

Profitabilitas as an Intervening Variable of Good Corporate Governance and Debt Policy to Dividend Policy

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Abstract

This research was conducted to examine the effect of Good Corporate Governance (GCG) and debt policy on dividend policy with profitability as an intervening variable. The proxy of GCG in this study is institutional ownership and the frequency of board meetings while the debt policy is proxied through leverage (debt equity ratio). The population in this study is that all companies indexed by compass 100 listed on the Indonesia Stock Exchange in 2016-2017 are 66 companies, with the sampling method using purposive sampling. The results obtained in this study are that institutional ownership has no influence on dividend policy either directly or indirectly through variable intervening ROE. While the frequency of board of directors meetings and debt policy (DER) has an influence on dividend policy both directly and indirectly through variable intervening ROE. The conclusion of the study is that profitability is able to become a variable intervening between GCG proxied through the frequency of board of directors meetings and debt policies that are proxied through DER on dividend policy. Companies that have large profitability tend to provide high dividends.

Keywords: Good Corporate Governance, dividend policy, profitability, debt policy.

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INTRODUCTION

After the 1998 economic crisis that occurred in Indonesia, the issue of Good Corporate Governance (GCG) began to become a concern for all circles, both the private and public sectors. Of course, if a company applies GCG it can protect the interests of minority shareholders. Therefore the Indonesian Government established the National Committee on Corporate Governance Policy (KNKGC) based on the Decree of the Coordinating Minister for Economic Affairs Number: Kep / 31 / M.EKUIIN / 08/1999 in 1999 to form the first Good Corporate Governance Guidelines. Good GCG will influence the value of the company to be high and increase shareholder confidence. Maesaroh and Mulya [1] said that shareholder prosperity can be seen from high corporate value in the sense that the higher the value of the company shows the higher the prosperity of shareholders.

One element of shareholder prosperity can be seen from the company's policy in providing dividends to shareholders. Dividend policy is a company policy in dividing dividends to investors which consists of two types, namely cash dividends and non-cash dividends. Arifin and Asyik [2] say cash dividends are dividends paid by issuers to shareholders in the form of cash

money while non-cash dividends (non-cash) are dividends in the form of shares paid at the proportion already set. Martiani and Purbawangsa [3] said that this decision was indeed inseparable from spending decisions, because the financial manager's decision to distribute profits in the form of dividends so that shareholder prosperity increased, resulting in increased dependence on external funding sources if the company needed additional funds for investment. Conversely, if profits are decided to be detained in order to finance future investment plans, it means that the dependence on external sources of funding will decrease. Sundari and Utami [4] say dividend policy is very important because it affects the opportunity of corporate investment, stock prices, financial structure, funding flows and liquidity positions. In addition, dividend policy is also the center of attention of many parties such as shareholders, creditors, and other external parties who have an interest in the information issued by the company.

There are several dividend policies that can be done by companies, one of them is through dividend. Brigham and Houston [5] in their study stated that optimal dividend policy is a policy that produces a balance between current dividends and future growth by

maximizing the company's optimal dividend policy. One of the dividend policy indicators that can be measured is the dividend payout ratio (DPR), where this ratio indicates the amount of dividends paid by the company to company profits. The greater the dividend distributed, the greater the value of the DPR.

One of the factors that can influence dividend policy is good corporate governance. According to Jensen and Meckling [6] Companies can reduce agency problems by using a dividend payment policy, in this case dividend policy helps companies to find out how they reduce agency costs by controlling dividend policy. Ullah *et al.*, [7] stated that ownership structure plays an important role in the company's dividend policy by minimizing agency costs associated with agency problems. In the Shah *et al.*, [8] study conducted in Pakistan, the ownership structure has a positive influence on dividend policy. These results consistently support the potential relationship between ownership structure and dividend payment policy. In addition, similar studies conducted in Indonesia conducted by Lucyanda and Lilyana [9] said that there was an effect of free cash flow and ownership structure on dividend payout ratio.

In several studies conducted it can be concluded that the structure of public share ownership in Indonesia shows that company ownership in Indonesia has a classification of ownership with a large proportion. Shinta and Ahmar [10] said that the characteristics of company ownership structures in Indonesia are different from other countries, such as the majority of shareholders and the low proportion of share ownership by management.

Martiani and Purbawangsa [3] said that institutional ownership is the total percentage of banks, insurance companies, investment companies, pension funds, and other large financial institutions for the total share capital of a company. So that the Pound in Ullah *et al.*, [7] states that institutions are able to force managers to distribute free cash flow as dividends. There are too many factors that are considered by a company's dividend policy. Of the many factors that have often been investigated, it is very difficult to conclude which is the most dominant influence on a company's dividend policy. Because the intervening variable is needed to increase the influence of the GCG proxy and debt policy on dividend policy. Dewi [11] said that although there is still a research gap, profitability can have an influence on dividend policy. The result is obtained by companies that have large profitability do not always provide high dividends, but Hossain *et al.*, [12] produce profitability and have a significant positive effect on cash dividend policy.

LITERATURE REVIEW

Good Corporate Governance

Jensen and Meckling [6] say agency relationship is a relationship between the two parties, where the first party is a principal, namely a trustee and the second party is an agent who acts as a representative of the principal in carrying out a transaction with another party. Therefore management must account for all its efforts to shareholders. So as to realize these goals the company's efforts in providing maximum performance, both financial performance and other business performance through aspects of justice, transparency, accountability and responsibility, Debby *et al.*, [13].

Good Corporate Governance is considered able to overcome agency conflicts caused by principals and agents who have their own interests and are conflicting, because agents and principals try to maximize their respective utilities. Therefore institutional share ownership is considered capable of reducing agency problems because it can control management in issuing policies that can harm shareholders.

The effectiveness of supervision in company activities can be influenced by how the board of directors is formed and organized. The good performance of the board of commissioners will be able to realize good corporate governance. In its implementation, the implementation of GCG is very dependent on the function of the board of commissioners who are entrusted as the party managing the company. The board of commissioners as a corporate organ has full duties and responsibilities in managing the company. The higher frequency of meetings between the board of commissioners, shows the more frequent communication and coordination among members so that it is easier to realize good corporate governance, Suryono and Prastiwi [14].

Debt Policy

Debt policy is closely related to management actions in funding the operations of companies using debt. This is related to the capital structure chosen by the company. In conducting its operational activities, companies need funds to run well. Funds must be available in a certain amount so that they are sufficient to be used when needed, Kartikasari and Merianti [15]. If the company's internal funds are sufficient, management does not need to use debt to obtain external funds. However, if the investment made is not enough, management uses debt as an alternative. Jihan [16] said that funds originating from debt are needed by the company because financing for operational activities cannot be closed only with funds from within the company. The use of debt helps companies generate profits even though the debt creates a fixed burden (interest).

Profitability

Profitability is one of the information that can be used as a signal for investors. Nurkhin *et al.*, [17] said that information related to company profitability is a signal that can influence market reaction in the form of a request to purchase company shares. Profitability is a part of financial ratios derived from a comparison between one financial statement post and another that has a relevant and significant relationship, Riri [18].

Hypothesis

Effect of Institutional Ownership on Profitability

Based on agency theory law, the involvement of institutional share ownership will be a motivation for management to improve company performance. Sianipar *et al.*, [18] said managers in managing the company would be careful in making a decision that would later affect the company's profitability.

H1: Ownership has a significant positive effect on profitability

Effect of the frequency of board of commissioners meetings on profitability

The effectiveness of the board of commissioners in carrying out the supervisory role of the financial reporting process and internal control requires regular meetings. Juwitasari in Fajrina *et al.*, [19] said a well-organized and well-controlled meeting would assist the board of commissioners in carrying out oversight and were better able to offer criticism in relation to the policies carried out by management.

H2: The frequency of board of commissioner meetings has a significant positive effect on profitability

Effect of leverage on profitability

Capital structure has a negative value and is significant for the profitability of the company. Low capital structure will increase the level of profitability, on the contrary if the high capital structure will reduce the level of profitability. This is in accordance with the results of Sarikadarwati and Nina [20] who say that high low DER will affect the level of achievement of ROE achieved by the company. If the cost of debt is smaller than the cost of equity, the source of funds originating from loans or debt will be more effective in generating profits (increasing return on equity).

H3: leverage has a significant negative effect on profitability

Effect of institutional ownership on dividend policy

The existence of ownership by the institution will encourage more effective and efficient supervision of company performance. Based on agency theory if institutional ownership that has a larger proportion of shares will be able to urge managers to make policies on behalf of shareholders.

H4: Institutional ownership has a significant positive effect on dividend policy

Effect of frequency of board of commissioner meetings on dividend policy

The Forum for Corporate Governance in Indonesia (FCGI) explains that board of commissioners meetings are a medium of communication and coordination between management. At meetings conducted by the board of commissioners, management performance will be evaluated and the board of commissioners will provide feedback regarding the implementation of the tasks that have been carried out by management. The meeting activity will also discuss issues regarding the direction and strategy of the company, evaluation of policies that have been taken or carried out by management, and resolve issues of conflict of interest. Regular meetings held by the board of commissioners will also evaluate policies taken by management and resolve conflicts of interest between shareholders and managers, Gantyowati and Nugraheni [21].

H5: the frequency of board of commissioner meetings has a significant positive effect on dividend policy

Effect of debt policy on dividend policy

Companies at risk will pay low dividends, with the intention of reducing dependence on external funding. The company's capital structure will compare capital from creditors and shareholders. This is in accordance with that expressed by Rozeff on Suharli [22] that the higher capital structure owned by debt causes management to prioritize repayment of obligations before distributing dividends.

H6: leverage has a significant negative effect on dividend policy

Effect of profitability on dividend policy

In the signaling theory, management will pay dividends to signal the success of the company to book profits. So that it can be said that companies will only increase dividends if earnings increase. Thus profitability is absolutely necessary for companies if they want to pay dividends.

H7: profitability has a significant positive effect on dividend policy

Profitability intervenes in the relationship of institutional ownership to dividend policy

Ownership of shares owned by institutions will encourage more effective and efficient supervision of company performance. So that the company's performance illustrated through profitability can have an influence on shareholders to urge managers to distribute dividends.

H8: Institutional ownership has a significant positive effect on dividend policy through profitability

Profitability intervenes in the relationship of frequency of board of commissioner meetings to dividend policy

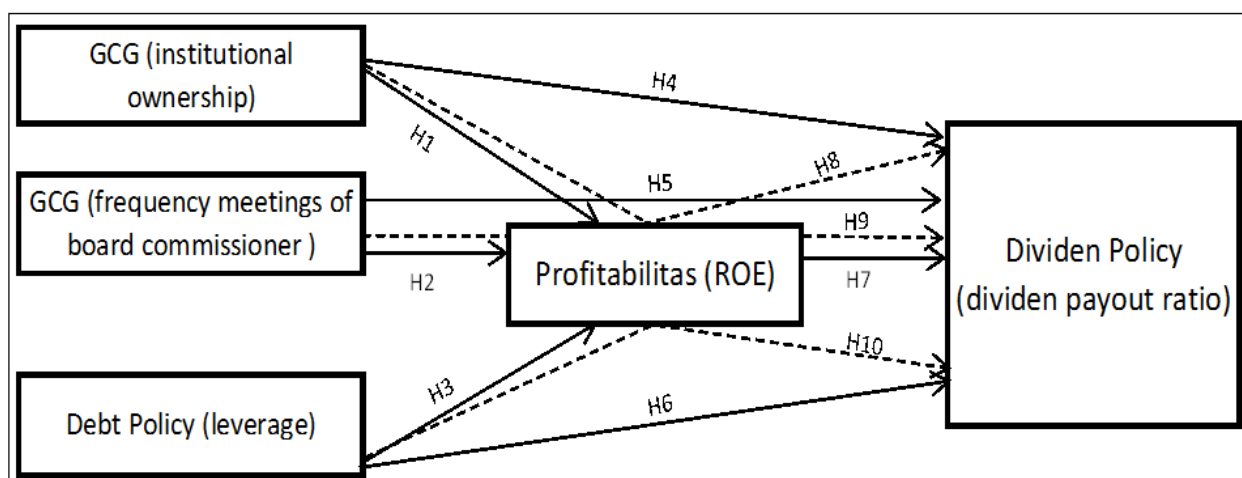
The high profitability of the company makes the company have a lot of funds that can be used to pay dividends to shareholders. So that regular meetings conducted by the board of commissioners can discuss the dividend policy that needs to be done by the company.

H9: the frequency of board of commissioner meetings has a significant positive effect on dividend policy through profitability

Profitability intervenes in the relationship of leverage to dividend policy

Companies with a high degree of leverage will have an impact on the company's reduced profitability. According to Hamidah and Mardiyati to Dewi [11] with the risk of default, the costs that must be incurred by the company to overcome this problem are even greater. The need for large costs results in the budget for dividends being small.

H10: Leverage has a significant negative effect on dividend policy through profitability



Picture-1: conceptual frame work

RESEARCH METHODS

This study uses causal research techniques. In causal research, there are several variables that influence. This study was conducted to examine the causal relationship between Good Corporate Governance and debt policy towards debt policy and profitability as intervening variables. There are three variables in this study, namely independent variables, dependent variables, and intervening variables.

The data source in this study uses secondary data that can be found in financial statements and other related documents as well as company financial reports that are specifically related to economic and financial information. Data for research is obtained from the official website of the Indonesia Stock Exchange or <http://www.idx.co.id>.

Variable Independen

- Institutional Ownership is Percentage of institutional ownership in the company's share structure
- Frequency of board meetings is the average percentage of attendance to total board of commissioners

- Debt Policy or leverage is measured by debt to Equity Ratio (DER) where the liabilities is divided by total equity

Variable dependen

Dividen Policy is measured by dividend payout ratio where dividend per share is divided by earning per share.

Variable intervening

Profitabilitas is measured by ROE where net income is divided by total equity

The populations in this study are companies listed index Kompas 100 on the Indonesia Stock Exchange from 2015 to 2017 within a total of 100 companies which could provide information about corporate value and financial performance. From this population, the sample selected using purposive sampling method according to specified criteria. Based on sampling criteria, 22 companies could be sampled during the observation period. The research observation period used was from 2015 to 2017 or for 3 years so that the amount of data used was as much as 66 data.

The SPSS 22 software is used for description, classical assumption tests and hypothesis tests. The test

model used in this study is multiple linear regression (Multiple Linear Regression) which is formulated as follows:

$$ROE = \alpha + \beta_1 \text{OwnerINST} + \beta_2 \text{FrekMeet} + \beta_3 \text{DER} + e$$

$$\text{DPR} = \alpha + \beta_1 \text{OwnerINST} + \beta_2 \text{FrekMeet} + \beta_3 \text{DER} + \beta_4 \text{ROE} + e$$

ROE = Profitability

DPR = Dividend Policy

OwnerINST = Institutional Ownership

FrekMeet = Frequency of board meetings

DER = Debt Policy

RESULTS AND DISCUSSION

Results

Information:

Table-1: Uji Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ROE	66	.0197	1.6099	.192596	.2396549
OwnerInst	66	.2000	.8000	.415789	.1171525
FrekMeet	66	69.80	100.00	93.4015	7.75675
DER	66	.1959	2.5160	.829974	.4798379
DPR	66	.0353	1.1985	.379651	.2628166
Valid N (listwise)	66				

Source: Data SPSS 22

From the descriptive table above, it can be said that the ROE value of 100 indexed companies has an average value of 19.25 percent. ROE is a profitability ratio from an investor's point of view, not from a company perspective. In other words, this ratio calculates how much money the company can generate based on the money invested by shareholders, not the company's investment in the form of assets or something else. So that it can be said that every increase of 1 rupiah from shareholders' equity can yield 0.19 rupiah from net income.

The share ownership of a 100 indexed company has an average value of 41.57 percent of the total outstanding shares. Institutional ownership has an important meaning in monitoring management because the presence of ownership by the institution will encourage more optimal supervision.

The frequency of board of commissioners meetings in compass-indexed companies has an average value of 93.40 percent, meaning that overall the companies studied have met the requirements of the company's Articles of Association, namely board of

commissioners meetings must hold a meeting with a minimum of 1 (one) time in 2 (two) month.

The debt policy, which is proxied through the Debt equity of ratio (DER) of a 100 indexed compass company, has an average value of 0.82. This ratio is often used by analysts and investors to see how much the company's debt is compared to the equity held by the company or shareholders. The higher the DER number, it is assumed that the company has a higher risk of the company's liquidity. DER with a number below 1.00, indicates that the company has a debt that is smaller than its equity. In the company studied the maximum value was 2.51 owned by Matahari Department Store Tbk in 2015.

Dividend policy proxied by the dividend pay ratio (DPR) in compass indexed companies 100 has an average value of 37.95 percent. This ratio is used by some people when considering whether someone as an investor will invest in a profit printing company that pays dividends, or invests in profit-making companies that have high growth potential. This means that 100 compass companies distribute dividends on average by 37 percent of net income each year.

Table-2: Statistical test results directly influence Return on Equity (ROE)

Model	B	Sig Uji t
Constant	.519	
OwnerInst	-.751	0.001
FrekMeet	-.002	0.596
DER	-.203	0.001
<i>Dependent Variable: ROE</i>		
<i>Sig Uji F</i>	0.000	
<i>R Adjusted Square</i>	0.271	
<i>Asymp. Sig. (2-tailed) Normalitas</i>	0.200	
<i>Sources: Data SPSS 22</i>		

The results of statistical tests in table 2 show the direct effect of the independent variable on profitability that is proxied through return on equity. These results are institutional ownership variables that have a significant negative effect on ROE (sig = 0.001), the frequency variable of board of commissioners meeting has no significant effect on ROE (sig = 0.596), and DER variable has a significant negative effect on ROE (sig = 0.001). So that it can be concluded that hypotheses 1 and 2 are rejected and hypothesis 3 is acceptable.

When viewed from the adjusted Square R value, it can be said that the independent variables namely institutional ownership, the frequency of board of commissioners meetings and DER in predicting ROE variables are 27.1 percent, while the remaining 72.9 percent are influenced by other variables outside the

research. In the feasibility test the model value of 0.000 indicates that together the independent variables have an influence on the ROE variable and the sig value of normality of 0.200 indicates normal distributed data.

Model Multiple regression

$$\text{ROE} = 0.519 - 0.75\text{OwnerInst} - 0.002\text{FrekMeet} - 0.203\text{DER} + e$$

From the results above it can be said that if there are no variables that influence it the ROE value is 0.519. If there is an addition of 1 point from Institutional ownership variable, it will reduce the ROE value by 0.751. Then if there is an addition of 1 point from the frequency variable of the board meeting, it will reduce the ROE value by 0.002. Then if there is an additional 1 point from the DER variable, it will reduce the ROE value by 0.203.

Table-3: Test Results Statistics direct influence on Dividend Payout Ratio (DPR)

Model	B	Sig Uji t
Constant	-.083	
OwnerInst	-.432	0.112
FrekMeet	.009	0.055
DER	-.196	0.007
<i>Dependent Variable: DPR</i>		
<i>Sig Uji F</i>	<i>0.011</i>	
<i>R Adjusted Square</i>	<i>0.122</i>	
<i>Asymp. Sig. (2-tailed) Normalitas</i>	<i>0.200</i>	
<i>Sources: Data SPSS 22</i>		

The results of the statistical test in Table-3 show the direct effect of the independent variable on dividend policy which is proxied through the Dividend payout ratio (DPR). These results are institutional ownership variables that have no significant effect on DPR (sig = 0.112), frequency variables of board of commissioner meetings have a significant positive effect on DPR (sig = 0.055), and DER variables have a significant negative effect on DPR (sig = 0.007). So that it can be concluded that hypothesis 4 is rejected and hypotheses 5 and 6 can be accepted.

When viewed from the adjusted Square R value, it can be said that the independent variables namely institutional ownership, frequency of board of commissioner meetings, and DER in predicting the dependent variable, namely the DPR directly has a value of 12.2 percent, while the remaining 87.8 percent is influenced by other variables outside the research. In the feasibility test the model value of 0.011 shows that together the independent variables have an influence on the dependent variable namely the DPR. The sig value of normality of 0.200 shows normal distributed data.

Table-4: Test Results Statistics indirect effects through ROE

Model	B	Sig Uji t
Constant	-.291	
OwnerInst	-.131	0.683
FrekMeet	.009	0.029
DER	-.277	0.000
ROE	.401	0.008
<i>Dependent Variable: DPR</i>		
<i>Sig Uji F</i>	<i>0.001</i>	
<i>R Adjusted Square</i>	<i>0.207</i>	
<i>Asymp. Sig. (2-tailed) Normalitas</i>	<i>0.200</i>	
<i>Sources: Data SPSS 22</i>		

From the statistical table in Table-4 shows the indirect effect of the independent variable on dividend policy through ROE. Table-4 also shows that ROE

directly has a significant positive influence on the variable DPR (Sig = 0.008) so that the 7th hypothesis can be said to be accepted. However, ROE is only able

to intervene frequency variables of board of directors meetings and DER variables on DPR variables, whereas for institutional ownership variables, ROE is not able to intervene in the DPR variable. So that hypothesis 8 is rejected while hypotheses 9 and 10 can be accepted.

When comparing the R adjusted Square value, the direct effect of the R adjusted Square value is indirect influence through ROE, the independent variable is institutional ownership variable, the frequency of board of commissioner meetings and DER is greater in predicting the DPR variable through ROE which is 20.7 percent whereas otherwise through ROE in predicting the DPR variable only 12.2 percent. So that it can be said that profitability can be a variable intervening between institutional ownership variables, the frequency of board of commissioner meetings and DER on the variable DPR.

Model Multiple regression

$$\text{DPR} = -0.291 - 0.131\text{Owner1NST} + 0.009\text{FrekMeet} - 0.277\text{DER} + 0.401\text{ROE} + e$$

From the results above, it can be said that if there is no variable that influences it, the value of the DPR is -0.291. If there is an addition of 1 point from the Institutional ownership variable, it will reduce the DPR's value by 0.131. Then if there is an addition of 1 point from the frequency variable of the board meeting, it will increase the ROE value by 0.009. Then if there is an addition of 1 point from the DER variable, it will reduce the DPR value by 0.277, and if there is an addition of 1 point from the ROE variable, it will increase the DPR value by 0.401.

DISCUSSION

Effect of Institutional Ownership on Profitability

The t-test results in Table-2 that institutional ownership negatively affect profitability are proxied through Return on Equity (ROE). It can be said that a small shareholding actually provides effectiveness in monitoring company performance which is reflected in profitability. According to Modigliani on Wiranata and Nugrahanti [23] the existence of information asymmetry between the shareholders and managers causes managers as managers of companies to be able to control the company because they have more information about the company than shareholders. So that large institutional ownership does not guarantee profitability to be large. This result is in line with Putra and Nuzula [24] who said that institutional parties make it possible to become controllers or oversee manager's actions in effectively improving company performance.

Effect of the Frequency of Board of Commissioners Meetings on Profitability

The t test results in table 2 show that the frequency of board of commissioner meetings has no significant effect on profitability which is proxied through Return on Equity (ROE). It can be said that routine meetings conducted by the board of

commissioners do not discuss in detail the company's performance related to profitability. So that it can be stated that the frequency of attendance made more discusses the company's policy towards shareholders. This result is in line with the research of Zahra et al (25) which says that the greater the activity carried out by the board of commissioners does not guarantee an increase in company performance

Effect of Leverage on Profitability

The t test results in Table-2 show that the leverage proxied through DER has a negative effect on profitability that is proxied through Return on Equity (ROE). It can be said that if the debt to equity ratio decreases, the ROE value will increase, and vice versa. The higher the debt to equity ratio, the greater the amount of loan capital that will be used in generating profitability for the company. This result is in line with the research of Martiani and Purbawangsa [3] which said that companies that have a high level of profitability tend to have relatively small amounts of debt because they prefer to use their own capital more.

Effect of Profitability on dividend policy

The t test results in table 4 show that profitability (ROE) has a significant positive effect on dividend policy. This can be said that the Company with a high ROE level will also get higher dividends paid. If the profitability level of the company experiences fluctuations every year, the high and low profitability affects the dividends that are distributed. This result is in line with Lintner's empirical evidence on Fistyarini and Kusmuriyanto [26] who concluded that a company's ability to pay dividends was a function of profits. So profitability can help companies pay dividends. Monika and Sudjarni [27] in their study also produced a high level of profitability that affected the amount of dividends distributed, so that the greater the profits the company received, the greater the company's ability to pay dividends

Direct Influence of Institutional Ownership on Dividend Policy

The t test results in table 3 show the direct effect of institutional ownership variables on dividend policy (DPR). These results are institutional ownership variables that have no significant influence on the DPR variable. It can be said that the number of outstanding shares owned by parties outside the company is unable to influence the dividend policy proxied through the DPR. The size of the share ownership of institutional investors in Kompas 100 companies here is allegedly because investors have different desires than investors in general. This result is in accordance with Martiani and Purbawangsa [3] study, which said that long-term general investors prefer companies that reinvest profits from companies that pay most of their profits for dividends, so the proportion of shares held by institutions does not affect the size of dividend payments made by companies.

Indirect influence of institutional ownership on dividend policy through return on equity

The t-test results in table 4 show the indirect effect of institutional ownership variables on dividend policy (DPR) through ROE. These results are institutional ownership variables which indirectly have an insignificant influence on the DPR through ROE. So that ROE can be said to be unable to interfere with the relationship of institutional ownership variables to dividend policy. This means that institutional investors pay more attention to the profits of the company for the continuity of the company, because a positive profit will have an effect on the dividend distribution shared by the company. This is in accordance with the research of Hermiyeti and Erlinda [28] who said that the proportion of ownership of other institutions or institutions in sample companies indicated that their authority was large enough to oversee management which could encourage management to increase company profits so that the company's financial performance would also increase.

The direct effect of the frequency of board meetings on dividend policy

The t-test results in table 3 show the direct effect of the variable frequency of board of commissioner meetings on dividend policy (DPR). The result is that the frequency variable of the board of commissioners meeting has a significant positive effect on the DPR. It can be said that the meeting activities carried out by the board of commissioners in addition to discussing the implementation of the company's strategy and also overseeing management in managing the company so that it is implemented in an accountable manner. However, the relationship between the frequency of board of commissioners meetings to ROE has no significant effect. This means that meetings conducted by the board of commissioners discuss more in detail about the interests of shareholders, one of which is the company's dividend policy. This result is in accordance with Nungky [29] who said that the board of commissioners meeting functions as a communication medium. Coordination and discussing the company's strategic issues. The more frequent meetings, the better monitoring of supervision.

The indirect effect of frequency of board of commissioner meetings on dividend policy through Return of equity

The t-test results in Table-4 show the indirect effect of variable frequency of commissioner meetings on dividend policy through ROE. The results are that the frequency variable of the board of commissioners meeting indirectly has a significant positive influence on dividend policy through the ROE variable. So that it can be said that ROE is able to intervene in the relationship of frequency of board of commissioner meetings to dividend policy. This means that companies with strong corporate governance are able to provide

protection for the rights of minority shareholders. If the ROE is positive, it will also have a positive influence on the agenda of the board of commissioners meeting to discuss the dividend policy that needs to be done by the company. As Martiani and Purbawangsa [3] said Companies can reduce agency problems by using dividend payment policies and dividend policies to help companies find out how they reduce agency costs by controlling dividend policy. Therefore, the meeting conducted by the board of commissioners discussed more about minority share ownership rights through dividend policy.

Direct influence of leverage (DER) on dividend policy

The t-test results in table 3 show the direct effect of variable leverage on dividend policy (DPR). These results, namely the leverage variable directly has a significant negative effect on the DPR. It can be said that the level of debt of a company will reduce the company's ability to pay dividends or dividend policies. Likewise, if the level of debt held by the company is low, the company can distribute high dividends so that most of the profits are used for the welfare of shareholders. This result is in accordance with Dewi [11] who said that the higher the debt, the greater the income used to pay the debt and interest expenses. So that the situation will affect the decline in cash dividends.

Indirect influence of leverage (DER) on dividend policy through return of equity

The t-test in Table-4 show the indirect effect of variable leverage on dividend policy (DPR) through ROE. These results, namely the leverage variable indirectly has a significant negative effect on the DPR through ROE. So that it can be said that ROE is able to intercept leverage relations with the DPR. This means that the higher the DER of a company, the higher the amount of the company's debt, so that the company's profits will be lower and the company's ability to pay dividends is also low. So investors who want high dividends must choose a company with a low debt level. These results are in line with Monika and Sudjarni [27] who say that the higher the company's debt, the lower dividends paid, thus companies with high debt ratios affect the low profit earned by the company, because some are used to pay loan interest, so companies with debt burden the higher, the company's ability to divide dividends will be lower.

CONCLUSION AND SUGGESTION

Based on the results of the study, it can be concluded that this study is able to prove the hypothesis: (1) institutional ownership has a negative effect on profitability. (2) the frequency of board of commissioners meetings has no significant effect on profitability. (3) debt policy has a negative effect on profitability. (4) Profitability has a significant positive effect on dividend policy. (5) institutional ownership

has no significant influence on dividend policy. (6) institutional ownership indirectly has insignificant influence on dividend policy through profitability. (7) the frequency of board of commissioner meetings has a significant positive effect on dividend policy. (8) the frequency of board of commissioners meetings indirectly has a significant positive effect on dividend policy through profitability. (9) direct debt policy has a significant negative influence on dividend policy. (10) debt policy indirectly has a significant negative influence on dividend policy through profitability.

Suggestion

When viewed from the determinant value of indirect influence of 20.7 percent, further research can use other profitability proxies that are used as a variable intervening on dividend policy. Further research can include companies of all types of industries using larger sample sizes and longer observations, because investors are more likely to see long-term predictions than relatively short-term predictions.

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