The Effect of Institutional Ownership, Free Cash Flow (FCF), and Profitability on Dividend Policy on Registered Basic and Chemical Manufacturing Companies on the Indonesia Stock Exchange

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Abstract. This study aims to analyze and examine the effect of institutional ownership, free cash flow (FCF), and profitability on dividend policy in manufacturing companies in the basic and chemical sub-sector listed on the Indonesia Stock Exchange (IDX) for the period 2017 – 2020. The research was conducted using a descriptive quantitative approach by taking data from the company's annual report. This study has a sample of 64 data with a total of 16 manufacturing companies in the basic and chemical industry sub-sectors that meet the research criteria within 4 years. The data analysis technique was carried out using the classical assumption test, while the hypothesis testing used multiple linear regression analysis with the help of SPSS 25.0. The results of the analysis show that institutional ownership partially has no effect on dividend policy, free cash flow (FCF) has no effect on dividend policy, while profitability variables affect dividend policy.

Keywords: Dividend Policy, Institutional Ownership, Free Cash Flow, Profitability

1 Introduction

Along with the times, companies are always faced with problems related to dividend policy which are considered very important for investors as those who receive dividends. Dividend policy is an important activity related to a company's decision to distribute or not distribute dividends (Tarmizi & Agnes, 2016). In addition, a dividend policy is used to provide trust and bind shareholders to invest their capital in a company (Krisadiansyah & Amanah, 2020).

In Indonesia, problems related to dividend policy still occur in many large publicly traded companies, such as PT Kawasan Industri Wijayakusuma deciding not to distribute dividends in 2019 as an effort to expedite development and budgeting from the State Capital (PMN) for Integrated Industrial Estates (KIT) in Indonesia. Batang, Central Java (cnbcindonesia.com). PT Bumi Resources' profits in 2018 will be used to pay interest on the maturing debt (merdeka.com) so that dividends will not be distributed in 2019. Then, the profits of PT Jasa Marga (Persero)

ICAESS 2022, October 05, Batam, Indonesia

DOI 10.4108/eai.5-10-2022.2325890

Tbk (JSMR) obtained will be used as reserves. in strengthening the company's capital structure (cnbcindonesia.com). On this basis also dividends are not issued by the company in 2020.

The problems that occur related to the dividend policy are by following the agency theory proposed by Jensen-Meckling, namely the profits obtained are given to shareholders as dividends or retained earnings to finance investment in the future. In this theory, there are two parties that conflict with each other, namely shareholders with dividend interests and company management with retained earnings (Wulandari et al., 2020). These problems trigger the emergence of agency costs (agency costs) which are borne by shareholders as a solution to prevent the occurrence of opportunistic behavior from managers. The right way to reduce agency costs is to issue dividends.

Company management plays an important role in dividend policy and has the function of increasing the prosperity of its shareholders. However, the role of the dividend policy is considered very large for the survival of the company and contrary to the shareholders. If the company's management decides to withhold these profits, then the internal resources for the company will increase. However, if dividends are distributed to shareholders, it causes a reduction in retained earnings and internal sources for the company, thus making the company run less than optimal (Sari & Budiasih, 2016).

The proportion of share ownership for the company affects dividend policy. This relates to how many shares of an institution are owned by companies outside the institution. In addition, the manager's opportunistic attitude triggers agency costs that must be borne by shareholders. Institutional ownership is a solution to agency costs borne by shareholders by activating oversight of managerial performance (Sari & Budiasih, 2016). This is related to agency theory.

FCF shows the remaining cash issued as a result of operating activities issued to pay dividends to shareholders. Dividends are issued by the company to shareholders if the company has remaining funds from the planned project profits. The residual dividend policy theory proposed by Modigliani-miller (Sari & Budiasih, 2016) explains the relationship between the FCF and dividend policy. FCF can reduce agency costs which are useful for preventing management actions that can harm shareholders and conflict with company goals (Tarmizi & Agnes, 2016).

Profitability is the basis for the distribution of dividends for investors in investing their capital in the company. The amount of dividend payment issued by the company is in line with the level of profit experienced by the company. Shareholders see how a company can generate profits. This is because if the ability to earn profits is high, dividends from the company are high (Krisadiansyah & Amanah, 2020). Based on signaling theory, the increase in dividends distributed gives a signal to shareholders related to company management's view of good prospects in the future (Wulandari et al., 2020).

This research was developed from previous research ideas. Institutional ownership variables are considered influential because if the level of institutional ownership by companies outside the company is high, the dividends to be distributed are high. The FCF variable was chosen because the high level of FCF affects the high level of dividends distributed. The profitability variable was chosen because if the level of profitability is high, then dividends received by shareholders are high and vice versa.

Research related to dividend policy issues has been widely studied with mixed results. Previous research in Taiwan shows that institutional ownership affects cash dividend policy (Chi Cheng et al., 2018). Other studies that have been conducted in Indonesia show that institutional ownership, FCF, and profitability have a positive influence on dividend policy (Tarmizi & Agnes, 2016). Then, research conducted by (Sari & Budiasih, 2016), (Novianti, 2017), and (Wulandari et al., 2020) shows that profitability has no effect and has a negative effect on dividend policy. Furthermore, research by (Krisadiansyah & Amanah, 2020) results that dividend policy is not influenced by the FCF variable.

Research refers to research by (Chi Cheng et al., 2018). The difference is in the sample, period, and research variables. The sample used is a company that is incorporated in the Taiwan Stock Exchange, while this study uses a sample of manufacturing companies on the BEI in the basic and chemical industry sub-sectors. Previous research used the 2001 - 2010 period, while this study used the 2017 - 2020 period because the data needed is the latest. This study uses the institutional ownership factor to re-examine its effect on dividend policy. This study adds FCF and profitability factors to see their effect on the company's dividend policy.

2 Theory and Literature Study

2.1 Theoretical Review

2.1.1 Agency Theory (Agency Theory)

The theory put forward by Jansen and Meckling explains that there are two parties involved and interested, namely the company's management and shareholders who are conflicting with each other. The conflict was caused by the separation of ownership and management functions of the company between company management and shareholders (Jensen & Meckling, 1976). Managers are known as agents who take actions according to the wishes of shareholders in terms of increasing the welfare of shareholders but in reality, the opposite is because company management wants retained earnings as a source for the company to finance investments in the future, while shareholders want dividends as a result of profits after investing shares in the company (Wulandari et al., 2020).

2.1.2 Residual Theory of Dividends

The theory put forward by Modigliani-miller explains that dividends will be paid to shareholders if the company has funds remaining from the planned project profits and all profitable investments have been paid. This is considered salvage value, which is the result of the difference between net income and retained earnings which will be used as investment payments (Sari & Budiasih, 2016).

2.1.3 Signal Theory (Signaling Hypothesis Theory)

This theory explains that the company pays dividends to shareholders to provide a signal about the company's success in posting future profits (Trisna & Gayatri, 2019). If there is an increase in dividends, it will be a good signal because high profits will be obtained in the future, while a

decrease in dividends indicates a low-profit forecast in the future. In addition, a good dividend distribution indicates that the company has good management of earnings (Tarmizi & Agnes, 2016).

2.1.4 Institutional Ownership

Institutional ownership has an important meaning in encouraging more optimal supervision for companies. These actions aim to reduce the opportunistic behavior of managers. Thus, companies with good performance are a sign from managers to shareholders regarding dividend payments. This gives trust to institutional holders to manage properly and safely investments they have invested. For companies with poor performance, it is difficult to take action to issue dividends to shareholders (Wulandari et al., 2020).

2.1.5 *Free Cash Flow* (FCF)

Free cash flow (FCF) is the remaining cash that exists after the difference between income and operating and investment costs to increase and maintain cash flow (Krisadiansyah & Amanah, 2020). The greater the free cash flow available by the company, the better the condition of the company's cash to be distributed as dividends, pay debts, and grow.

2.1.6 Profitability

Profitability is the ability of a company to earn profits in the form of assets, capital, and sales (Krisadiansyah & Amanah, 2020). Ratios are useful for companies in measuring the level of a company's ability to generate profits. A high level of profit reflects good management. The profits can be allocated and used as retained earnings and distributed as dividends to shareholders. Conversely, if the company has a low level of profit, it reflects poor management. However, if the company does not distribute dividends but has a high profit, then the profit is retained to expand the market and improve the company's operations to obtain higher profits in the future.

2.2 Literature Review

Table 1. Literature Review

Researcher	Title	Results
(Thaib & Taroreh, 2015)	The Influence of Debt Policy and Profitability on Dividend Policy (Study on Foods and Beverages Companies Listed on the Stock Exchange 2010 – 2014)	Profitability has a positive and significant effect on dividend policy.

Researcher	Title	Results
(Tarmizi & Agnes, 2016)	The Effect of Managerial Ownership, Institutional Ownership, Free Cash Flow, and Profitability on Dividend Policy in Go Public Manufacturing Companies Listed on Indonesia Stock Exchange	Institutional ownership, free cash flow, and profitability have a positive effect on dividend policy.
(Suartawan & Yasa, 2016)	The Effect of Investment Opportunity Set and Free Cash Flow on Dividend Policy.	*Free cash flow* positive effect on dividend policy.
(Sari & Budiasih, 2016)	The Effect of Managerial Ownership, Institutional Ownership, Free Cash Flow, and Profitability on Dividend Policy	Institutional ownership and profitability do not affect dividend policy; Free cash flow has a positive effect on dividend policy.
(Novianti, 2017)	Effect of Profitability, Growth, Debt Policy, and Institutional Ownership on Dividend Policy	Profitability does not affect dividend policy; Institutional ownership affects dividend policy.
(Chi Cheng et al., 2018)	*The Effect of Institutional Ownership Stability on Cash Dividend Policy: Evidence from Taiwan*	Institutional ownership affects cash dividend policy.
(Rahayu & Rusliati, 2019)	Institutional Ownership, Managerial Ownership, and Firm Size on Dividend Policy	Institutional ownership has a positive effect on dividend policy.
(Trisna & Gayatri, 2019)	Company Size Moderates Effect of Free Cash Flow and Leverage on Dividend Policy	*Free cash flow* positive and significant affect on dividend policy.
(Puspitaningtyas et al., 2019)	The Effect of Profitability on Dividend Policy with Liquidity as Moderating	Profitability has a significant effect on dividend policy.
(Maula & Yuniati, 2019)	Effect of Liquidity, Leverage, and Profitability on Dividend Policy of Manufacturing Companies Listed on the IDX	Profitability has a positive and significant effect on dividend policy.
(Krisadiansyah & Amanah, 2020)	The Effect of Free Cash Flow, Profitability, Liquidity, and Leverage on Dividend Policy.	*Free cash flow* does not affect dividend policy; Profitability affects dividend policy.
(Wulandari et al., 2020)	The Effect of Free Cash Flow, Institutional Ownership, Profitability and Leverage on Cash Dividend Policy in Property and Real Estate	*Free cash flow* and institutional ownership have a significant and positive affect on cash dividend policy; Profitability have a

Researcher	Title	Results
	Companies Listed on the Indonesia Stock Exchange.	significant and negative affect on cash dividend policy.
(Akbar & Fahmi, 2020)	The Effect of Firm Size, Profitability, and Liquidity on Dividend Policy and Firm Value in Manufacturing Companies Listed on the Indonesia Stock Exchange	Profitability have a significant and positive affect on dividend policy.

3 Research Model

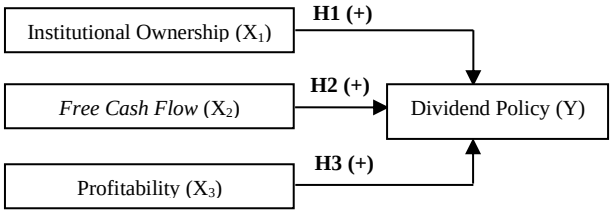

Fig.1. Research Model Chart

3.1 Research Methods

This research method is descriptive and quantitative. This research method was chosen because this research is still a hypothesis that still needs to be tested. The research was carried out by analyzing statistical data and measuring research variables with numbers that emphasized theory testing.

The descriptive quantitative approach examines the effect of variables proxied by Institutional Ownership (INST), Free Cash Flow (FCF), Return On Assets (ROA), and Dividend Payout Ratio (DPR).

3.2 Operational Variables and Their Measurement

3.2.1 Independent Variable

3.2.1.1 Institutional Ownership

Institutional ownership is the proportion of share ownership owned by individuals or limited liability companies on behalf of the company institution where the shares are invested (Novianti, 2017). Institutional ownership is formulated as follows (Novianti, 2017):

$$\text{INST} = \frac{\text{Institutional Owned Shares}}{\text{Total Company Shares}} \text{ x } 100\% \quad (1)$$

3.2.1.2 *Free Cash Flow* (FCF)

Free cash flow is obtained from the remaining cash after the company pays for investment needs and also other operating expenses(Mangundap et al., 2018). FCF variable can be formulated as follows(Trisna & Gayatri, 2019):

$$\text{Free Cash Flow} = \frac{\text{OCF+(NCE−NWC)}}{\text{Total Asset}} \text{ x } 100\% \quad (2)$$

Information:

OCF: Operating Cash Flow

NCE: Net Capital Expenditures

NWC: Net Working Capital

3.2.1.3 Profitability

Profitability shows how the company can generate profits from total assets, a capital, and sales (Krisadiansyah & Amanah, 2020). The profitability variable is formulated as follows (Maula & Yuniati, 2019):

$$\text{Return on Assets} = \frac{\text{Net Income}}{\text{Total Asset}} \text{ x } 100\% \quad (3)$$

3.2.2 Dependent Variable

3.2.2.1 Dividend Policy

Dividend policy describes the decision on the company's profits to be withheld to increase investment capital in the future or be distributed to shareholders in the form of dividends at the end of the year (Tarmizi & Agnes, 2016). Dividend policy variables can be formulated as follows (Maula & Yuniati, 2019):

$$\text{Dividend Payout Ratio} = \frac{\text{Dividend per share}}{\text{Earning per share}} \text{ x } 100\% \quad (4)$$

4 Result and Discussions

4.1 Characteristics of Data

The sample used in this study is non-probability sampling because not all members of the population used to have the same opportunity to be selected as a sample, there are some special considerations before being used as a sample.

Then, the technique for obtaining the sample is purposive sampling, where the sampling method is based on certain criteria (considerations) from the available population members, the following purposive sampling criteria used in this study are:

1. The population of manufacturing companies in the basic and chemical industry sub-sectors listed on the IDX.
2. Companies that have been listed on the IDX during the period 2017 – 2020.
3. The company uses rupiah currency.
4. Companies that distribute dividends during the 2017 – 2020 period.
5. The company data is complete.

So from the 70 population, 16 manufacturing companies in the basic and chemical industry sub-sectors were obtained after using a purposive sampling technique and 54 companies did not meet the characteristics, namely 9 companies that were newly listed on the IDX during the 2017-2020 period; 15 companies that do not use rupiah currency; 25 companies did not distribute dividends during the 2017 – 2020 period; 5 companies with incomplete data. Then, the number of samples was calculated using the panel data method, so a sample of 64 observations was obtained for four consecutive years from the period 2017 – 2020 (time-series) from 16 different companies (cross-section).

4.2 Classic Assumption Test Results

4.2.1 Descriptive Statistics

The following is the result of processing the output data using the SPSS application program:

Table 1. Descriptive Statistics Results

Descriptive Statistics					
	N	**Min**	**Max**	**mean**	**Std. Deviation**
INST	64	0.14	0.99	0.70	0.20
FCF	64	-0.66	0.27	-0.20	0.19
ROA	64	-0.45	0.17	0.05	0.08
DPR	64	-1.01	3.97	0.49	0.65
Valid N (listwise)	64				

Source: SPSS Output 25.0 (2022)

4.2.1.1 Institutional Ownership

The independent variable INST has a minimum value of 0.14 for PT Arwana Citramulia Tbk. 2017 - 2020, a maximum of 0.99 for PT Semen Indonesia Tbk. 2019, and the mean are 0.70. While the standard deviation is 0.20.

4.2.1.2 *Free Cash Flow* (FCF)

The independent variable FCF has a minimum value of -0.66 for PT Champion Pacific Indonesia Tbk. in 2018, the maximum was 0.27 for PT Waskita Beton Precast Tbk in 2020, and the mean was -0.20. While the standard deviation is 0.19.

4.2.1.3 Profitability

The independent variable ROA has a minimum value of -0.45 for PT Waskita Beton Precast Tbk. in 2020, and a maximum of 0.17 for PT Arwana Citramulia Tbk. in 2020, and the mean is 0.05. While the standard deviation is 0.08.

4.2.1.4 Dividend Policy

The dependent variable DPR has the lowest value (a minimum) -1.01 for PT Surya Toto Indonesia Tbk. 2020. The highest score (a maximum) is 3.97 for PT Indal Aluminum Industry Tbk. in 2020, and the mean is 0.49. While the standard deviation is 0.65.

4.3 Normality Test Results

The following is the result of processing the output data using the SPPS application program:

Table 2. Normality Test Results I

One-Sample Kolmogorov-Smirnov Test			
	Unstandardized Residual	**Decision-Making Basis**	**Results**
N	64	Sig. < 0.05	Not normally distributed
asymp. Sig. (2-tailed)	0.000		

Source: SPSS Output 25.0 (2022)

The output results in table 2 above show that the data is not normally distributed (significant value < 0.05), then data outliers are carried out so that the data becomes normal. Outliers are data that deviate too far from other data or the data used is too extreme.

Table 3. Normality Test Results II

One-Sample Kolmogorov-Smirnov Test			
	Unstandardized Residual	**Decision-Making Basis**	**Results**
N	48	Sig. > 0.05	Normal distribution
asymp. Sig. (2-tailed)	0.200		

Source: SPSS Output 25.0 (2022)

After doing outliers, the output results in table 3 show that the data is normally distributed (significant value > 0.05).

4.4 Multicollinearity Test Results

The following is the result of processing the output data using the SPSS application program:

Table 4. Multicollinearity Test Results

Model	**Collinearity Statistics**		**Decision-Making Basis**	**Results**
	Tolerance	**VIF**		
INST	0.894	1.118	Tolerance > 0.1; VIF < 10	Multicollinearity Free
FCF	0.862	1.160	Tolerance > 0.1; VIF < 11	Multicollinearity Free
ROA	0.816	1,225	Tolerance > 0.1; VIF < 12	Multicollinearity Free

Source: SPSS Output 25.0 (2022)

Based on table 4, three independent variables in the table are free from multicollinearity problems.

4.5 Heteroscedasticity Test Results

The following output data using the SPSS application program:

Table 5. Heteroscedasticity Test Results

Model	**Decision-Making Basis**	**Sig.**	**Results**
INST	Sig. > 0.05	0.964	Heteroscedasticity Free

Model	Decision-Making Basis	Sig.	Results
FCF	Sig. > 0.05	0.613	Heteroscedasticity Free
ROA	Sig. > 0.05	0.894	Heteroscedasticity Free

Source: SPSS Output 25.0 (2022)

Based on table 5, the heteroscedasticity test was measured using the glejser test. The three independent variables are free from heteroscedasticity problems.

4.6 Autocorrelation Test Results

The results taken from the output data processing using the SPSS application program:

Table 6. Autocorrelation Test Results

Model	Durbin-Watson	Decision-Making Basis	Results
1	2.042	Du < DW < 4-dU (1.6708 < 2.042 < 2.392)	Autocorrelation Free

Source: SPSS Output 25.0 (2022)

The results of the autocorrelation test in table 6 were tested using Durbin Watson (DW) using a decision basis based on the values of dU and dL (Durbin Watson Table for K-3). The provisions of the results of the theory are dU < DW < 4-dU, then the three independent variables are free from autocorrelation symptoms.

4.7 Hypothesis Test

4.7.1 Multiple Linear Regression Analysis Results

The following is the output of the SPSS the application program:

Table 7. Multiple Linear Regression Analysis Test

Model	Unstandardized Coefficients
	B
(Constant)	0.821
INST	-0.199
FCF	0.313
ROA	-3,228

Based on table 7, the equation is obtained in the form:

$$= \mathbf{0,821} - \mathbf{0,199}\boldsymbol{INS} + \mathbf{0,313}\boldsymbol{FCF} - \mathbf{3,228}\,\boldsymbol{ROA} + \boldsymbol{e_i} \quad (5)$$

Information:

Y = Dividend Policy

α = Constant Value

b = Regression Coefficient

X_1 = Institutional Ownership (INST)

X_2 = Free Cash Flow (FCF)

X_3 = Profitability (ROA)

e_i = Residual Error (error)

The meaning of the equation is:

1. The value of the constant DPR (Y) is 0.821 which states that if INST (X_1), FCF (X_1), and ROA (X_1) are zero. The value of the dividend policy is 0.821.
2. The INST value of -0.199 means that if INST (X_1) increases by 1%, then Y variable decreases by -0.199 or 19.9% and vice versa.
3. The FCF coefficient value of 0.313 means that if the FCF (X_2) increases by 1%, then the Y variable increases by 0.313 or 31.3% and vice versa.
4. The ROA coefficient value of -3.228 means that ROA (X_3) increases by 1%, then the Y variable decreases to -3.228 and vice versa.

4.7.2 Coefficient of Determination Results

The results of hypothesis testing using the SPSS application program:

Table 8. Coefficient of Determination Results

Model	Adjusted R Square
1	0.127

Source: SPSS 25.0 Output (2022)

Based on table 8, the value seen from (Adjusted R Square) which describes the ability of three independent variables in explaining the dependent variable is 12.7%. While 87.3% is explained outside the study by other variables.

4.7.3 t-Test Results

The following are the results of the t-test using the SPSS application program:

Table 9. t-Test Results

Model	Variable	t	Sig.
1	(Constant)	3.035	0.004
	INST	-0.622	0.537
	FCF	1.016	0.315
	ROA	-2,408	0.020

Source: SPSS Output 25.0 (2022)

Based on the results in table 9, the significance value of institutional ownership is 0.537 > α= 0.05, then **Ho is accepted**, meaning that institutional ownership partially does not affect dividend policy. The FCF significance value is 0.315 > α= 0.05, then **Ho is accepted**, meaning that FCF partially does not affect dividend policy. The significance value of profitability is 0.020 < α= 0.05, then **Ho is rejected**, meaning that profitability partially affects dividend policy.

4.8 Data Analysis

From the process of testing the hypothesis, the following summary is obtained:

Table 10. Summary of Hypothesis Test Results

	Hypothesis	Prob.	t-Count	Results
H1	Institutional ownership has a positive effect on dividend policy	0.537	-0.622	Not Supported
H2	*Free cash flow* positive effect on dividend policy	0.315	1.016	Not Supported
H3	Profitability has a positive and significant effect on dividend policy	0.020	-2,408	Supported

Source: SPSS Output 25.0 (2022)

4.8.1 The Effect of Institutional Ownership on Dividend Policy

Hypothesis 1 is not supported so it can be concluded that the partial hypothesis test results show that institutional ownership does not affect dividend policy. It has no

effect because the level of institutional ownership is not the basis for influencing the company to issue a dividend policy. Institutional ownership is related to agency theory, where high institutional ownership can reduce and reduce agency costs that are a burden on shareholders by exercising external control over managers' opportunistic behavior (Rahayu & Rusliati, 2019). In addition, ownership with a majority share can act as control and supervision for the company's performance. However, this is contrary to agency theory because high institutional ownership is not a benchmark for companies to be able to carry out high monitoring efforts for managers' opportunistic behavior and reduce costs borne by shareholders for companies to issue dividends (Tarmizi & Agnes, 2016).

This research is supported by previous research by (Sari & Budiasih, 2016). In contrast to research by (Chi Cheng et al., 2018) if institutional ownership affects dividend policy and by (Wulandari et al., 2020) that institutional ownership has a significant and positive affect on dividend policy.

4.8.2 The Effect of Free Cash Flow on Dividend Policy

Based on the test results, hypothesis 2 is not supported. FCF is related to the residual dividend theory, where dividends will be paid as rights to shareholders if the company has remaining funds from the planned project profits. In addition, FCF can also pressure managers to issue dividends. However, this is contrary to the existing theory because the FCF is directed for expansion by the company's management.

This research supports research by (Krisadiansyah & Amanah, 2020) that FCF does not affect dividend policy. However, the research results are different from the research conducted by (Sari & Budiasih, 2016), (Tarmizi & Agnes, 2016), and (Suartawan & Yasa, 2016) that FCF has a positive affect on dividend policy.

4.8.3 The Effect of Profitability on Dividend Policy

Based on the test results, hypothesis 3 is supported. This shows that profitability is a determining factor for companies to distribute dividends. Companies that distribute dividends regularly are influenced by large and small profits issued by the company. This is in line with the residual dividend theory which states that if the company has large residual profits, the dividends to be distributed are also large. In addition, the signal theory also explains that profit greatly affects the company's activities in the future (Krisadiansyah & Amanah, 2020).

The research results support research by (Novianti, 2017), (Puspitaningtyas et al., 2019), (Krisadiansyah & Amanah, 2020), (Thaib & Taroreh, 2015), (Suartawan & Yasa, 2016), (Maula & Yuniati, 2019), and (Akbar & Fahmi, 2020) that profitability has an effect on dividend policy. However, the results of this study are different from the research conducted by (Sari & Budiasih, 2016) and (Wulandari et al., 2020) that profitability has a negative and significant effect on dividend policy and has no effect on dividend policy.

5 Conclusion

5.1 Conclusion

Conclusions from the results and discussion of the analysis above, it is concluded: (1) Partial institutional ownership does not affect dividend policy. This is because the supervision carried out on managerial performance and high institutional ownership does not reduce agency costs as an effort by shareholders to pressure company management to issue dividends. (2) Free cash flow partially does not affect dividend policy. This is because the company decided not to issue dividends and applied retained earnings as a high initial capital to develop the company and as an effort to expand. (3) Profitability partially affects dividend policy. This is because the company's profit level is in line with the dividends that will be obtained by shareholders. In addition, the profits owned by the company every year indicate the company's success in posting profits in the future.

5.2 Limitations

Several limitations in this study, namely (1) Limited to manufacturing companies in the basic and chemical industry sub-sectors listed on the Indonesia Stock Exchange, so that the selected sample is not large. (2) The short research year period is only counted from the period 2017 – 2020. (3) Only use the independent variables of institutional ownership, FCF, and profitability to test their effect on dividend policy.

5.3 Implications and Suggestions

The result of research shows that only the independent variable of profitability affects dividend policy. Suggestions for further researchers are to be able to expand the research sample used. In addition, the next researcher can add or replace independent variables and other measuring tools. Further researchers can increase the research period by not only 4 years of the research period.

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