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# THE EFFECT OF DEBT POLICY AND INSTITUTIONAL OWNERSHIP ON DIVIDEND POLICY WITH PROFITABILITY AS A MODERATING VARIABLE

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## ABSTRACT

Investment involving investment for to achieve future benefits , with analysis report finance important for investors where returns main originate from dividends. As done by the Indonesian Company Asahan Aluminum / Inalum which gives room for company For utilize funds for expansion. This shows that every company own dynamics itself which influences decision they in share dividends. This research is study about influence debt and ownership policy institutional to policy dividend with profitability as variable moderation. Debt and ownership policy institutional is variable independent in this research. Policy dividend is variable dependent. Profitability is moderating variables . Data collection methods sample with using purposive sampling. The data used is report data annual report during 2017-2023. Data analysis techniques are regression multiple regression and Moderate Regression Analysis (MRA) with using E-Views 12. The results of this study. (1) debt and ownership policies institutional influential in a way simultaneous to policy dividends. (2) In partial debt policy has an impact significant to policy dividends. (3) In partial ownership institutional influential significant to policy dividends. (4) Profitability is able to moderate but the direction of the relationship weakens Debt Policy on Dividend Policy. (5) Profitability cannot moderate and weakens the relationship between Institutional Ownership on Dividend Policy.

Keywords : Debt Policy, Institutional Ownership, Policy Dividends, Profitability

## ABSTRAK

Investasi melibatkan investasi untuk mencapai keuntungan di masa depan, dengan laporan analisis keuangan penting bagi investor di mana pengembalian utamanya berasal dari dividen. Seperti yang dilakukan oleh Perusahaan Indonesia Asahan Aluminium / Inalum yang memberi ruang bagi perusahaan untuk memanfaatkan dana untuk ekspansi. Hal ini menunjukkan bahwa setiap perusahaan memiliki dinamika sendiri yang mempengaruhi keputusan mereka dalam membagikan dividen. Penelitian ini adalah studi tentang pengaruh kebijakan hutang dan kepemilikan institusional terhadap kebijakan dividen dengan profitabilitas sebagai variabel moderasi. Kebijakan hutang dan kepemilikan institusional merupakan variabel independen dalam penelitian ini. Kebijakan dividen merupakan variabel dependen. Profitabilitas merupakan variabel moderating. Metode pengumpulan data sampel dengan menggunakan purposive sampling. Data yang digunakan adalah data laporan tahunan selama tahun 2017-2023. Teknik analisis data adalah regresi berganda dan Moderate Regression Analysis (MRA) dengan menggunakan E-Views 12. Hasil dari penelitian ini. (1) kebijakan hutang dan kepemilikan institusional berpengaruh secara simultan terhadap kebijakan dividen. (2) Secara parsial kebijakan hutang berpengaruh signifikan terhadap kebijakan dividen. (3) Secara parsial kepemilikan institusional berpengaruh signifikan terhadap kebijakan dividen. (4) Profitabilitas mampu memoderasi namun arah hubungannya memperlemah Kebijakan Utang terhadap

Kebijakan Dividen. (5) Profitabilitas tidak mampu memoderasi dan memperlemah hubungan Kepemilikan Institusional terhadap Kebijakan Dividen.

Kata Kunci : Kebijakan Utang, Kepemilikan Institusional, Kebijakan Dividen, Profitabilitas

## 1. INTRODUCTION

Investment is an effort to invest capital with the aim of obtaining returns or profits in the future. (Anggraeni & Riduwan, 2020). The phenomenon that occurred at the BUMN Holding company, PT Indonesia Asaham Aluminum / Inalum or MIND ID, get relaxation from government namely liberation obligation payment dividend on profit clean this year to government consequence impact from coronavirus pandemic ( *Covid-19* ). The elimination of dividend payments certainly eases the burden on companies that are expanding in the midst of a difficult situation. Because the funds that should be deposited by the government as dividends or deposits from net profit to shareholders can be used for additional capital (cnbcindonesia.com).

Dividend policy is a decision made after the company is running and making a profit. (Pradhana *et al* 2014). Fitriyana and Suzan (2018) stated that high and low debt policies will affect dividend policies, because companies do not have sufficient internal funds but intend to continue paying dividends to shareholders by issuing debt to pay dividends. This is reflected in the increase in the value of the company's debt and dividends. The second factor that influences dividend policy in this study is institutional ownership. Institutional ownership is a shareholder that can reduce the agency problems of a company, so that institutional investors are more diligent and careful in managing management decisions that are not in accordance with their interests (Dhuhri and Diantimala, 2018). The third factor in this study that influences dividend policy is profitability, profitability is income that can be used to fund investments and shows the company's ability to generate profits using the total assets it owns.

The formulation underlying the problems that have been described is whether there is a simultaneous influence of debt policy and institutional ownership on dividend policy, and whether debt policy and institutional ownership affect dividend policy individually, and whether profitability is able to moderate debt policy and institutional ownership on dividend policy individually. The purpose of this study is to test and provide empirical evidence simultaneously regarding the influence of debt policy and institutional ownership on dividend policy, to examine and provide empirical evidence of debt policy affecting dividend policy, to examine and provide empirical evidence of institutional ownership affecting dividend policy, to examine and provide empirical evidence of profitability being able to moderate debt policy on dividend policy, to examine and provide empirical evidence of profitability being able to moderate institutional ownership on dividend policy.

## 2. LITERATURE REVIEW

### Agency Theory

Agency relationship is the existence of a relationship between two parties, the first party is the principal who gives the mandate and the second party is the agent who acts as the principal's representative in carrying out a transaction with another party.

### DIVIDEND POLICY

Dividend policy is a management policy in determining the amount of dividends to be distributed from the company's profits which will be used by shareholders or the company as retained earnings for future investment. Business leaders must be very careful in determining dividend policy (Winna and Tanusdjaja, 2019). The formula used:

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$$DPR = \frac{Total\ Dividen}{Laba\ Bersih}$$

**DEBT POLICY**

Debt policy is a policy taken by management in order to obtain sources of financing for the company so that it can be used to finance company activities (Pradhana *et al* , 2014). High debt levels can cause a decrease in the company's ability to pay dividends to shareholders, this is because most of the profit will be allocated to debt repayment reserve funds. The formula used:

$$DER = \frac{Total\ Utang}{Total\ Ekuitas}$$

**INSTITUTIONAL OWNERSHIP**

Institutional ownership is the ownership of shares by financial institutions, such as insurance companies, banks, pension funds, and asset management (Tarjo, 2008) in (Diana & Hutasoit, 2017). Nugraheni and Mertha (2019) stated that a high level of institutional ownership has an impact on improving management performance in order to increase company profits and increase the dividend payout ratio. The formula used:

$$INST = \frac{Jumlah\ saham\ yang\ di\ miliki\ institusi}{Jumlah\ saham\ yang\ beredar}\ x\ 100$$

**Profitability**

Profitability is the ability of a company to generate profits or net income at a certain level of asset sales and share capital ( Hanafi , 2004). Dividends are part of the company's net income that is distributed to shareholders. The higher the profitability, the higher the company's cash flow and the company is expected to pay higher dividends (Jensen et al., 1992) in ( Akbar and Fahmi, 2019). The formula used:

$$ROA = \frac{Laba\ Setelah\ Pajak}{Modal\ Sendiri} \times 100$$

## 3. RESEARCH METHODS

This type of research is quantitative and using method associative. Source data Which used in study is taken from www.idx.co.id. Population and sample study This is energy sector companies listed on the Indonesia Stock Exchange (IDX) from 2017 to by 2023. Retrieval sample used in study This is non- probability with technique purposive sampling with a number of consideration or criteria.

## 4. RESULTS AND DISCUSSION

**Statistical Test Descriptive**

Result of analysis statistics descriptive is statistics used For analyze data with method to summarize or describe the data viewed from maximum, minimum, *mean* , and standard deviation.

**Table 1**

**Statistical Test Results Descriptive**

| | POLICY DIVIDEND | POLICY DEBT | OWNERSHIP INSTITUTIONAL | PROFITABILITY |
|---|---|---|---|---|
| Mean | -0.422189 | 1.327929 | 0.612564 | 0.182840 |
| Median | -0.380824 | 1.154434 | 0.590342 | 0.079547 |

| | | | | |
|---|---|---|---|---|
| Maximum | 0.313184 | 3.863109 | 1,000,000 | 0.660671 |
| Minimum | -1.385821 | 0.140242 | 0.290228 | -0.057740 |
| Std. Dev. | 0.335681 | 0.923978 | 0.201726 | 0.215309 |
| Skewness | -0.260912 | 0.982566 | 0.294674 | 1.116585 |
| Kurtosis | 3.245071 | 3.241247 | 2.134910 | 2.689997 |
| Jarque-Bera | 0.872448 | 10.28986 | 2.876242 | 13.34326 |
| Probability | 0.646473 | 0.005829 | 0.237373 | 0.001266 |
| Sum | -26.59793 | 83.65954 | 38.59155 | 11.51889 |
| Sum Sq. Dev. | 6.986286 | 52.93161 | 2.522978 | 2.874199 |
| Observations | 63 | 63 | 63 | 63 |

*Source : Data processed by Eviews-12, 2025*

## Panel Data Regression Model Test

There is three panel data regression model estimation, namely Common Effect Model, Fixed Effect Model and Random Effect Model. For test conformity or kindness from three method in technique estimate with the panel data model, then used chow test, hausman test, lagrange test multiplie. The panel data regression model test selected in this study is Common Effect Model. The results of the panel data regression test can be seen in Table 2.

**Table 2**

**Panel Data Regression Results Using *Common Effect Model***

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | -0.377335 | 0.117198 | -3.219648 | 0.0021 |
| DEBT POLICY | 0.224701 | 0.040153 | 5.596175 | 0.0000 |
| INSTITUTIONAL OWNERSHIP | -0.520070 | 0.179751 | -2.893270 | 0.0053 |
| PROFITABILITY | -0.134896 | 0.163248 | -0.826327 | 0.4119 |

| | | | |
|---|---|---|---|
| Root MSE | 0.261420 | R-squared | 0.383730 |
| Mean dependent var | -0.422189 | Adjusted R-squared | 0.352395 |
| S.D. dependent var | 0.335681 | S.E. of regression | 0.270136 |
| Akaike info criterion | 0.281605 | Sum squared resid | 4.305435 |
| Schwarz criterion | 0.417677 | Log likelihood | -4.870548 |
| Hannan-Quinn criter . | 0.335123 | F-statistic | 12.24578 |
| Durbin-Watson stat | 1.711763 | Prob(F-statistic) | 0.000002 |

*Source : Data processed by Eviews-12, 2025*

## Test Normality

***Figure 1***

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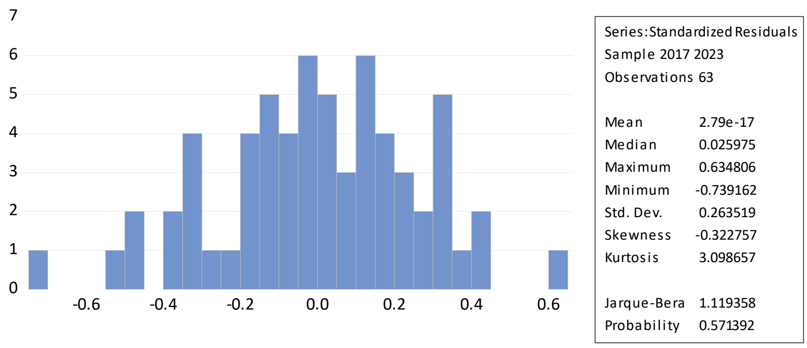
**Normality Test Results**




*Source : Processed Eviews-12 output results , 2025*

Results of Normality Test show Probability value > value significance (0.571392 > 0.05), then can it is said normally distributed or can fulfil condition normality.

**Multicollinearity Test**

**Table 3**

**Multicollinearity Test Results**

| | DEBT POLICY | OWNERSHIP INSTITUTIONAL | PROFITABILITY |
|---|---|---|---|
| DEBT POLICY | 1,000,000 | 0.322628 | -0.215682 |
| INSTITUTIONAL OWNERSHIP | 0.322628 | 1,000,000 | -0.043046 |
| PROFITABILITY | -0.215682 | -0.043046 | 1,000,000 |

*Source : Processed Eviews-12 output results , 2025*

Test results coefficient correlation from each variable independent No experience more correlation big from 0.8, so that No happen Multicollinearity in this research.

**Autocorrelation Test**

**Table 4**

**Autocorrelation Test Results**

| | | | |
|---|---|---|---|
| Root MSE | 0.261420 | R-squared | 0.383730 |
| Mean dependent var | -0.422189 | Adjusted R-squared | 0.352395 |
| S.D. dependent var | 0.335681 | S.E. of regression | 0.270136 |
| Akaike info criterion | 0.281605 | Sum squared resid | 4.305435 |
| Schwarz criterion | 0.417677 | Log likelihood | -4.870548 |
| Hannan-Quinn criter . | 0.335123 | F-statistic | 12.24578 |
| **Durbin-Watson stat** | **1.711763** | Prob(F-statistic) | 0.000002 |

*Source : Processed Eviews-12 output results , 2025*

Autocorrelation Test Results can known that the DW value is 1.711763 where a the DW value must more big -2 and more small +2. So that It can be concluded that this study does not happen autocorrelation.

**Heteroscedasticity Test**

**Table 5**

**Heteroscedasticity Test Results**

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 0.003652 | 0.002992 | 1.220865 | 0.2270 |
| DEBT POLICY | -0.000872 | 0.001025 | -0.851017 | 0.3982 |
| INSTITUTIONAL OWNERSHIP | 0.006113 | 0.004588 | 1.332384 | 0.1879 |
| PROFITABILITY | 0.005751 | 0.004167 | 1.380021 | 0.1728 |

*Source : Processed Eviews-12 output results , 2025*

the heteroscedasticity test in the table above can be known that mark *Probability* > from mark significance (α = 0.05), so that can be concluded that in this study there was no happen heteroscedasticity .

**Panel Data Regression Test**

**Table 6**

**Panel Data Regression Test Results**

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | -0.377335 | 0.117198 | -3.219648 | 0.0021 |
| DEBT POLICY | 0.224701 | 0.040153 | 5.596175 | 0.0000 |
| INSTITUTIONAL OWNERSHIP | -0.520070 | 0.179751 | -2.893270 | 0.0053 |
| PROFITABILITY | -0.134896 | 0.163248 | -0.826327 | 0.4119 |

*Source : Processed Eviews-12 output results , 2025*

$$Y = \alpha + \beta_1 X_1 + \beta_1 X_2 + \beta_1 Z + e$$

KD = - 0.377335 + 0.224701*KU – 0.520070*KI – 0.134896*Prof + 0.117198*e

**Coefficient Test Determination ( $R^2$ )**

**Table 7**

**Determination Test Results *(Adjusted $R^2$ )***

| | | | |
|---|---|---|---|
| Root MSE | 0.261420 | R-squared | 0.383730 |
| Mean dependent var | -0.422189 | Adjusted R-squared | 0.352395 |
| S.D. dependent var | 0.335681 | S.E. of regression | 0.270136 |
| Akaike info criterion | 0.281605 | Sum squared resid | 4.305435 |
| Schwarz criterion | 0.417677 | Log likelihood | -4.870548 |
| Hannan-Quinn criter. | 0.335123 | F-statistic | 12.24578 |

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| | | | |
|---|---|---|---|
| Durbin-Watson stat | 1.711763 | Prob(F-statistic) | 0.000002 |

*Source : Processed Eviews-12 output results , 2025*

The results of the *Adjusted R-squared* value in Table 7 show an amount of 0.352395. Which means that 35.2% of the value of Dividend Policy is able to explain the variables of Debt Policy, Institutional Ownership and Profitability, the rest is presented by other variables that are not included in this research model.

### F TEST (Simultaneous)

The F test is used to determine how much influence Debt Policy and Institutional Ownership have on Dividend Policy in energy companies listed on the IDX during the period 2017 – 2023 simultaneously or together.

**Table 8**

**Simultaneous Test Results (*F TEST*)**

| | | | |
|---|---|---|---|
| Root MSE | 0.261420 | R-squared | 0.383730 |
| Mean dependent var | -0.422189 | Adjusted R-squared | 0.352395 |
| S.D. dependent var | 0.335681 | S.E. of regression | 0.270136 |
| Akaike info criterion | 0.281605 | Sum squared resid | 4.305435 |
| Schwarz criterion | 0.417677 | Log likelihood | -4.870548 |
| Hannan-Quinn criter . | 0.335123 | F-statistic | 12.24578 |
| Durbin-Watson stat | 1.711763 | Prob(F-statistic) | 0.000002 |

*Source : Processed Eviews-12 output results , 2025*

### Partial Test ( t Statistic Test )

**Table 9**

**Partial Test Results (t-Test)**

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | -0.377335 | 0.117198 | -3.219648 | 0.0021 |
| DEBT POLICY | 0.224701 | 0.040153 | 5.596175 | 0.0000 |
| INSTITUTIONAL OWNERSHIP | -0.520070 | 0.179751 | -2.893270 | 0.0053 |
| PROFITABILITY | -0.134896 | 0.163248 | -0.826327 | 0.4119 |

*Source : Processed Eviews-12 output results , 2025*

### Moderating Regression Analysis (MRA)

Analysis regression moderation or Moderated Regression Analysis (MRA) is used For know influence variable moderation to influence variable main. Significance value < 0.05 means variable moderation can strengthen influence variable independent variable dependent, whereas mark significance > 0.05 means variable moderation No can strengthen influence variable independent to variable dependent .

**Table 10**

**Moderated Regression Analysis (MRA) Test Results**

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | -0.461469 | 0.163791 | -2.817416 | 0.0066 |
| KEBIJAKANUTANG | 0.277999 | 0.053085 | 5.236911 | 0.0000 |
| KEPEMILIKANINSTITUSIONAL | -0.532124 | 0.314710 | -1.690841 | 0.0963 |
| PROFITABILITAS | 1.193369 | 0.754161 | 1.582379 | 0.1191 |
| X1Z | -0.694568 | 0.286449 | -2.424753 | 0.0185 |
| X2Z | -0.751700 | 0.956210 | -0.786124 | 0.4351 |

*Source : Processed Eviews-12 output results , 2025*

## RESEARCH DISCUSSION

Based on results the analysis above, then proof hypothesis can explained as following :

**Table 10**

**Results Testing Hypothesis and MRA**

| Hypothesis | Statement | Results |
|---|---|---|
| H 1 | Debt and Ownership Policy Institutional influential in a way simultaneous to Policy Dividend | Hypothesis Accepted |
| H 2 | Debt Policy Affects Dividend Policy | Hypothesis Accepted |
| H 3 | Debt Ownership Affects Dividend Policy | Hypothesis Accepted |
| H 4 | Profitability capable to moderate will but weaken direction connection Debt Policy towards Policy Dividend | Hypothesis Accepted |
| H 5 | Profitability No capable moderate and not can strengthen or weaken direction connection Debt Policy towards Policy Dividend | Hypothesis Rejected |

*Source : Data processed by researchers , 2025*

### Influence Debt and Ownership Policy Institutional to Policy Dividend

Based on results research that shows that in the results F Test table ( Simultaneous Test ) obtained mark significant of 0.000002 where mark the more small from mark significant ($\alpha$ = 0.05) (0.000002 < 0.05). With thus can concluded that $H_1$ accepted , which means Debt and Ownership Policy Institutional influential significant in a way simultaneous to Policy Dividends. Test results in a way simultaneous data reveals existence influence in a way simultaneous between Debt and Ownership Policy Institutional to Policy Dividends. This can show If company own Ownership high institutional so can increase mark from company So that can attract new investors to invest in a company And the more low use Debt ratio set company will tend share dividend in large numbers. This has an impact Good for welfare holder share.

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The results of this study are in accordance with study previously conducted by Rahayu & Rusliati (2019), who stated that ownership institutional influential positive to policy dividends. Winna & Tanusdjaja (2019), who stated that debt policy has an impact positive and significant to policy dividends.

**Influence Debt Policy towards Policy Dividend**

Based on results study show that significance test results got mark probability on variables debt policy of 0.0000, so that the variable debt value policy probability more small from mark significance (0.0000 < 0.05). With thus can withdrawn conclusion that This research proves that $H_2$ accepted , which means debt policy has an impact to policy dividends. This indicates business capital structure more Lots utilise debt - debt relative to equity. Because the payment more dividends big increase chance For increase capital from source external. One of these external sources of capital is is debt. Small company debt will make proportion profit For dividend become more big.

This research is in accordance with theory agency where party management must plan with ripe before do loans, one of them How method company pay the debt. When doing loan so will paid off from the profit that is obtained, so that profit earned For dividend will reduce Because part profit will used For finance debt. The results of this study support Hardi and Andestiana's research (2018), which states debt policy has an impact positive significant to policy dividends, but No support research by Riyanto and Margie (2021), which shows results debt policy has an impact negative to policy dividends. This is due to Because too much debt tall so that company difficult pay off his debts, as well as on the contrary. Then the more height debt means low distribution dividend or No There is.

**Influence Ownership Institutional to Dividend Policy**

The results of this study show that probability Ownership Institutional < value significance (0.0053 < 0.05). With thus can concluded that $H_3$ accepted , which means ownership institutional influential positive to policy dividends. This indicates the more Lots amount shares owned by party institution the more increasing amount shares in circulation. However matter the can reduce results from distribution dividends to shareholders share.

This study is in accordance with *agency theory* which describes a relationship or contract between shareholders and managers, so we can see the power of institutional ownership. When a company is controlled by institutional investors in large numbers or levels, it will create great power for the institutional investors. This is supported by Nugraheni and Mertha (2019) and Purboningrum (2020) who state that institutional ownership has a positive and significant effect on dividend policy. This indicates that companies tend to pay low dividends because the possibility of agency problems is relatively small, so the higher the institutional ownership, the lower the dividend payout ratio.

**Profitability can moderate the influence of Debt Policy on Dividend Policy**

Based on the results of the moderation regression analysis test, it was found that the debt policy variable moderated by profitability obtained a t-value$_{smaller}$ than the t-$_{table}$ ( 0.694568 <1.999624 ) with a significance value above 0.05, which is 0.0185. Thus, it can be concluded that $H_4$ is accepted, which means that Profitability is able to moderate but weaken the direction of the relationship between Debt Policy and Dividend Policy. High and low profitability can

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strengthen the relationship between Debt Policy and Dividend Policy. This means that every profit obtained by the company affects the company's ability to pay all its debts, because a small amount of debt will increase the proportion of profit to be distributed to shareholders. This is because the dividend policy requires large funds. So it can make it difficult for companies in financial problems to pay dividends if the company's debt is high.

This is in line with agency theory where shareholders expect high dividends to be distributed while management expects small dividends to be distributed, because management wants to retain profits that will be used to pay debts or increase investment (Putri and Andayani, 2017). The results of this study are in accordance with those conducted by Elinda (2015), Andriyani (2017) showing that profitability has a positive effect on dividend policy, so the higher the company's profitability, the greater the dividends to be distributed and vice versa.

**Profitability can moderate the effect of institutional ownership on dividend policy.**

Based on the results of the moderation regression analysis test, this study obtained the results that the institutional ownership variable moderated by profitability obtained a calculated t value greater than the $t_{table}$ ( 0.751700 < 1.999624 ) with a significance value below 0.05, which is 0.4351. Thus, it can be concluded that $H_5$ is rejected, which means that Profitability variable is unable to moderate and cannot strengthen or weaken Institutional Ownership of Dividend Policy. This indicates the company's inability to generate profits that will reduce institutional investor interest, reduce investment and have a negative impact on dividend distribution for shareholders.

Previous research was conducted by Pujiati and Firmanda (2015), which stated that institutional ownership has a positive effect on dividend policy, (Putri and Nasir, 2006, Dewi, 2008, Huda and Abdullah's research, 2013) The company's ability to generate profits and become a more advanced company both in the short and long term, namely it can increase institutional investors to maintain their shares and many invest in the company if the profit improves, the dividend will be given to shareholders. It can be concluded that the greater the profit, the more institutional investors will invest. Stable and increasing profits will affect dividends. Therefore, the greater the ownership of company shares by institutional investors, the higher the dividend policy.

## 5. CONCLUSION

This study tested influence Debt and Ownership Policy Institutional to Policy Dividend with Profitability as variable moderator in energy companies listed on the Indonesia Stock Exchange (IDX) in 2017 to 2023. Based on the data collected and the results testing is carried out, then conclusion research conducted with clear is : (1) Debt and Ownership Policy Institutional influential in a way simultaneous to Policy Dividends, (2) Debt Policy has an effect to Policy Dividends, (3) Ownership Institutional influential to Policy Dividends, (4) Profitability capable to moderate will but weaken direction connection Debt Policy towards Policy Dividends, (5) Profitability No capable moderate and not can strengthen or weaken direction connection Debt Policy towards Policy Dividends .

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