Proceeding of the International Conference on Economics, Accounting, and Taxation
Vol. 1, No. 1, 2024
Pages 97-107
Available Online at: https://prosiding.areai.or.id/index.php/ICEAT

The Effect of Ownership Structure On Dividend Policy in Mining Companies Listed On The Indonesia Stock Exchange in The Period 2021-2023

Ahmad Imam Meilana [1]; **Muchriana Muchran** [2]
[1,2] Universitas Muhammadyah Makassar, Indonesia

Abstract

The purpose of this study is to ascertain how ownership structure affects dividend policy. The study's sample consisted of 22 mining businesses that were listed between 2021 and 2023 on the Indonesia Stock Exchange. Purposive sampling and panel data regression analysis were the sample strategies used in the investigation. The control variable was profitability, while the dependent variable was dividend policy. The independent variables were government, institutional, and foreign ownership. The findings demonstrate that dividend policy is negatively impacted by foreign ownership and profitability. Dividend policy is not significantly impacted by institutional ownership or the government. It is intended that by focusing on the amount of profit made such that shareholders receive dividend yield, this study would have ramifications for management of businesses. Prospective investors are also anticipated to use this study as a source of information to determine the amount of profit and dividend yield that the firm provides to its shareholders.

Keywords: Dividend Policy, Ownership Structure, Mining.

1. INTRODUCTION

Dividends are one of the main indicators in evaluating the performance of investments made by investors. Investors see dividends as a form of real and direct return on the capital they have invested. When a company decides to distribute dividends, the decision becomes an important signal to investors about the profitability and stability of the company, which will ultimately influence their decision to maintain, increase, or release their investments. Consistency in dividend distribution also increases investor confidence in company management, especially in the mining sector which is known for its high risk due to commodity price volatility and dependence on global macroeconomic conditions (Medikna, et al., 2018).

The sustainability and value of the business are significantly impacted strategically by a well-crafted dividend policy. A steady dividend payout can demonstrate the company's operational and financial performance, which attracts new investors and increases the loyalty of current ones. With a good dividend policy, mining companies can strengthen their reputation in the capital market and maintain the stability of their stock prices, even when faced with commodity price fluctuations or regulatory challenges. In addition, a transparent and accountable dividend policy also helps reduce uncertainty that can affect market perceptions of company risk (Meidikna, et al., 2018).

In the context of ownership structure, managers who own shares in the company tend to be more conservative in making decisions regarding dividend distribution. By owning

Received: May 3, 2024; Revised: May 20, 2024; Accepted: June 30, 2024; Published: June 30, 2024

shares, managers not only act as operational managers but also as partial owners of the company's capital. This prompts them to think about how the dividend policy will affect the company's cash flow, investment growth rate, and control continuity over the long run. Because of this, managers who own stock are more inclined to keep earnings for reinvestment or to build up cash reserves rather than paying out dividends, particularly in the mining industry where operational risks are significant (Purwaningsih, 2019).

Purwaningsih's study (2019) discovered that the market receives a good signal from capital structure as measured by managerial and institutional ownership, which in turn stimulates a rise in dividend policy as an indication of business confidence in the state of the economy. Signaling theory, which holds that dividend policy is a means of informing external investors about the company's prospects, explains this link. This conclusion is corroborated by another study by Sumartha (2016), which found that businesses with strong capital structures typically have consistent dividend policies to keep institutional investors' trust.

Research by Jayanti & Puspitasari (2013) shows that companies with high institutional ownership tend to have a more conservative dividend policy to maintain capital stability and reduce liquidity risk. This study shows that the relationship between these two variables can be moderated by other factors such as profitability and debt policy. Dina & Musnadi (2020) also found that companies that manage their capital structure carefully will choose an appropriate dividend policy to maintain a balance between profit distribution to shareholders and internal financing needs.

However, Solikin, et al (2015) found that in small-scale companies, capital structure does not significantly affect dividend policy because profitability factors and internal investment needs are the main priorities. Research by Tara & Hwihanus (2023) also revealed that companies facing liquidity constraints prioritize internal funding over dividend distribution, so that capital structure is not the main determinant in their dividend policy.

The dividend policy of mining firms is greatly influenced by institutional investors, including mutual funds, insurance companies, and pension funds. Companies that consistently distribute dividends are typically preferred by institutional investors because they demonstrate steady financial success and a reliable source of revenue. In order to make a company's investment more appealing to the capital market, institutional investors may occasionally exert pressure on businesses to implement a more aggressive dividend policy. The presence of large institutional investors can help strengthen corporate governance oversight, ensuring that the dividend policy better balances management and shareholder interests.

Diverse dividend preferences are frequently seen in the features of public ownership in mining businesses. Depending on their investment goals, such as long-term capital gains or passive income, individual investors in this group typically have different expectations about dividend distribution. Public investors, however, often anticipate dividends to rise steadily in tandem with the expansion of the business's earnings. Dividend payment uncertainty may lower public investor confidence, which may therefore have an impact on the company's share liquidity. To preserve public investor trust in this situation, it is crucial to communicate dividend policy in a clear and open manner.

The price of commodities like coal, nickel, and gold, which are subject to volatility owing to global market dynamics and geopolitics, is a major factor for mining firms. One of the primary determinants of dividend policy is the company's cash flow, which is directly impacted by these price swings. Mining firms sometimes defer dividend payments when commodity prices drop sharply in order to preserve cash and fund operations. Conversely, when commodity prices are high, companies can increase dividend distribution as a way to attract investors and strengthen their competitiveness in the capital market. However, commodity price volatility also requires mining companies to have a strong risk management strategy to maintain stable dividend distribution.

The life cycle of a mining company affects its ability and policy in paying dividends. Companies in the exploration or development stage tend to retain profits for further investment in infrastructure and equipment. In contrast, companies in the mature production stage usually have more stable cash flows, which allows them to pay higher and more consistent dividends. This life cycle also relates to the company's operational risks and growth opportunities, which ultimately affect strategic decisions regarding dividend distribution.

The mining sector in Indonesia is controlled by several government rules that impact a company's dividend policy. For example, Law Number 4 of 2009 about Mineral and Coal Mining and derivative rules such as Government Regulation Number 96 of 2021 concerning the Implementation of Mineral and Coal Mining Business Activities. These rules control a number of things, including the requirement to pay taxes, royalties, and local government payments, all of which have an immediate impact on the amount of net profit that may be distributed as dividends. Dividend policy can also be impacted by the company's commitment to invest in social and environmental responsibility (CSR) initiatives, which are generally a condition for mining business permits. The existence of strict regulations requires mining companies to formulate dividend policies that not only pay attention to the interests of shareholders but also comply with applicable legal obligations.

2. LITERATURE REVIEW

1) Dividend Policy

The decision by management to allocate earnings or gains to shareholders is connected to the company's dividend policy. Generally speaking, businesses have two options: paying dividends to shareholders or keeping profits as retained earnings to fund business expansion. Harahap (2011) explains that the concept of going concern refers to the purpose of a company that is not intended to be dissolved, but is expected to run sustainably. Brigham and Houston (2011: 211) reveal several relevant theories in explaining investors' views on current dividends compared to potential future growth, namely: dividend irrelevance hypothesis, which contends that a company's cost of capital or value is unaffected by its dividend policy; Bird in the Hand Theory: According to Gordon and Lintner (1956), investors believe in dividends more than capital gains from retained earnings, so if dividends are distributed more frequently, the expected rate of return will be higher. Tax Preference Theory: Due to taxes on both capital gains and dividends, investors prefer capital gains because they can postpone paying taxes. Consequently, according to this view, businesses should pay out little or no dividends (Litzenberger and Ramaswamy, 1979).

2. Ownership Structure

As a company grows, the owner cannot perform all the functions required in its management due to limited capabilities, time, and other factors. In this situation, the owner needs to delegate tasks to another party, namely a professional agent, to carry out the responsibility of managing the company on behalf of the owner. To reduce agency costs, one strategy that can be done is to increase insider ownership, in the hope of spreading the risk. They will profit directly from their choices when they have insider ownership, but they also run the risk of making a poor choice. Managerial ownership is used in this study to illustrate the ownership structure.

3. METHODS

This study employed a quantitative research design, which uses a statistical methodology to determine the link between independent and dependent variables in a quantifiable way. By using a quantitative method, researchers may conduct systematic numerical analysis of data and provide insights that are applicable to a larger population. Hypotheses developed based on theories pertinent to the impact of ownership structure on dividend policy are tested in this study using a deductive method.

Secondary data from the 2021–2023 financial statements of mining firms registered on the Indonesia Stock Exchange (IDX) were used in this study. The selection of secondary data was based on its objective, standardized, and publicly available features, which enable precise and pertinent analysis. The ownership structure, net profit, dividends paid, and other pertinent details are all included in the company's financial filings to bolster the study. This information was gathered from reliable connected sources as well as the official IDX website.

The documentation approach, which entails gathering official papers like the company's annual financial report, is the data collection strategy employed in this study. To check the legitimacy and dependability of the data, this method involves downloading and confirming papers found on the IDX website. Care is taken during the data gathering procedure to reduce mistakes and guarantee that the data utilized meets the goals of the research.

22 mining businesses that were listed on the IDX during the study period served as the study's sample size. The selection of the sample was predicated on inclusion criteria, which included the availability of comprehensive financial report data and dividend distribution consistency during the observed time frame. The use of samples limited to mining companies aims to ensure the homogeneity and relevance of the research results to the sector studied.

To guarantee the validity of the model and the study's findings, a number of statistical tests are employed in the data analysis procedures. A fundamental premise of regression analysis is that the data distribution follows a normal pattern, which is verified by the normality test. To find out if there is a significant linear relationship between independent variables that might influence the analysis's findings, the multicollinearity test is used. The heteroscedasticity test is used to determine whether the residual data exhibits non-constant variability, which may have an impact on the model estimation's correctness. Multiple linear regression tests are used in the primary data analysis with the goal of partially and concurrently assessing the impact of ownership structure on dividend policy. Researchers can determine which independent factors significantly affect the dependent variable and gauge the strength of the link between the variables under study using the multiple linear regression model.

4. RESULTS

The following is an example of a sample used by researchers in this study:

PT. Adaro Energy Tbk-ADRO
PT. Akbar Indo Makmur Stimec Tbk-AIMS
PT. Atlas Resources Tbk-ARII
PT. Borneo Olah Sarana Sukses Tbk-BOSS
PT. Baramulti Suksessarana Tbk-BSSR
PT. Bumi Resources Tbk-BUMI
PT. Bayan Resources Tbk-BYAN
PT. Dian Swastatika Sentosa Tbk-DSSA
PT. Golden Energy Mines Tbk-GEMS
PT. Garda Tujuh Buana Tbk-GTBO
PT. Harum Energy Tbk-HRUM
PT. Indika Energy Tbk-INDY
PT. Indo Tambangraya Megah Tbk-ITMG
PT. Resource Alam Indonesia Tbk-KKGI
PT. Mitrabara Adiperdana Tbk-MBAP
PT. Bukit Asam Tbk-PTBA
PT. Golden Eagle Energy Tbk-SMMT
PT. TBS Energi Utama Tbk-TOBA
PT. Trada Alam Mineral Tbk-TRAM
PT. Pelayaran Nasional Bina Buana Raya Tbk-BBRM
PT. Batulicin Nusantara Maritim Tbk-BESS
PT. Capitol Nusantara Indonesia Tbk-CANI

The study employed 22 firms as samples throughout a 3-year period (2021–2023), resulting in 66 data collected. However, 31 data were generated since 35 of the data were deemed to be outliers. The outcomes of the tests that the researchers in this study ran are as follows:

Normality Test

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		31
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.21543728
Most Extreme Differences	Absolute	.098
	Positive	.092
	Negative	-.098
Test Statistic		.098
Asymp. Sig. (2-tailed)		.200[c,d]

a. Test distribution is Normal.

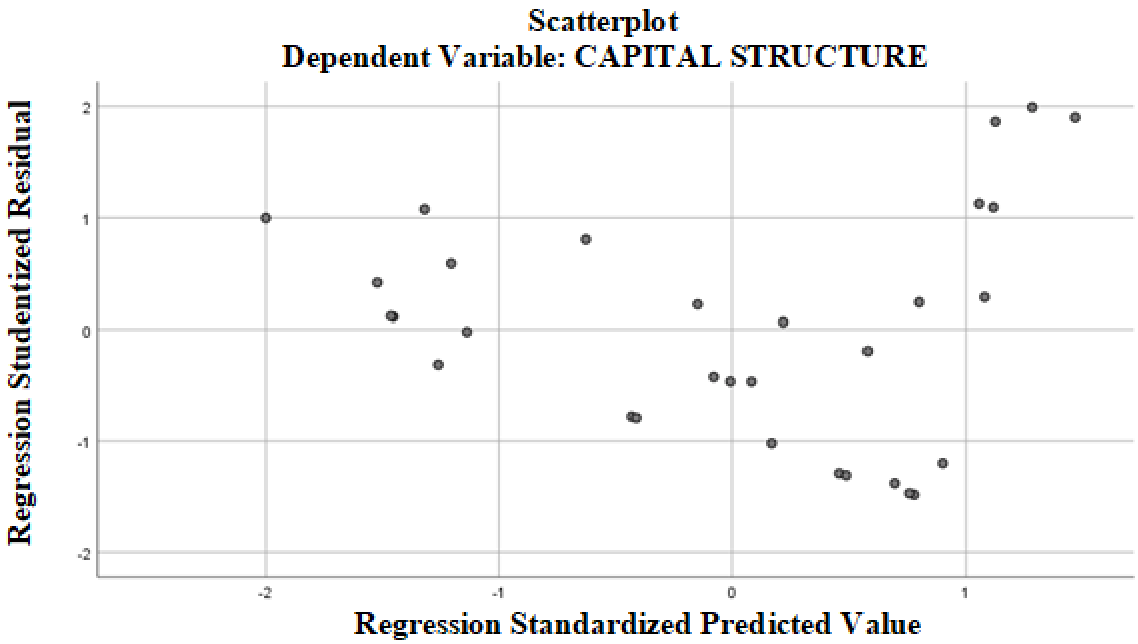
b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

The one sample Kolmogorov Smirnov test yields a normality test value of 0.200 or greater than 0.05, as the preceding table demonstrates. This outcome demonstrates that the study's data is categorized as normal.

Heteroscedasticity Test



It may be inferred from the following image that there are no signs of heteroscedasticity in the research because the scatterplot diagram's dots are dispersed in all directions.

Regression Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.461	.089		5.204	.000		
	Ownership Structure	-.124	.040	-.496	-3.073	.005	1.000	1.000

a. Dependent Variable: Dividend Policy

The dividend policy's coefficient value, as seen in the preceding table, is -0.124. This finding indicates that dividend policy is negatively impacted by ownership structure. This finding indicates that a 1% drop in the ownership structure variable will result in a 0.124 drop in the dividend policy's value.

5. DISCUSSION

The researcher's study's findings indicate that, for the 2021–2023 timeframe, ownership structure has a detrimental impact on dividend policy in mining firms listed on the IDX. A coefficient value of 0.124 supports this. The pattern of reduced dividend distribution decision-making in businesses with concentrated ownership demonstrates the detrimental impact of ownership structure on dividend policy. Majority owners, such families or organizations, typically have a great deal of influence over how the business is run. Because of this control, the majority owner might choose to allocate revenues to growth-oriented projects or investments rather than paying dividends to shareholders. The desire to keep control of the company's assets and increase its long-term worth frequently serves as the basis for this type of profit distribution. Because the mining business is capital-intensive and depends on long-term investment for the discovery and development of natural resources, the majority owner in this situation tends to place a higher priority on the growth of the company's assets than on paying dividends.

Ownership structure refers to the distribution of share ownership in a company, reflecting who has voting rights and control over the company's strategic decisions. Ownership structures can be categorized into two main groups, namely concentrated ownership and dispersed ownership. When one or a small number of significant shareholders, such as families, banks, or governments, possess the bulk of the shares, this is referred to as concentrated ownership. On the other hand, distributed ownership means that a large number of people or organizations control a tiny percentage of a company's shares. According to agency theory, the dynamics of the interaction between managers and shareholders are influenced by ownership structure, and this can directly effect corporate decisions, such as dividend policy. Owners who have a large interest in the company usually have a higher incentive to influence strategic policies in their own interests.

A company's policy for deciding how much of its earnings will be preserved for reinvestment and how much will be paid out as dividends to shareholders is known as its dividend policy. Important financial management choices that may impact investors' assessments of the company's stability and prospects for the future are reflected in this policy. Many factors, such as the company's ownership structure, capital requirements, earnings stability, and market expectations, can affect dividend policy. In the context of mining companies, dividend policy has a strategic role because of the nature of the industry that requires large capital investments for exploration, development, and production. The decision to pay dividends or retain profits is usually based on an evaluation of the company's funding needs as well as considerations to maintain good relations with investors.

The findings of this study are consistent with earlier research by Sumartha (2016), who found that there is a negative trend in the association between dividend policy and ownership structure, particularly in businesses with concentrated ownership. Instead of paying out dividends, majority owners frequently choose to keep profits to fund corporate development or expand their influence over the organization. In the mining industry, this pattern is increasingly evident due to the high capital requirements for exploration and investment. Dependence on the decisions of majority owners who prioritize long-term investment can create conflicts with the interests of minority shareholders who expect more routine income through dividends. Because the primary owner has substantial control over the business and may influence choices based on their goals, a concentrated ownership structure tends to lessen managers' incentives to pay dividends, according to the agency theory approach. This ownership structure's asymmetry produces a special dynamic in the decision-making process for dividend policies in Indonesian mining corporations from 2021 to 2023.

6. CONCLUSION

The researcher's study's findings indicate that, for the 2021–2023 timeframe, ownership structure has a detrimental impact on dividend policy in mining firms listed on the IDX. The coefficient value of 0.124 supports this. The pattern of reduced dividend distribution decision-making in enterprises with a view illustrates how ownership structure has a detrimental impact on dividend policy. Majority owners, such families or organizations, typically have a great deal of influence over how the business is run. Instead of paying dividends to shareholders, this control enables the majority owner to reinvest the earnings into growth-oriented projects or reinvest the profit. The desire to keep control of the company's assets and increase its long-term worth frequently serves as the basis for this type of profit distribution. In this instance, the majority owner often places more emphasis on growing the company's assets than paying dividends, particularly in the capital-intensive mining sector that depends on sustained investment for the discovery and exploitation of natural resources.

7. LIMITATIONS

It is important to take into account the many limitations of this study. First off, the results might not accurately reflect the mining industry as a whole or other sectors because the samples utilized were restricted to 22 mining businesses that were listed on the Indonesia Stock Exchange between 2021 and 2023. Second, the three-year research period restricts our ability to comprehend the long-term dynamics of dividend policy. Third, the study's conclusions are less applicable to businesses in other nations with distinct economic, cultural, and legal contexts due to its narrow geographic emphasis on Indonesia. In addition, the use of secondary data from company financial reports can have validity limitations due to the consistency and suitability of the information provided by the company. The research variables that are limited to ownership structure and profitability also do not cover other factors that have the potential to influence dividend policy, such as market conditions or government policies. Finally, the analysis method used, namely panel data regression, has certain assumptions if it does not occur.

BIBLIOGRAPHY

Akbar, M.I., Gustyana, T.T. (2021). The Effect Of Profitability, Dividen Policy, Capital Structure And Leverage On Firm Value (In Mining Sector Companies Listed In Indonesia Stock Exchange Periode 2015-2019). E-Proceeding of Management, 8(5), 4694–4701

Dina, R., Musnadi, S., (2020). Pengaruh Struktur Kepemilikan terhadap Kebijakan Dividen pada Perusahaan Non-Keuangan di Bursa Efek Indonesia. Jurnal Ilmiah Mahasiswa Ekonomi Manajemen. 5(4).

Islami, D., Wulandari, A., (2023). Pengaruh GCG, Struktur Modal, dan Leverage terhadap Kinerja Keuangan Perusahaan Tambang. Nominal Barometer Riset Akuntansi Dan Manajemen, 12(2), 254–268. https://doi.org/10.21831/nominal.v12i2.60207

Jayanti, I.S.D., Puspitasari, A.F., (2013). Struktur Kepemilikan dan Kebijakan Dividen pada Perusahaan Manufaktur di Indonesia. The Indonesian Journal Of Applied Business. 1(1)

Kristin, Y.W., Riduwan, A., (2019). Kebijakan Dividen, Kinerja Keuangan, Struktur Kepemilikan, dan Nilai Perusahaan. Jurnal Ilmu dan Riset Akuntansi. 8(2).

Meidikna, A.J., Nurlaela, S., Dewi, R.R., (2018). Kepemilikan Institusional, Firm Size, Profitabilitas, Leverage, dan Kebijakan Dividen pada Perusahaan Industri Dasar Dan Kimia. Urnal Akuntansi Dan Ekonomi. 5(3).

Nurfifajannah, W., Hwihanus., (2023). Analisis Struktur Kepemilikan, Kinerja Keuangan, Dan Corporate Social Responsibility Disclosure Dengan Good Corporate Governance Sebagai Moderating Terhadap Financial Distress Perusahaan Insfrastruktur Sub

Sektor Telekomunikasi Yang Terdaftar di Bursa Efek Indonesia. Jurnal Ekonomi Bisnis, Manajemen, Dan Akuntansi (JEBMAK), 2(1), 19–40.

Paulina., Kintan, B., Malona, S., Yosilia, M., Pamela, M., Irfa, M., Ridho, M.R., (2020). Pengaruh Struktur Kepemilikan Terhadap Nilai Perusahaan Dengan Kebijakan Dividen Sebagai Variabel Intervening : Studi Perusahaan Manufaktur Di Indonesia. Jurnal Ekonomi, Manajemen Dan Perbankan, 6(3), 122–131. https://doi.org/https://doi.org/10.35384/jemp.v6i3.235

Purwaningsih, E., (2019). STRUKTUR KEPEMILIKAN MEMODERASI PENGARUH PROFITABILITAS TERHADAP KEBIJAKAN DIVIDEN. Jurnal Ekonomi. Vol.10 No.2.

Purwaningsih, E., Lestari. K., (2021). Pengaruh Struktur Kepemilikan, Struktur Modal Dan Pertumbuhan Aset Terhadap Kebijakan Dividen. Jurnal Sikap. 6(1).

Solikin, I., Widianingsih, M., Lestari, S.D., (2015). Pengaruh Struktur Kepemilikan, Struktur Modal, Dan Ukuran Perusahaan Terhadap Nilai Perusahaan Pada Perusahaan Sektor Pertambangan Yang Terdaftar Di Bursa Efek Indonesia. Jurnal Riset Akuntansi Dan Keuangan, 3(2), 724–740

Sumartha, E., (2016). Pengaruh Struktur Kepemilikan Terhadap Kebijakan Dividen Pada Perusahaan Manufaktur. Jurnal Economia, 12(2).

Tara, A., Hwihanus., (2023). Pengaruh Fundamental Makro Ekonomi, CSR, Struktur Kepemilikan, dan Karakteristik Perusahaan terhadap Nilai Perusahaan Properti di BEI. Economic and Business Management International Journal, 5(3), 260–274. https://doi.org/10.556442

Wicaksono, R.A., (2018). Pengaruh Struktur Kepemilikan, Keputusan Investasi, Keputusan Pendanaan, Kebijakan Dividen Terhadap Nilai Perusahaan (Studi Pada Perusahaan Yang Terdaftar Di Indeks Lq 45 Periode 2012-2016). Sekolah Tinggi Ilmu Ekonomi PERBANAS.

Yanti, N., Sarwani., Rosari, N., (2021). Organum: Jurnal Saintifik Manajemen dan Akuntansi. Organum: Jurnal Saintifik Manajemen Dan Akuntansi, 4(1), 55–71. https://doi.org/10.35138/organu

Yanto, C.F., Jonardi., (2021). Pengaruh Profitabilitas, Struktur Modal, Dan Likuiditas Terhadap Nilai Perusahaan. Jurnal Multiparadigma Akuntansi, 3(1), 312–321.

Yusriandari, W., Rahmi, M., Putra, Y.E. (2022). Pengaruh Good Corporate Governance Terhadap Nilai Perusahaan Pada Perusahaan Pertambangan Yang Terdaftar di Bursa Efek Indonesia Tahun 2017-2020. JURNAL PUNDI, 6(1). https://doi.org/10.31575/jp.v6i1.406