

The Analysis Impact of Agency Cost and Transaction Cost To Dividend Payout Ratio of Go Public Firms In Indonesia

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Abstract :

The purpose of this study was to determine the analysis impact of agency cost and transaction cost to dividend payout ratio of go public firms in indonesia. The results showed that agency cost and transaction cost have a significant effect on the dividend payout ratio of go public firms in indonesia. Furthermore it was found that the analysis impact of agency cost and transaction cost to dividend payout ratio of go public firms in indonesia.

Keywords : Agency Cost, Transaction Cost, Dividend Payout Ratio, Go Public Firms

1. Introduction

The main objective of firm is to increasing value of firm through increasing of owner or stockholder welfare (Brigham Gapensi, 1996). In the other hand, the management or firm manager can have other objective which is contradicted to the main objective of firm, and there for conflict of interest between manager and stock holder then arise. Conflict of interest between manager and stockholder will be minimized with using controlling mechanism which it able to similar those connected interest. Unfortunately, the controlling mechanism will make cost which mention as agency cost.

Jensen and Meckling (1976) revealed that firm with separating function of managerial and function of ownership is susceptible to agency conflict. The conflict between manager and stock holder happened for example because decision making which connected to financing decision and decision making about how to investing the fund. There are some alternatives to decrease agency cost. First, with increase the ownership of firm stock by management and therefore the manager will have strike usefulness of their decision and also responsible to loss as consequences of wrong decision their make. The ownership will allow similarity on management and stock holder interest (Jensen and Meckling, 1976). There for, stock ownership by management is intensive to managers for increasing firm performance and manager will use debt as optimally and therefore will minimize the agency cost. Second, increasing of dividend payout ratio, which it make not enough free cash flow and management must find outside financing for their investment funding (Crutchley and Hansen, 1989). Third, increasing debt financing which it will decreasing conflict between stock holder and management. Using of debt will also decrease excess cash flow in firm and there for decrease possibility of management extravagance (Jensen, at al., 1992; Jensen 1986). Fourth, with use the institutional investor as monitoring agents. Moh'd et al. (1998) revealed that stock distribution between outsider stock holder like institutional investor and shareholders dispersion can decrease agency cost, because the ownership representing a source of authority which able to use for supporting or not supporting management existences. Existences of institutional investor like insurance institute, bank, investment firm and other ownership will motivate increasing of optimally monitoring to managerial performance.

Agency problem according to Rozeff (1982) as quoted by Moh'd, Perry and Rimbey (1995) can be reduced with using a mechanism as like as dividend. Unfortunately, although dividend payment will reduce agency problem, in other side it increases cost because cash flow from internal source not proper to fulfill firm financing needed, and therefore motivate firm managerial to fulfill fund they need from external side for refill funds excluded in dividend term. Ability to obtain external fund will increasing cost as mention as transaction cost.

According to Moh'd, Perry and Rimbey (1995), Demsey and Laber (1992), firm's growth is a factor which influence transaction cost. The highly degree of firm's growth can reflect that firm is experience growth and have more opportunity to conducting investment. More investment opportunity need more financing also, and therefore the firm must obtain fund from external side. To obtain external financing need transaction cost and the high of transaction cost can impact to firm ability for dividend payment if is there is still investment opportunity can take, and if is it be better to use internal cash flow for the investment financing.

Demsey and Laber (1993) revealed that transaction cost also influenced by business risk faced by the firm. The more risk have strict correlation which is expected between current probability and uncertainty expected future probability. Investor will impose a high degree of profitability for investing their fund in the firm with high risk and then will impose high transaction cost also. If transaction cost for the firm is high, then it better if the firm not make more dividend payment, and therefore fund needed is fulfilled from internal financing and not necessarily find external financing with high transaction cost.

Dividend payment is interesting phenomena, which some researches mention that dividend distribution is puzzle phenomena. In one side, announcement of stock dividend as identification that the firm is still on hard period, but in the other side, dividend announcement may expression about firm self confidence. The first thing will be interpretation is that the firm make dividend announcement because of very strong cash or liquidity difficulties, and the second interpretation is which can understanding is that the firm now investing on profitability business.

Lintner (1956) on Jogiyanto (2000), give rational explanation that firm not able to make dividend payment. If firm make dividend cut, then it become bad signal because it will interpreted that the firm need funds. Therefore, the highly risk firm tend to making dividend payout little more than as usual with purpose not making other dividend cut when profitability is decrease. For high risk firm, probability to experience decrease profit is high. From the reason, it can conclude that there is negative relationship between risk and dividend payout, in term of high risk low dividend payout. If Beta is risk measurement, then it can mention that beta and dividend payout have negative relationship.

Other reason reveal that negative relationship between beta and dividend payout is that dividend payout is consider have more little risk than capital gains (Elton and Gruber, 1995 in Jogiyanto (2000)). Therefore, firm with high dividend payout will have more little risk if compared with retain it in term of retained earnings. This argument based on bird in the hand theory by Lintner (1962), Gordon (1963) and Batthacharya (1979) as quoted by Jogiyanto (2000). The theory explained that investor likes high dividend because accepted dividend as like as bird in the hand with little risk compared with if the dividend is not payout.

Susilawati (2000) revealed that dividend is still not able to use as agency cost controlling in Indonesia. This opinion is different from Rozeff (1982) as quoted by Moh'd, Perry and Rimbey (1995), Lintner (1956), Elton and Gruber (1994), Lintner (1962), Gordon (1963), and Batthacharya (1979) which revealed that agency cost will reduced with a dividend payout mechanism.

2. Formulation of the Problems

The problem in this study is formulated as follow. Which are insider ownership, institutional ownership, firm's growth, firm's risk and firm's size have influence to dividend payout ratio of listed manufacture and non-manufacture firms in Jakarta Stock Exchanges.

3. Objectives of the Study

Objective of the study is gathering empirically evidence about impact of factors which influence agency cost and transaction cost to dividend payout of listed manufacture and non-manufacture firms in Jakarta Stock Exchanges. Other objective is give evidence that agency cost can reduce by dividend payout mechanisms on manufacture and non-manufacture firms in Indonesia.

Review of Literatur

Agency theory pointed out that the principal is stock holder and the agent is the professionals and management (CEO) which have trusted by principal for manage the firm. In financial science, firm's main objective is maximizes stock holder welfare. There for, manager who have stock holder (principal) trust must take step for stock holder interest. In this circumstances, the conflict of interest often exist between management and stock holder. The conflict is caused by existing of different interest of manager and stock holder.

Agency theory assumed that all individual take action according to each interest. The agent is assumed have usefulness not only from financial compensation, but also from other profit from agency relationship. The profit usually on term of fine time, attractive work condition, etc. In this condition, the agent is usually taken opportunistic behavior.

One of potential cost according to existences of decentralization or delegation of decision taking is that if manager delegate decision to workers, then the worker may take improper decision according to manager necessity. If the decision is able to observed by manager, then manager will able to deciding about workers activities, and controlling will be able to implement on when decision is taken by worker is improper with what it is needed. The existing problem is that there is no transparency on taking decision. Agency theory is connected to existing of delegation cost with assumption that certain decision is not transparent or not observable.

Jensen and Meckling (1976) defined agency relationship as a contract by one or several persons (principal) which using other person (agent) to preparing some service for principal interest. Both sides are using some outority delegation ways for decision making by agent. Jensen and Meckling are added that if both group (principal and agent) are persons have afford to make utility maximization, then there is strong reason that the agent is not always take action to fulfill principal interest. The principal will limit ate agents behavior with deciding a proper utility for the agent and making monitoring which it designed for limitation improperly manager activities.

Non-similarity in preference about compensation and profitability are also exist when principal unable to monitor agent's activities. For example, stock holder is unable to monitor the CEO activities every single day for ensure that manager is working as good as possible. Not easily to monitoring or not enough transparency on decision making by agent cause principal have no adequate information about agent's performance, and there for principal is never ensure about CEO activities. This situation indicated an existence of information asymmetry which is agent has much more information about firm or their job than the principal. There for, the agent have private information which is it unknown by principal.

Existences of different preference between principal and agent and private information owned by agent can allow the agent give improper information or non-similar information with the existing fact. The moral hazard by agent is cause principal to conducting control system for controlling management activities.

Rozeff (1982) as it quoted by Demsey and Laber (1992) revealed that influence of agency cost transaction cost to dividend payment ratio. Demsey and Laber (1992) pointed out relationship between agency cost and transaction cost with dividend payment. These researchers are building a model where dividend as mechanism to decrease agency cost. In this situation, dividend is represent a term of rationally profit distribution offering for stock holder. The institution see that maximization of stock holder welfare as afford to imitating agency problem, but in the same time it make new cost as transaction cost.

With using four variables as proxies for agency cost and transaction cost, Rozeff (1982) revealed that there is existing of relationship between agency cost and transaction with dividend payment. Dimsey and Laber (1992) replicated Rozeff and revealed consistent result while the period time is different. They are using insider ownership and shareholder dispersion as proxy of agency cost. The research result is that insider ownership has negative relationship with dividend payment ratio, while shareholder dispersion has positive relationship. Degree of profit and beta coefficient used as proxy for transaction cost revealed negatively relationship to dividend payment ratio.

Crutchley and Hansen (1989) are conducting test on context of agency theory with basis on tree of financial decisions including insider ownership, debt policy and dividend policy. This research was found that dividend payment ratio influenced by specific characteristic. There are five characteristics was used on the research including diversification loss, profit deviation standard, firm size, non debt tax shield and advertising, and R&D. The result is that, five of characteristic has significantly influence on insider ownership, debt policy, and dividend policy to limiting agency problem. This research give description that the institution can combination insider ownership, debt policy and dividend policy for minimize agency cost. Moh'd, Perry and Rimbey (1995) are conducting research about dynamically relationship between agency theory and dividend policy. The result revealed that dividend policy is known as function of firm size, degree of growth, operational debt, financial debt, business risk and structure of stock firm ownership. The contribution of the research is making more clear consistency of some factors which are influence debt payment ratio as like as revealed by Rozeff (1982) research.

Noronha, et al., (1996) are conducting research with focus on agency theory development with mean point on rationality of dividend control and interaction between dividend decision and capital structure. The research revealed that in low growth condition and no block holder, dividend become relevant mechanism for limiting agency problem. The consequence is that no all dividend condition is relevant for minimize agency problem.

Holder, Langlehr and Hexter (1998) on *Dividend Policy Determinant: An Investigation of influences of Stakeholder Theory* more focused on influence of stakeholder on institution dividend policy. The researcher is using insider ownership, ownership concentration and free cash flow as proxy of agency cost, and degree of profit growth and institution profit deviation standard as proxy of transaction cost. The result revealed that agency cost has positive relation to dividend payment ratio, while transaction cost has negative relationship to dividend payment ratio.

In Indonesia, Efendri (1993) on *Factors Considered In Dividend By Enterprises Go Public In Indonesia*, is using questioner to exploit management perception about factors which are considering on policy of cash dividend dispersion. These research is using 84 samples revealed that factors of increasing and decreasing profit are including on very important considering factor on dividend cash dispersion. The other factors as like as stock price, stability of dividend, profit stability, liquidity position, interest and tax, return on investment, investor preference and asset expansion including in important factors.

Other research by Widiantoro (1995) with title *Analysis of Some Factors Influencing Dividend Against the policy of the State Owned Enterprises Limited Forms* is using purposive sampling including 81 audited firms on year of 1992. With using multiple regression models with four independent variables including debt payment schedule, investment schedule, added planning for working capital and degree of institution welfare, with dependent variable is dividend for government. The result is that just only factors of investment schedule and working capital are influencing on dividend policy.

Susilawati (2001) on her research is testing about impact of agency factor and factors which are influence agency cost to dividend payment ratio. The result is that dividend is not able yet to use as agency problem control and for purpose of avoiding transaction cost, dividend payment after fulfillment fund of investment.

Hypothesis Development

1. Insider Ownership

Research result from Dempsey and Laber (1992), Moh'd, Perry and Rimbey (1995), Holder, Langlehr and Hexter (1998) is consistent with Rozeff (1982) which is that insider ownership has negatively relationship with dividend payment ratio. This condition pointed out that increasing of dividend payment ratio will coincident with decreasing of amount of insider stock ownership. In the other side, the lower of insider stock ownership means that the lower of stock owned percent by stockholder which is involve on firm management, and in this situation it will be highest possibility of agency problem existing.

Rozeff (1982) as quoted by Moh'd, Perry and Rimbey revealed that agency problem can be limited by a mechanism with using dividend. In this situation, the dividend has a role as term of income distribution offering, because according to Moh'd, Perry & Rimbey (1995), with dividend payments, the stockholder will see that firm management was conduct activities as like as their consideration, and there for will decrease agency conflict. Research by Noronha, et al. (1996) is also revealed that if stock ownership by insider increase, then dividend payments will be decrease, and in the same time more increasing

insider stock ownership indicating more centralistic the ownership structure and then more increasing of internal stockholder percent. There for, management which is also as stockholder not always claim about high dividend payment.

According to explanation above, it can be say that increasing of insider ownership will decreasing agency problem. There for, the first alternative hypothesis is:

H₁: Percent of insider ownership has significantly influence and negatively relationship to dividend payment ratio.

2. Institutional Ownership

Role of institution ownership exist because there is conflict of interest between stockholders (Jensen and Meckling, 1976). To controlling the conflict, it will be needed some regulations with function to limiting these conflict. For example, regulation in stock market can push down the management for make orientation on stockholder's interest. Fama and Jensen (1983) revealed that corporation control activities as like as merger and acquisition, can impose management who cannot give good performance to move out.

In condition when corporation under control of single certain stockholder, then it can be exist of free rider. The majority stockholder is usually tend take all monitoring activities or other activities. If monitoring activities give good result, then it result can be enjoined by all parties, meanwhile other parties do not make what ever activities. Gillian and Starks (2000) revealed that institutional ownership is still useful because they can imposes the manager to think about long term firm performance.

Coffee (1991) revealed that for purpose increasing of managerial accountability, the controlling mechanism by institutional investor is one of choice of very important policy. Preferences about activity of institutional controlling are still increasing and impose the manager to making carefully action. Increasing of institutional controlling activities on their control happened because existing of fact that significant stock ownership by institutional was increased their ability to take collectively action. Bathala et al., (1994) was explained that existing of institution stock ownership have role as effective control agent for decrease agency problem, because they can controlling manager opportunistic management behavior and there for allowing the firm to use optimally debt which it is will influence dividend payment. There for, the second alternative hypothesis is:

H₂: Percent of institutional ownership has significantly influence and negatively relationship to dividend payment ratio

3. Firm's Growth

Rozeff (1982) as quoted by Moh'd, Perry & Rimbey (1995) revealed that the high dividends payment will reduce agency problem between manager and stockholder. The research result found relationship between growth, profitability and dividend. Investment and growth as it faced by corporation can influence dividend policy.

The high growth firm with big investment opportunity is often making low dividend payment. This circumstance is proper with residual dividend theory (Brigham, 1996), when dividend will payment after investment funding is fulfillment. There for, the third alternative hypothesis is:

H₃: Level of profitability growth has significantly influence and negatively relationship to dividend payment ratio

4. Firm's Risk

According to Moh'd, Perry & Rimbey (1995), increasing of risk which is faced by corporation, then the corporation would have difficulties to get external fund. The investor will impose a high profitability level for their investment on high risk firm and will impose more highly transaction cost.

The firm risk will influence corporation when it trying to get external fund. With a high risk level, the corporation will fulfill their funding demand with internal fund. For fulfillment internal fund their need, the corporation will not make high dividend payment. There for, the fourth alternative hypothesis is:

H₄: Firm's risk level has significantly influence and positively relationship to dividend payment ratio

5. Firm's Size (control variable)

Firm size is variable used as control variable. According to Moh'd, Perry and Rimbey (1995), big firm can easily access capital market. Easily on accessing capital market means that the firm has flexibility and ability to get fund (Faisal, 2000). Easily on getting fund from capital market has implication on dividend payment. Result of Moh'd, Perry and Rimbey (1995) revealed that firm's size has positively relationship to dividend payment ratio.

The used proxy for measuring size of firm in this research is using log total asset. The proxy is similar with research by Newbould and Wilson (1977), and Mumford (1990) as quoted on research by Machfoedz (1994). According to separating influence of agency cost from firm's size, is based on consideration that the insider is always have certain interest on firm, and there for information asymmetry is always happened between owner and management as owner. There for, to exploit how much influence degree of insider to dividend policy, then researcher is make regression for stock owned by insider and log total asset. The action logically based on bigger firm size then there is big opportunity of insider. There for, the fifth alternative hypothesis is:

H₅: There is positive relationship between firm size and dividend payment ratio

Research Method

The research population is all listed manufacture and non manufacture firms on Jakarta Stock Exchange for periods 1999-2001 except financial service firm, because financial service firm has different capital structure.

Periods 1999-2001 used as research period because this research attempt to testing about agency factor and factors which are influences transaction cost to dividend payment ratio in next periods. With using research periods 1999-2001, all factors are tested on these years and will see its influence on dividend payment on next year. Because of crisis in Indonesia since year 1997 until now, researcher needs to know which is the crisis period is still has significantly influence on dividend payment ratio in Indonesia.

Secondary data used on this research is taken from some publication especially Indonesian Capital Market Directory issued by Jakarta Stock exchanges and Capital Market Data Base of PPA FE UGM for periods 1999-2001.

From decided population, sample selection based on purposive sampling method, which is sampling collection based on certain criteria (Cooper and Emory, 1995) as follow.

1. The firm sample must listed on Jakarta Stock Exchanges for periods 1999-2001
2. The firm has data about percent of owned stock by director and commissaries
3. The firm make dividend payment on periods 1999-2001

From entire populations, samples which are fulfils the criteria include 71 firms with 213 observations. Five of all observations are outliers and dropped from samples and remain 208 observations used on this research.

1. Dividend Payout Ratio

Dividend payout ratio variable (DPR) is measured as percent of earnings payment on dividend term: $DPR = DPS/EPS$

DPR = dividend payment ratio

DPS = dividend per share

EPS= earnings per share

The data of is taken from Indonesian Capital Market Directory for years 1990-2001 on term of percent in section of summary of financial statement.

2. Agency Factors

2.1 Insider Ownership

Insider ownership (INSD) variable is percent of share owned by board of directors (Crutchley & Hansen, 1989). The formula of insider ownership as follow:

$INS = \text{Percent of shares owned by board of directors} / \text{Outstanding total share}$

2.2 Institutional Ownership (Inst)

Institutional ownership (INSTL) variable is stock owned portion by institution (foundation, bank and non-bank financial institutions and cooperation) or block holders in the end of year. This variable is figure of stock ownership level by institution on corporation. Measuring of Institutional ownership as follow: $INSTL_{it} = \text{Instl \& Blockholders}_{it} / \text{Total Shrs}_{it}$

$\text{Instl \& Blockholders}_{it} = \text{Stock owned by institution or block holders for firm i on period t}$

$\text{Tot Shrs}_{it} = \text{Total of outstanding common stock for firm i on period t}$

2.3 Factors Influences Transaction Cost

2.3.1 Level of Firm Growth (Grow)

Level of firm's growth (GROW) variable is measured with level of income growth in the next year (Moh'd, Perry and Rimbey 1995), when in this research used level of income growth for period 1999 - 2001.

$GROW = \frac{S_t - S_{t-1}}{S_{t-1}}$

$S_t = \text{sales on year t}$

$S_{t-1} = \text{sales on year t-1}$

The data is taken from Indonesian Capital Market Directory for period 1999-2001 in segment of summary of financial statement.

2.3.2 Firm's risk (Beta)

Firm's risk variable, β (Beta) is measure of security return volatility to market returns (Hartono, J, 2000). Data for measuring beta is weekly stock closing price from first week of January to last week on December 1995.

Beta for every firm stock are taken from regression result, which is it based on single index model as follow (Elton and Gruber, 1995).

$$R_{it} = \alpha_i + \beta_i R_{Mt} + e_{it}$$

R_{it} = return of stock i on week t

α_i = intercept from regression for every firm i

β_i = beta for every stock i

R_{Mt} = market return on week t

e_{it} = residual error

3. Control Variable

3.1 Firm's Size (Size)

Firm's size (SIZE) variable is measured by natural log of sales (Moh'd, Perry & Rimbey, 1995). Source of data is Indonesian Capital market Directory for periods 1999-2001 on section summary of financial statement.

Model of Analysis

The multiple regression is using to testing influence of agency factors and factors which are influence transaction cost to dividend payment ratio. The dependent variable is dividend payoff ratio (DPR) and independent variables are percent of ownership (SHLDR), institutional ownership (INSTL), level of firm's growth (GROW), firm's risk (BETA) and Firm's size (SIZE). The formulation of the model is as follow.

$$DPR_t = b_0 + b_1 INS_{t-1} + b_2 INSTL_{t-1} + b_3 GROW_{t-1} + b_4 BETA_{t-1} + b_5 SIZE_{t-1} + e$$

DPR = dividend payment ratio for firm i on year t

INS = residual of insider ownership for firm i on year t

INSTL = institution ownership for firm i on period t

GROW = sales growth for firm i on period t

BETA = firm's risk for firm i on period t

SIZE = firm's size for firm i on period t

Techniques of data analysis are using SPSS computer program. Hypothesis testing is conducting after the multiple regression models are free from classical assumption and there for the testing result can be proper interpretation.

3.4 Classical Assumption

3.4.1 Multicollinierity

Multicollinierity is condition where there is correlation between independent variables. Existing of multicollinierity caused improper result estimation and it always existing on every research model (Gujarati, 1995). Testing of multicollinierity is using Person Correlation Matrix, level of tolerance (TOL) and variance inflation factor (VIF). As rule of thumb, Gujarati (1995) used coefficient correlation value less than .8 as indicator that multicollinierity is don't exist i research model. The rule of thumb of VIF is 10, and if VIF less than 10, then the multicollinierity is not severe. The rule of thumb for level of tolerance is .10 for range zero to one, and if TOL more than .10 then there is no high multicollinierity between independent variables.

3.4.2 Autocorelation

Autocorelation test used to inspection if there is correlation between serial of time series observation data or cross-section data (Gujarati, 1995). If there is auto-correlation existing on regression equation model, then OLS estimator is still consistent but become not efficient (Gujarati, 1995 and Faisal, 2000). The Durbin-Watson (DW) test is using for detects the indication of auto-correlation.

3.4.3 Heteroscedasticity

Indication of heteroscedasticity will exist if disturbing variable (e_i) has different variant from one other observation. Existing of heteroscedasticity is make regression estimation not efficient. There for, researcher is using Gleijser method to detect the indication of heteroscedasticity. In the model, simple regression must conduct between absolute value of e_i and every independent variable. If t-test value is more than t-table, then there is indication of heteroscedasticity on the model. In other criteria, the heteroscedaticity happened if regression coefficient of one independent variable is significantly different from zero. This heteroscedaticity is can be limited with transform variable on estimating regression model, which is divided preliminary model with one of independent variable which is it have highest regression coefficient with it residual (Faisal, 2000).

Result Analysis

Testing in this research was conducted with using multiple regression to 5 independent variables, including management ownership, institutional ownership, firm's growth, firm's risk and firm's size. Meanwhile, the dependent variable is DPR. This research is also testing to tree classical assumptions including multicollinierity, autocorelation, heteroscedasticity, and also testing about F-test and t-test.

A. Testing to classical assumption

The first testing conducted was exploring of multicollinierity with purpose is reveal relation between every independent variables. To detect multicollinierity, we confirm Gujarati test by checking t-stat and R-square. The regression result revealed that correlation between every variable independent is small and also it's the R-square. According to the correlation matrix (see the appendix) is not more than limit of tolerance .87, and there for, it can be conclude that there is no multicollinierity

severe in this research. Result revealed that there is no VIF less than 10, and then it can be articulated that there is no severe multicollinearity.

The second classical assumption is testing for autocorrelation with purpose to exploit if there is linkage between one to other data in one variable. To detect existing of autocorrelation, the researcher use Durbin Watson (DW) statistic and its resulting DW statistic 1.952 on model summary table. Based on the rule of thumb that DW statistic must approximately 2.00, the result indicated there is no autocorrelation.

The last classical assumption testing is test for existing of heteroscedasticity, which is using Glesjer test. The test includes transformed regression residual test as dependent variable in term of absolute value and then estimating regression between absolute residual as dependent variable and independent variable. This test is result t-statistic, significant or not. Based on measuring with SPSS program as indicated on exhibit 3, revealed that with significant level 5% ($\alpha = 0,05$), the all five variables is free from heteroscedasticity.

According to resulting test above, the regression model used on this research is free from violation of classical assumption including multicollinearity, autocorrelation and heteroscedasticity.

B. Simultaneously testing

The testing is conducted on 208 observations using multiple regression. The regression result as simultaneously is preparing on table 1 and 2.

Table 1: Descriptive Statistics

	Mean	Std. Deviation	N
DPR	.255372	.190358	208
INS	2.28438E-02	6.07618E-02	208
INSTL	.677937	.167028	208
GROW	.239922	.330532	208
BETA	2.693460	.267629	208
SIZE	1864207.13	4343334.22	208

From Table 1 above is include mean or average on firm sample for initial variable with 208 observation. The deviation standard each data variable of firm samples is also include on Table 1. The regression result for hypothesis result is presented on Table 2.

Table 2: Multiple Regression Model ANOVA

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.238	.057	.033	.187175	1.952

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.424	5	8.479E-02	2.420	.037
	Residual	7.077	202	3.503E-02		
	Total	7.501	207			

a. Predictors: (Constant), SIZE, INSTL, GROW, BETA, INS

b. Dependent Variable: DPR

Testing for all variables as simultaneous revealed there is significant influence of independent variables to dependent variable. The result testing is value of $F = 2.420$ and significant at $.037$ ($\alpha = .05$), revealed level of significant more low than significant level on $\alpha = .05$. Result on table above revealed that all independent variables has significant influence to the firm's dividend payment ratio or it can be say that insider ownership (INS), institutional (INSTL), firm's growth (GROW), firm's risk (BETA) and firm's size (SIZE) as together influences to dividend payment ration (DPR).

Instead result is that adjusted R-square $.033$. The result means the independent variable is able to explain dependent variable. Although R-square is too small but it revealed that 3.3% variance on DPR is able to explain by INS, INSTL, GROW, BETA and SIZE, and 96.7% explained by other variables.

C. Testing for Individual Influence

Testing on individual influence of multiple regression is for 1 to 5 hypothesis testing. From the result on Table 3, the multiple regression model as follow:

$$DPR = .418 - .276INS - .245INSTL - 2.956GROW + 2.906BETA + 4.656SIZE + \epsilon$$

Table 3: Coefficient Model of Multiple Regression

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	VIF
		B	Std. Error					
1	(Constant)	.418	.150		2.791	.006		
	INS	-.276	.228	-.088	-1.213	.226	.883	1.133
	INSTL	-.245	.082	-.215	-2.970	.003	.894	1.118
	GROW	-2.956E-02	.039	-.051	-.749	.455	.994	1.006
	BETA	2.906E-03	.049	.004	.059	.953	.977	1.023
	SIZE	4.656E-09	.000	.106	1.541	.125	.983	1.017

a. Dependent Variable: DPR

C.1 Insider Ownership

Based on the measure result, t-stat is -213 and p-val is .226 ($\alpha = .05$). The result is revealed that variable of Insider Ownership in the corporation have no significant influence to dividend payment ratio. Therefore, as partially, the hypothesis is rejected by data. The result is consistent with prior research (Susilawati, 2000). According to regression equation, the insider ownership variable is negative (-.276) means that every 1% increase on insider ownership, resulting DPR will decrease .276% with assumption other independent variable is constant.

The result revealed that insider ownership and DPR has reverse relationship. The relationship between the insider ownership and DPR is similar with researcher estimation. While the result is different from research result by Setyawan (1999), but it is consistent with Dimsey and Laber (1992), Moh'd, Perry and Rimbey (1995). The reverse relationship between insider ownership and DPR pointed out that there is possibility that to minimize agency problem, the firm must using mechanism of dividend payment. It is can be based on theory by Moh'd, Perry and Rimbey (1995), who are revealed that more insider ownership then small different between share holder and management interest.

C.2 Institutional Ownership

Based on measure result, t-stat is -2.970 with significance .003 ($\alpha = .05$). It means that Institutional Ownership variable has significant influence to DPR and therefore the second alternative hypothesis is not rejected by data. The regression equation reflected that Institutional Ownership has negative regression coefficient - .245 which it means that every increase of 1% institutional ownership, then the DPR will decrease .245% with assumption that other independent variable is constant.

The result is consistent with Coffee (1991), who revealed that for increase managerial accountability, the controlling mechanism by institutional investor is one of very important policy optional. Tendency about increase of institutional control is still increase and therefore the managers must carefull on acting. The increase on institutional investor activity is based on reality that significant stock ownership by institutional has increase their ability to take action as collective. Bathala et al., (1994) explained that existence of stock ownership by institutional can role as effective control agent for minimize agency problem, because they can control manager opportunistic behavior. At the same time he control make possibility for the firm to use level of debt as optimally and there for it can influence on dividend payment.

C.3 Firm's Growth

Based on measure result, t-stat is - .749 with significance .455 ($\alpha = .05$). It means that GROW variable has no influence to DPR and therefore the third alternative hypothesis is rejected by data. The regression equation reflected that GROW has negative regression coefficient -2.956 which it means that every increase of 1% in GROW, then the DPR will decrease 2.956% with assumption that other independent variable is constant.

The significant and reverse influence between GROW and DPR is similar with research predicting and consistent with research by Demsey and Laber (1992), Moh'd, Perry and Rimbey (1995) and Susilawati (2000). Those prior researchers have argument that as high of firm's growth can reflected that the firm is on growth experience and have much investment opportunity.

C.4 Testing to BETA variable

Based on measure result, t-stat is .059 with significance .953 ($\alpha = .05$). It means that GROW variable has no significant influence to DPR and therefore the third alternative hypothesis is rejected by data. The regression equation reflected that BETA variable have positive regression coefficient 2.906 which it means that every increase of 1% in BETA, then the DPR will increase 2.906% with assumption that other independent variable is constant.

This research result is consistent with Moh'd, Perry and Rimbey (1995) that increasing on risk of firm make the firm will have limitation on looking for external fund. The investor will take a high yield from investing their fund and will give more cost transaction.

C.5 Firm Size

Based on measure result, t-stat is 1.541 with significance .125 ($\alpha = .05$). It means that Firm Size variable has no significant influence to DPR and therefore the fourth alternative hypothesis is rejected by data. The regression equation reflected that

BETA variable have positive regression coefficient 4.656 which it means that every increase of 1% in firm size, then the DPR will increase 4.656% with assumption that other independent variable is constant.

The result is not consistent with prior research by Moh'd, Perry and Rimbey (1995) and Susilawati (2000), which they revealed that more big of firm size then make easily for the firm to access on capital market. Flexibility on getting fund capital market can imply on dividend payment because the firm have flexibility and ability to get fund resources. Inconsistency with prior research may because the big firm is more interesting on accomplish their responsibility which it connected with debt and not on dividend payment.

Conclusion

The first testing to detect existence of classical assumption. With purpose that the result was not bias cause of the classical assumption. The result of research revealed that there is no multicollinearity, autocorrelation and heteroscedasticity on this research. From testing and analyze, it can concluded that based on influence testing as simultaneously from multiple regression, the F-test is significant and therefore it can conclude there is existence of relationship between dependent variable and independent variables. There is also means that there is regression relationship between dividend payment ratio and management stock ownership, institutional ownership, firm growth, firm risk and firm size. Result of F-test is consistent with Holder, Langlehr and Hexter (1998), but it not consistent with Susilawati (2001) which she was reveal problem of agency factors and several factors influence cost transaction to dividend payment ratio. While it use same construct and just only one independent variable is different on this research which is institutional ownership variable on it relations with agency cost. The research result as individual revealed one variable with significant t-stat (INSTL), while other independent variables has no significant influence on dividend payment ratio (INS, GROW, BETA and SIZE).

Testing of first hypothesis revealed that there is no positive and significant relationship to dividend policy, while the second hypothesis revealed there is significant relationship to dividend policy. While insider ownership has no significant influence on dividend payment ratio, but still has reverse relation (negative) and also with institutional ownership. The result reflected that there is possibility of dividend payment become one of mechanism for decreasing agency problem. Although there is possibility of dividend becomes one mechanism to decreasing agency problem, but size of dividend payment ratio not influenced by insider ownership.

Result of hypothesis 3 and 4 testing revealed that there is no significant influence between firm size and firm risk to dividend payment ratio. The firm's growth is negatively influence to dividend payment ratio and there is positive influence of firm's risk on dividend payment ratio. Therefore, it concluding that level of firm growth cannot be considering on deciding about dividend policy, while firm's risk can be considers on dividend policy.

Researcher is considering about several limitations on this research. The limitations are caused by some circumstances as follow:

1. The samples on this research is no randomly selected (just manufacture and service firms) and there for the result cannot be generalize.
2. Period sample 1999-2001 May not good research period because there is monetary crisis in year of 1997 may influence reliability of data.
3. Existence of condition of initial sector can influence considering factor deciding on dividend payment ratio.

Based on limitation above, the researcher realize that there is no one is perfect and there for this research is still need advance to explore more good result.

The future researcher can use much more and random sample, not limiting on manufacture and service sectors only. Period of observation also must be explored with included years before 1999 which is it may give more amount of observation and resulting consistent result. Future researcher also can include component of income as control variable and observe if there is it influences on dividend payment ration. The other possibility is using other influence of investment decision and financing decision, for example in theory of stakeholder and merger, acquisition and takeover.

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