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The Effect of Supervisory Boards, Independent Director, and Managerial Ownership on Dividend Policy

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ABSTRACT
Using a sample of firms from the manufacturing sector of the Indonesia Stock Exchange. We examine the effect of internal corporate governance mechanisms-specifically supervisory boards, independent directors, and managerial ownership-on firms' dividend distributions. The data collected were analysed using multiple regression. We find a significant positive relationship between supervisory boards and independent directors on dividend payout, suggesting that the rise of board size and proportion of independent directors can increase payouts and cause changes in dividend policies. In line with the alignment effect of managerial ownership, our results support the positive relationship between managerial ownership and dividends.

Keywords: Dividend, Supervisory boards, Independent director, Managerial Ownership

INTRODUCTION

Do dividends remain relevant to shareholders? Dividend-distribution expectations tend to decline, whereas capital gains increase through the market risk premium (MRP) mechanism, driven by heightened market volatility and a rising price of risk. The dividend yield is a component of the expected MRP—which represents approximately 27% of its total—and retains its predictive power even during economic recessions (Aspris et al., 2024). Payout ratio variance most driven by long-run predictability of future earnings growth and it can predictive for future industrial production growth and GDP growth (in addition to earnings growth) (Maio, 2024). (Ganguli et al., 2020) Singapore firms do follow a stable dividend policy reveals that the dividend policy of Singapore firms appear to be consistent with good governance practice of protection of the investors' right. Every firm fundamentally faces three distinct financial decisions—investment, financing, and dividends—that together determine its growth (Fama & French, 1998; Kuo et al., 2020; Lang et al., 1996). (Ramalingegowda et al., 2012) Investment and dividends are the two main decisions of the company. At the most basic level, investors supply capital to businesses only because they (or the people to whom they might sell their securities) have a reasonable expectation of eventually receiving payouts in one form or another (Deangelo & Deangelo, 2007).

While shareholders may be entitled to receive dividends or other forms of equity distribution on a pro rata basis, issuers have no contractual obligation to make such distributions, as they are not required to transfer cash or other financial assets to any party (PSAK 50 Paragraph 17). Although no law compels a company to pay dividends to its shareholders, they nevertheless expect to realise returns, either through dividends or capital gains. In practice, determining an appropriate dividend-payout policy involves difficult trade-offs among conflicting factors. Since investment, financing, and dividend decisions are interrelated (Pruitt & Gitman, 1991), management must evaluate dividend policy alongside other strategic choices. Managers may adopt suboptimal dividend policies to advance their personal interests at the expense of shareholders (Chintrakarn et al., 2022; Jensen, 1986). Directors tend to retain excess cash within the firm (Saeed & Sameer, 2017). Furthermore, opportunistic managerial behaviour and agency relationships across various corporate levels influence dividend decision-making (Ofori-Sasu et al., 2019).

Differences in interests between a company and its shareholders can give rise to agency conflicts when corporate policies benefit only one party. Agency conflict costs between managers and shareholders can be mitigated, and corporate performance improved, by aligning managerial incentives through the adoption of appropriate external and internal corporate governance (CG) practices that constrain the potential for suboptimal managerial behaviour. Internal CG mechanisms proven effective include the board of directors, managerial incentives, capital structure, and dividend policy (Florackis & Ozkan, 2009). Accordingly, a mechanism is required to ensure that managers formulate policies that not only benefit the company but also minimise decisions that can turn against the company. This underscores the need for proper implementation of corporate governance—referred to as good corporate governance (GCG)—which embodies an explicit contractual bond between principals and agents, outlining their mutual agreements. These agreements typically stipulate that agents must act in the principals' best interests when managing the principals' assets (PUG-SPI, 2022).

(Al-Hiyari et al., 2024) show that the negative connection between information asymmetry and dividend policy is less pronounced in firms with strong corporate governance systems, consistent with the conjecture that such firms face lower agency and asymmetric information problems and hence pay higher dividends. Both the ESG combined score and the individual scores for environmental, social, and governance have a positively and significantly affect dividend payouts; firms with stronger ESG performance achieve higher ROA (ROE) and lower earnings (sales) volatility (Bilyay-Erdogan et al., 2023). Research (Bae et al., 2020) find that companies distribute larger dividends in the period following corporate governance enhancements or board reforms—such as increased board independence, the establishment of audit committees with independent auditors, and the separation of the CEO and chairman roles—because these measures strengthen oversight and empower external shareholders to pressure management for greater dividend distributions.

The quality of corporate governance can affect dividend payout policy as dividend payments are influenced, in part, by the conflicts of interest between corporate insiders and outside shareholders mediated by the board (La Porta et al., 2000; Ye et al., 2019). Farooq et al., (2023) suggests that well-connected boards, by serving as a conduit of information, knowledge, support, and learning, and through the propagation of good corporate practices, are better monitors and advisors. Dividend payments function as an effective corporate governance mechanism for reducing agency-conflict costs between managers and shareholders (Florackis & Ozkan, 2009; Trinh et al., 2020; Ye et al., 2019).

Corporate governance serves as a framework guiding the board of commissioners (supervisory boards) in overseeing management policies, supervising corporate management and business operations, and advising the board of directors on its managerial responsibilities. As the principal's representative, the board of commissioners also recommends dividend distributions to the general meeting of shareholders (GMS). Campbell and Turner (2011), as cited in Turner, (2024) find that companies with larger boards of directors performed better and surmise that this is because larger boards make it harder for managers to capture individual directors. (Ullah et al., 2023) reveal that board size is positively and significantly associated with dividend payouts. However, Trinh et al. (2020) report contrasting findings, suggesting that board size has no significant effect on the dividend distribution. Research by (Aguiar-Díaz et al., 2024; Chen et al., 2017; Chintrakarn et al., 2022; Kumar et al., 2023; Saeed & Sameer, 2017; Ye et al., 2019 (based on data from 22 countries) have a positive significant relationship exists between board size and increases in dividend rates. Based on the above arguments, this study considers the supervisory boards as the body responsible for implementing the corporate governance framework that affect dividend policy variables.

Many publicly listed companies in Indonesia are controlled by a single majority shareholder or a small blockholder, while the remaining shares are widely dispersed among other investors. Corporate ownership is concentrated in most of the world's markets, with primary owners functioning as controlling shareholders who either oversee management choices directly or take on management responsibilities (La Porta et al., 1999) as cited in (Akhtar & Islam, 2025). According to the highly concentrated ownership of Chinese listed firms, designing the generation mechanism of independent directors is a key point to alleviate Type 2 agency conflict under the owner-management mode (Song et al., 2021). Consequently, in this type of company independent director (independent commissioners) play a crucial role. They can make substantial contributions to key corporate decisions, particularly by evaluating executive performance, setting appropriate remuneration for both executives and commissioners (supervisory boards), reviewing financial statements, and resolving internal conflicts. Independent director provide investors added assurance that the board's decisions will be free from obvious bias.

Firms forced to raise board independence exhibit significantly higher payouts that those not required to change board composition (Chintrakarn et al., 2022). On average, the dividend-paying firms have a higher proportion of independent directors(Farooq et al., 2023). Chen et al., (2017) find a positive effect board independence on the dividend payout that in line with dividends being a monitoring device. (Aguiar-Díaz et al., 2024) reveal a positive and significant. However, (Trinh et al., 2020), show that the relationship between board independence and dividend payment is negative, consistent with previous research (McGuinness et al., 2015; Tang et al., 2013) find that independent directors are more likely to issue modified opinions that have consequences on a lower propensity to pay cash dividends, reduced bank loans, and greater CEO or chairman turnover during the following year compared with firms that receive unqualified independent directors' opinions. These types of consequences demonstrate that modified directors' opinions can protect the interests of outside investors through a number of different mechanisms (Tang et al., 2013). (Kumar et al., 2023) indicate that independent directors have a negative effect on dividends. Independent directors use dividends to protect shareholders against expropriation, but in India, due to concentrated ownership, independent directors favor controlling shareholder activities. However, this effect was found to be statistically insignificant (Ullah et al., 2023).

Smith et al., (2017) dividends are initiated either when shareholders' rights are weak by dual CEOs or boards of directors with high ownership stakes in the firms; or governance is strong as reflected in high institutional ownership, high board independence, and strong shareholder rights, dividends are initiated by dual CEOs with high ownership. In accordance with PSAK 7 Pengungkapan Pihak-Pihak Berelasi, related party transactions and managerial ownership may shape an investee's financial and operational decisions through close family members, government entities, and key management personnel. Managerial ownership is a structure the contractual relation (including compensation incentives) between the principal and agent to provide appropriate incentives for the agent to make choices which will maximize the principal's welfare, given that uncertainty and imperfect monitoring exist (Jensen & Meckling, 1976).

Schooley & Dwayne Barney Jr, (1994) show that the relation between the percentage of stock owned by the CEO and the dividend yield is nonlinear. The results reported here suggest that dividend yield falls as CEO stock ownership increases to 14.9 percent, and dividend yield increases thereafter, the dividend yield begins to increase with further managerial stock ownership, implying there is a point beyond which CEO ownership fails to align CEOs' goals with the interests of other shareholders. Consistent with the research (Florackis et al., 2015), at low ownership levels (below 10% approximately), there is a negative dividend-ownership relation indicates that managerial ownership and dividends are substitute mechanisms for reducing agency costs; and turns into a positive one at very high levels of managerial ownership (i.e. >60%) suggesting that managers with very large shareholdings become entrenched and increase their propensity to pay dividends or for liquidity reasons. There is also a nonlinear association between managerial ownership and the effectiveness of internal control (Liu, 2023), audit firm size and audit fees (Shan et al., 2019), and firm value (Florackis et al., 2020). While several studies (Driver et al., 2020; Hoje & Pan, 2009; Lin et al., 2010; Obaidat, 2018; Shahid et al., 2016) indicate a positive relationship between managerial ownership and dividend policy, research by (Tayachi et al., 2023; Ye et al., 2019) find a significant negative relationship. On average, the dividend-paying firms have a lower managerial ownership when compared to the non-dividend-paying firms (Farooq et al., 2023).

THEORETICAL ANALYSIS AND RESEARCH HYPOTHESES

Agency Theory

Agency theory addresses the principal–agent relationship in which one party (the principal) delegates tasks to another party (the agent) to perform on its behalf (Jensen & Meckling, 1976). (Eisenhardt, 1989) agency theory is concerned with resolving two problems that can occur in agency relation- ships. The first is the agency problem that arises when (a) the principal and the agent have different goals and (b) it is difficult or expensive for the principal to verify what the agent is actually doing. The problem here is that the principal cannot verify that the agent has behaved appropriately. The second is the problem of risk sharing that arises when the principal and agent have different attitudes toward risk. The problem here is that the principal and the agent may prefer different actions because of the different risk preferences. Agency theory has developed along two lines: positivist and principal-agent (Jensen, 1983). This study adopts the positivist perspective. Positivist researchers have focused on identifying situations in which the principal and agent are likely to have conflicting goals and then describing the governance mechanisms that limit the agent's self-serving behavior. Two propositions capture the governance mechanisms which are identified in the positivist stream. One proposition is that

out-come-based contracts are effective in curbing agent opportunism. This proposition explains how managerial ownership can influence dividend policy. Because managerial ownership or performance-based incentives align the agent's preferences with those of the principal by tying rewards to the same indicators for both parties, the conflict of self-interest between principal and agent is reduced. The second proposition asserts that information systems also limit agent opportunism. This explains how supervisory boards and independent director can affect dividend policy.

Effect supervisory board on dividend policy

The second proposition of agency theory asserts that information systems can constrain self-interested behaviour by agents (Eisenhardt, 1989). Boards of directors, as an information system, inform principals about agents' actual actions, thereby making it clear to agents that they cannot deceive principals. Good governance practices limit the potential for suboptimal managerial behaviour and thus reduce agency costs (Florackis & Ozkan, 2009). When investors invest in a company, they face the risk of losing their returns through expropriation by management and/or controlling shareholders (La Porta et al., 2000). Insiders may divert corporate assets for personal benefit or use company assets for investments that yield private gains. Therefore, if corporate assets—particularly free cash flow—are not distributed to outside shareholders as dividends, it can be misused by company insiders (He, 2011). Corporate governance is a mechanism that protects external investors from expropriation by management and blockholders (La Porta et al., 2000). Effective corporate governance is achieved when the company's key organs—the general meeting of shareholders, supervisory board, and management board—function properly. The supervisory board, as the principals' representative, has the authority to recommend to the general meeting the amount, timing, and procedures for dividend payments (IFC & IFSA, 2018). After net profit and reserves have been determined, the management board—subject to the approval of the supervisory board—may recommend to the general meeting the declaration of dividends, specifying the amount to be paid and the payment procedures. The board of directors plays a significant role in dividend policy because they authorise and set dividend payments (Ullah et al., 2023). (Florackis & Ozkan, 2009) find that dividend payments work as effective corporate governance devices for UK firms in mitigating the costs of manager-shareholder agency conflict. That more effective corporate governance will promote higher dividend payout policies to address agency problems (Ye et al., 2019).

Previous research by (Farooq et al., 2023) well-connected boards are associated with a higher likelihood of paying dividends and higher dividend payouts, the board can act as a protector of shareholder rights by imposing governance mechanisms through dividend payments. Companies with larger boards of directors performed better and surmise that this is because larger boards make it harder for managers to capture individual directors (Turner, 2024). The supervisory board monitors managers to ensure they act in shareholders' interests; it can oversee and restrain opportunistic managerial behaviour, leading managers to act in shareholders' interests through dividend payments (Judiarni et al., 2023). This is consistent with the findings of (Aguiar-Díaz et al., 2024; Chen et al., 2017; Chintrakarn et al., 2022; Kumar et al., 2023; Saeed & Sameer, 2017; Ullah et al., 2023; Ye et al., 2019).

Based on this, the following hypothesis is proposed:

H1: There is positive correlation between supervisory board and dividend policy.

Effect independent director on dividend policy

Agency theory generally assumes that managers have a preference for retention, resulting in over-investment or mis-allocated investment as a base case (Driver et al., 2020). In order to monitor managerial performance, prevent conflicts of interest, and balance the various demands placed on the firm, it is essential that the board be able to make objective assessments. Therefore, the board must possess independence and objectivity to management, which has significant implications for board composition and structure. In this context, board independence typically requires that a number of board members, as well as members of key committees, be independent of management. Many jurisdictions require or recommend that all or a majority of members of the nomination committee be independent directors (OECD, 2023). Independent board members can make a substantive contribution to board decision-making by bringing objective perspectives to the evaluation of board and management performance. They also play a crucial role when the interests of management, the company, and shareholders diverge, for example in executive remuneration, succession planning, changes of control, takeover defence strategies, major acquisitions, and the audit function. Non-executive directors can provide access to resources, notably information not available internally to the firm, while representing shareholders' interests (Ofori-Sasu et al., 2019). Independent directors can offer additional assurance to market participants that their interests are protected (OECD, 2023).

Independent director serve as an effective internal oversight mechanism for dividend policy, which acts as a tool to reduce agency costs by returning excess cash to shareholders; stronger independent supervision incentive management to be more transparent in profit management and dividend policy formulation (Gayatri et al., 2025). A higher proportion of independent directors encourages managers to distribute cash to shareholders (Chintrakarn et al., 2022; Driver et al., 2020), thereby reducing the cash available for potential misuse by opportunistic managers (Farooq et al., 2023). Consistent with (Chen et al., 2017; Judiarni et al., 2023; Saeed & Sameer, 2017; Setiyowati & Sari, 2017) independent director positively influence dividend policy, and (Aguiar-Díaz et al., 2024) report a positive effect when the proportion of independent director is below 37%.

Based on this, the following hypothesis is proposed:

H2: Independent director has a positive effect on dividend policy.

Effect managerial ownership on dividend policy

Agency theory states that managerial ownership can be used as a mechanism to improve the alignment of managers' interests with the interests of shareholders (Jensen & Meckling, 1976). In PSAK 7 Pengungkapan Pihak-Pihak Berelasi, share-based compensation to key management personnel, including in relation to related parties, may affect the entity's profit and loss and financial position through the investee's financial policies and operations through the existence of control, joint control or significant influence. Greater managerial ownership can curb unnecessary expenditures and value-destroying managerial behaviour because managers bear a larger share of the costs of actions that diminish shareholder value as their ownership increases (Wongsinhirun et al., 2024). (Liang & Chin, 2016) examined whether agency problems inherent in concentrated ownership structures affect the use of share-based compensation and found that such compensation mitigates agency problems, since investors may anticipate managerial entrenchment and discount the firm's share price. (Kim et al., 2020) report an inverse U-shaped relationship (positive–negative–positive) between insider ownership and dividend policy in Asian countries, with the effect stronger in jurisdictions with more robust corporate governance. (Setiyowati & Sari, 2017) find that managerial ownership has a positive effect on dividend policy.

Based on this, the following hypothesis is proposed:

H3: Managerial ownership has a positive effect on dividend policy.

Dividend Policy

Dividend policy is a financial management decision concerning whether to distribute dividends and determining the amount to be paid to shareholders. A dividend is generally a corporation's distribution of cash or shares to its shareholders on a pro rata (proportional to ownership) basis. The payment take into account not only the legality of dividend distributions but also consider economic conditions, and most importantly, liquidity. The existence of current liabilities strongly implies that the company needs some of the cash to meet current debts as they mature. In addition, day-to-day cash requirements for payrolls and other expenditures not included in current liabilities also require cash. Thus, before declaring a dividend, management must consider availability of funds to pay the dividend. Companies generally base dividend distributions either on accumulated profits (that is, retained earnings) or on some other equity item such as share premium.

Dividends are of the following types: cash dividends, property dividends, liquidating dividends and share dividends. All dividends, except for share dividends, reduce the total equity in the corporation. A company should disclose a liquidating dividend—that is, a dividend not based on retained earnings—to the shareholders so that they will not misunderstand its source. When determining how and in what amounts dividends are to be distributed, the management board must aim to maximise shareholder value. Shareholders' preferences may be for capital gains, dividends, or a combination of both. The board should then define an optimal dividend policy that achieves a balance between dividend distribution and supporting sustainable growth.

Corporate Governance

Corporate governance consists of the structures and mechanisms used to regulate the relationships among shareholders, management, creditors, employees, and other parties associated with a company, with the objective of managing and monitoring corporate performance so that the company is run in the most effective, efficient, and sustainable manner and without causing economic loss to others (OECD, 2023; Supriyono, 2016). Corporate governance differs from corporate management, who runs the firm's operations. Corporate governance is about leadership and accountability, and it involves all factors

internal and external to the firm that interact to protect the interests of corporate stakeholders. The core issue of corporate governance is how shareholders can secure their investments. Failure to achieve this balance can derail efforts to maximize shareholder value as disputes arise among constituents overcontrol, strategies, and how cash flow will be used.

The framework of corporate governance can vary across countries because it takes into account each country's specific economic, legal, and cultural differences, yet it still adheres to the principles set out in the OECD Principles of Corporate Governance. Corporate governance systems vary across countries with two representative models: one is the American model, which has a one-tier board with a majority of independent directors to enhance monitoring; the other is the German model, which is featured with a two-tier board system separating the oversight role to the supervisory board (Lu et al., 2022). Corporate governance is composed of internal and external mechanisms. Internal governance includes mechanisms and procedures related to oversight of firm management which are typically implemented at the discretion of the board (Baber et al., 2015). External corporate governance refers to the means and rights by which parties located outside firm boundaries can exert control over firms, such as investors, auditors, analysts, and the media also monitor firm behavior (Braun & Mueller, 2024).

Supervisory Boards

The American one-tier board system emphasizes outside independent directors on oversight, while the German two-tier board system relies on a separate supervisory board to monitor. The main function of the supervisory board is to oversee the management board and senior managers. Additional to a mandated annual meeting, supervisors also attend management board meetings, and could bring inquiry or suggestion during the meetings. They could propose extraordinary general meeting of shareholders, and even bring a lawsuit against executive directors and senior managers to protect stakeholders' interests. There is a clear role and task separation, the supervisory board primarily oversees the management board; nevertheless, the management board could also ask the supervisory board to provide advice and to help coordinate strategic matters and long-term planning (Thys et al., 2024).

Independent Director

Corporate boards generally include outside members, that is, members who are not internal managers, and they often hold a majority of seats. The outside board members act as arbiters in disagreements among internal managers and carry out tasks that involve serious agency problems between internal managers and residual claimants (Fama & Jensen, 1983). (Fogel et al., 2021) an independent director mandates —'no material relationship' with the listed company, either directly or as a partner, shareholder or officer of an organization that has a relationship with the company. Note that an individual‘s independence is a firm-dependent individual-level variable. A person can be an independent director on one firm‘s board and a nonindependent director on another‘s board.

Managerial Ownership

Managerial ownership is the sum of the number of shares held by directors, supervisors, and other senior management as a proportion of the total share capital of the company (Florackis et al., 2020; Liu, 2023). As regulated under PSAK 7, share-based payment compensation held by key management personnel can affect an entity's income statement and statement of financial position. Equity incentives are used as a mechanism for sharing profits and risks, thereby aligning the interests of management with those of shareholders.

RESEARCH METHOD

Sample selection

The population for this study comprises manufacturing companies listed on the Indonesia Stock Exchange. The sample consists of manufacturing firms listed on the Indonesia Stock Exchange during 2021–2024. This period was selected to ensure data are current. Sampling was carried out using purposive sampling. Sample firms had to meet the following criteria: 1. the firm discloses all data required by the researcher in full; 2. the firm pays dividends to shareholders.

Data collection

Based on data obtained from the Indonesia Stock Exchange for 2021–2024, there were 163 manufacturing firms. Sampling was performed using purposive sampling, meaning the entire population was not used as the study sample. The table below presents the number of firms observed.

Table 1. Sample summary

Information	2021	2022	2023	2024	Sum
The number of observation data of manufacturing companies listed on the IDX as of 2024	163	163	163	163	652
Incomplete companies publish annual *reports* for 2021-2024	6	0	5	13	96
Companies that do not distribute dividends	68	64	59	58	249
Data *outlier*	8	10	16	12	46
Number of observations					261

Source: Data processed from the Indonesia Stock Exchange.

Table 1 shows that some firms did not meet the sample criteria and therefore their data were excluded. The purpose of excluding these data was to prevent bias and to maintain the sample's representativeness of the study population. In this study the final sample comprises 261 observations from 90 firms because the researcher used an unbalanced panel.

Variables and their measures

Dividend policy measures

The dependent variable in this study is dividend policy, measured by the Dividend Payout Ratio (DPR). The payout ratio measures the percentage of earnings distributed as cash dividends. Also used in the studies of (Chen et al., 2017; Chintrakarn et al., 2022; Ofori-Sasu et al., 2019; Saeed & Sameer, 2017; Tayachi et al., 2023; Trinh et al., 2020; Ye et al., 2019).

$$Payout\ Ratio = \frac{Cash\ Dividends\ Declared\ on\ Ordinary\ Shares}{Net\ Income}$$

Supervisory boards measures

The supervisory board variable is measured by the number of commissioners, i.e., board size. In this study, board size is measured as the natural logarithm of the number of commissioners, following the approach used in previous studies (Chintrakarn et al., 2022; Saeed & Sameer, 2017; Trinh et al., 2020; Ye et al., 2019)

$$Ln(board\ size) = \boldsymbol{ln}\left(\sum \boldsymbol{commissioners}\right)$$

Independent director measures

The independent director variable is measured as the proportion of independent director to the total number of supervisory boards. This measurement follows the approach used in prior studies (Aguiar-Díaz et al., 2024; Chen et al., 2017; Farooq et al., 2023; Kumar et al., 2023; Saeed & Sameer, 2017; Ullah et al., 2023).

$$Independent\ director = \frac{\sum Independent\ director}{\sum Board\ size}$$

Managerial ownership measures

Managerial ownership refers to share-based compensation held by key management personnel. Key management personnel are individuals who have authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including the entity's directors and commissioners (both executive and non-executive) (SAK, 2022).

$$Managerial\ ownership = \frac{\sum Key\ management\ shares}{\sum total\ share\ capital\ of\ the\ company}$$

Model construction

This study uses descriptive statistics to describe the characteristics of the data and hypothesis testing using multiple linear regression processed with IBM SPSS Statistics 26 software. The regression equation used in this study is as follows:

$DIV = \alpha + \beta_1 UK\_DK + \beta_2 PROP\_KI3 + \beta_3 KEP\_M + \varepsilon$

RESULTS AND DISCUSSION

Statistic Deskriptif

Table 2. Statistic Descriptif

	N	*Minimum*	*Maximum*	*Mean*	*Std. Deviation*
DIV	261	-,2298	1,3351	0,3734	0,2737
Ln (UK_DK)	261	0,6931	2,6391	1,4103	0,4367
UK_DK	261	2	14	4,51	2,041
PROP_KI	261	0,2143	1,0000	0,4264	0,1138
KEP_M	261	0,0000	0,8146	0,0673	0,1644
DIV	= Dividend Policy				
Ln (UK_DK)	= Natural Logarithm of The Number of Commissioners				
UK_DK	= Supervisory Board/ Commissioners				
PROP_KI	= Independent Diretor				
KEP_M	= Managerial Ownership				

Table 2 presents the descriptive statistics for each research variable. A total of 261 observations were used as the study sample. However, outliers were present in each variable category. Because outliers may represent errors, they must be removed (Ghosh & Vogt, 2012). In this study, outlier treatment was performed by trimming, that is, discarding the outlier data.

The results of data processing using descriptive statistical tests in Table 4.2 show that the mean value of the dividend policy variable is 0.3734, with a minimum of -0.2298 and a maximum of 1.3351. The supervisory board variable has an average of four members (Ln(UK_DK) = 1.4103). The smallest board size is two members (Ln(UK_DK) = 0.6931), while the largest is 14 members (Ln(UK_DK) = 2.6391) at PT Chandra Asri Petrochemical Tbk. The board size complies with Financial Services Authority Regulation No.33/POJK.04/2014 concerning the Board of Issuers or Public Companies. This indicates that the supervispry board/ board sizes of manufacturing companies listed on the Indonesia Stock Exchange conform to the regulation.

Independent director has a mean of 0.4264, meaning that on average independent director constitute 42.64% of the board. The minimum proportion of independent director is 0.2143, while the maximum is 1.0000 at PT Pan Brothers Tbk, where the entire board consists of independent director. This shows that the majority of manufacturing companies listed on the Indonesia Stock Exchange have at least 30% independent director, in accordance with Financial Services Authority Regulation No.33/POJK.04/2014 concerning the Board of Issuers or Public Companies. Managerial ownership has a mean of 0.0673, indicating that managers on average hold 6.73% of outstanding shares. The minimum managerial ownership is 0.0000, while the maximum is 0.8146 at PT Beton Jaya Manunggal Tbk.

Table 3. Multiple Linear Regression Test Results

	Exp Sign	**Koefisien Regresi**	t_{hitung}	**Sig**
UK_DK	+	0,083	2,101	0,037
PROP_KI	+	0,389	2,619	0,009
KEP_M	+	0,316	3,056	0,003
C	+	0,070	0,738	0,461
F_{hitung}		5,283		0,001
Adjusted R^2		0,047		
Keterangan: UK_DK (Dewan Komisaris), PROP_KI (Komisaris Independen), dan KEP_M (Kepemilikan Manajerial.				

Effect supervisory board on dividend policy

This study found that the supervisory board has a positive effect on dividend policy, as measured by the Dividend Payout Ratio. This finding is consistent with (Aguiar-Díaz et al., 2024), who reported a positive impact of board size on dividend policy in Spain, a context characterised by high ownership concentration. Using data from three emerging countries—India, China and Russia—(Saeed & Sameer, 2017) demonstrated a positive effect of board size on increased dividend payments in China. The present results also support (Ullah et al., 2023), which showed that board size has a positive and significant effect on dividend payment policy.

The supervisory board, as representatives of the principals, also recommend the dividend to be proposed at the general shareholders' meeting. The board can act to safeguard shareholders' rights by implementing corporate governance mechanisms through dividend distribution (Farooq et al., 2023). Dividend payments serve as an effective corporate governance device for reducing agency conflict costs between managers and shareholders (Florackis & Ozkan, 2009). The finding that the supervisory board positively influences dividend policy supports agency theory in its assertion that information systems constrain managerial opportunism (Eisenhardt, 1989). Information systems operated by boards of directors (Fama & Jensen, 1983) provide principals with information about agents' actual actions; knowing they cannot deceive the principals, agents are likely to curb opportunistic behaviour. This interpretation is supported by (Turner, 2024), who found that firms with larger boards of directors perform better because a larger board makes it harder for managers to influence individual directors.

Effect independent director on dividend policy

The next hypothesis in this study is that independent director have an effect on dividend policy, and this hypothesis is accepted. This finding supports (Chen et al., 2017; Saeed & Sameer, 2017), who report that board independence positively affects dividend payments. It also aligns with (Driver et al., 2020), who find that a higher proportion of independent directors in the board composition significantly and positively increases dividend payouts, although this effect is observed only for FTSE 100 firms, where the UK corporate governance code is most stringently enforced. Chintrakarn et al., (2022) similarly find that more effective governance, reflected in a larger share of independent directors, compels managers to distribute cash to shareholders, thereby reducing the cash available for opportunistic managerial exploitation. The positive effect of independent commissioners on dividend policy indicates that board independence and objective oversight of management ensure that control mechanisms operate effectively and in accordance with applicable laws and regulations, such as monitoring managerial performance, preventing conflicts of interest, and balancing competing demands on the firm. Consequently, this can reduce principal–agent misalignment.

Effect managerial ownership on dividend policy

This study found that managerial ownership has a positive effect on dividend policy, and this hypothesis is accepted. These results support (Driver et al., 2020), who show that a greater proportion of equity-based components in executive remuneration is positively associated with increased dividend payments. The findings are also consistent with (Lin et al., 2010), who report that, despite China's rapid economic growth and the consequent capital needs and cash shortages of many public firms, companies with higher proportions of employee and managerial shareholdings tend to distribute stock dividends, and with (Smith et al., 2017) who find that CEO share ownership positively influences dividend initiation.

The interpretation of managerial ownership in this study differs from (Schooley & Dwayne Barney Jr, 1994), who argue that at high levels of managerial ownership agency costs tend to increase with greater ownership concentration, thereby necessitating stricter oversight of the firm through higher dividend payouts. This finding is consistent with (Hoje & Pan, 2009; Obaidat, 2018; Shahid et al., 2016), who report a positive effect of managerial ownership on dividends owing to rising agency costs. The relationship differs for Asian firms because they display distinct legal traditions, corporate governance arrangements and cultural norms compared with the United States and Europe. (Kim et al., 2020) document a nonlinear (inverted U-shaped) effect of insider ownership on dividend policy in Asian countries, indicating that firms in jurisdictions with stronger corporate governance structures tend to pay higher dividends, which accords with the outcome model of dividend policy.

In civil law countries, where owners exercise stronger control and the risk of expropriation of minority shareholders is higher, dividend payments rise with increasing insider ownership as compensation for the elevated expropriation risk (Farinha & Lopez-De-Foronda, 2009).

Given the limited sample of Indonesian firms, which is an emerging market with weak investor protection and high ownership concentration, dividends are an important determinant of foreign investment in Indonesia (Mulyani et al., 2016) and a major non-tax revenue source for the Indonesian government (Duygun et al., 2018). It can be concluded that managerial ownership may serve as a mechanism to better align managers' interests with those of shareholders. The positive effect of managerial ownership on dividend policy supports agency theory, which posits that outcome-based contracts can align agent and principal preferences because rewards for both parties are tied to the same performance indicators, thereby reducing self-interest conflicts between principals and agents. According to (Bathala et al., 1994; Crutchley & Hansen, 1989), as cited in (Farooq et al., 2023), firms with high ownership levels tend to experience lower agency conflict because managers' and shareholders' interests are more closely aligned, *vice versa*.

CONCLUSION

This study aims to provide empirical evidence on the effects of the supervisory, independent director, and managerial ownership on dividend policy. The sample comprises all manufacturing firms listed on the Indonesia Stock Exchange between 2021 and 2024, yielding 261 observations from 90 companies. The results show that the supervisory board has a positive effect on dividend policy, indicating that an increase in the number of commissioners is associated with a higher dividend payout ratio. Independent director also have a positive effect on dividend policy, suggesting they help protect shareholders' interests; consequently, a larger proportion of independent director on the board is associated with higher dividend payments. Finally, managerial ownership exhibits a positive effect on dividend policy, implying that higher managerial ownership aligns managers' interests with those of shareholders and leads to increased dividend payouts.

The sample used in this study comprises manufacturing firms listed on the Indonesia Stock Exchange for the period 2021–2024. A total of 556 observations were obtained; however, 249 firm-years did not pay dividends and were therefore excluded from the sample. Future research could increase the number of observations by extending the study period to test the robustness of the results. In this study 46 observations were identified as outliers; the author addressed these by trimming, i.e. removing the outlying observations. Future studies encountering outliers could apply winsorisation, which adjusts extreme values toward the remainder of the sample, so that the sample better represents the population. Ghosh and Vogt (2012) recommend either eliminating outliers or winsorising them to obtain robust statistics that are not unduly affected by extreme values. The sample of this study comprises only manufacturing firms. Manufacturing firms typically require large capital investments, have complex operating structures, and produce significant environmental impacts, so they may not represent the characteristics of other sectors. These sector-specific traits may limit the generalisability of the findings; future research should therefore consider drawing samples from a wider range of industries.

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APPENDIX

Lampiran 1. Statistik Deskriptif

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
DIV	261	-,2298	1,3351	,373464	,2737264
Ln (UK_DK)	261	,6931	2,6391	1,410314	,4366599
DK	261	2	14	4,51	2,041
PROP_KI	261	,2143	1,0000	,426461	,1137641
KEP_M	261	,0000	,8146	,067317	,1644267
Valid N (listwise)	261				

Lampiran 2. Uji Normalitas

One-Sample Kolmogorov-Smirnov Test

			Unstandardized Residual
N			261
Normal Parameters[a,b]	Mean		,0000000
	Std. Deviation		,26565807
Most Extreme Differences	Absolute		,049
	Positive		,049
	Negative		-,040
Test Statistic			,049
Asymp. Sig. (2-tailed)[c]			,200[d]
Monte Carlo Sig. (2-tailed)[e]	Sig.		,130
	99% Confidence Interval	Lower Bound	,121

	Upper Bound	,138

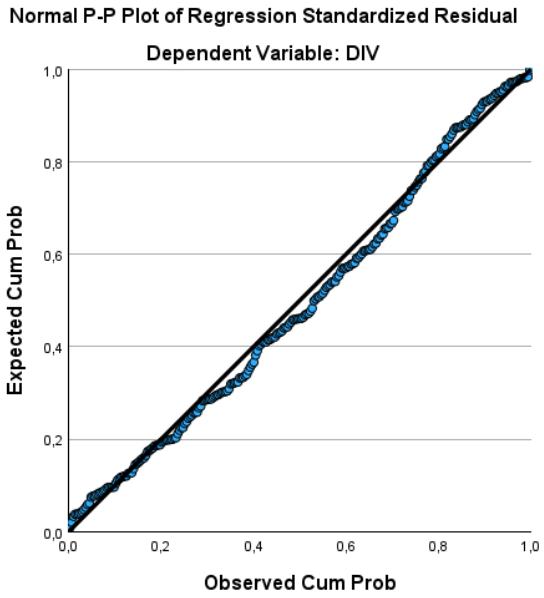
a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

e. Lilliefors' method based on 10000 Monte Carlo samples with starting seed 2000000.



Lampiran 3. Uji Asumsi Klasik

Uji asumsi klasik terdiri dari uji multikolinearitas, uji heteroskedastisitas, dan uji autokorelasi. Berikut ini adalah uji asumsi klasik tersebut.

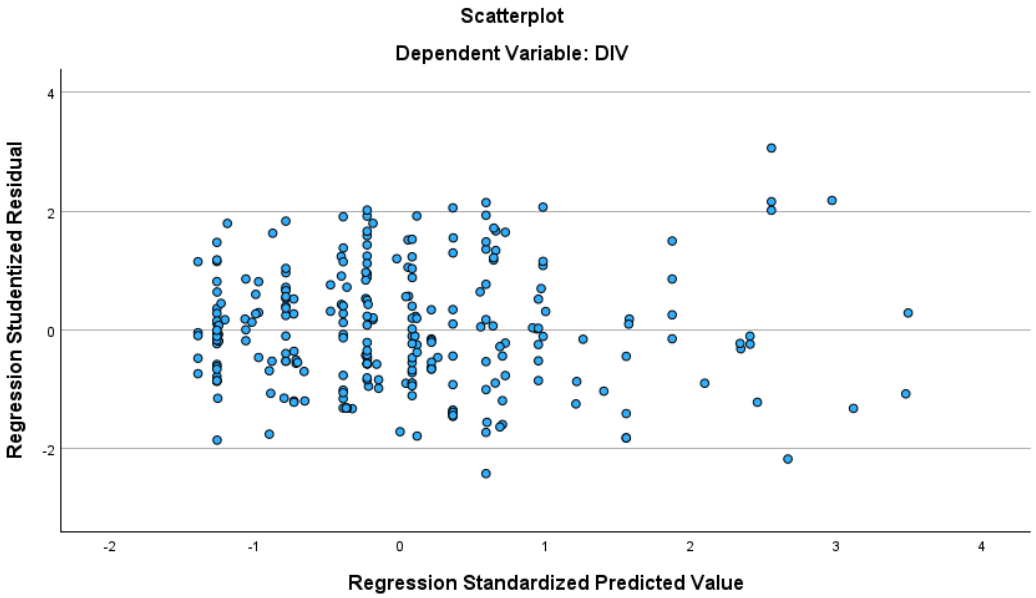
Uji Multikolinearitas

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	UK_DK	,930	1,075
	PROP_KI	,963	1,039
	KEP_M	,948	1,055

a. Dependent Variable: DIV

Uji Heteroskedastisitas



Uji Autokorelasi

Runs Test

	ABS_RES
Test Value[a]	,19
Cases < Test Value	130
Cases >= Test Value	131
Total Cases	261
Number of Runs	116
Z	-1,922
Asymp. Sig. (2-tailed)	,055

a. Median

Lampiran 4. Hasil Regresi Linier Berganda

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,241[a]	,058	,047	,2672041	1,121

a. Predictors: (Constant), KEP_M, PROP_KI, UK_DK

b. Dependent Variable: DIV

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1,132	3	,377	5,283	,001[b]
	Residual	18,349	257	,071		
	Total	19,481	260			

a. Dependent Variable: DIV

b. Predictors: (Constant), KEP_M, PROP_KI, UK_DK

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	,070	,094		,738	,461		
	UK_DK	,083	,039	,132	2,101	,037	,930	1,075
	PROP_KI	,389	,148	,162	2,619	,009	,963	1,039
	KEP_M	,316	,104	,190	3,056	,002	,948	1,055

a. Dependent Variable: DIV

Lampiran 5. Matriks Korelasi

Correlations

		DIV	UK_DK	PROP_KI	KEP_M
DIV	Pearson Correlation	1	,068	,126*	,151**
	Sig. (1-tailed)		,135	,021	,007
	N	261	261	261	261
UK_DK	Pearson Correlation	,068	1	-,158**	-,200**
	Sig. (1-tailed)	,135		,005	<,001
	N	261	261	261	261
PROP_KI	Pearson Correlation	,126*	-,158**	1	-,078
	Sig. (1-tailed)	,021	,005		,104
	N	261	261	261	261
KEP_M	Pearson Correlation	,151**	-,200**	-,078	1
	Sig. (1-tailed)	,007	<,001	,104	
	N	261	261	261	261

*. Correlation is significant at the 0.05 level (1-tailed).

**. Correlation is significant at the 0.01 level (1-tailed).