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Determinants of Dividend Policy: Growth Opportunities, Business Risk and Leverage with Size as Moderation

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Keywords

Growth Opportunities, Business Risk, Leverage, Dividend Policy, Company Size

ABSTRACT

To find out whether investment opportunity set, business risk, and leverage affect dividend policy. To determine whether firm size can strengthen/weaken the effect of the investment opportunity set, business risk, and leverage on dividend policy. In this study, dividend policy is measured by dividend payout ratio (DPR), investment opportunity sets are measured using proxies based on the market-to-book value of equity (MBVE), business risk is calculated using the basic earning power ratio (BEPR) proxy, and leverage (debt to equity ratio) as a ratio that describes how much the company conducts debt policy. The firm size variable used in this study is measured using the natural logarithm of total assets. This research is quantitative application research, this research uses interaction test analysis or better known as moderated regression analysis (MRA). The sample was selected using a purposive random sampling method in companies going public on the Indonesia Stock Exchange in the consumer sector for the period 2017-2021. The results of this study indicate that investment opportunity sets do not affect dividend policy, low business risk has a positive effect on dividend policy, and leverage has a positive effect on dividend policy. Size can moderate of the investment opportunity set and low business risk on dividend policy but size cannot moderate the effect of leverage on dividend policy.

INTRODUCTION

In the era of intense competition, companies are required to provide relevant and reliable information so that the capital market can function efficiently. The information is in the form of financial statements which are a means of communication between the company and interested parties, such as creditors, investors and the government. Investors as one of the users of financial statements consider information about profits and dividend distribution needs attention, as a consideration in making investment decisions.

Dividend distribution can be a good conveyor of information to interested parties, about the company's ability to distribute profits and good prospects in the future. In addition, the main goal of investors in investing their funds into a company is to get appropriate returns on their investments, both in the form of dividends and capital gains. Based on bird in the hand theory states that investors prefer returns in the form of dividends rather than capital gains, because it is considered that the risk of uncertainty is lower (Hanafi, 2013).

Dividend policy is a dilemmatic decision for company management, because it must determine the portion of profit obtained by the company whether it will be retained earnings or distributed to shareholders. Management needs to consider the sustainability of the company, so that profits are not entirely distributed, but need to be set aside for further investment activities. On the other hand, low dividend distribution will give

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negative signals to investors, so management will try to distribute dividends optimally from time to time (Kieso, Weygandt, Kieso, & Warfield, 2016).

Another reason investors invest other than dividends in a company is to get capital gains, which are the return on investment from the difference in stock price. When the stock price is higher than the acquisition price, it means that investors will get capital gains. Investors can still expect returns from capital gains if the stock does not pay out dividends. Conversely, if the stock price is lower than the acquisition price means negative capital gains, investors can still expect returns from dividends.

A company when it experiences a continuous increase in sales every year, shows that the company has the opportunity to grow well. In these conditions, the company tends to make more new investments to meet the continuous increase in sales growth. The need for growth will be done by investing the funds it has, which are obtained from retained earnings or derived from third-party loans. The placement of these funds resulted in a reduction in the portion of dividends distributed. As research conducted by (Christiningrum & Rahman, 2023) shows that investment opportunity negatively affects dividend policy. There are differences in the research of (Putri, Kepramareni, & Yuliastuti, 2020), assessing investment opportunities have a positive effect on dividend policy. The research of Susanto et al (2022), found that investment opportunity has no effect on dividend policy.

When the company makes a decision to make a new investment, the company will be faced with business risks in the future. In times of high business risk, the company will try to hold its profits so that it will have an impact on decreasing dividends paid to its shareholders. In the research of Jaara et al (2018) it was explained that the effect of business risk on dividend policy is significantly negative. In Mnune and Purbawangsa (2019) research, it is stated that business risk does not affect dividend policy. For Khan and Ahmad's (2017) research, it is explained that business risk has no effect on dividend policy.

Another determinant that is thought to affect dividends is Leverage, in this case it is proxied by the Debt to Equity Ratio (DER). Debt policy is the ratio between total debt to total equity. Companies that are developing investments certainly require large funds. If the available funds are insufficient, the management will make loans to third parties or creditors. A company with a high debt ratio, meaning that the company operates using high debt as well. The large portion of high debt use in the capital structure illustrates the high amount of interest obligations and principal installments borne by the company. This condition results in smaller profits and has an impact on low dividend distribution. In the study of (Septirini, Mardani, & Saraswati, 2021), it was explained that DER has a negative effect. However, research by Ihwandi and Rizal (2019) suggests that leverage (DER) has a positive effect on dividend policy. The results of (Ratnasari & Purnawati, 2019).research explained that leverage (DER) has a positive effect on dividend policy. Meanwhile, (Mayanti, Endiana, Pramesti, & Rahmadani, 2021).found that leverage (DER) has no effect on dividend policy.

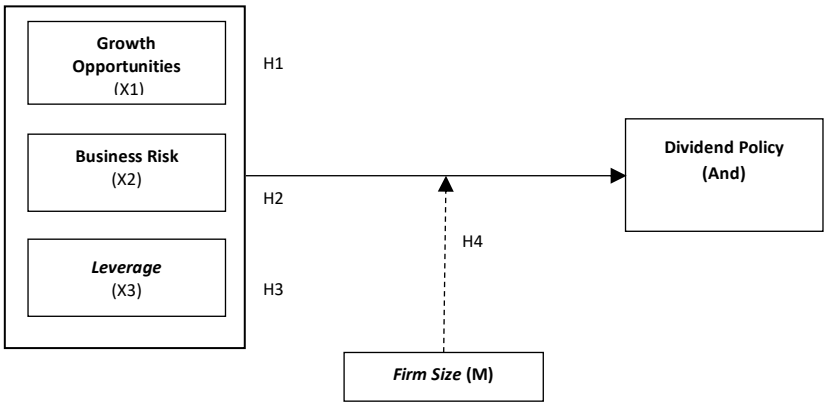
The selection of company size as a moderation variable intends to test whether company size is able to strengthen or weaken the influence of growth opportunities, business risk and leverage on the company's dividend policy. The size of a company is one of the factors considered by investors in investing their capital. The size of the company reflects the amount of assets owned by a company. Investors are more interested in investing in companies with large sizes because they have more access to the capital market so that sources of funds are easier to obtain

METHODS

This research is an application-research and this research approach is quantitative, because research data consists of numbers, used to examine a particular population or sample. Data collection using research instruments, data analysis using statistics or quantitative in nature with the aim of testing hypotheses that have been set.

The population studied in this study was taken from companies going public on the Indonesia Stock Exchange in 2017-2021. The population in this study is all public listed companies from the consumption sector listed on the Indonesia Stock Exchange listed in the 2017-2021 period.

Many factors can affect dividend policy which in this study uses growth opportunities, business risk, leverage on dividend policy with size as moderation. Investment opportunity as an opportunity for the company to invest in projects, business risk as a risk faced by the company in running its company in the future, and leverage as a company policy against debt. The dividend policy in this study uses a dividend payout ratio (DPR) proxy. So that the form of the research framework in this study is described as follows:



In this study, dividend policy is measured by *dividend payout ratio* (DPR) where dividends per share are divided by earnings per share (Krisdiana and Subardjo, 2019)

$$dividend\ payout\ ratio = \frac{\text{Dividen per Lembar Saham}}{\text{Laba Bersih per Lembar Saham}}$$

Dividend policy is a management decision in determining the portion of company profits that will be distributed to shareholders in the form of dividends or retained *earnings*. In this study, dividend policy is measured by dividend *payout ratio* (DPR) where dividends per share are divided by earnings per share (Krisdiana & Subardjo, 2019).

$$dividend\ payout\ ratio = \frac{\text{Dividen per Lembar Saham}}{\text{Laba Bersih per Lembar Saham}}$$

Investment opportunity is an opportunity that a company has to invest in projects that generate positive *net present value*. *Investment opportunity* is measured using proxies based on *market to book value of equity* (MBVE) (Moeljono & Alfianto, 2020).with the following ratios:

$$\text{MBVE} = \frac{\text{Saham Beredar x Harga penutupan}}{Book\ Value\ of\ Equity}$$

Business risk is the risk faced by the company in carrying out its business activities. Risk is defined as the possibility that the payout rate obtained by investors is smaller than required. (Roshidayah, Wijayanti, & Suhendro, 2021).suggest that business risk can be calculated by proxy *basic earning power* ratio (BEPR) with the following ratio:

$$\text{BEPR} = \frac{\text{EBIT}}{\text{Total Aset}}$$

Companies that make new investments in meeting increased sales are ensured to carry out debt policies when available internal funds are insufficient. Leverage (Debt to Equity Ratio) as a ratio that describes how much the company carries out debt policy, *Debt to Equity Ratio* measurement (Prabowo and Sutanto, 2019) as follows.

$$Debt\ to\ Equity\ Ratio = \frac{Total\ Liabilities}{Total\ Equity}$$

Company size according to (Arbaiya, 2020). is a scale that can describe the size or size of a company, using measurements of stock market value, market capitalization or total assets. The company size variable used in this study is measured using the natural logarithm of total assets (Khalid and Rehman, 2015) so that the formula is obtained:

SIZE = Ln (Total Assets)

RESULTS

Descriptive Statistical Analysis

Descriptive statistics provide an overview or description of a data seen from the *mean value*, standard deviation, variance, maximum, minimum, sum, range, cutosis and *skewness* (astonishing distribution) (Ghozali, 2018).The results of descriptive statistical testing can be seen in Table 4-1 below:

TABLE 1 DESCRIPTIVE STATISTICAL TEST RESULTS

Variable	N	Minimum	Maximum	Mean	Std. Deviation
DPR	320	-2,43	17,12	0,4914	1,29314
MBVE	320	0,01	82,44	3,8042	8,33665
BEPR	320	-0,31	0,73	0,0986	0,12359
THE	320	0,01	9,87	0,9819	1.05173
SIZE	320	25,12	32,82	29,0712	1,48417

Source: Results of Data Processing with SPSS 24 (2022)

Based on the results of descriptive statistical testing in the table above, it is known that in the dividend policy variable (DPR) the *mean* value of 0.4914 shows that the average company distributes dividends with a value close to the minimum. The standard deviation value is 1.29314 (above average), meaning that dividend policies have a high degree of data variation. Then the variable opportunity to grow (MBVE) *mean* value of 3.7693 shows that the average company has a low growth opportunity when compared to the maximum value. The standard deviation value is 8.34749 (above average), meaning that the opportunity for growth has a very high degree of variation. Meanwhile, the business risk variable (BEPR) mean value of 0.0986 shows that the average company has a positive profit. A standard deviation of 0.12359 (above average), means that business risk has a high degree of variation.

Furthermore, in the variable *leverage* (DER), the *mean*-value of 0.9819 shows that the average company debt is below 10% of the company's assets. The standard deviation value is 1.05173 (above average), meaning that *leverage* has a high degree of variation. Then the company size *(SIZE)* mean value of 29.0712 shows that large companies dominate the research sample. A standard deviation value of 1.48417 (below the average), meaning that size has a low degree of variation.

Classical Assumption Test

Classical assumption testing is carried out before testing hypotheses, because this test aims to know, test and ensure the feasibility of the regression model used in this study, where the variables are normally distributed. Testing of classical assumptions will be described below.

1. Normality Test

TABLE 2 MODEL 1 AND MODEL 2 NORMALITY TEST RESULTS

Model	Sig *Kolmogorof-Smirnov*	N
Model 1	0,200	263
Model 2	0,200	263

Source: Results of Data Processing with SPSS 24 (2022)

The results of the normality test model 1 model 2 above, obtained the magnitude of *the Asymp value. Sig.* amounted to 0.200. The significance value turns out to be above 0.05, so it can be concluded that the results of the normality test of model 1 and model 2 are normally distributed.

2. Multicollinearity Test

TABLE 3 MULTICOLLINEARITY TEST RESULTS

Variable	Tolerance	BRIGHT
Model 1		
MBVE	0,545	1,834
BEPR	0,550	1,817
THE	0,805	1,242

Source: Results of Data Processing with SPSS 24 (2022)

The results of multicollinearity testing show that all variables, namely growth opportunity (MBVE), business risk (BEPR) and *leverage* (DER), have a tolerance value of > 0.1 and a *VIF* value below 10. It can be concluded that all variables in the model do not correlate with each other or multicollinearity does not occur.

3. Heteroscedasticity Test

TABLE 4 HETEROSCEDASTICITY TEST RESULTS

Variable	Itself.	Conclusion
Model 1		
MBVE	0,614	No heteroscedacity

BEPR	0,312	No heteroscedacity
THE	0,781	No heteroscedacity
Model 2		
MBVE*SIZE	0,752	No heteroscedacity
BEPR*SIZE	0,880	No heteroscedacity
THE*SIZE	0,584	No heteroscedacity
MBVE	0,762	No heteroscedacity
BEPR	0,953	No heteroscedacity
THE	0,589	No heteroscedacity

Source: Results of Data Processing with SPSS 24 (2022)

The results of the heteroscedasticity test model 1, show that the variables of growth opportunity (MBVE), business risk (BEPR), and *leverage* (DER) are free from heteroscedasticity problems, because these variables have a significant value of > 0.05. Furthermore, the results of the heteroscedasticity test model 2, showed that the variables of growth opportunity (MBVE * Size), business risk (BEPR * Size), and *leverage* (*DER* * *Size*) were free from heteroscedasticity problems, because these variables had a significant value of > 0.05.

Furthermore, in the variable *leverage* (DER), the *mean*- value of 0.9819 shows that the average company debt is below 10% of the company's assets. The standard deviation value is 1.05173 (above average), meaning that *leverage* has a high degree of variation. Then the company size *(SIZE)* mean value of 29.0712 shows that large companies dominate the research sample. A standard deviation value of 1.48417 (below the average), meaning that size has a low degree of variation.

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BEPR	0,953	No heteroscedacity
THE	0,589	No heteroscedacity

Source: Results of Data Processing with SPSS 24 (2022)

The results of the heteroscedasticity test model 1, show that the variables of growth opportunity (MBVE), business risk (BEPR), and *leverage* (DER) are free from heteroscedasticity problems, because these variables have a significant value of > 0.05. Furthermore, the results of the heteroscedasticity test model 2, showed that the variables of growth opportunity (MBVE * Size), business risk (BEPR * Size), and *leverage* (*DER * Size*) were free from heteroscedasticity problems, because these variables had a significant value of > 0.05.

4. Autocorrelation Test

TABLE 5 AUTOCORRELATION TEST RESULTS OF MODEL 1 AND MODEL 2

	N (K = 3)	DW calculate	4-dU	4-dL	Table Dw Lower Bound (*dl)*	Table DW Upper Limit (*du)*	Conclusion
Model 1	263	1,470	2,187	2,218	1,781	1,812	**No positive autocorrelation**
Model 2	263	1,499	2,187	2,218	1,781	1,812	**No positive autocorrelation**

Source: Results of Data Processing with SPSS 24 (2022)

Based on the table above, the results of the autocorrelation test model 1 show a DW-Calculate value of 1.470. This value will be compared with the alpha table value of 5%, the number of samples (n) of 263 and the number of variables of 3 (k = 3), then Durbin Watson table values are dL = 1.781 and du = 1.812. From the Durbin-Watson value of 1.470, it can be concluded that 0< d< dl with a value of 0 < 1.470 < 1.781. So it can be stated that there is no positive autocorrelation.

Furthermore, the results of the autocorrelation test model 2 showed a DW-Calculate value of 1.499. This value will be compared with the alpha table value of 5%, the number of samples (n) of 263 and the number of variables of 3 (k = 3), then Durbin Watson table values are dL = 1.781 and du = 1.812. From the Durbin-Watson value of 1.499, it can be concluded that 0< d< dl with a value of 0 < 1.499 < 1.781. So it can be stated that there is no positive autocorrelation.

Multiple Linear Regression Analysis

Model 1 Effects of Growth Opportunities, Business Risk and Leverage on Dividend Policy

1. Test F

The results of the F test show that the regression model is valid, based on a significance level of 0.000. The F value of this stat is less than 5% (0.000<0.05), which indicates that this study can explain the dependent variable, or in other words the dependent variable can be influenced by all independent variables together.

TABLE 6 F TEST RESULT

Test Results	R-Square	Adjust R	F-Statistics	Sig (F-state)
Model 1	0,503	0,497	87,300	0,000
Model 2	0,531	0,520	48,281	0,000

Source: Results of Data Processing with SPSS 24 (2022)

2. Test t

The statistical test t basically shows how far the influence of one explanatory / independent variable individually in explaining the variation of the dependent variable (Ghozali, 2018).The criteria used to see the influence of these variables are by looking at the sig value (*p-value*) in the *Coefficient* table. If the value of sig. Smaller than the alpha value of 10%, it can be said that there is an influence between the independent variable and the partially bound variable.

TABLE 7 MULTIPLE REGRESSION TEST RESULTS MODEL 1

Multiple Regression Results
Effects of Growth *Opportunities, Business Risk, Leverage*
against Dividend Policy

DPR = + bα_1MBVE + b **$_2$BEPR + b$_3$+ DER** ε

Independent Variables	Predictions	Dependent Variable = DPR	
		Coeffisien	p-Value
Constant	?	0,074	0,000***
MBVE	-	0,002	0,164
BEPR	+	1,480	0,000***
THE	-	0,033	0,003***
R-Square		0,503	
Adjust R		0,497	
F-Statistics		87,300	
Sig (F-state)		0,000	
DW		1,470	
,**,* significance at α level = 1%, 5%, 10%			
DPR is the proxy dividend payout ratio of the dividend policy calculated by (*dividend* per share/(net income per share), MBVE is the *market to book proxy* value of equity of bodily opportunity calculated by (Outstanding Shares x Closing Shares)/(*book value of equity*), BEPR is *the basic earning power ratio* proxy of business risk calculated by EBIT/(Total Assets), DER is a proxy *Debt to Equity Ratio* of the *company's leverage* / debt level calculated by total debt / (total equity), *Size* is the size of the company can be expressed by the natural logarithm of total *assets*.			

Source: Results of Data Processing with SPSS 24 (2022)

1. The Effect of Growth Opportunities on Dividend Policy

The results show that the higher the opportunity for company growth, which is indicated by the increase in stock value, does not affect management's decision in determining the portion of company profits that will be distributed to shareholders in the form of dividends.

The company's growth opportunities, indicated by the increasing market value of the stock, do not affect the company's decision to provide returns to investors in the form of dividends. This result is in line with Susanto et al (2022) finding that the investment opportunity set has no effect on dividend policy, but this result is not in line with (Christiningrum & Rahman, 2023)research which shows that *the investment opportunity set* has a significant negative effect on dividend policy. Similarly, there are differences in the research of(Putri et al., 2020), assessing the growth opportunity (*investment opportunity set*) has a significant positive effect on dividend policy.

2. The Effect of Business Risk on Dividend Policy

Based on the results of testing, the second hypothesis shows that future business risks will be the company's concern in determining the portion of dividends distributed. The greater the BEPR obtained by a company in running its business or having low business risk, influencing management's decision to increase the portion of the company's profit that will be distributed to shareholders in the form of dividends. Vice versa, the known high business risk from low BEPR will affect the company's decision to reduce the portion of dividends derived from the profits distributed. This shows that companies that produce low EBIT, will maintain the EBIT results to fund the company by saving dividends. Because the company needs financial support that is partly obtained from the company's profits. Vice versa in companies that generate high EBIT, the company will share profits with investors in the form of dividends because the profits generated are sufficient for the needs of funds needed by the company.

This result is in line with research conducted by Jaara et al (2018) explained that the effect of low business risk on dividend policy is significantly positive. The results of this study are different from the research of Mnune and Purbawangsa (2019) and Khan and Ahmad (2017) which suggest that business risk does not affect dividend policy.

3. The *Effect of Leverage* on Dividend Policy

The results show that the higher the loan or debt, the company must show its success to creditors that the company is able to manage debt well and is also proven by its ability to distribute dividends that are high enough. Companies with high debt show that the company can still be trusted by creditors in running its business, and is able to comply with *debt covenants* so that the company must prove it, which is shown through its ability to distribute dividends.

This result is in line with Mnune and Purbawangsa (2019) who found that *leverage* has a significant positive effect on dividend policy. In accordance with research by Ihwandi and Rizal (2019), leverage has a significant positive effect on dividend policy. This result is different from the research of (Septirini et al., 2021) which explains that DER has a negative effect

Model 2 The Effect of Growth Opportunities, Business Risk and Leverage on Dividend Policy with Size as Moderation

Based on the results of regression testing in Table 4-8, it is known that the variables MBVE*Size, BEPR*Size, DER**Size* can be explained as follows:

TABLE 8 MULTIPLE REGRESSION TEST RESULTS MODEL 2

Multiple Regression Results
Effects of Growth *Opportunities, Business Risk, Leverage*
against Dividend Policy with *Size* as Moderation

DPR = a + b_1 MBVE*Size + b $_2$**BEPR***Size + b $_3$**der*Size** + b $_4$**MBVE** + b $_5$**BEPR** + **b_6DER + e**

Independent Variables	Predictions	Dependent Variable = DPR	
		Coeffisien	p-Value
Constant	?	0,063	0,003***
MBVE**Size*	-	-0,002	0,099*
BEPR**Size*	+	0,255	0,000***
THE**Size*	-	0,004	0,456
MBVE	-	0,060	0,097*
BEPR	+	-5,908	0,002***
THE	-	-0,098	0,574
R-Square		0,531	
Adjust R		0,520	
F-Statistics		48,281	
Sig (F-state)		0,000	
DW		1,499	

,**,* significance at α level = 1%, 5%, 10%

DPR is the proxy dividend payout ratio of the dividend policy calculated by (*dividend* per share/(net income per share), MBVE is the *market to book proxy* value of equity of bodily opportunity calculated by (Outstanding Shares x Closing Shares)/(*book value of equity*), BEPR is *the basic earning power ratio* proxy of business risk calculated by EBIT/(Total Assets), DER is a proxy *Debt to Equity Ratio* of the *company's leverage* / debt level calculated by total debt / (total equity), *Size* is the size of the company can be expressed by the natural logarithm of total *assets*.

Source: Results of Data Processing with SPSS 24 (2022)

1. Itis known that the variable of growth opportunity (MBVE**Size*) obtained a coefficient value of -0.002 and si significanceat 0.099 < 0.10. Previously it was known from the model 1 test that the opportunity for growth (MBVE) was not significant, after including the company size variable as a moderator the results became thesignificant at α 10%. Thus, it is concluded that *size* can moderate the effect of growth opportunities on dividend policy in companies *going public* in the consumption sector listed on the Indonesia Stock Exchange. The results show that in large companies, the existence of *assets* can strengthen the influence of growth opportunities on dividend policy. Companies that have *larger assets*, the greater the funds needed to develop their business so that the increase in stock market value has an impact on the portion of dividends distributed to shareholders. Growth in large companies always requires large funds, so the portion of dividend distribution tends to be reduced by the company to support business development. The results of this study are in line with (Maharsi, Puryandani, & Kristanto, 2017). who found that *size* can moderate between *investment opportunity set* and dividend policy.
2. The above conclusion was also supported by the following conclusion, itwas known that the business risk variable (BEPR**Size*) obtained a coefficient value of 0.255 and a significant valuesi at α 1%. Previously, it was known from the model 1 test that business risk (BEPR) had an effect on dividend distribution with a significance of α 1%, after including the company size variable as a moderator, the significance remained at α 1 %, but the previous coefficient value of 1.480 decreased to 0.255. Thus, it is concluded that *size* can moderate the effect of business risk on dividend policy in companies *going public* in the consumption sector listed on the Indonesia Stock Exchange with a weakening direction. The results show that in large companies there is a low business risk of reducing the distribution of dividends smaller because the company needs large funds in maintaining business continuity in the future. Large companies slightly reduce the portion of dividend distribution given to shareholders to develop business business. The results of this study are in line with the research of (Lismawati & SURYANTO, 2017).which found that the size of

the company can moderate the influence of *current earnings* on dividend policy but in the opposite direction.

3. Itis known that the *variable leverage* (DER**Size*) obtains a coefficient value of 0.004 and a significant valueof si 0.456 > 0.1 0. Previously, it was known from the model 1 test that *leverage* (DER) had an effect on dividend distribution with significance at α 1%, after including the company size variable as a moderator became insignificant. Thus, *size* cannot significantly moderate the effect of *leverage* on dividend policy in companies *going public* in the consumption sector listed on the Indonesia Stock Exchange. It can be concluded that in companies that have a lot of debt, which previously very significantly affected the distribution of dividends as good evidence to creditors. In large companies there is no need to do this anymore. Large companies that are heavily indebted are less likely to significantly affect the portion of dividend distribution. Large companies with high levels of debt have large principal and interest payments, which is a substitute that must take precedence over dividend payments. So that large companies prioritize payments to creditors rather than dividend distribution. The results of this study are in line with(Rozi & Almurni, 2020). research which found that company size cannot moderate the effect of *leverage* on dividend policy.

CONCLUSION

Based on the results of testing and discussion described in the previous chapter, several conclusions can be drawn as follows: Growth opportunities have no effect on dividend policy. Meanwhile, low business risk and leverage have a positive effect on dividend policy in companies going public in the consumption sector listed on the Indonesia Stock Exchange. Companies with larger assets can strengthen the influence of growth opportunities, and weaken the influence of low business risk. However, companies with increasingly large assets were unable to moderate the effect of leverage on dividend policy in companies going public in the consumption sector listed on the Indonesia Stock Exchange.

To investors to pay attention to business risk conditions and leverage on companies going public when investing. Because the results show that low business risk and leverage positively affect the dividend policy significantly at α 1%. So that the return on investment through dividend distribution can be calculated to the maximum. Investors when investing in companies should also pay attention to the size of the company, because the results show that the larger size of the company can strengthen the effect of growth opportunities significantly at α 10%, and weaken the effect of low business risk on dividend policy significantly at α 1%. So that it will slightly reduce the portion of dividends received by investors.

Companies before distributing dividends must pay attention to business risks and leverage which significantly at α 1% affects the size of the dividend distribution. So that the company can determine a dividend policy that is mutually beneficial between the company and investors. Companies must pay attention to factors that can reduce EBIT, by carrying out company cost efficiency and supervising changes in business risk levels periodically, to ensure the level of business risk can be controlled. Thus, the company is expected to continue to be able to distribute high dividends to shareholders. When the company decides to go into debt, it is advisable for the company to be able to manage the company's debt as well as possible. The debt is supposed to strengthen its business capital, which is used to increase revenue only. So that dividends paid to investors also increase due to the increase in company revenue.

In larger companies, an increase in stock market value and low business risk significantly reduces the portion of dividends distributed. It is recommended to companies to distribute dividends with appropriate returns so as to still attract investors to make investments in the company. The appropriate amount of dividends can also maintain investor confidence so that the source of funds from shareholders does not switch to other companies.

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