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EFFECT OF INFORMATION ASYMMETRY IN DIVIDEND POLICY WITH INSTITUTIONAL OWNERSHIP AS MODERATING VARIABLES

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Abstract: **Every management and investor at a different level of information on a company. This study aims to examine the results of whether institutional ownership moderates the influence of information asymmetry on dividend policy in the consumer goods industry manufacturing companies listed on the Indonesia Stock Exchange 2016-2017. The number of samples in this study was taken as many as 38 companies by doing nonprobability sampling using a purposive sampling approach. The data analysis technique used is the Moderated Regression Analysis (MRA) test. Based on the results of the test, it is known that information asymmetry has a significant negative effect on dividend policy, whereas institutional ownership is not able to strengthen the influence of information asymmetry on dividend policy.**

Keywords: **Dividend Policy, Information Asymmetry, Institutional Ownership.**

I. INTRODUCTION

The development of the capital market is currently growing rapidly and each year has a growth rate with high competitiveness, especially in Indonesia. In the capital market environment, market participants, users of financial statements and all interested parties with issuers require the publication of complete financial statements, so companies are required to publish financial statements, especially regarding profits because there are important sources of information needed by investors. The company has the financial information that contains become important variables include income, dividends, net assets and others (Williams & Hussein, 2018). Information disclosure is regulated in the law that, information is very important for users of the company's financial statements and all parties concerned with the issuer. Following the law, accounting financial statements are an open-source of information with the composition of the content indispensable for the users of financial statements and parties with an interest in the issuer (Osamwonyi & Lola-Ebueku, 2016).

A company's performance can be evaluated by investors through information obtained, particularly on profits for the investor to know how the strength of corporate profits in the future (Wiasa & Widanaputra, 2015). According to Gillan & Starks, (2005), information asymmetry regarding the actions, knowledge, and references of other parties in a company can be used as one of the causes of agency conflict. The influence of the company when providing accurate information to investors is likely to increase dividends to be distributed. According to Okpara (2010), information provided by companies, namely dividend policy is important to be published to investors to reduce information asymmetry because the goals to be achieved by the company can be measured from the level of completeness of information based on management's responsibility so that in the future the company can measure future earnings power. (Hasty & Herawaty, 2017). Investors have limitations in supervising and can only monitor the performance of managers in a company based on the results of financial statements. Various data cases occur to managers. Managers may be tempted to carry out their duties, because investors can not directly monitor how misconduct behavior occurs, without incurring additional costs, investors cannot monitor agent activities (Boučková, 2015).

Dividend decisions owned by shareholders depend heavily on available information such as the quality of accurate reports and data published promptly (Sanjaya Adi Pranata & Badera, 2016). The success of a company can be measured by the intelligence of managers in understanding the dividend policy setting itself (Manneh & Naser, 2015). According to Vintila & Gherghina (2014) in (Wimelda & Siregar, 2017) states an increase in the process of management control and company performance. Ownership of shares by financial institutions is one way that can be done to manage the company. In this study, an indicator of dividend policy is the Dividend payout ratio. Ratio payment of dividends (payout ratio) is widely used by investors to calculate and measure the distribution of income and profit in a company because of LEB is easy to know and look for the results of investment rather than look at the dividend yield (Junaidi Nasir, & Wiguna, 2014). Profit owned companies can be determined through the Dividend Payout Ratio so that management can determine whether the dividend policy will be distributed to shareholders or kept as retained earnings (Dhuhri & Diantimala, 2018). The following is the average percentage of dividend policy in the manufacturing companies in the consumer goods industry sector which was listed on the Indonesia Stock Exchange in the 2016-2017 period.

Table 1 Dividend Payout Ratio of Manufacturing Companies in the 2016-2017 Period

Nama Perusahaan	***Dividend Payout Ratio (%)***	
	2016	2017
Ultra jaya Milk Industry Tbk.	10,69	16,43
Campina Ice Cream Tbk.	0,00	14,63
Magna Investama Mandiri Tbk.	0,00	0,00
Delta Djakarta Tbk.	56,80	74,41
Tiga Pilar Sejahtera Food Tbk.	0,00	0,00
Akasha Wira International Tbk.	0,00	0,00
Wilmar Cahaya Indonesia Tbk.	35,74	24,93
Mayora Indah Tbk.	34,65	37,86
Sekar Laut Tbk.	16,74	20,93

The table above shows that the value of the dividend policy which is proxied by the dividend payout ratio of companies in the consumer goods industry sector is experiencing a fluctuating trend. Several companies do not distribute dividends for up to two years. This shows that the growth of the consumer goods industry sector in Indonesia was not offset by an increase in the value of dividends. Various reasons why companies do not distribute dividends can occur, namely, issuers prefer to hold their profits for future investment rather than choosing to distribute dividends to shareholders. Agency problems between managers and shareholders can be avoided by making dividend payments appropriately (Baker & Weigand, 2015). According to Kartikasari & Lasmana (2013), institutional ownership is the majority shareholder who can reduce agency problems in the company. The greater the ownership of shares by the institution, the greater the voice power and encouragement of the institution to oversee management.

This study uses moderating variables due to inconsistent results from previous studies conducted by Kusuma (2006), Valipour (2009) and Linda Yasmita (2017) who examined the effect of information asymmetry with the dividend policy, finding bid-ask spreads have a significant negative effect on dividend policy. Theories used in Kusuma and Valipour's research are agency theory, pecking order theory, and signaling theory. Contrary to the findings of Deshmuk (2005) and Birjani (2014) who examined the effects of information asymmetry on dividend policy with bid-ask spread proxy, found a positive significant relationship between information asymmetry and dividend policy. Theories used in Deshmuk and Birjani's research are agency cost theory, pecking order theory, and residual theory.

Because there are different phenomena and inconsistencies in the results of previous studies on institutional ownership and information asymmetry on the policy of dividends make research based on the influence of information asymmetry on dividend policy with institutional ownership as an interesting moderating variable to do. This moderation variable is used because from previous studies the theories used are the same but get different results, so there is a suspicion of a moderating variable.

This study uses a grand agency theory and original theory as a supporting theory. Agency theory according to Aulia Ramadona, (2016) is a theory related to agreements between members in the company. An agency relationship is a contract in which one or more people (principal) governs another person (agent) to perform a service on behalf of the principal and authorizes the agent to make the best decision for the principal.Pecking order theory predicts the higher the level of asymmetric information, the lower the probability of dividend distribution. This is consistent with previous research conducted by Kusuma (2006) and Valipour (2009), who examined the effect of information asymmetry with the dividend policy, finding bid-ask spreads have a significant negative effect on dividend policy. The theories used in the research of Kusuma (2006) and Valipour (2009) are the agency theory, pecking order theory, and signaling theory. Based on the description above, the following hypothesis that researchers developed as follows.

H1: Information asymmetry hurts the Dividend Policy of manufacturing companies in the consumer goods industry sector that is listed on the Indonesia Stock Exchange from 2016 to 2017.

According to Kartikasari and Lasmana, (2013), institutional ownership is the majority shareholder which can reduce agency problems in the company. The higher the level of institutional ownership, the stronger the external control of the company. Based on the description above, the following hypothesis that researchers developed as follows.

H2: Institutional Ownership positively reinforces the influence of information asymmetry with the dividend policy on manufacturing companies of sector industry consumer goods listed in the Indonesia Stock Exchange period 2016-2017.

II. RESEARCH METHODS

This type of research is quantitative research emphasizing the testing of theories through the measurement of research variables in the form of numbers and conducting data analysis with statistical procedures (Sugiyono, 2016: 7). The source of data used in this study is secondary data, where data obtained in the form of ready-made, already collected and processed by other parties. Quantitative data used in this study are audited financial statements published on the Indonesia Stock Exchange in 2016-2017. The variables used in this study consists of v variable dependent or can be referred to as the dependent variable, v variable independent is often referred to as the independent variable, v variable moderation are variables that affect (strengthen and weaken) the relationship between independent variables and the dependent variable. The independent variable in this study is information asymmetry, the dependent variable is dividend policy and the moderating variable is institutional ownership. The method in determining the sample in this study uses a nonprobability sampling method with a purposive sampling technique, namely the sampling technique with certain considerations (Sugiyono, 2017: 81). The various criteria used in this study were company manufacturing consumer goods industry sectors that have been and are still listed in the Indonesia Stock Exchange from 2016 to 2017, company manufacturing consumer goods industry sector that publish annual financial statements that have been audited in the year 2016- 2017 and manufacturing companies in the consumer goods industry sector which distribute dividends in a row during the 2016-2017 period. Data analysis used in this research is a descriptive statistical test, classic assumption test, model feasibility test (f test), partial test (t-test) , coefficient of determination (R^2) and MRA (Moderated Regression Analysis).

III. DISCUSSION

This research was conducted at companies manufacturing consumer goods industry sectors listed on the Indonesia Stock Exchange. The following are the sample selection criteria that will be displayed in Table 1.

Table 4.1 results of the sample selection criteria

No.	Criteria	amount
1	Manufacturing companies in the consumer goods industry sector which are listed on the Indonesia Stock Exchange (IDX)	54
2	Manufacturing companies in the consumer goods industry sector that do not distribute successive dividends to their shareholders from 2016-2017	(32)
3	Manufacturing companies in the consumer goods industry that do not publish audited annual financial statements in 2016-2017	(3)
4	Number of research samples	19
	Year of observation	2
Total sample in three years of research		38

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Based on table 4.1 it can be concluded that the total population in the consumer goods industry sector companies listed on the Indonesia Stock Exchange in the 2016-2017 period are 54 companies. Based on the sample criteria used, obtained a sample of 19 companies with 2 years multiplication into 38 research samples. The results of the descriptive statistics of the study can be seen in table 4.2

Table 4.2 Descriptive Statistics Test Results

	N	Min	Max	The mean	Std. Deviation
Information Asymmetry	38	0003	2,000	, 072718	, 3254521
Institutional Ownership	38	, 0000	, 9250	, 651750	, 2460604
Dividend Policy	38	, 0068	100,000	48.273947	28.8917101
Valid N (*listwise*)	38				

Descriptive analysis results show the lowest value (minimum) in the information asymmetry variable is 0,0003 while the highest value (maximum) is 2.0000 in 2017. The average value of information asymmetry is 0.72718 and the standard deviation is 0.3254521. Descriptive analysis results show the lowest value (minimum) in the variable institutional ownership amounted to 0.0000, the highest value (maximum) owned by institutional ownership amounted to 0.9250. The results of the analysis of the dividend policy proxied by the Dividend Payout Ratio shows the lowest value (minimum) of 0.0068 The highest value (maximum) of 100,000, the average value of the dividend policy of 48.273947. The standard deviation of this variable is 28.8917101

Table 4.3 Normality Test Results

		Unstandardized Residual
N		38
Normal Parameters [a, b]	The mean	0000000
	Std. Deviation	, 79314622
Most Extreme Differences	Absolute	, 105
	Positive	, 105
	Negative	-, 095
Kolmogorov-Smirnov Z		, 650
Asymp. Sig. (2-tailed)		, 792

Based on Table 4. 3 above, the Asymp value. Sig. (2-tailed) of the tested equation model of 0.792 which is greater than 0.05. This shows the data used in this study has a normal distribution, so it is feasible to use for further analysis.

Table 4.4 Autocorrelation Test Results with the Watson Durbin Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	, 609 [a]	, 371	, 315	, 82739837	1,185

Autocorrelation Test with Run Test Test

Test Runs	
	Unstandardized Residual
Test Value [a]	-.13058
Cases <Test Value	19
Cases> = Test Value	19
Total Cases	38
Number of Runs	16
Z	-1.151
Asymp. Sig. (2-tailed)	.250

Based on the results of the autocorrelation test in Table 4.4 above, the Asymp value. Sig. (2-tailed) produced is 0.250> 0.05. Then it can be concluded that there are no symptoms or autocorrelation problems. Thus, the autocorrelation problem that cannot be solved with Durbin Watson can be resolved through a run test so that the linear regression analysis can be continued.

Table 4.5 Heteroscedasticity Test Results

Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	Std. Error	Beta		
1	(Constant)	, 269	, 272		, 990	, 329
	Information Asymmetry	-3,722	15,847	-2,590	-, 235	, 816
	Institutional Ownership	, 605	, 360	, 318	1,681	, 102
	X1.M	4,094	18,857	2,397	, 217	, 829

Institutional ownership shows each interaction variable of 0.816; 0.102; 0.829. This value is greater than 0.05 which means there is no influence between the independent variables on absolute residuals. Thus, the model created does not contain symptoms of heteroscedasticity, so it is feasible to use to predict.

Table 4.6 MRA Test Results

Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	Std. Error	Beta		
1	(Constant)	-, 160	, 141		-1,133	, 265
	Information Asymmetry	-1,128	, 310	-1,263	-3,637	, 001
	Institutional Ownership	, 268	, 138	, 268	1,946	, 060
	X1.M	, 930	, 349	, 930	2,664	, 012
	Adjusted R^2	, 315				
	F_{count}	6,682				
	Sig. F	.001				

Based on table 4.6, the results of the interaction test analysis (MRA) are as follows: $Y = -0{,}160 - 1{,}\ 128\ X_1 + 0.268\ X_2 + 0.930\ X_1 * M$

The constant value of -0.160 indicates that if the information asymmetry variable and institutional ownership are zero, the dividend policy will decrease by 0.160. The information asymmetry regression coefficient value of -1.128 indicates that if the information asymmetry increases by one unit, then the dividend policy will decrease by 1.128 units assuming the other variables are constant. The regression coefficient value of institutional ownership of 0.268 indicates that if institutional ownership rises by one unit, the dividend policy will increase by 0.268 units assuming the other variables are constant. The regression coefficient X1.M value of 0.930 shows that if the interaction between information asymmetry and institutional ownership rises by one unit, the dividend policy will increase by 0.930 units assuming the other variables are constant.

Model Feasibility Test (F)

Based on the test results in Table 4.7, it shows that the calculated F value of 6.682 and the p-value (Sig. F) of 0.001 is smaller than the value of $\alpha = 0.05$. This shows that the regression model in this study is feasible to use.

Test The coefficient of determination (R^2)

Based on table 4.7 shows that the value of adjusted R square is 0.315. This means that 31.5% of the variation in dividend policy changes can be explained by the variable information asymmetry and institutional ownership. While the remaining 68.5% is influenced by other variables outside the regression model used.

Hypothesis Test (t test)

Testing the hypothesis 1: Based on table 4.8, the information asymmetry effect on the calculation of the dividend policy is known that the significance value of t = 0.001 < alpha = 0.05 and beta value of -1.128 so that H 1 in this study received. The results of this study indicate that information asymmetry has a significant negative effect on dividend policy. This means that information asymmetry has a significant negative effect on dividend policy. In this case, H 1 is acceptable. Based on the results of the study, according to the pecking order theory which states that the higher the level of information asymmetry that occurs within a company, the lower the probability of the company in distributing dividends. According to Muhayatsyah, (2018), this might be possible because there are differences in information between management and investors. Inequality of information held between investors and management contains various types of company risks, which can lead to investor distrust of management. Problems that occur regarding this dividend policy will cause a decline in the level of company income or can even suffer losses in a certain period so that the dividend to be distributed becomes low.

Hypothesis testing 2 Based on table 4.9, the results of the calculation of institutional ownership as a moderating variable from the influence of information asymmetry on dividend policy, obtained a significance value of t = 0.060> alpha = 0.05 and beta value of 0.268 so that H2 in this study was accepted. The results of this study indicate that institutional ownership can strengthen information asymmetry in dividend policy. This might be caused if the institutional ownership of a high company does not guarantee the dividend policy which is proxied by the dividend payout ratio will be low and vice versa. The results of this study indicate that the ownership of shares owned by institutional investors, their effectiveness cannot influence in monitoring the behavior of managers. Institutional ownership has a percentage of the number of shares that tends to be stable and volatile so that it is unable to moderate the information asymmetry in dividend policy.

III. CONCLUSION

Conclusion:

Based on the results of research on the effect of information asymmetry on dividend policy with institutional ownership as a moderating variable, it can be concluded that: The results of the regression coefficient are equal to -1.128 with a significance of 0.001 < *alpha* = 0.05. Information asymmetry has a significant negative effect on dividend policy. The results of the significance value of t = 0.060> *alpha* = 0.05 and beta value of 0.268. Institutional ownership cannot strengthen the influence of information asymmetry on dividend policy.

Suggestion:

Based on the results, discussion and conclusions above, as for the suggestions that can be given are as follows: For companies, especially to the management. Judging from the results of research showing that there is a significant negative effect of information asymmetry on dividend policy. This shows that companies with high levels of information inequality cause the Dividend Payout Ratio below. It is better to minimize the information asymmetry in the company, the financial statements must be checked whether they have been prepared using the rules and standards that apply when disclosing financial statements. Because financial statements contain important sources of information for investors about the prospects and value of the company in the future. Clear and correct information will influence investors' decisions in investing their capital. For investors, it is better to minimize the difference in the information that occurs, investors should be more careful in analyzing the information presented by the issuer so that the decision taken to invest is right.

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