

THE INFLUENCE OF MANAGERIAL OWNERSHIP, INSTITUTIONAL OWNERSHIP, AND LEVERAGE ON DIVIDEND POLICY (CASE STUDY OF FOOD AND BEVERAGE COMPANIES LISTED ON THE IDX FOR THE 2017-2021 PERIOD)



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Abstract

This research aims to determine and analyze the influence of managerial ownership, institutional ownership, and leverage variables on dividend policy. The population is food and beverage companies on the Indonesia Stock Exchange for the 2017-2021 period. The sample of this research was determined by sampling method based on the criteria of companies listed on the Indonesia Stock Exchange (IDX) and the publication of complete reports and data including data from variables that have been studied during the 2017-2021 research period. This research uses quantitative data with multiple linear regression techniques. The research sample was determined using a purposive sampling technique and resulted in a sample of 20 companies. Quantitative analysis includes classical assumption tests (normality test, multicollinearity test, heteroscedasticity test, autocorrelation test), multiple linear regression test, model feasibility test via t-test, F test, and coefficient of determination. Based on the research results, show that managerial ownership does not affect dividend policy, institutional ownership has a positive effect on dividend policy, and leverage has a positive effect on dividend policy. Based on the research results that have been explained, it can be concluded that managerial ownership has no effect on dividend policy, and institutional ownership and leverage have a positive effect on the dividend policy of food and beverage companies listed on the IDX for the 2017-2021 period.

Keywords: Managerial, Institutional, Leverage, Dividend

INTRODUCTION

The very rapid development of the economy and business makes business opportunities even greater with increasingly tight company competition. So, companies must innovate and improve company performance to make it more effective and efficient to achieve change and development for the better. With increasingly rapid economic and business developments, companies need to pay attention to the decision-making required by company management to minimize the possibility of risks and uncertainties that will occur (Firdaus et al., 2020).

The Indonesian Stock Exchange (IDX) is one of the capital markets in Indonesia which can be an alternative funding for all corporate sectors in Indonesia. Every company registered on the IDX must report its financial results every year. Before investing their funds, potential investors need information about the company's performance results as evaluation material. Financial reports are a source of various information for investors.

A dividend policy is a decision by which a company generates profits that will be distributed as dividends to shareholders or retained in the form of profits to cover future investment costs (Febrianti & Zulvia, 2020). The size of the dividends paid by companies to shareholders as investors depends on the dividend policy of each company.

Dividend policy in a company will involve two interested and conflicting parties, namely the company and investors. The company wants the profits to be paid as dividends in small amounts so that most of the profits remain the property of the company to finance the company's growth. But on the other hand, investors want to receive bigger dividends. These differences in interests ultimately give rise to agency conflicts (agency problems).

Managerial ownership is ownership where there is involvement between shareholders, namely commissioners and directors who play an active role in decision-making to achieve equality with other shareholders (Hutagalung & Setiawati, 2019). Managerial ownership can reduce agency conflicts because the manager's actions are in accordance with the wishes of shareholders and provide managers with the opportunity to be involved in share ownership. Participating in share ownership encourages managers to act carefully because they will bear the consequences of decisions made later. The

existence of managerial ownership will motivate managers to improve their performance in managing the company.

Institutional ownership is ownership of shares in a company by institutions or institutions such as insurance companies, investment companies, and banks. Institutional ownership has a very important role in minimizing agency conflicts between managers and shareholders. Institutional ownership will encourage increased monitoring of management performance because share ownership provides a source of power that can be used to support management performance (Rahayu & Rusliati, 2019).

Leverage is the use of borrowed funds that can increase profits through investment. The use of loan funds that are too large in operational activities has an unfavorable influence on the company because the company has to pay its obligations which will reduce the profits generated. A decrease in profits earned by the company will reduce dividend distribution to shareholders (Firdaus et al., 2020).

REVIEW OF LITERATURE

Dividend Policy

A dividend policy is a policy where a company decides to distribute its profits in the form of dividends to shareholders. According to (Bawamenewi & Afriyeni, 2019) Dividend policy is a company's decision whether to maintain the dividends earned or distribute them in cash to shareholders. The dividend policy contains a decision on whether the profits generated by the company at the end of the period will be distributed to shareholders or the profits will be kept by the company in the form of profit balances which will be used by the company as a source of investment funding in the future.

Dividend policy is an inseparable part of the company's funding decisions, which will be distributed to shareholders and reinvested or retained in the company (Hoang et al., 2020). A company will determine its dividend policy before announcing it and paying it to shareholders. Dividend policy is often considered as part of spending decisions, especially internal spending.

Managerial Ownership

Managerial ownership refers to shareholders who come from management and actively participate in company decision-making. Managerial ownership is sharing ownership owned by company management which is measured using the percentage of the number of shares owned by management (Firdaus et al., 2020).

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Institutional Ownership

Institutional ownership is sharing ownership by institutions. The existence of institutional ownership will encourage managers to act more carefully in making the right decisions so that they can safeguard the interests of shareholders (Suari & Wati, 2020).

The higher level of share ownership by institutional parties will result in greater monitoring efforts to reduce agency problems. Therefore, companies tend to pay low dividends because the possibility of agency problems is relatively small, so that the higher the institutional ownership, the lower the dividend payout ratio.

Leverage

Leverage is a company's ability to fulfill all its obligations. Solvency shows the company's ability to pay off all existing debts using all the assets it owns. The company's operational capabilities are reflected in the assets owned by the company (Bawamenewi & Afriyeni, 2019).

Leverage shows the proportion or use of debt to pay for investment in the company. Excessive use of debt in operational activities hurts the company because the company has to pay its obligations, which then has an impact on the profits obtained (Firdaus et al., 2020).

RESEARCH METHOD

This research uses quantitative research methods using secondary data obtained from the Indonesia Stock Exchange (BEI). The population in this study are food and beverage companies listed on the Indonesia Stock Exchange for the 2017-2021 period. The research sample was selected using purposive sampling, resulting in a total sample of 20 companies from 2017 to 2021.

Descriptive statistics are statistics used to analyze information using the method of describing or describing existing information (Venina & Nariman, 2020). An overview or description of data that can be seen from the average (mean), standard deviation, maximum and minimum values. Variable output results from descriptive statistical tests of the variables used are Dividend Policy (Y), Managerial Ownership (X1), Institutional Ownership (X2), and Leverage (X3).

Regression analysis, apart from measuring the strength of the relationship between two or more variables, also shows the direction of the relationship between the dependent variable and the independent variable.

RESULTS AND DISCUSSION

The Effect of Managerial Ownership on Dividend Policy

Hypothesis testing aims to determine the effect of managerial ownership on dividend policy. This study formulates the first hypothesis that managerial ownership affects dividend policy. Based on the results of the partial test (t test), the managerial ownership has a significance level of 0.915 greater than 0.05 or $0.915 > 0.05$, which indicates that H1 which states that the managerial ownership affects dividend policy is rejected. The managerial ownership has no effect, meaning that the higher the managerial ownership will not affect the high and low dividend policy.

Based on the results of the research above, it can be concluded that managerial ownership does not affect dividend policy. This is because shows that the size of the percentage of managerial ownership in the company does not affect the number of dividends that will be distributed. The small percentage of share ownership by directors and commissioners in a company shows that the shares held by managerial ownership are still

minority shares. and companies tend to allocate profits to retained earnings rather than paying dividends because internal funding sources are more efficient than external funding sources.

The Effect of Institutional Ownership on Dividend Policy

Hypothesis testing aims to determine the effect of institutional ownership on dividend policy. This study formulates the second hypothesis that institutional ownership has a positive effect on dividend policy. Based on the results of the partial test (t-test), institutional ownership has a significance level of 0.017 smaller than 0.05 or $0.017 < 0.05$, which indicates that H2 which states that institutional ownership affects dividend policy is accepted. Institutional ownership has a positive effect, meaning that the greater the institutional ownership, the higher the dividend policy.

Institutional ownership is sharing ownership owned by an institution or government. The higher the percentage of institutional ownership, the tighter external parties will carry out supervision. This supervision is carried out so that managers can look for good investment opportunities for the company's future prosperity. Intensive supervision carried out by investors causes managers to act in accordance with investors' interests. If managers prioritize personal interests, there is a possibility that it will have an impact on reducing profits (Nugraheni & Mertha, 2019).

The Effect of Leverage on Dividend Policy

Hypothesis testing aims to determine the effect of leverage on dividend policy. This research formulates the third hypothesis that leverage positively influences dividend policy. Based on the results of the partial test (t test), the leverage has a significance level of 0.000 smaller than 0.05 or $0.000 < 0.05$, which indicates that H3 states that leverage affects accepted dividend policy. The leverage has a positive effect, meaning that the higher the leverage, the higher the dividend policy.

Leverage is a ratio used to measure the extent to which company assets are financed with debt. If a company has more debt than the capital it has, the level of uncertainty in dividend payments to investors will increase (Firdaus et al., 2020).

CONCLUSION

Based on the results of the study, the conclusions that can be obtained are as follows:

1. Managerial ownership does not affect dividend policy. This is because managerial ownership of the company does not affect the number of dividends that will be distributed.
2. Institutional ownership has a positive effect on dividend policy. This is because the higher the percentage of institutional ownership, the tighter external parties will carry out supervision. This supervision is carried out so that managers can look for good investment opportunities for the company's prosperity in the future.
3. Leverage has a positive effect on dividend policy. This is because a company has more debt than the capital it has, so the level of uncertainty in dividend payments to investors will increase.

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