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Cash Position Moderated Financial Performance And Managerial Owners To Dividend Policy

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Abstract: The goal of this study was to see how financial performance and managerial ownership affect dividend policy, which is tempered by cash position, in LQ 45 index businesses from 2017 to 2021. This study employed a quantitative methodology. Panel data regression and moderated regression were utilized for data analysis in Eviews 9. Panel data regression testing comprises the chow test, hausman test, lagrange multiplier test, and R-squared approximation coefficient of determination. A targeted sampling strategy was used to collect the samples, which resulted in a total of 12 corporate samples. As a result, financial performance (ROE) has a partially negative impact on dividend policy (DPR), corporate participation (KM) has a partially negative impact on DPR, financial performance has no effect on dividend policy that is influenced by cash position, and management ownership has no effect on dividend policy that is influenced by cash position.

Keywords: Financial Performance; Managerial Owners; Dividend Policy; Cash Position

INTRODUCTION

A capital market is a market for long-term financial products such as debt (bonds) and equity (shares). Capital markets are investment vehicles for financial organizations and other institutions (Jiang et al., 2020). The basic purpose of an investor is to generate income in the form of dividends or capital gains. A capital gain is the profit made from the difference between an investor's purchase and sale price of a stock, whereas a dividend is a percentage of the company's net profit delivered to its shareholders. (Septiani et al., 2020). Not all profitable companies pay dividends to investors, as is the case with the Indonesian Stock Exchange. There are issuers that do not pay cash dividends even though their business is profitable. This can happen because the company's profits come from credit sales or because the company's cash management is not good (Bushe, 2019).

Profit may have decreased due to an increase in the company's fixed assets. The greater a company's net value, the greater its cash outflows. huge cash outflows can make it difficult for firms to pay dividends, and shareholders, in addition to huge bonds, can lower a company's cash position. (Afiezan et al., 2020). A strong cash position indicates that the company's cash position can cover short-term obligations, boost shareholder confidence, and strengthen the company's capacity to pay planned dividends to shareholders. (Memon et al., 2018).

A good cash position can be influenced by manager behavior. By taking ownership of the management team, the management team is strongly encouraged to act in line with shareholder wishes, enhancing performance and responsibility for creating shareholder wealth. This is because managers feel not only direct benefits from every decision they make, but also the loss they suffer when wrong decisions are made (Al-Dabbagh, 2020).

Dividend policy is a management decision that determines whether the company distributes year-end profits to shareholders as dividends or keeps them to increase the company's capital in the future (Adityo & Heykal, 2020). The fluctuations in dividend distribution that occur in each corporation are caused by distinct policy concerns in decision making. Companies may confront a variety of challenges that restrict them from paying dividends to shareholders. There are fears that this may result in a decrease in the dividend payment ratio (Rahmadi, 2020). Other factors that are considered for financing the amount and payment of dividends include the level of financial soundness, the level of capital adequacy, the need for funds for further business development without prejudice to the rights of the Company's GMS to determine other parties in accordance with the provisions of the articles of association and the level of corporate managerial ownership (Qomariah et al., 2016).

Another factor that influences dividend policy is financial performance where if a company has a lot of equity while the company's income is relatively constant, the value of return on equity will decrease and the dividends paid will also be smaller and not even distribute dividends (Qomariah et al., 2021).

The higher a company's return on investment (ROE), the greater its ability to generate profits. When a company is highly profitable, most of the profit generated by the company is distributed to shareholders in the form of dividends, and management aims to maximize profits and improve dividend capacity (Mauris & Nora, 2019).

Increased managerial ownership causes management to always be careful in making decisions because shareholders will be affected if they make the wrong decision. (Gennusi & Maharani, 2021) state that Managers who are shareholders will of course align their interests as managers with their interests as shareholders. Therefore, managers must also bear the consequences of their decisions, so they are cautious when making decisions. Increased management involvement will also affect dividend payments. Declining management ownership may be due to dividend payments being low or not what shareholders want. With low managerial ownership, management will more easily take opportunistic actions which can result in lower dividends to be distributed to shareholders.

METHOD

The quantitative causality method was applied in this investigation. Secondary data were employed in this investigation. The yearly financial reports of his LQ45 index firms from 2017 to 2021 were used as secondary data in this study. They are provided on the Indonesian Stock Exchange's official website, www.idx.co.id, and the data analysis techniques employed are data regression and moderation regression (MRA) using E-Views 9.

The sampling approach utilized in this study was targeted sampling based on the following criteria: Companies listed on the Indonesian Stock Exchange, companies permanently included in the LQ45 index companies, and corporations presenting annual financial reports for five consecutive years from 2017 to 2021, use Companies that have complete data on the variables to be paid, have paid continuous cash dividends from 2017 to 2021, and have financial statements in Rupiah (RP) (Supeni et al., 2023). The study population consists of 45 LQ-45 Index companies, and the study sample consists of 12 companies that were excluded based on these criteria.

Variable measurement, in this study the independent variables consist of: Financial Performance and Managerial Ownership

Proximized Financial Performance with *Return On Equity* (ROE)

$$\text{ROE} = \frac{\text{Net profit after tax}}{\text{Total equity}} \quad \text{....(1)}$$

(Source : Armereo and Rahayu, 2019)

Managerial Ownership proxied by Managerial Ownership (KM)

$$\text{KM} = \frac{\text{The number of shares owned by managers}}{\text{Number of outstanding shares}} \quad \text{....(2)}$$

(Source: Pamungkas and Rahayu, 2019)

In this research the Dividend variable used is Dividend Policy (DPR)

$$\text{DPR} = \frac{\text{Total Dividend}}{\text{Net profit}} \times 100\% \quad \text{....(3)}$$

(Source : Sejati dkk, 2020)

In this research the moderating variable used is Cash Position (CP)

$$\text{CP} = \frac{\text{Ending cash balance}}{\text{Net profit after tax}} \quad \text{....(4)}$$

(Source : Vina dkk, 2020)

RESULTS AND DISCUSSION

Descriptive Statistical Analysis

Date: 01/24/23
Time: 07:02
Sample: 2017 2021

	ROE	KM	DPR
Mean	0.161467	0.150600	0.361217
Median	0.154500	0.062500	0.367000
Maximum	0.360000	0.630000	0.947000
Minimum	0.023000	0.000000	0.008000
Std. Dev.	0.061475	0.193629	0.192229
Skewness	0.785818	1.277721	0.667427
Kurtosis	4.402631	3.265412	4.119318
Jarque-Bera	11.09354	16.50183	7.586774
Probability	0.003900	0.000261	0.022519
Sum	9.688000	9.036000	21.67300
Sum Sq. Dev.	0.222971	2.212036	2.180174
Observations	60	60	60

Descriptive analysis is used to characterize the study object using sample data rather than doing analysis and drawing broad conclusions. This study's descriptive analysis covers the ROE, KM, and DPR variables indicated in the table below:

The dividend policy is the dependent variable in this study. The table above, which is the result of descriptive statistics with a total of 60 observations, shows that PT. Bank Rakyat Indonesia (BBRI) has the highest dividend policy for the 2020 period, which is 0.947000, while PT. The State Savings Bank (BBTN) has the lowest value for the 2020 period, which is 0.008000. For the 2018 period, PT. Bukit Asam (PTBA) had the best financial performance, with a value of 0.360000, while PT. The State Savings Bank (BBTN) had the worst, with a value of 0.023000. For the 2017-2021 period, PT. Astra International Tbk had the greatest management ownership, namely 0.630000, while PT. Indofood CBP Sukses Makmur (ICBP) and PT Kalbe Farma (KLBF) had the lowest, namely 0.000000.

Hypothesis test

Test Results t

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.569904	0.094334	6.041348	0.0000
ROE	-1.210065	0.451815	-2.678229	0.0097
KM	-0.088327	0.186379	-0.473909	0.6374

According to the partial test table above, the influence of the independent factors on the dependent variable is as follows:

Financial performance

So the t-statistic (-2.678229) is more than the t-table (2.00324) and the probability value. 0.0097 <0.05 We may conclude from this study that financial performance indicators have a detrimental impact on dividend policy. **Thus, H1 in this study is accepted**

Managerial Ownership

As a result of the t-statistic (-0.473909), t table (2.00324), and Prob. 0.6374 > 0.05, it can be stated that the management ownership variable in this study has no influence on dividend policy. **Thus, H2 in this study was rejected.**

F test results

R-squared	0.109621	Mean dependent var	0.157674
Adjusted R-squared	0.078380	S.D. dependent var	0.152475
S.E. of regression	0.146378	Sum squared resid	1.221308
F-statistic	3.508859	Durbin-Watson stat	2.231965
Prob(F-statistic)	0.036549		

Therefore, F-statistic (3.508859) > F-table (2.77) means that the value of the F-statistic is greater than the F-table, so the hypothesis is accepted. This means that both financial performance and management ownership influence dividend policy, with a key value below 0.05, or a Prob(F-Statistic) value of 0.036549.

Adjusted R-Squared Test Result

R-squared	0.109621	Mean dependent var	0.157674
Adjusted R-squared	0.078380	S.D. dependent var	0.152475
S.E. of regression	0.146378	Sum squared resid	1.221308
F-statistic	3.508859	Durbin-Watson stat	2.231965
Prob(F-statistic)	0.036549		

Source : processed data *Eviews* 9.

The coefficient of determination (Adjusted R2) is 0.109621, indicating that variations in the ups and downs of dividend policy (DPR) can be explained by financial performance and managerial ownership of 10.9%, while the remainder (100%10.9%), or 89.1%, is explained by other variables not examined in this study.

ROE MRA test results against DPR moderated by CP

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.638505	0.102470	6.231168	0.0000
ROE	-1.242968	0.491126	-2.530853	0.0142
CP	-0.000710	0.003578	-0.198376	0.8435
ROE*CP	-0.129636	0.071714	-1.807681	0.0760

Effects Specification

	S.D.	Rho
Cross-section random	0.101323	0.3241
Idiosyncratic random	0.146309	0.6759

Weighted Statistics

R-squared	0.141747	Mean dependent var	0.195956
Adjusted R-squared	0.095769	S.D. dependent var	0.158130
S.E. of regression	0.150368	Sum squared resid	1.266183
F-statistic	3.082946	Durbin-Watson stat	2.268173
Prob(F-statistic)	0.034561		

Unweighted Statistics

R-squared	0.129545	Mean dependent var	0.361217
Sum squared resid	1.897745	Durbin-Watson stat	1.513334

Based on the above test findings, we may conclude that the ROE*CP probability value is greater than or equal to 0.0760 or 0.05, implying that the CP variable is not a moderator of the effects of ROE on DPR. **Thus, H3 in this study was rejected.**

KM MRA test results against DPR moderated by CP

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.325323	0.050510	6.440792	0.0000
KM	0.198779	0.203510	0.976749	0.3329
CP	0.005012	0.003681	1.361778	0.1787
KM*CP	-0.026249	0.016298	-1.610545	0.1129

Effects Specification

	S.D.	Rho
Cross-section random	0.111979	0.3484
Idiosyncratic random	0.153139	0.6516

Weighted Statistics

R-squared	0.046732	Mean dependent var	0.188465
Adjusted R-squared	-0.004336	S.D. dependent var	0.156944
S.E. of regression	0.157284	Sum squared resid	1.385345
F-statistic	0.915102	Durbin-Watson stat	2.293767
Prob(F-statistic)	0.439583		

Unweighted Statistics

R-squared	0.020641	Mean dependent var	0.361217
Sum squared resid	2.135173	Durbin-Watson stat	1.488245

Based on the test results above, we can see that the probability value of KM*CP is 0.1129 or greater than 0.05. From this we can conclude that the CP variable is not a moderator between the effects of KM on DPR. **Thus, H4 in this study was rejected.**

Disscusion

Effect of Financial Performance on Dividend Policy

We can conclude from the t-test results that financial performance, as indicated by return on equity (ROE), has a negative impact on dividend policy. This suggests that extremely prosperous businesses do not always pay out a percentage of their profits as dividends, preferring to maintain gains in the form of retained earnings that can be reinvested in future assets. Highly profitable corporations usually analyze future asset expenditures and choose to pay dividends at lower interest rates or retain and reinvest earnings to fuel further company growth (Hariyani & Kurnia, 2023).

Effect of Managerial Ownership on Dividend Policy

We can conclude from the t-test results that management ownership, as represented by management ownership (KM), has no effect on dividend policy. This means that a change in management's shareholding has no effect on whether a corporation pays dividends. Because the majority of the companies in our sample have little corporate ownership, corporate ownership has no effect on dividend policy. Because corporate owners possess a small percentage of the stock, many dividend decisions are determined by outside shareholders (Hasna & Fitria, 2020).

Effect of Financial Performance on Dividend Policy moderated by Cash Position

The CP variable does not act as a moderator of the influence of ROE on DPR. This demonstrates that the companies in this study's sample have high profit levels, therefore an increase or drop in cash position has no effect on the magnitude of the dividend payout ratio (DPR) that will be delivered to investors. The corporation will only distribute dividends if it has a suitable cash position. Because large corporate profits do not ensure high cash levels, the amount of profits made by a firm has little effect on dividend payments, which are driven by other factors such as inventory and accounts receivable (Sitompul & Khadijah, 2020).

Effect of Managerial Ownership on Dividend Policy moderated by Cash Position

The CP variable does not act as a moderator of the influence of KM on DPR. This shows that the companies that are the sample of this study are companies that have a low level of managerial ownership, so an increase or decrease in cash position has no effect on the size of the dividend payout ratio (DPR). Because company owners only have a small number of shares, the dividend decision is determined by outsider ownership, which has shares above managerial ownership. Managers generally will continue to distribute dividends in accordance with the results of the GMS decision to attract investors regardless of the amount of their shareholding in the company (Hutagalung & Setiawati, 2019).

CONCLUSION

Based on the findings of the experiments, it is possible to conclude that financial performance has a negative impact on dividend policy. This means that high-return corporations are more likely to explore asset disposal in the future if they opt to pay lower dividends or keep and reinvest profits to fuel company growth. It implies that there is The dividend policy is unaffected by management ownership (Hafidzi & Qomariah, 2022). In other words, changes in management ownership have no effect on whether the company pays dividends. Financial performance has no bearing on dividend policy, which is altered based on cash situation. This shows that, because the companies assessed this time have high profitability, fluctuations in liquidity have no effect on the level of dividend payout ratio (DPR) provided to investors (Hafidzi et al., 2023). Dividends will be paid only if the corporation has sufficient liquid funds. Because large corporate earnings do not guarantee strong liquidity and are driven by other factors such as inventories and receivables, the level of corporate profits has no bearing on dividend payments (Wahjudi, 2020). Manager ownership has no effect on dividend policy and is changed in accordance with cash position. This suggests that changes in cash holdings cannot magnify the effect of management ownership on dividend policy. Low management interest means that the company's cash flow has no bearing on management's decision on whether to pay a large or low dividend (Nugraha et al., 2021).

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