Sharia and Non-Sharia Firms: Analysis on the Dividend Policy of Indonesian Companies

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Abstract. *The development of the capital market in Indonesia has prompted companies to issue sharia stocks that impact the company's fundamental policies, one of which is the dividend policy. This study aims to determine the effect of sharia compliance, managerial ownership, institutional ownership, and gender diversity on dividend policies in manufacturing companies listed on the Indonesia Stock Exchange and included in the Indonesia Sharia Stock Index during the 2014-2019 period. The population in this study was 217 companies. The sampling method used a purposive sampling method based on specific criteria, and the final sample was 190 companies, so there were 1140 observational data in this study. The data used in this research was secondary data from the Indonesia Stock Exchange website (www.idx.co.id). The data analysis technique in this study used logistic regression model. The results of this study indicated that sharia compliance and managerial ownership had a significant negative effect on dividend policy, while institutional ownership and gender diversity had no significant effect on dividend policy.*

Keywords: *Dividend Policy; Gender Diversity; Ownership Structure; Sharia Compliance*

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INTRODUCTION

Indonesia as a country with the largest Muslim population has a significant effect on the development of the world Islamic capital market (Imamah et al., 2019). This effect can be seen from the number of companies that issue Islamic financial products, in the form of sharia stocks, until in 2011 the Indonesia Stock Exchange launched ISSI (Indonesia Sharia Stock Index) as an indicator of the performance of the Indonesia's Islamic stock market (www.idx.co.id). In December 2020, there were 424 companies registered with ISSI. This number has increased since ISSI was first launched, which only numbered of 238 companies (www.idx.co.id).

The increasing number of companies that list shares on the Stock Exchange has an impact on the financial policies of a company. This is because from one company and another must compete to attract investors, so the company obtains additional funds from the capital market (Imamah et al., 2019). Competition in obtaining these investors is becoming increasingly tight, because Indonesia adheres to a dual stock market, where the Indonesia capital market trades two types of stocks, namely sharia stocks and non-sharia stocks. Therefore, companies must make appropriate financial strategies and policies.

A dividend policy is one of the critical policies that the company must decide appropriately (Duqi et al., 2019). Dividend policy can also be used as a strategy to maintain investor trust because dividend policy can provide an indirect picture of a company's performance. However, the dividend policy can cause problems between shareholders and debtholders because the dividend distribution contains a priority right order if the company pays its obligations, prioritizing debtholders over shareholders. If the dividend policy is not carried out properly, an agency conflict will arise between shareholders and management (Puspaningsih & Pratiwi, 2017).

In Indonesia, research on dividend policy with the object of research on companies that adhere to the principles of sharia compliance (Shariah Compliants Firms/SCFs) and companies that do not adhere to the principles of sharia compliance (Non-Sharia Compliants Firms/NSCFs) is still very rarely studied. This showed that the factor of sharia compliance and ownership issues in relation to the company's dividend policy is very interesting to be studied. Previous research has focused more on financial and corporate governance factors (Adnan et al., 2014; Al-Kayed, 2017; Arilaha, 2009; Barros et al., 2019; Basri, 2019; Imran et al., 2013; Sulistiyo et al., 2016; Sumiadji, 2011; Swastyastu et al., 2014).

The corporate governance factor that is still relevant for further research on dividend policy is the ownership structure. The difference in ownership structure between management and outside investors results in differences in dividend policy differences (Imamah et al., 2019). In addition, previous studies examining the effect of ownership structure on dividend policy still showed different results, such as research conducted by Imamah et al., (2019); Ngo et al., (2018); Nuringsih (2005); Wijaya & Budianto (2012); Zulaikah & Lasmana (2013).

In addition to the ownership structure in corporate governance, there is gender diversity which is still very interesting to be studied in relation to dividend policy on SCFs and NSCFs. Gender diversity is the gender diversity or composition of female management members in the company's top management. Almeida et al., (2020) have examined the role of female such as the percentage of female executive boards, CEO's gender, and the presence of a female board of directors or executive board on the dividend policy of companies listed on the Brazil Stock Exchange, but as far as the author's best observations, there was no studies examining the effect of gender on companies that issue sharia stocks, such as in Indonesia. Previous research has focused more on the number of board sizes and the number of independent commissioners, such as the research conducted by Al-Najjar & Kilincarslan (2016); Baker et al., (2020); Dewasiri et al., (2019).

Based on the description of the background of the problem above, the research questions include: Does sharia compliance affect dividend policy in Indonesia? Does ownership structure affect dividend policy in Indonesia? Does gender diversity affect dividend policy in Indonesia? This study contributes to the literature on dividend policy in the Islamic capital market, especially the effect of sharia compliance and corporate governance factors in the form of gender diversity.

This article consisted of 6 parts, namely the introduction in the first part and the hypothesis's development in the second part. The third section described the research methodology, data, and data analysis, while the fourth section presented the empirical results, the discussion in the fifth section, conclusions, limitations, and research suggestions at the end of this article.

LITERATURE REVIEW

Dividend Policy

Brigham & Daves (2006) stated that dividends are the distribution of profits generated by the company to shareholders proportionally based on the number of shares owned. Dividends can be in the form of cash dividends and stock dividends. Yusof (2014) explained that dividends are the distribution of profits to investors as a form of appreciation in meeting the goal of maximizing shareholders' welfare. A dividend policy is a decision to reinvest profits derived from the company's operating activities or distribute these profits to shareholders or investors. (Wahjudi, 2018). Dividend policy can be in the form of a company's decision to pay dividends or withhold the profits to be reinvested (the propensity to pay dividends or not) and a policy regarding how much profit should be distributed to investors in the form of cash or stock dividends (Al-Najjar & Kilincarslan, 2016). Thus, the dividend policy is the use of

net profit after tax to be distributed to shareholders and how much of the net profit will be used to finance the company's investment. There are 3 main theories used to explain dividend policy, namely:

a. *Dividend Irrelevance Theory*

This theory was first mentioned by Miller & Modligiani (1961) that dividend policy had no effect on the company's stock price or cost of capital. If the dividend policy has no effect on stock prices and firm value, then dividend payments are irrelevant, in other words, investors do not pay attention to information about dividend policy between one company and another. Furthermore, Miller & Modligiani (1961) explained that firm value is only influenced by the firm's ability to generate profits and business risk. Thus, the future value of the company is only determined by income from operating activities, not from decisions regarding the distribution of profits in the form of dividends, or retained earnings.

b. *Bird in The Hand Theory: Dividends Are Preferred*

This theory was mentioned by Lintner (1956) and Gordon (1963) which stated that the cost of capital will decrease if the dividend payout ratio increases, and conversely the cost of capital will increase if the dividend payout ratio decreases (low). This is because investors prefer paying dividends, rather than receiving capital gains or reinvesting their funds as retained earnings in the same company with the same level of risk. Investors see that the expected income from dividends is higher than the expected income from capital gains because the dividend income component contains less risk than capital gains (Gordon, 1963; Lintner, 1956).

c. *Tax Preference Theory: Capital Gains Are Preferred*

This theory stated that because of the tax on dividends and capital gains, investors prefer capital gains because they can delay paying taxes. If capital gains are taxed at a lower rate than dividends tax, then the stock has high growth and becomes more attractive to investors (Brigham & Daves, 2006). On the other hand, if capital gains are taxed the same as the tax on dividends, the gains on capital gains are reduced. In other words, investors prefer low dividend payments to get company growth and capital gains.

Sharia Compliance Concept

The principles of sharia compliance are principles in carrying out an institution or company in accordance with Islamic law or sharia law (Nurhisam, 2016). Islamic law is law that comes from the Qur'an, Hadith, Ijma', and Qiyas. Sharia principles are all provisions that are sourced from Islamic law and do not conflict with the rules the rules in it. Islamic law has explained that, a transaction in business activities must not contain elements that are forbidden by Allah SWT, such as transactions that contain elements of fraud (*gharar*), gambling (*maysir*), usury, investing in businesses that carry out operating activities that are not in accordance with the sharia principles, for example selling alcohol, circulation of pornography, etc. (Nurhayati & Wasilah, 2014). These rules are the main elements that form the principles of sharia compliance. This was in accordance with the explanation of Allah SWT in the Qur'an, Q.S An-Nisa verse 29 regarding the command to avoid acquiring property in vanity (incorrect way). Meaning: *O you who have believed, do not consume one another's wealth unjustly but only [in lawful] business by mutual consent. And do not kill yourselves [or one another]. Indeed, Allah is to you ever Merciful.*

Sharia Compliance and Dividend Policy

The rapid development of the Islamic capital market, including in Indonesia, has led to the importance of considering sharia compliance factors in research on dividend policy (Imamah et al., 2019). Sharia compliance is the principles in carrying out a company in accordance with Islamic law (Nurhisam, 2016). The Financial Services Authority classifies companies that are included in the category of Shariah Compliant Firms (SCFs) as companies that carry out company operations by producing goods or services that are classified as halal, and have a ratio of interest income and other non-halal income to total operating income of not more than 10%. If the company issues shares in the

capital market, it will be grouped in the sharia stock index (Hayat & Hassan, 2016).

Farooq & Tbeur (2013) examined the effect of sharia compliance on dividend policy in countries that are included in the MENA Country. The results showed that companies that apply sharia principles have a higher dividend payout ratio than companies that do not apply sharia principles. In addition, Athari et al. (2016) and Duqi et al. (2019) examined the factors that influence dividend policy in Islamic banks and conventional banks. They found that Islamic banks using dividend policies to reduce problems that occur between shareholders and fund managers. In other words, SCFs give a positive signal to investors by distributing higher dividends than NSCFs. The results of this study were consistent with the research conducted by Imamah et al. (2019) and (Farooq & Tbeur, 2013). Based on the findings of previous studies, the following hypothesis can be formulated:

H_1: Sharia compliance affects the company's dividend policy

Managerial Ownership and Dividend Policy

Managerial ownership is the percentage of share ownership by company management including internal parties of a company to the number of outstanding shares, so managerial ownership is also referred to as insider ownership (Nuringsih, 2005). Share ownership by management causes managers to be actively involved in decision making, one of which is dividend policy. The existence of share ownership by managers is considered to be able to align the potential differences in interests between managers and other shareholders (Wijaya & Budianto, 2012). In the context of agency costs described by Jensen & Meckling (1976), dividend policy is used to reduce agency costs arising from potential agency conflicts between shareholders and managers. In other words, high share ownership by managers resulted in low agency costs, so that it will reduce dividend policy as a supervisory mechanism for managers, because the interests of managers as owners and managers of the company are aligned (Jensen & Meckling, 1976).

If the level of managerial ownership is high, the company tends to allocate funds to retained earnings rather than paying dividends on the grounds that internal funding sources are more efficient than external funding sources, through debt. Conversely, if managerial ownership is low, the company will pay high dividends because it will give a good signal about the company's performance in the future (Nuringsih, 2005). Managers with low share ownership can diversify into other investment opportunities (Nuringsih, 2005), and limited internal funding sources can be replaced by profits obtained from optimally diversified sources of wealth. Previous research conducted by Ningrum (2017) showed that managerial ownership had a negative effect on dividend policy. The results of this study were in line with the results of research conducted by Onali et al. (2015). Based on this, the hypothesis in this study is as follows:

H_2: Managerial ownership in SCFs and NSCFs has a negative effect on dividend policy.

Institutional Ownership and Dividend Policy

Institutional ownership is share ownership by institutional parties and not individual ownership (Gusni, 2017). Basri (2019) stated that institutional ownership is the percentage of share ownership by institutional investors such as banks, pension fund depository institutions, insurance companies, and others. Institutional shareholders have an important role in monitoring and supervising, gathering information, and having a major influence in corporate decision making (Gusni, 2017). The supervisory mechanism carried out by institutional investors is an indirect supervisory mechanism related to dividend policy (Al-Najjar & Kilincarslan, 2016). This is based on an investment perspective according to institutional investors. In general, institutions want companies to pay high dividends and they must have a good approach to the capital market in order to obtain future loans if the company is in need.

Mehdi et al. (2016) who conducted research on developing capital markets in the

GCC (Gulf Cooperation Council Countries) and East Asia stated that if institutional ownership is high, the company will pay high dividends, in other words, institutional ownership had a positive effect on dividend policy. This is because the payment of cash dividends can reduce expropriation by managers through internal sources of funds, thereby increasing the profits of institutional shareholders. On the other hand, Lucyanda & Lilyana (2012) stated that if the company pays low dividends, it will motivate management to invest in unprofitable projects, which will harm institutional investors.

In the sharia context, managers as fund managers are responsible for using funds from institutional investors as well as possible, so that these investments can benefit both parties (Imamah et al., 2019). On one side, if the manager as agent of God and agent of the owner of the funds succeeds in carrying out the trust of shareholders, then the manager will also receive a bonus, on the other hand, institutional investors will benefit in the form of high dividend payments due to the manager's success in managing funds in the company. The results of this study were consistent with research conducted by Basri (2019) and Imamah et al. (2019) which found that institutional ownership had a positive effect on the company's dividend policy. Based on this, the hypothesis in this study is as follows:

H_3: Institutional ownership in SCFs and NSCFs has a positive effect on dividend policy.

Gender Diversity and Dividend Policy

Gender diversity is the proportion of female board members (directors and commissioners) in top management to all board members (Almeida et al., 2020). Gender diversity in top management has an impact on the various abilities of managers, different views and perspectives, and different backgrounds. It offers objective monitoring of conflicts between managers and shareholders (Byoun et al., 2016). The existence of gender diversity can align the interests of managers with shareholders in relation to the company's dividend policy, because in management there are various perspectives, one of which is considering female's opinions in decision making and company dividend policy (Pucheta-Martínez & Bel-Oms, 2016).

Research Almeida et al. (2020) have found that gender diversity contributed to mitigate agency conflicts between managers and shareholders, reducing managers' opportunistic behavior, and increasing dividend payments. In addition, Tahir et al. (2020) also stated that the presence of female directors in the top-level management structure can influence the decision-making process and dividend policy. Previous research conducted by Byoun et al. (2016) and Pucheta-Martínez & Bel-Oms (2016) found that gender diversity had a positive effect on dividend policy. This is because gender diversity can supervise and control fellow managers, so as to reduce agency costs and increase supervision so that it is more effective. Effective supervision is because gender diversity can improve company performance, so as to increase dividend payments (Francis et al., 2015). The results of this study were consistent with the results of research conducted by Almeida et al. (2020) and Chen et al. (2017) which was in line with the opinion that gender diversity can improve the company's dividend policy. Based on the description above, the hypothesis in this study is as follows:

H_4: Gender diversity in SCFs and NSCFs has a positive effect on dividend policy.

RESEARCH METHODOLOGY

This research was a quantitative research that referred to the calculation and analysis of data in the form of numbers by requiring mathematical calculations and using certain statistical formulas (Indriantoro & Supomo, 2002), so that the variables in this study were numerical data. The unit of analysis in this study was a public company listed on the Indonesia Stock Exchange which was included in the ISSI (Indonesia Sharia Stock Index). The reason for choosing ISSI was because there were more companies that list sharia stocks on the index, than any other sharia index in Indonesia.

Population and Sample

The population in this study was all manufacturing companies listed on the Indonesia Stock Exchange and included in the Indonesia Sharia Stock Index (ISSI) during 2014-2019. The reason for choosing a manufacturing company was because manufacturing companies were the most included in the ISSI list during the study period.

The sample in this study was companies that were active and listed on the Indonesia Stock Exchange and included in the ISSI in 2014-2019, which were selected based on certain criteria using the purposive sampling method. The criteria for determining the research sample include: all manufacturing companies listed on the Indonesia Stock Exchange and included in the 2014-2019 Indonesia Sharia Stock Index; the company has completed data on sharia stocks, group structure, and published annual financial reports during the 2014-2019 observation period; and have completed data or supporting information needed on the company website. Based on the purposive sampling technique, 190 companies became the research sample. The research period was 6 years, so there were 1,140 observational data.

Research Model

This study used descriptive statistics to explain the characteristics and distribution of the research sample. After that, to examine the effect of the independent variables in the form of sharia compliance, ownership structure, and gender diversity on dividend policy using logistic regression analysis (logistic regression models). The use of this analysis technique was because the dependent variable in this study was a dummy variable, namely if the company pays dividends, the dividend policy will be given a value of 1, and if it does not pay dividends, it will be given a value of 0. The following is the logistic regression equation model in this study:

$$\boldsymbol{Ln\frac{KD}{1-KD} = \beta_0 + \beta_1\, KS_{i,t} + \beta_2\, KM_{i,t} + \beta_3\, KI_{i,t} + \beta_5\, GD_{i,t} + \varepsilon_{i,t}}$$

Where KD is dividend policy, is the dependent variable in this study which was measured by using a dummy variable; KS is sharia compliance which was measured by a dummy variable, namely if the company is included in the ISSI list, it will be given a value of 1, and 0 if it is not included in the ISSI list; KM is the managerial ownership of the company which was measured by the ratio of the number of shares owned by management divided by the number of shares outstanding; KI is institutional ownership which was measured by the ratio of the number of shares owned by the institution or institution divided by the number of outstanding shares of the company; GD is a gender diversity variable. This variable was measured by the ratio of the number of female management members divided by the number of management board members (board of directors and board of commissioners).

Data Analysis Technique

a. Overall Model Test

This test aims to find out whether the overall research model is fit with the data (Ghozali, 2016). This test is also called the Overall Model of Fit Test. To test the entire model in logistic regression, it can be seen from the table of SPSS output results. If there is a decrease in the initial -2 Log Likelihood value with a final -2 Log Likelihood value, it can be concluded that the overall regression model is fit with the data.

b. *Hosmer and Lemeshow's Goodness of Fit Test*

This test is also called the regression model feasibility test. This test aims to assess how feasible or how good the logistic regression equation model that has been made if the observation data is included in the model (Ghozali, 2016). If the significance probability value of the Hosmer and Lemeshow's Goodness of Fit Test is greater than 0.05, the model can be said to be able to predict the observed value.

c. Nagelkarke's R-Square Coefficient of Determination

The coefficient of determination was used to measure the variability of the

independent variable on the dependent variable. The coefficient of determination in logistic regression can be measured using the Nagelkarke's R-Square (Ghozali, 2016). The value of the Nagelkarke's R-Square is between 0 and 1. The greater the value of the coefficient of determination of the Nagelkarke's R-Square, the better the ability of the independent variable to explain the dependent variable.

d. Partial Test (Wald's Test)

In logistic regression, the partial effect test can use the Wald test. The statistical value used in the decision making of this partial test was Wald Statistics with Chi-Square distribution. In addition, decision making can also use the significance value of the Wald test. If the significance value of the Wald test < 0.05, it can be concluded that the independent variable partially affects the probability of the occurrence of the dependent variable. (Ghozali, 2016).

e. Simultaneous Test (Omnibus Test of Model Coefficients)

The Omnibus Test of Model Coefficients aims to find out the simultaneous effect of independent variables on the dependent variable in logistic regression (Ghozali, 2016). If the dependent variable in logistic regression is simultaneously better than the previous model (simple model) in terms of matching the data, then the decision making of the omnibus test is by looking at the probability value (sig.) for step 1 in the Omnibus Test of Model Coefficients table. If the value of Sig. < 0.05, it is concluded that the model that uses independent variables simultaneously is better than the simple model.

RESULTS AND DISCUSSION

This study used logistic regression analysis technique because the dependent variable in this study was a dummy variable, which will be given a value of 1 if the company pays dividends, and will be given a value of 0 if the company does not pay dividends. In addition, the reason for choosing data analysis techniques using logistic regression was related to the characteristics of the research sample from 2014-2019. This was because the observation data for the dependent variable, namely dividend policy in 2019 many companies have not announced dividend policies, resulting in a lot of data that was worth 0 in the observation. This will show inconsistent results if the data analysis uses multiple linear regression.

Table 1. Descriptive Statistics

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Variance
KD	1140	0	1	.39	.489	.239
KS	1140	.000	1.000	.67105	.470037	.221
KM	1140	.000	.870	.03696	.100629	.010
KI	1140	.000	.997	.70574	.204019	.042
GD	1140	.000	.670	.10076	.115661	.013
Valid N (listwise)	1140					

Source: Processed Data, 2021

Based on Table 1. below, it can be seen that the number of observation data in this study was 1140. The amount of data was the amount of research data for 6 years from 2014-2019. The mean sharia compliance variable was 0.67, the mean value of managerial ownership was 0.87, the mean institutional ownership was 0.71, and the mean value of gender diversity was 0.10. In addition to the mean value, table 1 also showed the value of other centralization measures, such as the maximum value, minimum value. The descriptive statistical table also showed the size of the data distribution of the research

variables, in the form of standard deviation and the value of data variability.

Logistics Regression Analysis

The assumption test needed in this study have been carried out, including the Overall Fit Model test, Hosmer and Lemeshow's Goodnes of Fit test, and the Omnibus Test of Model Coefficients. The results of the assumption test indicated that there was a decrease in the initial -2Log Likelihood value with the final -2Log Likelihood, which means that the regression equation model in this study was feasible; Hosmer and Lemeshow's Goodness of Fit test showed a significance probability value of 0.312 which was much greater than 0.05. Based on the results of these tests, it can be concluded that the regression equation model that has been made if the observation data is entered will be matched, while the Omnibus test showed the probability value of Sig. of 0.000 < 0.05 so that simultaneously the logistic regression equation model that included independent variables such as sharia compliance, managerial ownership, institutional ownership, and gender diversity was better than the simple model that only included constant values.

Table 2. Model Summary

Model Summary			
Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	1430.136[a]	.082	.111

Source: Processed Data, 2021

Based on table 2, it can be seen that the coefficient of determination of the Nagelkarke's R-Square was 0.111 or 11.1%. This showed that the variability of the dependent variable explained by the independent variables in the form of sharia compliance, managerial ownership, institutional ownership, and gender diversity was 11.1% and the rest was explained by other variables outside the study. The results of the logistic regression analysis can be seen in table 3.

Table 3. Logistics Regression Results

Variables in the Equation							
		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1[a]	KS(1)	-1.269	.147	74.637	1	.000	.281
	KM	-2.527	.838	9.081	1	.003	.080
	KI	.226	.349	.419	1	.518	1.253
	GD	.343	.541	.401	1	.526	1.409
	Constant	-.176	.276	.406	1	.524	.839

Source: Processed Data, 2021

Based on table 3 of the regression results above, the Wald Statistics value for the sharia compliance variable was 74.64 with a significance probability level of 0.000, where the significance probability value was less than 0.05 (0.00 < 0.05), so H_1 was accepted, which means that there was a significant effect of the sharia compliance variable on dividend policy.

The value of Wald Statistics for managerial ownership variable was 9.081 with a significance probability level of 0.003. The significance probability value was smaller than 0.05 (0.003 < 0.05), so hypothesis 2 was accepted. This means that there was a significant effect of managerial ownership on dividend policy.

Based on table 3 above, the Wald Statistics value for the institutional ownership variable was 0.419 with the significance probability value from the Wald test was 0.518>0.05, so there was no significant effect of institutional ownership on dividend policy, in other words 0.518>0. 05 so that institutional ownership had no significant effect on dividend policy, so H_3 was rejected.

The statistical value of the Wald test for the gender diversity variable was 0.401. Based on these results, it can be seen that the significance probability value of the Wald test was 0.526. The significance probability value was greater than 0.05 (0.526 > 0.05). This means that the gender diversity variable had no significant effect on dividend policy, so H_4 was rejected.

The Effect of Sharia Compliance on Dividend Policy

Based on the results of hypothesis testing in logistic regression, the coefficient value was -1.27 with a significance value of 0.000. The significance level of the sharia compliance variable was smaller than 0.05 (0.000 < 0.05) thus H_1 was accepted. This showed that sharia compliance which showed that a company included in the Indonesia Sharia Stock Index (ISSI) had a significant effect on dividend policy with a negative relationship direction. The direction of this negative relationship is a new finding in a study of the company's dividend policy.

These results explained that if a company is included in the ISSI list or in other words the company applies sharia compliance principles (Syariah Compliants Firm), then the company is likely not to pay dividends. This is because the decision regarding dividend policy to distribute it or not depends on the ability of each company. Because it is possible for a company in a certain period to issue sharia stocks so that it is included in the ISSI list, but in that year it turned out that the company suffered a loss, so the company decided not to distribute dividends.

Based on the results of testing the hypothesis, this study supported previous research which found that sharia compliance had an effect on the company's dividend policy, but the direction of the relationship was different. This study supported the research of Imamah et al. (2019) which found that companies that issue sharia stocks will pay higher dividends, but the differences between the findings of this study and the research of Imamah et al. (2019) was that in this study sharia compliance had a significant negative effect on dividend policy. This may happen because in 2019, companies listed on ISSI have not announced dividend policies, information about dividend policies is usually disclosed by companies in the following year, so there were still many 0 data in 2019 regarding dividend policies, which means companies did not pay dividend.

The Effect of Managerial Ownership on Dividend Policy

Hypothesis testing for managerial ownership variable obtained a coefficient value of -2.53 with a significance value of 0.003. The significance level was smaller than 0.05 (0.003 < 0.05), so H_2 was accepted. This showed that managerial ownership as proxied by the percentage of share ownership by management had a significant effect on dividend policy, but with a negative relationship direction.

The results of this study indicated that the greater the share ownership by management, the less likely the company is to pay dividends, and vice versa if the share ownership by management is low, the

probability of the company paying dividends is higher.

These results were consistent with the concept of agency theory that dividend policy is used to reduce agency costs arising from the potential for agency conflicts between shareholders and managers. High managerial ownership will reduce agency costs, so it will reduce the possibility of companies paying dividends as a supervisory mechanism for managers, because the interests of managers as managers and owners are aligned.

If share ownership by managers is large, managers tend to allocate funds to retained earnings rather than paying dividends, arguing that internal sources of funds are more efficient than external sources of funds, through debt. The results of this study were in line with research conducted by Ningrum, (2017) and Onali et al. (2015).

The Effect of Institutional Ownership on Dividend Policy

The results of hypothesis testing indicated that the logistic regression coefficient was 0.23 with a significance level of 0.518. The significance level was greater than 0.05 (0.518 > 0.05) so that the third hypothesis was rejected, which means that there was no significant effect between institutional ownership on dividend policy. The results of this study indicated that changes in the percentage of share ownership by management did not affect the decision to pay dividends of a company.

The results of this study were in line with research conducted by Al-Najjar & Kilincarslan (2016) which found that institutional ownership had no significant effect on the probability of companies to pay dividends (the propensity to pay dividends). This can be caused by the majority of companies in Indonesia, both those in the ISSI and non ISSI categories in their annual reports which revealed that the company's dividend policy depends on the company's ability to generate profits, and other financial factors, so that the size of share ownership by institutions does not affect company dividend policy.

The Effect of Gender Diversity on Dividend Policy

Based on table 3 above, it can be seen that the regression coefficient for the gender diversity variable was 0.34 with a significance level of 0.524. The significance level was greater than 0.05 so that the gender diversity variable had no significant effect on dividend policy, in other words, hypothesis 4 was rejected. The results of this study did not support the research conducted by Almeida et al. (2020) and Chen et al. (2017) who found that gender diversity had a significant positive effect on the company's dividend policy.

This showed that the size of the proportion of female board of commissioners in the composition of the company's top management did not affect the dividend policy of both companies that were included in the ISSI and non ISSI lists. This can be because the main reason why companies in Indonesia will distribute dividends or not does not depend on the number of female management members, but the company's financial factors were still the main consideration in decisions regarding the dividend policy, in other words, even though the proportion of members of the board of commissioners is gender in a large company, but if the company is experiencing a loss, the female manager is also likely not to recommend at the General Meeting of Shareholders (GMS) to distribute dividends.

CONCLUSION

Based on the results of the research, analysis, and hypotheses that have been described previously, the conclusions are as follows:

The results of sharia compliance variable testing on dividend policy in companies that were included in ISSI and Non-ISSI showed results which stated that sharia compliance had a significant negative effect on dividend policy. This means that if the company is included in the ISSI list, it is likely that the company will not pay dividends. On the other hand, if the company is not included in the ISSI list, it is likely that the company will distribute more dividends.

Managerial ownership had a negative and significant effect on dividend policy. This implied that the greater the share ownership by the management, the less likely the company is to pay dividends.

The results of institutional ownership variable testing on dividend policy showed results which stated that institutional ownership had no effect on dividend policy. This showed that the size of the share ownership by the institution or institution did not affect the probability of the company to pay dividends.

The results of gender diversity variable testing on the company's dividend policy showed that gender diversity as proxied by the proportion of the number of management members to all management members had no effect on dividend policy. This implied that the size of the proportion of management members did not affect the probability of the company to pay dividends.

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