

THE EFFECT OF PROFITABILITY, FIRM SIZE, AND OWNERSHIP STRUCTURE ON DIVIDEND POLICY

Ni Putu Ayu Indah Wulandari¹, Made Reina Candradewi²

Faculty of Economics and Business, Udayana University

Email: ayu.wulandario57@student.unud.ac.id

Email: reinacandradewi@unud.ac.id

ABSTRACT

A dividend policy represents a company's strategy for distributing earned profits to its shareholders either via dividends or by reinvesting them back into the company. Such policies are crucial for attracting investors in the financial markets. The aim of this research is to examine how profitability, size of the company, ownership by managers, and ownership by institutions effect dividend policy. The research is centered on firms operating within the property and real estate industries on the Indonesia Stock Exchange, spanning the period from 2019 to 2023. It involves a selection of seven firms using a purposive sampling approach. The collection of data was derived from the annual financial statements of these firms. For the data analysis, the study employed techniques of multiple linear regression analysis, facilitated by the use of IBM SPSS 26 software. Findings from this investigation show that profitability and managerial ownership significantly impact dividend policy, whereas the size of the company and institutional ownership do not show a significant effect on dividend policy.

Keywords: dividend policy, profitability, firm size, ownership structure

INTRODUCTION

Rapidly growing capital markets significantly impact a country's economy by facilitating access to funding, fostering investor confidence, and supporting corporate operations and growth in the global economy (Rokhayati *et al.*, 2021). Investors seek returns in the form of dividend yields and capital gains; consistent dividend payments in particular enhance investor trust and reduce investment uncertainty (Sari & Suryantini, 2019).

One sector that has experienced notable growth is property and real estate, contributing approximately 2.4% to Indonesia's GDP in 2023, driven by population growth and urbanization (Siahaan, 2024). While real estate refers to tangible assets such as land and buildings, property conveys ownership rights over these assets (Hutahuruk, 2022).

Dividend policy is an important decision made by management that affects whether profits are shared with shareholders or kept for future investment Surya *et al.* (2024). According to Bird-in-the-Hand Theory Gordon (1963) and Lintner (1964), investors often prefer dividends due to their relative certainty. Prior research has

highlighted various determinants of dividend policy, including profitability, firm size, and ownership structure Sakinah (2015), Lailika *et al.* (2023), and Pradnyani *et al.* (2024).

Profitability, measured here via Return on Assets (ROA), indicates a firm's ability to generate sufficient earnings to justify investment (Lajar & Marsudi, 2021). Empirical studies largely support a positive relationship between profitability and dividend payouts Jao *et al.* (2022), Hidayat *et al.* (2023), and Syahwildan *et al.* (2021), although some report inconsistent results Churiyati & Yudiantoro (2023) and Sari *et al.* (2023).

Firm size—indicated by total assets—often correlates positively with dividend payouts due to better financial capacity and access to external funding Mnune & Purbawangsa (2019), but findings remain mixed Ndeo (2021). The ownership structure also plays a pivotal role: managerial ownership aligns interests and incentivizes performance and dividend distribution Widianari & Candradewi (2021), whereas institutional ownership offers external monitoring and may effect dividend policy (Rahayu & Rusliati., 2019).

Given conflicting evidence, this study explores the effects of profitability, firm size, and ownership structure on dividend policy in Indonesia's property and real estate sector during 2019–2023.

The rapidly growing capital market has a significant impact on a country's economy. This growth reflects the high level of investor confidence in Indonesia's capital market. As a meeting place for those offering and needing securities, the capital market plays a crucial role in providing companies with access to capital to conduct their operations and compete in the global economy. Investors, individuals with excess funds, utilize this market to invest their capital in specific companies. Through these investments, they provide funding for companies while simultaneously seeking to generate profits to maintain and increase the value of their assets (Rokhayati *et al.*, 2021).

Investors look for a return, which may come as dividend yield or capital appreciation resulting from the difference between the selling price and the purchase price of a stock. In essence, dividends are a key motivation for investing in a company. Typically, investors prefer a consistent dividend payout, as stability in dividends can boost their confidence in the company and lessen the uncertainty surrounding their investment. Therefore, if a company fails to consistently distribute dividends over time, it will impact investor interest in investing (Sari & Suryantini, 2019).

One of the institutions tasked with organizing asset transactions for investment is the Indonesia Stock Exchange (IDX). According to data listed on the Indonesia Stock Exchange (IDX) website, there are 11 officially listed sectors: healthcare, raw materials, finance, transportation & logistics, technology, primary consumer goods, industry, energy, non-primary consumer goods, infrastructure, and property and real estate. One sector that has experienced significant growth in recent decades is the property and real estate sector. According to data published by the Central Statistics Agency (BPS), the property and real estate sector's contribution to Gross Domestic Product (GDP) reached 2.4 percent in 2023, surpassing the contribution of accommodation and food services activities in Indonesia. Due to escalating property prices and increasing demand

driven by swift population growth and significant urbanization, the Indonesian real estate market is presently among the most robust sectors in the region (Siahaan, 2024).

The property and real estate industries generally have different meanings. Real estate refers to the physical form of an asset, namely land and buildings, while property is more related to rights and ownership. Real estate is land and all types of permanent structures, such as open space, buildings, road construction, and all other forms of development that are permanently attached. Property, on the other hand, is an asset in the form of land and buildings owned by an individual (Hutahuruk, 2022).

Dividend policy has a significant impact on a company in deciding whether the profits earned by the company in a specified period will be distributed to shareholders in the form of dividends or retained to increase capital to finance the company's future investments (Surya *et al.*, 2024). Dividend policy is a crucial aspect of business sustainability, so management must always pay attention to its implementation (Widyastuti, 2018). Based on Bird in the Hand Theory introduced by Gordon (1963) and Lintner (1964), the amount of dividends given to shareholders can be an attraction in itself, because some investors prefer dividends over capital gains. Investors prefer dividends over capital gains because the nature of dividends is considered more certain. Several studies conducted by Sakinah (2015), Lailika *et al.* (2023), and Pradnyani *et al.* (2024) state that there are several factors that effect dividend policy including profitability, firm size, and ownership structure.

The first factor influencing dividend policy is profitability. Profitability can be used to answer the crucial question of whether a company is capable of generating adequate profits as a return on investment (Lajar & Marsudi, 2021). Higher profitability indicates a company's strong profit-generating capacity, making it more likely to distribute dividends to shareholders or investors (Dewi & Muliati, 2021). Fitriana (2024) states that profitability can be measured by Return on Investment (ROI), Return on Assets (ROA), and Return on Equity (ROE). In this study, the profitability ratio is measured by Return on Assets (ROA).

Several studies have been conducted by previous researchers, including Jao *et al.* (2022), Hidayat *et al.* (2023), Syahwildan *et al.* (2021), Hadiananto & Sahabuddin (2016), Mnune & Purbawangsa (2019), Hidayat *et al.* (2023), Syamsuddin (2023), and Septika *et al.* (2021), which state that company profitability has a significant effect on dividend policy. However, inconsistencies were found in the results of research by Churiyati & Yudiantoro (2023) and Sari *et al.* (2023), who stated that company profitability has no significant effect on dividend policy.

The second factor that can effect dividend policy is firm size. Firm size reflects a company's condition, as measured by total assets (Mnune & Purbawangsa, 2019). Jao *et al.* (2022) state that large companies generally distribute dividends more frequently because they have the financial capacity to generate profits that can be distributed as dividends. Furthermore, large companies tend to have easier access to funding sources or obtain loans from creditors, given their significant shareholding in the capital market. This ease contributes to increased profitability, resulting in higher dividend payout ratios compared to small companies. Therefore, investors are more likely to invest in large companies than in small ones.

Research conducted by Rahayu & Rusliati (2019), Sudiartana & Yudiantara (2020), Azizah *et al.* (2020), Jayanti *et al.* (2019), Prastya & Jalil (2020), and Wahyuliza *et al.* (2019) shows that firm size has a significant positive effect on dividend policy. Meanwhile, Ndeo (2021) in his research showed that firm size has a negative effect on dividend policy.

The third factor influencing dividend policy is ownership structure. Company owners and managers often have different goals, which can trigger conflicts of interest (Widiantari & Candradewi, 2021). In agency theory, conflicts between owners and managers are considered to have a significant impact on company performance. Based on this theory, aligning interests between owners and managers is crucial to minimizing conflicts. This conflict of interest can be effected by ownership structure, including managerial and institutional ownership. Dividend policy not only plays a role in reducing agency costs but also serves as a signal to provide information to shareholders about the company's valuation. Although there are various types of shareholders, institutional and managerial shareholders tend to have greater effect in determining company policy compared to other types of shareholders (Widyastuti, 2018).

Managerial ownership refers to the ownership of shares by a company's management. When managers hold shares, they are more likely to make prudent decisions since they are affected by the outcomes of their choices. This share ownership also motivates managers to improve their performance in managing the company.

Improved performance will enable companies to achieve increased corporate revenue. If revenue increases, the opportunity for dividends to be distributed to shareholders and management will also increase (Lajar & Marsudi, 2021). Several previous studies conducted by Aisyah & Hariyono (2020), Armayini & Minan (2024), Widiantari & Candradewi (2021) have shown that managerial ownership significantly effects the tendency to pay dividends. However, inconsistencies were found in the research results obtained from Ahmad & Rasyid (2024), which showed that managerial ownership negatively affects dividend policy.

Institutional ownership refers to share ownership by institutional parties such as foundations, banks, insurance companies, investment firms, limited liability companies (PT), and other institutions (Edison, 2017). High levels of institutional share ownership can encourage stricter oversight. Based on the agency theory proposed by Jensen & Meckling (1976), institutional ownership can be a way to address agency problems through oversight by institutions or other companies over management. In this case, institutions act as external supervisors, professionally monitoring and evaluating company performance. Institutional investors with significant control over a company typically desire high dividends to minimize agency conflicts (Widiantari & Candradewi, 2021).

Research conducted by Rahayu & Rusliati (2019), Sudiartana & Yudiantara (2020), Azizah *et al.* (2020), Jayanti *et al.* (2019), Prastya & Jalil (2020), and Wahyuliza *et al.* (2019) states that the higher the institutional ownership, the greater the dividend distribution. Inconsistencies were found in the research results obtained from Mnune & Purbawangsa (2019), which showed that institutional ownership had no significant effect on dividend policy.

Given the phenomena outlined and the discrepancies in findings from earlier research, additional studies are required to examine how profitability, firm size, and ownership structure affect dividend policy within the property and real estate sector listed on the Indonesia Stock Exchange (IDX) for the years 2019 to 2023.

METHOD

This quantitative study employs a causal-associative design to analyze how Return on Assets (ROA), firm size (logarithm of total assets), managerial ownership, and institutional ownership effect dividend payout ratios (DPR). The population consists of 80 property and real estate firms listed on IDX, with seven firms selected via purposive sampling for consistently paying dividends, resulting in 35 observations. Data were collected from annual financial reports available on IDX and official company websites.

Statistical analysis included descriptive statistics and multiple linear regression to assess hypothesized relationships. Classical assumption tests—normality, autocorrelation, multicollinearity, and heteroskedasticity—were conducted to ensure model validity. Inferential tests included the F-test for overall model significance, t-tests for individual predictor effect, and the R² coefficient for explained variance, following best practices (Ghozali, 2018).

RESULTS AND DISCUSSION

Results of Analysis of Research Data

Classical Assumption Test

1) Normality Test

Table 1. Normality Test Results Before Outliers

		Unstandardized Residual
N		35
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	15.80411467
Most Extreme Differences	Absolute	.133
	Positive	.133
	Negative	-.072
Test Statistic		.240
Asymp. Sig. (2-tailed)		.000 ^c

Source: Processed secondary data, 2025

The results of the normality test of the data before the outliers are shown in Table 1, showing that the Kolmogorov-Smirnov Z value is 0.240 and the Asymp. Sig. (2-tailed) value is 0.000 which is smaller than 0.05 (significance level) meaning that the residual model is not normally distributed, so the regression model is not suitable for further analysis. The following is a normality test of 30 observation data after the data outliers are presented in Table 2.

Table 2. Results of Normality Test After Outliers

Unstandardized Residual	
N	30
Normal Parameters a, b	Mean .0000000
	Standard Deviation 15.80411467
Most Extreme Differences	Absolute .133
	Positive .133
	Negative -.072
Test Statistics	.133
Asymp. Sig. (2-tailed)	.186c

Source: Processed secondary data, 2025

The results of the normality test after outliers in Table 2 show that the Kolmogorov-Smirnov Z value is 0.133 and the Asymp. Sig. (2-tailed) value is 0.186, which is greater than 0.05 (significance level), meaning that the residual model is normally distributed, so the model is suitable for further analysis.

2) Autocorrelation Test

Table 3. Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Standard Error of the Estimate	Durbin-Watson
1	.746 ^a	.556	.485	17.02155	1.348

Source: processed secondary data, 2025

The autocorrelation test results presented in Table 3 reveal a Durbin-Watson statistic of 1.348. In this research, 30 data points and 4 independent variables were analyzed. The Durbin-Watson chart yielded a dU value of 1.7386, based on the sample size and the number of independent factors, leading to the model $dL \leq d \leq dU$ or $1.1426 \leq 1.348 \leq 1.7386$ being established. This formulation indicates that the regression analysis conducted in this investigation does not draw a definitive conclusion about the presence of autocorrelation.

3) Run Test

Table 4. Run Test Results

Runs Test	
Unstandardized Residual	
Test Valuea	-3.21359
Cases < Test Value	15
Cases >= Test Value	15
Total Cases	30
Number of Runs	13
Z	-.929
Asymp. Sig. (2-tailed)	.353

Source: processed secondary data, 2025

The run test results in Table 4 show that the test value is $0.353 > 0.05$, which means that there is no autocorrelation between the residual values in this study.

4) Multicollinearity Test

Table 5. Multicollinearity Test Results

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	ROA	.759	1.317
	FIRM SIZE	.414	2.416
	MJRL	.166	6.029
	INST	.191	5.236

Source: Processed secondary data, 2025

The outcomes from the multicollinearity analysis presented in Table 5 revealed that the tolerance levels were as follows: for the ROA metric, 0.759 or 75.9%; for FIRM SIZE, 0.414 or 41.4%; for the MJRL metric, 0.166 or 16.6%; and for INST, 0.191 or 19.1%. The VIF (Variance Inflation Factor) figures were recorded at 1.317 for ROA, 2.416 for FIRM SIZE, 6.029 for MJRL, and 5.236 for INST. These findings suggest that the tolerance levels for all investigated variables are above 10 percent or 0.10, and their VIF values are below 10. This indicates the absence of multicollinearity symptoms within the regression analysis.

5) Heteroscedasticity Test

Table 6. Heteroscedasticity Test Results

Model		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta	t	
1	(Constant)	15.563	118.224		.132	.896
	ROA	-.185	.466	-.080	-.398	.694
	FIRM SIZE	-.995	3.594	-.076	-.277	.784
	MJRL	.274	.251	.472	1.095	.284
	INST	.376	.209	.723	1.800	.084

Source: Processed secondary data, 2025

The data in Table 6 from the heteroscedasticity test reveals that the significance levels (2-tailed) for ROA, FIRM SIZE, MJRL, and INST stand at 0.694; 0.784; 0.284, and 0.084 respectively. Given that the significance (2-tailed) value for each variable exceeds 0.05, the regression formula utilized in this research does not manifest heteroscedasticity. This analysis indicates that the regression framework employed is devoid of heteroscedasticity indicators.

Results of Multiple Linear Regression Analysis

Table 7. Results of Multiple Linear Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-276,361	202,940		-1,362	.185
	ROA	3,240	.800	.619	4,051	.000
	FIRM SIZE	7,910	6,169	.266	1,282	.212
	MJRL	.972	.430	.739	2,260	.033
	INST	.601	.359	.511	1,675	.106

Source: Processed secondary data, 2025

The results of the multiple linear regression analysis in Table 7 obtained the following multiple linear regression equation:

$$Y = -276.361 + 3.240X_1 + 7.910X_2 + 0.972X_3 + 0.601X_4$$

Information:

Y : Dividend Policy

α : Constant

β₁... β₄ : Regression coefficient of

X₁ : Profitability

X₂ : Firm size

X₃ : Managerial Ownership

X₄ : Institutional Ownership

The regression equation above can be interpreted as follows:

- 1) The constant value in Table 7 of -276.361 means that if the independent variable is constant (no change) at 0, then the dependent variable, namely dividend policy (Y) which is proxied by DPR, has a value of -276.361.
- 2) The regression coefficient value of the profitability variable proxied by ROA (X₁) is 3.240, meaning that if the profitability variable increases by 1 unit, the dividend policy variable proxied by DPR will increase by 3.240 units, assuming that other independent variables are constant.
- 3) The regression coefficient value of the firm size variable proxied by the FIRM SIZE (X₂) value is 7.910, meaning that if the firm size variable increases by 1 unit, the dividend policy variable proxied by DPR will increase by 7.910 units, assuming that other independent variables are constant.
- 4) The coefficient of regression for the variable of managerial ownership, denoted as MJRL (X₃), is observed to be 0.972. This implies that with a unit increase in the managerial ownership variable, the proxy for the dividend policy variable, DPR, is anticipated to rise by 0.972 units, provided that all other independent variables remain unchanged.
- 5) The value of the regression coefficient for the variable representing institutional ownership, indicated as INST (X₄), stands at 0.601. This signifies that a one-unit augmentation in the institutional ownership variable will result in an elevation of the dividend policy variable, symbolized as DPR, by 0.601 units, on the condition that all other independent variables are held constant.

Hypothesis Testing

Model Feasibility Test (F Test)

Table 8. Results of Model Feasibility Test (F Test)

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	9076.076	4	2269.019	7.831	.000b
Residual	7243.331	25	289.733		
Total	16319.407	29			

Source: Processed secondary data, 2025

The outcomes of the model's viability examination presented in Table 8 indicate an F test value of 7.831 and a Sig.F value of 0.000. With the Sig. value being 0.000, which is less than the 5 percent significance threshold or 0.05, it is determined that the regression model utilized in this investigation is valid and applicable for assessing the impact of independent variables on the dependent variable.

Multiple Determination Coefficient Test (R²)

Table 9. Results of Multiple Determination Coefficient Test (R²)

Model	R	R Square	Adjusted R Square	Standard Error of the Estimate	Durbin-Watson
1	.746 ^a	.556	.485	17.02155	1.348

Source: Processed secondary data, 2025

The findings presented in Table 9 from the multiple determination coefficient analysis indicate an R Square value of 0.556. This signifies that 55.6 percent of the fluctuation in the dependent variable, dividend policy, can be accounted for by the changes in independent variables represented by ROA, FIRM SIZE, MJRL, and INST. The residual 44.4 percent of variation in the company's dividend policy is due to factors not included in the regression model, such as profitability, size of the company, ownership by management, and ownership by institutions.

Hypothesis Test (t-Test)

Table 10. Hypothesis Test Results (t-Test)

Model		Unstandardized Coefficients		Standardized Coefficients		Sig.	Hypothesis
		B	Std. Error	Beta	t		
1	(Constant)	-276.361	202.940		-1.362	.185	
	ROA	3.240	.800	.619	4.051	.000	H1 accepted
	FIRM SIZE	7.910	6.169	.266	1.282	.212	H2 rejected
	MJRL	.972	.430	.739	2.260	.033	H3 accepted
	INST	.601	.359	.511	1.675	.106	H4 rejected

Source: Processed secondary data, 2025

The findings of the t-test in this investigation are as follows:

1) Analysis of the First Hypothesis (H1 = Profitability Significantly Affects Dividend Policy)
The initial hypothesis examines profitability's effect, represented by ROA, on the dividend policy, indicated by DPR. The findings indicate a significance level of 0.000 for ROA, which is less than the accepted significance level α (Sig. = 0.000 < 0.05), and a regression coefficient of 3.240. This suggests the acceptance of H1 and the rejection of H₀, confirming that profitability significantly impacts the dividend policy of companies

in the property and real estate sector listed on the Indonesia Stock Exchange from 2019 to 2023.

2) Evaluation of the Second Hypothesis (H₂ = Firm size Does Not Significantly Affect Dividend Policy)

This second hypothesis assesses the impact of firm size, measured by FIRM SIZE, on the dividend policy, represented by DPR. The analysis reveals a significance of 0.212 for FIRM SIZE, which exceeds the accepted level α (Sig. = 0.212 > 0.05), and a regression coefficient of 7.910. This outcome leads to the rejection of H₂ and the acceptance of H₀, demonstrating that firm size does not significantly effect the dividend policy in property and real estate sector companies on the Indonesia Stock Exchange for the period 2019 - 2023.

3) Examination of the Third Hypothesis (H₃ = Managerial Ownership Significantly Effects Dividend Policy)

The third hypothesis investigates the effect of managerial ownership, denoted by MJRL, on dividend policy, marked by DPR. The results show a significance level of 0.033 for MJRL, which is below the threshold α (Sig. = 0.033 < 0.05), and a regression coefficient of 0.972. This leads to the acceptance of H₃ and the rejection of H₀, indicating that managerial ownership significantly impacts the dividend policy of companies in the property and real estate sector listed on the Indonesia Stock Exchange from 2019 to 2023.

4) Review of the Fourth Hypothesis (H₄ = Institutional Ownership Does Not Significantly Affect Dividend Policy)

The fourth hypothesis looks at the effect of institutional ownership, symbolized by INST, on dividend policy, denoted by DPR. The analysis reveals a significance level of 0.106 for INST, which is above the accepted level α (sig. = 0.106 > 0.05), and a regression coefficient of 0.601. This results in the rejection of H₄ and the acceptance of H₀, showing that institutional ownership does not have a significant effect on dividend policy for property and real estate sector companies listed on the Indonesia Stock Exchange for the period 2019 - 2023.

Discussion of Research Results

The Effect of Profitability on Dividend Policy

The results from the initial hypothesis testing in this research indicate a significant impact of profitability on the dividend policy, demonstrating a clear directional connection between the profitability metric and the policy of dividend distribution. In this investigation, profitability is represented by the return on assets (ROA). Firms that exhibit high levels of profitability are in a position to pay out dividends and have the capability to issue substantial dividends, reflecting the firm's profit-generating capacity as evidenced by its profitability status (Mauris & Rizal, 2021). A significant relationship between profitability and dividend policy can help investors when considering investing in a company because with this directional relationship, investors can see the return on assets obtained by a company to determine the potential size of the company's dividend distribution. Companies with high profitability levels can be concluded as companies that are capable of distributing dividends to shareholders or investors. This is in line with

the Bird in the Hand Theory, which emphasizes the preference for certain income over unrealized profit expectations.

The results of this study align with research conducted by Zainuddin (2020), which states that the higher a company's return on assets, the greater the dividends distributed to shareholders or investors. This study also aligns with research conducted by Susellawati *et al.* (2022), Pattiruhu & Paais (2020), and Meidawati *et al.* (2020).

The Effect of Firm Size on Dividend Policy

Based on the results of the second hypothesis test in this study, it is stated that firm size has an insignificant effect on dividend policy. This means that a company's large scale does not necessarily guarantee that the company will pay dividends to shareholders. In other words, the size of the company does not effect the dividend distribution to shareholders. The insignificant result between firm size and dividend policy also refutes the Bird in the Hand Theory, which states that firm size can effect investor preference for cash dividends (Najiyah & Idayati, 2021).

The insignificant relationship between firm size and dividend policy can be caused by several reasons. In research conducted by Yudha *et al.* (2024) stated that large companies do not always distribute their dividends. In some cases, large companies tend to want to develop their companies with the profits obtained, namely by carrying out company expansion and improving company infrastructure. So large companies do not always distribute their dividends to shareholders and small-scale companies do not always keep company profits as retained earnings and not distribute dividends to shareholders.

The results of this study align with research conducted by Wutami *et al.* (2023), which stated that dividend distribution is not effected by firm size because companies, both large and small, have many options for business development, including various other, more profitable investments, which ultimately result in greater profits. This research is also supported by research conducted by Septiani *et al.* (2020).

The Effect of Managerial Ownership on Dividend Policy

Based on the results of testing the third hypothesis in this study, managerial ownership has a significant effect on dividend policy, meaning that this positive value indicates a directional relationship between managerial ownership and dividend policy. A high level of managerial ownership reflects the extent of management's role in achieving the company's profit targets. The greater the share ownership held by management, the greater their incentive to improve company performance and generate higher profits. This condition contributes to increased cash dividend distributions to shareholders as a form of return on the company's profits (Rahmadhani *et al.*, 2024).

Significant share ownership by management also serves as an internal control mechanism that can reduce conflicts of interest between management and shareholders. In line with agency theory, high managerial ownership will make managers more aligned with shareholder interests, thereby increasing dividend distribution.

The study's findings also align with research conducted by Hapsari & Fidiana (2021), which states that the higher the level of managerial ownership in a company, the

higher the dividends received by shareholders. This research is also supported by research conducted by Jayanti *et al.* (2019).

The Effect of Institutional Ownership on Dividend Policy

Within the framework of agency theory, dividend policy is viewed as a tool to mitigate conflicts of interest between shareholders. The investigation revealed that the impact of institutional ownership on the dividend policy is negligible, indicating that the existence of institutional investors does not necessarily lead to a consistent dividend distribution by corporations. Institutional ownership in this study was measured by the number of shares owned by institutions or companies. The effect of institutional ownership on dividend policy in this study did not show significant results, because institutional investors have different investment objectives compared to general investors. Institutional investors prioritize long-term investments, where they prefer companies that reallocate profits for business development such as company expansion, while general investors tend to choose companies that distribute a large portion of their profits as dividends. This preference causes the proportion of shares owned by institutions to have no effect on the amount of dividends paid by companies to shareholders (Jayanti *et al.*, 2019).

The findings of this investigation are consistent with the studies conducted by Ismiati & Yuniati (2017), who stated that external company owners, or institutional owners, have different characteristics compared to managers. Institutions consider the use of profits as an internal funding source to be more efficient because it does not incur additional costs such as debt interest. Internal funding also reflects a company's financial independence, thereby increasing investor confidence in the company's stability and long-term prospects. Based on these reasons, institutions tend to support profit retention policies to support company growth and do not demand dividend distribution, so institutional ownership does not significantly effect the amount of dividends distributed.

Further support for this research comes from the studies by Roos & Manalu (2019) and Febrianti & Zulvia (2020), which articulated that institutional ownership fails to exert a meaningful influence on the dividend policies of companies.

CONCLUSION

The outcomes of both the data assessment and statistical evaluation, in conjunction with the ensuing dialogue as detailed, lead to the following conclusions:

- 1) Profitability has a significant effect on dividend policy in property and real estate companies on the Indonesia Stock Exchange in 2019 – 2023. Companies that have a high level of profitability will be able to distribute dividends and have the potential to distribute dividends in large amounts according to the company's ability to generate profits which can be seen from the company's level of profitability.
- 2) Firm size has no significant effect on dividend policy in property and real estate companies on the Indonesia Stock Exchange in 2019-2023. Large companies do not guarantee dividend payments to shareholders or in other words, the size of the company cannot determine the amount of dividends distributed.

- 3) Managerial Ownership has a significant effect on dividend policy in property and real estate companies on the Indonesia Stock Exchange in 2019 – 2023. The greater the share ownership held by management, the greater the opportunity for dividends to be distributed to shareholders.
- 4) Institutional ownership has an insignificant effect on dividend policy within property and real estate firms on the Indonesia Stock Exchange during 2019 – 2023. The influence of institutional ownership on dividend policy in this investigation does not present significant findings, indicating that low levels of institutional ownership have no effect on the dividend policies of a company.

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