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THE EFFECT OF MANAGERIAL OWNERSHIP AND CAPITAL STRUCTURE ON STOCK RETURNS WITH DIVIDEND POLICY AS AN INTERVENING VARIABLE

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Abstrak. *The purpose of this study is to obtain empirical evidence for the impact of manager ownership and capital structure on stock returns, mediated by dividend policy. Manager ownership is tested by comparing the size of shares owned by the manager to the total number of shares. The size of the capital structure is tested by the leverage ratio, which represents the company's total debt to equity. A stock's return is measured by comparing the market price at the beginning of the year to the market price at the end of the year. The study population utilizes the consumer goods industry listed on the Indonesian Stock Exchange in 2020-2021 consumer goods industry. A sample of 25 companies was extracted based on the target sampling method. This study proves that management ownership and capital structure influence dividend policy. Management ownership and dividend policy affect stock returns, but capital structure does not. Furthermore, the results of the Sobel test prove that dividend policy does not convey the impact of management ownership and capital structure on stock returns.*

Keywords: managerial ownership, capital structure, stock return, dividend policy

INTRODUCTION

After the determination of the Covid-19 pandemic status by WHO in 2020, it has had an impact on the health crisis and economic slowdown in various industrial sectors in Indonesia. Few industries have been able to survive amid Covid-19. Manufacturing is one of the important sectors that supports the development of the national economy. Research conducted by Purbawangsa &; Rahyuda (2022), where this article examines the interaction between ownership structure, dividend policy, and financial performance on stock returns. The most widely used parameter to evaluate the capabilities of a company uses a financial ratio approach to management reports in the form of Financial Statements (Putri &; Munandar, 2021). Investors need information before investing or when investing in the capital market. Information received by capital owners must be understandable, accurate, relevant, and transparent so that they are calm in investing Putri & Suyono, (2015). This information is very useful for investors to anticipate and know the uncertainty of investments and to find possible future returns.

Stock returns obtained on investment are often used as indicators by investors and shareholders to assess whether the management of a company has been managed correctly and can survive (*sustain*) for the next few years. *Stock returns* are also often used as a signal by investors or shareholders to assess that the company has implemented good governance. Research conducted by Chandra et al (2019) examined the influence of capital structure on stock *returns* in companies listed on Kompas 100. The results of the research prove that profitability and capital structure positively and significantly affect stock *returns* in the company recorded in Kompas 100. Global economic growth requires businesses to work more efficiently and effectively to ensure stability of a business and survive in an environment full of competition. Another element that affects stock *returns* is the ownership structure of management. Several previous studies on the impact of management ownership and dividend policy on stock *returns* have proven conflicting results. This research seeks to review the impact of management ownership and dividend policy on stock returns, as previous research has yielded different findings. The results of this paper research indicate that managerial ownership has a major influence on the composition of the board of directors and dividend policy. Managerial ownership influences stock returns. The composition of the board of directors has a major role in dividend policy and financial performance but does not have a major effect on stock returns. Financial performance is significantly influenced by dividend policy, but it does not have a large effect on stock returns. Financial performance does not have a significant effect on stock returns. The capital structure that shows the debt-to-equity ratio provides an overview of the company's management policies to meet the company's funding needs from equity sources, *retained earnings*, and reserves. If the company has not raised funds from internal funding, it should consider raising funds from outside companies. This examination of the capital structure of *stock returns* is based on research by Ellidianti et al (2021) the results of this study and research show that capital structure harms stock returns.

Investment in the form of shares is known to have high risk but has a high rate of return as well. This condition occurs due to uncertain stock price stability. The return can be in the form of dividends and *capital gains*. The dividend is the profit obtained by the company and distributed to capital owners which is closely related to the dividend policy. In practice, some dividends are not distributed, this policy is due to a policy on companies that distribute half of the dividends, and the other half is held to be reused as funding for company activities. *Capital gain* is the margin obtained by the company from buying and selling shares obtained from the difference in the selling price and the purchase price of the shares. *Dividend policy* has a significant influence on financial performance. *A dividend* policy is a policy related to distributing profits obtained by the company from operational activities to capital owners as dividends or will be held in the form of *retained earnings* to be used to fund investment activities in the future. If management sets out to distribute profits as dividends, it will cut into revenue profits and then cut total sources of internal financing. Meanwhile, if the company sets out to hold the profits obtained, then the ability to form internal funding will be even greater (Sartono, 2014).

RESEARCH METHOD

The population research used refers to *the consumer goods industry* companies listed on the Indonesia Stock Exchange during the 2020-2021 observation period. Sampling in this study uses a targeted *sampling* method with criteria set by the author to obtain the data needed for the study. The criteria for determining the data sample are as follows: the industry is recorded in the main index, the industry disclosed financial statements during the observation period, and consistently did not disclose the results of the observation.

Multiple linear regression analysis was determined with panel data. Panel data is data that has the characteristics of *cross-section* (more than 1 entity) and time *series* (time dimension/period) simultaneously. If the number of entities is denoted by N (i=1.2,....N) and the period is denoted by T(t=1.2,... T), then the total number of observation units held in the panel data is as much as NT. This analysis was chosen to examine the relationship of the dependent variable to the dependent variable in several entities that were used as research objects during the specified period.

Multiple liner regression model formulated in this observation:

SR = β1 (*Man. Ownership*) + β2 (CS) + e

DP = β1 (*Man. Ownership*) + β2 (CS) + e

SR = β3 (*Man. Ownership*) + β4 (CS) + β5 (DP) + e

Information:

DP = Dividend Policy (D*ividend Policy*)

MO = *Manager Ownership*

CS = *Capital Structure*

SR = *Return* Saham (*Stock Returns*)

b1-b5 = Koefisien

e = Error

RESULT AND DISCUSSION

Descriptive Analysis Results

Table 1 of the descriptive analysis results shows that the ownership of managerial (MO) has the highest value of 0.6261, the lowest value of 0.0000, and *the mean* value of 0.0453 with a standard deviation of 0.1312. The modal structure (CS) has a high value of 3.4127, a low value of 0.1722, and a *mean* value of 0.8800 with a standard deviation of 0.7056. The individual policy (DP) has a high value of 24.3716, a low value of -0.0101 and a *mean* value of 1.2534 with a standard deviation of 3.5324. *Stock Return* (SR) has a high value of 2.4000, a low value of -0.4501, and a *mean* value of 0.0745 with a standard deviation of 0.5441.

Table 1. Descriptive Analysis

	MO	CS	DP	SR
Mean	0.045356	0.880057	1.253430	0.074592
Maximum	0.626112	3.412716	24.37164	2.400000
Minimum	0.000000	0.172214	-0.010182	-0.450167
Std. Dev.	0.131272	0.705619	3.532427	0.544157
Observations	50	50	50	50

Regression Equation Results

The results of the partial test (t-test) in hypothesis 1 prove that managerial ownership has a significant negative influence on dividend policy. This reflects that increasing managerial ownership has an impact on reducing dividends distributed and conversely if managerial ownership is low, the impact on dividends distributed will increase. Managers as company owners and controlling parties prioritize using the profits obtained as *retained earnings* rather than paying dividends. Because financing with internal funding sources is more appropriate than financing from outside (Dina and Musnadi, 2020). Managerial ownership is the right to hold shares owned by management as agents assigned to run company operations. *Agency* theory describes the need for controversy between management and investors. Management is motivated to prioritize personal interests over the interests of investors. Corporate governance that is not transparent will cause information asymmetry and harm investors. Management will receive more reports related to the condition of the company than capital or external owners. The causative factor that is often found related to the company's policy in paying dividends is related to free cash flow. Controversy related to interests between managers and owners of capital. Arus of free cash is one of the triggering factors per agency problem if in its use it is used to fund less profitable investment projects. The results of this research are consistent with the results of research carried out by Tran & Le (2019), Dina and Musnadi (2020), Paradita et al. (2022), and Purbawangsa &; Rahyuda (2022) concluded that managerial ownership has a negative influence on dividend policy.

The results of the partial test (t-test) in hypothesis 2 prove that capital structure has a significant negative influence on dividend policy, which indicates that an increase in capital structure will affect the decline in the dividend distribution. This research proves and shows that the higher dependence of a business entity on capital sourced from external funding will have an impact on reducing profits generated due to additional taxes and interest costs charged to the company. The decrease in profits generated spontaneously will affect the amount of dividend distribution. In addition, the utilization of debt instruments that are low will have an impact on increasing dividend distribution because the interest expense borne by the company is low.

This research is also in line with the results of research reviewed from previous research aspects. The results of this research are consistent with the findings conducted by Syofyan et al. (2020) revealing that the high dividends paid are a result of the company's high debt. Capital structure is closely related to debt and retained earnings in an enterprise. The increase in the amount of debt has a high effect on the amount of net profit ratio generated for shareholders. The effect then is that the performance of the profits generated is prioritized to pay off the loan compared to the dividend policy. Corporate dividend decisions are often confused with funding and investment decisions. This is based on the fact that researchers Sari et al. (2022) obtained the results that the structure of the modal has a positive influence on dividend policy. Harjito et al. (2014) found that capital structure is an analogy or balance of industry remote time funding aimed at the analogy of remote time loans to own capital. So it is concluded that the form of capital has a negative bond to dividend policy in an industry. The profits obtained by the company from operational activities will be used to fulfill its obligations Wiyogo and Ekadjaja, (2023).

Table 2. Hypothesis Analysis

	Substruktural 1				Substruktural 2			
	C	**S.E**	**t**	**Prob.**	**C**	**S.E**	**t**	**Prob.**
MO	-0,1366	0,0613	-2,2298	0,0306	0,3934	0,1243	3,1638	0,0028
CS	-0,1148	0,0459	-2,4984	0,0160	0,1756	0,0944	1,8600	0,0693
DP					0,8661	0,2814	3,0780	0,0035
F-State	6,2525			0,0039	5,3685			0,0029
Adj. R^2	0,1765				0,2110			
Obs.	50				50			

The results of the partial test (t-test) in the 3rd hypothesis prove that managerial ownership has a significant positive influence on stock returns. Managerial ownership has a great influence on stock returns, both direct and indirect influences. Transparent and accountable corporate governance will provide positive signals for investors. Management as the direct owner and as the controller will pay more attention to the impact of each policy set. Management will be vigilant in taking policies related to investment in Virgiawan and Dillak, (2020). Increasing management performance will encourage company performance to be more effective and efficient in generating profits Sanjaya and Cahyonowati, (2022).

These findings are consistent with the results of research conducted by Indrarini et al. (2019) and Haghighi & Gerayli (2020) which found that managerial ownership has a pe effect and determines how a company runs, the impact of which then has an impact on the company performance to Achieve organizational goals, namely optimizing company value. If the company manager takes a selfish action by not looking at the interests of investors, this can cause a decrease in the objectives of capital owners related to their investment activities. Such a possibility occurs due to the limited information received, where managers have more access to obtain information within the company and how the company's condition will be in the future than capital owners.

This research is also reinforced by the agency theory proposed by Jensen & Meckling (1976) which explains that the seek *Corporate Governance* that is of concern is information transparency. Information transparency is difficult to do if management prioritizes personal interests to support its interests. This situation occurs if in its implementation management also has a function as the owner of the company (*Managerial Ownership*). As the ownership of shares held by managers increases, managers are expected to act in line with the expectations of stakeholders. This condition will trigger management motivation to optimize company performance. The composition of the managerial shareholding structure is the main indicator of the suitability of the objectives and expectations of management and capital owners.

The results of the partial test (t-test) in the 4th hypothesis prove that capital structure does not influence stock *returns*, so it can be concluded that the 4th hypothesis of capital structure assessed by the *ratio DEBT to Equity Ratio* (DER) has a positive influence on stock *returns* is rejected. This finding proves that an increase in the DER ratio affects the decline in stock returns. Because the increasing debt ratio juxtaposed with the total capital owned by the company will have an impact on increasing the company's responsibility in the form of interest on external parties of the company that provides loans. In addition, the capital structure does not affect stock returns, proving that capital owners do not pay attention to the capital structure management system when investing. Investors focus more on how management can manage their assets to get a rising return on stocks.

This finding is in line with the results of research conducted by Anggraeni and Lestari (2022), Hardini and Mildawati (2021), Hartanti, et al. (2019), and Lumantow (2022) showing that capital structure does not influence *stock returns*. Capital structure is the debt and equity component that a company owns. Capital structure does not affect stock returns, explaining that capital owners do not pay attention to the capital structure management system when investing. An investor focuses more on how management can manage the assets owned to generate high returns on shares. The results of this research are consistent with the results of research carried out by Chandra et al. (2019) and Sari (2019).

The results of the partial test (t-test) in the 5th hypothesis prove that dividend policy has a significant positive influence on stock returns. *Dividend policy* proxied with *Dividend Payout Ratio* can communicate and describe the financial performance of consumer goods industry companies to investors as a good *signal (good news)* that has an impact on increasing stock returns. The *mean* value of dividend policy in this research during the Covid-19 pandemic from the 2020-2021 period was positioned at 1,253, illustrating the company's ability to make substantial dividend payments. The increase in dividend policy set by the company will provide a signal to investors regarding the company's condition and trigger an increase in investor interest in buying the company's shares. Capital owners will be lured to the condition of companies that have the prospect of high returns because investors have the goal of investing in the capital market for the long term (Astarina et al., 2019). The increase in the value of dividends distributed to capital owners will trigger an increase in stock prices which also has an impact on increasing stock *returns*. Generally, dividend policy is closely related to the use of profits that are the right of capital owners which contains whether the profits generated by a business entity will be distributed to capital owners as dividends or will be allocated in the form of *retained earnings* to finance prospects' future investment activities. Management decisions in distributing dividends can be in the form of cash or retained earnings which will later be used for investment activities Putri & Yanuar (2020). Management will use retained earnings for investment activities using internal financing, this is done to avoid interest costs from external party financing. The results of this research are in line with the findings carried out by Ainun (2019), Ardiansyah, et al. (2020), Astarina, et al. (2019), and Hartanti, et al. (2019) which explain that dividend policy has a positive influence on *returns*.

Table 3. Sobel Test

	Factor.	**Std. Error**	**Sobel test Stat.**	**One-tailed prob**	**Two-tailed prob**
MO	-0,1366	0,0613	-1,8049	0,0355	0,0710
CS	-0,1148	0,0459	-1,9410	0,0261	0,0522

The results of Sobel's test on the hypothesis of the effect of managerial ownership on stock returns mediated by dividend policy, it can be concluded that the influence of managerial ownership on stock *returns* cannot be mediated by dividend policy. The results of Sobel's test on the hypothesis of the effect of capital structure on stock returns mediated by dividend policy, it can be concluded that the effect of capital structure on stock *returns* cannot be mediated by dividend policy.

CONCLUSION

This research proves that human ownership and capital structure influence dividend policy. Managerial ownership and dividend policy influence stock returns, while capital structure does not influence stock returns. The results of the soil test prove that the effect of managerial ownership on stock returns cannot be mediated by dividend policy and the effect of capital structure on stock returns cannot be mediated by dividend policy. Management motivation affects dividend policy. Management will choose to use internal financing by using retained earnings to finance investment activities rather than financing from external parties. Positive management credibility will describe that management optimizes the interests of capital owners and will reduce agency problems. Management will better take into account the impact of the decisions taken. The limitation of this study lies in the selection of samples with a small scope and short period. Expectations for authors who will develop are expected to include other indicators that have a relationship with dividend policy and stock returns.

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