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DIVIDEND POLICY DETERMINANTS: STUDY IN MANUFACTURING COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE

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Abstract. Dividend policy is a policy that gives a signal to investors to invest in shares in a company. Therefore, research on the determinants of dividend policy is an interesting issue to research. This research aims to determine the influence of managerial ownership, institutional ownership and debt policy on dividend policy. The population in this research is food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange in 2020-2022, namely 16 observations from 38 companies with an observation period of 3 years so that the data used is 48 data. The sampling technique uses a purposive sampling method, the type of data used is secondary data in the form of company financial reports, this research uses the multiple linear regression analysis method. The research results show that managerial ownership has a positive and significant effect on dividend policy, while institutional ownership has no significant positive effect on dividend policy, and debt policy has a significant negative effect on dividend policy. The results of this research support the results of previous research. For future research, it is recommended to add factors that are thought to influence dividend policy, and add years of research observation.

Keywords: managerial ownership; institutional ownership; debt policy; dividend policy

I. INTRODUCTION

Research on dividend policy is an interesting research area to date. A policy that gives a signal to investors to invest in shares in a company, because through the dividend policy investors can find out the amount of dividend payments and the amount of retained earnings for the benefit of company development. Dividend policy has a very important impact on investors and also on the company that will pay dividends. Dividends can be interpreted as rewards that owners receive from their investments. Dividends can be in the form of cash or shares which are determined based on the profits earned by the company. Relatively stable dividend distribution will increase investor confidence in investing their funds in the company; However, this cannot always be achieved because managers as agents try to retain profits for business development or expansion. Managers tend to prefer to reinvest profits obtained from the company's operational activities so that the company experiences better growth. The higher the dividends distributed, the less retained earnings and the impact is to hamper the rate of growth in earnings and share prices. If the company plans to pay large dividends, the interest in the company's reserves is neglected. On the other hand, if the company has the desire to retain profits, then the interests of shareholders in cash are also neglected. The amount of dividends distributed to shareholders can be influenced by sharing from both internal and external sources. This research focuses on internal factors, namely; managerial ownership, institutional ownership and debt policy. These factors are thought to be important in dividend policy decisions. This is also supported by previous research evidence that tested these factors (such as; Sisca Christianty Dewi, 2008; Simanjuntak & Kriswanto 2015; Wiwin Indriani, 2016)

The research results of Simanjuntak & Kriswanto (2015) show that managerial ownership has a negative and significant influence on dividend policy. However, different findings were found by Wiwin Indriani (2016) who showed empirical evidence of the positive and significant influence of ownership on dividend policy. Simanjuntak & Kriswanto (2015) research proves that institutional ownership has an insignificant positive influence on dividend policy. However, Sisca Christianty Dewi (2008) shows that institutional ownership has a negative and significant influence on dividend policy. D.A Wulandari (2023) proves that debt policy has a positive and insignificant effect on dividend policy, while Sisca Christianty Dewi proves that debt policy has a significant negative effect on dividend policy. The inconsistent and conclusive results of previous research have encouraged researchers to re-examine the influence of managerial ownership, institutional ownership, and debt policy on dividend policy in the manufacturing industry listed on the Indonesia Stock Exchange (BEI). This research aims to provide empirical evidence; (1) the influence of managerial ownership on dividend policy; (2) the influence of institutional ownership on dividend policy; (3) the influence of debt policy on dividend policy. This research is expected to provide useful information for investors as a basis for consideration when investing in shares in companies.

Agency theory is a theory that explains the relationship between principal and agent (Jensen and Meckling 1976). An agency relationship occurs when more than one person (principal) employs another person (agent) to provide services and then delegates authority in decision making. Agency problems are problems that arise due to conflicts of interest between managers (agents) and shareholders due to the separation of duties in changes. On the one hand, the principal aims to improve their welfare through dividends obtained, and on the other hand, management has an interest in their welfare. The causes of conflict between principal and agent include financial decisions, namely whether profits are distributed as dividends or retained as capital. Agency theory in this research is used to look at the relationship between management and company owners through dividend policy.

Signaling theory is a theory used to understand actions by management in conveying information to investors which can ultimately change investors' decisions regarding the condition of the company. According to Atmaja (2013; 285) "dividend signaling theory is a theory which states that investors consider changes in dividends as a sign of management's estimates of profits". There is a tendency for share prices to rise if there is an announcement of an increase in dividends, the dividend itself will not cause an increase or decrease in share prices, but the company's prospects as indicated by an increase or decrease in dividends paid will cause changes in share prices. Signal theory can also help the company (agent), owner (principal), and parties outside the company in reducing information asymmetry by producing quality or integrity of financial report information.

Dividend policy is a very important policy for a company because through dividend policy investors know the amount of dividend payments obtained from investing in shares and the amount of retained earnings for the benefit of the company. According to Agus Sartono (2017) "dividend policy is a decision whether profits earned by the company will be distributed to shareholders as dividends or will be retained in the form of retained earnings to finance future investments." Based on the description above, it can be stated that dividends are part of profits that can be distributed to shareholders, the amount of which is based on dividend policy. The amount of dividends given is determined at the shareholders' meeting and is expressed in a certain amount or percentage (%) of the nominal value of the shares and not of the market value.

Managerial ownership is thought to influence dividend policy. Managerial ownership is ownership by managers of company shares. In this case, the manager is simultaneously a shareholder (principal) and also a manager (agent). Managerial ownership can be seen through financial reports, this is shown by the number of shares owned by the manager compared to the total company shares. In agency theory, the relationship between managers and shareholders is described as agent and principal. In this context, both parties have their own interests, shareholders and managers both have an interest in maximizing their goals. In carrying out the company's operational mission, managers often ignore the goal of maximizing shareholder prosperity. Managers tend to always want to prioritize their own welfare. This condition will result in differences in interests between managers and shareholders. According to Luciana (2016), the greater the managerial ownership in the company, the more management will strive for the interests of shareholders, and this is related to the size of dividend payments by shareholders.

Institutional ownership is share ownership by institutions, namely ownership by this company or institution. Institutional share ownership can be in the form of insurance companies, banks, investment companies and other institutional ownership. Institutional ownership will encourage optimal monitoring of the Company's performance and can be used as a benchmark in reducing agency conflicts. Institutional ownership as a provider of funds for the Company's capital has certain groups in investing its funds in the Company. According to Bathala (1994), the greater the percentage of shares owned by institutional investors, the more effective monitoring will be, through opportunistic control by managers. A high level of institutional ownership will give rise to greater monitoring efforts by institutional investors so that it can prevent the behavior of managers who prioritize their own interests which can be detrimental to company owners.

Debt policy is a company policy, namely the extent to which the company uses debt as a source of funding. The use of debt that is too high will cause a decrease in dividends where most of the profits will be allocated as debt repayment reserves, whereas at low levels of debt the company distributes high dividends so that most of the profits are used for shareholder welfare.

II. RESEARCH METHODS

In this research, quantitative descriptive research methods are used, according to Sugiyono (2018) "quantitative research methods are research methods based on positivist philosophy, used to research certain populations or samples, data collection using research instruments, quantitative/ statistical data analysis with the aim of to test predetermined hypotheses". The data analysis technique used in this research is the multiple linear regression model, which is a model for analyzing the influence of more than one independent variable on the dependent variable.

III. RESULTS AND DISCUSSION

The influence of managerial ownership on dividend policy

The results of statistical analysis show that the managerial ownership variable has a positive and significant effect on dividend policy. This can be interpreted as meaning that the greater the proportion of shares owned by management in the company, the greater the dividends distributed will be. This research supports the findings of Wiwin Indrisari (2016) who succeeded in proving that managerial ownership has a significant and influential effect on dividend policy, which indicates that the greater managerial ownership will increase dividend policy.

The influence of institutional ownership on dividend policy

The results of statistical analysis show that institutional ownership does not have a positive and significant effect on dividend policy. This shows that the higher the proportion owned by institutions does not guarantee a higher level of dividend policy, which means that company management does not take institutional ownership into account in determining dividend policy. This research is inconsistent with research conducted by Simanjuntak & Kriswanto (2015) which proves that institutional ownership has an insignificant positive influence on dividend policy, that the higher the level of institutional ownership, the stronger the level of control exercised by external parties over the company, resulting in higher agency costs. occurring within the company is decreasing and the value of the company is also increasing.

The influence of debt policy on dividend policy

The results of statistical analysis show that the debt policy variable has a negative effect on dividend policy, this means that the higher the debt policy, the lower the dividend policy. This research supports the findings of Sisca Christianty Dewi (2008) with research results stating that debt policy has a negative effect on dividend policy, if a company has a high level of debt, then the company tries to reduce the agency cost of debt by reducing its debt. Debt reduction can be done by financing the investment with internal funding sources so that the holder will give up dividends to pay for the investment.

IV. CONCLUSION

Based on the test results and discussion described in the previous chapter, the following conclusions can be made: The managerial ownership variable has a positive and significant influence on dividend policy, this can be interpreted as the greater the proportion of shares owned by management in the company, the greater the dividends distributed, The institutional ownership variable does not have a positive and significant effect on dividend policy, this shows that the higher the proportion owned by institutions does not guarantee a higher level of dividend policy. The debt policy variable has a negative and significant effect on dividend policy, this shows that the higher the debt policy, the lower the dividend policy. Based on the analysis that has been carried out and conclusions have been drawn, several suggestions can be put forward as follows: Add previous research theories related to this research as additional reference sources. Increase the size of the research population by extending the research observation period so that the scope and sources used are wider and the research results can be more accurate. It is hoped that future research can use or add other independent variables so that variations are more diverse.

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