

**THE INFLUENCE OF MANAGERIAL OWNERSHIP, INSTITUTIONAL OWNERSHIP, FOREIGN OWNERSHIP OF PROFITABILITY AND ITS IMPACT ON CASH DIVIDEND (STUDY AT 50 BIGGEST MARKET CAPITALIZATION ON INDONESIA STOCK EXCHANGE)**

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**ABSTRACT**

This study aims to determine the influence of independent variable at my research on profitability and their simultaneously and partial impact on cash dividend. The population in this study comprises of 50 large companies listed on the Indonesia Stock Exchange for the period 2011-2015, and 17 companies are selected as sample of this study. This study uses secondary data which is analysed using path analysis. The findings suggest that all study variables at my research simultaneously and partially affect the companies profitability variables. The managerial ownership, institutional ownership, and foreign ownership affect companies cash dividends simultaneously. The results also demonstrate that the effect on profitability of a cash dividend of 50 large companies listed on the Indonesia Stock Exchange.

**Keywords:** Managerial Ownership, Institutional Ownership, Foreign Ownership, Profitability, and Cash Dividend.

**INTRODUCTION**

The capital market is expected to boost the economies of developing countries. As a country with a growing financial market, the capital market has become an important part of the Indonesian economy, both as a place to raise funds, as a place to sell shares and issue bonds, as well as an indicator of the stability of economic conditions.

One of the attractions of investing for investors in the capital market is dividends. The existence of dividends can be an indicator of the level of investor welfare and performance of a company. Dividend policy became an important financial policy, both for the management of the company and for investors, creditors, employees, a board of the regulator, and government (Ajanthan,

2013). This dividend policy often creates a conflict of interest between the two parties in the company, namely shareholder and company management. The management of general interest to hold cash in order to increase company growth. On the other hand, shareholders want a large dividend on their share ownership. Therefore, dividend policy must be able to balance the interests of shareholders and the interests of corporate growth (Iskandar et al, 2014).

Profit and type of dividend policy applied by the company will determine the amount of dividends that will be paid to shareholders. The main attraction for shareholders and potential investors of a company is profitability. This is because the profitable company tends to pay a larger share of the profit as dividends. The company's profit will be a reference in dividend payout, so the level of profit will affect the level of dividend payout distributed to shareholders (Idawati, 2014). So, the bigger the company gets the profit, the bigger the dividend will be distributed to the shareholders.

In addition to profitability, market capitalization value also has a great influence in the process of buying a company's shares by investors. The magnitude and growth of a firm's market capitalization is an important measure of the success or failure of an open company. The better a company in running its business the higher the value of market capitalization. The value of market capitalization reflects the total value of the firm. The bigger the market capitalization, the more expensive the company is appreciated by the market. Large capitalization stocks (big caps/blue chips) being a pre

ferred stock of long-term investors with a conservative risk profile and prioritizing the benefits of dividends that are distributed on a regular basis. Company blue chip this usually has strong fundamentals and big profits and its products are needed by many people. Companies whose shares are classified blue chip is a large company that is known by the people and have a stable income.

The second factor affecting profitability is institutional ownership. Institutional ownership is indicated by the high percentage of shares owned by the institution. The meaning of institutional parties in this case in the form of NGOs, insurance companies, banks, investment companies and private companies. Institutional ownership generally has a large proportion of ownership so that the monitoring process of managers gets better. A high level of institutional ownership would generate greater monitoring efforts by the institutional investors that can deter opportunistic behavior of managers.

The purpose of this study was to examine the effect of managerial ownership, institutional ownership, foreign ownership, to profitability and impact on cash dividends, either partially or partially.

## **RESEARCH METHODS**

This type of research that is in use right is the research hypothesis. Unit of analysis is 50 major companies listed on the Indonesia Stock Exchange, 2011-2015. The time horizon of this study is a combination of time series and cross section which is called a data pooling (Kuncoro, 2009). The level of intervention in this study was minimal intervention. The population in this study were companies that entered in 50 large companies listed on the Indonesia Stock Exchange for the period 2011-2015. Selection of the sample in this study based on purposive sampling method, the sample used is 17 companies listed on 50 major companies based on market capitalization (50 biggest market capitalization) over the period 2011-2015 so that the number of samples in this study was 85 observations. The data source used is secondary data, and data collection technique used is documentation. The method of analysis used in this research is path analysis method (path analysis). The model formed in this analysis is used to explain the magnitude of influence (not predict) independent variable to the dependent variable (Roflin, 2009). To analyze the data used quantitative approach through testing SPSS (statistical package for Social Science).

## **RESEARCH RESULT AND DISCUSSION**

Independent variable Together Influential to Profitability Based on the research can be explained by the effect of variable managerial ownership, institutional ownership and foreign ownership is jointly affect the profitability of the 50 major companies listed on the Indonesia Stock Exchange. The amount of simultaneous influence of these three variables can be seen from the coefficient of determination. The coefficient of determination three variables that influence managerial ownership, institutional ownership and foreign ownership on profitability amounted to 0.626, meaning that 62.6% of the change in cash dividends can be explained, while the rest of 37.4% explained by other factors outside variables have a strong influence on corporate profitability.

### **The Influence of Ownership Managerial By Partial to Profitability**

The results showed that managerial ownership has an influence on the profitability of the 50 major companies listed on the Indonesia Stock Exchange with a value of the coefficient of 0.466, meaning that any changes to the managerial ownership variable by 1 unit, then it will increase the profitability of 0.466%. The results of this study prove that managerial ownership affects the improvement of cash dividends. The results of this study are consistent with the results of research conducted by (Listyani, 2003) which state that the ownership of managerial will encourage managers to be cautious in making decisions because they participate directly feel the benefits of the decision and bear the losses as a consequence of a decision wrong decision.

### **The Influence of Ownership I institutional In Partial to Profitability**

The results show that institutional ownership at 50p a big company listed in Indonesia Stock Exchange has an influence on the profitability improvement obtained the coefficient value of 0.320, meaning that any changes to the institutional ownership variable by 1 unit, then it will increase the profitability as much as 0.320%. The results of this study are consistent with that proposed by Kartikawati (2007) show that institutional ownership has a positive effect on financial performance.

### **The Influence of Foreign Ownership Partially to Profitability**

Research shows that foreign ownership in 50 large companies listed on the Indonesia Stock Exchange has an influence on the increase in profitability. The magnitude of influence can be seen from the coefficient value of 0.319, meaning that any change to foreign ownership of 1 unit, will increase the cash dividend by 0.319%. The results of this study are consistent with the results of research conducted by Czech et al (1997) Cristina (2009) who found that the positive effect of foreign ownership on ROA and ROE

### **The Influence of Managerial Ownership Partial t Dividend Cash**

The result of the research shows that managerial ownership has the influence to cash dividend in the company listed in Bursa Efek Indonesia with coefficient value 0,405, it means that every change to managerial property variable is 1 unit, it will increase cash dividend equal to 0,405%. The results of this study are consistent with the results of research conducted by Fauz and Rosidi (2007), Wati and Darmayanti (2013) who found that managerial ownership is positively influence the dividend policy.

### **The Influence of Institutional Ownership to Partial Dividend Cash**

The results show that institutional ownership at p company listed in Indonesia Stock Exchange has an influence on the increase in the cash dividend obtained the coefficient value of 0.255, meaning that any changes to the institutional ownership variable by 1 unit, then it will increase the cash dividend as much as 0.255%. The results of this study are consistent with research conducted by Rahayu (2003) who found that institutional stock ownership significant and positive impact on the House of Representatives.

### **The Influence of Foreign Ownership Partially Against Cash Dividend**

The results prove that foreign ownership of companies listed on the Indonesia Stock Exchange has an influence on the increase of cash dividends. The magnitude of the effect can be seen from the coefficient of 0.295, meaning that any changes to the foreign ownership variable by 1 unit, then it will increase the cash dividend as much as 0.295%. The results of this study are consistent

with the results of research conducted by Chai (2010) found that the level of foreign ownership has a positive effect on the payment of dividends as measured by the dividend payout ratio.

### **Influence Profitability to Cash Dividend**

The effect of profitability on the increase of cash dividend also has a significant influence, it indicates that higher profitability will impact to increase company price. The results of this study supported by the results of research conducted by Fama and French (2001), yulianti (2002), Halim (2011) who found that dividends are influenced by the profitability.

### **The Influence of Managerial Ownership, Institutional Ownership and Foreign Ownership Together Against Cash Dividend**

The result of the research shows that simultaneously managerial ownership and institutional ownership and foreign ownership have significant effect to cash dividend in companies listed in Indonesia Stock Exchange. It is characterized by  $F_{count} > F_{table}$  ( $23.573 > 2.717$ ) at a significance level of 1%.

The magnitude of the simultaneous influence of these three variables can also be seen from the coefficient of determination. The coefficient of determination of the effect of these three variables on cash dividend is 0.466, meaning that 46.6% change in cash dividend variable can be explained by changes of managerial ownership variable and institutional ownership and foreign ownership while the rest of 0,534 means 53.4% explained by other factors outside the variable of managerial ownership, institutional ownership, foreign ownership, and profitability.

### **Profitability Moderate Managerialownership to Cash Dividend**

The direct effect of managerial ownership on profitability is 0.466 and the indirect effect of managerial ownership on profitability is 0.405, indicating that the direct influence of managerial ownership is greater than indirect influence. Thus the effect of direct managerial ownership is more able to improve the profitability of Companies listed on the Indonesia Stock Exchange.

Based on the results of research can be explained that managerial ownership partially significantly affects cash dividends at 50 major companies listed on the Indonesia Stock Exchange. This study is consistent and in line with the results of research conducted by Cruthley and Hensen (1989) and Bantala et al (1994) states that ownership of shares by managers will encourage the unification of interests between principals and agents so that managers act in accordance with the wishes of shareholders and can improve performance company. This proves that with higher managerial ownership will give effect to an increase in cash dividends through t profitability level as companies.

### **Profitability Moderate Institutional ownership to Cash Dividend**

The effect of institutional ownership directly affects profitability is 0.320 and the indirect effect of institutional ownership on profitability is 0.255, so it can be said that the direct effect of institutional ownership is more affecting profitability than indirect influence.

### **Profitability Moderate Foreign ownership to Cash Dividend**

On the effect of foreign direct ownership to profitability which has a value of 0.319 and the indirect effect of foreign ownership on profitability is 0.295, indicating that the direct influence of foreign ownership more influence profitability when compared with indirect influence. Thus the influence of foreign ownership can directly increase the profitability of the company which is listed on the Indonesia Stock Exchange.

Then with respect to foreign ownership, it can be explained that foreign ownership also has a significant effect on cash dividends through increased profitability at 50 large companies which are listed on the Indonesia Stock Exchange. The results of this study are consistent with research conducted by Chai (2010) found that the level of foreign ownership has a positive effect on the payment of dividends as measured by the dividend payout ratio.

### **CONCLUSIONS**

The test results indicate that managerial ownership, institutional ownership, and foreign ownership simultaneously affect the profitability and cash dividends at 50 major companies listed on the Indonesia Stock Exchange. Partially, each independent variable (managerial ownership, institutional ownership, foreign ownership, and profitability) influences cash dividend in 50 large companies listed on Indonesia Stock Exchange. The higher level of profitability obtained by the company the higher the chance of investors to get a big dividend. This can be done by increasing a good ownership structure within the company.

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