

ABSTRACT

Dividend policy is a very important policy, because it will involve two parties, namely the shareholders and the management company may have different interests. Dividend policy determines the placement of the profit, which is between paying to shareholders and reinvesting in the company.

This study was conducted to examine the factors that affect the dividend payout ratio in the companies listed in Indonesian Stock Exchange period 2011-2016 by using variable Firm Size, Institutional Shareholding, Free Cash Flow, Growth and Return on Asset.

The analysis are performed using the data derived from the financial statements of firms listed in Indonesian Stock Exchange during a six-year period. Sampling technique to be used is purposive sampling on criterion (1) the company that trade their stock in Indonesian Stock Exchange; (2) excluding financial company; (3) The company published financial statement for period 2011-2016; (4) the company continually share their dividend per December 2011-2016; (5) the company get the positive profit. The secondary data is obtained based on document published in www.idx.com. It is gained sample amount of 40 companies from 539 companies those are listed in Indonesian Stock Exchange.

*The analysis technique used here is Panel Data Analysis and hypothesis test using *t*-statistic to examine partial regression coefficient and *f*-statistic to examine the mean of mutual effect with level of significance 5%.*

The result shows that there is relationship between firm size, institutional shareholding, free cash flow, growth and return on asset with dividend payout ratio which simultaneously have significant relationship with dividend payout ratio and the value is 54.93%.

The result of this research also shows that institutional shareholding has a positive and significant relationship with dividend payout ratio. Firm size and return on asset have a negative and significant relationship with dividend payout ratio. While the free cash flow has a negative and insignificant relationship with dividend payout ratio and growth has a positive and insignificant relationship with dividend payout ratio.

Keywords: Dividend Payout Ratio, Firm Size, Institutional Shareholding, Free Cash Flow, Growth, Return on Asset