Foreign Ownership in Companies and Its Impact on Corporate Dividend Policy in Indonesia

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Abstract: The purpose of this research is to look at the factors that influence the dividend payout ratio such as foreign ownership, current ratio, debt-to-equity ratio, return on assets, and firm size in non-financial businesses listed on the Indonesia Stock Exchange between 2016 and 2019. This research employs an explanatory strategy and focuses on a quantitative approach using multiple regression similar to earlier studies, by utilizing secondary data from the Indonesia Stock Exchange. Findings, the current ratio and firm size have little bearing on dividend distribution strategy. While the debt-to-equity ratio has a considerable negative impact on the dividend payout ratio, return on assets has a significant positive impact. Furthermore, the impact of foreign ownership on the dividend payment policy can reduce the link between the current ratio and the debt-to-equity ratio. Foreign ownership, on the other hand, is unable to modify the link between return on assets and firm size and dividend policy. The study utilized the SPSS (Statistical Package Pocket Social Sciences) version 22.0 software.

Keywords: Current ratio, Debt-to-equity ratio, Return on asset, Firm size, foreign ownership, Dividend payout ratio.

1. Introduction

The capital market and money market are options that can be used by investors in investing their funds. Investment decisions are based on proper analysis and calculations, investors need to consider things that will determine the rate of return on their investment in the future, this is in the form of profits in the form of capital gains and dividends [1,2,3].

Dividend payments have an impact on firm value, according to the bird-in-hand theory. To raise the company's worth and sustain profit, the dividend payment ratio has been boosted. This will allow for future development prospects. As a result, adopting an optimal dividend policy is the most effective technique for guaranteeing that dividends paid and future growth are related to shareholder and business earnings.

For businesses that monitor dividend behavior, dividend policy cannot be defined in broad terms [4,5]. As a result, dividend payout policies have become a hot topic in academic circles. Investors evaluate a variety of factors when making investment decisions, including the accurate analysis and computation that will affect the amount of investment in the future.

A variety of elements, as well as the events of the period, influence it. Many scholars have studied dividend distributions on a national or international level. As a result, in this study of dividend payments, the impact of several elements investigated by many academics, such as the current ratio, debt-to-equity ratio, return on assets, and firm size, is considered [6,7,8]. It's critical to investigate the factors that influence dividend payment decisions right now, especially given a prior study that discovered foreign ownership to be a moderating factor [9,10]

Business size, liquidity (current ratio), profitability (return on assets), leverage, and earnings per share all have a substantial impact on dividend distribution, according to a study conducted in Pakistan [6]. Profitability (profit margin), sales growth, debt-to-equity ratio, and tax function on the dividend payout ratio are some of the other elements that influence the drivers of the dividend payout ratio in the United States [4]. Other research has found that the return on assets is not statistically significant with the dividend payout ratio when using the current ratio variable. Lin and colleagues [11]. The firm size variable had no effect on the dividend payment ratio [12]. Dividend payout ratio is unaffected by debt-to-equity ratio [13].

Indonesian dividend payout policies have been thoroughly investigated, including by the Indonesian government [7,9,11]. However, no one has been able to define dividend policy in general, and researchers and businesses are still working on it. As a result, the findings are inconsistent, demanding further examination. The inclusion of current ratio (CR), debt to equity ratio (DER), return on assets (ROA), and firm size as predictors of dividend payout ratio with foreign ownership as a mediator between components is not explained in one of the researches cited.

As a result, this study is expected to describe the factors that influence the dividend payment ratio in Indonesian companies between 2016 and 2019. So that it serves a purpose and aids those in need.

2. Signaling theory theoretical review

Dividend payments can act as a transparent manner of transmitting personal information about the corporation to outsiders, demonstrating that dividend payments can function as a signaling role for entities and firm owners. This theory's primary concept is that a company that pays dividends on a regular basis is considered high-quality because dividends can communicate market signals [14,15].

Policy of dividends

According to Chakraborty et al. (2018) [5], nothing can concretely explain dividend policy. A dividend policy is a set of criteria produced by a company to decide the number of dividends to pay and the amount of profit to keep [10]. As a result, the dividend payment policy becomes a battleground for deciding the distribution pattern of income to shareholders.

Dividends rate of payout

A company's dividend policy is represented by the dividend payout ratio. The dividend payout ratio is a policy that determines the proportion of cash distributed to shareholders over a given period of time. The percentage of a company's profits paid out in cash dividends is referred to as this ratio. As a result, the dividend ratio issued will reflect the company's earning capability at a glance [8]. Foreign ownership has a positive impact on dividend payout policy, and firms tend to increase their dividend payout according to foreign ownership. However, this result does not apply to share repurchase, nor to domestic ownership. We conclude that a firm could use dividend payout to distribute cash to attract foreign investors [16].

Ownership by a foreign entity

Foreign ownership structure consists of the proportion of foreign investors in a company's share ownership. The involvement of foreign parties is expected to result in a dramatic shift in the company's culture and the application of better management. Foreign investors are said to be placing pressure on managers to improve their performance so that foreign ownership can improve the efficacy and efficiency of managing corporate activities [17].

Dividend policy is a function of firm size, capital structure (measured as leverage ratio), valuation (Measured as market-to-book ratio) and profitability (measured as return on assets). Most importantly, we find that foreign ownership has significant influence on dividend policy that the firm adopts [18]. Main findings of the study prove that the highest yield and the highest payout ratio are obtained in the case of a strategic investor acting as a major shareholder (>10% of ownership capital). The possibility to forecast whether the company will pay dividends. The typical dividend payer should not have family/management as a major investor, the ownership still should be concentrated and the investor preferably should be of local origin. [1,19]

3. Development of hypotheses
The current ratio's impact on dividend payout ratio

The current ratio is a ratio that estimates a company's ability to pay current liabilities when they mature in total. The current ratio is one of the many key components in the Liquidity category of the organization. This means that this ratio will be taken into account when determining a company's dividends because dividend payments imply that the company's cash flow position will be depleted [2,19,20].

The amount of the company's ability to pay its current liabilities is at the level of the company's current ratio. Thus, dividend payments will be paid according to how successful the company is in paying its debts. So, the high and low value of the current ratio is positively related to dividend payments. [6,10,11].

The current ratio was found to have a substantial impact on dividend payout ratios.

H1: The current ratio is thought to be beneficial to the dividend payout ratio.

The debt-to-equity ratio's impact on dividend payout ratio

The Debt-to-Equity Ratio is a type of financial ratio that illustrates the relative ratio of capital to debt that serves as the financing of a company's assets. It is also known as risk, leverage, or gearing [19]. This is one of the ratios used to determine a company's solvency. As a result, the debt-to-equity ratio will assess how well the company's equity can pay off all of its debts. The amount of debt paid will almost likely diminish the company's income, resulting in the dividend ratio to be distributed being determined [2].

This occurrence occurs as a result of the company's preference for paying commitments above dividends. As a result, it can be inferred that the debt-to-equity ratio is unquestionably linked to dividend payments [3,12,18].
The debt-to-equity ratio is highly associated with the dividend payout ratio.

H2: The debt-to-equity ratio is thought to affect the dividend payout ratio negatively.

Return on assets and the dividend payout ratio

Return on assets is a measure of a company's profitability that is calculated by dividing the net profit by the number of assets [21]. As a result, return on assets (ROA) is one of the metrics used to determine how effective a business is at creating profit from its assets. The efficiency with which the business reaps profits is a major indicator of the company's ability to pay dividends. As a result, dividend payments are closely linked to a company's success [22].

The company's strong return on assets (profitability) will result in an increase in dividends to be paid. As a result, there is a positive correlation between ROA and dividends paid out [8,11,18].

Return on assets is a strong positive factor of dividend payments.

H3: The dividend payout ratio is thought to be influenced by return on assets.

The impact of company size on the dividend payout ratio

Firm size is a useful metric for determining the size of an entity's level as measured by the value of its assets [7].

The level of cash flow stability will be determined by the company's size. Because they have a good perspective, larger organizations often have predictable cash flows, ease of obtaining capital, and access to the stock exchange. As a result, the size of a corporation becomes a crucial factor for investors in determining their level of trust when investing their money [8].

The company's size indicates that dividends will be paid at a higher rate. The larger the entity, the more benefits it will receive, which in this case will be in the form of dividends. This indicates that the size of a company has a positive relationship with the quantity of dividends it pays out. The Study by firm size is a driver of dividend payment policy [1,5,24].

H4: The dividend payout ratio is said to be influenced by firm size.

Foreign ownership moderates the effect of the current ratio on the dividend payout ratio.

The current ratio is a measure of a company's liquidity that is critical to the smooth operation of its operations. The company's low liquidity could be attributable to a loss in performance as a result of the company owners' lack of oversight of the company's managers. Foreign ownership of a corporation is expected to improve the company's liquidity [8,17].

This is due to the fact that foreign investors have stricter oversight of company operations, and the presence of foreign ownership can put pressure on managers to manage the company more effectively in terms of generating good liquidity, which has an impact on increasing profits that are realized as dividends and distributed to shareholders. business associates. This states that foreign ownership is able to strengthen the relationship between the current ratio and the dividend payout ratio [1,9,16,25].

H5: The relationship between the current ratio and the dividend payout ratio is assumed to be moderated by foreign ownership.

Foreign ownership moderates the effect of the debt-to-equity ratio on the dividend payout ratio.

The debt-to-liability ratio is the ratio of a company's debt to its liabilities. The high level of debt increases the company's financial risk, putting the company's financial status in jeopardy [3,20].

The presence of foreign corporations is intended to enhance the company's situation by boosting oversight and causing management to be more selective in making decisions that will affect the company's financial condition in the future. This statement asserts that foreign ownership can improve the connection between debt to equity and dividend payout ratios [17,26].

H6: The relationship between the debt-to-equity ratio and the dividend payout ratio is assumed to be moderated by foreign ownership.

Foreign ownership moderates the effect of return on assets on the dividend payout ratio.

The financial performance of a corporation will be reflected in the return on assets. The level of welfare of the company's owners is reduced by entities with minimal assets. This can be caused by a decline in management performance as a result of a lack of monitoring from the company's owners. As a result, it is envisaged that the presence of foreign ownership will drive an increase in the supervisory mechanism for management of corporations that manage corporate activities in order to generate profits from their operational activities, foreign ownership can improve the link between return on assets and dividend payout ratio. [9,14,15].

H7: It is thought that foreign ownership can moderate the relationship between return on assets and dividend payout ratio.

Foreign ownership modifies the effect of firm size on the dividend payout ratio.

The amount of assets owned by the company defines its size. The larger the company, the better its chances of obtaining funds and meeting the expectations of investors. Entities with a higher proportion of foreign ownership have a higher level of supervision, which affects the effectiveness and efficiency of a better manager's performance. This is due to the intense monitoring of company management in managing an entity by foreign parties. It will also have an effect on the level of profit generated and increase the amount of the dividend ratio.

Companies with more foreign ownership have a greater influence over dividend payments. According to this, foreign ownership can improve the link between firm size and dividend payment ratio [9,15,26,27].

H8: It is assumed that foreign ownership can help to control the link between firm size and dividend payout ratio.

4. Method of research

This study employs an explanatory research design, with the goal of determining how the link between the independent variables influences the dependent variable. As with earlier investigations, this one takes a quantitative approach. As a result, the author wants to see how foreign ownership affects the influence of the current ratio, debt-to-equity ratio, return on assets, and company size on dividend payout policy.

Secondary data is the data used in this study by utilizing the documentation method to obtain data by filtering and collecting research information. Thus, the raw data is obtained from the Indonesia Stock Exchange (summary financial statements of listed companies) and related company publications or websites. The object of the research was taken from non-financial companies listed on the Bursa Effect Indonesia (IDX) in 2016-2019.

The following is the information that will be used:
➤ Non-financial companies that have been listed on the Indonesia Stock Exchange from 2016 to 2019.
➤ Companies that have issued audited financial statements as of December 31 during the time period used.
➤ Companies that have actively distributed dividends for four years in a row from 2016, 2017, 2018, and 2019.

Base on the purposive sampling approach, 69 organizations met the criteria to be included in a sample of non-financial enterprises listed on the IDX from 2016 to 2019.

Variable Definition and measurement in the field

The dividend payout ratio (DPR) is used as the dependent variable, with the current ratio, debt to equity ratio, return on assets, and company size as the independent factors, and foreign ownership as the moderating variable.

The Dividend Payout Ratio (DPR) is a policy for determining the proportion of cash distributed to shareholders over a specific time period. Overseas Ownership (FOR) refers to the percentage of a company's shares owned by foreign investors. The Current Ratio (CR) describes a company's capacity to pay short-term debts at maturity. The Debt-to-Equity Ratio (DER) is a measure of a company's capacity to assess all of its liabilities against its equity. Return On Assets (ROA) is a measure of a company's capacity to generate net income through the use of acquired assets. Firm Size (SIZE) is a measure of a company's size based on the amount of assets or assets it owns. They can be computing using the formula (1) to (6).

$$DPR = \frac{Dividen\ Per\ Share}{Earning\ Per\ Share} \tag{1}$$

$$FOR = \frac{Foreign\ Shares}{Shares\ Outstanding} \tag{2}$$

$$CR = \frac{Current\ Assets}{Current\ Liabilities} \tag{3}$$

$$DER = \frac{Total\ Liability}{Total\ Equity} \tag{4}$$

$$ROA = \frac{Net\ Income\ After\ Tax}{Total\ Asset} \tag{5}$$

$$SIZE = Ln(Total\ Asset) \tag{6}$$

Empires as a model

The formula (7) and (8) are the analysis models.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e \tag{7}$$
$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 Z + \beta_6 X_1 Z + \beta_7 X_2 Z + \beta_8 X_3 Z + \beta_9 X_4 Z + e \tag{8}$$

Which, *Y* is Dividend Payout Ratio, α is Constanta, X_1 is Current Ratio, X_2 is Debt to Equity Ratio, X_3 is Return on Asset X_4 is Firm Size, Z is Foreign Ownership, $X_1 Z$ is the present ratio's connection with foreign ownership, $X_2 Z$ is the relationship between the debt-to-equity ratio and foreign ownership, $X_3 Z$ is the relationship between asset returns and foreign ownership, $X_4 Z$ is the relationship between business size and foreign ownership, and e is Error and $\beta_1 - \beta_9$ is the Regression Coefficient.

5. Discussion and analysis

Multiple linear regression analysis and regression analysis of moderating variables are used in the statistical analysis technique, which necessitates the fulfillment of the classical assumption tests, such as normality, multicollinearity, heteroscedasticity, and autocorrelation. Table I summarizes the results of all classical assumption tests.
➤ the Kolmogorov-Smirnov test provides an asymmetric value when used to test normality. Sig. $0.098 > 0.05$ establishes that the data is regularly distributed and hence fits the normality condition.
➤ The multicollinearity test using the variance inflation factor (VIF) test shows the VIF value of each independent variable < 10, therefore, the regression model avoids multicollinearity symptoms and the non-multicollinearity assumption is met.

➤ The Spearman rank test is used to determine heteroscedasticity, and the sig value is displayed. If each independent variable is greater than 0.05, the model does not show symptoms of heteroscedasticity, and the homoscedasticity requirement is met.

The autocorrelation test using the Durbin-Watson (DW) test gives a DW value of 1.213. Referring to [29], the non-autocorrelation assumption is fulfilled if the DW value lies between -2 to +2 (-2 < 1.213 < +2). Therefore, the regression model does not have symptoms of autocorrelation and the assumption of non-autocorrelation is fulfilled.

Table 1. Classic Assumption Test Results.

Classic Assumption	Test	Value Characteristics	Criteria	Result
Normality	Kolmogorov-Smirnov	Sig. = 0.098	Sig. > 0.05	Accepted
Non-Multicollinearity	*Variance Inflation Factor*	VIF X_1 = 1.370 VIF X_2 = 1.300 VIF X_3 = 1.137 VIF X_4 = 1.164	VIF < 10	Accepted
Non-Heteroscedasticity	Rank Spearman	Sig. X_1 = 0.230 Sig. X_2 = 0.849 Sig. X_3 = 0.627 Sig. X_4 = 0.415	Sig. > 0.05	Accepted
Non-Autocorrelation	Durbin-Watson	DW = 1.213	-2 to +2	Accepted

Source: data processed, 2021

We processed research data using multiple linear regression analysis and regression analysis of moderating variables using SPSS software, the results of linear regression calculations for each variable (Current Ratio, Debt to Equity Ratio, Return on Assets, and Firm Size) moderated by Foreign Ownership are described in the Table 2.

Table 2. Hasil Analysis of Multiple Linear Regressions.

		Coef.	Std. Error	t	Sig.
a	(Constant)	43.243	1.340	32.272	0.000
β_1	Current Ratio	-2.642	1.571	-1.682	0.094
β_2	Debt to Equity Ratio	-3.861	1.530	-2.523	0.012
β_3	Return On Asset	12.061	1.431	8.427	0.000
β_4	Firm Size	-1.316	1.449	-0.908	0.365

a. Dependent Variable: Dividend Payout Ratio

Notes: R^2 = 0.254; *Adj.* R^2 = 0.243; T_{tabel} = 1.968; Significance level is 5% (0.05).

Source: data processed, 2021

Multiple regression analysis is calculated using the regression equation (9) as follows.

$$Y = 43.243 - 2.642X_1 - 3.861X_2 + 12.061X_3 - 1.316X_4 + e \qquad (9)$$

According to equation (9),

➤ The constant value of 43.243 indicates that the dividend payout ratio value is 43.243 if the current ratio (X_1), debt to equity ratio (X_2), return on assets (X_3), and business size (X_4) are all constant.

➤ The assumption that variables other than the current ratio are constant, the regression coefficient of the current ratio (X_1) -2.642 suggests that each rise in the current ratio is worth one unit, reducing the value of the dividend payout ratio by -2.642.

➤ The assumption that factors other than the debt-to-equity ratio remain constant, the regression coefficient of debt-to-equity ratio (X_2) -3.861 suggests that each rise in the debt-to-equity ratio is worth one unit, lowering the dividend payment ratio by -3.861.

➤ The assumption that variables other than return on assets are kept constant, the regression coefficient of return on assets (X_3) of 12.061 means that every rise in return on assets is worth one unit, and the increase in the value of the dividend payout ratio is 12.061.

➤ Firm size regression coefficient (X_4) -1.316 denotes that each unit increase in firm size is worth one unit, lowering the dividend payout ratio by -1.316 provided all other variables remain constant.

Table 3. Results of Moderation Variable Regression Analysis.

		Coef.	Std. Error	t	Sig.
a	(Constant)	33.040	3.813	8.665	0.000
β_1	*Current Ratio*	-5.903	2.060	-2.866	0.004
β_2	*Debt to Equity Ratio*	-7.368	1.889	-3.900	0.000
β_3	*Return On Asset*	11.677	1.660	7.034	0.000
β_4	*Firm Size*	-2.044	1.514	-1.350	0.178
β_5	*Foreign Ownership*	.896	1.767	0.507	0.613
β_6	SNM_X_1Z	4.023	2.014	1.998	0.047
β_7	SNM_X_2Z	5.043	1.896	2.660	0.008
β_8	SNM_X_3Z	.387	2.193	0.176	0.860
β_9	SNM_X_4Z	.111	2.138	0.052	0959

a. Dependent Variable: Dividend Payout Ratio

Notes: $R^2 = 0.300$; *Adj.* $R^2 = 0.276$; $T_{tabel} = 1.968$; Significance level is5% (0.05).

Source: data processed, 2021

The following conclusions are drawn from the regression equation (10) model of moderating variable regression in Table 3:

$$Y = 33.040 - 5.903X_1 - 7.368X_2 + 11.677X_3 - 2.044X_4 + 0.896Z + 4.023X_1Z + 5.043X_2Z + 0.387X_3Z + 0.111X_4Z + e$$
(10)

According to equation (10),

➢ The regression coefficient SNM_X_1Z is 4.023 indicates that for every one unit rise in the current ratio interaction with foreign ownership, the dividend payout ratio value increases by 4.023, assuming that all other factors are constant.

➢ The assumption that variables other than SNM_ X_2Z 5.043 is constant, the regression coefficient SNM_X_2Z is 5.043 means that every one unit rise in the debt-to-equity ratio with the interaction of foreign ownership increases the dividend payout ratio value by 5.043.

➢ The SNM_X_3Z is 0.387 regression coefficient suggests that every one-unit increase in the interaction of asset returns with foreign ownership increases the dividend payout ratio value of 0.387, provided all other variables are constant.

➢ The regression coefficient SNM_X_4Z is 0.111 indicates that each increase in firm size interaction with foreign ownership is worth one unit, increasing the dividend payout ratio value by 0.111 if all other variables are held constant.

The t-test is used to determine the magnitude of the relationship between the independent variables when interpreting the dependent variable. As a result, the following is a description and discussion of each independent variable's results in explaining the dependent variable:

a) Current Ratio's Impact on Dividend Payout Ratio

The present ratio obtained a t-count of -1,682 and a t-table of 1,968 (t-count < t-table) with a sig. > 0.05, which is 0.094, based on the test findings in Table 2 This means that the current ratio and the dividend payment ratio have no relationship. As a result, the first hypothesis (H_1) is rejected.

This demonstrates that the size of the company's current ratio value has no bearing on the dividend payment ratio. Rather than paying dividends, Chakraborty et al. (2018) believe that significant liquidity is used for reinvestment by increasing the company's physical assets to aid the company in the future. Even while the firm's liquidity is a consideration considered in deciding dividend policy, the seamless capacity of the company to pay its debts has no bearing on whether it will pay dividends [11,26].

b) The Debt-to-Equity Ratio's Impact on Dividend Payout Ratio

The debt-to-equity ratio obtained a t-count of -2.523 and a t-table of 1.968 (t-count < t-table) with a sig value < 0.05, which is 0.012 with the parameter t-count being negative, based on the test findings in Table 2. This means that the debt-to-equity ratio and the dividend payout ratio have a strong negative relationship. As a result, the second hypothesis (H_2) is accepted.

This demonstrates that the magnitude of the debt-to-equity ratio has an impact on the company's ability to choose the number of dividends to pay. Companies with significant liabilities will have an impact on the amount of income inventory they own. Because corporations prefer to pay debts before paying dividends. This means that when the obligation grows, the company's ability to pay dividends decreases. This study's findings are consistent with those of [12,25]

c) The Impact of Asset Returns on the Dividend Payout Ratio

The return on assets obtained a t-count of 8.427 and a t-table of 1.968 (t-count > t-table) with a sig value < 0.05, which is 0.000 with the parameter t-count being positive, based on the test findings in Table 2. This is the result of the return on assets

and the dividend payout ratio favorably and significantly interacting. As a result, it's safe to say that the third hypothesis (H$_3$) is accepted.

This demonstrates that a company's ability to generate profits by employing its assets has an impact on its ability to develop dividend distribution policies. Dividends are paid out of profits, with the rate of return on assets reflecting the company's improved financial success. This means that the company's financial performance has a direct impact on dividend decisions. The more effectively the entity's assets are used to generate profits, the higher the assets obtained, and hence the bigger the dividends issued. The findings are consistent with those of [6,17,22]

d)   The Dividend Payout Ratio and Firm Size

The size of the company acquired a t-count value of -0.908 and a t-table of 1.968 (t-count < t-table) with a sig. value > 0.05, which is 0.365, based on the test in Table 2. This suggests that the size of a company and its dividend payout ratio are unrelated, there you have it. Finally, the fourth hypothesis (H$_4$) is rejected.

The size of the entity, whether large or small, is not a factor in determining whether or not a company's dividend is distributed [8] Companies are not measured by their size when it comes to dividend distribution; even large corporations cannot guarantee whether they will be able to distribute profits in the form of dividends. It is believed that the company prefers to keep profits for reinvestment or future growth. This study was found to be consistent with the findings of [2,12,19].

e)   The Effect of Foreign Ownership in Moderating the Current Ratio on the Dividend Payout Ratio

Based on the test results in Table 3. the interaction of the current ratio with foreign ownership, denoted by SNM X$_1$Z, has a t-count of 1.998 and a t-table of 1.968 (t-count > t-table) with a significance value of 0.05, resulting in a t-count of 0.047 with the parameter t-count being positive. This demonstrates that foreign ownership can effectively moderate the relationship between the current ratio and the dividend payout ratio. As a result, it is concluded that the fifth hypothesis (H$_5$) is accepted.

This demonstrates how foreign ownership can improve the relationship between a company's current ratio and its dividend payment ratio. Because foreign investors want a larger return on investment, companies with a higher proportion of foreign ownership tend to have stricter operational controls [15]. With foreign ownership, a company's performance is more effective and efficient, which supports the company's ability to create profits in order to pay off its short-term debt more smoothly.

The payment of corporation dividends is a result of good corporate liquidity, endorsing the findings of this study, claiming that foreign ownership has a considerable favorable impact on the dividend payment ratio [2].

f)   The Effect of Foreign Ownership on the Dividend Payout Ratio in Moderating the Debt-to-Equity Ratio.

The interaction of debt-to-equity ratio with foreign ownership indicated by SNM_X$_2$Z produces a t-count value of 2.660 and a t-table of 1.968 (t-table < t-count) with a sig. value < 0.05, which is 0.008 with the parameter t-count being positive, based on the test results in Table 3. This demonstrates that foreign ownership has the ability to control the debt-to-equity and dividend-payout ratios. As a result, it's safe to say that the sixth hypothesis (H$_6$) is accepted.

This demonstrates how foreign ownership can improve the relationship between the company's ability to pay off all of its obligations from its equity and the dividend payout ratio. The presence of foreign investors in a company's ownership might result in major changes and the adoption of more modern management practices [3]. Companies who are experiencing financial difficulties as a result of significant debt are putting their finances at risk.

As a result of the presence of foreign investors, it is envisaged that the supervision mechanism on the manager's performance would improve, allowing the manager's performance in managing the firm to continue to generate solid financial results, influencing dividend payment decisions [29], backs up the findings of this study, stating that foreign ownership and dividend payments have a substantial beneficial relationship.

g)   The Effect of Foreign Ownership in Moderating Return on Assets on Dividend Payout Ratio.

The interaction of return on assets with foreign ownership denoted by SNM X$_3$Z produces a t-count value of 0.176 and a t-table of 1.968 (t-count < t-table) with a significance value > 0.05, which is 0.860, based on the test results in table III. This demonstrates that foreign ownership has no effect on the return on assets and dividend payment ratio relationship. It is concluded that the seventh hypothesis is rejected (H$_7$).

This explains why foreign ownership has no effect on the interaction between the company's ability to earn profits from the utilization of its assets and the dividend payout ratio. Foreign investors typically have long-term investment goals and desires. As a result, foreign investors prefer to reinvest profits earned by the company in order for the profits to be reused by the company as future growth rather than being distributed in the form of dividends. This is the premise that the proportion of foreign ownership has no bearing on the amount of return on assets obtained and is unrelated to the determination of the company's dividend policy. The findings of this study are consistent with those of [9, 15]

h)   The Effect of Foreign Ownership in Moderating Firm Size on Dividend Payout Ratio

The interaction of firm size with foreign ownership indicated by SNM X$_4$Z yields a t-count value of 0.052 and a t-table of 1.968 (t-count < t-table) with a significance value > 0.05, which is 0.959, based on the test results in table 3. This demonstrates that foreign ownership has no effect on the relationship between the size of a company and its dividend payment ratio. It is concluded that the eighth hypothesis is rejected (H$_8$).

This indicates that the relationship between a company's size and its dividend policy is unaffected by foreign ownership. Investors prefer capital gains to dividends, according to tax preference theory, because dividends have a large tax burden. As a result, foreign investors may be able to defer payment of profits by withholding taxes. The size of a company has minimal influence on the percentage of foreign ownership, and it is impossible to forecast whether or not companies with substantial foreign ownership would pay dividends, and vice versa. As a result, the relationship between a company's size and its dividend decision is unaffected by foreign ownership. The results of this study back up the claims of [9,29], who argue that foreign ownership has no effect on the dividend payout ratio.

The coefficient of determination value can be used to show the percentage of influence the independent variable has on the dependent variable (adjusted R^2). Adjusted r2 measures the contribution of the independent variable to the dependent variable. As a result, the better the measured model is, the more the independent variable contributes to the dependent variable. Table 2 shows that the coefficient of determination (adjusted R^2) is 0.243, or 24.30 percent.

This means that the current ratio, debt to equity ratio, return on assets, and firm size variables in the regression model only account for 24.30 percent of the dividend payout ratio in this study, with the remaining 75.70 percent influenced by variables outside the model. The coefficient of determination after moderation is 0.276, or 27.60 percent. The moderating variable, in other words, can improve the coefficient of determination and strengthen the link between the independent and dependent variables.

6. Conclusion

From 2016 to 2019, the goal of this study is to see how the current ratio, debt-to-equity ratio, return on assets, and company size affect the dividend payout ratio moderated by foreign ownership or foreign ownership in non-financial companies listed on the Indonesia Stock Exchange. The current ratio and the size of the company, according to the data, have no impact on dividend distribution method. On the other side, the debt-to-equity ratio has a significant negative impact on dividend policy.

Return on assets and return on assets have a big impact on the dividend payout ratio. Furthermore, the impact of foreign ownership or foreign ownership on dividend payment policy may cause the current ratio and the debt-to-equity ratio to diverge. Foreign ownership, on the other hand, is unable to change the relationship between return on assets, company size, and dividend policy.

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