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Determinant Factors of Dividend Policy in Cooperative Organization

Sugiyanto Sugiyanto, Nur'aeni Nur'aeni, Leli Savitri Dewi

Abstract

Dividend policy is one of the functions of financial management with regard to the distribution of corporate earnings after tax or the cooperative surplus to the owner. Dividend policy in cooperatives organization is regulated based on regulations and member agreements stipulated in the articles of association and by-laws of the cooperative. The purpose of this study is to analysis the determinant factors of dividend policy in cooperative organization. This study uses research and analysis of descriptive qualitative approach. Data were obtained from 4 cooperatives, where the cooperative determined with consideration of routinely distributing cooperative surplus.

The results of the study show that the determinant factors of cooperative dividend policies are found in several additional determinants such as: member participation, cooperative principles, member conditions and regulation, in addition to

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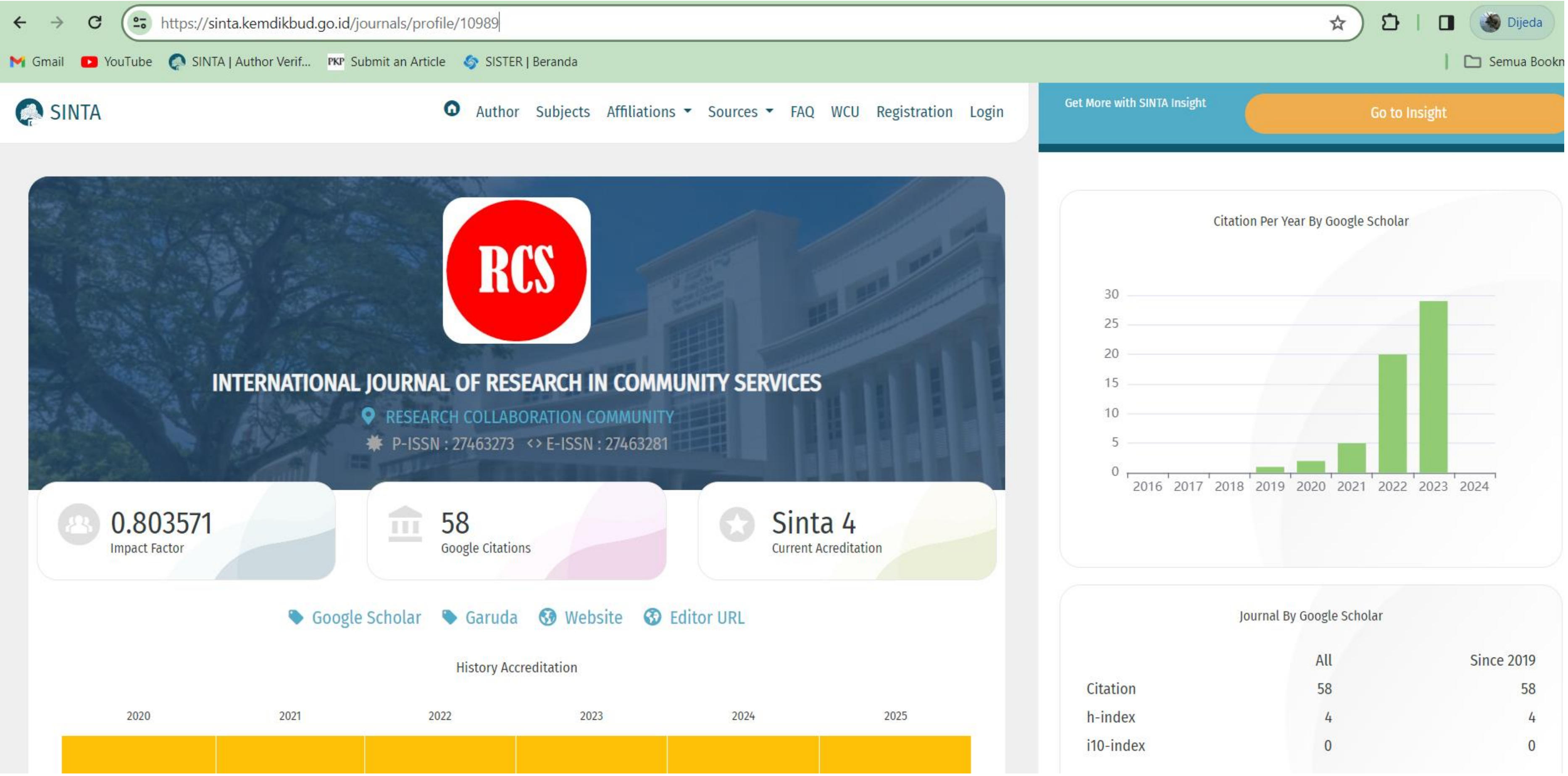

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Determinant Factors of Dividend Policy in Cooperative Organization

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Abstract

Dividend policy is one of the functions of financial management with regard to the distribution of corporate earnings after tax or the cooperative surplus to the owner. Dividend policy in cooperatives organization is regulated based on regulations and member agreements stipulated in the articles of association and by-laws of the cooperative. The purpose of this study is to analysis the determinant factors of dividend policy in cooperative organization. This study uses research and analysis of descriptive qualitative approach. Data were obtained from 4 cooperatives, where the cooperative determined with consideration of routinely distributing cooperative surplus. The results of the study show that the determinant factors of cooperative dividend policies are found in several additional determinants such as: member participation, cooperative principles, member conditions and regulation, in addition to determinants that have been widely researched and used as guidelines for in general, such as: liquidity, profitability, firm size, capital requirement (leverage), and risk. New findings from the determinants of dividend policy in cooperatives organization such as member participation, cooperative principles, member conditions and regulation need to be studied further with a quantitative research approach, so that the conclusions can be generalized.

Keywords: Dividend Policy, Cooperative Organization and Cooperative Surplus

1. Introduction

Dividend policy is still a controversial issue and is often debated in the financial management literature (Gusni, 2017). Many literatures explain that dividend distribution is to attract investors, what about cooperative organization? which is referred to as the distribution of the cooperative surplus to the members. Cooperatives are one of the developing business entities in Indonesia with a total of 123,048 units with 22,463,738 members. (Kementerian Koperasi dan Usaha Kecil Menengah, 2019). Cooperative is not profit oriented but service oriented. Cooperative operated at cost (Roy, 1981).

The distribution of cooperative surplus, financially, is not only to reward the owner, but is distributed to the members as the cooperative's service users. The distribution of cooperative surplus is carried out fairly in proportion to the amount of business services of each member, and the provision of limited remuneration for capital (Menteri/ sekretaris negara Republik Indonesia, 1992). There are differences between cooperatives and other business entities in the dividend policy, the distribution of the cooperative surplus to attract members' interest in the use of services.

Thus, the distribution of cooperative surplus indicates the performance of the cooperative it is able to make efficiency, so that the cooperative has a return that is paid back to the members. The dividend is not just a source of income for shareholders, but act as an indicator to judge the performance of the firm (Al-Malkawi et al., 2015). The policy of distribution of cooperative surplus indicates the amount of return to members as owners and users of cooperative services, as well as a measure of cooperative performance. Dividend policy is a critical decision because it relates with other financial and investment decision (Abor & Bokpin, 2010).

Research on the theory and determinant factors of dividend policy has been mostly carried out on go public corporation, however not much has been done in cooperatives. Therefore, this research was conducted in cooperatives with the same topic. Cooperative surplus will be distributed to the owner (members), after it is set aside for reserves. Dividend policy will vary for each business entity, in corporation's dividend distribution is determined by the board of directors approved by the general meeting of members, while in cooperatives, the policy on the distribution of cooperative surplus is determined in the cooperative law and the decision of the member meeting. The decision to share the cooperative surplus from the cooperative is still a puzzle, the members always hope that at the end of year they will receive a large amount, while the management wants it to be used as retained earnings.

This condition indicates that there is a different desire between members as owners and management. A conflict of interest occurs between the member (principal) and management (agent). Sen, (1987) and Freeman & Williamson, (1987), mention that the owners assign the task to the managers to manage the firm with a hope that managers will work for the benefit of the owners. However, managers are more interested in their maximization of compensation. The argument on the agent's self-satisfying behavior is based on the rationality of human behavior. which states that human actions are rational and motivated to maximize their own ends. A periodic compensation revision and proper incentive package can motivate the managers to work harder for the better performance of the firm (Core et al., 1999) and by which the owners can maximize their wealth.

Management policy regarding the distribution of cooperative surplus must take into account determinant factors, such as cash flow ability and members' desires. Dividend policy has been of great interest for the researchers and extensive empirical research has been carried out to identify the potential factors that affect the dividend policy of the firm. However researchers are still unable to reach at a consensus in this regard (Kim & Jang, 2010). It has remained a puzzle for financial economists (Black, 1996). The emerging consensus is that dividend puzzle cannot be solved with any single factor (Abor & Bokpin, 2010). This condition also occurs in cooperative organizations, there have not been many studies on the topic of dividend policy, particularly in Indonesia.

The results of several research of Jaara et al., (2018) showed that company size has significant positive impact, which could solve the free cash flow problem, mature and large companies were paying more and consistent dividends. The return on equity was positive and significant, that firms with high profitability were paying larger consistent dividend pay-outs. The impact of historical dividends always positive and significant and signposts that firm trend of dividend payout rather than the random paying. Risk has a negative impact on the payout levels.

The analysis was depending on some theories that affect the dividend policy such as: Dividends irrelevance theory (DeAngelo & DeAngelo, 2006), bird in hand theory (Bhattacharya, 1979) and (Aivazian et al., 2003a), agency problems (Jensen & Meckling, 1976), (Jiraporn, P., 2008) and (Al-Najjar & Hussainey, 2009) and signaling theory (Miller & Rock, 1985), and (Ji-ming L & Zhao-hua W, 2009). The objectives of this studi to identify the theory and determinant factor of cooperative dividend policy. Clientele Effect Theory (Allen et al., 2000) and (Allen. F & Michaely, 2002).

Cooperatives function as economic and social institutions (double nature of cooperative), as economic institutions there are two economic actors, namely cooperative business and member households (double enterprises of cooperative) and members function as an owner as well as service users of cooperative business (dual identity of members) (E, 1994). Cooperatives operational refer to the cooperative identity, which includes the definition, values and principles of cooperatives.

In Indonesia, the definition, values and principles of cooperatives are contained in the Law of the Republic of Indonesia No. 25 of 1992 concerning Cooperatives (Menteri/sekretaris negara Republik Indonesia, 1992), a cooperative is a business entity whose members are individuals or a cooperative legal entity by basing its activities on the principle of cooperatives as well as a people's economic movement based on the principle of kinship. The principle of cooperatives with regard to the distribution of cooperative surplus from the business, is contained in the same Law, that the distribution of cooperative surplus is carried out fairly in proportion to the amount of business services of each member; and limited remuneration for capital.

The cooperative principle as the basis for the policy for the distribution of cooperative surplus from the business. Still according to the same law, Article 45 (2) The remaining proceeds after deducting reserve funds, distributed among members are proportional to the business services of each member, and used for Cooperative education and other purposes of cooperatives, the proportion is in accordance with the decisions of the Members' Meeting.

Dividend policy is concerned with making decisions in determining the amount of profit earned to be distributed/ paid to shareholders and how much to be reinvested (retained earnings) in the future. Dividend payout as distributions of retained earnings to the investors "Shareholders" based on their proportionate ownership (Ling et al., 1976). Dividends are usually paid in cash, but sometimes paid in stock or other means. Firms always look for an optimal dividend policy, among others to reach equilibrium among current dividend, future growth, and maximize firm's stock price. In contrast to the cooperative dividend policy, it depends on the size of the members' participation in the use of services.

According to Brigham & Houston, (2007), there are several theories that explain dividend policy, including: Dividend Irrelevance Theory, The Bird in Hand Theory, Tax Preference Theory. Meanwhile, according to Jaara et al., (2018), dividend policy theory that can be applied in his research includes Dividends irrelevance theory, bird in hand theory, pecking order theory, agency problems and signaling theory. The same research was conducted, by using the theory of Modigliani & Miller Theory, Clientele Effect Theory, Signaling Theory, bird in the Hand Theory, and Agency cost theory. Theory used in this study includes:

(1) Dividend Irrelevance Theory, a theory which states that dividend policy has no effect on firm value or the cost of capital. Modigliani & Miller Theory In 1961 (Miller & Modigliani, 1961), proposed that under certain specific assumptions, a firms' dividend policy has no influence on its value. According to DeAngelo & DeAngelo, (2006), who revisited the MM theory, argued that as "MM's assumptions restrict payouts to an optimum, their irrelevance theorem does not provide the appropriate prescription for managerial behavior". An increase in the distribution of cooperative surplus is only possible if cooperative surplus increases and the members can only receive it in cash.

(2) *The Bird in Hand Theory*, this theory states that investors feel safer to earn income in the form of cash payments than waiting for capital gains. Dividends are better than retained earnings, because in the end retained earnings may never manifest as dividends in the future. In recent studies, Aivazian et al., (2003a) compared between

the firms in developing countries and US firms they found that firms in emerging markets pay more dividends than the similar firms in US. Bhattacharya, (1979) called this argument the bird-in-the-hand fallacy. Furthermore, argued that the riskiness of firm affects the level of dividend payout. Moreover, the riskiness of a firm's cash flow effects on its dividend payments, but increases in dividend will not decline the risk of the firm.

(3) *Tax Preference Theory*, this theory states that investors want to withhold profit after tax and use it to finance investment rather than dividends in the form of cash. Therefore, companies should determine a low dividend payout ratio or not even pay dividends. Because dividends tend to be taxed higher than capital gains, investors will ask for a higher rate of return for stocks with high dividend yields. Thus, if dividends received are not taxed, the owner will receive dividend payments.

(4) Signaling Theory. Signaling Hypothesis argue that as the management of the company have more precise information about the company than the outsiders, they can bridge this information gap by using dividend payout as a tool to convey internal information to the investors (Bhattacharya, 1979), (Miller & Rock, 1985), and (Ji-ming L & Zhao-hua W, 2009). The asymmetric information model suggests that announcement of dividend payout, which is different from the expectations of the investors, contain information on future earnings. Furthermore, stock prices will adjust to reflect the unexpected changes of dividend. Benartzi et al., (1997) argued that "many dividend theories imply that changes in dividends have information content about the future earnings of the firm.

(5) Agency Cost Theory is one the most vital theories in dividend policy. The Agency theory argues that agency cost arises due to conflicts of interest between shareholders and management: Payment of dividend, therefore, can decrease the costs of investors and managers conflict (Jensen & Meckling, 1976; Easterbrook, 1984). The agency relationship as "a contract under which one or more persons (the principal(s) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent (Jensen & Meckling, 1976). The core of the agency cost theory is the conflict of interest of the managers and shareholders. Jiraporn, P., (2008) cited that one of the core theories clearing up the Dividend policy is the agency problem theory. Al-Najjar & Hussainey, (2009) found that the conflict of interest between managers and investors may be reduced by paying dividends to shareholders.

(6) Clientele Effect Theory. This theory asserts that the investors or the clienteles prefer a specific dividend yield; investors who are in high income tax brackets could find it more beneficial to hold low dividend yield stocks, whilst those have lower income tax brackets inclined to have high dividend yield stocks (Kalay, 1982) and (Allen et al., 2000). Allen. F & Michaely,(2002) pointed out that individual investors are in general higher marginal tax bracket while the corporate investors are in the lower tax bracket; they then have illustrated that individual investors hold low-dividend paying, whilst the corporate investors have high dividend paying stocks. Jun et al., (2011) examined a sample of Australian institutional equity funds and concluded that Australian firms are not inclined to pay high dividend.

The results of the study of Jaara et al., (2018) shows that company size has significant positive impact, which could solve the free cash flow problem, mature and large companies were paying more and consistent dividends. The return on equity was positive and significant, that firms with high profitability were paying larger consistent dividend pay-outs. The impact of historical dividends always positive and significant and signposts that firm trend of dividend payout rather than the random paying. Risk has a negative impact on the payout levels. Imran, (2011) studied 36 firms are listed under Pakistan's engineering sector between 1996-2008, he found that previous dividend payout yield, earning per share, profitability, sales growth and the size of the firm are the most crucial determinants of dividend payout. Al Shabibi, B.K. & Ramesh, (2011) studied sample of non-financial firms in UK, they found that board independence, profitability, firm size and firm risk have significant relationship with the dividend policy decisions. Moreover, the firm characteristics variables namely, profitability, risk and firm size consider as determinant factors for dividend policy among the non-financial UK firms. Osman D & Mohammed E, (2011) found the most factors have influence on dividend decision in Saudi Arabia they are namely, profitability, size, and business risk. Government ownership, leverage, and age have significant impact on the dividend policy of non-financial firms.

Liquidity, as excess cash flow above to finance all operational and free cash flow investment needs, Michael C. Jensen, 91986) defines free cash flow as excess cash flow from the agency to finance all projects that produce a positive net present value. The policy for the distribution of cooperative surplus from the cooperative is very dependent on the liquidity capacity. In accordance with the results of the study of Guizani, M & Kouki, (2011), they concluded that free cash flow and profitability impact on Tunisian firm's dividend decisions, they pay higher payouts when they have significant free cash flow and have high profitability. This study supported by Kowalewski et al., (2008) and Fodil Adjaoud and Walid Ben-Amar, (2010).

Profitability, Baker & Powell, (2000) found that the major determinant of dividend policy was the expected level of earnings in the future. Norhayati Mohamed,(2012), found that earning per share and return on equity are significant indictors for profitability whether they are used jointly or independently. Aivazian et al., (2003) concluded that profitability affects dividend payout, high debt ratios lead to reduced dividend payments, and market-to-book ratio has a positive relationship with dividend payments. Adil, (2011) found that the profitability which is measured by return on equity and earning per share has strong relationship with dividend yield. Naceur et al. (2006), The findings indicate that high profitability firms with more stable earnings could gain larger free cash flows and thus pay out larger dividends, and fast-growing firm payout larger dividends so as to appeal to investors.

Firm Size, Juhmani, (2009) revealed that dividend payout has significant relationship with size of companies. Eriotis, (2011) investigated the effects of distributed earnings and size of the firms to its dividend decision. Leon & Putra,(2014), profitability level and sales growth had a significant impact on the dividend payout. Growth Opportunity, Imran, (2011) found that dividend per share is associated positively with sales growth. D'Souza, J. and Saxena, (1999) concluded that a positive relationship but insignificant in the case of growth and negative but insignificant relationship in case of market to book value. The faster the growth rate, the greater the need for funds to finance company growth. The company usually prefers to hold its earnings rather than be paid out as dividends.

Capital requirements, if the cooperative is faced with paying off its debts in the short term, the management will try to hold back the distribution of cooperative surplus. Or at least only a small portion of earnings that can be paid as dividends, in other words, the dividend payout ratio will be paid lower.

Asad & Yousaf, (2014) examined the impact of company leverage on dividend payment, the results indicate that company leverage had a significant negative effect on dividend payments. Risk, defined as the risk associated to situations in which the company is involved in the risk environment. The relationship of firm's risk and dividend decision was investigated by Holder et al., (1998), Ling et al., (1976) and Mehta, (2014) They concluded that beta has a negative association with dividend payout.

1. Materials and Methods

1.1. Materials

The object of this research is on 4 cooperatives with the number of respondents 2 managements and 1 member in each cooperative. The data were processed and analyzed using a qualitative descriptive approach, through a triangulation Theory. The research used interview, observation and survey methods.

1.2. Methods

The method used in this study is a qualitative research method based on information in the form of qualitative data from managements and members of the cooperative. To obtain the correct truth of the information and a complete describtion of the information needed, this research combines free and structured interview methods. The final result of the research is an information formulation or thesis statement. The information obtained is compared with the relevant theoretical perspective to avoid bias in the findings or research results. From theoretical triangulation is expected to increase the depth of understanding of the results supported by in-depth theoretical knowledge of the research results obtained.

2. Results and Discussion

The results of direct interviews, observation and survey methods with 8 managements and 4 members of the 4 selected cooperatives are related to the theoretical application and determinants of the cooperative dividend policy. The results of direct interviews with informants to prove the validity of various determinants of cooperative dividend policy. Cooperatives have certain characteristics that are different from other business entities, such as a corporation. Table 1 is a summary of the results of interviews with informants in: 1) KUD Sarwamukti, 2) KSU Tandang Sari, 3) KKB Ikopin, and 4) Kopti kota Bandung.

Table 1: Resume Result of Interview, observation and survey

Management	Member
1) KUD Sarwamukti, 2) KSU Tandang Sari, 3) KKB Ikopin, dan 4) Kopti Kota Bandung	
8 Representatives	4 Member
Questions and Answer Resume	
Does the management always inform members regarding the remaining results of operations at the end of each current year?	How can members know that the cooperative has remaining results of operations?
The manager always announces the amount of the remaining business income obtained by the cooperative each year through the "Annual Member Meeting", the annual membership meeting report book, and several cooperatives present on the cooperative announcement board.	Members acknowledge that the cooperative obtains the remaining income and value, through financial reports that are informed at the annual member meeting, sometimes through the cooperative's announcement board or social media.
What is the tendency of members to the residual income obtained by the cooperative?	How do members understand the remaining results of their cooperative business?
Members have a tendency to receive the distribution of	The remaining portion of the members' share of

Management	Member
the residual income in cash and as soon as it is decided at the annual member meeting, the residual income is distributed as a habit of cooperative members	business is their right, which must be received after the annual membership meeting is held. It has become a habit that the residual income should be shared
Why should the "residual income" be divided?	Why should the "residual income" be divided?
The rights of members, regulations require the distribution of the rest of the profits from the members' share, as well as the cooperative principles that apply in the law. The performance of the management will be seen by the members, that the management as a party that is mandated by the members, in addition to providing optimal service, they must also carry out business efficiency so that the remaining business results increase. Distributing and distributing the remaining profits of the business to realize the principles of cooperatives. The distribution of the remaining portion of the operating income of the members is based on the amount of service utilization by the members and the capital paid in (the amount of savings).	Several members stated that distributing the remaining income from the business is a must as a manifestation of the cooperative principle. Most of the members are aware of the legal and other regulatory bases for the distribution of the profit. The percentage of the distribution of the remaining operating income has been determined in the AD / ART,
Does the board often ask members to reinvest the remaining income from the Member's share of operations?	Are members often advised not to take the remainder of their share of the business?
Members are often asked to save back the remaining proceeds of their part of the business, but only as a small number who express their willingness to save back in the form of special savings.	The management often explains the importance of the residual income to be reinvested, but still chooses to share the remaining income immediately even though it is a limited amount.
According to the board, why are members not interested in reinvesting the remaining portion of the members' operating income?	How do members expect the remaining business results obtained by the cooperative?
Members reasoned that they would rather receive money now even though it is in a limited amount than have to wait for the future.	Members really hope to get a large amount of residual income, they will receive it soon. Members prefer to receive the distribution of the remaining cash income rather than having to save in the form of special savings.
Does the management feel that the amount of the remaining income earned is related to the management's performance?	Do members provide management performance appraisals with the acquisition of the remaining operating income?
Members often ask about the amount of income from the member's share of operations, compared to the previous year, and this is related to the performance of the cooperative management and business.	If the cooperative is able to share the remaining results of the business, in large numbers, the manager is considered to be performing well, the remainder of the results of the business which is distributed in greater numbers shows the performance of the cooperative and its management is getting better.
According to the management, do members always associate the amount of the remaining income from the business with the re-election of the management?	Do members always want the remainder of the business to be shared?
Members often associate residual income from operations with re-election of management	Actually, not all member respondents want the remaining income from the business to be shared, but there are those who state that the role of cooperatives is important in helping members' businesses.
Is there any member who does not care about the remaining results of the business that they are entitled to?	Is the remaining part of the member's business always taken by the members?
There are some members who do not pay attention to the amount of the remaining income from their business and sometimes they are not taken.	Not always taken and do not care about the amount
How is the relationship between the remaining income of the members' share of taxes?	Is there a connection between the residual income of the members' share of taxes,
The remaining income from the members' share is not taxed, because the remaining income has been subject to income tax as a burden on the cooperative.	There is no relation, the Member stated that the residual income from the member's part is not subject to tax.

Management	Member
In deciding to divide the remainder of the members' share of the earnings, what factors are considered?	What are the reasons for the members that the remainder of the members' share of the effort must be shared?
The factors considered relate to the regulations that must be followed, especially in the AD / ART of a cooperative, it has become a commitment of the management to always share the remainder of the business, the amount of the remaining results of the Cooperative business obtained, the services used by each member, the bigger the cooperative the greater the demands from the members the remainder of the business must be shared, the opportunity for the development of the cooperative is that the management is increasingly motivated to pay the remaining results of the business so that the members have increased participation, the availability of cash, debts that must be resolved immediately, the risks faced by the cooperative, the members always link the remaining business results with the performance of the management, and cooperative development plans.	If the residual income from the business of a large cooperative encourages members to take the remaining proceeds from the members' share of the business, in accordance with the regulations and agreements set forth in the AD / ART, then the remaining income must be shared. Members have participated in the utilization of services and regular capital deposits (compulsory savings), the bigger the cooperative is, the members have the greater their hopes for the remaining results of the business. In order for the management's performance to increase.
What policies are established by the cooperative in sharing the remainder of the members' share of the business?	Apakah anggota menyadari bahwa koperasi dalam membagi sisa hasil usaha memiliki berbagai kebijakan?
The remaining income is allocated to several posts with a predetermined percentage, first for reserves, share of members, funds for management and employees, education and other social funds, with the same proportion (%) every year. The amount of the remaining portion of the operating income of the non-permanent members, because it is determined based on the amount of service utilization from each member, and partly based on the amount of paid-up capital. In conditions of financial difficulty, the cooperative often tries to ask members not to take the remaining proceeds from their business, but to add special savings, but it often fails, because members only see the existing rules, in the end the management only asks for postponement of payment for a certain period of time.	Members understand that the residual income obtained by the cooperative must be allocated to several posts, especially for reserves, members, management and employee funds and other educational and social funds. Members realize that the amount of residual income received depends on the number of services utilized. In certain conditions, the cooperative asks to postpone the payment of the members' share of the remaining income

Sumber: Interview Result

Based on qualitative data from interviews with cooperative managements and members in Table 1, the determinant factors of dividend policy in cooperative organizations presented in Figure 1.

Based on the results of interview, it can be summarized into indicators of the determinant factors of the cooperative dividend policy, Determinants factors considered by the management in making the policy for the distribution of the cooperative surplus are presented in the Figure 1.

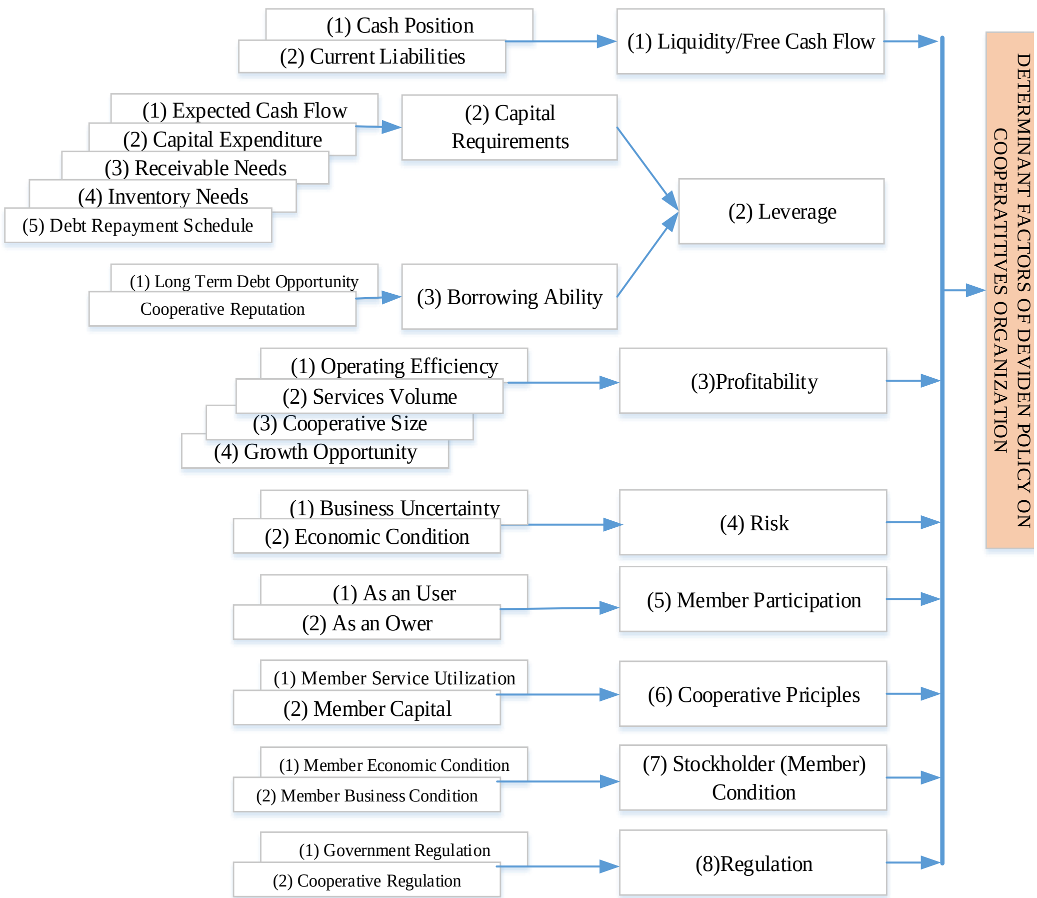

Figure 1: Determinant Factors of Cooperative Dividend Policy

The result of this study can be explained that the determinant factors of dividend policy that have been applicable and often studied in various research, as well as determinant factor to cooperatives dividend policy. However, based on the results of this study, the determinant factors of cooperative dividend policy can be found other determinants, such as member participation, cooperative principles, member condition and regulations governing the distribution of the cooperative surplus. Thus, the 5 factors generally accepted as a determinant and 4 factors as a new determinant. Determinant Factors of cooperative dividend Policy can be explained:

1) **Liquidity**/ Free Cash Flow, availability of liquidity (cash), is the main factor in determining the distribution cooperative surplus. If the cooperative's liquidity capacity is higher, the cooperative will pay cooperative surplus to their members. The cooperative's liquidity position will determine its ability to pay for the distribution of cooperative surplus. In the other side, if cooperative has a lot of current liabilities, they will hold back cooperative cash to pay cooperative surplus. Thus, the liquidity and current liabilities as an indicator of liquidity and as a determinant of the cooperative dividend policy.
2) **Leverage,** determined by capital requirements and barrowing ability of cooperative. **The Capital Requirements**, Debt repayment that must be resolved immediately. If the cooperative has an obligation to pay off debts and interest, it means that the cooperative must provide higher liquidity (expected cash flow, capital expenditure, Receivable and inventory) as a consequence the cooperative will retain a large part of cooperative surplus for this purpose. However, in practice it will be difficult to do because it has been regulated, and if necessary changes must go through a member meeting. The only possible condition is to postpone the payment of the portion of the member's cooperative surplus. Thus the need for funds to pay debts is a determining factor for the cooperative's dividend policy. **Borrowing Ability**, if the cooperative has an ability to borrow money in the kind of short and long terms debt, cooperative has a good reputation and trust from creditor, it will guarantee for borrowing money. Moreover, the cooperative also has collateral in the form of land and buildings with high value. thus, long-term debt opportunities, cooperative reputation and asset guarantees will determine the ability to obtain loans, so that the cooperative has the ability to distribute surplus to members.
3) Profitability, the size of cooperative surplus will also be a determining factor for the distribution of cooperative surplus, the greater of cooperative surplus it will attract the attention of members, the cooperative is required to pay for the greater distribution of cooperative surplus to the members. The greater of the cooperative size as measured by the amount of service volume to the members, the members who take advantage of cooperative services they get a bigger distribution of cooperative surplus. Operating efficiency is also an indicator of the formation of a surplus, the more efficient the cooperative surplus will also increase. Growth Opportunity, the faster

the development of the cooperative the greater the need for capital, so that members can increase their activeness in capital contributions, it must be balanced with an attractive payment for cooperative surplus to the member.

4) **Risk**, the higher risk faced by the cooperative, it will reduce the cooperative's ability to pay cooperative surplus to the members. Business uncertainty and economic conditions will affect the uncertainty of the amount of surplus obtained by the cooperative, like the current conditions, with the covid-19 pandemic, the ability of cooperative businesses has also decreased so that the surplus has also decreased ,as a result, the ability to pay for supplements will also be reduced.
5) **Member participation**, the participation of members, both as users and as owners, will determine the amount of surplus that will be distributed to members. As a user will determine the volume of cooperative services and the surplus that the cooperative gets. On the other hand, the distribution of the surplus really depends on the size of the services utilized by each member. The cooperative surplus is also divided based on the paid-up capital of the members, although in a limited proportion. The members always hope to obtain a large share of the surplus if they take advantage of the cooperative's services in large numbers.
6) **The cooperative principle**, one of the cooperative principles states that the cooperative surplus must be distributed proportionally to the volume of services utilized by each member. The greater the service used by the member the greater cooperative surplus will be received by member use. The other principle, mention that, the contribution of member capital also obtains a limited distribution of the cooperative surplus.
7) **Member condition**, Economic conditions of members vary widely, especially when viewed from the ability to earn income for daily life. Most of the members in the income category are stung downward, so the distribution of the cooperative surplus is one of the eagerly awaited hopes at the end of each financial year, especially at the annual member meeting
8) **The regulations** that must be obeyed by cooperatives require that the cooperative surplus must be distributed to those who are entitled, the provisions for the distribution of cooperative surplus are listed in the cooperative's statutes, so the management must be committed always to distribute the cooperative surplus. The regulations on the distribution of cooperative surplus are also regulated in laws and other government regulations established by the cooperative ministry.

Based on the result of data analysis, it can be further explained that The determinant factors that are considered by cooperatives are more than the determinants of the results of various previous studies on various companies, especially go public companies. The determinants of the policy for the distribution of cooperative surplus in accordance with the results of previous studies include: Liquidity/ Free Cash Flow, Capital Requirements, Borrowing Ability, Profitability, and risk.

The determinant factor of the cooperative dividend policy is in accordance with the results of research conducted by Jaara et al., (2018) show that company size showed significant positive impact, which could solve the free cash flow problem, mature and large companies were paying more and consistent dividends.

The return on equity was positive and significant, that firms with high profitability were paying larger consistent dividend pay-outs. Imran, (2011) he found that previous dividend payout yield, earning per share, profitability, sales growth and the size of the firm are the most crucial determinants of dividend payout. Al Shabibi, B.K. & Ramesh, (2011) studied sample of non-financial firms in UK, they found that profitability, firm size and firm risk have significant relationship with the dividend policy decisions.

Osman D & Mohammed E,(2010) found the most factors have influence on dividend decision in Saudi Arabia they are namely, profitability, size, and business risk. Government ownership, leverage, and age have significant impact on the dividend policy of non-financial firms.

Asad & Yousaf, (2014) examined the impact of company leverage on dividend payment, the results indicate that company leverage had a significant negative effect on dividend payments.

The finding of this study there are new determinant factors of cooperative dividend policy, include (1) member participation, (2) regulations that must be obeyed by cooperatives require that cooperative surplus must be distributed to those who are entitled, (3) one of the applicable cooperative principles requires that cooperative surplus must be distributed to members proportionally to the use of services and (4) Member condition in the middle to lower class, who have a strong interest in sharing of the business. This new determinant factor is of course inconsistent with the results of previous studies. It should be noted that this new determinant factor needs to be studied further on the number of sample cooperatives that are more representative with a quantitative research approach, so that the conclusions can be generalized for all cooperatives in Indonesia.

3. Conclussion

Based on the results of this study, it can be concluded that the determinant factors of the cooperative dividend policy include: Liquidity/ Free Cash Flow, Leverage (Capital requirement), Profitability, and Risk. This determinant factor is in accordance with the results of previous studies. Meanwhile, new findings of determinants of cooperative dividend policy include: member participation in service utilization, regulations that must be obeyed by cooperatives, cooperative principles and member economic conditions.

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Determinant Factors of Dividend Policy in Cooperative Organization

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Abstract

Dividend policy is one of the functions of financial management with regard to the distribution of corporate earnings after tax or the cooperative surplus to the owner. Dividend policy in cooperatives organization is regulated based on regulations and member agreements stipulated in the articles of association and by-laws of the cooperative. The purpose of this study is to analysis the determinant factors of dividend policy in cooperative organization. This study uses research and analysis of descriptive qualitative approach. Data were obtained from 4 cooperatives, where the cooperative determined with consideration of routinely distributing cooperative surplus. The results of the study show that the determinant factors of cooperative dividend policies are found in several additional determinants such as: member participation, cooperative principles, member conditions and regulation, in addition to determinants that have been widely researched and used as guidelines for in general, such as: liquidity, profitability, firm size, capital requirement (leverage), and risk. New findings from the determinants of dividend policy in cooperatives organization such as member participation, cooperative principles, member conditions and regulation need to be studied further with a quantitative research approach, so that the conclusions can be generalized.

Keywords: Dividend Policy, Cooperative Organization and Cooperative Surplus

1. Introduction

Dividend policy is still a controversial issue and is often debated in the financial management literature (Gusni, 2017). Many literatures explain that dividend distribution is to attract investors, what about cooperative organization? which is referred to as the distribution of the cooperative surplus to the members. Cooperatives are one of the developing business entities in Indonesia with a total of 123,048 units with 22,463,738 members. (Kementerian Koperasi dan Usaha Kecil Menengah, 2019). Cooperative is not profit oriented but service oriented. Cooperative operated at cost (Roy, 1981).

The distribution of cooperative surplus, financially, is not only to reward the owner, but is distributed to the members as the cooperative's service users. The distribution of cooperative surplus is carried out fairly in proportion to the amount of business services of each member, and the provision of limited remuneration for capital (Menteri/ sekretaris negara Republik Indonesia, 1992). There are differences between cooperatives and other business entities in the dividend policy, the distribution of the cooperative surplus to attract members' interest in the use of services.

Thus, the distribution of cooperative surplus indicates the performance of the cooperative it is able to make efficiency, so that the cooperative has a return that is paid back to the members. The dividend is not just a source of income for shareholders, but act as an indicator to judge the performance of the firm (Al-Malkawi et al., 2015). The policy of distribution of cooperative surplus indicates the amount of return to members as owners and users of cooperative services, as well as a measure of cooperative performance. Dividend policy is a critical decision because it relates with other financial and investment decision (Abor & Bokpin, 2010).

Research on the theory and determinant factors of dividend policy has been mostly carried out on go public corporation, however not much has been done in cooperatives. Therefore, this research was conducted in cooperatives with the same topic. Cooperative surplus will be distributed to the owner (members), after it is set aside for reserves. Dividend policy will vary for each business entity, in corporation's dividend distribution is determined by the board of directors approved by the general meeting of members, while in cooperatives, the policy on the distribution of cooperative surplus is determined in the cooperative law and the decision of the member meeting. The decision to share the cooperative surplus from the cooperative is still a puzzle, the members always hope that at the end of year they will receive a large amount, while the management wants it to be used as retained earnings.

This condition indicates that there is a different desire between members as owners and management. A conflict of interest occurs between the member (principal) and management (agent). Sen, (1987) and Freeman & Williamson, (1987), mention that the owners assign the task to the managers to manage the firm with a hope that managers will work for the benefit of the owners. However, managers are more interested in their maximization of compensation. The argument on the agent's self-satisfying behavior is based on the rationality of human behavior. which states that human actions are rational and motivated to maximize their own ends. A periodic compensation revision and proper incentive package can motivate the managers to work harder for the better performance of the firm (Core et al., 1999) and by which the owners can maximize their wealth.

Management policy regarding the distribution of cooperative surplus must take into account determinant factors, such as cash flow ability and members' desires. Dividend policy has been of great interest for the researchers and extensive empirical research has been carried out to identify the potential factors that affect the dividend policy of the firm. However researchers are still unable to reach at a consensus in this regard (Kim & Jang, 2010). It has remained a puzzle for financial economists (Black, 1996). The emerging consensus is that dividend puzzle cannot be solved with any single factor (Abor & Bokpin, 2010). This condition also occurs in cooperative organizations, there have not been many studies on the topic of dividend policy, particularly in Indonesia.

The results of several research of Jaara et al., (2018) showed that company size has significant positive impact, which could solve the free cash flow problem, mature and large companies were paying more and consistent dividends. The return on equity was positive and significant, that firms with high profitability were paying larger consistent dividend pay-outs. The impact of historical dividends always positive and significant and signposts that firm trend of dividend payout rather than the random paying. Risk has a negative impact on the payout levels.

The analysis was depending on some theories that affect the dividend policy such as: Dividends irrelevance theory (DeAngelo & DeAngelo, 2006), bird in hand theory (Bhattacharya, 1979) and (Aivazian et al., 2003a), agency problems (Jensen & Meckling, 1976), (Jiraporn, P., 2008) and (Al-Najjar & Hussainey, 2009) and signaling theory (Miller & Rock, 1985), and (Ji-ming L & Zhao-hua W, 2009). The objectives of this studi to identify the theory and determinant factor of cooperative dividend policy. Clientele Effect Theory (Allen et al., 2000) and (Allen. F & Michaely, 2002).

Cooperatives function as economic and social institutions (double nature of cooperative), as economic institutions there are two economic actors, namely cooperative business and member households (double enterprises of cooperative) and members function as an owner as well as service users of cooperative business (dual identity of members) (E, 1994). Cooperatives operational refer to the cooperative identity, which includes the definition, values and principles of cooperatives.

In Indonesia, the definition, values and principles of cooperatives are contained in the Law of the Republic of Indonesia No. 25 of 1992 concerning Cooperatives (Menteri/sekretaris negara Republik Indonesia, 1992), a cooperative is a business entity whose members are individuals or a cooperative legal entity by basing its activities on the principle of cooperatives as well as a people's economic movement based on the principle of kinship. The principle of cooperatives with regard to the distribution of cooperative surplus from the business, is contained in the same Law, that the distribution of cooperative surplus is carried out fairly in proportion to the amount of business services of each member; and limited remuneration for capital.

The cooperative principle as the basis for the policy for the distribution of cooperative surplus from the business. Still according to the same law, Article 45 (2) The remaining proceeds after deducting reserve funds, distributed among members are proportional to the business services of each member, and used for Cooperative education and other purposes of cooperatives, the proportion is in accordance with the decisions of the Members' Meeting.

Dividend policy is concerned with making decisions in determining the amount of profit earned to be distributed/ paid to shareholders and how much to be reinvested (retained earnings) in the future. Dividend payout as distributions of retained earnings to the investors "Shareholders" based on their proportionate ownership (Ling et al., 1976). Dividends are usually paid in cash, but sometimes paid in stock or other means. Firms always look for an optimal dividend policy, among others to reach equilibrium among current dividend, future growth, and maximize firm's stock price. In contrast to the cooperative dividend policy, it depends on the size of the members' participation in the use of services.

According to Brigham & Houston, (2007), there are several theories that explain dividend policy, including: Dividend Irrelevance Theory, The Bird in Hand Theory, Tax Preference Theory. Meanwhile, according to Jaara et al., (2018), dividend policy theory that can be applied in his research includes Dividends irrelevance theory, bird in hand theory, pecking order theory, agency problems and signaling theory. The same research was conducted, by using the theory of Modigliani & Miller Theory, Clientele Effect Theory, Signaling Theory, bird in the Hand Theory, and Agency cost theory. Theory used in this study includes:

(1) Dividend Irrelevance Theory, a theory which states that dividend policy has no effect on firm value or the cost of capital. Modigliani & Miller Theory In 1961 (Miller & Modigliani, 1961), proposed that under certain specific assumptions, a firms' dividend policy has no influence on its value. According to DeAngelo & DeAngelo, (2006), who revisited the MM theory, argued that as "MM's assumptions restrict payouts to an optimum, their irrelevance theorem does not provide the appropriate prescription for managerial behavior". An increase in the distribution of cooperative surplus is only possible if cooperative surplus increases and the members can only receive it in cash.

(2) *The Bird in Hand Theory*, this theory states that investors feel safer to earn income in the form of cash payments than waiting for capital gains. Dividends are better than retained earnings, because in the end retained earnings may never manifest as dividends in the future. In recent studies, Aivazian et al., (2003a) compared between

the firms in developing countries and US firms they found that firms in emerging markets pay more dividends than the similar firms in US. Bhattacharya, (1979) called this argument the bird-in-the-hand fallacy. Furthermore, argued that the riskiness of firm affects the level of dividend payout. Moreover, the riskiness of a firm's cash flow effects on its dividend payments, but increases in dividend will not decline the risk of the firm.

(3) *Tax Preference Theory*, this theory states that investors want to withhold profit after tax and use it to finance investment rather than dividends in the form of cash. Therefore, companies should determine a low dividend payout ratio or not even pay dividends. Because dividends tend to be taxed higher than capital gains, investors will ask for a higher rate of return for stocks with high dividend yields. Thus, if dividends received are not taxed, the owner will receive dividend payments.

(4) Signaling Theory. Signaling Hypothesis argue that as the management of the company have more precise information about the company than the outsiders, they can bridge this information gap by using dividend payout as a tool to convey internal information to the investors (Bhattacharya, 1979), (Miller & Rock, 1985), and (Ji-ming L & Zhao-hua W, 2009). The asymmetric information model suggests that announcement of dividend payout, which is different from the expectations of the investors, contain information on future earnings. Furthermore, stock prices will adjust to reflect the unexpected changes of dividend. Benartzi et al., (1997) argued that "many dividend theories imply that changes in dividends have information content about the future earnings of the firm.

(5) Agency Cost Theory is one the most vital theories in dividend policy. The Agency theory argues that agency cost arises due to conflicts of interest between shareholders and management: Payment of dividend, therefore, can decrease the costs of investors and managers conflict (Jensen & Meckling, 1976; Easterbrook, 1984). The agency relationship as "a contract under which one or more persons (the principal(s) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent (Jensen & Meckling, 1976). The core of the agency cost theory is the conflict of interest of the managers and shareholders. Jiraporn, P., (2008) cited that one of the core theories clearing up the Dividend policy is the agency problem theory. Al-Najjar & Hussainey, (2009) found that the conflict of interest between managers and investors may be reduced by paying dividends to shareholders.

(6) Clientele Effect Theory. This theory asserts that the investors or the clienteles prefer a specific dividend yield; investors who are in high income tax brackets could find it more beneficial to hold low dividend yield stocks, whilst those have lower income tax brackets inclined to have high dividend yield stocks (Kalay, 1982) and (Allen et al., 2000). Allen. F & Michaely,(2002) pointed out that individual investors are in general higher marginal tax bracket while the corporate investors are in the lower tax bracket; they then have illustrated that individual investors hold low-dividend paying, whilst the corporate investors have high dividend paying stocks. Jun et al., (2011) examined a sample of Australian institutional equity funds and concluded that Australian firms are not inclined to pay high dividend.

The results of the study of Jaara et al., (2018) shows that company size has significant positive impact, which could solve the free cash flow problem, mature and large companies were paying more and consistent dividends. The return on equity was positive and significant, that firms with high profitability were paying larger consistent dividend pay-outs. The impact of historical dividends always positive and significant and signposts that firm trend of dividend payout rather than the random paying. Risk has a negative impact on the payout levels. Imran, (2011) studied 36 firms are listed under Pakistan's engineering sector between 1996-2008, he found that previous dividend payout yield, earning per share, profitability, sales growth and the size of the firm are the most crucial determinants of dividend payout. Al Shabibi, B.K. & Ramesh, (2011) studied sample of non-financial firms in UK, they found that board independence, profitability, firm size and firm risk have significant relationship with the dividend policy decisions. Moreover, the firm characteristics variables namely, profitability, risk and firm size consider as determinant factors for dividend policy among the non-financial UK firms. Osman D & Mohammed E, (2011) found the most factors have influence on dividend decision in Saudi Arabia they are namely, profitability, size, and business risk. Government ownership, leverage, and age have significant impact on the dividend policy of non-financial firms.

Liquidity, as excess cash flow above to finance all operational and free cash flow investment needs, Michael C. Jensen, 91986) defines free cash flow as excess cash flow from the agency to finance all projects that produce a positive net present value. The policy for the distribution of cooperative surplus from the cooperative is very dependent on the liquidity capacity. In accordance with the results of the study of Guizani, M & Kouki, (2011), they concluded that free cash flow and profitability impact on Tunisian firm's dividend decisions, they pay higher payouts when they have significant free cash flow and have high profitability. This study supported by Kowalewski et al., (2008) and Fodil Adjaoud and Walid Ben-Amar, (2010).

Profitability, Baker & Powell, (2000) found that the major determinant of dividend policy was the expected level of earnings in the future. Norhayati Mohamed,(2012), found that earning per share and return on equity are significant indictors for profitability whether they are used jointly or independently. Aivazian et al., (2003) concluded that profitability affects dividend payout, high debt ratios lead to reduced dividend payments, and market-to-book ratio has a positive relationship with dividend payments. Adil, (2011) found that the profitability which is measured by return on equity and earning per share has strong relationship with dividend yield. Naceur et al. (2006). The findings indicate that high profitability firms with more stable earnings could gain larger free cash flows and thus pay out larger dividends, and fast-growing firm payout larger dividends so as to appeal to investors.

Firm Size, Juhmani, (2009) revealed that dividend payout has significant relationship with size of companies. Eriotis, (2011) investigated the effects of distributed earnings and size of the firms to its dividend decision. Leon & Putra,(2014), profitability level and sales growth had a significant impact on the dividend payout. Growth Opportunity, Imran, (2011) found that dividend per share is associated positively with sales growth. D'Souza, J. and Saxena, (1999) concluded that a positive relationship but insignificant in the case of growth and negative but insignificant relationship in case of market to book value. The faster the growth rate, the greater the need for funds to finance company growth. The company usually prefers to hold its earnings rather than be paid out as dividends.

Capital requirements, if the cooperative is faced with paying off its debts in the short term, the management will try to hold back the distribution of cooperative surplus. Or at least only a small portion of earnings that can be paid as dividends, in other words, the dividend payout ratio will be paid lower.

Asad & Yousaf, (2014) examined the impact of company leverage on dividend payment, the results indicate that company leverage had a significant negative effect on dividend payments. Risk, defined as the risk associated to situations in which the company is involved in the risk environment. The relationship of firm's risk and dividend decision was investigated by Holder et al., (1998), Ling et al., (1976) and Mehta, (2014) They concluded that beta has a negative association with dividend payout.

1. Materials and Methods

1.1. Materials

The object of this research is on 4 cooperatives with the number of respondents 2 managements and 1 member in each cooperative. The data were processed and analyzed using a qualitative descriptive approach, through a triangulation Theory. The research used interview, observation and survey methods.

1.2. Methods

The method used in this study is a qualitative research method based on information in the form of qualitative data from managements and members of the cooperative. To obtain the correct truth of the information and a complete describtion of the information needed, this research combines free and structured interview methods. The final result of the research is an information formulation or thesis statement. The information obtained is compared with the relevant theoretical perspective to avoid bias in the findings or research results. From theoretical triangulation is expected to increase the depth of understanding of the results supported by in-depth theoretical knowledge of the research results obtained.

2. Results and Discussion

The results of direct interviews, observation and survey methods with 8 managements and 4 members of the 4 selected cooperatives are related to the theoretical application and determinants of the cooperative dividend policy. The results of direct interviews with informants to prove the validity of various determinants of cooperative dividend policy. Cooperatives have certain characteristics that are different from other business entities, such as a corporation. Table 1 is a summary of the results of interviews with informants in: 1) KUD Sarwamukti, 2) KSU Tandang Sari, 3) KKB Ikopin, and 4) Kopti kota Bandung.

Table 1: Resume Result of Interview, observation and survey

Management	Member
1) KUD Sarwamukti, 2) KSU Tandang Sari, 3) KKB Ikopin, dan 4) Kopti Kota Bandung	
8 Representatives	4 Member
Questions and Answer Resume	
Does the management always inform members regarding the remaining results of operations at the end of each current year?	How can members know that the cooperative has remaining results of operations?
The manager always announces the amount of the remaining business income obtained by the cooperative each year through the "Annual Member Meeting", the annual membership meeting report book, and several cooperatives present on the cooperative announcement board.	Members acknowledge that the cooperative obtains the remaining income and value, through financial reports that are informed at the annual member meeting, sometimes through the cooperative's announcement board or social media.
What is the tendency of members to the residual income obtained by the cooperative?	How do members understand the remaining results of their cooperative business?
Members have a tendency to receive the distribution of	The remaining portion of the members' share of

Management	Member
the residual income in cash and as soon as it is decided at the annual member meeting, the residual income is distributed as a habit of cooperative members	business is their right, which must be received after the annual membership meeting is held. It has become a habit that the residual income should be shared
Why should the "residual income" be divided?	Why should the "residual income" be divided?
The rights of members, regulations require the distribution of the rest of the profits from the members' share, as well as the cooperative principles that apply in the law. The performance of the management will be seen by the members, that the management as a party that is mandated by the members, in addition to providing optimal service, they must also carry out business efficiency so that the remaining business results increase. Distributing and distributing the remaining profits of the business to realize the principles of cooperatives. The distribution of the remaining portion of the operating income of the members is based on the amount of service utilization by the members and the capital paid in (the amount of savings).	Several members stated that distributing the remaining income from the business is a must as a manifestation of the cooperative principle. Most of the members are aware of the legal and other regulatory bases for the distribution of the profit. The percentage of the distribution of the remaining operating income has been determined in the AD / ART,
Does the board often ask members to reinvest the remaining income from the Member's share of operations?	Are members often advised not to take the remainder of their share of the business?
Members are often asked to save back the remaining proceeds of their part of the business, but only as a small number who express their willingness to save back in the form of special savings.	The management often explains the importance of the residual income to be reinvested, but still chooses to share the remaining income immediately even though it is a limited amount.
According to the board, why are members not interested in reinvesting the remaining portion of the members' operating income?	How do members expect the remaining business results obtained by the cooperative?
Members reasoned that they would rather receive money now even though it is in a limited amount than have to wait for the future.	Members really hope to get a large amount of residual income, they will receive it soon. Members prefer to receive the distribution of the remaining cash income rather than having to save in the form of special savings.
Does the management feel that the amount of the remaining income earned is related to the management's performance?	Do members provide management performance appraisals with the acquisition of the remaining operating income?
Members often ask about the amount of income from the member's share of operations, compared to the previous year, and this is related to the performance of the cooperative management and business.	If the cooperative is able to share the remaining results of the business, in large numbers, the manager is considered to be performing well, the remainder of the results of the business which is distributed in greater numbers shows the performance of the cooperative and its management is getting better.
According to the management, do members always associate the amount of the remaining income from the business with the re-election of the management?	Do members always want the remainder of the business to be shared?
Members often associate residual income from operations with re-election of management	Actually, not all member respondents want the remaining income from the business to be shared, but there are those who state that the role of cooperatives is important in helping members' businesses.
Is there any member who does not care about the remaining results of the business that they are entitled to?	Is the remaining part of the member's business always taken by the members?
There are some members who do not pay attention to the amount of the remaining income from their business and sometimes they are not taken.	Not always taken and do not care about the amount
How is the relationship between the remaining income of the members' share of taxes?	Is there a connection between the residual income of the members' share of taxes,
The remaining income from the members' share is not taxed, because the remaining income has been subject to income tax as a burden on the cooperative.	There is no relation, the Member stated that the residual income from the member's part is not subject to tax.

Management	Member
In deciding to divide the remainder of the members' share of the earnings, what factors are considered?	What are the reasons for the members that the remainder of the members' share of the effort must be shared?
The factors considered relate to the regulations that must be followed, especially in the AD / ART of a cooperative, it has become a commitment of the management to always share the remainder of the business, the amount of the remaining results of the Cooperative business obtained, the services used by each member, the bigger the cooperative the greater the demands from the members the remainder of the business must be shared, the opportunity for the development of the cooperative is that the management is increasingly motivated to pay the remaining results of the business so that the members have increased participation, the availability of cash, debts that must be resolved immediately, the risks faced by the cooperative, the members always link the remaining business results with the performance of the management, and cooperative development plans.	If the residual income from the business of a large cooperative encourages members to take the remaining proceeds from the members' share of the business, in accordance with the regulations and agreements set forth in the AD / ART, then the remaining income must be shared. Members have participated in the utilization of services and regular capital deposits (compulsory savings), the bigger the cooperative is, the members have the greater their hopes for the remaining results of the business. In order for the management's performance to increase.
What policies are established by the cooperative in sharing the remainder of the members' share of the business?	Apakah anggota menyadari bahwa koperasi dalam membagi sisa hasil usaha memiliki berbagai kebijakan?
The remaining income is allocated to several posts with a predetermined percentage, first for reserves, share of members, funds for management and employees, education and other social funds, with the same proportion (%) every year. The amount of the remaining portion of the operating income of the non-permanent members, because it is determined based on the amount of service utilization from each member, and partly based on the amount of paid-up capital. In conditions of financial difficulty, the cooperative often tries to ask members not to take the remaining proceeds from their business, but to add special savings, but it often fails, because members only see the existing rules, in the end the management only asks for postponement of payment for a certain period of time.	Members understand that the residual income obtained by the cooperative must be allocated to several posts, especially for reserves, members, management and employee funds and other educational and social funds. Members realize that the amount of residual income received depends on the number of services utilized. In certain conditions, the cooperative asks to postpone the payment of the members' share of the remaining income

Sumber: Interview Result

Based on qualitative data from interviews with cooperative managements and members in Table 1, the determinant factors of dividend policy in cooperative organizations presented in Figure 1.

Based on the results of interview, it can be summarized into indicators of the determinant factors of the cooperative dividend policy, Determinants factors considered by the management in making the policy for the distribution of the cooperative surplus are presented in the Figure 1.

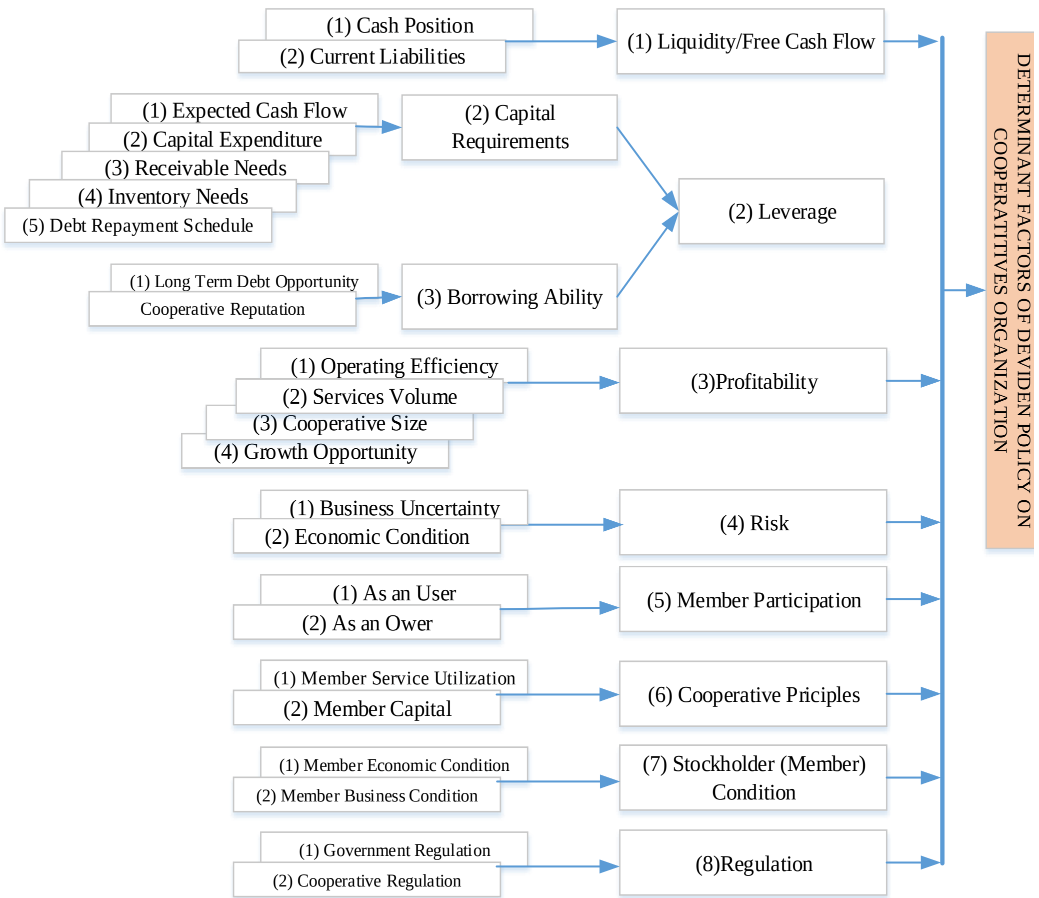

Figure 1: Determinant Factors of Cooperative Dividend Policy

The result of this study can be explained that the determinant factors of dividend policy that have been applicable and often studied in various research, as well as determinant factor to cooperatives dividend policy. However, based on the results of this study, the determinant factors of cooperative dividend policy can be found other determinants, such as member participation, cooperative principles, member condition and regulations governing the distribution of the cooperative surplus. Thus, the 5 factors generally accepted as a determinant and 4 factors as a new determinant. Determinant Factors of cooperative dividend Policy can be explained:

1) **Liquidity**/ Free Cash Flow, availability of liquidity (cash), is the main factor in determining the distribution cooperative surplus. If the cooperative's liquidity capacity is higher, the cooperative will pay cooperative surplus to their members. The cooperative's liquidity position will determine its ability to pay for the distribution of cooperative surplus. In the other side, if cooperative has a lot of current liabilities, they will hold back cooperative cash to pay cooperative surplus. Thus, the liquidity and current liabilities as an indicator of liquidity and as a determinant of the cooperative dividend policy.
2) **Leverage,** determined by capital requirements and barrowing ability of cooperative. **The Capital Requirements**, Debt repayment that must be resolved immediately. If the cooperative has an obligation to pay off debts and interest, it means that the cooperative must provide higher liquidity (expected cash flow, capital expenditure, Receivable and inventory) as a consequence the cooperative will retain a large part of cooperative surplus for this purpose. However, in practice it will be difficult to do because it has been regulated, and if necessary changes must go through a member meeting. The only possible condition is to postpone the payment of the portion of the member's cooperative surplus. Thus the need for funds to pay debts is a determining factor for the cooperative's dividend policy. **Borrowing Ability**, if the cooperative has an ability to borrow money in the kind of short and long terms debt, cooperative has a good reputation and trust from creditor, it will guarantee for borrowing money. Moreover, the cooperative also has collateral in the form of land and buildings with high value. thus, long-term debt opportunities, cooperative reputation and asset guarantees will determine the ability to obtain loans, so that the cooperative has the ability to distribute surplus to members.
3) **Profitability**, the size of cooperative surplus will also be a determining factor for the distribution of cooperative surplus, the greater of cooperative surplus it will attract the attention of members, the cooperative is required to pay for the greater distribution of cooperative surplus to the members. The greater of the cooperative size as measured by the amount of service volume to the members, the members who take advantage of cooperative services they get a bigger distribution of cooperative surplus. Operating efficiency is also an indicator of the formation of a surplus, the more efficient the cooperative surplus will also increase. Growth Opportunity, the faster

the development of the cooperative the greater the need for capital, so that members can increase their activeness in capital contributions, it must be balanced with an attractive payment for cooperative surplus to the member.

4) **Risk**, the higher risk faced by the cooperative, it will reduce the cooperative's ability to pay cooperative surplus to the members. Business uncertainty and economic conditions will affect the uncertainty of the amount of surplus obtained by the cooperative, like the current conditions, with the covid-19 pandemic, the ability of cooperative businesses has also decreased so that the surplus has also decreased ,as a result, the ability to pay for supplements will also be reduced.
5) **Member participation**, the participation of members, both as users and as owners, will determine the amount of surplus that will be distributed to members. As a user will determine the volume of cooperative services and the surplus that the cooperative gets. On the other hand, the distribution of the surplus really depends on the size of the services utilized by each member. The cooperative surplus is also divided based on the paid-up capital of the members, although in a limited proportion. The members always hope to obtain a large share of the surplus if they take advantage of the cooperative's services in large numbers.
6) **The cooperative principle**, one of the cooperative principles states that the cooperative surplus must be distributed proportionally to the volume of services utilized by each member. The greater the service used by the member the greater cooperative surplus will be received by member use. The other principle, mention that, the contribution of member capital also obtains a limited distribution of the cooperative surplus.
7) **Member condition**, Economic conditions of members vary widely, especially when viewed from the ability to earn income for daily life. Most of the members in the income category are stung downward, so the distribution of the cooperative surplus is one of the eagerly awaited hopes at the end of each financial year, especially at the annual member meeting
8) **The regulations** that must be obeyed by cooperatives require that the cooperative surplus must be distributed to those who are entitled, the provisions for the distribution of cooperative surplus are listed in the cooperative's statutes, so the management must be committed always to distribute the cooperative surplus. The regulations on the distribution of cooperative surplus are also regulated in laws and other government regulations established by the cooperative ministry.

Based on the result of data analysis, it can be further explained that The determinant factors that are considered by cooperatives are more than the determinants of the results of various previous studies on various companies, especially go public companies. The determinants of the policy for the distribution of cooperative surplus in accordance with the results of previous studies include: Liquidity/ Free Cash Flow, Capital Requirements, Borrowing Ability, Profitability, and risk.

The determinant factor of the cooperative dividend policy is in accordance with the results of research conducted by Jaara et al., (2018) show that company size showed significant positive impact, which could solve the free cash flow problem, mature and large companies were paying more and consistent dividends.

The return on equity was positive and significant, that firms with high profitability were paying larger consistent dividend pay-outs. Imran, (2011) he found that previous dividend payout yield, earning per share, profitability, sales growth and the size of the firm are the most crucial determinants of dividend payout. Al Shabibi, B.K. & Ramesh, (2011) studied sample of non-financial firms in UK, they found that profitability, firm size and firm risk have significant relationship with the dividend policy decisions.

Osman D & Mohammed E,(2010) found the most factors have influence on dividend decision in Saudi Arabia they are namely, profitability, size, and business risk. Government ownership, leverage, and age have significant impact on the dividend policy of non-financial firms.

Asad & Yousaf, (2014) examined the impact of company leverage on dividend payment, the results indicate that company leverage had a significant negative effect on dividend payments.

The finding of this study there are new determinant factors of cooperative dividend policy, include (1) member participation, (2) regulations that must be obeyed by cooperatives require that cooperative surplus must be distributed to those who are entitled, (3) one of the applicable cooperative principles requires that cooperative surplus must be distributed to members proportionally to the use of services and (4) Member condition in the middle to lower class, who have a strong interest in sharing of the business. This new determinant factor is of course inconsistent with the results of previous studies. It should be noted that this new determinant factor needs to be studied further on the number of sample cooperatives that are more representative with a quantitative research approach, so that the conclusions can be generalized for all cooperatives in Indonesia.

3. Conclussion

Based on the results of this study, it can be concluded that the determinant factors of the cooperative dividend policy include: Liquidity/ Free Cash Flow, Leverage (Capital requirement), Profitability, and Risk. This determinant factor is in accordance with the results of previous studies. Meanwhile, new findings of determinants of cooperative dividend policy include: member participation in service utilization, regulations that must be obeyed by cooperatives, cooperative principles and member economic conditions.

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