Factors That Determine Dividend Policy
On Banking In The Indonesia Stock Exchange

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ABSTRACT

The problem of this research was to test and analyze empirically the influence to financial characteristics, ownership structure and board structure that have significant effects on dividend decisions. The objective of this research was banking firm that listed in Indonesian Stock Exchange for period 2010-2017. The methodology of this research was applies purposive sampling. The data obtained in this the secondary data was taken from Indonesian Stock Exchange. This research was panel least square model and processed using software eviews 9. Total number of samples is 27 companies. The purpose of this test is to prove the effect of the independent variables on the dependent variable. The result of this research shows that the financial characteristics, significant effected dividend decisions, meanwhile profitability, likuidity, free cash flow. Growth opportunity, age, size, leverage and asset tangibility does not effects the dividend decisions. Ownership structure significant effected dividend decisions, meanwhile institusional ownership and goverment ownership. And board structure significant effected dividend decisions, meanwhile independen director. The Managerial Implications from this research are how the company manages the capital sources from free cash flow and likuidity, how to make the company can be efficient in running the company and make earning.

Keywords: Age; asset tangibility; deviden decision; board structure; free cash flow; growth opportunity; leverage; ownership structure; profitability; size.
INTRODUCTION

A country’s economy cannot be separated from the role of banking. As stated by the Director General of Development, National Training (Binalatas) of the Ministry of Manpower and Transmigration Abdul Wahab Bangkona. Banking has an important role in advancing a country’s economy. As stated by Waworuntu, M, Rotinsulu TO and Mandeij D (2017) in their research explained that banking has an important function in the economy, especially for business actors who need additional capital in developing their business and banking as well as a place for safer fund storage. Indonesia as a developing country, banking conditions are very dependent on the economic development of other countries (Ramli, 2010; Ramli, 2012a), especially developed countries like the United States. So when the global financial crisis that initially occurred in the United States of America also affected other countries including Indonesia (Ramli, 2017a; Ramli, 2017b; Mariam & Ramli, 2017). According to Saru, E.M, Sugeng, S and Abilawa (2018) The FED’s policy as the central bank of the United States in raising interest rates four times caused the weakening of the rupiah against the dollar. The weakening of the dollar against the rupiah has an impact on various sectors, including the economic sector. This has caused a slowdown in Indonesia’s economic growth and will affect dividend payments of companies listed on the Indonesia Stock Exchange as stated by Marlina and Danica (2009). Wiyono (2017) also explained that if investors have the main goal in investing their funds in a company that is to find income or the level of investment returns in the form of dividend income or income from the difference between the selling price of shares against the purchase price (capital gain).

Dividend distribution expected by investors certainly tends to be stable and even increases from the current period to the next period. This stable dividend distribution policy is expected to increase investor confidence in making investment decisions (Sumartha, 2016). Management often uses dividends to communicate information; one of them concerns the scale of the company’s earnings in general (Liu and Chen, 2015). However, various studies cited by Kilincarslan (2018) argue that when large shareholders (especially families) hold almost full control, they can try to generate benefits for themselves at the expense of minority shareholders because there is no efficient monitoring of them. If this happens, it is consistent with the dividend replacement model, by paying dividends, controlling shareholder profits to investors,
which reduces the possibility of transfer of wealth from others and therefore establishes good treatment of minority shareholders. In addition, it is argued that foreign investors have information weaknesses in local market trading and the task of monitoring management in emerging markets can be more difficult and expensive for them, due to geological, cultural and political differences. Therefore, they prefer higher dividends to improve monitoring of capital markets induced by dividends, which shows the positive influence of foreign investors on Jeon’s dividend policy, Jin Q. Cheolwoo Lee. Clay M Moffett (2011). Several studies cited by Kilincarslan (2018) reveal that relatively few companies have spread ownership structures in most developing countries. On the other hand publicly listed companies are generally dominated and controlled by families and countries with the presence of other large shareholders (Ramli, 2018; Puteri & Ramli, 2017), such as foreign and institutional (financial) investors in these countries (Mariam, 2016; Ramli, 2016a; Ramli, 2016b). This implies that different types of share ownership might have different effects on the company's dividend payment decisions. Kilincarslan (2018) and Ramli & Yudhistira (2018) argues that the founding family and their direct involvement in the management of their company lead to greater oversight and some owner-manager conflict. The corporate governance literature shows that the board of directors has an important role in monitoring and disciplining executive management (Ramli, 2012b; Ramli, 2013; Ramli & Sjahruddin, 2015; Kilincarslan, 2018). From the perspective of agency cost theory, this concludes that dividends and the board of directors are substitutes in mitigating agency problems. Therefore, this study considers the effect of board structure, such as board size, family directors and independent directors, on dividend policy from banks listed on the Indonesia Stock Exchange. Kilincarslan (2018) also cites that a larger board has greater expertise and diversity of specialties, and can therefore offer efficient monitoring, which reduces the role of monitoring dividend payments. The size and composition of the board of directors can influence the effectiveness of monitoring activities. The more boards in a company will provide a form of supervision of the company's performance, the better it will be (Ramli & Maniagasi, 2018).

As such, this study contributes to the new empirical evidence dividend literature which provides more insight into the determinants of dividend policy from banking companies listed on the Indonesia Stock Exchange. In addition, in addition to previous research on dividends in Turkey, which focuses on financial companies (Kilincarslan, 2018), this
study helps illustrate a more complete picture of banking dividend policies listed on the Indonesia Stock Exchange. This study identifies the factors that determine the dividend policy of banking companies listed on the Indonesia Stock Exchange based on financial characteristics, ownership structure and the structure of the board of directors. Banking companies are chosen because banks have an important role in advancing a country's economy. Based on the above background, a study was held under the title: "Factors that Determine Dividend Policy on Banking in the Indonesia Stock Exchange".

LITERATURE REVIEW

Review Of Theory And Development Of Hypotheses

Dividend Policy

According to Sartono (2014) dividend policy is a decision whether the company will get a share of the shareholders as dividends or will be retained for investment financing in the future. If the company chooses to distribute profits as dividends, it will reduce retained earnings and further reduce the total source of internal financing funds. Conversely, if the company chooses to hold the profits obtained, the ability to form internal funds will be even greater.

Financial performance

According to Indriani, W. Endang, A & Purwanto, N (2015) Financial performance can be described as the financial condition of a company in a certain period regarding aspects of raising funds and channeling funds, which are usually measured by indicators of capital adequacy, liquidity and profitability.

Company Size

Mulyono (2010) states that a company that is already in an established position will have easier access to the capital market to increase funds at lower costs, while new and smaller companies will experience more difficulties to have access to the capital market. In the results of his research, Mulyono (2010) also found that company size had a positive effect on dividend policy, indicating that large companies tended to provide larger dividends compared to smaller scale companies.

Firm size can be formulated:
\[ Size = \text{Ln of Net Revenue} \]

**Leverage**

According to Kasmir (2014) leverage is a ratio used to find out how much the company's ability to pay all obligations (both short-term and long-term obligations). The type of debt ratio used is Debt to Equity Ratio. The increase in debt will affect the size of the net income available to shareholders including dividends to be received. Research conducted by Akhyar (2014) explains that Debt to Equity Ratio (DER) explains the ability of a company to meet all its obligations, as indicated by how much part of its own capital is used to pay debts. The formula to find the debt to equity ratio can be used as a comparison between total debt and total equity as follows:

\[
\text{Debt to Equity Ratio} = \frac{\text{total Amount of debt}}{\text{total capital}} \times 100\%
\]

**Return On Assets (ROA)**

According to Hanafi (2014) understanding ROA is measuring the company's ability to generate net income based on a certain level of assets. Based on the understanding of these experts, it can be concluded that Return On Assets (ROA) is a profitability ratio that is used to measure the effectiveness of the company in generating profits by utilizing the assets owned. In his research Rachmad and Muid (2013) explained that it was concluded that a company with a greater profit would pay a larger portion of income as dividends. According to Hanafi (2014) ROA can be formulated as follows:

\[
\text{Return On Assets} = \frac{\text{Net Income}}{\text{Total Altiva}} \times 100
\]

**Company Age**

Pratiwi, Rahmawati Dwika. Eli Siswanto and Lulu Nurul Istanti (2016) explained that the age of the company can describe how long the company has been operating from the start of the company. The age of the company can be measured from the year of research reduced by the year of establishment of the company. Research conducted by Darmawan (2011) found evidence that company age had a significant positive effect on dividends.
The meaning of the results of these studies is that the longer the company's life will be able to increase the ability to pay dividends:

\[ \text{Age} = \ln (\text{Year of observation-standing year}) \]

**Growth**

In Simanjuntak's research (2016), the free cash flow hypothesis theory explains that a company with a higher chance of growth will have lower free cash flow, because most of the company's funds are used to invest in projects that have a Net Present Value (NPV) positive. In Simanjuntak's research (2016) also mentioned Growth Ratio is a company that has increased growth in business development from year to year formulated:

\[ \text{Growth} = \frac{\text{Total Asset}_1 - \text{Total Asset}_{t-1}}{\text{Total Asset}_{t-1}} \]

**Liquidity**

In its research Karaun et, al (2017) stated that the Loan to Deposit Ratio (LDR) illustrates how far the bank's ability to repay the withdrawal of funds by depositors by relying on loans provided as a source of liquidity. Corporate liquidity is a major consideration in dividend policy, because dividends for companies are cash outflows, the greater the company's cash position and overall liquidity, the greater the company's ability to pay dividends. The results of research from Hanafi (2014) where if credit is given too high then the level of bank profits will also be higher. This will have an impact on dividend policy.

**Assets Tangibility**

Wardhana (2012) in his research stated that Assets Tangibility is related to the amount of assets (assets) that can be used as collateral (collateral), this is seen as a way to reduce the risk of creditors. So the greater the proportion of company Assets Tangibility, the creditors will be easier to lend so that the company's debt level becomes large. Kilincaslan (2018) detected a negative relationship between the tangibility of a company's assets and dividends.

**Ownership Structure**

Sugeng (2009) in his research explained that agency cost would be lower in companies with high managerial ownership, because this would allow a merger between
shareholder interests and managerial interests, which in this case functions as an agent and also as a principal. The same thing can happen in companies where there are large block shareholders (large shareholders) which usually consists of institutional shareholders (institutional shareholders) who have high ability to control managers. The existence of a large block shareholder indicates a smaller level of dispersion from shareholders by external parties.

**Foreign ownership**

According to Sugeng (2009) foreign ownership is a portion of the outstanding share owned by foreign investors or investors. Based on the Minister of Finance Regulation No. 153 / PMK.010 / 2010 concerning Share Ownership and Capital of Securities Companies, foreign investors are foreign citizens or foreign legal entities that are not engaged in the financial sector. Chai (2010) found that foreign ownership has a positive effect on the level of dividend payments as measured by the dividend payout ratio.

**Domestic institutional ownership**

According to Fardani (2016) institutional ownership is the number of shares owned by the institution compared to the number of shares of the company in circulation. The higher the level of institutional ownership, the stronger the control over the company. Fardani (2016) found that institutional ownership has a negative influence on dividend payments as measured by a dividend payout ratio.

**State ownership**

Government / state ownership is the number or proportion of shares owned by the government that are generally found in state-owned or state-owned companies (Setiawan et al, 2016). Kilincaslan (2018) asserts that state-controlled companies are more likely to contain "dual owner-manager problems" and dividend payments can reduce the agency problems that are more severe in these companies. Kouki and Guizani (2009) found a negative correlation between state ownership and dividend policy.

**Ownership dispersion**

Dispersion (public) ownership is the proportion of share ownership owned by the public, that is, individuals outside management and have no special relationship with the
company according to research conducted by Aprilianingrum & Dewi (2016). Kilincaslan (2018) shows that minority investors will usually choose a higher dividend to reduce what is left over for a takeover. Kilincaslan (2018) detected a positive relationship between the distribution of ownership and dividend payments.

**Board Structure Board Size Board**
The size of the board of directors is measured using an indicator of the number of board members in a company (Bukhori, 2012). Al-Najjar and Kilincarslan (2016) report that board size has a positive effect on dividend payment decisions (both for decisions to pay dividends and total payments).

**Independent director**
Decree of the Board of Directors of the Indonesia Stock Exchange No. Kep-00001 / BEI / 01-2014 Regarding Amendment to Rule Number I-A concerning Listing of Shares and Equity-Type Securities Other Than Shares Issued by Listed Companies, explains that the Independent director is One of the Directors of the Board of Directors. The Independent Director can be chosen first through the GMS before the company's shares are officially listed on the exchange, but the Independent Director can only act to carry out his duties and functions after the official company shares have been listed on the exchange. (http://asevysohari.blogspot.com). Al-Najjar and Hussainey (2009) found the negative effect of independent directors on dividends.

**Prior Research and Hypotheses**
Based on the conceptual framework above, the hypotheses formulated are as follows:

**Financial Characteristics**

**Effect of Company Size on Dividend Policy**
The size of the company can be said that companies with large assets will be easier to enter the capital market, to maintain reputation and that makes the company can distribute larger dividends (Hadinugroho and Handayani, 2009). Personal and Sampurno (2012) and Lopolusi (2013) suggest that company size has a negative and significant impact. But it differs from Hadinugroho and Handayani 2009) which suggests the opposite is positive and significant.
Effect of Profitability on Dividend Policy

ROA or profitability itself is a ratio to measure net income after tax with own capital. Marlina and Danica (2009) and Asiah (2015) suggested that ROA has a positive effect on dividend payout, similar to what was stated by Personal and Sampurno (2012), but different from the results of research from Hadinugroho and Handayani (2009) which stated that ROA and dividend payout has a negative and significant effect.

Effect of Debt Against Dividend Policy

According to Akhyar et al. (2014) the greater the company's debt, it tends to pay lower dividends with the aim to reduce dependence on external funding so that the greater the proportion of debt used for the capital structure of a company, the greater the amount of liabilities that will affect the size of the dividend will be shared. Similarly, the results of the study of Akhyar et al. (2014) and Gunawan and Djohan (2012) which stated that leverage had a negative and significant effect on dividend policy. However, it is different from what was stated by Mahesti et al (2013) which states that debt and dividend payout have a positive and significant effect.

Effect of Company Age on Dividend Policy

Darmawan (2011) argues that long-standing companies have low growth opportunities and little investment funding so that the company has the ability to distribute dividends in larger amounts. Companies that have long been established are generally in the maturity stage (mature) while companies that have not long been established are in the growth stage. The same study was conducted by Ritha (2013) who said that company age had a significant positive effect on capital structure. However, it is not the same as research conducted by Akhyar et al. (2014) Marlina and Danica (2009) said that company age had a significant negative effect on capital structure.

Effect of Growth on Dividend Policy

Research conducted by Akhyar et al. (2014) found that growth had a significant effect on the dividend payout ratio. And according to Imran (2011) a positive effect on dividend payouts. In contrast to the research produced by Simanjuntak (2016) argues that company growth has a negative effect on Dividend Payout Ratio (DPR).
The Effect of Free Cash Flow on Dividend Policy
Rodsini (2009) describes free cash flow as discretionary cash flow available to companies. Free cash flow can be used for discretionary uses such as acquisition and capital expenditure with growth orientation, debt payments, and payments to shareholders in the form of dividends. The greater the free cash flow the company has, the healthier the company will be because it has cash available for growth, debt payments and dividends. So, the higher the free cash flow the company has, the higher the dividend the company can pay, because the company has enough cash available. Research conducted by Rodsini (2009) found that free cash flow has a positive effect on dividend payout ratios. Kouki and Guizani (2009) and Lucyanda and Lilyana (2012) also found a positive effect of free cash flow on dividend policy.

Effect of Liquidity on Dividend Policy
Liquidity is something that needs to be considered before making a decision to determine the amount of dividends. Because the amount of dividends to be paid will be greatly influenced by the amount of cash position in a company. A large cash position is seen as a distinct advantage for investors, but there is also a negative side that is seen for investors if a large cash position is considered a bad signal because the company cannot make maximum use of cash (Personal and Sampurno, 2012). According to Marlina (2009) and Akhyar (2014) Cash has a positive and significant influence on Dividend Payout Ratio (DPR).

Effect of Asset Tangibility on Dividend Policy
Kilincaslan (2018) and Muttaqiin and Windijarto (2014) detected a negative relationship between the tangibility of a company's assets and dividends. They argue that a larger fraction of long-term tangible assets reduces the proportion of short-term assets that can be used as collateral for short-term funding, and therefore reduces the company's lending capacity where the main source of debt is short-term bank financing. This in turn forces the company to use more of the income generated internally, while reducing the possibility of paying dividends. The negative impact of asset tangibility on dividends is also reported by Kilincaslan (2018). Based on the research results above, it can be formulated:
H1a: There is an influence between company size on dividend policy on banks listed on the Indonesia Stock Exchange

H1b: There is an influence between profitability on dividend policy on banks listed on the Indonesia Stock Exchange

H1c: There is an influence between debt and dividend policy on banks listed on the Indonesia Stock Exchange

H1d: There is an influence between age on dividend policy on banks listed on the Indonesia Stock Exchange

H1e: There is an influence between growth on dividend policy on banks listed on the Indonesia Stock Exchange

H1f: There is an influence between free cash flow towards dividend policy on banks listed on the Indonesia Stock Exchange

H1g: There is an influence between liquidity on dividend policy on banks listed on the Indonesia Stock Exchange

H1h: There is an influence between Asset Tangibility on dividend policy on banks listed on the Indonesia Stock Exchange

Ownership Structure

Effect of Structure of Foreign Ownership on Dividend Policy
Chai (2010) and Sugeng (2010) found that foreign ownership had a positive effect on the level of dividend payments as measured by the dividend payout ratio. Similarly, the opinion of Kilincarslan (2018) which states that foreign investors have information weaknesses in local market trading and the task of monitoring management in emerging markets can be more difficult and expensive for them, due to geological, cultural and political differences. Therefore, they prefer higher dividends to improve monitoring of capital markets induced by dividends, which shows the positive influence of foreign investors on dividend policy.

Effect of Domestic Institutional Ownership Structure on Dividend Policy
Research by Lucyanda, J and Lilyana (2012) and Fardani (2016) found that institutional ownership has a negative effect on dividend payments as measured by the dividend payout ratio. The same thing with the results of research from Kilincarslan (2018) which
suggests that managerial ownership has a negative and significant effect on dividend policy.

**Effect of State Ownership Structure on Dividend Policy**

Kilincaslan (2018) asserts that state-controlled companies are more likely to contain “dual owner-manager problems” and dividend payments can reduce the agency problems that are more severe in these companies. Wang et al. (2011) shows that higher state ownership is associated with higher dividend payments. In contrast, Kouki and Guizani (2009) found a negative correlation between state ownership and dividend policy.

**The Effect of Minority Shareholder Ownership Structure on Dividend Policy**

The presence of a large number of small (minority) shareholders outside leads to a lower level of concentration in ownership, in other words, the spread of ownership, which increases the problem of information asymmetry. Thus, Kilincaslan (2018) shows that minority investors will usually choose a higher dividend to reduce what is left over for a takeover. Kilincaslan (2018) detected a positive relationship between the distribution of ownership and dividend payments. Or, it is said that small investors characteristically care about the appreciation or depreciation of the shares they hold and depend on capital gains rather than dividend income, for reasons such as their inability to monitor management or favorable capital gains tax on dividends (Wang et al., 2011). For example Kilincaslan (2018) reports that companies with higher minority ownership tend to distribute lower dividends in China. Based on the research results above, it can be formulated:

**H2a:** There is an influence between foreign ownership and the effect of dividend policy on banks listed on the Indonesia Stock Exchange.

**H2b:** There is an influence between domestic institutional ownership on dividend policy on banks listed on the Indonesia Stock Exchange.

**H2c:** There is an influence between state ownership on dividend policy on banks listed on the Indonesia Stock Exchange.

**H2d:** There is an influence between shareholder ownership on dividend policy on banks listed on the Indonesia Stock Exchange.
Board of Directors Structure

Effect of Board Size on Dividend Policy

Al-Najjar and Kilincarslan (2016) and Sugeng (2009) report that board size has a positive effect on dividend payment decisions (both for decisions to pay dividends and total payments).

Influence of independent directors on the relevant council on the dividend policy. Several studies cited by Kilincarslan (2018) investigate the positive relationship between independent directors on the board and dividend policy, but the evidence is mixed. For example, Al-Najjar and Hussainey (2009) found a negative effect from independent directors on dividends, while Atmaja (2014) detected a positive one. Given the mixed results of previous studies, no directional signs were expected but this study assumed that there was a significant relationship between independent directors on the board and dividends. Based on the research results above, it can be formulated:

**H3a:** There is an influence between the size of the board on dividend policy on banks listed on the Indonesia Stock Exchange.

**H3b:** There is an influence between independent directors on dividend policy on banks listed on the Indonesia Stock Exchange.

**RESEARCH METHODS**

**Population and Sample**

The population used as objects in this study are all commercial banks listed on the Indonesia Stock Exchange. The total population of banks is 43 banks, namely state-owned banks, national private foreign exchange banks, non-foreign national private banks and regional development banks. The sample of this research is 16 bank samples selected based on banks that have been listed on the Indonesia Stock Exchange since 2010 and banks that distribute dividends. The sample was chosen based on purposive sampling. Purposive sampling is a data collection technique which is used to determine the research sample using certain considerations and aims so that the data obtained can be more representative (Sugiyono, 2016).

The sample selection criteria used in this study are banks that have been listed on the Indonesia Stock Exchange and have financial reports in the course of the study. Based on
these criteria, we obtained a sample of 16 bank samples with a period of 7 years of research, namely the period 2010 - 2017.

**Data Collection Sources and Techniques**

Data collection is done by taking secondary data from the Financial Services Authority Website ([www.ojk.go.id](http://www.ojk.go.id)) in the form of a bank publication financial report for the year 2010 - 2017. In this study the source of the data obtained from the historical include Leverage, Company Age, Company Size, Profitability, Growth, Free Cash Flow, Fixed Assets, Liquidity as well as in terms of the structure of the ownership of the largest shareholder, and in terms of the structure of the board of directors. In addition to the documentation method, in this research a literature study is also carried out, namely data collection by collecting data and theories relevant to the problem to be studied.

**RESULT AND DISCUSSION**

If the significance of the t test is smaller or equal to 0.05, it can be concluded that the independent variable significantly influences the dependent variable, and if the significance of the t test is greater than 0.05, it can be concluded that the independent variable does not significantly influence the dependent variable. Testing hypothesis 1b in this study is to test whether financial performance with profitability variables has an influence on dividend payout.

In table 9 shows the coefficient value $\beta_2$ which is positive at 29.74250 meaning that profitability increases by 1 will increase dividends by 29.74250. With prob is 0.0032 <0.05. These results state the probability variable has a significant effect on dividend payout. This means that financial performance that uses proxy profitability has an influence on the company's dividend policy in the future. The results of this study are the same as the results of research proposed by Marlina and Danica (2009) which states that ROA has a positive effect on dividend payout. This is in agreement with Rachmad and Muid (2013) who explained that the company that the greater the profits will pay a greater portion of income as dividends. The higher the profitability of a company, the higher the cash flow in the company, it is expected that the company will pay higher dividends.
Hypothesis testing 1f in this study is to test whether financial performance with free cash flow variables has an influence on dividend payout. In table 9 it can be seen that the free cash flow variable has a positive beta coefficient of Rp 3.12E-14 to dividends and a prob value of 0.0375 < 0.05. A positive β6 coefficient value of Rp 3.12E-14 means that free cash flow increases by 1 will increase the dividend payout by Rp 3.12E-14. H01f was rejected due to sig value < 0.05 so that the hypothesis test 1f can be supported, then Free Cash Flow affects the dividend policy on banks listed on the Indonesia Stock Exchange. This is because the greater the free cash flow the company has, the healthier the company will be because it has cash available for growth, debt payments and dividends. So, the higher the free cash flow the company has, the higher the dividend the company can pay, because the company has enough cash available. The results of this study are the same as research conducted by Rosdini (2009) which states that free cash flow has a positive effect on dividend payout ratios.

Testing the 1g hypothesis in this study is to test whether liquidity using the Loan to Deposit Ratio has an influence on dividend payouts. In table 9 it can be seen that the liquidity variable has a positive beta coefficient of 5.043016 on dividends and a prob value of 0.0013 < 0.05. A positive coefficient β7 value of 5.043016 means that liquidity increased by 1 will increase dividend payout by 5.043016. H01g was rejected due to sig. < 0.05 so that the 1g hypothesis test can be supported, then liquidity using the LDR proxy has an effect on dividend policy on banks listed on the Indonesia Stock Exchange. This is because the Deposit Ratio (LDR) illustrates how far the bank’s ability to repay the withdrawal of funds made by depositors by relying on loans provided as a source of liquidity. Corporate liquidity is a major consideration in dividend policy, because dividends for companies are cash outflows, the greater the company’s cash position and overall liquidity, the greater the company’s ability to pay dividends. This is in line with the results stated by Hanafi (2014) where if the higher the credit given, the higher the level of bank profits will also be. This will have a positive impact on dividend policy.

Hypothesis testing 2c in this research is to test whether ownership structure with state ownership variables has an influence on dividend payout. In table 9 it can be seen that the country variable has a positive beta coefficient of 4.984973 towards dividends and a prob value of 0.0113 < 0.05. The positive coefficient β11 value of 4.984973 means that state ownership increased by 1 will increase dividend payout by 4.984973. H02d was rejected due to the sig value < 0.05 so that the 2d hypothesis test can be supported, the
ownership of the State shareholders influences the dividend policy on banks listed on the Indonesia Stock Exchange. This is as Kilincaslan (2018) said that state-controlled companies are more likely to contain a "dual owner-manager problem" and dividend payments can reduce the agency problems that are more severe in these companies. Wang et al. (2011) shows that higher state ownership is associated with higher dividend payments.

Hypothesis 3b testing in this study is to test whether the structure of the board of directors with variable size of the board of directors has an influence on dividend payout. In table 9 it can be seen that the independent directors variable has a negative beta coefficient of -1.564097 against dividends and a prob value of 0.0346 <0.05. The coefficient value β14 which has a negative value of -1.564097 means that the independent director increases by 1 will decrease the dividend by 1.564097. H03c is rejected due to sig. <0.05 so that the 3c hypothesis test can be supported, the independent directors influence the dividend policy on banks listed on the Indonesia Stock Exchange. This is because independent directors are more focused on investment and increasing profits, so profits are allocated more for investment than dividend payments. The results of this study are similar to Al-Najjar and Hussainey (2009) who found the negative effect of independent directors on dividend payments.

**CONCLUSION**

Based on the results of analysis of data collected and processed, it can be concluded as follows:

There is an influence between financial performance on dividend policy which can be seen from the probability variable, free cash flow and liquidity but does not affect the variable leverage, company age, company size, growth, and asset tangibility.

There is an influence between ownership structure on dividend policy which can be seen from the variable of institutional ownership and ownership of state shareholders but does not affect foreign ownership and public ownership.

There is an influence between the structure of the board on dividend policy which can be seen from the independent director variable, but it does not affect the size of the board of directors.
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