



Impact Of Board Composition And Ownership Structure To Dividend Policy With Profitability As Moderating Variable

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How to Cite :

Ayyasyi, A., Rianto, R. A., Muchtar, S. (2026). Impact Of Board Composition And Ownership Structure To Dividend Policy With Profitability As Moderating Variable. EKOMBIS REVIEW: Jurnal Ilmiah Ekonomi Dan Bisnis, 14(3). DOI: <https://doi.org/10.37676/ekombis.v14i3>

ARTICLE HISTORY

Received [16 December 2025]

Revised [16 July 2026]

Accepted [19 July 2026]

KEYWORDS

Dividend, Corporate Governance, Board Composition, Ownership Structure.

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ABSTRACT

This research investigates the impact of board composition and ownership structure on dividend policy, with profitability serving as a moderating variable. Board composition is represented by Board Size and Board Independence, while ownership structure is described by Institutional Ownership and Managerial Ownership. Profitability, measured by Return on Equity (ROE), acts as the moderating variable. Using a purposive sampling technique, the study analyzed 47 manufacturing firms listed on the Indonesia Stock Exchange that consistently distributed dividends from 2020 to 2024, resulting in 235 firm-observations. Panel data regression with the Common Effect Model (CEM) was employed for analysis, as determined by Chow, Hausman, and Lagrange Multiplier tests. The findings reveal that Board Size, Board Independence, Institutional Ownership, and Managerial Ownership all exert a significant positive effect on Dividend Policy. However, Firm Size, included as a control variable, showed no significant influence on Dividend Policy. In terms of moderation, profitability does not significantly moderate the relationship between Board Size and Dividend Policy. Conversely, profitability significantly strengthens the positive relationships between Board Independence and Dividend Policy, Institutional Ownership and Dividend Policy, and Managerial Ownership and Dividend Policy, acting as a quasi-moderator in these relationships. Collectively, the independent variables, along with their moderating effects, explain 88.91% of the variation in Dividend Policy, indicating a strong simultaneous influence.

INTRODUCTION

A dividend is a portion of a company's profits that is distributed to shareholders. Dividend distribution is usually carried out after approval by the board of directors and a shareholders' meeting, and it can be in the form of cash dividends or stock dividends. The company distributes dividends to all shareholders registered on a specific date determined by the board of directors, known as the record date. Only shareholders who purchase shares at least three days before the record date will receive the dividend. As a result, the date that falls two business days before the record date is known as the ex-dividend date, where anyone purchasing shares on or after this date will not receive the dividend. Companies typically distribute dividends regularly, either annually or quarterly, depending on their financial condition (Khan, 2022; Mubaraq et al., 2021).

There are several theories related to a company's dividend distribution, such as the Bird in Hand Theory, the Bird in Hand Fallacy, and the Signaling Theory. These theories explain how dividends can influence investors' decisions to invest their capital in a company, thereby affecting stock price movements. The Bird in Hand Theory states that when a company distributes large dividends, investors are more likely to invest in that company. This theory assumes that investors prefer dividends received from stock investments over potential capital gains due to the inherent uncertainty in capital gains. However, this theory is challenged by the Bird in Hand Fallacy, which argues that the Bird in Hand Theory represents a logical flaw. The fallacy occurs when investors overly rely on dividends as indicators of company performance without considering future growth potential and capital gains. In other words, investors may overlook better investment opportunities because they focus too heavily on current dividends (Djan et al., 2017; Yilmaz et al., 2024).

Investor perceptions of dividends are influenced by their responses to corporate events. This aligns with the Signaling Theory, which explains how investors interpret signals regarding a company's prospects based on decisions made by the firm's managers. The theory arises due to information asymmetry between company management and investors, leading investors to depend on managerial signals such as dividend payments. For example, when a company issues higher dividends, investors often interpret this as a positive signal about the company's performance and future prospects. Conversely, lower dividends may be perceived as a negative signal (Asiri et al., 2018).

In addition to dividend policies, companies must also apply the principles of Good Corporate Governance (GCG). Corporate governance is a framework that defines the relationships between the board of directors, management, and shareholders in determining a company's direction and performance. As previously mentioned, effective corporate governance includes several components such as the General Meeting of Shareholders, the Board of Commissioners, the Board of Directors, the Audit Committee, the Corporate Secretary, and internal audit (Boshnak, 2023).

Every company has a different organizational structure some may have a small board of directors and commissioners, while others may have a larger one depending on their current strategies. Determining the optimal board size is a crucial aspect of corporate governance, as it can affect the board's effectiveness in supervising management, making strategic decisions, and representing shareholder interests. A smaller board may facilitate faster discussions, reduce bureaucracy, and streamline processes. However, it may also lack the diversity of perspectives and expertise found in a larger board. A larger board brings a range of skills, backgrounds, and viewpoints, which can enhance the board's ability to handle complex issues, adapt to industry changes, and make well-informed decisions (Naz et al., 2023).

Diverse perspectives are essential for companies facing rapid technological changes, global market expansion, or increased regulatory oversight. With a larger board of directors, there is the potential for improved oversight and governance because responsibilities can be

distributed among more members, allowing for specialization in areas such as audit, risk, or executive compensation. This also enables a more focused approach to specific oversight areas and can help prevent directors from becoming overburdened. Larger boards can also accommodate more independent directors and stakeholder representatives, thereby increasing accountability. Additionally, they may provide better representation of diverse shareholder interests, such as minority shareholders or special interest groups. A variety of expertise and viewpoints enhances a company's ability to identify and mitigate risks (Priyanto et al., 2023).

Larger and more complex organizations with global operations or diverse product lines may require larger boards to provide comprehensive oversight and manage complexity. In contrast, small companies or those operating in a single industry often perform well with smaller boards, benefiting from a more focused and agile governance structure. Board size can vary across industries. For example, banks and financial service companies often have larger boards due to regulatory requirements and extensive risk management needs. Conversely, tech companies or small firms in fast-moving industries tend to prefer smaller boards for greater agility. Some countries mandate a minimum number of board members or set specific composition rules, such as a minimum percentage of independent directors. In sectors like finance and healthcare, regulators often encourage larger boards with strong risk management expertise to meet compliance standards (Kaur & Kaur, 2025).

Companies focused on aggressive growth may prefer smaller boards, while more mature firms aiming for stability and strong governance may opt for larger boards with broader expertise. Transitional companies, such as those undergoing mergers or expansion, may temporarily expand their boards to manage strategic change. The size of a company's organizational structure can clearly impact the decisions it makes including dividend policy. Research by Henry & Yahaya (2024) in Board Composition and Dividend Policy Decisions states that the size of the board of directors and company ownership significantly influence corporate dividend distribution. The larger the board, the higher the dividend payout, due to the diversity of perspectives among directors, which may lead to decisions that better serve shareholders' interests.

This finding is supported Yoewono (2023) in Board Composition, Ownership Structure and Dividend Policy: Evidence from NSE Listed Companies in India, which concludes that board size and Indian ownership show a positive and significant relationship. In other words, the larger the board size, the greater the dividend distributed. However, both studies have limitations. The research by Henry & Yahaya (2024) focused only on 153 publicly traded companies in Nigeria, while the study by Yoewono (2023) focused on just 30 publicly listed companies in India. As a result, there may be cultural and corporate governance differences that affect the applicability of their findings to Indonesian companies.

In addition, this study aims to redefine other factors that may strengthen the influence of board composition and ownership structure on dividend policy by using profitability as a moderating variable. The study conducted by Susanto et al (2024) states that profitability has a significant effect on dividends. These findings align with financial concepts and literature, which suggests that higher profits result in a more remarkable ability to pay dividends. Agency theory explains that high profitability can increase conflict between managers and shareholder. High dividend payments can reduce the funds available to managers, decreasing the likelihood of misuse of company resources. Susanto et al (2024) also said that profitability have a significant effect on dividend policy. This study gives credence to the signaling hypothesis that the disclosure of a company's financial statements has an impact on business value, business that have a higher profitability will be able to pay higher dividend to Investor. According to Goswam (2024) profitability have a significant effect on dividend policy in Manufacturing firms listed on the Indonesia Stock Exchange for the 2018 – 2021 period. The result of this study also inline with Susanto et al (2024).

The significant effect of profitability on dividends leads researchers to suspect that profitability may moderate the relationship between board size and board composition on a company's dividend policy. When a company is profitable, it has more flexibility to reward its shareholders so decisions around dividends become more meaningful. That's why strong profitability can actually boost the impact of governance structures like board size and composition. In companies with larger or more diverse boards, higher profits can empower directors to make dividend decisions that better reflect the interests of shareholders especially when ownership structure also influences how those decisions play out. In this sense, profitability doesn't just determine whether a company can pay dividends; it can also make governance tools more effective in shaping those financial choices (*Aleqab & Al-Zu'bi, 2025; Gordon et al., 2016*).

This research aims to investigate the influence of board composition and ownership structure on dividend policy while redefining the role of profitability as a moderating variable. Given the evolving dynamics of corporate governance, especially in emerging markets like Indonesia, understanding how profitability shapes governance-decision linkages is essential. While past studies in countries such as Nigeria and India have demonstrated the significance of board size and ownership in shaping dividend strategies, cultural and institutional differences call for more localized evidence. This creates an urgency for research that reflects the Indonesian corporate environment. Moreover, considering profitability as a moderating factor adds depth to the analysis, especially as companies face mounting pressure to maintain investor trust through transparent and consistent dividend policies. The findings are expected to provide actionable insights for corporate boards, regulators, and investors by enhancing understanding of how internal governance structures interact with financial performance to drive dividend decisions. Ultimately, this study could contribute to strengthening good corporate governance practices and boosting shareholder value in Indonesia and similar contexts.

LITERATURE REVIEW

Dividend

A dividend is a portion of a company's profits that is distributed to shareholders. Dividend distribution is usually carried out after approval by the board of directors and a shareholders' meeting, and it can be in the form of cash dividends or stock dividends. The company distributes dividends to all shareholders registered on a specific date determined by the board of directors, known as the record date. Only shareholders who purchase shares at least three days before the record date will receive the dividend. As a result, the date that falls two business days before the record date is known as the ex-dividend date, where anyone purchasing shares on or after this date will not receive the dividend. Companies typically distribute dividends regularly, either annually or quarterly, depending on their financial condition.

Bird in Hand Theory

The Bird in Hand Theory states that when a company distributes large dividends, investors are more likely to invest in that company. This theory assumes that investors prefer dividends received from stock investments over potential capital gains due to the inherent uncertainty in capital gains. However, this theory is challenged by the Bird in Hand Fallacy, which argues that the Bird in Hand Theory represents a logical flaw. The fallacy occurs when investors overly rely on dividends as indicators of company performance without considering future growth potential and capital gains. In other words, investors may overlook better investment opportunities because they focus too heavily on current dividends.

Signaling Theory

Investor perceptions of dividends are influenced by their responses to corporate events. This aligns with the Signaling Theory, which explains how investors interpret signals regarding a company's prospects based on decisions made by the firm's managers. The theory arises due to information asymmetry between company management and investors, leading investors to depend on managerial signals such as dividend payments. For example, when a company issues higher dividends, investors often interpret this as a positive signal about the company's performance and future prospects. Conversely, lower dividends may be perceived as a negative signal.

Good Corporate Governance

In addition to dividend policy, the implementation of Good Corporate Governance (GCG) principles is also crucial in running a company's business activities. Corporate governance is a framework that defines the relationships among the board of directors, management, and shareholders in determining a company's direction and performance (Thomas et al., 2018). The GCG framework in Indonesia is supported by various regulations and institutions, including the Otoritas Jasa Keuangan (OJK) and the Komite Nasional Kebijakan Governance (KNKG).

Board Size

Board size refers to the number of individuals who serve on a company's board of directors. It is considered a critical aspect of corporate governance because it directly influences the board's ability to supervise management, make strategic decisions, and represent the interests of shareholders. Research by Henry & Yahaya (2024) states that the larger the board, the higher the dividend payout, attributing this to the diversity of perspectives among directors, which may lead to decisions that better serve shareholders' interests. This finding is supported by Yoewono (2023), who concluded that board size shows a positive and significant relationship with dividend distribution, meaning a larger board size corresponds to greater dividends distributed. The determination of an optimal board size is a crucial aspect of corporate governance, as it affects the board's effectiveness in supervising management, making strategic decisions, and representing shareholder interests. A larger board can bring a range of skills, backgrounds, and viewpoints, enhancing its ability to handle complex issues and make well-informed decisions. It can also lead to improved oversight and governance because responsibilities can be distributed among more members, allowing for specialization. Larger boards may also accommodate more independent directors and stakeholder representatives, increasing accountability.

Board Independence

Board Independence refers to the presence of independent directors within the board of directors. Romadoni & Pradita (2022) found a statistically significant positive effect of board independence on dividend payout ratios in Jordanian companies. They emphasize that independent directors are crucial for effective corporate governance as they are expected to act in shareholders' best interests, resisting management's self-interest and thereby supporting higher and more consistent dividend payouts. Henry & Yahaya (2024) also identified a positive association between board independence and higher dividend payouts. They explain that independent directors offer an objective perspective, free from conflicts of interest, and are better positioned to safeguard shareholder interests, enhance corporate governance, improve risk management, and increase accountability and transparency.

Institutional Ownership

Institutional ownership refers to the proportion of a company's shares held by institutional investors. These can include entities such as pension funds, mutual funds, hedge funds, and

other financial institutions. The study by Yoewono (2023) found a positive and significant relationship between institutional ownership and dividend payout in Indian listed companies. This means that firms with a larger proportion of shares held by institutional investors tend to distribute higher dividends.

Managerial Ownership

Managerial ownership refers to the proportion of a company's shares that are owned by its management typically including directors, commissioners, and other executives who are actively involved in corporate decision-making. In essence, it reflects the extent to which managers have a personal financial stake in the company's performance. Romadoni & Pradita (2022) discovered a strong positive effect on dividend payout ratios. They argue that directors who hold a significant proportion of the company's shares are more likely to see their prosperity tied to those interests, leading to higher dividend payouts as a means of returning capital. They acknowledge an alternative view that substantial board ownership might lower dividend payouts if insiders prefer to retain earnings for reinvestment, but their findings support the positive relationship.

Firm Size

Firm size refers to the scale or magnitude of a company's operations and can be measured using total assets. Yoewono (2023) found that firm size was statistically significant in influencing dividend payouts in Indian companies. They used firm size as a control variable, but its significance implies an effect.

Profitability

Profitability is a measure of how effectively a company generates profit relative to its revenue, assets, or equity. In simple terms, it shows how well a business turns its resources into earnings. Susanto et al (2024) found that profitability (measured by ROE and EPS) positively affects dividend payments. They explain this by stating that higher profits result in a more remarkable ability to pay dividends. They also found that dividends mediate the relationship between profitability and firm value. The significant effect of profitability on dividends leads researchers to suspect that profitability may moderate the relationship between board size and board composition on a company's dividend policy. When a company is profitable, it has more flexibility to reward its shareholders ;so decisions around dividends become more meaningful.

METHODS

This study employs a quantitative research approach with an explanatory design to analyze the relationship between board composition, ownership structure, and dividend policy, with profitability serving as a moderating variable. The quantitative approach is chosen to allow for objective measurement and statistical testing of the proposed relationships among variables. An explanatory design is appropriate because the study aims to explain causal relationships and test hypotheses derived from agency theory and corporate governance literature, particularly in the context of dividend policy decisions within manufacturing firms.

The study utilizes secondary data in the form of panel data, combining cross-sectional data from multiple firms with time-series data over a five-year period from 2020 to 2024. Panel data analysis is employed as it provides greater variability, reduces multicollinearity among variables, and enhances the efficiency of estimations compared to purely cross-sectional or time-series data. The data analysis technique involves panel data regression, including fixed effect and random effect models, with model selection determined through appropriate statistical tests. This methodological approach enables the study to capture both firm-specific

characteristics and temporal dynamics in examining how board composition and ownership structure influence dividend policy under varying levels of profitability.

Research Sample

The research population consists of 228 firms observations of listed manufacturing firms in Indonesia, covering a 5-year period from 2020 to 2024. The sample was carefully selected using a purposive sampling technique to ensure that only firms with complete and reliable financial data were included. This approach was essential for maintaining the integrity and robustness of the analysis, given the specific research focus on board composition and ownership structure and profitability. We took 47 company as sample that they giving a dividend for 5 years in a row from 2020-2025.

First, we only considered firms that have consistently listed on the Indonesia Stock Exchange throughout the study period. This ensured that the data reflected a continuous operational presence and minimised disruptions that could arise from firms entering or exiting the market. Second, this study focused exclusively on the manufacturing sector to provide consistency in the analysis and to account for sector-specific characteristics that may influence financial decisions. The manufacturing sector was chosen due to its significant contribution to economic activities in Indonesia and its relevance in board composition and ownership structure studies. Finally, firms were required to have published annual reports containing comprehensive financial information, including key metrics related to board composition, ownership structure, profitability, and dividend distributions. This criterion ensured the availability of consistent and detailed financial data across the sample. The data were collected from a variety of reputable sources, including the official websites of the stock exchanges, firm annual reports, and recognised financial databases such as investing.com. These sources provided the necessary depth and accuracy for this study.

Definition of Variables

This table presents the conceptual framework used to examine the relationships among board composition, ownership structure, and dividend policy, with profitability acting as a moderating variable and firm size included as a control variable. Each variable is defined according to its role in the model, measurement approach, and theoretical grounding based on prior empirical studies.

Table 1. Definition of Variables

Variable	Type	Measurement	Definition
Dividend Payout Ratio (DPR)	Dependent	Dividend per share	Represents the firm's dividend policy based on the amount of dividend distributed per share to shareholders.
Board Size (BS)	Independent	Total number of board members	Indicates the size of the board of directors within the firm.
Board Independence (BI)	Independent	Percentage of independent non-executive directors to total board size	Measures the degree of board independence within the company.
Institutional Ownership (IO)	Independent	Proportion of shares owned by institutional investors	Reflects the influence of corporate governance, as institutional ownership is often associated with a preference for stable and consistent dividend payments.

Managerial Ownership (MO)	Independent	Ratio of managerial shares to outstanding shares	Represents the percentage of voting rights attached to shares and options owned by company managers and commissioners.
Profitability (PROF)	Moderating	Net income to total equity ratio	Measures the firm's profitability and operational efficiency.
Firm Size (FS)	Control	Natural logarithm of total assets	Controls for firm size effects, as larger firms tend to have more stable earnings and a higher likelihood of paying dividends.

Data analysis was conducted using panel data regression techniques. The analytical procedures began with descriptive statistical analysis to summarize the characteristics of the data. Subsequently, model selection tests were performed, including the Chow test, Hausman test, and Lagrange Multiplier test, to determine the most appropriate panel data model. Based on the results of these tests, panel regression analysis was carried out using either the Fixed Effect, Random Effect, or Common Effect approach. Furthermore, a moderation analysis was conducted by incorporating interaction terms between the independent variables and the moderating variable (AQ) to examine the moderating effect within the regression model.

Table 2. Descriptive Statistics

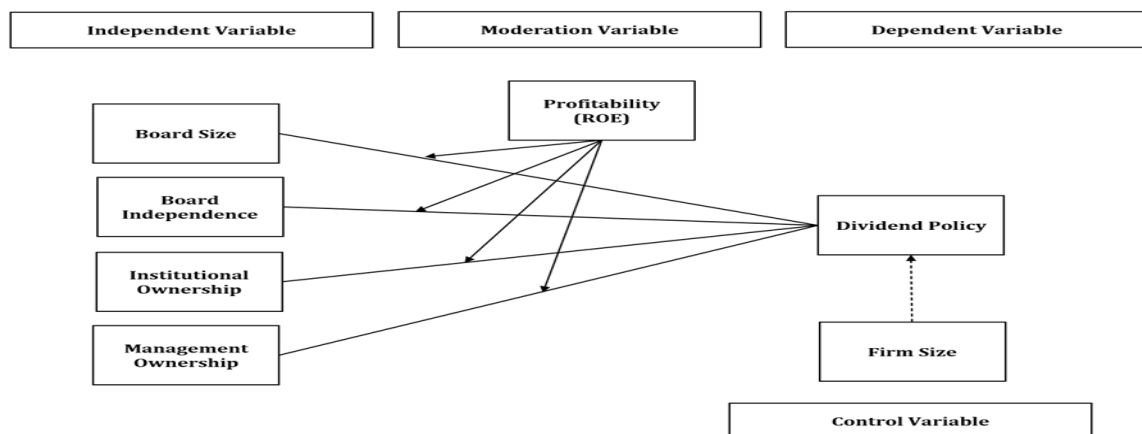
Variable	N	Minimum	Maximum	Mean	Standard Deviation
DPR	235	0.07	2.45	0.41	0.26
BS	235	8.00	20.00	16.31	3.82
BI	235	0.06	0.15	0.09	0.02
IO	235	0.76	0.98	0.83	0.06
MO	235	0.06	0.20	0.10	0.04
PROF	235	0.08	0.20	0.12	0.03
Log FS	235	12.74	19.97	15.69	1.65

Table 2 presents the descriptive statistics for the variables used in this study, providing an overview of their distribution. The dependent variable, Dividend Payout Ratio (DPR), ranges from a minimum of 0.07 to a maximum of 2.45, with an average of 0.41 and a standard deviation of 0.26, indicating some variability in dividend payouts among the observed entities.

Board Size (BS) varies from 8 to 20 members, with a mean of 16.31 and a standard deviation of 3.82. The average independence ratio of the boards (BI) is 0.15 (or 15%), ranging from a minimum of 0.06 (6%) to a maximum of 0.09 (9%), with a standard deviation of 0.02. This indicates a relatively low average proportion of independent directors within the observed sample, with a narrow range of variation.

For ownership structures, Institutional Ownership (IO) shows a minimum of 0.76 and a maximum of 0.98, averaging 0.83 with a standard deviation of 0.06. Managerial Ownership (MO) has a range from 0.06 to 0.20, with a mean of 0.10 and a standard deviation of 0.04.

In terms of firm-specific characteristics, Profitability (PROF) has a minimum value of 0.08 and a maximum of 0.20, with an average of 0.12 and a standard deviation of 0.03. Finally, Log of Firm Size (Log FS) ranges from 12.74 to 19.97, with a mean of 15.69 and a standard deviation of 1.65, reflecting the varying scales of the companies in the dataset.

Figure 1. Theoretical Framework

RESULTS

In this study, three stages of panel data model testing were conducted to determine the most appropriate estimation model: the Chow test, the Hausman test, and the Lagrange Multiplier (LM) test.

First, the Chow test was employed to compare the Common Effect Model (CEM) and the Fixed Effect Model (FEM). According to Chao & He (2023), the Chow test is a standard method for determining the superiority of an effects model over a pooled model by assessing the significance of panel-specific effects. Based on the Chow test results, a probability value of 0.328 was obtained for the F-statistic. As this value is more than the significance level of $\alpha=0.05$, the null hypothesis (H_0) is accepted. This indicates that the Common Effect Model is more appropriate than the Fixed Effect Model.

Second, the Hausman test was performed to ascertain whether the Fixed Effect Model (FEM) or the Random Effect Model (REM) is more suitable. The test results yielded a probability value of 0.612. As this value is more than the significance level of $\alpha=0.05$, the null hypothesis (H_0) is accepted. This indicates that the Random Effect Model is more appropriate than the Fixed Effect Model.

Due to the inconsistent result of the Chow and Hausman test, which prevented the determination of the appropriate model, a third test, the Lagrange Multiplier (LM) test, was conducted. The LM test is used to compare the Common Effect Model (CEM) and the Random Effect Model (REM) at a significance level of $\alpha=0.05$. The results of this test showed a probability value of 0.8913, which again led to the acceptance of the null hypothesis (H_0). So we use the third option which is Common Effect Model (CEM).

Relationship between BS (Board Size) and DPR (Dividend Payout Ratio), and Moderation by PROF (Profitability)

Relationship of BS with Y: Variable BS (Board Size) showed a significant influence on DPR (Dividend Payout Ratio) with a Prob. value of 0.0093 in the statistical output. Moderating Role of PROF: The coefficient of the interaction variable BS*PROF was 0.158066 with a Prob. value of 0.133. Since the Prob. value (0.133) is greater than 0.05, the BS*PROF interaction is not significant. This indicates that Profitability (PROF) does not significantly moderate the relationship between Board Size (BS) and Dividend Payout Ratio (DPR). Although the report mentions "Pure Moderator" and "Prediktor Moderasi", based on the interaction's significance criterion, this moderation is not statistically significant.

- H1: Board size has a positive significant effect on Dividend Payout Ratio.
This hypothesis is accepted. The statistical results show that Board Size (BS) has a significant influence on Dividend Payout Ratio (DPR)

- H6: Profitability has a strengthening moderating effect on the relationship between board size and dividend policy.
This hypothesis is rejected. Although the initial report stated "Pure Moderator" or "Prediktor Moderasi", the statistical analysis of the interaction term BS*PROF showed it was not significant (Prob. 0.133), meaning Profitability (PROF) does not significantly moderate the relationship between Board Size (BS) and Dividend Payout Ratio (DPR).

Relationship between BI (Board Independence) and DPR (Dividend Payout Ratio), and Moderation by PROF (Profitability)

Relationship of BI with DPR: Variable BI (Board Independence) showed a significant influence on DPR (Dividend Payout Ratio) with a Prob. value of 0.0000. Moderating Role of PROF: The coefficient of the interaction variable BI*PROF was 54.39021 (positive) with a Prob. value of 0.0000. Since the Prob. value (0.0000) is less than 0.05, the BI*PROF interaction is significant. The positive sign of the coefficient indicates that Profitability (PROF) strengthens the positive relationship between Board Independence (BI) and Dividend Payout Ratio (DPR). The moderation status is a Quasi Moderator.

- H2: Board independence has a positive significant effect on dividend policy.
This hypothesis is accepted. The statistical results indicate that Board Independence (BI) has a significant influence on Dividend Payout Ratio (DPR).
- H7: Profitability has a strengthening moderating effect on the relationship between board independence and dividend policy.
This hypothesis is accepted. The statistical results show that the interaction term X2M is significant (Prob. 0.0000) and its coefficient is positive (54.39021), indicating that Profitability (M) strengthens the relationship between Board Independence (X2) and Dividend Policy (Y). The moderation status is a Quasi Moderator.

Relationship between IO (Institutional Ownership) and DPR (Dividend Payout Ratio), and Moderation by PROF (Profitability)

Relationship of IO with DPR: Variable IO (Institutional Ownership) showed a significant influence on DPR (Dividend Payout Ratio) with a Prob. value of 0.0000. Moderating Role of PROF: The coefficient of the interaction variable IO*PROF was 19.61803 (positive) with a Prob. value of 0.0000. Since the Prob. value (0.0000) is less than 0.05, the IO*PROF interaction is significant. The positive sign of the coefficient indicates that Profitability (PROF) strengthens the positive relationship between Institutional Ownership (IO) and Dividend Payout Ratio (DPR). The moderation status is a Quasi Moderator.

- H3: Institutional Ownership has a positive significant effect on dividend policy.
This hypothesis is accepted. The statistical results demonstrate that Institutional Ownership (IO) has a significant influence on Dividend Policy (DPR)
- H8: Profitability has a strengthening moderating effect on the relationship between institutional ownership and dividend policy.
This hypothesis is accepted. The statistical results show that the interaction term IO*PROF is significant (Prob. 0.0000) and its coefficient is positive (19.61803), indicating that Profitability (PROF) strengthens the relationship between Institutional Ownership (IO) and Dividend Policy (DPR). The moderation status is a Quasi Moderator.

Relationship between MO (Management Ownership) and DPR (Dividend Payout Ratio), and Moderation by PROF (Profitability)

Relationship of MO with PROF: Variable MO (Management Ownership) showed a significant influence on DPR (Dividend Payout Ratio) with a Prob. value of 0.0000. Moderating Role of PROF: The coefficient of the interaction variable MO*PROF was 31.90312 (positive) with a Prob. value of 0.0000. Since the Prob. value (0.0000) is less than 0.05, the MO*PROF interaction is

significant. The positive sign of the coefficient indicates that Profitability (PROF) strengthens the positive relationship between Management Ownership (MO) and Dividend Payout Ratio (DPR). The moderation status is a Quasi Moderator.

- H4: Managerial Ownership has a positive significant effect on dividend policy.
This hypothesis is accepted. The statistical results show that Managerial Ownership (MO) has a significant influence on Dividend Policy (DPR).
- H9: Profitability has a strengthening moderating effect on the relationship between managerial ownership and dividend policy.
This hypothesis is accepted. The statistical results show that the interaction term MO*PROF is significant (Prob. 0.0000) and its coefficient is positive (31.90312), indicating that Profitability (PROF) strengthens the relationship between Managerial Ownership (MO) and Dividend Policy (DPR). The moderation status is a Quasi Moderator.

Relationship between FS (Firm Size) and DPR (Dividend Payout Ratio)

Relationship of FS with DPR: Variable FS (Firm Size) showed no significant influence on DPR (Dividend Payout Ratio) with a Prob. value of 0.6340.

- H5: Firm Size has a positive significant effect on dividend policy.
This hypothesis is rejected. The statistical results indicate that Firm Size (FS) does not have a significant influence on Dividend Payout Ratio (DPR)

DISCUSSION

Based on the panel data model testing, this study employed three stages of testing, namely the Chow test, the Hausman test, and the Lagrange Multiplier (LM) test, to determine the most appropriate estimation model. The Chow test results indicated that the probability value of the F-statistic was 0.328, which is greater than the 0.05 significance level. This result suggests that the Common Effect Model (CEM) is more appropriate than the Fixed Effect Model (FEM). Furthermore, the Hausman test produced a probability value of 0.612, which also exceeds the 0.05 significance level, indicating that the Random Effect Model (REM) is more suitable than FEM. However, due to the inconsistency between the results of the Chow test and the Hausman test, an additional test was required. The Lagrange Multiplier (LM) test was therefore conducted, and the results showed a probability value of 0.8913, indicating that the Common Effect Model (CEM) is more appropriate than the Random Effect Model (REM). Consequently, the Common Effect Model (CEM) was selected for further analysis.

The hypothesis testing results reveal that Board Size has a positive and significant effect on the Dividend Payout Ratio (DPR). This finding indicates that a larger board enhances the effectiveness of supervision and strategic decision-making related to dividend distribution. A larger board provides greater diversity of expertise and perspectives, which can contribute to more stable and shareholder-oriented dividend policies. However, profitability does not moderate the relationship between board size and dividend policy. The insignificant interaction between Board Size and Profitability suggests that the influence of board size on dividend policy is direct and does not depend on the firm's level of profitability. Thus, regardless of whether a firm has high or low profitability, the role of board size in determining dividend policy remains relatively consistent.

The results further show that Board Independence has a positive and significant effect on the Dividend Payout Ratio. This finding supports the argument that independent board members strengthen monitoring mechanisms and reduce agency conflicts between management and shareholders. Independent directors tend to encourage more transparent dividend policies that align with shareholders' interests. In addition, profitability significantly strengthens the relationship between board independence and dividend policy. The positive and significant interaction term indicates that in firms with higher profitability, the role of

independent boards in promoting dividend payments becomes more pronounced. In this context, profitability functions as a quasi moderator that enhances the effectiveness of board independence in influencing dividend policy.

Institutional Ownership is also found to have a positive and significant effect on the Dividend Payout Ratio. Higher institutional ownership reflects stronger external monitoring of management, which encourages firms to distribute dividends as a form of accountability to shareholders. Moreover, profitability significantly strengthens this relationship. The significant interaction between Institutional Ownership and Profitability suggests that firms with higher profitability and strong institutional oversight tend to adopt more aggressive dividend policies. Profitability thus serves as a quasi moderator that amplifies the effect of institutional ownership on dividend policy.

Similarly, Managerial Ownership has a positive and significant effect on the Dividend Payout Ratio. This result indicates that when managers hold company shares, their interests become more closely aligned with those of other shareholders, motivating them to support dividend distributions. Profitability significantly moderates this relationship in a strengthening manner. The positive and significant interaction between Managerial Ownership and Profitability implies that in more profitable firms, managerial shareholders are more inclined to distribute higher dividends. Accordingly, profitability acts as a quasi moderator that reinforces the influence of managerial ownership on dividend policy.

In contrast, Firm Size does not have a significant effect on the Dividend Payout Ratio. This finding suggests that company size alone does not determine dividend policy. This may be attributed to differences in financial strategies across firms, as larger firms do not necessarily distribute higher dividends due to considerations such as internal financing needs, expansion plans, or profit retention policies. Therefore, the hypothesis stating that firm size has a positive and significant effect on dividend policy is not supported.

Overall, the findings of this study emphasize the importance of corporate governance mechanisms and ownership structure in shaping dividend policy, while highlighting the selective moderating role of profitability. Profitability strengthens the influence of board independence, institutional ownership, and managerial ownership on dividend policy, but does not moderate the relationship between board size and dividend payout ratio. These results imply that dividend policy is influenced not only by a firm's ability to generate profits but also by the effectiveness of governance mechanisms and the alignment of shareholders' interests.

CONCLUSION

This research aimed to investigate the direct and moderating effects of profitability on dividend policy, considering board size, board independence, institutional ownership, and managerial ownership as independent variables, and firm size as a control variable. The findings indicate that board size, board independence, institutional ownership, and managerial ownership all exert a significant positive effect on dividend policy, thereby accepting hypotheses H1, H2, H3, and H4. Conversely, firm size (FS) was found to have no significant influence on dividend policy, leading to the rejection of hypothesis H5. Regarding the moderating role of profitability, the results show that profitability (PROF) does not significantly strengthen the relationship between board size (BS) and dividend payout ratio (DPR), leading to the rejection of hypothesis H6, despite previous classifications in the report. However, profitability (PROF) significantly strengthens the relationship between board independence (BI) and dividend payout ratio (DPR) as a quasi-moderator, thus accepting hypothesis H7. Similarly, profitability (PROF) significantly strengthens the relationship between institutional ownership (IO) and dividend payout ratio (DPR) as a quasi-moderator, leading to the acceptance of hypothesis H8. Furthermore, profitability (PROF) significantly strengthens the relationship between managerial ownership (MO) and dividend payout ratio (DPR) as a quasi-moderator, resulting in the

acceptance of hypothesis H9. Overall, the independent variables, along with their moderating effects, collectively explain 88.91% of the variation in dividend policy, demonstrating a strong simultaneous influence.

In this section, the author presents brief conclusions from the results of research with suggestions for advanced researchers or general readers. A conclusion may review the main points of the paper, do not replicate the abstract as the conclusion.

Not only does the author write down the major flaws and limitations of the study, which can reduce the validity of the writing, thus raising questions from the readers (whether, or in what way), the limits in his studies may have affected the results and conclusions. Limitations require critical judgment and interpretation of their impact. The author should provide the answer to the question: is this a problem with error, method, validity, and or otherwise?

Writing an academic article is a challenging but very fulfilling endeavor. Hopefully, the guidelines presented here will enable you to write your first academic article with relative ease. Students, however, often underestimate the time required to produce a “polished” first effort. You cannot write a proper research article in a weekend or even a week. It is, therefore, extremely important to allow yourself enough time –at least three to four weeks—to work on the successive draft.

LIMITATION

Despite providing meaningful insights into the relationship between corporate governance mechanisms, ownership structure, profitability, and dividend policy, this study has several limitations that should be acknowledged. First, the analysis is limited to manufacturing firms listed in Indonesia over the period 2020–2024. This sectoral and geographical focus may restrict the generalizability of the findings to firms in other industries or countries with different regulatory environments, ownership structures, and corporate governance practices. Consequently, caution should be exercised when extending the results beyond the context of Indonesian manufacturing firms.

Second, this study relies on secondary data obtained from published financial statements and annual reports. While such data are widely used and considered reliable, they may not fully capture qualitative aspects of corporate governance, such as board effectiveness, decision-making dynamics, or the actual independence of board members. These unobservable factors may also influence dividend policy but are not explicitly addressed in the empirical model.

Third, the study employs the Common Effect Model (CEM) based on panel data diagnostic tests. Although this model is statistically appropriate according to the Chow, Hausman, and Lagrange Multiplier tests, it assumes homogeneity across firms and over time. This assumption may overlook firm-specific or time-specific characteristics that could influence dividend policy, potentially leading to omitted variable bias.

Fourth, profitability is examined solely as a moderating variable using interaction terms. Other firm-specific factors, such as growth opportunities, leverage, liquidity, and business risk, are not incorporated into the moderation framework. The exclusion of these variables may limit the explanatory power of the model and the understanding of the complex mechanisms underlying dividend policy decisions.

Finally, the study focuses on Dividend Payout Ratio as the sole proxy for dividend policy. While DPR is a commonly used and informative measure, it does not capture alternative dividend-related decisions, such as dividend stability, dividend yield, or share repurchases. Future research may benefit from employing multiple proxies to provide a more comprehensive assessment of dividend policy

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