jsret.knpub.com

E-ISSN: 2962-6110
P-ISSN: 2964-7843
JSRET
Journal of Scientific Research, Education, and Technology

The Influence of Collateralizable Assets, Firm Size, Managerial Ownership, and Investment Opportunity on Dividend Policy

Wiwik Dwi Lestari
Universitas Islam Kadiri

ABSTRACT

This study aims to analyze the influence of Collateralizable Assets, Firm Size, Managerial Ownership, and Investment Opportunity on Dividend Policy in LQ45 Index companies listed on the Indonesia Stock Exchange (IDX) from 2019 to 2023. Collateralizable Assets are proxied by COLLAS, Firm Size by SIZE, Managerial Ownership by MOWN, and Investment Opportunity by MVE/BE. Dividend Policy is proxied by the Dividend Payout Ratio. The sampling technique employed in this research is purposive sampling, resulting in a final sample of nine LQ45 Index companies listed on the IDX. The study utilizes secondary data obtained from the official IDX website. This research adopts a descriptive quantitative approach with multiple linear regression analysis. The results indicate that the Collateralizable Assets variable has a significance value of 0.009, and the Firm Size variable has a significance value of 0.001, suggesting that Collateralizable Assets and Firm Size have a significant negative effect on Dividend Policy. Meanwhile, the Managerial Ownership variable has a significance value of 0.067, and the Investment Opportunity variable has a significance value of 0.253, indicating that neither Managerial Ownership nor Investment Opportunity significantly affects Dividend Policy. However, simultaneously, Collateralizable Assets, Firm Size, Managerial Ownership, and Investment Opportunity collectively have a significant effect on Dividend Policy.

Keywords: *Collateralizable Assets, Firm Size, Managerial Ownership, Investment Opportunity Dividend Policy, LQ45*

Corresponding author
Name: Wiwik Dwi Lestari
Email: wiwiklestari041101@gmail.com

INTRODUCTION

The global economy's rapid advancement, driven by technological and scientific progress, has significantly influenced business competition and investment growth. In Indonesia, the capital market has become a pivotal avenue for companies to attract investment by offering shares and securities to the public. This dynamic is underscored by the rising number of investors in Indonesia's capital market, which exceeded 10 million by 2022, with a significant proportion represented by younger demographics (Ramyakim &

Widyasari, 2022). The LQ45 index, which comprises highly liquid and well-performing stocks, is particularly attractive to investors seeking dividends and capital gains due to its relatively lower risk and stable performance (Annisya, 2019).

Dividends are a critical component of shareholder income and serve as a reflection of a company's financial health and management efficiency. However, determining an optimal dividend policy is a complex task for management, involving a balance between distributing earnings to shareholders and retaining profits for reinvestment. The Dividend Payout Ratio (DPR) is commonly used to measure how much of a company's earnings are distributed as dividends. Among LQ45 companies, the DPR has shown significant fluctuations from 2019 to 2023, reflecting inconsistent dividend growth that may challenge investor trust and indicate varying financial strategies (Wiweko, 2019).

Theories such as agency theory and bird-in-the-hand theory provide a foundation for understanding dividend policies. Agency theory addresses the potential conflicts of interest between shareholders and management, suggesting that dividend payments can align these interests by reducing the resources available for discretionary use by management (Jensen & Meckling, 2019). Meanwhile, bird-in-the-hand theory posits that investors prefer stable and predictable dividends over uncertain capital gains, as regular dividend payments reduce investment risk perception and enhance shareholder confidence (Gordon & Lintner, 1956; Cahyaningdyah & Ridloah, 2020).

Building on these theoretical foundations, this study investigates the factors influencing dividend policies in LQ45 companies from 2019 to 2023. Four variables are examined: Collateralizable Assets, Firm Size, Managerial Ownership, and Investment Opportunity. Collateralizable Assets represent the proportion of assets that can be pledged as collateral, which may influence a company's funding strategies and ability to distribute dividends (Hariyanti & Pangestuti, 2021). Firm Size is often associated with financial stability, where larger companies are generally considered better positioned to distribute dividends (Secsio & Prasetiono, 2016). Managerial Ownership examines the alignment of management and shareholder interests through equity ownership by managers, which could impact dividend distribution decisions (Prihatini, 2018). Lastly, Investment Opportunity evaluates the trade-offs between funding growth initiatives and providing shareholder returns, as companies with significant growth prospects may prioritize retained earnings over immediate dividends (Wiweko, 2019).

Prior studies have yielded mixed findings regarding the influence of these variables. For example, while some research suggests a positive relationship between collateralizable assets and dividend policy, others report no significant effect (Setiawati & Yesisca, 2016). Similar inconsistencies are observed in the effects of firm size, managerial ownership, and investment opportunity on dividend policies, motivating the need for further investigation (Atmoko, 2018; Noviyana & Rahayu, 2021).

This study adopts a quantitative approach, analyzing secondary data from nine companies listed in the LQ45 index using purposive sampling. The dataset includes financial reports from 2019 to 2023, focusing on key variables influencing dividend policies. Statistical tools, including multiple linear regression, are employed to test the hypotheses and reveal significant relationships.

The primary objectives of this study are to:

1. Analyze the individual and collective effects of collateralizable assets, firm size, managerial ownership, and investment opportunities on dividend policy.
2. Provide empirical evidence and practical insights to help companies align dividend policies with investor expectations while maintaining financial stability.

The findings indicate that collateralizable assets and firm size significantly negatively affect dividend policy, suggesting that companies with higher collateralizable assets or larger sizes retain more earnings for reinvestment. Conversely, managerial ownership and investment opportunities do not individually impact dividend policy. However, collectively, these variables significantly influence dividend decisions, underscoring the multifaceted nature of dividend policy.

By addressing theoretical gaps and empirical inconsistencies in prior research, this study contributes to a deeper understanding of dividend policy dynamics within Indonesia's capital market, providing valuable recommendations for corporate managers and investors.

METHOD

The study employs a descriptive quantitative method to examine the influence of Collateralizable Assets, Firm Size, Managerial Ownership, and Investment Opportunity on Dividend Policy. The research utilizes secondary data sourced from the official website of the Indonesia Stock Exchange (IDX) for the period 2019-2023. The sampling technique used is purposive sampling, which selects samples based on specific criteria relevant to the research objectives. The final sample consists of nine LQ45 Index companies that meet these criteria.

Data analysis is conducted using multiple linear regression to assess the relationship between the independent variables (Collateralizable Assets, Firm Size, Managerial Ownership, and Investment Opportunity) and the dependent variable (Dividend Policy, proxied by Dividend Payout Ratio). The analysis includes both partial (individual variable effects) and simultaneous (collective variable effects) testing.

The significance of each independent variable is evaluated using p-values, with a threshold of 0.05. The study also checks for classical assumptions, such as normality, multicollinearity, heteroscedasticity, and autocorrelation, to ensure the validity of the regression model. Overall, this methodological approach allows for a comprehensive analysis of the factors influencing dividend policy in LQ45 companies, offering both theoretical and practical insights.

FINDING AND DISCUSSION

RESEARCH RESULT

Table 1: Regression Analysis Results

Coefficients[a]						
Model		**Unstandardized Coefficients**		**Standardized Coefficients**		
		B	Std. Error	beta	t	sig
1	(constan)	10.668	1.868		5.711	0.000
	Ln_ collas	-0.129	0.047	-0.438	-2.754	0.009
	Ln_ size	-2.141	0.598	-0.584	-3.580	0.001
	Ln_mown	0.051	0.027	0.259	1.888	0.067
	Ln_mve/bve	0.077	0.066	0.164	1.161	0.253

a. Dependent Variable: DPR

Source: Data processed by the researcher using SPSS, (2024)

Table 2: Descriptive Statistics of Research Variables

	N	Minimum	Maximum	Mean	Std. deviation
Collas	45	1.81	71.02	22.4519	21.32802
Size	45	17.00	24.18	19.8603	2.14935
MOWN	45	0.00	1.95	0.1944	0.34980
MVE	45	0.00	4.78	1.7737	1.31485
DPR	45	11.72	389.95	62.8160	67.24990
Valid N (listwise)	45				

Source: Data processed by the researcher using SPSS, (2024)

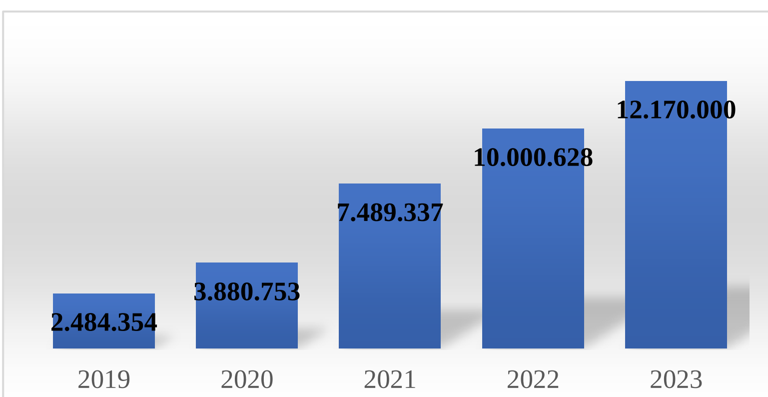

Figure 1: Number of Capital Market Investors

The study examines the influence of Collateralizable Assets, Firm Size, Managerial Ownership, and Investment Opportunity on the Dividend Policy of nine companies listed on the LQ45 index of the Indonesia Stock Exchange during 2019–2023. Using multiple linear regression and descriptive statistical methods, the research provides insights into both individual and collective impacts of these variables on dividend decisions.

The findings reveal that Collateralizable Assets have a significant negative effect on dividend policy, with a p-value of 0.009. This indicates that companies with higher collateralizable assets tend to distribute fewer dividends, possibly because they have better access to external funding sources, reducing their reliance on dividends to mitigate agency conflicts. Similarly, Firm Size also negatively affects dividend policy, with a p-value of 0.001, suggesting that larger companies prefer to retain earnings for internal reinvestment rather than distributing them as dividends.

In contrast, Managerial Ownership does not significantly influence dividend policy, with a p-value of 0.067. Although theoretically expected to align managerial and shareholder interests, its effect in this sample is negligible. Similarly, Investment Opportunity shows no significant relationship with dividend policy (p-value = 0.253), indicating that companies prioritize using retained earnings for growth rather than distributing them as dividends.

When analyzed collectively, however, the four variables significantly influence dividend policy, with an F-statistic p-value below 0.05. This highlights that dividend policy is not determined by a single factor but rather by the interplay of multiple determinants. The descriptive statistics provide an overview of these variables, showing their variability across the sampled companies.

DISCUSSION

The findings of this study provide a nuanced understanding of the factors influencing dividend policy among LQ45 companies on the Indonesia Stock Exchange from 2019 to 2023. These results align with and occasionally diverge from existing theoretical frameworks and previous empirical research, offering valuable insights into the dynamics of corporate decision-making regarding dividend distribution.

The significant negative impact of Collateralizable Assets on dividend policy supports agency theory, which explains the potential for conflicts of interest between shareholders and management. Collateralizable assets, by their nature, provide companies with increased access to external financing. This reduces the reliance on dividends as a mechanism to align shareholder and managerial interests. Higher collateralizable assets imply that firms can secure loans using tangible assets as collateral, which diminishes the pressure to distribute earnings as dividends to reassure investors of good governance.

This finding aligns with research by Hariyanti & Pangestuti (2021), which demonstrated that firms with higher collateralizable assets tend to retain earnings for reinvestment, thus reducing dividend payouts. However, Setiawati & Yesisca (2016) reported no significant relationship between collateralizable assets and dividend policy, suggesting that factors such as industry characteristics and financial strategies might mediate this relationship. The differences in outcomes may also be influenced by the varying financial practices of companies listed in different indices or sectors, highlighting the need for context-specific analyses.

The negative relationship between Firm Size and dividend policy is somewhat counterintuitive, as larger firms are often perceived as financially stable and capable of distributing higher dividends. However, in the context of this study, larger companies appear to prioritize retained earnings over immediate dividend payouts. This could be attributed to their focus on sustaining long-term growth and maintaining competitive advantages.

This finding is consistent with bird-in-the-hand theory, which posits that investors prefer stable and predictable returns in the form of dividends. However, larger firms in this sample seem to view retained earnings as a more efficient way to finance their operations and future growth, thereby reducing their dependency on external financing. Atmoko (2018) observed a similar pattern in his research, where larger firms retained earnings to fund capital-intensive projects.

Conversely, studies such as Noviyana & Rahayu (2021) found no significant effect of firm size on dividend policy, suggesting that the influence of firm size may be contingent on additional factors, such as the firm's stage in its lifecycle or the specific industry dynamics. For instance, mature firms in stable industries might exhibit different dividend behaviors compared to growth-oriented firms in emerging sectors.

The lack of a significant relationship between Managerial Ownership and dividend policy challenges some traditional assumptions of agency theory. While increased managerial ownership theoretically aligns the interests of management and shareholders, the findings suggest that such alignment does not necessarily result in higher dividend payments.

This divergence might be explained by the possibility that managerial ownership provides managers with greater control over company resources, allowing them to prioritize long-term investments over immediate dividend distributions. Prihatini (2018) found a positive relationship between managerial ownership and dividend policy in manufacturing firms, suggesting that the effects of managerial ownership could be influenced by industry-specific characteristics. For instance, managers in capital-intensive industries may prioritize reinvestment, whereas those in stable industries may be more inclined toward distributing dividends.

The findings of this study suggest that the role of managerial ownership in determining dividend policy is less direct and may depend on the broader corporate strategy and financial priorities of the firm.

The nonsignificant relationship between Investment Opportunity and dividend policy is consistent with the notion that firms with high growth prospects often retain earnings to finance future investments. Such firms prioritize internal funding over distributing dividends, as this approach allows them to capitalize on profitable opportunities without incurring additional debt.

This finding supports the agency theory perspective that high investment opportunities can exacerbate agency conflicts. Managers might opt to use retained earnings for projects that align with their strategic goals, potentially at the expense of shareholder returns. Suleiman & Permatasari (2022) reached similar conclusions, emphasizing the importance of retained earnings for firms with significant growth opportunities.

However, Prakosa (2018) reported a significant negative relationship between investment opportunities and dividend policy, which may reflect differences in the competitive environments or regulatory frameworks faced by the firms in their respective samples. The current findings highlight the complexity of investment decisions, where the choice to distribute or retain earnings is influenced by multiple factors, including growth potential, market conditions, and investor expectations.

When analyzed collectively, Collateralizable Assets, Firm Size, Managerial Ownership, and Investment Opportunity were found to have a significant impact on dividend policy. This underscores the multifaceted nature of dividend decisions, where companies weigh multiple factors rather than relying on a single determinant. The simultaneous significance of these variables reflects the complex interplay of asset structure, firm size, ownership dynamics, and growth opportunities in shaping dividend policies.

This result aligns with findings from Witanto (2023), who emphasized the collective influence of multiple factors on dividend policy. The interplay of these variables highlights the need for a holistic approach in understanding and predicting corporate dividend behavior.

The findings have significant implications for both theory and practice. From a theoretical perspective, they reinforce the relevance of agency theory and bird-in-the-hand theory in explaining dividend policies within the context of Indonesia's capital market. These results contribute to a growing body of literature by offering empirical evidence on the determinants of dividend policy in emerging markets.

From a practical standpoint, the study provides valuable insights for corporate management and investors. Companies can use these findings to refine their dividend policies, ensuring they balance internal growth needs with shareholder expectations. For investors, the study highlights the importance of considering firm-specific factors, such as asset structure, size, and growth potential, when evaluating investment opportunities.

The study is limited to nine LQ45 companies over a five-year period, which may not fully capture the broader dynamics of Indonesia's capital market. Future research could expand the sample size and include a more diverse range of industries to enhance generalizability. Additionally, incorporating other variables, such as free cash flow and debt ratios, could provide a more comprehensive understanding of the factors influencing dividend policy. Longitudinal studies spanning more extended periods might also shed light on how these relationships evolve over time.

CONCLUSION

This study examines the influence of Collateralizable Assets, Firm Size, Managerial Ownership, and Investment Opportunity on the Dividend Policy of LQ45 companies listed on the Indonesia Stock Exchange during 2019–2023. The findings reveal that Collateralizable Assets and Firm Size negatively affect dividend policy, suggesting that firms with higher collateralizable assets or larger sizes retain more earnings for reinvestment. In contrast, Managerial Ownership and Investment Opportunity individually show no significant impact on dividend policy. However, collectively, these factors significantly influence dividend decisions, highlighting the complexity of dividend policy as a multifactorial corporate decision.

The results contribute to the theoretical understanding of dividend policy by supporting agency theory and bird-in-the-hand theory in the Indonesian context. Practically, the findings offer insights for corporate managers in balancing growth-oriented strategies with shareholder expectations and for investors in assessing the determinants of dividend reliability. While the study is limited to nine LQ45 companies over five years, it lays a foundation for future research to expand on these findings by incorporating broader samples, additional variables, and extended periods to deepen insights into dividend policy dynamics.

REFERENCES

Atmoko, B. (2018). Pengaruh ukuran perusahaan terhadap kebijakan dividen. Jurnal Akuntansi, 12(3), 45–56.

Cahyaningdyah, I., & Ridloah, R. (2020). Bird-in-the-hand theory and its relevance in dividend policy: A review. Jurnal Ekonomi dan Bisnis, 17(2), 124–137.

Gordon, M. J., & Lintner, J. (1956). Bird-in-the-hand theory of dividend policy. Review of Economics and Statistics, 38(2), 99–105.

Hariyanti, E., & Pangestuti, I. R. (2021). Pengaruh collateralizable assets terhadap kebijakan dividen. Jurnal Keuangan dan Perbankan, 25(4), 1–12.

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs, and ownership structure. Journal of Financial Economics, 3(4), 305–360.

Noviyana, D., & Rahayu, S. M. (2021). Pengaruh ukuran perusahaan dan peluang investasi terhadap kebijakan dividen. Jurnal Ilmu Ekonomi, 14(1), 87–96.

Prihatini, D. (2018). Kepemilikan manajerial dan kebijakan dividen: Studi empiris pada sektor manufaktur. Jurnal Akuntansi & Manajemen, 23(2), 104–117.

Ramyakim, T., & Widyasari, I. (2022). Trend of investors in the Indonesian capital market (2019-2022): An analysis of young investors' participation. Jurnal Ekonomi Indonesia, 29(1), 56–70.

Secsio, E., & Prasetiono, S. (2016). Dividends, stock performance, and investor behavior: A review of LQ45 companies. Journal of Finance and Investment, 11(2), 201–215.

Setiawati, E., & Yesisca, A. (2016). Collateralizable assets and dividend policy: A study of Indonesian listed companies. Jurnal Bisnis dan Akuntansi, 18(3), 67–78.

Suleiman, R., & Permatasari, D. (2022). Investment opportunity and dividend policy: A case study in Indonesia. Indonesian Journal of Business and Finance, 14(2), 203–218.

Wiweko, D. (2019). Dividend policy and its impact on stock performance in LQ45 index companies. Jurnal Ekonomi dan Bisnis Indonesia, 30(1), 67–80.

Witanto, H. (2023). The impact of firm size, managerial ownership, and collateralizable assets on dividend policy: Evidence from IDX30 companies. International Journal of Financial Studies, 9(1), 88–102.