

The effect of ownership structure on dividend policy of manufacturing companies

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Abstract

This study aims the impact of ownership structure on dividend on manufacturing firms that registered on IDX and MYX during 2015-2019. This research uses regression method as quantitative measurement level. The research used objects as many as 455 and 500 observations on the Indonesia and Malaysia Stock Exchange Market. Clarification variables as the free factors in this inquire about are remote possession, family possession, and organization proprietorship. The comes about of the think about utilizing perceptions on IDX found that family proprietorship and regulation proprietorship have a critical positive impact, whereas remote proprietorship has an immaterial negative impact on dividen payout proportion. The results of the study using observations on the MYX proof that institutional ownership has a impact positive effect, while the rest has an inimpact positive on dividend payout ratio.

Keywords: foreign ownership, family ownership, institutional ownership, dividend.

Abstrak

Penelitian ini membahas tentang pengaruh struktur kepemilikan terhadap dividen untuk perusahaan-perusahaan di sektor manufaktur yang tercatat di Bursa Efek Indonesia dan Bursa Malaysia selama 2015-2019. Metode pengolahan data yang digunakan dalam studi ini adalah metode regresi linear berganda sebagai pendekatan kuantitatif. Penelitian ini menggunakan objek sebanyak 455 observasi pada Bursa Efek Indonesia dan 500 observasi pada Bursa Efek Malaysia. Variabel independen yang digunakan dalam penelitian yaitu struktur kepemilikan asing, struktur kepemilikan keluarga, dan struktur kepemilikan institusional. Hasil penelitian menggunakan observasi pada Bursa Efek Indonesia mendapatkan hasil bahwa struktur kepemilikan keluarga dan institusional berpengaruh positif signifikan dan struktur kepemilikan asing berpengaruh negatif insignifikan terhadap pembayaran dividen.

Kata Kunci: struktur kepemilikan asing, struktur kepemilikan keluarga, struktur kepemilikan institusional, dividen.

Introduction

Good Corporate Governance (GCG) is important to study because it can affect the performance of a company. Berle and Means (1932) argue that the ownership structure is spread over the minority shareholders but control remains concentrated in the majority shareholders. Before investing in a company, it is necessary to know in advance the ownership structure of the company so that it can avoid principal-agent conflicts.

La Porta et al., (1999) stated that most companies are controlled by families and the government. Shleifer and Vishny (1997) say that when the overwhelming shareholder is claimed by the family, they tend to require advantage of the circumstance for their claim purpose like giving a expansive compensation, beat administrative positions, and giving board seats to families. Companies with family possession structures frequently have clashes between lion's share shareholders and minority shareholders. According to Faccio et al., (2001), family-controlled East Asian firms pay less dividends to minority shareholders. The existing research has variety results, so there is still a chance to study in this subject.

Al-Najjar and Kilincarslan (2016) conducted a study on the topic of the impact of ownership structure on dividend policy in Turkey. The results are that in Turkey is dominated by family-owned companies. Al-Najjar and Kilincarslan (2016) found that the effect of family ownership was impactly positive with dividend payments. This means that companies with family ownership structures in Turkey pay quite high dividends. Rajverma et al., (2019) also do research about the impact of ownership structure on dividends, debt, and capital in India. From this study, it was found that the effect of family ownership structure has a impact positive relationship with dividend payments. Setiawan et al., (2016) conducted research about the influence of ownership structure on dividend policy in Indonesia. From the results of this study, it was found that the structure of a family-owned company has a impact negative relationship with dividend payments.

H1: Family ownership structure has impact effect on dividend payout ratio.

Setiawan et al., (2016) found that the foreign ownership structure has a impact positive relationship with dividend payments. This is because foreign investors have great global investment experience and are efficient in evaluating company performance.

H2: Foreign ownership structure has impact effect on dividend payout ratio.

Al-Najjar and Kilincarslan (2016) state there is a impact positive effect of institutional ownership structure on dividend payments. Rajverma et al., (2019) also do research on institutional ownership structure on dividend payments. The results obtained are that there is a impact positive effect between institutional ownership structure on dividend payments.

H3: Institutional ownership structure has impact effect on dividend payout.

Research Methods

Type of research is basic research because it has a purpose, to enhance the empirical results that has been proof previously. The relationship of variable

in this research is causal because it studies the effect of the foreign ownership structure, family ownership structure, and institutional ownership as independent variable and DPR as dependent variable of manufacturing sector firms listed on the IDX and the MYX during 2015-2019. The approach of this study is quantitative research because it uses secondary data to found the influence between ownership structure and dividends.

The type of data is quantitative and Panel Data because combines time series and cross section. This study uses annual report of manufacturing sector firms listed on the Indonesia and the Malaysia Stock Exchange Market during 2015-2019.

The data processing method used is multiple linear regression. This method is used to find the relationship of dividend payout ratio with three independent variables (FAM, FOR, and INST), and two control variables (ROA and firm size). This study uses only one regression model. The equations used are:

$$DPR = \alpha + \beta_1 FAMILY_{i,t} + \beta_2 FOREIGN_{i,t} + \beta_3 INST_{i,t} + \beta_4 ROA_{i,t} + \beta_5 SIZE_{i,t} + e$$

Result and Discussions

This study uses samples of manufacturing companies listed on the Indonesia Stock Exchange and the Malaysia Stock Exchange for the 2015-2019 periods. The Indonesian sample has 91 observations, and the Malaysian sample has 100 observations. The descriptive statistics in table 1 show the Indonesian sample and table 2 shows the Malaysian sample.

Table 1. Indonesia Statistic Descriptive Sample

	DPR	FOR	FAM	INST	ROA	FS
Mean	0,293693	1,983607	11,57569	75,79940	0,066021	28,7598
Median	0,192431	0,000000	0,000000	84,17000	0,048169	28,5513
Maximum	3,521127	50,43000	92,50000	99,99000	0,920997	33,4945
Minimum	0,000000	0,000000	0,000000	0,100000	-0,124043	25,6195
Std. Dev	0,407095	7,051029	23,06268	23,28593	0,086534	1,60469
Skewness	3,443399	4,199106	2,155775	-1,386623	3,711506	0,43543
Kurtosis	20,70344	20,69261	6,576705	4,710765	27,80529	2,76524
Jarque-Bera	6840,922	7271,628	594,9558	201,2921	12709,73	15,4228
Probability	0,000000	0,000000	0,000000	0,000000	0,000000	0,00045
Sum	133,6302	902,5410	5266,94	34488,73	30,03948	13085,7
Sum Sq. Dev	75,23986	22571,52	241476,8	246174,5	3,399649	1169,06
Observations	455	455	455	455	455	455

In table 1, the average dividend payout ratio is 29% with an average foreign ownership of 1.98%, family ownership of 11.57%, institutional ownership of 75.79%, return on assets of 6.6% and firm size of 28.75%. In table 2, the average dividend payout ratio is 33.04% with an average foreign ownership of 3.22%, family ownership of 31.03%, institutional ownership of 47.8%, return on assets of 5.89 %, and firm size of 16.06%. After descriptive statistics, next is the classical assumption test. The test will be carried out where the model used

passes the multicollinearity, autocorrelation, and heteroscedasticity tests.

Table 2. Malaysia Statistic Descriptive Sample

	DPR	FOR	FAM	INST	ROA	FS
Mean	0,3304	3,2263	31,0313	47,8003	0,0590	16,0615
Median	0,2374	0,000000	27,7500	52,5900	0,0462	14,8345
Maximum	3,4188	89,1700	99,6800	99,8900	0,7540	21,1874
Minimum	0,000000	0,000000	0,000000	1,2900	-1,1966	10,7462
Std. Dev	0,4044	9,7096	29061,25	21,7005	0,11293	3,0750
Skewness	2,6527	5,0510	0,4424	-0,5791	-1,0297	0,0565
Kurtosis	14,4661	32,8134	19,3393	2,5331	39,3123	1,3671
Jarque-Bera	3325,367	20643,51	39,9883	32,4850	27558,9	55,8127
Probability	0,000000	0,000000	0,000000	0,000000	0,000000	0,000000
Sum	165,2045	1613,13	15515,63	23900,17	29,49386	8030,744
Sum Sq. Dev	81,5984	47043,79	421433,5	234984,4	6,363823	4718,341
Observations	500	500	500	500	500	500

In table 3, the comes about appear that the family proprietorship variable contains a critical positive impact on the profit payout proportion of companies recorded on the Indonesia Stock Trade for the 2015-2019 period. Firms with family ownership pay high dividends to avoid agency problems. This result is supported by Rajmaverma et al (2019) that family ownership has a impact positive effect on dividend payout.

Table 3. Indonesian Regression Test Results

Dependent Variable: Dividend Payout Ratio			
Variable	Coefficient	Probability	Hypothesis
C	0,706258	0,000000	
FAM	0,000373	0,0004**	Positive
FOR	0,001467	0,190700	Positive
INST	0,000259	0,0000***	Positive
ROA	-0,012537	0,4229	Positive
FS	-0,015249	0,0001**	Positive
R-Squared	0,977058	Mean dependent var	0,842217
Adjusted R-square	0,970987	s.d dependent var	1,602286
S.E of regression	0,298588	Sum squared resid	32,00650
F-statistic	160,9398	Durbin-Watson stat	2,128588
Prob (F-Statistic)	0,000000		

** = significance at 5%, *** = significance at 1%

On outside proprietorship variable, the comes about appear a noteworthy positive impact on the profit payout proportion of companies recorded on the Indonesia Stock Trade for the 2015-2019 periods. Foreign investors increase the efficiency of the company by providing more monitoring of the activities of the company's management and also have good investment experience and also better assess company performance.

In table 3, it appears that the organization possession variable

incorporates a critical positive impact on the profit payout proportion of companies recorded on the Indonesia Stock Trade for the 2015-2019 periods. This result supported by Rajverma et al., (2019) who was found the institutional ownership and dividend payout ratio had a impact positive effect on the dividend payout ratio. Institutions act to monitor the company's management to be more efficient. By paying higher dividends, company monitoring will be more proper it is more efficient.

The comes about appear that the ROA variable features a critical negative impact on the profit payout proportion of companies recorded on the Indonesia Stock Trade for the 2015-2019 period. This result is supported by research conducted by Setiawan et al., (2016) which states that the ROA variable has a impact negative effect on the dividend payout ratio. With these comes about, we will take conclusion that in case a company is more productive at that point the company is more likely to pay profits. Something else, on the off chance that a company has lower benefits, the company is less likely to pay dividen.

In table 3, the comes about gotten are that the firm estimate variable includes a critical negative impact on the profit payout proportion of companies recorded on the Indonesia Stock Trade for the 2015-2019 period. This noteworthy negative result is backed by inquire about by Rajverma et al., (2019), which is noteworthy negative. This implies that the measure of the company does not essentially influence the level of profit installments.

Table 4. Malaysian Regression Test Results

Dependent Variable: Dividend Payout Ratio			
Variable	Coefficient	Probability	Hypothesis
C	-0,185687	0,3265	
FAM	0,000619	0,5242	Positive
FOR	0,000116	0,9679	Positive
INST	0,002512	0,0497**	Positive
ROA	0,466061	0,046**	Positive
FS	0,021729	0,0299**	Positive
R-Squared	0,032463	Mean dependent var	0,133218
Adjusted R-square	0,022670	s.d dependent var	0,276165
S.E of regression	0,273017	Sum squared resid	36,82194
F-statistic	3,314978	Durbin-Watson stat	1,733209
Prob (F-Statistic)	0,005907		

** = significance at 5%, *** = significance at 1%

In table 4, family possession variable encompasses a critical positive impact on the profit payout proportion of companies recorded on the Malaysia Trade for the 2015-2019 periods. Firms with tall family possession pay tall profits as a way to maintain a strategic distance from office issues. Rajverma et al., (2019) expressed that family possession contains a noteworthy positive impact since profits serve as a source of pay for directors.

The results show that the foreign ownership variable has a impact positive effect on the dividend payout ratio of companies listed on the Malaysia Exchange for the 2015-2019 periods. This is because foreign investors increase company efficiency by setting global standards and better global practices. Foreign investors have a wealth of experience related to global investment and

can efficiently assess company performance. This result is supported by Setiawan et al (2019).

In table 4, the results show that the institutional ownership variable has a impact positive effect on the dividend payout ratio of companies listed on the Malaysia Exchange for the 2015-2019 periods. According to Farinha (in Al-Najjar and Kilincarslan, 2016), the relationship between institutional ownership variables and dividend payout has a impact positive effect. This is because institutions can force companies to pay higher dividends in order to promote better monitoring by the capital market.

Return on assets variable results show that it has a impact positive effect on the dividend payout ratio of companies listed on the Malaysia Exchange for the 2015-2019 periods. Al-Najjar and Kilincarslan (2016) stated that there was a impact positive effect between the return on assets variable on dividend payout. These results can be interpreted if a company is more profitable then the company is more likely to pay dividends.

In table 4, the results show that the firm size variable has a impact positive effect on the dividend payout ratio of companies listed on the Malaysia Exchange for the 2015-2019 periods. Al-Najjar and Kilincarslan (2016) and Setiawan et al., (2016) state that the FS variable has a impact positive relationship to dividend payout. These results mean that the larger the company, the more likely it is to pay dividends.

Conclusion

In the Malaysian regression results, the results show that the independent variables and control variables such as institutional ownership, ROA, and firm size together have a impact effect on dividend payout ratio in manufacturing sector companies listed on the Malaysia Stock Exchange in the 2015-2019 periods. In the Indonesian regression results, it show that the independent variables and control variables of family ownership, institutional ownership, and firm size have a impact effect on dividend payout ratio. Another independent variable, foreign ownership, shows an impact effect on the dividend payout ratio of manufacturing sector companies listed on the Indonesia Stock Exchange for the 2015-2019 periods.

The comes about of this ponder can be utilized as a reference for advance investigate. The ponder has different confinements, the companies utilized within the ponder are as it were fabricating division companies recorded on MYX and IDX, and the time period of the information utilized is as it were five a long time. It is trusted that encourage inquire about can include other objects.

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