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The Influence of Profitability, Liquidity, Investment Opportunity Set, Managerial Ownership and the Independent Board of Commissioners on Dividend Policy

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Abstract

Purpose: *This study aims to determine the influence of Profitability, Liquidity, Investment Opportunity Set, Managerial Ownership and the Independent Board of Commissioners on Dividend Policy.*

Design/methodology/approach: *This study uses quantitative data, the sample in this study is 9 industrial sector companies listed on the Indonesia Stock Exchange in the period 2017 – 2023. The analysis technique used to test the hypothesis is multiple regression analysis using Eviews9 software.*

Findings: *The test results show that Profitability and managerial ownership have a positive and insignificant effect on the Dividend Policy, while Liquidity has a positive and significant effect on the Dividend Policy, and the Investment Opportunity Set and the Independent Board of Commissioners have a negative and insignificant effect on the Dividend Policy.*

Research limitations/implications: *This study discusses Dividend Policy and other factors such as Profitability, Liquidity, Investment Opportunity Set, Managerial Ownership and the Independent Board of Commissioners which focuses on industrial sector companies. This study uses the Dividend Payout Ratio as a measurement of the Dividend Policy.*

INTRODUCTION

Developments in the increasingly competitive business world require companies to increase competitiveness In realizing this, companies need funds, both from internal and external parties. One of them is that external funding sources can come from the capital market which allows companies to obtain funds from investors to support their growth. Investors, who expect profits from their investments, often rely on the company's financial

statements as the basis for making investment decisions. This financial report provides an overview of the company's condition, including its ability to generate profits that will ultimately affect the *returns* that investors receive through dividends. Each company's management has its own policy in distributing profits to shareholders which is referred to as the Dividend Policy.

Dividend Policy is a decision regarding the distribution of profits in a company which is usually carried out at the end of the year to be given to *shareholders* in the form of dividends or used as *retained earnings* which aims to increase capital as investment funding that occurs in the industrial sector, one of which is PT MNC Asia Holding (BHIT) decided to hold all 2021 profits as retained earnings, while PT Astra International (ASII) distributed lower dividends compared to the previous year even though the amount of profit was larger than the previous year. This phenomenon shows that dividend distribution is not only influenced by the amount of profit, but also by the evaluation of the company's overall condition. There are other factors that can affect dividend policy such as Profitability.

One of the factors that can affect the Dividend Policy is Profitability, which is the company's ability to generate profits (Meidawati et al., 2020). Companies that have a high level of profitability have a large source of income to cover the cost of dividends distributed without sacrificing investment or company development. The higher the company's ability to earn its net profit by using all of its wealth, the higher the company's ability to pay dividends, and vice versa. Another factor besides Profitability that can affect the Dividend Policy is Liquidity. According to the book Financial Management by Utari, Purwanti, and Prawironegoro (2014:60), liquidity is the ability of a company to meet its short-term obligations. Companies that have a high level of Liquidity tend to have a greater potential dividend return Conversely, if the company's Liquidity level is low, then the company can reduce or choose not to distribute dividends to maintain the company's financial stability. In addition, another factor that can affect the Dividend Policy is *the Investment Opportunity Set* (IOS). According to Jayanti et al. (2019) Liquidity has a positive effect on Dividend Policy. Meanwhile, according to N. K. M. A. Dewi & Muliati (2021) Liquidity has no effect on Dividend Policy.

The Investment Opportunity Set is a choice of future investment opportunities that can affect the growth of the company's assets (Citta et al., 2022). At a time when a company has a lucrative investment opportunity, company management may be more likely to choose to allocate a large portion of its profits to support the company's growth through investment. This makes the Dividend Policy likely lower because the profits are used to fund profitable investments. Conversely, if *the Investment Opportunity Set* is limited, management may be more likely to pay larger dividends to investors. Another factor that can affect the Dividend Policy is Managerial Ownership. This is supported by research from Citta et al. (2022) stating that *the Investment Opportunity Set* has a positive effect on Dividend Policy. Meanwhile, according to Rafika & Dillak (2020) stated that *the Investment Opportunity Set* has no effect on the Dividend Policy.

Managerial ownership is a number of share ownership owned by the company's management (Novianto & Asandimitra, 2017). High managerial ownership can cause the company's management to tend to take control of the company, so that the profits obtained can be distributed as dividends rather than used as retained earnings. This is in accordance

with the research of Arifin & Asyik, (2015) and Prihatini et al., (2018) which stated that managerial ownership has an effect on dividend policy, while according to the research of Lanjar & Marsudi, (2021) and Wijayanto & Navulani Putri, (2018) stated that managerial ownership has no effect on dividend policy. Another factor that can affect the Dividend Policy is the Independent Board of Commissioners.

The independent board of commissioners plays an important role in maintaining objectivity and integrity in the company's decision-making, including decisions related to the Dividend Policy (Mangasih & Asandimitra, 2017). The high level of independence in the board of commissioners reflects good corporate governance, especially in decision-making related to dividend policy. This is in accordance with the statement (Evonia, 2020) stating that the Independent Board of Commissioners has an influence on the Dividend Policy. Meanwhile, according to research (Mangasih & Asandimitra, 2017) it is stated that the Independent Board of Commissioners has no effect on the Dividend Policy. In the previous study, the manufacturing and food and beverage sectors were used and the results were not significant, therefore the authors used the industrial sector to see if the results shown were the same as the previous research.

LITERATUR REVIEW

Signaling Theory

Akerlof (1970) in his work entitled "The Market for Lemons" introduced the concept of information asymmetry, which describes a situation where information is unevenly distributed between the parties involved in a transaction. In this context, signal theory emerged as a mechanism to address information asymmetry. Signal theory suggests that accurate and equitable dissemination of information helps parties, especially investors, in distinguishing between low-value or performing companies and high-value companies. The information conveyed by the company will be analyzed by market participants as a positive or negative signal. These signals serve to reduce uncertainty caused by information asymmetry and provide guidance to stakeholders in decision-making. If the signal is considered positive, investors will be encouraged to invest. Conversely, if the signal is perceived as negative, investors should be more cautious in making investment decisions.

Dividend Policy

Dividend Policy is a decision made by the company's management to determine the proportion of profits to be distributed to shareholders (Sudana, 2009, p. 219). The decision regarding the dividend policy will be approved at the General Meeting of Shareholders (GMS) (Dewi & Muliati, 2021). Shareholders have the opportunity to approve or reject the policy made by the company's management regarding dividends.

Hypothesis Development

Profitability is the company's ability to generate profits (Monika et al., 2022). Companies with high Profitability tend to have more net profit to distribute to shareholders. This information is used by shareholders as a signal about the company's financial condition. Based on the signal theory, companies with high Profitability give a positive

signal to the Dividend Policy, where the increase in dividends that exceed shareholders expectations indicates the company's healthy financial condition and good future prospects. Conversely, low profitability gives a negative signal if the dividends distributed are lower than expected, signaling poor financial performance and potential financial difficulties. This is in accordance with the research of Agustino & Dewi, (2019) and Meidawati et al., (2020) which stated that Profitability has an effect on Dividend Policy, where there is a decrease, However, in previous research by Lanjar & Marsudi, (2021) and Monika et al., (2022) stated that Profitability has no effect on Dividend Policy. Based on previous research and an explanation of the influence of Profitability on Dividend Policy, the author proposes a hypothesis:

H_1: Profitability has a positive effect on dividend policy.

Liquidity describes the ability of a company to fulfill its short-term obligations (Anisah & Fitria, 2019). This ability can influence companies in making Dividend Policy, this is in accordance with signal theory because companies that have high liquidity will give positive signals that will affect Dividend Policy. High liquidity indicates that the company has sufficient cash flow to meet its short-term obligations, including dividend payments (Septika et al., 2021). As a result, management will feel more confident in setting or increasing dividends, as the company is confident that it will be able to pay dividends consistently without sacrificing the company's operations or investments. On the other hand, low liquidity can give a negative signal, if liquidity is not managed and used ineffectively, this can affect the company in making a Dividend Policy. This is in accordance with the research of Jayanti et al., (2019) and Ratnasari & Purnawati, (2019) stating that Liquidity has an effect on Dividend Policy. However, in previous research by Attahiriah et al., (2020) and Dewi & Muliati, (2021) which stated that Liquidity has no effect on Dividend Policy. Based on previous research and an explanation of the influence of Profitability on Dividend Policy, the author proposes a hypothesis:

H_2: Liquidity has a positive effect on dividend policy.

Investment Opportunity Set is an investment opportunity whose amount depends on the expenses that have been set by the management (Andaswari et al., 2017). Companies that have a high amount of investment opportunities, the presetage of profits that will be paid as dividends will tend to be less or not share profits. This is because the company chooses to use the profits generated for investment activities. These investment opportunities can provide a signal of confidence to shareholders regarding the company's future prospects. This means that the Dividend Policy influenced by the Positive Investment Opportunity Set reflects the company's ability to manage capital efficiently so as to increase the company's value in the eyes of shareholders. On the other hand, the Investment Opportunity Set can give a negative signal, if the company does not find a profitable investment opportunity, the profits shared will be greater. This is in accordance with the research of Noviyana & Rahayu, (2021) and Putri et al., (2020) stating that *the Investment Opportunity Set* has an effect on the Dividend Policy. However, in previous research by Rohman et al., (2019) and Yunita & Subardjo, (2023) which stated that *the Investment Opportunity Set* had no effect on the Dividend Policy. Based on previous research and an explanation of the influence of Investment Opportunity Set on Dividend Policy, the author

proposes a hypothesis:
H_3: Investment Opportunity Set has a positive effect on dividend policy.

Managerial ownership describes the extent to which the manager or executive owns the company's shares, which reflects the level of management's involvement in the company (Wijayanto & Navulani Putri, 2018). The larger the proportion of managerial share ownership, the more likely the company's management as a shareholder will be to make a Dividend Policy to distribute higher dividends, this can be a positive signal for shareholders. On the other hand, a negative signal occurs if the proportion of managerial ownership is small, then it can influence the Dividend Policy to distribute smaller dividends and choose to make profits as retained earnings. This is in accordance with the research of Amalia & Hermanto, (2018) and Prihatini et al., (2018) which stated that Managerial Ownership has a positive effect on Dividend Policy. However, in previous research by Estuti et al., (2020) and Rahayu & Rusliati, (2019) which stated that managerial ownership has a negative effect on Dividend Policy. Based on previous research and an explanation of the influence of Managerial Ownership on Dividend Policy, the author proposes a hypothesis:
H_4: Managerial Ownership has a positive effect on dividend policy.

An independent board of commissioners is a member of the board of commissioners in a company that has no direct relationship with the company's management (Evonia, 2020). This indicates that the independent board of commissioners can give a positive signal to the market and stakeholders regarding the company's commitment to good *corporate governance*. The higher the percentage of the Independent Board of Commissioners, the better the independence of the board of commissioners and shows that the company is committed to maintaining *good corporate governance* and protecting the interests of all shareholders, on the other hand, if the percentage of the independent board of commissioners is low, this can be considered a negative signal by the market. This is in accordance with the research of Setiyowati & Sari, (2017) and Wilbert & Natiman, (2022) which stated that the independent board of commissioners has a positive effect on the Dividend Policy. However, in previous research by Chandra & Junita, (2021); Mangasih & Asandimitra, (2017) stated that it has a negative effect on the Dividend Policy. Based on previous research and an explanation of the influence of the Independent Board of Commissioners on the Dividend Policy, the author proposes a hypothesis:
H_5: The Independent Board of Commissioners has a positive effect on dividend policy.

RESEARCH METHOD

This study aims to determine the possible relationship between the influence of independent variables Profitability, Liquidity, *Investment Opportunity Set*, Managerial Ownership and the Independent Board of Commissioners on the dependent variable, namely Dividend Policy. The research paradigm used in this study is *positivism* as a method that is systematically arranged using deductive logic starting from hypothesis formulation to testing. The type of data used in this study is using quantitative data. The quantitative method is a data analysis technique using the calculation of numbers derived from financial

statements. This analysis technique is used to obtain definite results in processing data so that it can be held accountable (Nufiati & Suwitho, 2015) As for the research strategy, it uses case studies, where these case studies are aimed at investigating and studying events or phenomena about something, and for analysis units use organizations with minimal researcher involvement. The sampling design in this study is non-probability sampling using purposive sampling. For the background of the study, the researcher did not find any intervention in this study (noncontrived). For the implementation time, panel data was used which was a combination of cross-section and time series using data analysis, namely hypothesis testing. The measurements used are as follows:

Tabel 1. Measuring instruments and variable measurement sources

Concept	Variable	Measuring Instruments	Source
Dependent	Dividend Policy	$DPR = \frac{Dividen\ Per\ Share}{Earning\ Per\ Share} \times 100\%$	(Prastya & Jalil, 2020)
Independent	Profitability	$ROE = \frac{\text{Net Profit}}{\text{Total Equity}} \times 100\%$	(Lanjar & Marsudi, 2021)
	Liquidity	$CR = \frac{\text{Current Assets}}{\text{Current debt}}$	(Dewi & Muliati, 2021)
	Investment opportunity Set (IOS)	MBVE: $= \frac{\text{Number of shares outstanding} \times \text{closing price of shares}}{\text{Total Equity}}$	(Rifai et al., 2022)
	Managerial Ownership	$KM = \frac{\text{Managerial Ownership Shares}}{\text{Total Saham Beredar}}$	(Chandra & Junita, 2021)
	Independent Board of Commissioners	Independent Board of Commissioners: $\frac{\text{Number of board of commissioners}}{\text{Independent Commissioner}}$	(Evonia, 2020)

RESULTS

Descriptive Analysis

Tabel 3. Descriptive Analysis Test

	KD	PR	LK	IOS	KM	DKI
Mean	0.304051	0.147722	2.143657	2.251949	0.064230	0.405276
Median	0.293600	0.118700	1.785700	1.501100	0.027600	0.400000
Maximum	1.107000	0.527300	6.822300	8.464300	0.373200	0.500000
Minimum	0.000000	0.021800	0.976000	0.104000	0.000000	0.300000
Std. Dev.	0.249809	0.099026	1.205452	2.187133	0.112131	0.080604
Skewness	0.753701	1.259303	2.166134	1.346373	2.308750	0.226826
Kurtosis	3.704733	4.959401	7.525715	3.969754	6.651203	1.216309

Jarque-Bera	7.268383	26.72940	103.0329	21.50216	90.96305	8.891804
Probability	0.026405	0.000002	0.000000	0.000021	0.000000	0.011727
Sum	19.15520	9.306500	135.0504	141.8728	4.046500	25.53240
Sum Sq. Dev.	3.869092	0.607977	90.09306	296.5801	0.779553	0.402815
Observations	63	63	63	63	63	63

Source: Data processed (2024)

KD = Dividend Policy, PR = Profitability, LK = Liquidity, IOS = *Investment Opportunity Set*, KM = Managerial Ownership, DKI = Independent Board of Commissioners.

The table above shows that there are 105 *observations (unbalanced)* for the research year period 2017 – 2023. The descriptive explanation of statistics in the data above means:

1. The Dividend Policy in the industrial sector has a value range between the lowest 0.000 to 1.107 with an average value of 0.304. The company with the highest value is PT United Tractors Tbk (UNTR) in 2022, with a standard deviation value of 0.250, which indicates that the standard deviation value is smaller than the average value. This indicates that the distribution of data is relatively small and illustrates a picture of information that is not completely complete.
2. Profitability in the industrial sector has a value range between the lowest 0.022 to 0.527 with an average value of 0.148. The company with the lowest value was PT MNC Asia Holding Tbk in 2017 and the highest value was owned by PT Mark Dynamics Indonesia Tbk in 2021. The standard deviation value is 0.100 which indicates that the standard deviation value is greater than the average value. This indicates that the data is diverse and illustrates a complete picture of information.
3. Liquidity in the industrial sector has a swimming value between the lowest 0.976 to 6.822 with an average value of 2.144. The company with the highest liquidity value is PT in 2021 and the lowest value is PT Supreme Cable Manufacturing & Commerce Tbk in 2017 with a standard deviation of 1,206 which indicates that the standard deviation value is smaller than the average value. This indicates that the distribution of data is relatively small and illustrates a picture of information that is not completely complete.
4. *The Investment Opportunity Set* in the industrial sector has a value range between the lowest of 0.104 to 8.464 with an average value of 2.252. The company with the highest *Investment Opportunity Set* value is PT Impack Pratama Industri Tbk in 2023 and the lowest value is found in PT MNC Asia Holding Tbk in 2023, with a standard deviation value of 2,187 which indicates that the standard deviation value is smaller than the average value. This indicates that the distribution of data is relatively small and illustrates a picture of information that is not completely complete.
5. Managerial ownership has the lowest value range of 0.000 to 0.373 with an average value of 0.064. The company that has the highest managerial ownership value is PT Arwana Citramulia Tbk from 2017 to 2023 and the lowest value is found in PT United Tractors Tbk in 2017, with a standard deviation value of 0.112131 which indicates that the standard deviation of indigo is greater than the average value. This indicates that the data is diverse and illustrates a complete picture of information.
6. The Independent Board of Commissioners has the lowest score range of 0.300 to 0.500 with an average score of 0.405. One of the companies that has the highest independent

board of commissioner value is PT Arwana Citramulia Tbk from 2017 to 2023 and the lowest value is PT Astra International Tbk in 2018 to 2020, with a standard deviation value of 0.081 which shows that the standard deviation is smaller than the average value. This indicates that the distribution of data is relatively small and illustrates a picture of information that is not completely complete.

Panel Data Regression Model Estimation

The test tool used in this study is e-views which provide 3 estimation models, namely *the Common Effect Model* (CEM), *Fixed Effect Model* (FEM), and *Random Effect Model* (REM). Of these three models, the best model will be tested to be used in this study.

a. Chow Test

Tabel 4. Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	4.871002	(8,49)	0.0002
Cross-section Chi-square	36.864639	8	0.0000

Source: Processed data (2024)

Based on the results of the chow test using Eviews9, it was stated that the probability value *of Cross Section* F was 0.0002 which was less than the value of the significant level (α=0.05). This means that the best model used is *the Fixed Effect Model* (FEM). Therefore, a hausman test is needed in order to choose the best model between *the Fixed Effect Model* (FEM) and *the Random Effect Model* (REM).

b. Hausman Test

Tabel 5. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	5.657765	5	0.3410

Source: Processed data (2024)

Based on the results of the Hausman Test, *the probability* value is 0.3410 where this result is greater than the significance level value (α=0.05). In this case, it means that the best model used is the *Random Effect Model* (REM). Therefore, a *Lagrange Multiplier* test is needed in order to choose the best model between *the Common Effect Model* and *the Random Effect Model*.

c. Lagrange Multiplier Test

Tabel 6. Lagrange Multiplier Test

	Test Hypothesis

	Cross-section	Time	Both
Breusch-Pagan	10.23803	0.953737	11.19177
	(0.0014)	(0.3288)	(0.0008)
Honda	3.199692	-0.976595	1.571967
	(0.0007)	--	(0.0580)
King-Wu	3.199692	-0.976595	1.356454
	(0.0007)	--	(0.0875)
Standardized Honda	5.428820	-0.832571	-0.823289
	(0.0000)	--	--
Standardized King-Wu	5.428820	-0.832571	-1.079995
	(0.0000)	--	--
Gourierioux, et al.*	--	--	10.23803
			(< 0.01)

*Mixed chi-square asymptotic critical values:

1%	7.289
5%	4.321
10%	2.952

Source: Processed data (2024)

Based on the results of *the Lagrange Multiplier* test, the significance value on *Both* is 0.0014 where this result is less than the significance level value (α=0.05). In this case, it means that the best model used is the *Random Effect Model* (REM)

Hypothesis Test

The best regression model after structuring and model selection in this study is *the Random Effect Model* (REM). The following are the results of the panel data regression estimation using *the Random Effect Model* (REM).

Table 7. Hypothesis Test

KD = 0.238101 + 0.383410*PR + 0.072978*LK – 0.031094*IOS + 0.397596*KM – 0.253268*DKI

Variable	Predictions	Coefficient	T-Statistics	Prob.	Explanation
C		0,238101	1,157654	0,2518	
PR	+	0.383410	0.82446	0.4131*	**PR has a positive insignificant effect on KD** in line with the hypothesis that supports the theory
LK	+	0.072978	2.26170	0.0275*	**LK has a significant positive effect on KD** and is in line with the hypothesis that supports the theory
IOS	+	-0.031094	-1.37876	0.1734**	***IOS* has a negative effect not significantly on KD** but in a different direction
KM	+	0.397596	0.65980	0.5120*	**KM has a non-significant positive effect on KD** and is in line with the hypothesis that supports the theory

DKI	+	-0.253268	-0.48246	0.6313*	**DKI has a negative effect not significantly on KD** but in a different direction
R-Square					0.126875
Adjusted R-Square					0.050285
F-Statistic					1.656554
Prob (F-Statistic)					0.159980

* = Significals 5%, ** = Significals 25%
PR = Profitability, LK = Liquidity, IOS = *Investment Opportunity Set*, KM = Managerial Ownership. DKI = Independent Board of Commissioners.
Source: Data processed (2024)

Test t

A partial test was used to determine the significant influence of independent variables on dependent variables. The results of the test using *the Random Effect Model* (REM) can be concluded as follows:

a. Profitability has a positive and insignificant effect on the Dividend Policy.
The first hypothesis (H1) raised in this study states that Profitability has a positive influence on Dividend Policy. However, the results of the t-test on the Profitability variable showed that the t-value was calculated at 0.825 < the t-table was 1.672 and the significance value was 0.413, because this study used *a one-tailed test* , the probability value was divided by 2 (two) 0.413/2 = 0.207. This value > from a significant level of α = 5% (0.05), so H1 is rejected and H0 is accepted. This indicates that there is no significant influence of the Profitability variable on the Dividend Policy.

b. Liquidity has a positive and significant effect on the Dividend Policy
The second hypothesis (H2) raised in this study states that Liquidity has a positive influence on Dividend Policy. However, the results of the t-test on the Profitability variable showed that the t-value was calculated at 2.262 > the t-table was 1.672 and the significance value was 0.028, because this study used *a one-tailed test*, the probability value was divided by 2 (two) 0.028/2 = 0.014. This value < from a significant level α = 5% (0.05), then H2 is accepted and H0 is rejected. This indicates that there is a significant influence of the Liquidity variable on the Dividend Policy.

c. The Investment Opportunity Set has a negative and insignificant effect on the Dividend Policy.
The third hypothesis (H3) raised in this study states that the Investment Opportunity Set has a negative influence on the Dividend Policy. However, the results of the t-test on the Investment Opportunity Set variable showed that the t-value was calculated at 1.379 < the t-table was 1.672 and the significance value was 0.1734, because this study used a one-tailed test, the significant value was divided by 2 (two) 0.173/2 = 0.087 > the significant level of α = 5% (0.05), so that H3 was rejected and H0 was accepted. This shows that there is no significant influence of the Investment Opportunity Set variable on the Dividend Policy in this study.

d. Managerial ownership has a positive effect on the Dividend Policy.
The fourth hypothesis (H4) raised in this study states that Managerial Ownership has a positive influence on Dividend Policy. However, the results of the t-test on the managerial ownership variable showed that the t-value was calculated at 0.660 < the t-

table was 1.672 and the significance value was 0.512 because this study used *a one-tailed test*, so the significant value was divided by 2 (two) 0.512/2 = 0.256 > the significant rate α = 5% (0.05), then H4 was rejected and H0 was accepted. This indicates that there is no significant influence of managerial ownership variables on the Dividend Policy.

e. The Independent Board of Commissioners has a negative effect on the Dividend Policy. The fifth hypothesis (H5) raised in this study states that the Independent Board of Commissioners has a negative influence on the Dividend Policy. This is in accordance with the results of the t-test on the variable of the independent board of commissioners obtained with a t-value of 0.483 < the t-table is 1.672 and the significance value is 0.631 because this study uses *a one-tailed test*, then the significant value is divided by 2 (two) 0.631/2 = 0.316 > the significant rate α = 5% (0.05), then H5 is rejected H0 is accepted. This indicates that there is no influence that the Independent Board of Commissioners does not have a significant effect on the Independent Board of Commissioners variable.

Coefficient of Determination Test

Tabel 8. Coefficient of Determination Test

R-squared	0.126875	Mean dependent var	0.110778
Adjusted R-squared	0.050285	S.D. dependent var	0.196181
S.E. of regression	0.191185	Sum squared resid	2.083439
F-statistic	1.656554	Durbin-Watson stat	1.736362
Prob(F-statistic)	0.159980		

Source: Processed data (2024)

Based on table 4.10 *adjusted r squared* shows 0.050 which means that 5.03% of the variables Profitability, Liquidity, *Investment Opportunity Set*, managerial ownership and independent board of commissioners can explain the Dividend Policy variables. The other 94.97% can be explained by other factors such as *leverage* (Septiani et al., (2021)), company size (Prastya & Jalil, 2020), company growth (Purba et al., 2020)), *free cash flow* (Rafika & Dillak, 2020), net profit (Citta et al., 2022) and *growth opportunites* (Hartawan & Lestari, 2021).

DISCUSSIONS

Profitability to Dividend Policy

The results of this study show that Profitability has a positive and statistically insignificant effect on the Dividend Policy, this is shown by a probability result of 0.207 greater than 0.05. This statement means that if a company has a high level of Profitability, it does not necessarily affect the Dividend Policy. Companies have another option by making increased Profitability to be kept as retained earnings. The retained earnings will later be used for investment or as a basis for expansion for the company's progress. Signal theory states that there is a tendency for Profitability to give a positive signal if there is an increase in profitability will affect the company in making a Dividend Policy, and vice versa a negative signal is given if the level of Profitability decreases. However, from the results of this study, it was found that a high level of profitability does not always give a positive

signal, because a high level of profitability will not necessarily affect the increase in the percentage of dividends to be distributed. This is because there are other factors that affect the Dividend Policy such as *free cash flow*, because the availability of cash flow can affect various aspects of the company's finances and operations that can affect the dividend payout to be made.

Liquidity to Dividend Policy

The results of this study show that Liquidity has a positive and significant effect on the Dividend Policy, this is shown by the probability result of 0.014 The statement means that Liquidity can significantly affect the Dividend Policy. This is because a company with high liquidity indicates that the company has good cash flow to meet its short-term obligations, including in the company's dividend payments. With a high level of liquidity, companies are better able to distribute dividends consistently to shareholders because they do not have long-term liabilities. This is in accordance with signal theory. Signal theory states that an increase in Liquidity can give a positive signal to a company in making a Dividend Policy. This indicates that while the company is in good financial condition, the company will tend to distribute dividends to shareholders, as they have enough resources to do so without sacrificing short-term financial stability. On the other hand, negative signals can signal that the company is unable to manage Liquidity and its ineffective use, this can affect the company in making a Dividend Policy.

Investment Opportunity Set on Dividend Policy

The results of this study show that *the Investment Opportunity Set* has a negative and statistically insignificant effect on the Dividend Policy, this is shown by the *probability* result of 0.087 The statement means that *the Investment Opportunity Set* does not affect the Dividend Policy. This result states that not all companies that have a high *Investment Opportunity Set* will hold their profits. Companies have the option of taking those investment opportunities and withholding profits to fund the investment or choosing not to take those opportunities because not all investment opportunities have a high rate of return and choose to keep distributing dividends to maintain investor confidence. This is in accordance with signal theory. Signal theory states that companies that have a high *Investment Opportunity Set* (IOS) can give a positive signal to the Dividend Policy, this signal can indicate that the company has many profitable investment opportunities. Typically, companies with high IOS tend to withhold profits to fund those investments, which can reduce the amount of dividends distributed. However, in this study, it was found that a high level *of Investment Opportunity Set* could not provide a positive signal and could even be a negative signal, this could be due to other factors that play a greater role in influencing the Dividend Policy. One of the other factors that can affect dividend policy is the size of the company. Larger companies may have more stable and predictable dividend policies compared to smaller companies or those that have many investment opportunities but also face greater risks.

Managerial Ownership of Dividend Policy

The results of this study show that managerial ownership has a positive and insignificant effect on the Dividend Policy, this is shown by a *probability* result of 0.256. This statement means that Managerial Ownership has an insignificant effect on the Dividend

Policy. Managers with significant shareholding in the company will not always automatically encourage the company to create a better Dividend Policy. Managers will consider withholding profits with the aim of financing investments that can grow the company or maintain cash reserves for future needs. This statement is in line with signal theory. Signal theory explains that managers who have stock ownership can signal to the market about management's commitment to the company's growth and stability. Managerial ownership provides a positive signal that is signaled with managers who own large amounts of stock tending to focus on achieving long-term performance in the sense that profits will become retained earnings. This signals to the market that management is committed to increasing shareholder value in the long term. However, in this study, it was found that the high level of Managerial Ownership does not always give a positive signal to the Dividend Policy, this can be because managerial ownership is not the only factor that can affect the Dividend Policy, such as institutional ownership.

Independent Board of Commissioners on Dividend Policy

The results of this study show that the independent board of commissioners does not have a negative and insignificant effect on the Dividend Policy, this is shown by a *probability* result of 0.316. Thus, the results of this study show that the Independent Board of Commissioners does not influence the company's decision in determining the Dividend Policy. Independent boards of commissioners are expected to provide tighter oversight and act as a counterweight to management, but in this study, they were not shown to have influence on dividend policy. This could be because the independent board of commissioners will only assess and give neutral consideration for more transparent reporting and accountability, while regarding the dividend policy will be decided by the shareholder management.

The signal theory states that the higher the level of the Independent Board of Commissioners, the better the company will be. However, the results in this study give an independent board of commissioners a negative signal, stating that the higher the independence of the board of commissioners cannot affect the making of the Dividend Policy. Other factors that may make the Dividend Policy change are the board of commissioners. This is because the board of commissioners has direct responsibility and influence as well as wider influence in decision-making, one of which is the company's Dividend Policy.

CONCLUSIONS

Based on the results of the research conducted on the influence of Profitability, Liquidity, Investment Opportunity Set, Managerial Ownership and the Independent Board of Commissioners on the Dividend Policy, it can be concluded Profitability has a positive and insignificant effect on the Dividend Policy. This statement indicates that a high level of Profitability will not always affect the company's Dividend Policy. Companies can choose to withhold profits instead of distributing them as dividends, the retained earnings can be used for investment or as a basis for expansion for the company's progress. Liquidity has a positive and significant effect on the Dividend Policy. This shows that Liquidity can significantly affect the Dividend Policy. Companies with high liquidity have good cash flow to meet short-term obligations, including dividend payments. With a high level of

liquidity, companies are better able to distribute dividends consistently to shareholders because they do not have long-term liabilities. The Investment Opportunity Set has a negative and insignificant effect on policy. This shows that the Investment Opportunity Set cannot affect the Dividend Policy. Companies that have a high Investment Opportunity Set do not withhold their profits to take the investment opportunity, but can choose to continue to distribute dividends. Managerial ownership has a positive and insignificant effect on policy. This shows that the larger proportion of managerial stock ownership has no effect on encouraging the company to make a higher Dividend Policy. Management prefers to withhold profits to finance investments that can grow the company or maintain cash reserves for future needs. The Independent Board of Commissioners has a negative and insignificant effect on the Dividend Policy. The results of this study show that the presence of an independent board of commissioners does not affect the company's decision in determining the Dividend Policy. Although the level of independence of the board of commissioners is expected to provide stricter oversight and act as a counterweight to management, it has not been proven to have any influence in determining the Dividend Policy.

IMPLICATION

1. For Literature

   This study provides theoretical involvement by examining the relationship between variables such as Profitability, Liquidity, Investment Opportunity Set, Managerial Ownership and the Independent Board of Commissioners to the Dividend Policy. It is hoped that this research is expected to enrich the literature and development in the field of accounting and become a reference for future researchers who want to research, especially for research topics related to dividend policy.
2. For Practice Environment

   This research is useful for companies as information for industrial sector company management to be used as a consideration in making decisions that can affect dividend policy. The company also needs to increase transparency and timeliness in the disclosure of annual and financial report information so that it can build the trust of interested parties such as investors, creditors, and other parties. Therefore, this research is expected to provide additional input or information for investors in investing or investing in companies in the property and real estate sector.

LIMITATIONS

This study has several limitations that can affect the results, including the following:

1. The data used is only in a period of 7 years and is only carried out in the Industrial sector, so the results cannot be generalized to other sectors.
2. The measurement used for each variable is only limited, such as Profitability only using *Return On Equity* (ROE), Liquidity only using *Current Ratio*, *Investment Opportunity Set* only using *Market to Book Value Equity* (MBVE) and only using Managerial Ownership and the Independent Board of Commissioners, so it cannot truly reflect the overall state of the company.

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