

## ABSTRACTS

*Dividend policy is an interesting topic to be discussed despite the fact that there are contentious arguments on theories about dividend. In this research dividend policy will be viewed through the agency theory by considering the existence of corporate principals, in this case the institution's ownership and debtholder. A stable institution ownership, large quantity and the existence of financial institutions have eminence in monitoring and the ability to affect the company's decisions. Thus, the power of debtholder through its debt contract can affect and circumscribe corporate policies in setting the policies for corporate dividend. Specifically, the objective of this study is to observe the role of institution ownership and debtholder's power towards profitability and the company's dividend which are mediated by corporate governance internal at public corporations in Indonesia.*

*The study was conducted by all non-financial companies which consist of 11 industries listed at the Indonesian Stock Exchange from 2007 to 2010. The data are in the form of secondary data generated from the company's financial reports available at the Center of Reference of Capital Market and the Indonesian Capital Market Directory. A total of 123 analysis units of 76 companies were achieved which were taken from pooling data and based on purpose sampling. AMOS 16.0 software is used in estimating the completion path model.*

*The result shows that institution ownership's stability and its percentage of ownership have positive impacts on profitability and corporate dividend policy. The power of debtholders has negative impacts on mechanism internal corporate governance and dividend policy. Whereas mechanism internal corporate governance as well as profitability cannot play their roles as a mediation between the principal and corporate dividend policy. Company and industrial characteristics such as the size of the company, the existence of financial institution ownership and types of industry affect predictive power.*

*Key words: dividend policy, profitability, institution ownership, debtholders, internal corporate governance.*