



The Role of Dividend Policy and Managerial Ownership on Company Value in the Finance Sector

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ABSTRACT

Company value has an important role in increasing investors' confidence in seeing how successful a company is. This research aims to determine the role of dividend policy and managerial ownership on the value of companies in the finance sector listed on the Indonesia Stock Exchange for the 2018-2022 period. The sampling technique in this research used purposive sampling and a sample of 96 observation data was obtained from 8 companies. The data analysis method used is quantitative analysis and research data is analyzed using the panel data regression method which is a combination of time series and cross-section data. Time series data is data collected from time to time on an individual, while cross-section data is data collected from time to time on a large number of individuals. The results of this study show that dividend policy and managerial ownership simultaneously have a positive and significant effect on the value of the company. Partially, dividend policy has a positive and significant effect on company value, while the managerial ownership variable partially has a positive but not significant effect on company value.

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1. INTRODUCTION

Company value is investors' perception of the company's level of success, which is often linked to share prices. The higher the company's share price reflects the increasing value of the company. Many factors can influence company value. Managers are also expected to increase company value by increasing the prosperity of owners and shareholders. According to Purba & Effendi (2019), the relationship between managerial ownership and company value is efforts to increase company value because managers, apart from being management and also as company owners, will feel directly the consequences of the decisions they take so that managers will not take actions that only benefit the manager.

Dividend policy also plays an important role in explaining company value. Investors who are interested in investing are of course the level of return or profit that will be obtained from the investment invested in the form of capital gains and dividends which are part of the profits given to shareholders, in this case the manager must decide whether the profits obtained by the company during 1 period will be distributed as dividends or what is usually called and the rest is retained by the company or what is usually called retained earnings. Dividend policy is reflected in the dividend payout ratio (DPR), namely the comparison between dividends paid and net profit. The dividend payout ratio is determined by the company to pay dividends to shareholders every year, determining the dividend payout ratio based on the size of the profit after tax (Prasetio and Suryono, 2016). The dividend payout ratio reflects the amount of profit or profit distributed in the form of dividends to shareholders and the amount of profit that will be retained as retained earnings. The greater the dividend payout ratio, the higher the company is valued by investors. Apart from that, investors will also assess the company's prospects in the future (Ismiati and Yuniati, 2017).

The average data on the development of dividend policy, managerial ownership and company value in the finance sector in the 2018-2022 period is as follows:

Table 1. Average Data on the Development of Dividend Policy and Managerial Ownership in the BEI Finance Sector for 2018-2022

Year	Dividend Payout Ratio	Managerial ownership
2018	0,25	1,16
2019	17,15	6,75
2020	1,16	9,52
2021	2,22	7,34
2022	0,50	0,09

Based on Table 1 above, data on dividend policy and managerial ownership variables can be seen that there are fluctuations in the average value of each variable. In 2018-2022 the Dividend Payout Ratio (DPR) experiences fluctuations which can affect company value. In 2019 the Dividend Payout Ratio (DPR) experienced a very high increase, but in 2018, 2020, 2021 and 2022 it experienced a decline which could affect the value of the company in the eyes of investors.

In Table 1 above, it can be seen that there are fluctuations in the average value of managerial ownership in the 2018-2022 period. In 2020, managerial ownership has a very high value compared to previous and subsequent years, this can attract investors' attention to the value of the company. The greater the proportion of managerial ownership in the company will be able to unite the interests of managers and shareholders so that they can improve performance which can increase company value (Jensen 1976 in Wien Ika Permanasari). The existence of phenomena in these two variables makes the author want to examine the influence of dividend policy and managerial ownership on company value.

Based on the background above, it is known that previous researchers had different research results on dividend policy and managerial ownership. The research aims to find out and analyze the development of managerial ownership and dividend policy on the value of companies in the Finance sector listed on the IDX.

2. RESEARCH METHODS

The paradigm used in this research is a positivistic paradigm with a quantitative approach. Through this hypothesis testing, it is carried out to see the causal relationship between the variables to be studied, namely between the independent variables, namely managerial ownership, dividend policy, and the dependent variable is company value. The object and population of this research is the finance sector, namely 96 companies listed on the Indonesia Stock Exchange (BEI), by accessing the site www.idx.co.id and the research period is 2018-2022. The data collection technique used is documentation. In analyzing the data, the author uses quantitative analysis, namely data analysis techniques using statistical techniques. The analysis in this research uses panel data which is a combination of time series and cross-section data. The data was processed using eviews 12 statistical software.

3. RESULTS AND DISCUSSION

3.1 Descriptive Statistical Test

In this section, information data will be described regarding variables such as Company Value, Dividend Policy and Managerial Ownership in 2018-2022. Descriptive analysis, average maximum value, minimum value and standard deviation over a period of 5 (five) years from 2018-2022 Table 1: Company Value, shows the results of calculations from descriptive statistics, where the average value of company value is 0.8180, the maximum value is 5.1000 and the minimum value is -1.2200, while the standard deviation is 1.0209 (below the average).

Table 2. Development of Company Value (Tobins'Q) in the Finance Sector on the Indonesian Stock Exchange (BEI) 2018-2022

No	Company name	2018	2019	2020	2021	2022
1	PT. Bank Central Asia Tbk	1.2821	1.6482	1.6691	8.9991	1.0540
2	PT. Bank Rakyat Indonesia (Persero) Tbk	4.5144	5.4272	5.1435	6.2291	7.4870
3	PT. Bank Negara Indonesia (Persero) Tbk	1.6410	1.4639	1.1503	1.2571	1.7203
4	PT. Bank Danamon Indonesia Tbk	7.2843	3.8605	3.0688	2.2967	2.6681
5	PT. Bank Pembangunan Daerah Jawa Timur Tbk	2.0979	2.1017	2.0953	2.3110	2.1870

6	PT. Bank Woori Saudara Indonesia 1906 Tbk	5.6595	5.4621	4.8698	4.8410	4.8410
7	PT. Mandala Multifinance Tbk	2.3452	3.4450	2.6235	2.8885	4.3850
8	PT. Asuransi Ramayana Tbk	3.5856	3.6189	3.9322	5.1576	4.9598

Source: (Data Processed by Researchers)

Based on table 2, it can be seen that the value of companies in the finance sector for 5 consecutive years from 2018 to 2022 experienced fluctuations, which means that this year it could increase and next year it could decrease. The standard Tobins'q value is said to be good if the value is above 1, this indicates that the company's shares are overvalued or can be said to have good performance in the capital market. Based on table 4.2, it can be seen that the company value variable (tobins'q) has the lowest value of 1.0540 at PT. Bank Central Asia Tbk (BBCA) in 2022 and the highest value is 8.9991 which is also found at PT. Bank Central Asia Tbk (BBCA) in 2021, while the average company value variable is 3.5818 with a standard deviation of 1.9474. This indicates that on average companies have a high company value, namely 3.5818 which exceeds the number one (1.00), where if the company value is more than one (1.00) then the company value is said to be good.

3.2 Dividend Policy (X1)

Dividend policy is one of the factors that can influence company value. If the company can determine the dividend policy appropriately for shareholders, this will have an impact on increasing the value of the company which can be seen from the share price. This variable is measured using the Dividend Payout Ratio (DPR), namely by comparing the amount of dividends per share with profits per share.

Table 3. Development of Dividend Policy (Dividend Payout Ratio) in the Finance Sector Listed on the

No	Company name	2018	2019	2020	2021	2022
1	PT. Bank Central Asia Tbk	0.2479	0.3063	0.5022	0.4367	1.8171
2	PT. Bank Rakyat Indonesia (Persero) Tbk	0.4115	0.4753	1.1055	0.3903	0.5527
3	PT. Bank Negara Indonesia (Persero) Tbk	0.3157	0.2420	1.1579	0.0767	0.1835
4	PT. Bank Danamon Indonesia Tbk	14.3463	17.1550	40.2961	2.2190	0.1667
5	PT. Bank Pembangunan Daerah Jawa Timur Tbk	0.5239	0.4968	0.4860	0.4815	0.5071
6	PT. Bank Woori Saudara Indonesia 1906 Tbk	0.1834	0.1975	0.1596	0.1045	0.1841
7	PT. Mandala Multifinance Tbk	0.5962	0.3513	0.4558	0.1037	0.2937
8	PT. Asuransi Ramayana Tbk	0.2801	0.2900	0.2499	0.2154	0.2209

Indonesian Stock Exchange 2018-2022

Based on Table 3, it can be seen that the value of the finance sector's dividend policy for the 5 years from 2018 to 2022 has fluctuated every year.

3.3 Managerial Ownership (X2)

Managerial ownership is the proportion of shareholders from management who actively participate in decision making or company operational activities (directors and commissioners). This variable is measured by looking at the ratio of the proportion of share ownership by the manager to the total shares outstanding.

Table 4. Data on the Development of Managerial Ownership in the Finance Sector Listed on the Indonesian Stock Exchange 2018-2022

No	Nama Perusahaan	2018	2019	2020	2021	2022
1	PT. Bank Central Asia Tbk	1.1648	1.1624	1.1328	1.1089	2.2178
2	PT. Bank Rakyat Indonesia (Persero) Tbk	4.4590	3.2429	5.2697	5.2784	4.9485
3	PT. Bank Negara Indonesia (Persero) Tbk	3.1639	7.6021	9.5524	9.5250	0.0167
4	PT. Bank Danamon Indonesia Tbk	1.9134	6.7529	1.1295	7.3463	1.2788
5	PT. Bank Pembangunan Daerah Jawa Timur Tbk	0.0047	0.0021	0.0021	0.0020	0.0096
6	PT. Bank Woori Saudara Indonesia 1906 Tbk	0.0091	0.0034	0.0034	0.0026	7.4004
7	PT. Mandala Multifinance Tbk	0.0505	0.0505	0.0505	0.0505	2.5283
8	PT. Asuransi Ramayana Tbk	0.5825	0.5825	0.8003	0.6229	0.6223

Based on Table 4 above, the managerial ownership (KM) variable data has the lowest value at PT. East Java Regional Development Bank Tbk in 2021 with a value of 0.0020 and the highest value was found at PT. Bank Negara Indonesia (Persero) Tbk in 2020 with a value of 9.5524, while the average value of the managerial ownership variable was 2.2456 with a standard deviation of 2.9128. This means that the average share ownership held by company management, namely directors and commissioners, is 2.24%.

3.4 Panel Data Regression Analysis

In this research, panel data regression can be carried out with three models, namely the Common Effect Model (CEM), Fixed Effect Model (FEM) and Random Effect Model (REM). Before estimating the model, it is necessary to select the best model that will be used to estimate panel data. The selection of the model went through several tests, these tests were the Chow test which was used to select the Common Effect Model or Fixed Effect Model and the Hausman test which was used to select the Fixed Effect Model or Random Effect Model. The following are the results of the Chow test and Hausman test.

The first hypothesis states that the independent variable simultaneously has a positive effect on the dependent variable in the Finance sector on the Indonesian Stock Exchange. The second hypothesis states that the dividend policy variable has a positive effect on the dependent variable. The third hypothesis states that the managerial ownership variable has a positive effect on the dependent variable.

In order to prove the hypothesis put forward in this research, we use a panel data regression analysis tool to measure Dividend Policy and Managerial Ownership of Company Value in the Finance sector listed on the Indonesia Stock Exchange. The results of panel data regression calculations from this research can be seen in table 5 below:

Table 5. Panel Data Regression Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.356794	0.250877	1.422186	0.1653
X1	1.005909	0.414398	2.427401	0.0214
X2	0.094973	0.138333	0.686554	0.4976

Based on the panel data regression results in table 4.11 above, the panel data regression equation can be formulated as follows:

$$Tq = 0.356794 + 1.005909 (\text{Dividend Policy}) + 0.094973 (\text{Managerial Ownership}) + e$$

Analysis of the panel data regression equation above is as follows:

Based on the results of the regression equation above, a constant value of 0.356796 is obtained. This means that if the conditions of all independent variables (dividend policy and managerial ownership) are considered constant, then the resulting company value is 0.356796.

Based on the regression equation above, the dividend policy variable has a regression coefficient of 1.005909. assuming that other variables are constant, if the dividend policy variable increases by one unit, the company value (Tq) will increase by 1.005909.

Based on the regression equation above, the managerial ownership variable has a regression coefficient of 0.094973. with the assumption that other variables are constant, if the managerial ownership variable increases by one unit, the firm value (Tq) will decrease by 0.094973.

3.5 Hypothesis test

3.5.1 Simultaneous Test (F Test)

Table 6. F Test Results

R-squared	0.407071	Mean dependent var	0.818000
Adjusted R-squared	0.229192	S.D. dependent var	1.020965
S.E. of regression	0.896363	Akaike info criterion	2.831376
Sum squared resid	24.10401	Schwarz criterion	3.253596
Log likelihood	-46.62751	Hannan-Quinn criter.	2.984037
F-statistic	2.288476	Durbin-Watson stat	2.806291
Prob(F-statistic)	0.043085		

Source: Eviews 12 data panel regression output results

Based on the first hypothesis testing criteria, dividend policy and managerial ownership influence company value. In the F test table, the F-count is 4.273327 with probability (0.0213) < significance level (0.05), so the conclusion is that H_0 is rejected and H_1 is accepted. This can be interpreted as meaning that all independent variables, namely dividend policy and managerial ownership, which are included in the model simultaneously have a significant effect on company value. So it can be concluded that the first hypothesis states that dividend policy and managerial ownership simultaneously have a positive effect on the value of companies in the Finance sector listed on the Indonesia Stock Exchange.

3.5.2 Partial Test (t Test)

Table 7. Partial Test Results (t Test)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.356794	0.250877	1.422186	0.1653
X1	1.005909	0.414398	2.427401	0.0214
X2	0.094973	0.138333	0.686554	0.4976

Source: Eviews 12 data panel regression output results

Based on table 7 above, it shows that the t test results have several conclusions, as follows:

Dividend Policy Variables (DPR). The second hypothesis shows that dividend policy has a partial effect on company value. In the t test table with the help of eviews 12, the t-count result was 2.42 with a significant level ($0.02 < 0.05$).

Managerial Ownership (KM) Variables. The second hypothesis shows that managerial ownership has no partial effect on company value. In the t test table with the help of eviews 12, the t-count result was 0.68 with a significant level ($0.49 > 0.05$).

3.5.3 Coefficient of Determination (R^2)

The percentage influence of all independent variables on the dependent variable is shown by the magnitude of the coefficient of determination which can be seen from the Adjusted R-Squared value. If the Adjusted R-Squared is close to 1, then it can be said that the independent variable used can explain the dependent variable as a whole, and vice versa. The following are the Adjusted R-Squared results.

Table 8. Adjusted R-Squared Results

R-squared	0.407071	Mean dependent var	0.818000
Adjusted R-squared	0.229192	S.D. dependent var	1.020965
S.E. of regression	0.896363	Akaike info criterion	2.831376
Sum squared resid	24.10401	Schwarz criterion	3.253596
Log likelihood	-46.62751	Hannan-Quinn criter.	2.984037
F-statistic	2.288476	Durbin-Watson stat	2.806291
Prob(F-statistic)	0.043085		

Source: Eviews 12 data panel regression output results

The calculation results obtained show that the adjusted coefficient of determination (Adjusted R-Squared) is 0.229192. This means that the influence of all independent variables (dividend policy and managerial ownership) on changes in the value of the dependent variable is 22.91% and the remaining 77.09% is explained by other variables outside the research.

4. DISCUSSION

4.1 Discussion of Simultaneous Tests

In the research conducted, the results showed that the variables of dividend policy and managerial ownership simultaneously had a significant influence and had a positive effect on company value. This is in line with Signaling Theory, which states that the reason companies provide financial information to outside parties is because there is information asymmetry between the company and outside parties. Financial reports really help investors to assess and measure the current and future condition of the company. By looking at the previous year's financial reports to the latest financial reports, investors will find it easier to find out the company's prospects in the future. In other words, when the company's ratios show good value and are in line with investors' expectations, this will indirectly increase the value of the company.

This research is in line with research conducted by (Usman, Mudatsir and Arifani, 2022) which states that dividend policy and managerial ownership have a positive and significant effect on company value.

4.2 Discussion of Partial Tests

4.2.1 The Effect of Dividend Policy on Company Value

Based on the partial test results, the dividend policy variable has a positive and significant effect on company value. This shows that the greater the dividend policy, the greater the value of the company and the smaller the dividend policy, the smaller the value of the company. This research shows that investors consider dividend policy when buying shares in a company. A high level of dividend payments is used as a good signal because it shows that the company has good performance and is able to generate large profits. Big profits are always followed by big dividend returns. This is what attracts investors to invest their capital, so that the value of the company in the eyes of investors also increases, which is usually reflected in the share price which is also high. This is in line with research conducted by Neisyra & Dini (2015) and Muhammad Sulaeman (2020) which states that dividend policy has a positive and significant effect on company value.

4.2.2 The Influence of Managerial Ownership on Company Value

From the results of tests that have been carried out previously, it is known that managerial ownership does not have a significant influence but has a positive effect on company value. This condition can occur because managerial ownership has a sample of companies that are not constant every year and some are even unstable, namely experiencing declines and increases. This is in line with research conducted by Rizky Fauzan & Khairunnisa (2019) and Muhammad Akbar (2021) which states that managerial ownership has a positive and insignificant effect on company value.

5. CONCLUSION

Based on simultaneous research results, dividend policy as measured by the dividend payout ratio and managerial ownership as measured by KM simultaneously have a positive and significant effect on the value of companies in the Finance Sector listed on the Indonesia Stock Exchange. Dividend policy (Dividend Payout Ratio) has a positive and significant effect on the value of companies in the Finance Sector listed on the Indonesian Stock Exchange. Managerial ownership (KM) has a positive and insignificant effect on the value of companies in the Finance Sector listed on the Indonesia Stock Exchange.

6. RECOMMENDATION

Companies can further increase managerial ownership because by giving management the opportunity to own shares in the company, it will optimize management's performance which will in turn increase company value. Apart from managerial ownership, ownership of shares owned by institutions will increase the value of the company because the supervisory function carried out by institutions will be more effective in supervising all actions taken by management so that company management will be more careful in taking all actions. Institutional investors will provide good signals to investors which will increase the value of the company.

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