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THE INFLUENCE OF INSTITUTIONAL OWNERSHIP, INDIVIDUAL OWNERSHIP, AND MANAGERIAL OWNERSHIP TOWARD *DIVIDEND PAYOUT RATIO* AT NON-FINANCIAL COMPANIES REGISTERED IN INDONESIA STOCK EXCHANGE IN 2012-2016

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ABSTRACT

The study was conducted to examine the influence of the institutional, individual, and managerial stock ownership toward dividend payout ratio at non-financial company registered in Indonesian Stock Exchange (IDX) in 2012-2016. The research employs purposive sampling technique in data collecting process by which it uses 187 companies as the unit of analysis and it uses Multiple Linear Regression with F-test and T-test as a tool of technical analysis. The result indicated that the institutional ownership, individual ownership, and managerial ownership have a simultenous effect on dividend payout ratio. And tested partially, the institutional ownership, individual ownership and managerial ownership has a negatively significant effect on dividend payout ratio.

Keywords: Dividend Payout Ratio, Institutional Ownership, Individual Ownership, Managerial Ownership

INTRODUCTION

According to Sartono (1994) cited in Meita (2016), dividend policy was the decision if the profit obtained by the company was shared to the shareholder as the dividend or would be kept as the retained earnings and later on reducing total of internal budget source or internal financing. On the contrary, if the company is likely to keep the profit, the capability to make internal budget will be greater. Therefore, dividend policy must be analyzed based on its relationship with expenditure decision or overall determination of capital structure.

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Two indicators of dividend policy are dividend payout ratio and dividend yield. The investors tend to have more concern on dividend payout ratio because it is simpler to know the investment result than dividend yield (Junaidi et al., 2014). Investors calculate dividend payout ratio as to see whether ratio of company's dividend payout from year to year increases, decreases or stable. The reason of this study uses Dividen Payout Ratio (DPR) as the dependent variable is because DPR actually determines profit portion which will be shared to the shareholders, and will be kept as part of retained earnings.

There are some factors influencing dividend payout ratio in this research, i.e. institutional ownership, individual ownership, and managerial ownership. First factor influencing dividend policy is institutional ownership. The institutional ownership is majority shareholders who are able to reduce agency problem in company. It is because the number of institutional investor ownership is not little and it is the budget owned by some individual investors (community), so that it causes institution investor will be more careful and strict in controlling the management takers who are not in a way with shareholders' interest.

Dewi (2008) and Jain (2007) stated that the presence of high dividend payout made institutional investors consider the company's manager unable to see the more profitable investment opportunities. The institutional ownership is the majority shareholders who can be the controlling agent and be effective to reduce agency problem, so that the main focus of institutional investors is not about gaining profit from dividend payment, but about other more profitable investments. Institutional investors' preference is more about alternative way which can give greater advantage, in this context, the alternative is one which has the least tax. In addition, generally the institutional ownership is higher-taxed institutional investor, so that the institutional investors more like higher dividend payout and more like capital gain because the tax is much lower.

The second factor which influences dividend policy is individual ownership. Regardless to the reality, individual investors collectively hold approximately 13% of Indonesia Stock Exchange. Based on the study by Brennan (2008), individual investors more like the company which pay low dividend, or does not pay at all, as long as the dividend tax is high. However, the company's decision about paying low dividend will raise the perception from external side that the company has bad profitability, as the result it will result in the decrease of the stock price and company's value (theory of*signaling* hypothesis). Therefore, it can be concluded that the preference of dividend policy could be influenced by other factors. It is different from the study conducted by Jain (2007) that concluded that the individual ownership of the stock more likes the company pay high dividend.

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The third factor is managerial ownership. The managerial ownership is the stock ownership by the management side who actively takes part in making decision, like director or commissioner (Wahidahwati, 2002). Managerial ownership is measured according to the proportion stock owned by the company at the end of the year and explained in percentage. The managerial ownership, in its relationship to the dividend policy, has crucial role to control company's financial policy, so that it will be in a way with the expectation of the shareholders or it is usually called binding mechanism.The manager has an opportunity to get involved in owning the stock in order to be equal with shareholders. Through this policy, the manager is expected to do better performance and direct the dividend to the lower level. By determining low dividend, the company will have high retained earnings, as the result it has relatively high internal budget source to fund the future investments (Nuringsih, 2005). To reduce cost agency, the company needs to increase the managerial ownership inside the company, so that the manager will carefully act, because they also have responsibility with the consequences of their action (Ismiyanti dan Hanafi, 2003).

This article is to analyze the influence of institutional stock ownership, individual ownership, and managerial ownership toward dividend payout ratioin non-financial companies registered in Indonesia Stock Exchange (IDX) in 2012-2016. The article is started from literature review, and then the explanation of research method used as the basic of data analysis, later on it is continued with discussion of research result, at the end is conclusion and suggestion.

LITERATURE REVIEW

Dividend Payout Ratio

Dividend payout ratio is ratio which shows the amount of dividend value shared by the company to the investors. Dividend payout ratio is measured as the dividend which is shared with available profit for the investors (Jogiyanto, 2007:280). Dividend payout ratio is comparison result between dividend and profit that is available for the investors (Baker et al., 2010:13).

According to Suad (2010:316), the company is only can share the higher dividend if it gains higher profit, if the profit is static, the company cannot share the high dividend because it will make the company share its own capital.

Dividend payout ratio is an indicator of the healthy company (Baker et al., 2010:49). Dividend payout ratioalso impacts on investors' behavior in which the profit seekers will prefer investing the stock in the company which has high *Dividend payout ratio*, while wealth seekers tend to prefer the company with low dividend payout ratio (Bringham and Houston, 2010:293). The constant dividend payout ratioshows that the company's liquidity is stable (Jogiyanto, 2007:91). Stable dividend payout ratio or improving dividend payout ratio will attract the investors to

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invest their stock to the company. The high-risk companies tend to have low dividend payout ratioto reduce the amount of dividend which is shared if the profit of the company decrease (Hartono, 2009:280).

Institutional Ownership

Institutional ownership is the condition in which the institution has the stock in a company. The institution could be governmental, private, domestic or foreign institution (Widarjo, 2010:15). The institutional ownership is the ownership of company's stock owned by an institution like insurance company, bank, Investment Company, and other institutional ownerships. Institutional investors are usually the majority shareholders who has vote related to the growth of the company. The high institutional ownership level will create the greater controlling effort by the institutional investors so that it could prevent opportunistic behavior. The institutional ownership has advantage as follow it has professionalism in analyzing information so that it can test information correctness in having strong motivation to strictly control on the activity in the company.

The control held by the institutional investor will guarantee the shareholders' prosperity. The influence of the institutional ownership as the controlling agent is pressured by their great investment in capital market. The institutional ownership is proportion of stock ownership which is measured in stock percentage owned by the institutional investors in a company (Rizka andRatih, 2009:199).

The institutional ownership is company's stock ownership which is owned by institution like insurance company, bank, Investment Company and other institutional ownerships (Tarjo, 2005). The institutional ownership is usually as the majority shareholders who have precious vote in making decision for company's growth.

Individual Ownership

Individual ownership is usually in small amount to gain returning of some budget which has been invested. The individual investors are ones who invest their capital in the form of stock in stock exchanges by purchasing or selling the stock back. In Indonesia, the individual ownership is called public ownership which is limited for 5% in maximum. According to Septiyanti(2003), minority stock ownership is individual stock ownership from outsiders or public besides the ownership of managers, institution, foreigners, or relatives.

The investors in capital market are various. The variety of them is contributed by several aspects, as follows: motivation of investment, purchasing power on security, level of knowledge and investment experience, as well as investment behavior. The variety results in the difference of

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confidence and expectation on return and risk of the investment. The presence of this variety encourages the occurrence of the transaction (Rahadjeng, 2011). Hereby the important of understanding the behavioral finance.

Investors' behavior is really influenced by the accepted information, because the information is individualistic. It means that individual may give different reaction toward the similar information source. It shows that individual receives the information and consecutively and continuously revises through receiving information which is contained in financial report and other information sources like media, and other announcements which can affect the decision. Related to that, as the information source, the financial report is the provider of accountancy information that is relevant and reliable. Likewise, useful information (information usefulness) for decision making is more about its content (content of information)and its on time in providing the belief for investors or in changing the prior belief of financial report users to immediately react, furthermore it will compete with other information sources (Puspitaningtyas, 2011).

Managerial Ownership

Management ownership is shareholders proportion from management side who actively takes part in making decision for the company (director and commissioner) (Diyah and Eman, 2009). The existence of the managerial ownership in a company will create the interesting notion that the value of the company improves as the result of the managerial ownership improvement. The great managerial ownership will be effective in monitoring the activity of the company.

In reality, the interest of the company owner and the interest of managerial ownership is not always in line, it is based on agency theory, for example the company owner wants to take a risk for the growth of the company, however in certain situations, the managerial ownership oppositely makes the decision to reduce the risk for the company to new investment. The case above could happen even though the owner of the company has the program to give incentive in form of stock to the manager sides to get what the owner want.

Shliefer and Vishny (cited in siallagan and Machfoedz, 2006) stated that the big stock ownership in term of economic value had incentive to monitor. According to Jensen and Meckling,(1976) cited in Sofia (2012), when the stock ownership of the management is low, the manager's opportunistic behavior will emerge or even improve. By the existence of managerial stock ownership, it could equalize the difference of interest between management and other shareholders, consequently the problem between agent and principal is assumed disappear if the manager becomes the shareholder too.

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RESEARCH METHOD

Sekaran (2006:152) stated that research design included several options in making rational decision related to the aim of the study, the position, the proper type for the research, manipulation and control level of the research, temporary aspect, and data analysis level. This research is hypothesis test. The hypothesis test usually explains the characters of certain relationship, or determines the difference among groups or the independence to test the relationship between independent variable and dependent variable. This study is causal study. In this research, the researcher did not mean to intervene or manipulate the data to influence the result. The intervention is in minimum level. The researcher just collected the data by using financial ratio from the financial report. The researcher wanted to analyze the influence of the variables toward the dividend payout ratio.The context and analysis unit of this research were non-financial companies registered in IDX in 2012-2016 periods. In this research, the used time horizon was data panel. The population in this research was non-financial companies registered in IDX in 2012-2016 for 388 companies each year. Sampling technique was purposive sampling. The purposive sampling is the technique by determining the sample with certain consideration (Sugiyono, 2009:40). Sampling technique with the criteria as follows:

1. The company paid out the dividend once a year and it was reported to idx.co.id
2. The company delivered information about institutional ownership, individual ownership, managerial ownership, profitability, and the size of company in annual report.

After selecting the sample, there were 187 companies per-year as the obtained samples of which can be seen on the following Table1.

Table 1: Total of Research Samples

Samples of the companies	2012	2013	2014	2015	2016	Total
Total samples	**32**	**46**	**38**	**40**	**31**	**187**

Source: Data Processing Output (2017)

Based on table 1above, total samples were 187 companies, in detail there were 32 companies in 2012 which shared the dividend once a year and report all research variables in the annual report, 46 companies in 2013, 38 companies in 2014, 40 companies in 2015, and 31 companies in 2016 did so.

Data analysis was conducted by using statistical analysis i.e. regression analysis technique, the regression model used in this research was multiple linear regression. The model as follows:

$$Y = a + b_1 X_1 + b_2 X_2 + b_3 X_3 + b_4 X_4 + b_5 X_5 + e \ldots\ldots\ldots \qquad (1)$$

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Y is*dividend payout ratio;* X_1 is institutional ownership; X_2 is individual ownership; X_3 managerial ownership; X_4 is probability; X_5 is company's size; ε is error.

To test the hypothesis in this research, the researcher used t-test in confidential level (*confidentlevel* 95 %) or error level (*alpha*) **α** for 0,05.

- If statistic t_{count}> statistict_{table}, so Ho is rejected
- Jika statistic t_{count}< statistict_{table}, so Ha is rejected

In confidential level (*confidentlevel* 95 %) or error level*(alpha)***α** for 0,05, so if the significant value is between (0-0,05), the hypothesis is accepted, on contrary, if significant value is less than 0 or more than 0,05, the hypothesis is rejected (Santoso, 2000).

RESULTS AND DISCUSSIONS

The result test of the influence of institutional ownership, individual ownership, managerial ownership toward the dividend payout ratio in non-financial companies registered in IDX in 2012-2016 is explained in the following table:

Table 2: Result of Multiple Linear Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	89,590	12,059		7,429	0,000
	Institutional Ownership	-0,548	0,102	-1,764	-5,351	0,000
	Managerial Ownership	-0,520	0,112	-1,386	-4,659	0,000
	Individual Ownership	-0,765	0,105	-1,455	-7,318	0,000
	Profitability	4,906	4,618	0,081	1,062	0,291
	Company's size	-0,210	0,273	-0,059	-0,768	0,444

Source: Data Processing Output (2017)

Based on statistical calculation using SPSS software on Table 2 above, it can be formulated the following multiple linear regressions equation.

$$.Y = 89{,}590 - 0{,}548X_1 - 0{,}520X_2 - 0{,}765X_3 + 4{,}906X_4 - 0{,}210X_5 +$$

From the equation regression above, it is identified that institutional ownership variable shows negative effect toward dividend payout ratio in non-financial companies with coefficient regression of 0.548. Negative symbol in coefficient shows that the increase of institutional ownership will be followed by the decrease in shared dividend payout ratio. If institutional

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ownership variable increases one point, dividend payout ratio will decrease for 0.548 points with assumption that other variables are unchange.

Individual ownership variable goes to negative toward dividend payout ratio in non-financial companies registered in IDX in 2010-2016 with coefficient regression value for-0.520. Negative symbol in coefficient shows that the increase of individual ownership will be followed by the decrease of shared dividend payout ratio. If individual ownership variable increases 1 point, dividend payout ratio will decrease for 0.520 points, with assumption that other variable are constant

Managerial ownership variable shows negative toward dividend payout ratio in non-financial companies registered in IDX in 2010-2016 with coefficient regression for-0.765. Negative symbol in coefficient shows that the increase of managerial ownership will be followed by the decrease of shared dividend payout ratio. If managerial ownership variable increases 1 point, dividend payout ratio will decrease for 0.765 points with assumption that other variables are constant and have no change.

Profitability control variable shows positive toward dividend payout ratio in non-financial companies registered in IDX in 2010-2016 with coefficient regression value for4.906. Positive sign in coefficient shows that the increase of profitability will be followed by the increase of shared dividend payout ratio. If profitability variable increases for 1 point, dividend payout ratio will increase for 4.906 points with assumption that other variables are constant or no change.

Company’s size control variable shows negative toward dividend payout ratio in non-financial companies registered in IDX in 2010-2016 with coefficient regression for -0.210. Negative sign in coefficient shows that the increase of company’s size will be followed by the decrease of shared dividend payout ratio. If company’s size variable increases for 1 point, dividend payout ratio will decrease for 0.210 points with assumption that other variables are constant or have no change.

Coefficient Determination

Coefficient Determination (R^2) is measuring to what extent the ability of the model implements the variation of dependent variable. R^2value is between 0 and 1 (Ghozali, 2013:97).R^2value can be seen in table 3 below:

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Table 3: Coefficient Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,657[a]	,432	,403	4,91973	1,880

Source: Data Processing Output (2017)

Based on table 3, it can be seen that R^2value is for 0.432, it means that managerial ownership, institutional ownership, individual ownership, profitability, and the size of company together influence and explain Dividend payout ratiofor 43.3%, the rest which is 56.7% is influenced by other variables out of this research.

Result of Simultaneous Test (F-test)

Statistical F-test basically shows whether all independent variables which are included in the model have together effect on dependent variable (Ghozali, 2013:98). Statistical F-test's result can be seen in table 4 below:

Table 4: Statistical F-test

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	1840,091	5	368,018	15,205	,000[b]
Residual	2420,373	100	24,204		
Total	4260,464	105			

Source: Data Processing Output (2017)

Based on table 4, it is known that F value is for 15.205 with significance for 0.000 < 0.05, it means that Institutional ownership, Individual ownership, Managerial ownership, profitability, and the size of the company together influence *Dividend payout ratio*. Regression test for first hypothesis in this research is conducted to know whether institutional ownership, individual ownership, managerial ownership together influence Dividend payout ratio. The result of the study shows that significance value is for 0.000 < 0.05 which means that variable of institutional ownership, individual ownership, managerial ownership in together has significant influence toward Dividend payout ratio in non-financial companies registered in IDX in 2012-2016.

Partial Test Result (T-test)

First regression test result shows that institutional ownership has influence toward dividend payout ratio with coefficient regression value for -0,548. The coefficient regression which is

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obtained from the test is negative which means that institutional ownership negatively influence dividend payout ratio. The greater institutional ownership will reduce dividend payout ratio.

Sponholtz (2005) stated that dividend payout ratio could be used as the instrument to minimize the amount of free cash flow for management. Different words from Jain (2007) who found that institutional investors more liked the company which shared small-scale dividend payout ratio because they believe that the presence of dividend payout ratio would make the manager of the company become incompetent to see the opportunities of profitable investment.

Dewi (2008) and Jain (2007) stated that the presence of high dividend payout ratio would make institutional investors consider the manager of the company incompetent to see the opportunities of more profitable investment. Institutional ownership is the majority shareholders who have a role as effective controlling agent to reduce agency problem, as the result the main focus of institutional investors is not for gaining profit from dividend payout ratio, yet likely from other more profitable investments. The preference of institutional investors is more about the alternative which can provide greater benefits, in this context is the alternative which gives the lowest tax. Furthermore, generally the institutional ownership is higher-taxed institutional investor therefore institutional ownership tends to not like high dividend payout ratio, and more like capital gain, because its tax is much lower.

Result of regression test shows that individual ownership negatively yet significantly influences dividend payout ratio with coefficient regression value for -0,520. The coefficient regression which is obtained from the test is negative which means that individual ownership negatively influences the *dividend payout ratio*. The greater individual ownership will reduce dividend payout ratio.

The result is not in accordance with the third hypothesis which says that individual ownership positively influences dividend payout ratio. On the contrary, this study found that individual ownership negatively yet significantly influences dividend payout ratio, however the result of study by Brennan (2008) showed that individual ownership more liked the company which had lowdividend payout ratio, or even no dividend payout ratio as long as its tax is high.

Result of regression test shows that managerial ownership significantly influences dividend payout ratio with coefficient regression value for -0,765. The coefficient regression which is obtained from the test is negative which means that the managerial ownership negatively influences dividend payout ratio. The greater managerial ownership will reduce dividend payout ratio.

The result of this study is in accordance with the fourth hypothesis which says that managerial ownership negatively yet significantly influences *dividend payout ratio*. The result of this study

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is in accordance with the result of the study conducted by Dewi (2008) which showed that managerial ownership negatively affected the dividend policy. Big company will more improve its dividend policy than small company. High managerial ownership level makes company possible to pay dividend in small amount because internal budget source is more efficient than external budget source. On the other hand, low managerial ownership level makes the company possible to share dividend in great amount in order to attract the investors.

CONCLUSIONS

The Institutional Ownership, Individual Ownership, and Managerial Ownership have a simultanous influence on dividend payout ratio in non-financial company either tested simultanously or partially.

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