CHAPTER I
INTRODUCTION

1.1. Background

A company is a legal entity formed with the aim of obtaining maximum profits (Marsudi & Lajar, 2021). Profits obtained by the company will be published to the public through the Indonesia Stock Exchange (IDX) in the form of regular financial reports. Through financial reports, stakeholders can find out the condition and performance of the company both in terms of the company's operational activities, the debts owned by the company, and can even see the good and bad performance of the company's management. With so many companies or issuers listed on the Indonesia Stock Exchange (IDX), it is undeniable that there is a lot of intense competition between issuers, managers must be able to manage their companies in a precise and measurable manner, and have a positive mindset. For the sake of company continuity, need assistance in the form of funds from investors who are quite large. The aim of investors is to invest their capital in a company to get returns in the form of profits (capital gains) or in the form of margin allocations to shareholders based on share ownership (dividend yield). Dividend policy is closely related to the distribution of dividends from companies such as how much dividends are distributed and also how much retained earnings are used for the benefit of the company (Syaiful Bahri, 2017).

When talking about dividends, we will discuss the distribution of profits generated by the company to investors who invest (Liyanto, 2022). Deborah and Marsudi (2018) argue that dividends are the expected payment by shareholders in the form of shares or cash as a form of return on their investment in a company. It can be concluded that dividends are distributions given by companies to shareholders for the company's profits earned.

In this thesis i choose property segment because, what interested in property segment many people are interested in investing in property because property is often considered a stable and profitable investment. Properties have the potential to experience that appreciation in value over time, which can result in long-term gains. Property has a tendency to offset the effects of inflation. This means the value of the property can increase over time.

Investors expect to receive regular dividends from time to time, even though the return on investment in the form of dividends is not easy to predict. The importance of a company's dividend policy has continued to roll on until now since the discussion was first started by Gordon (1959), Lintner (1956, 1962), and Miller & Modigliani (1958, 1961). On the one hand, the decision to pay dividends means reducing the amount of funds that can be used for investment and company operations. On the other hand, paying dividends is also important given the fact that some investors prefer to receive dividends rather than capital gains because they are more certain and the results can be felt immediately. Lintner (1962) and Gordon (1963) state that investors prefer cash dividends rather than being promised a return on investment (capital gain) in the future because receiving cash dividends is a form of certainty which means reducing risk. In addition, dividends also store an information content for shareholders.

Damodaran (1999) states that dividend payments are a measure of corporate risk for investors or potential investors who wish to invest. Dividends can be used as a form of corporate appreciation to shareholders and also to influence share prices (McLaney 2009). One of the attractions of a country's investment can be seen from the performance of the stock exchange which is a measure of a country's economic growth. When the stock market is not attractive, the opportunity for investors to invest is small. Atmaz and Basak (2022) state that the absence of companies paying dividends in the stock market leads to a lower correlation between stock market returns and the growth rate of aggregate consumption. In addition, the absence of dividends on the stock exchange will result in a decrease in the market risk premium and volatility.

Dividend is still a measure of companies that have healthy financial performance. The greater the amount of dividends and the growth of dividends can increase the value of the company (Titman, Keown, and Martin 2018). In fact, many companies deliberately do not pay dividends on the grounds of expansion (Wibawa 2013; Martins and Novaes 2012). Although Mahenthiran, Cademartori, and Gjerde (2020); Martins and Novaes (2012); Vancin and Kirch (2020) provide evidence that paying dividends does not reduce a company's ability to invest and even makes stock exchanges in Brazil and Chile more attractive than those in America. On the other hand, Mahenthiran, Cademartori, and Gjerde (2020) stated that mandatory dividends can protect minority interests.

Companies that do not pay dividends to shareholders can reduce investor confidence in investing in the company. An increase in the amount of dividends distributed can be considered as a signal that company management predicts good profits in the future (Narayanti and Gayatri 2020). Signaling theory states that various information related to the dividend distribution policy of a company that is listed on the stock exchange is a sign or signal related to possible future company policies (Sudiartana and Yudantara 2020). Some of the shareholders want stability in dividend distribution because this condition is considered to reduce investor reluctance to invest their funds (Septian and Lestari 2016). on the other hand, the higher the rate of dividends paid, the less the company's ability to invest (Silaban and Purnawati 2016). Thus, the discussion on the topic of dividends remains and will always be interesting to discuss in a study

Dividend policy is one of the important things for investors in determining investment decisions in the capital market. A good dividend policy can increase investor confidence and provide a positive signal about company performance. However, an inappropriate dividend policy can have a negative impact on the company's stock price and reputation in the capital market. Therefore, it is important for companies to choose the right dividend policy.

Many factors can influence dividend policy, such as managerial ownership, institutional ownership, liquidity, profitability, debt policy, company size and leverage. Previous research has shown that these factors have an influence on company dividend policies in various countries, including Indonesia (Sukirno, 2014; Ruland, 2018; Siregar and Utama, 2018).

However, there is still debate among academics regarding which factors are more dominant in influencing dividend policy in Indonesia. Therefore, this study aims to examine the effect of managerial ownership, institutional ownership, liquidity, profitability, debt policy, firm size, and leverage on dividend policy in companies listed on the Indonesia Stock Exchange (IDX).

Managerial ownership or share ownership by company management is a factor that can influence the company's dividend policy. According to agency theory, the management of companies that have large shareholdings tends to prefer to postpone dividend payments in order to increase the value of shares and long-term profits of the company (Jensen & Meckling, 1976). However, research conducted by Lukviarman and Aryanto (2017) found that managerial ownership has no significant effect on dividend policy in Indonesia.

Institutional ownership, namely shareholding by institutional investors such as pension funds, insurance companies, and banks, can also affect a company's dividend policy. According to agency theory, institutional investors who are more passive stockholders tend to pay more attention to dividend policy than company management (Jensen & Meckling, 1976). Research conducted by Harjito and Ghozali (2008) found that institutional ownership has a positive influence on company dividend policies in Indonesia.

Liquidity, namely the company's ability to convert assets into cash in a short period of time, can also affect the company's dividend policy. Liquid companies tend to have more choices in deciding dividend policies, because they have more cash reserves (Baker & Powell, 1999). Research conducted by Firdaus (2013) found that liquidity has a positive influence on company dividend policies in Indonesia.

Profitability, namely the company's ability to generate profits, can also affect the company's dividend policy. Companies that have high profitability tend to have more sources of funds to pay dividends (Baker & Powell, 1999). Research conducted by Setyawan and Sartono (2013) found that profitability has a positive influence on company dividend policies in Indonesia.

Company size, namely the amount of assets or capital owned by the company, can also affect the company's dividend policy. Larger companies tend to have more cash reserves and resources to pay dividends (Baker & Powell, 1999). Research conducted by Yosefiandri and Hardiyanto (2021) found that company size has a significant positive influence on company dividend policy in Indonesia.

Leverage, namely the ratio of debt to equity of the company, can also affect the company's dividend policy. Companies that have high leverage tend to have less cash to pay dividends (Baker & Powell, 1999). However, research conducted by Handayani and Sulastri (2021) found that leverage has no significant effect on company dividend policies in Indonesia.

This study aims to study and provide direct evidence on how management ownership, institutional ownership, liquidity, profitability, firm size, and leverage impact dividend policy in the property industry listed on the Indonesian Stock Exchange.

1.2 Problem Formulation

Based on the background above, the formulation of the problem in this study is as follows:

1. Does managerial ownership influence dividend policy in companies listed on the Indonesia Stock Exchange?
2. Does institutional ownership influence dividend policy in companies listed on the Indonesia Stock Exchange?
3. Does liquidity influence dividend policy in companies listed on the Indonesia Stock Exchange?
4. Does profitability influence dividend policy in companies listed on the Indonesia Stock Exchange?
5. Does company size influence dividend policy in companies listed on the Indonesia Stock Exchange?
6. Does leverage influence dividend policy in companies listed on the Indonesia Stock Exchange?

1.3 Research Purposes

1. The purpose of this study is to prove is managerial ownership influence the dividend policy of companies listed on the Indonesia Stock Exchange.

2. The purpose of this study is to prove is institusioanl ownership influence the dividend policy of companies listed on the Indonesia Stock Exchange.

3. The purpose of this study is to prove is liquidity influence the dividend policy of companies listed on the Indonesia Stock Exchange.

4. The purpose of this study is to prove is profitability influence the dividend policy of companies listed on the Indonesia Stock Exchange.

5. The purpose of this study is to prove is company size influence the dividend policy of companies listed on the Indonesia Stock Exchange.

6. The purpose of this study is to prove is leverage influence the dividend policy of companies listed on the Indonesia Stock Exchange.

1.4 Benefits of Research

This research is expected to provide benefits to:

1. Companies listed on the IDX in making decisions regarding dividend policy;

2. Investors and potential investors in determining investment in the Indonesian capital market; And

3. Researchers and academics who are interested in this research topic as a reference or material for further research.

1.5 Research Systematic

The systematics of writing in this study can be described as follows:

CHAPTER 1 Introduction to the chapter, this discusses the issues and issues that underlie why this research was conducted. In this section there is a description of the background, problem formulation, research objectives, and writing systematics.

CHAPTER II review of the center, this chapter contains the concepts and theories that form the basis of this research, a review of previous research, frameworks, and the development of hypotheses that will be tested in the study.

CHAPTER III research methodology, this chapter contains an explanation of how this research was carried out which consists of the type of research, determination of research population and sample, data sources and data collection techniques, definition and measurement of each variable, and methods of data analysis.

CHAPTER IV results and discussion, this chapter contains a discussion of the problem under study complete with variables related to the research problem, as well as the analysis and data used.

CHAPTER V conclusions and suggestions, this chapter presents the final conclusions obtained from the results of the analysis and suggestions given for future research.