative decisions and the ability of management to optimize resource use are critical factors in achieving long-term success and growth. Over time, RBT has evolved to encompass various strategic management issues, including strategic alliances, their rationale, formation, and performance. It highlights the value that firms can generate by pooling resources, particularly those that are difficult to transfer, imitate, or substitute (Das & Teng, 2000).

Bird in Hand Theory

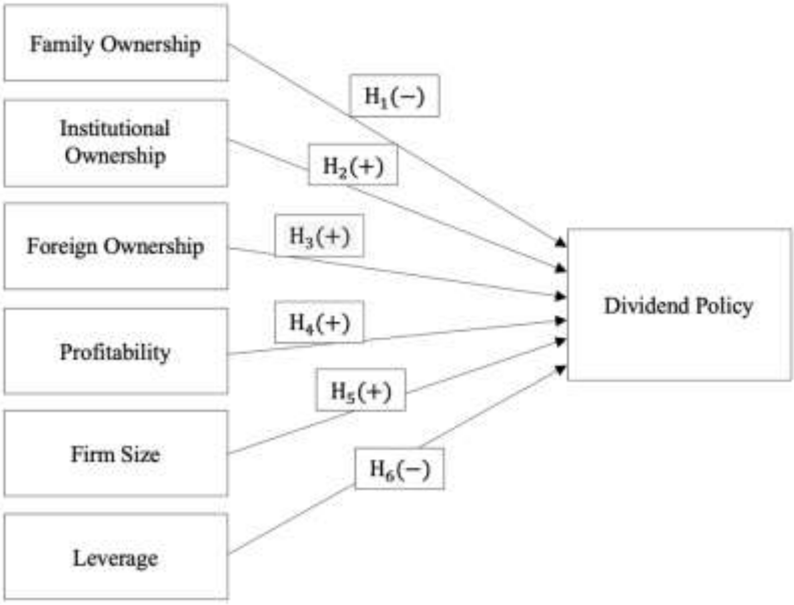
The Bird-in-Hand theory is rooted in the saying "a bird in the hand is worth two in the bush," highlighting the idea that investors prefer to receive certain returns now, in the form of dividends, rather than wait for potentially higher but uncertain capital gains in the future. This theory was developed as a response to the dividend irrelevance theory proposed by Miller and Modigliani (1961), which argued that dividend policy does not affect a company's value. In contrast, the Bird-in-Hand theory, introduced by Lintner (1956) and Walter (1963), contends that dividends are more highly valued by investors because they provide a guaranteed return, reducing the uncertainty associated with waiting for future capital gains. This concept aligns with the dividend relevance theory put forward by Gordon (1959), which also suggests that investors prioritize the certainty of dividends over speculative future profits. Companies that consistently offer higher dividend payouts are often viewed as more attractive to investors, which can lead to higher market valuations. This is because dividends are seen as a signal of financial stability and profitability, offering investors immediate returns, as opposed to the uncertainty of future capital appreciation. Bhattacharya (1979) expanded on this by explaining that dividends can be considered as the "bird in hand" as long as investors do not reinvest the dividends or sell their shares in the capital market, further emphasizing the importance of dividends as a secure form of return for shareholders.

Conceptual Framework

The conceptual framework shows how ownership structure, firm attributes, and dividend policy relate to each other in manufacturing firms that are listed on the Indonesia Stock Exchange. Since controlling families may choose to keep earnings in order to preserve control over financial resources and guarantee the long-term viability of the business, family ownership is predicted to have a detrimental impact on dividend policy. However, because institutional investors frequently demand larger dividend payouts to minimize agency conflicts and guarantee rigorous financial management, it is expected that institutional ownership will have a favorable effect. Similar to this, foreign ownership is anticipated to have a favorable impact on dividend policy since steady dividend distributions are a preferred method of return on investment for international investors who face knowledge asymmetry and possible dangers.

Since companies with higher earnings have more financial capacity to deliver dividends without jeopardizing operational stability, profitability is expected to have a favorable impact on dividend policy among business characteristics. Because larger companies often have more steady earnings, better access to outside financing, and reduced risks of financial difficulty, they are also believed to be better able to pay dividends. Leverage, on the other hand, is seen to have a detrimental impact since companies with higher debt loads might put debt repayment ahead of dividend payments in order to stay out of financial trouble. These connections are consistent with the Resource-Based Theory, which highlights that companies strategically allocate their financial resources, including retained earnings, to maintain a competitive advantage and sustain long-term growth, and the Bird-in-Hand Theory, which contends that investors favor dividends as a more certain return than possible capital gains.

Figure 1 Conceptual Framework



Source: Developed for research, 2024

Research Hypothesis

The effect of Family Ownership on Divided Policy

Family ownership refers to firms in which a family holds a significant portion of shares and often plays an influential role in management. According to Resource-Based Theory (RBT), family ownership is a unique and inimitable resource that provides firms with competitive advantages such as long-term strategic stability, commitment to legacy, and deep institutional knowledge of the business. These characteristics make family-owned businesses distinct in how they manage resources and allocate capital (Barney, 1991). Family-owned firms often prefer to retain earnings rather than distribute them as dividends to shareholders. This practice aligns with their long-term orientation, as family businesses typically prioritize control and generational wealth transfer over immediate shareholder returns (Villalonga & Amit, 2020). Reinvesting profits into the business reduces the need for external financing, helping to maintain independence from external stakeholders and retain control over the firm's direction. This behavior may lead to lower dividend payouts compared to non-family firms, where external shareholders might demand higher returns. Additionally, family firms are more risk-averse, focusing on internal growth and minimizing external dependencies, further explaining their reluctance to issue large dividends (Chen, 2020). By retaining earnings rather than paying them out, family firms can fund business expansion while avoiding the dilution of control, which is a core concern for family shareholders. From the explanation above, the hypotheses in this study are formulated as follows:

H1: Family ownership has a significant negative effect on dividend policy

The effect of Institutional Ownership on Dividend Policy

Institutional ownership involves large, typically professional investors such as pension funds, mutual funds, insurance companies, and other financial institutions holding substantial shares in a firm. Institutional investors are seen as sophisticated market participants with a preference for stability and predictable returns, which makes Bird-in-Hand Theory particularly relevant for this ownership structure. According to the Bird-in-Hand Theory, investors prefer receiving dividends now rather than waiting for uncertain capital gains in the future because dividends reduce the risk associated with waiting for a return (Lintner, 1956). Institutional investors, with their focus on reducing risk and ensuring a steady cash flow, typically push for firms to adopt dividend policies that provide regular payouts.

Institutional shareholders exert significant influence on corporate governance and financial policies. Their monitoring role encourages better financial transparency and pressures management to prioritize the payment of dividends as a signal of financial health (Hasan et al., 2023). Because institutional investors often represent the interests of a large pool of individual investors, they are motivated to reduce uncertainty by demanding dividends, which provide immediate returns and reduce the reliance on future, potentially volatile capital gains (Crane et al., 2016). Increased institutional ownership is frequently associated with higher dividend payouts. Institutional investors use dividends as a mechanism to assess and ensure firm performance, particularly in emerging markets where corporate governance may be less transparent, and earnings management practices might be more prevalent. This preference for dividends also aligns with institutional investors' need to meet the financial goals of their clients or beneficiaries, such as pension holders, who seek steady returns over time. From the explanation above, the hypotheses in this study are formulated as follows:
H2: Institutional ownership has a significant positive effect on dividend policy

The effect of Foreign Ownership on Dividend Policy

Foreign ownership refers to equity stakes held by investors or institutions based outside the country in which the company operates. From the perspective of Resource-Based Theory (RBT), foreign ownership represents a valuable resource that enhances a firm's competitive position by providing access to international expertise, markets, and financial resources (Barney, 1991). Foreign investors typically bring with them a higher demand for transparency, adherence to global governance standards, and an expectation for regular returns, often in the form of dividends. This makes foreign ownership a significant determinant of a firm's dividend policy.

Foreign investors are usually more focused on stable and predictable dividend payouts compared to domestic investors, who may have a greater tolerance for earnings fluctuations. Foreign shareholders often push for higher dividend payments as a way to repatriate profits, particularly in emerging markets where currency volatility and political risks may reduce the attractiveness of reinvesting locally (Zhang et al., 2017). In this context, foreign ownership leads firms to adopt higher dividend policies as a way to align with international expectations and meet the demands for stable returns. Moreover, foreign investors may advocate for improved corporate governance practices to safeguard their investments, ensuring that management prioritizes shareholder returns over excessive risk-taking or retention of earnings for internal projects. Empirical research in both developed and emerging markets indicates that firms with significant foreign ownership tend to have higher dividend payouts, as these investors value liquidity and immediate returns to mitigate the risks associated with political and economic instability (Al-Najjar & Kilincarslan, 2016). From the explanation above, the hypotheses in this study are formulated as follows:
H3: Foreign ownership has a positive significant effect on dividend policy

The effect of Profitability on Dividend Policy

Profitability is one of the most fundamental factors influencing a firm's ability to pay dividends. Firms with higher profitability are more capable of distributing dividends because they generate surplus cash flow after covering operational expenses and reinvesting in growth opportunities. According to the Bird-in-Hand Theory, profitable firms are more likely to pay dividends because investors prefer the certainty of dividends over the uncertainty of potential future capital gains (Gordon, 1959). This theory holds that dividends serve as a signal to investors that the firm is financially healthy and capable of providing regular returns, thus reducing the risk perceived by shareholders.

Highly profitable firms often distribute a larger portion of their earnings as dividends to signal their strong financial position to the market. Dividends can serve as a form of communication between the firm and investors, demonstrating management's confidence in the firm's future profitability (Amidu & Abor, 2006). Additionally, in highly profitable firms, dividends become an important mechanism for returning excess cash to shareholders, which prevents the firm from holding onto idle cash that could lead to inefficient investment decisions (Fama & French, 2001). In emerging markets, the relationship between profitability and dividend policy is particularly pronounced because firms that generate consistent profits are better equipped to meet shareholder demands for dividends. Profitability provides firms with the financial flexibility to distribute dividends without compromising their ability to invest in future growth opportunities (Wahjudi, 2020). Empirical evidence consistently shows that profitability has a strong positive correlation with dividend payouts across industries and geographies. From the explanation above, the hypotheses in this study are formulated as follows:

H4: Profitability has a significant positive effect on dividend policy

The effect of Firm Size on Dividend Policy

Firm size is a crucial factor in determining a company's dividend policy. Larger firms typically have more stable and predictable cash flows, greater access to capital markets, and more diversified operations, making them more likely to pay consistent and higher dividends. According to the Bird-in-Hand Theory, larger firms are better positioned to provide dividends because they reduce uncertainty for investors by offering predictable returns (Fama & French, 2001). Investors perceive larger firms as being more financially stable, which reduces their risk aversion and increases their preference for dividends over capital gains.

Additionally, larger firms are subject to more scrutiny from institutional investors, analysts, and regulatory bodies, which increases the pressure on management to maintain stable dividend policies (Crane et al., 2016). This scrutiny often leads larger firms to adopt more conservative dividend policies, as they seek to maintain investor confidence and prevent stock price volatility. Empirical research supports the notion that firm size is positively correlated with dividend payouts, as larger firms are generally more able to generate consistent cash flows that can be distributed to shareholders (Barros et al., 2020). Moreover, larger firms have more access to external financing options, which allows them to distribute a portion of their earnings as dividends while retaining enough capital to fund future growth. In contrast, smaller firms may need to retain a larger share of their earnings to finance their operations and growth initiatives internally, resulting in lower dividend payouts (Goyal & Muckley, 2013). This explains why larger firms tend to have higher dividend payouts and more stable dividend policies. From the explanation above, the hypotheses in this study are formulated as follows:

H5: Firm size has a significant positive effect on dividend policy

The effect of Leverage on Dividend Policy

Leverage refers to the extent to which a company uses debt to finance its operations, and it has a significant influence on a firm's dividend policy. According to the Bird-in-Hand Theory, firms with higher leverage are likely to reduce dividend payouts as they prioritize debt repayment and seek to minimize financial risk (Jensen, 1986). Leverage increases the financial obligations of a firm, as a significant portion of its cash flow must be directed toward servicing debt. This leaves fewer funds available for distribution to shareholders in the form of dividends.

Highly leveraged firms face higher financial risk and are more susceptible to fluctuations in interest rates and economic downturns. To manage these risks, firms with substantial debt tend to retain earnings rather than distribute them as dividends, as retained earnings can be used to reduce debt and improve liquidity (Myers, 1977). Empirical evidence suggests that firms with high levels of debt tend to adopt more conservative dividend policies because they need to preserve cash to meet debt obligations and avoid financial distress (Aivazian, Booth & Cleary, 2003).

Firms with high leverage often have covenants attached to their debt agreements that restrict their ability to pay dividends. These covenants are designed to protect creditors by ensuring that the firm prioritizes debt servicing over shareholder payouts. As a result, highly leveraged firms are more likely to reduce or eliminate dividends to comply with these restrictions and maintain financial flexibility. From the explanation above, the hypotheses in this study are formulated as follows:

H6: Leverage has a significant negative effect on dividend policy

RESEARCH METHODOLOGY

Population and Sample

The population for this research comprises all industrials companies listed on the Indonesia Stock Exchange (IDX) for the period 2018-2023. These companies were selected due to their critical role in the Indonesian economy, as industrials is one of the major contributors to the country's GDP and employment. The prominence of this sector in Indonesia makes it an ideal focus for studying the relationship between ownership structure (family, institutional, and foreign ownership), firm characteristics (profitability, firm size, leverage), and dividend policy. Furthermore, industrials companies tend to have more transparent financial reporting, including the disclosure of ownership structure and dividend decisions, making them suitable for this study. Given the research objectives, the study adopts a purposive sampling method. This technique allows for the selection of companies based on specific criteria that are most relevant to the study. By focusing on industrials companies that meet these criteria, the study aims to produce results that are representative of the broader industry while being specific enough to highlight key trends and insights. The inclusion criteria used to determine the sample are as follows:

1. Industrials companies listed on the IDX throughout the period from 2018 to 2023.
2. Companies that declared dividends at least once during the study period (2018 – 2023).
3. Industrial sector companies that does not have negative profits.

Companies with incomplete data are exclude from the sample. The period from 2018 to 2023 was chosen to ensure that the research is based on the most recent data and to streamline the research process, reducing the time needed for implementation.

Variables and Measurements

Table 1
Variable and Measurement

Variables	*Symbol*	*Measurement*
Dependent Variable		
Dividend Policy	DPR	Total Dividends / Net Income x 100%
Independent Variable		
Family Ownership	FAM	BOD who has affiliate relation / total BOD members x 100%
Institutional Ownership	IOR	Shares held by institutional investors / total outstanding shares x 100%
Foreign Ownership	FOR	Shares held by foreign shareholders / total outstanding shares x 100%
Profitability	ROA	Net income /Total assets
Firm size	SIZE	Ln (Total assets)
Leverage	DAR	Total debt / total assets

Multiple linear regression analysis is a statistical method designed to evaluate the relationship between a dependent variable and multiple independent variables. This technique utilizes a linear equation to model the interactions between variables. The primary objective is to identify the most suitable linear equation to accurately predict the dependent variable based on the values of the independent variables. In this study, multiple linear regression analysis is applied to examine the effects of family ownership, institutional ownership, foreign ownership, profitability, firm size, and leverage on the dividend policy of industrials firms listed on the Indonesia Stock Exchange. The resulting regression equation is expressed as follows:

$$DPR_{i,t} = a + \beta_1 FAM_{i,t} + \beta_2 IOR_{i,t} + \beta_3 FOR_{i,t} + \beta_4 ROA_{i,t} + \beta_5 SIZE_{i,t} + \beta_6 DAR_{i,t} + \varepsilon_{i,t}$$

RESEARCH RESULTS AND DISCUSSION

Description of Research Objects

This research aims to measure the influence of firm characteristic (leverage, profitability, and firm size) and ownership structure (family, institutional, and foreign ownership) on dividend policy. The sample selection was conducted using the purposive sampling technique.

Table 2
Criteria and Sample of Research

No	*Description*	*2018*	*2019*	*2020*	*2021*	*2022*	*2023*	*Total*
1	Industrial companies listed on the IDX during the period 2018 to 2023.	66	66	66	66	66	66	396
2	Unregistered industrial sector companies from the start of period (2018)	(12)	(12)	(12)	(12)	(12)	(12)	(72)
3	Industrial sector companies that did not pay dividends in the current period (2018-2023)	(28)	(27)	(33)	(36)	(35)	(31)	(190)
4	Industrial sector companies that have negative profits	0	(1)	(4)	(1)	(1)	0	(7)
5	Industrial sector companies affected by outliers	0	(2)	(2)	(4)	(1)	(1)	(10)
6	Industrial sector companies that have been delisted in the current period (2018-2023)	(3)	(3)	(3)	(3)	(3)	(3)	(18)
	Total	23	21	12	10	14	19	99

Description of Research Variables

The 2 table provides a detailed summary of various ownership and financial metrics from a dataset consisting of 99 observations. Each variable captures crucial elements influencing corporate governance and financial performance, allowing for a nuanced understanding of their distributions and relationships.

Tabel 3
Results of Descriptive Statistical Analysis

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Y Dividend Policy	99	5.95%	99.59%	46.1704%	21.78709%
X1 Family Ownership	99	0.00%	100.00%	39.8728%	34.69797%
X2 Institutional Ownership	99	0.00%	92.46%	22.3392%	28.04941%
X3 Foreign Ownership	99	0.00%	23.66%	3.7085%	6.37205%
X4 Profitability	99	.00	43.62	8.5802	7.31568
X5 Firm Size	99	18.21	33.73	27.9777	2.84295
X6 Leverage	99	.00	70.09	15.8581	16.01150
Valid N (listwise)	99				

Source: Data Analysis (SPSS 29)

Normality Test

Tabel 4
One Sample Kolmogorov Smirnov Test

One-Sample Kolmogorov-Smirnov Test

			Unstandardized Residual
N			99
Normal Parameters[a,b]	Mean		.0000000
	Std. Deviation		18.50556681
Most Extreme Differences	Absolute		.068
	Positive		.068
	Negative		-.043
Test Statistic			.068
Asymp. Sig. (2-tailed)[c]			.200[d]
Monte Carlo Sig. (2-tailed)[e]	Sig.		.307
	99% Confidence Interval	Lower Bound	.296
		Upper Bound	.319

Source: Data Analysis (SPSS 29)

Hypothesis Test

Based on the output above, the constant value and regression coefficients were obtained, allowing the formation of the multiple linear regression equation as follows:

DPR= 81,985 + 0,100 FAM + 0,136 IOR + 1,101 FOR + 0,714 ROA – 1,801 SIZE – 0,169 DAR + 0,231

Tabel 5
Results of Calculation of Multiple Linear Regression Equation Coefficient Values

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	81.985	23.160		3.540	<.001
	X1 Family Ownership	.100	.066	.160	-1.508	.135
	X2 Institutional Ownership	.136	.070	.175	1.933	.056
	X3 Foreign Ownership	1.101	.340	.322	3.236	.002
	X4 Profitability	.714	.305	.240	2.343	.021
	X5 Firm Size	-1.801	.792	-.235	-2.273	.025
	X6 Leverage	-.169	.126	-.124	-1.340	.184

a. Dependent Variable: Y Dividend Policy

Source: Data Analysis (SPSS 29)

Table 6
Tabel Summary of Hypothesis Test Results

	Hypothesis	***t***	***Sig***	***Conclusion***
H1	Family ownership significant negatively affects dividend policy	-1.508	0,135	Rejected
H2	Institutional ownership significant positively affects dividend policy	1.933	0.056	Rejected
H3	Foreign ownership significant positively affects dividend policy	3.236	0.002	Accepted
H4	Profitability significant positively affects dividend policy	2.343	0.021	Accepted
H5	Firm size significant positively affects dividend policy	-2.273	0.025	Rejected
H6	Leverage significant negatively affects dividend policy	-1.340	0,184	Rejected

Based on the results of the hypothesis test on family ownership, the significance level is 0.135, exceeding the 0.05 threshold. This shows that family ownership has no effect on dividend policy. The direction of negative influence can be interpreted if the level of family ownership is measured using the percentage of the board of directors who have company affiliation followed by an decrease in dividend policy. The higher the family ownership, the lower the dividend policy will be. This study supports research conducted by Bataineh (2021) and Villalonga & Amit (2020), but is not in line with research by Subramaniam (2018) which found a significant influence between family ownership and dividend policy.

Based on the results of the hypothesis test on institutional ownership, the significance level is 0.056, which is slightly above the 0.05 threshold. While it is close to being significant, it still indicates that institutional ownership does not have a definitive effect on dividend policy at this level. The positive t-value of 1.933 suggests that if institutional ownership were to have an effect, it may lead to an increase in dividend policy. This implies that higher institutional ownership could potentially contribute to higher dividend payouts. Institutional investors often advocate for stable dividend policies as they seek consistent returns on their investments. This study supports research conducted by Aleknevičienė & Vilimaitė (2023) , but is not in line with research by Bataineh (2021) which found a significant influence between institutional ownership and dividend policy.

Based on the results of the hypothesis test on foreign ownership, the significance level is 0.002, which is well below the 0.05 threshold. This indicates that foreign ownership has a significant positive effect on dividend policy, suggesting that firms with a higher proportion of foreign ownership tend to adopt policies that prioritize regular and stable dividend distributions. However, while the statistical test shows significance, the descriptive statistics reveal a different perspective. The foreign ownership variable exhibits a relatively low mean of 3.71%, with a minimum value of 0.00% and a maximum of 23.66%, alongside a standard deviation of 6.37%, indicating substantial variability and a highly skewed distribution. This wide gap suggests that while some firms have notable foreign ownership, many have little to none, making the dataset less representative of broader foreign ownership trends. The significant effect observed in the regression analysis may be driven by a small subset of firms with relatively high foreign ownership, rather than reflecting a uniform trend across the industry. This raises concerns about generalizability, as firms with very low or no foreign ownership may not experience the same impact on dividend policy. When firms have a higher proportion of foreign ownership, they are likely to adopt policies that prioritize regular and stable dividend distributions.

From the perspective of Resource-Based Theory (RBT), foreign ownership represents a valuable resource that enhances a firm's competitive position through access to international expertise, markets, and financial resources. Foreign investors typically demand transparency and adherence to global governance standards, alongside expectations for regular returns, particularly in the form of dividends. This focus on stability influences firms to align their dividend policies with international best practices, thereby increasing payouts. Research indicates that foreign shareholders often prioritize steady and predictable dividends when compared to domestic investors, who may accept greater earnings fluctuations. This pressure for consistent dividends stems from foreign investors needs to repatriate profits, especially in emerging markets where economic and political risks might make reinvesting locally less attractive. This study supports research conducted by Boshnak (2023) & Hasan et al. (2023) ,but is not in line with research by LE et al. (2020) which does not found a significant positive influence between foreign ownership and dividend policy.

Based on the results of the hypothesis test on profitability, the significance level is 0.021, which is below the 0.05 threshold. This suggests that profitability has a significant positive effect on dividend policy. The positive relationship indicates that firms with higher profitability tend to distribute more substantial dividends to their shareholders. From the perspective of the Bird-in-Hand Theory, profitability plays a critical role in influencing a firm's decision to pay dividends. According to this theory, profitable firms are more likely to offer dividends because investors prefer the certainty of receiving immediate returns over the uncertainty of potential future capital gains. By distributing dividends, a firm signals to investors that it is financially healthy and capable of generating consistent returns, effectively reducing the risk perceived by shareholders. Highly profitable firms generally distribute a larger portion of their earnings as dividends, reinforcing their strong financial position in the eyes of the market. Dividends serve as a communication tool, demonstrating management’s confidence in future profitability and the firm’s commitment to returning value to shareholders. Moreover, distributing excess cash as dividends prevents firms from hoarding idle cash, which could lead to inefficient investment decisions. This study supports research conducted by Soi & Buigut (2020) & Wakhi Anuar et al. (2023), but is not in line with research by Gede Adiputra (2021) which does not found a significant influence between profitability and dividend policy.

Based on the results of the hypothesis test on firm size, the significance level is 0.025, which is below the 0.05 threshold. This indicates that firm size has a significant negative effect on dividend policy. The direction of this negative influence suggests that as firm size increases, the likelihood of paying dividends decreases. Larger firms may prefer to reinvest their earnings into growth opportunities rather than distribute them as dividends. According to the Bird-in-Hand Theory, while dividends are valued for their certainty by investors, larger firms often have the capacity to leverage their resources for long-term growth, which can lead to a reduced emphasis on immediate dividend payouts. Larger firms are generally perceived as being more financially stable, but this stability can create an environment where management prioritizes reinvestment into profitable projects over returning cash to shareholders. Larger firms are usually subject to more scrutiny from institutional investors and regulatory bodies, which increases pressure on management to maintain financial flexibility. This scrutiny can lead larger firms to adopt more conservative dividend policies, focusing on retaining earnings to fund future investments instead of distributing excess cash as dividends. This evidence aligns with the understanding that firm size can significantly influence dividend policy, emphasizing the preference for reinvestment in larger firms. This study supports research conducted by Nyarombe et al. (2022), but is not in line with research by Wahjudi (2020) which found a significant positive influence between firm size and dividend policy.

Based on the results of the hypothesis test on leverage, the significance level is 0.184, which exceeds the 0.05 threshold. This indicates that leverage does not have a significant effect on dividend policy. The direction of negative influence can be inferred from the understanding that as leverage increases, the financial obligations of the firm also rise, leading to reduced funds available for dividend distribution. The higher the leverage, the lower the dividend policy will be. This study supports research conducted by Ramadhani & dan Kuswantoro (2018), but is not in line with research by Nurchaqiqi & Suryarini (2018) which found a significant positive influence between leverage and dividend policy.

CONCLUSIONS AND SUGGESTIONS

Conclusion

This study aims to examine the influence of independent variables, which are family ownership, institutional ownership, foreign ownership, profitability, firm size, and leverage on dependent variables, which is dividend policy. The research object used in this study is industrial sector companies listed on the Indonesia Stock Exchange with a research period of 2018-2023. Sample selection using the purposive sampling technique resulted in a sample of 99 companies during the six years of research. This research uses secondary data obtained through the official website of the Indonesia Stock Exchange, the company's official website and Bloomberg facilities provided by the Faculty of Economics and Business, Diponegoro University. The research method used is multiple linear regression analysis. The following are the conclusions of all the tests that have been carried out in this study:

1. Foreign ownership has been proven to have a significant positive influence on dividend policy. Companies with higher foreign ownership tend to distribute more dividends, as foreign investors often prefer stable and higher returns on their investments. Their presence encourages firms to adopt dividend policies that align with global investment standards.
2. Profitability has been found to have a significant positive effect on dividend policy. Companies with higher profitability are more likely to distribute dividends, as they generate sufficient earnings to reward shareholders. Higher profitability reflects efficient management of company resources, which supports sustainable dividend payments.
3. Family ownership does not have a significant effect on dividend policy.
4. Institutional ownership does not have a significant effect on dividend policy.
5. Firm size does have a significant effect on dividend policy but in negative direction. While larger firms often have greater financial stability, this does not necessarily lead to higher dividend payments. Other strategic priorities, such as reinvestment opportunities, may take precedence over dividend distribution.
6. Leverage does not have a significant effect on dividend policy.

Research Limitation

Based on the results of this study, the following are the limitations of this study:

This study primarily examines family ownership, institutional ownership, and foreign ownership, but does not include other potential ownership structures, such as government ownership or managerial ownership, which may also play a role in shaping dividend policy. Another limitation is that the study relies on publicly available data, and its quality and completeness can affect the reliability of the findings. Further, the study period time limitation may not cover long-term effects beyond that period.

Suggestion

Based on the results of this study, the following are suggestions that can be given by the researcher for further research:

Further research with similar studies is recommended to use other relevant variables that have not been used in this study. In addition, it is also recommended to increase the number of samples by using companies from other sectors listed on the Indonesia Stock Exchange. Future studies should consider a more representative sample of firms with foreign ownership or apply alternative measures, such as setting a minimum threshold for inclusion, to better capture its effect on dividend policy. Additionally, exploring firm specific factors that may moderate the impact of foreign ownership on dividends could provide deeper insights into the role of foreign investors in emerging markets. Further research is suggested to use other proxies in calculating the variables in this study, so that it can provide significant findings on the four rejected variable.

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