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# The effect of company size, institutional ownership, profitability and leverage on dividends payout ratio

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## Abstract

The implication of this research is that company managers are expected to make dividend payout ratio decisions by looking at the factors that influence it, this is hoped that the company can avoid agency problems that can cause agency costs in the company, for corporate investors it is expected to be used as reference material for investing in the company by looking at the factors that affect the dividend payout ratio before investing, this study is expected to provide information about the factors that can affect the dividend payout ratio in the financial sector companies and is expected to be used as a reference for further research in the field of dividend payout ratios, further researchers can add other variables to find out other variables that affect the dividend payout ratio. This study is a study that uses secondary data and this study aims to determine the effect of company size, institutional ownership, leverage, and profitability on dividend payout ratio. The population in this study were financial sector companies on the Indonesian stock exchange in the period 2016-2018. The sample in this study were 16 companies in a 3year period. The sampling technique used was purposive sampling and the data analysis used was multiple linear regression analysis. The results of this study indicate that institutional ownership and profitability have a significant positive effect on the dividend payout ratio. Meanwhile, the variable company size and leverage does not have a significant effect on the dividend payout ratio.

## Introduction

One tool to measure economic development in a country can be looked from the level of investment development in the capital market. This is because in the capital market there are large industries it can control the country's economy so that it can affect all components of the country's economy. Investing into the capital market is a chance to raise prosperity from the degree of return offered by the capital market as dividend and capital income. The success of the economy in Indonesia cannot be separated from the role of the financial sector because this sector acts as a business entity or institution that provides services to collect funds from the public, and provides it as a source of financing for industry and the domestic community. The financial sector has an essential role in adjusting different components of development. This strategic role is due to the main function of financial sector companies as institutions that can collect and provides public funds effectively and efficiently that support the implementation of development to increase equitable economic development and national security with a view to raising the living conditions of many people.

Banking companies are institutions in the financial sector, based on the news from Kontan.co.id on May 16, 2019 there were five big banks in the Commercial Banks Business Activities 4 category and included in the Kompas100 index member loyal distributes dividends in 2018. PT Bank Mandiri Tbk decided to provide cash dividends of Rp. 11.25 trillion of the total 2018 net profit. The prediction that the implementation of PSAK 71 will erode the capital adequacy

ratio by 1-2 percent, and increase the burden of the coverage ratio to more than 160 percent. While currently, the Bank Mandiri reserve ratio is still at the level of 152 percent. The issue of the implementation of PSAK 71 which erodes bank capital and even reduces the allocation of dividends also makes PT Bank Negara Indonesia Tbk only provide cash dividends of Rp 3.75 trillion of net income in 2018. However, BRI and BCA increase the value of their dividend payout ratio, but BRI recorded the most loyal distribution of the dividends, the value reached Rp 16.17 trillion of profits in 2018. BRI is not worried about the implementation of PSAK 71, because in the last two years the company has allocated a coverage ratio of more than 195 percent. While PT Bank CIMB Niaga Tbk distributed the smallest dividend worth IDR 696 billion of 2018 net profit (kontan.co.id, 2019).

Dividend is capital, stock, or some form of asset that a company distributes to its shareholders (Fabozzi & Markowitz, 2011). The board of directors may at any time announce a dividend, in reality, dividends are often used as an indicator of the future development of the company fund. Therefore, all aspects of corporate responsibility relating to the interests of shareholders are expected to be disclosed by public corporations. Company management has two alternate treatments for the company's net profits after tax, which is paid in the form of dividends to the company's shareholders and reinvested as retained earnings in the company (Fahmi, 2014). A company determines the number of dividends be paid to shareholders each year based on earnings after tax obtained by the company and the number of dividends to be paid, the price of shares and the welfare of the shareholders of the company would be affected. Investors usually want a reasonably predictable distribution of dividends because according to the dividend bird in hand theory, the consistency of these dividends will improve investor confidence in the business. To maintain the continuity of the company's operations, the company also expects continuous growth.

There are several variables influencing the dividend payout ratio (DPR), though company size, institutional ownership, leverage and profitability are the variables used in this analysis. The company size is an important factor in the decision of the investor to invest in a company, in this research aspects used to measure company size is using total assets owned by the company. According to Brigham and Daves (2014) a company's size is big or small in size which can be seen from certain elements, which are total assets, total revenue, total income, tax expenditures and others owned by the company that can be seen from the annual report of the company. The successful research that can show a relationship between the company size variable on dividend payout ratio that has a significant positive effect (Alber & Alhabtour, 2017; Apriliani & Natalylova, 2018; Atmoko et al., 2017; Rais & Santoso, 2018). While the research that shows an insignificant effect between company size variables on dividend payout ratio (Ali et al., 2012; Helmina & Hidayah, 2017; Laim et al., 2015).

Institutional ownership is a factor from external parties that participate in investing and can influence the company's payout ratio. According to Jensen and Meckling (1976), institutional ownership has an important role in minimizing agency conflicts, the existence of institutional investors is considered capable of being an efficient control in all management decisions. The successful research that can show a relationship between institutional ownership variables on dividend payout ratio that have a significant positive effect (Helmina & Hidayah, 2017; Idris & Shuaibu, 2016; Kurniawati et al., 2015; Pujiati, 2015; Rosmiati Tarmizi, 2016). Meanwhile Kautsar (2019) research shows significant negative effects. While research that shows an insignificant effect between institutional ownership variables on dividend payout ratio (Awalina, 2016; Jayanti & Puspitasari, 2017; Rais & Santoso, 2018).

The next factor affecting the DPR is leverage. Companies with a high level of leverage are highly dependent on loans outside the company to fund their assets, while companies with a low level of leverage are more likely to use their resources to finance their assets than can reflect the financial risk of the company by the level of corporate leverage. Leverage is the use of companies that have fixed costs of assets and sources of funds to maximize future shareholder income. The

successful research that can show a relationship between the leverage variable on dividend payout ratio that has a significant positive effect (Atmoko et al., 2017; Laim et al., 2015). While the research that shows a significant negative effect between company size variables on dividend payout ratio (Alber & Alhabtour, 2017; Ali et al., 2012; Silaban & Pengestuti, 2017).

Profitability is the important factor in decision making by an investor to invest in a company. Profitability ratio is a measure of the company's performance appraisal that shows the final results of several policies and decision making by company management. This profitability ratio can be seen and calculated from several aspects, namely gross profit margin, operating income ratio, operating ratio, net profit margin, return on investment, return on equity and return on assets. In this analysis, profitability was calculated using ROA, a ratio to calculate the company's overall capacity to generate income with the total amount of assets kept in the company for investment usage and used to generate company profits for company operations. The successful research that can show a relationship between profitability variables on dividend payout ratio that have a significant positive effect (Afas et al., 2017; Alber & Alhabtour, 2017; Apriliani & Natalylova, 2018; Awalina, 2016; Rosmiati Tarmizi, 2016; Silaban & Pengestuti, 2017).

This research was conducted also because of the inconsistency of the results of previous research and intends to carry out development from previous research (Awalina, 2016; Silaban & Pengestuti, 2017). The company used as a sample in this study is financial sector companies listed on the Indonesia Stock Exchange because financial sector companies that have an important role in economic activities because with activities and various services provided can serve various needs in economic and trade sectors. Based on the description above, the objectives of this study are: 1) To analyze the effect of company size on the dividend payout ratio in financial sector companies listed on the Indonesia Stock Exchange. 2) Analyze the effect of Institutional Ownership on Dividend Payout Ratio in financial sector companies listed on the Indonesia Stock Exchange. 3) Analyze the effect of Leverage on Dividend Payout Ratio in financial sector companies listed on the Indonesia Stock Exchange. 4) Analyze the effect of Profitability on Dividend Payout Ratio in financial sector companies listed on the Indonesia Stock Exchange. The results of this study are expected to contribute to managers as material for consideration in making policies related to dividend payout ratios to improve shareholder welfare and develop the company.

## **Literature Review**

### **Agency Theory**

The agency theory described by Jensen and Meckling (1976) discusses the relationship between shareholders as principal and management as agents. Agency relationships occur when another entity is employed as an agent by one or more principals to provide a service and then assign decision-making authority to the agent. Agency theory views that there is a separation in an organization between the company's ownership and management, which can create an issue with the agency. According to agency theory, between shareholders and managers will act according to their respective interests and shareholders will always be suspicious that managers only act in their interests that is maximizing additional income by reinvesting and always making decisions without regard to the interests of shareholders who will be resulting in agency conflict so the company must bear agency costs. Increase the DPR on net profits is the alternatives to minimizing the risk of conflicts of interest and agency costs would allow managers to behave wisely because they will bear the effects of whatever decision is made and by increasing the DPR will decrease the amount of free cash flow by including managers in equity ownership.

### **The Bird in Hand Theory**

According to Lintner (1963), an investor expects high dividend payments, because the return on dividends is more assured than the unpredictable and risky return on capital gains. Dividends can

be managed by management, but capital gain cannot be controlled. Compared to dividends, investors are not confident if they will earn profits from capital gains. If a company wishes to raise the company's value and encourage more investors to invest in the company, it can be said that the company can increase the DPR because, according to the bird-in-hand principle, investors prefer companies that distribute more dividends because they are more confident of having returns than capital gains.

### **Signaling Theory**

Signaling theory states that dividends are a tool used by managers to reduce asymmetric of information between management and shareholders by providing private information about the company's prospects and will be responded by the market, where managers have more information about the current state and future of the company compared to investors (John & Williams, 1985). The increased dividend payment is good news because it tells the company's favorable situations and prospects so that it can positively impact the stock's reaction, otherwise it will apply if dividend payment reductions are unfavorable news because it informs the company's conditions and prospects in a less favorable situation that will negatively impact stock reactions. Companies that have good performance can send signals to the capital market through dividends, but companies that have poor quality will be the opposite.

### **Dividend Payout Ratio**

Company management has two alternate treatments for the company's net profits after tax, which is paid in the form of dividends to the company's shareholders and reinvested as retained earnings in the company (Fahmi, 2014). Generally, part of the profits after tax is distributed to shareholders as dividends and the rest is reinvested in the company. Management must decide on the number of earnings after tax that distributed as a dividend to the shareholders, making decisions about dividends is called as dividend policy. DPR is a ratio that shows the value of dividends distributed by companies to investors. The situation that is often faced by companies in conducting dividend policies is where on one party investors demand to be distributed a number of dividends after an agreement at the general meeting of shareholders so that investors can feel confident about the company's future prospects.

### **Company Size**

The size of the company is an important component in the investor's decision to invest in a company, using total assets owned by the company in these analysis factors used to calculate company size. Company's size is big or small in size which can be seen from several aspects, which are total assets, total revenue, total profit, tax expenditures and others owned by the company that can be seen from the annual report of the company (Brigham & Daves, 2014). Companies with a larger size would have the potential and greater opportunity to pay dividends because compare to smaller companies, the company with the total assets it has will produce higher profits because smaller companies depend more on using the income received for their company's growth.

**H<sub>1</sub>:** Company Size has a positive effect on Dividend Payout Ratio

### **Institutional Ownership**

Institutional ownership is a factor from external parties that participate in investing and can influence the company's payout ratio. Institutional ownership has an important role in minimizing agency conflicts, the existence of institutional investors is considered capable of being an efficient control in all management decisions (Jensen & Meckling, 1976). Institutional ownership oversight will maximize the work of managers who can have a direct effect on the company. Institutional ownership can be shown by the percentage of the total shareholding of government entities,

insurance firms, investment companies, pension funds, and other major financial institutions to the company's total shareholding resources. A high degree of institutional ownership will contribute to greater institutional investor oversight measures in order to hinder the actions of managers who are concerned with their interests that can impact the owner of the company. The level of oversight for the manager will also have an effect on the increasing company profits, and this increase in profit will also have an impact on increasing DPR.

**H<sub>2</sub>:** Institutional Ownership has a positive effect on Dividend Payout Ratio

### **Leverage**

A high degree of leverage increases the risk of the company and increases the cost of external funding which makes it more dependent on retained earnings, debt causes management to make paying off obligations and financing investment activities is a priority before distributing dividends so that will increase agency problems between management and shareholders, that means if a company wants to increase the number of dividends paid, the company must reduce and limit the use of debt as an external source of funds (Silaban & Pengestuti, 2017). Companies with a high degree of leverage depending on the company's retained earnings, which results in the distribution of profits as dividends because management will prioritize profits to be used for the settlement of obligations and investment financing to develop the company, while dividends will be the company's last priority, so dividends will only be paid if there is any remaining profit after the company has fulfilled its obligations and finances its investment activities.

**H<sub>3</sub>:** Leverage has a negative effect on Dividend Payout Ratio

### **Profitability**

Profitability is the important factor in decision making by an investor to invest in a company. Ratio of profitability is a group that show the ratio of combinations the effect of liquidity, asset management, and debt on operating results, this can be described as a ratio that provides data on the potential of the company to profit from the use of the resources available within the company (Brigham & Daves, 2014). The company with high level of profitability have more flexibility in their decision to pay dividends or not, but companies will often pay dividend when they have a high level of profitability and company that have higher of profitability will paid the dividends to shareholders with the high level too if compared to the company that have lower profitability, because for companies that have a low level of profitability will use the profit theirs owned for the company financing and the development of the company to get more high level of profit than use it to pay dividend to shareholders.

**H<sub>4</sub>:** Profitability has a positive effect on Dividend Payout Ratio

### **Research Method**

This research is a quantitative approach with regression analysis that shows the relationship of how the dependent variable is influenced by one or more of the independent variables. The object of this research is the Dividend Payout Ratio of financial sector companies listed on the Indonesia Stock Exchange in 2016-2018. This research uses multiple linear regression analyses as data analysis technique that assisted with SPSS. In this research conducted using secondary data, so that the data collection technique is by studying literature and documentation by getting data derived from annual financial statements that have been issued by the company in the period 2016-2018.

### **Dependent Variable**

The dependent variable used in this research is the Dividend Payout Ratio. Dividend Payout Ratio is a ratio that shows the value of dividends distributed by companies to investors, this dividend

payout ratio is the percentage of income that will be paid to shareholders as cash dividend in percentage units.

### **Independent Variable**

The size of company is one of the measurement tools of the size of the company and the basic aspects that are closely examined in the investment decision that can be seen from the total assets, total sales, total profits, tax expenses and others owned by the company in the annual report, in this research the company size used is seen from the total assets owned by the company.

Supervision conducted by institutional investors is very dependent on the number of investments made. The more concentrated in the ownership of shares, the supervision by the owner to the management will also be more effective and efficient.

Leverage is a level of the company's ability to use assets or funds that have fixed expenses to achieve the company's goals, namely to increase the company's owner's wealth. In this research, the company's leverage is used as seen from debt equity ratio owned by the company,

Profitability shows the company's ability to obtain profits that have a relationship with sales, total assets and own capital. ROA represents the ability of the company to use all assets owned to generate profits after tax. This ratio demonstrates the efficiency and effectiveness of company management in the manage of all company assets.

### **Result and Discussion**

The total population of financial sector companies on the Indonesia Stock Exchange that registered in 2016-2018 is 83 companies, financial sector companies do not publish information about the variables needed in this study is 53 companies, companies affected by data outliers is 14 companies. The research sampling technique used purposive sampling method. Based on the criteria for determining the sample used in the research, 16 companies were selected, the period used in this research is three years (2016-2018), so the total sample data used in this research is 48 data companies.

### **Descriptive Statistics**

Based on the descriptive statistical analysis in Table 1. the Descriptive Statistics results above, it can be seen that the number of samples (N) is 48. The Company Size variable ( $X_1$ ) shows a maximum value of 0.14353, while the minimum value is 0.07105. The mean Company Size value is 0.0952838, this means that the sample companies in this study have an average of 0.0952838, which is total asset of the sample companies in this study that are relatively high that means the sample companies in this study is large companies, with a standard deviation value of 0.02123000.

**Table 1.** Descriptive Statistical

	N	Minimum	Maximum	Mean	Std. Deviation
CS	48	0.07105	0.14353	0.0952838	0.02123000
IO	48	0.01005	0.01266	0.0106566	0.00066771
DER	48	0.00131	0.00437	0.0023787	0.00070324
ROA	48	0.16667	0.68966	0.3863082	0.14252952
DPR	48	0.01577	0.05817	0.0322677	0.01109765
Valid N (listwise)	48				

Source: Data processed in 2020

The Institutional Ownership variable ( $X_2$ ) shows a maximum value of 0.01266, while the minimum value is 0.01005. The mean value of Institutional Ownership is 0.0106566, this means that the average stock of the sample companies in this study that are owned by outsiders in the form of

institutions is 0.0106566, which is stock of the sample companies in this study that are owned by outsiders in the form of institutions is relatively high, with a standard deviation of 0.00066771.

The Leverage variable ( $X_3$ ) shows a maximum value of 0.00437, while the minimum value is 0.00131. The mean value of Leverage is 0.0023787, this means that the average value of total assets financed by the debt of the sample companies in this study is 0.0023787, which is relatively low and it means that the company's total debt is smaller than its total assets so that the sample company's financial condition is still relatively good, with a standard deviation of 0.00070324. The Profitability variable ( $X_4$ ) shows a maximum value of 0.68966, while the minimum value is 0.16667. The mean Profitability value is 0.3863082, this means that the average profitability of the sample companies in this study owned is 0.3863082, which is relatively high and it means that the companies sample profit in this study can shows financial condition companies is still good, with a standard deviation value of 0.14252952. The Dividend Payout Ratio variable ( $Y$ ) shows a maximum value of 0.05817, while the minimum value is 0.01577. The mean value of the Dividend Payout Ratio is 0.0322677, this means that the average dividend payout ratio of the sample companies in this study owned is 0.0322677, which is dividend of the sample companies in this study that are distributed to shareholders relatively high, with a standard deviation value of 0.01109765.

### Multiple Regression Analysis

**Table 2.** Multiple Linear Regression Results

Variable	Unstandardized Coefficients		t	Sig.
	B	Std. Error		
(Constant)	-.058	.026	-2.249	.030
IO	7.728	2.887	2.677	.010
DER	2.344	3.543	.662	.512
CS	-.162	.109	-1.486	.145
ROA	.046	.010	4.479	.000
F Test	: 7.260			
R Square	: 0.403			
Adj. R Square	: 0.348			

Dependent Variable: DPR

Source: Data processed in 2020.

Based on the results of Table 2, it can be seen that the multiple linear equation in this study can be formulated as follows:

$$\text{DPR} = -0.058 \alpha + (-0.162 \text{ CS}) + 7.728 \text{ IO} + 2.344 \text{ DER} + 0.046 \text{ ROA} + \epsilon$$

### Coefficient Determination ( $R^2$ )

The Determination Coefficient value can be seen from the Adjusted R Square value is 0.348 or 34.8 percent, that value shows the Dividend Payout Ratio in financial sector companies listed on the Indonesia Stock Exchange in 2016-2018 is influenced by 34.8 percent by variable Company Size, Institutional Ownership, Leverage, and Profitability, while the remaining 65.2 percent is influenced by other variables not included in the regression model of this study.

### Statistical F Test

The calculated F value is 7.260 while the F table for this study with  $n = 48$  and  $k = 4$ , can be seen from the table value with  $df = (k-1)$ ;  $(n-k) = 2.82$ . The results above show that the F value  $>$  F table or  $7.260 > 2.82$  while the significance value  $< 0.05$ , it can be concluded that simultaneously the independent variables, namely company size, institutional ownership, leverage, and profitability



have a significant effect on the dividend payout ratio or  $H_a$  is accepted and  $H_o$  rejected. These results indicate that the regression model is feasible to use to explain the effect of the independent variable company size ( $X_1$ ), institutional ownership ( $X_2$ ), leverage ( $X_3$ ), and profitability ( $X_4$ ) on the dependent variable dividend payout ratio ( $Y$ ), or the regression model used can be said to be fit.

### **Statistical T-Test**

The statistical T test used in this study is a one-tailed test.  $H_a$  will be accepted if the T value  $> T$  table and the significance value  $< \alpha$  (0.05).  $H_o$  is accepted if the T value  $< T$  table and the significance value  $> \alpha$  (0.05). The research was conducted using at the test with a significance level of 5 percent ( $\alpha = 0.05$ ) and degree of freedom: ( $\alpha$ ; n-k) with  $n = 48$  and  $k = 4$ , it can be seen that the value of T table is 2.01537.

In the Company Size variable, it is found that the variable has a T value of  $-1.486 < 2.01537$  and a significance value of  $0.145 > 0.05$ . Based on this value, the Company Size variable has no effect on the Dividend Payout Ratio. This shows if the hypothesis of first was rejected in this research. In the Institutional Ownership variable, it is found that the variable has a T value of  $2.677 > 2.01537$  and a significance value of  $0.010 < 0.05$ . Based on this value, the Institutional Ownership variable has a significant positive effect on the Dividend Payout Ratio. This shows if the hypothesis of second was accepted in this research. In the Leverage variable, it is found that the variable has a T value of  $0.662 < 2.01537$  and a significance value of  $0.512 > 0.05$ . Based on this value, the Leverage variable has no effect on the Dividend Payout. This shows if the hypothesis of third was rejected in this research. In the Profitability variable, it is found that the variable has a T count value of  $4.479 > 2.01537$  and a significance value of  $0.000 < 0.05$ . Based on this value, the Profitability variable has a significant positive effect on the Dividend Payout Ratio. This shows if the hypothesis of fourth was accepted in this research.

### **Discussion**

#### **The effect of company size on the Dividend Payout Ratio**

The results of the tests conducted in this study show that the company size variable doesn't have a significant effect on the dividend payout ratio. The absence of a significant effect of the firm size variable was due to the fact that the financial sector companies in this study were included in the category of large companies. Large companies tend to have more funding alternatives so that companies become less dependent on internal funding. In order to finance its growth, the company needs additional funds, so the company will not reduce the share of dividends distributed to shareholders, but will find external capital market funding.

The results of this study support research conducted by Laim et al. (2015) which states that company size has no effect on the dividend payout ratio. This means that the company size will not affect the size of the dividend payout ratio that is distributed annually.

#### **The effect of institutional ownership on the Dividend Payout Ratio**

The results of the tests conducted in this study show that the institutional ownership variable has a positive effect on the dividend payout ratio of companies in the financial sector. This indicates that the higher percentage of institutional ownership of companies in the financial sector would also increase the DPR. The reverse is also the same, the lower percentage of institutional ownership in financial sector companies, the lower the DPR in financial sector companies.

This research is in accordance with agency theory, in agency theory explains the relationship between investors and managers. The higher the percentage of institutional ownership, the higher management's responsibility to investors in minimizing agency conflicts, institutional ownership has an important role because the existence of institutional investors is considered capable of being an effective supervisory mechanism in any decision made by managers. Therefore, the company

will pay investors dividends because high institutional ownership will contribute to greater oversight efforts to avoid the behavior of managers who are concerned with their interests that could harm the owner of the company. The level of supervision to managers will also have an impact on increasing company profits because the manager will work more effectively, and will also have an impact on increasing the DPR.

The results of this study support previous research which stated that institutional ownership has a significant positive effect on the dividend payout ratio (Helmina & Hidayah, 2017; Idris & Shuaibu, 2016; Pujiati, 2015; Rosmiati Tarmizi, 2016). This means that the high and low percentage of institutional ownership will affect the dividend payout ratio.

### **The effect of leverage on the Dividend Payout Ratio**

The results of the tests conducted in this study show that the leverage variable doesn't have a significant effect on the dividend payout ratio. This is because the use of debt in company funding will have more impact on company management. Shareholders will prioritize company funding through debt. The company owner will strive to get dividends from the profits earned by the company rather than using it to finance debt. Companies that have a capital structure consisting of creditors and shareholders, where management not only pays attention to debtholder interests in the form of payment of obligations but also takes into account the interests of shareholders by distributing dividends.

According to agency theory, managers will tend to choose policies that minimize agency problems that can cause agency costs, so that the policies taken can be accepted by shareholders and management, one way that can be used to minimize agency problems that can cause agency costs is by increasing DPR. The results of this study are in accordance with the research of Hanif and Bustamam (2017) which states that leverage has no effect on the dividend payout ratio. This means that the level of the percentage of the leverage ratio will not affect the dividend payout ratio.

### **The effect of profitability on the Dividend Payout Ratio**

The results of the tests conducted in this study show that the profitability variable has a positive effect on the dividend payout ratio in the financial sector companies. This means that the higher the percentage of profitability ratio in the financial sector companies, the DPR will also increase. The reverse is also the same, the lower the percentage of profitability ratio in financial sector companies, the lower the DPR in financial sector companies.

This study is in accordance with the bird in hand theory, this theory explains that an investor expects high dividend payments, this is because the return on dividends is more certain than capital gains. The higher percentage of profitability ratio, the higher the management's responsibility to investors because they expect more dividend payments. It can be said that if a company plans to improve the company's value and attract more investors to invest in the company, the company can increase the DPR because investors prefer companies paying more dividends because it more certainly gets a profit rather than a capital gain, therefore the company will pay dividends to investors by paying attention to the percentage of the profitability ratio. The company with a high level of profitability have more flexibility in their decision to pay dividends, a company that has higher profitability will be paid the dividends to investors with a high level too if compared to the company that has lower profitability because companies with a low level of profitability would use their own profit for the company's financing and the company's growth to get a higher level of profit than using it to pay investors a dividend.

The results of this study support previous research which stated that profitability has a significant positive effect on the dividend payout ratio (Afas et al., 2017; Alber & Alhabtour, 2017; Apriliani & Natalylova, 2018; Awalina, 2016; Rosmiati Tarmizi, 2016). This means that the high and low percentage of profitability ratio will affect the dividend payout ratio.

## Conclusion

Company size has no effect on the dividend payout ratio in the financial sector companies. Institutional ownership has a significant positive effect on the dividend payout ratio in the financial sector companies. This means that the higher percentage of institutional ownership in the financial sector companies, the dividend payout ratio will also increase. The reverse is also the same, the lower percentage of institutional ownership in financial sector companies, the lower the dividend payout ratio in financial sector companies. Leverage has no effect on the dividend payout ratio in the financial sector companies. Profitability has a significant positive effect on the dividend payout ratio in the financial sector companies. This means that the higher the percentage of profitability ratio in the financial sector companies, the dividend payout ratio will also increase. The reverse is also the same, the lower the percentage of profitability ratio in financial sector companies, the lower the dividend payout ratio in financial sector companies.

Theoretical Implications, the results of this study can provide information about the factors that can affect the dividend payout ratio, namely institutional ownership and profitability in financial sector companies, and it is expected can to be used as a reference for subsequent research in the field of dividend payout ratios. Practical Implications, this research is hoped for company managers in making dividend payout ratio decisions by looking at factors that effect it, namely institutional ownership and profitability and for corporate investors it is hoped can be used as reference material for investors when investing in company by looking at factors that affect the Dividend Payout Ratio before investing.

This study only uses 16 samples of companies in the financial sector from a total of 83 companies because not all companies inform the variables needed in this study. In the next study, it is hoped that it can expand the research sample and increase the number of variables used so that the research results will be more useful for various parties. The results of the R Square test get a value of 0.348 or 34.8 percent of the Dividend Payout Ratio that can be explained by the independent variables in this research. While 65.2 percent was described by other variables that were not used in this research, for further research is suggested to consider several other variables that can affect dividend payout ratio.

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