E3J (Economic Education and Entrepreneurship Journal)
(p-ISSN : 2579-5902) (e-ISSN : 2775-2607)
Volume 7, Number 1, 34-41

The Influence of Managerial Ownership, Company Growth and Profitability on Dividend Policy in Lq45 Companies 2019-2021

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Article Info

Article History
Received: December 2023
Revised: May 2024
Published: June 2024

Keywords:
Managerial Policy, Company Growth, Profitability, Dividend Policy

Doi:
http://dx.doi.org/10.23960/E3J/v7i1.34-42

Abstract

Dividend policy is a decision about how much of current earnings will be paid out as dividends rather than retained earnings which will then be reinvested in the company. dividend policy can be measured through the dividend payout ratio (DPR). The ratio shows the percentage of the company's earnings that are paid out to shareholders in cash. Companies that have a high DPR and increase from year to year can provide positive signals to investors, because dividend announcements can be used as information by shareholders regarding company performance. This study aims to determine the effect of managerial ownership, company growth, profitability on dividend policy in LQ45 companies 2019-2021. This research is quantitative research. The data used is also secondary data taken from the official website of the Indonesia Stock Exchange in the form of financial reports of LQ45 companies listed on the IDX. Based on the results of data analysis and discussion of the effect of Managerial Ownership, Company Growth, and Profitability on Dividend Policy in LQ45 companies 2019 - 2021, it can be concluded. The managerial ownership variable has no effect on dividend policy as proxied by the dividend payout ratio. The company growth variable affects the dividend policy proxied by the dividend payout ratio. This indicates that any increase or decrease in total assets during the observation period affects the dividend to be distributed to shareholders. The profitability variable has no effect on dividend policy proxied by the dividend payout ratio.

INTRODUCTION

The capital market is a place for investors to carry out investment activities. One of the investment products in the capital market is stock investment. Investors in investing their funds in a company (shares) will be faced with investment returns in the form of dividends and capital gains. Capital gain is a capital gain obtained from the difference between the purchase price and the selling price of shares. According to Bringham et al (2014), dividends are one way of distributing free cash flow to shareholders usually in cash. Dividends are a return on investment for shareholders usually in cash and are recorded as a direct reduction in retained earnings (Harrison Jr et al., 2017). Therefore, financial managers must make 3 (three) decisions, namely investment decisions, funding decisions and dividend decisions. Dividend policy is an inseparable part of corporate funding decisions (Van Horne and Wachowicz, 2005).

Dividend policy is a decision about how much of current earnings will be paid as dividends rather than retained earnings which will then be reinvested in the company (Bringham & Houston, 2011). Dividend policy decisions cannot be separated from financing decisions. The financing decision itself is a company activity concerned with efforts to obtain the funds needed and efforts to use these funds as efficiently as possible (Van Home & Wachowicz, 2008).

According to Van Home & Wachowicz (2008) dividend policy can be measured through dividend payout ratio (DPR). The ratio shows the percentage of the company's income that is paid to shareholders in cash. According to the bird in hand theory, developed by Gordon & Litner (1956) states that dividend payments can reduce uncertainty, which means it can reduce risk, which in turn will reduce the level of profit required by shareholders. High dividends will help reduce uncertainty because some types of investors prefer current income over capital gains that will be received in the future.

Tabel 1. Dividend Per Share of LQ45 Index Participants in the 2019-2021 Period Consecutively

Company	2019	2020	2021	Average
AKRA	61,60%	51,50%	51,50%	55%
BBNI	25%	25%	25,05%	25%
BMRI	45%	60%	60%	55%
GGRM	Does not pay dividends	65,41%	77,24%	48%
JSMR	5%	Does not pay dividends	Does not pay dividends	2%
MNCN	Does not pay dividends	6%	Does not pay dividends	2%
PTBA	92,75%	36,08%	100,22%	76%
UNTR	40%	40%	45%	42%

Source: financial statements (processed)

Based on table 1.1 PT Bukit Asam Tbk (PTBA), PT AKR Corporindo Tbk (AKRA) and PT Bank Mandiri Tbk (BMRI) have a high average dividend payout ratio for 3 years compared to other companies, which is 76% for PTBA, 55% for AKRA and 55% for BMRI. PTBA's largest DPR occurred in 2021, which amounted to 100.22%.

Companies that have high DPR and increase from year to year can provide positive signals to investors, because dividend announcements can be used as information by shareholders regarding company performance (Meilita & Rokhmawati, 2017). This is based on the signaling hypothesis theory where investors prefer dividends over capital gains, it can be proven by the empirical fact that if there is an increase in dividends, an increase in stock prices will follow and vice versa. So as to make investors interested in buying company shares. The decision on the amount of dividend policy itself is determined by the company's ownership structure through the general meeting of shareholders (GMS).

The manager is the agent and the shareholder is the principal. Managers must make the best decisions to increase the wealth of shareholders. The business decision taken by the manager is to maximize the company's resources (utility). However, shareholders cannot monitor all decisions and activities carried out by managers. A threat to shareholders if managers will act in their own interests, not in the interests of shareholders. This is the basic problem in agency theory, namely the existence of conflicts of interest.

In running a business, owners usually delegate to other parties, namely managers, causing agency relationships to arise. The problem usually occurs between owners (shareholders) and managers, managers and debtholders, as well as managers and shareholders and debtholders (Masdupi, 2005). Of the various sectors listed on the Indonesia Stock Exchange (IDX), manufacturing companies are one of the company sectors that have bright prospects in the future. The rapid population growth and economic development in Indonesia make the manufacturing company sector the most strategic sector to get high profits in investing.

Company growth indicates the company's ability to maintain its business continuity. In general, companies that grow quickly obtain positive results in the sense of stabilizing their position on the competitive map, enjoying significantly increased sales and accompanied by an increase in market share. Fast-growing companies also have the advantage of a positive image, but companies must be extra careful, because the success obtained causes the company to be vulnerable to negative issues.

Dividend policy is a decision to determine the amount of income that will be distributed to shareholders and the part that will be retained. Dividend payment policy has a very important impact on investors and companies that will pay dividends. According to Bringham (2011), company growth will affect dividend policy where with a good growth rate the company will certainly allocate the funds obtained by the company to invest, thereby reducing the distribution of dividends to shareholders. Retained earnings are one of the most important sources of funds to finance company growth (Weston and Bringham, 1996). the greater the retained earnings for funding needs, the more likely the company is not to distribute dividends.

Dividend policy can be influenced by the company's growth rate. High company growth will reduce the portion of dividends distributed to shareholders. This is because the company will use most of its profits to finance company growth, so that the remaining profits will be distributed as dividends will be smaller. Profitability is an important element for profit-oriented companies. For company leaders, profitability can be used as a benchmark to determine the success of the company they lead, while for investors profitability can be used as a signal in investing in a company. The company's ability to pay dividends is a function of profit. Profitability is a ratio used by companies to measure the company's ability to generate profits (Sartono, 2001). Another opinion states that profitability is the ability to generate profit (profit) during a certain period by using productive assets or capital, both overall capital and own capital (Van Horn & Wachowies, 1997).

This profitability ratio will provide an overview of the effective level of company management. The greater the profitability means the better, because the prosperity of the company owners increases with the greater profitability. The profitability ratio consists of Profit Margin, Basic Earning Power, ROA, and ROE. This level of profitability is used as a basis for measuring the company's financial performance, this is done considering that business attractiveness is one of the important indicators in business competition, while business attractiveness can be measured by business profitability such as ROA, ROE, and NPM. A high level of profitability shows that the company is getting bigger to pay dividends to shareholders. Higher business attractiveness will encourage new entrants to enter the business world so that abnormal profits will gradually lead to normal profits. The easiest thing to do to analyze a company's profitability is to relate the reported net income to the total assets on the balance sheet. The company's net profit is obtained from the match between total revenue and total costs. In addition, profitability is highly dependent on economic analysis and the successful implementation of recent investment projects. (Helfert, 1997).

The company will continue to grow if the company gets profit or profit. Profit or profit consists of retained earnings and distributed profits to minimize break events. Furthermore, retained earnings become the most important source of funds to finance the growth of the company. Dividend distribution is a complicated problem in the company due to differences in interests between shareholders and company management, which is often referred to as the agency problem.

Various previous studies related to managerial ownership show mixed results. Nuringsih (2005) said that managerial ownership has an insignificant effect on dividend policy. Meanwhile, Kahar (2008) concluded that managerial ownership has a positive effect on funding policy and a negative effect on dividend policy. This study contributes by discussing dividend policy.

According to Sutrisno (2003) dividend policy is a policy related to dividend payments by the company in the form of determining the amount of dividends to be distributed and the amount of retained earnings for the benefit of the company. Because dividends are always based on net income for the year and net income is a measure of company performance. Managers who own shares in the company will enjoy this dividend. Increasing dividend payments will also reduce the company's ability to invest so that it will actually reduce the company's growth rate and will further reduce the value of shares. This study aims to determine the effect of managerial ownership, company growth, profitability on dividend policy in LQ45 companies 2019-2021.

METHODS

This research is included in the type of causal research, which is a type of research conducted to test hypotheses about the effect of one or more independent variables (independent) on the dependent variable (dependent), this research is descriptive quantitative, namely data obtained from a sample of the research population which is analyzed in accordance with the statistical methods used and then interpreted. In collecting the data, this research uses the documentation method. The data used is also secondary data taken from the official website of the Indonesia Stock Exchange in the form of financial reports of LQ45 companies listed on the IDX. In addition, this study uses the SPSS 25 application in carrying out the analysis in this study. The data analysis used is a regression model to determine the effect of various x variables on y, then the classical assumption test, hypothesis testing, coefficient of determination and t test.

RESULTS AND DISCUSSION

A. Result

Table 2. Normality test of Company Value

One-Sample Kolmogorov-Smirnov Test		
		Dividend Policy
N		36
Normal Parameters[a,b]	Mean	0,6527
	Std. Deviation	0,48328
Most Extreme Differences	Absolute	0,257
	Positive	0,257
	Negative	-0,110
Test Statistic		0,257
Asymp. Sig. (2-tailed)		,000[c]
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

Based on the Kolmogorov-Smirnov test that has been applied, it is concluded that the variable data in the study are not normally distributed.

Table 3. Transformation Normality Test

One-Sample Kolmogorov-Smirnov Test		
		Ln_Kebijakan_Dividen
N		36
Normal Parameters[a,b]	Mean	-0,7189
	Std. Deviation	0,83087
Most Extreme Differences	Absolute	0,120
	Positive	0,120
	Negative	-0,095
Test Statistic		0,120
Asymp. Sig. (2-tailed)		,200[c,d]
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		
d. This is a lower bound of the true significance.		

In obtaining the results of the transformation normality test, the significant value of the Kolmogorov-Smirnov test changes to 0.200 which is greater than 0.05. Based on these results, the data used in this study are normally distributed.

Tabel 4. Hasil Uji Multikolinieritas

Coefficients[a]								
		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
Model		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	0,717	0,113		6,373	0,000		
	Kepemilikan Manajerial	-1,625	2,093	-0,117	-0,777	0,443	0,991	1,009
	Company Growth	-2,217	0,652	-0,622	-3,398	0,002	0,666	1,502
	Profiabilitas	1,642	1,457	0,206	1,126	0,268	0,670	1,493
a. Dependent Variable: Dividend Policy								

The multicollinearity test results can be seen that the tolerance value of KM is 0.991, GROWTH is 0.666, and ROE is 0.670. The VIF value of KM is 1.009, GROWTH is 1.502, and ROE is 1.493. This shows that there are no results that show a tolerance value> 0.10 and a VIF value < 10. Thus from these results it can be concluded that there is no multicollinearity problem in this research data.

Tabel 5. Hasil Uji Autokorelasi

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,534[a]	0,285	0,218	0,42727	1,792
a. Predictors: (Constant), Profiability, Managerial Ownership, Company Growth					
b. Dependent Variable: Dividend Policy					

From the regression results, based on Table 4.5, it states that the D-W value is 1.792, which is greater than the DL and DU values of 1.2953 and 1.6539. The DL value and DU value are known based on the Durbin Watson table with a significant value of 5%. It is known that the 4-DL value is 2.7047 which is obtained from 4 - 1.6539 (4-DL) and for the 4-DU value is 2.3461 which is generated from 4 - 1.2953 (4 - DU). It shows that the D-W value is smaller than the 4-DU and 4-DL values of 2.3461 and 2.7047. This indicates that the research data does not occur autocorrelation symptoms.

Table 6. Test Results of the Coefficient of Determination

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,534[a]	0,285	0,218	0,42727

From the multiple regression results, the R2 value is 0.218, which means that the dividend policy variable (DPR) as the dependent variable can be explained by the independent variables, namely Managerial Ownership (KM), Company Growth (GROWTH), and Profitability (ROE) of 21.8% and the remaining 78.2% is explained by other independent variables.

The t test aims to test each independent variable (KM, GROWTH, ROE) individually whether it has a significant effect on the dependent variable (DPR) or not, or the t test is used to determine the high degree of one variable X on variable Y if the other X variables are considered constant. The t test results are presented in the following table.

Tabel 7. Result of t-test Analysis

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0,717	0,113		6,373	0,000
	Managerial Ownership	-1,625	2,093	-0,117	-0,777	0,443
	Company Growth	-2,217	0,652	-0,622	-3,398	0,002
	Profiabilitas	1,642	1,457	0,206	1,126	0,268

From the test results above, it is known that the probability for variables X1, X2, and X3 is influential because it is below 0.05. Further can be explained as follows.

1. Hypothesis testing one (H_1)

Managerial Ownership (KM) has a significance value of 0.443 or> 0.05 and has a negative value of -1.625. This shows that the hypothesis that managerial ownership has a positive effect on dividend policy (DPR) is rejected or not supported. Thus, it can be concluded that hypothesis 1 is rejected.

2. Hypothesis testing two (H_2)
   Company Growth (GROWTH) has a significance value of 0.002 smaller than 0.05 and is worth -2.217. This shows that the GROWTH hypothesis has a significant negative effect on dividend policy (DPR) is accepted or supported. The results of this study have the same conclusion as the results of research by Silaban & Purnamawati (2016) and Sari & Sudjarni (2015), namely company growth has a negative effect on dividend policy in manufacturing companies. Thus, it means that hypothesis 2 is accepted.

3. Hypothesis testing three (H_3)
   Profitability (ROE) has a significance value of 0.268 greater than 0.05 and a value of 1.642. This shows that the hypothesis that profitability has a significant positive effect on dividend policy (DPR) is rejected or not supported. Thus, it can be concluded that hypothesis 3 is rejected.

B. Discussion

Dividend policy is a decision whether the profit generated by the company will be distributed in the form of dividends or will be retained as retained earnings for future investment. Dividend policy can be used to create the desired firm value, but dividend policy also depends on several factors considered in a company. This study examines the effect of Managerial Ownership (KM) on dividend policy), Company Growth (GROWTH), and Profitability (ROE) on Dividend Policy (DPR). Based on the tests that have been carried out on several hypotheses in the study, it can be seen that partially (t test analysis) it can be concluded that the dividend policy (DPR) has a positive effect on dividend policy:

The results obtained in this study indicate that Managerial Ownership (KM) has no effect on dividend policy (DPR) in LQ45 companies listed on the IDX for the 2019-2021 period. Managerial ownership has no effect on dividend policy because the percentage of managerial ownership owned by managers is less than other shareholders. Managers do not have a big role in determining dividend policy. According to Haruman (2008) dividend payments by companies to shareholders cannot improve the welfare of shareholders. If the company pays dividends to shareholders, it is offset by the issuance of new shares in lieu of dividend payments by the company. Thus, the increase in dividend payments will reduce the company's share price.

The second hypothesis examines the effect of company growth (GROWTH) on dividend policy (DPR). The results of the T test show that company growth (GROWTH) affects dividend policy (DPR) in LQ45 companies. In determining the dividend policy, the company does not only consider its total assets but there are other factors that must be considered as well, such as profit. The higher the growth rate of a company, the smaller the dividends distributed to shareholders because managers prefer to retain company profits to finance future company investment. Judging from the regression results where the value of the company growth variable is negative 2.217, it can be concluded that the relationship between company growth and the dividend policy provided by the company is inversely proportional, namely when company growth increases, it will reduce the level of distribution of dividends provided by the company. This occurs as an action of the company which will prioritize holding its profits rather than being paid in the form of dividends because these profits will be used to finance investment activities. Companies experiencing rapid growth require significant sources of funds to finance expansion, research and development, acquisitions, and other strategic projects. In this case, the company chooses to retain profits to reinvest into the business, rather than paying dividends to shareholders. This policy may result in lower dividends or even no dividends. The growth of a company will be directly related to funding needs. The higher the company's growth rate, the more likely the company will retain profits and not pay them out as dividends. The results of this study are also in line with research conducted by Silaban & Purnamawati (2016), Sari & Sudjarni

(2015) which revealed that company growth has a negative effect on dividend policy in manufacturing companies on the Indonesia Stock Exchange for the period 2010-2013.

The results of multiple linear regression show that profitability has no effect on dividend policy (DPR) in LQ45 companies. Based on the results of data processing, the regression coefficient is 1.642 and the significance value is 0.268. This shows that the profitability ratio has no effect on dividend policy. In line with the research of Sandy and Nur (2013), Sulistiyowati et al (2010) Krisnawati (2012) and Detiana (2013) which show that this ratio has no effect on dividend policy. Profitability is the company's ability to earn profit or profit. If the company has a high level of profitability, then the profit earned will also be high in the end the available profit is distributed to the holders. saham.

Based on the results in this study that profitability has no effect on the company's dividend policy. This is in accordance with research conducted by Melinda (2023) and Wutami (2023) which states that profitability has no effect on corporate dividend policy.

CONCLUSIONS AND SUGGESTIONS

A. Conclusion

Based on the results of data analysis and discussion of the effect of Managerial Ownership, Company Growth, and Profitability on Dividend Policy in LQ45 companies 2019 - 2021, it can be concluded. The managerial ownership variable has no effect on dividend policy proxied by the dividend payout ratio. The company growth variable affects the dividend policy proxied by the dividend payout ratio. This indicates that any increase or decrease in total assets during the observation period affects the dividend to be distributed to shareholders. The profitability variable has no effect on dividend policy proxied by the dividend payout ratio.

B. Suggestion

Based on these conclusions and limitations, the authors provide suggestions that can be used for further research to make it better than this study. The first suggestion is that future research should increase the sample of companies and not only focus on companies that are members of the LQ45 index. In the second suggestion, the authors suggest that the range of research periods be extended, this is done in order to increase the chances of many hypotheses being supported. In addition, the authors suggest adding other relevant independent variables such as liquidity, leverage, cash flow, and others.

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