

THE EFFECT OF OWNERSHIP CONCENTRATION AND CORPORATE
LIQUIDITY TOWARD DIVIDEND PAYMENT POLICY IN BANKS AND
FINANCIAL CORPORATIONS

By

Indah Larisa Sari

21653007



SWISS GERMAN UNIVERSITY

The Prominence Tower

Jalan Jalur Sutera Barat No. 15, Alam Sutera
Tangerang, Banten 15143 – Indonesia

March, 2018

Revision after the Thesis Defense on 9th March, 2018

STATEMENT BY THE AUTHOR

I hereby declare that this submission is my own work and to the best of my knowledge, it contains no material previously published or written by another person, nor material which to a substantial extent has been accepted for the award of any other degree or diploma at any educational institution, except where due acknowledgement is made in the thesis.



Indah Larisa Sari

Student

Date

Approved by:

Dr. Antonius TP Siahaan, S.E., Akt., M.M., C.A.

Thesis Advisor

Date

Dr. Ir. Yosman Bustaman, M.B.A.

Thesis Co-Advisor

Date

Dr. Nila K. Hidayat, S.E., M.M.

Dean

Date

Indah Larisa Sari

ABSTRACT

THE EFFECT OF OWNERSHIP CONCENTRATION AND CORPORATE LIQUIDITY TOWARD DIVIDEND PAYMENT POLICY IN BANKS AND FINANCIAL CORPORATION

By

Indah Larisa Sari

Dr. Antonius TP Siahaan, S.E., M.M., C.A., Advisor

Dr. Ir. Yosman Bustaman, M.B.A., Co-Advisor

SWISS GERMAN UNIVERSITY

The main purpose of this thesis research is to study and to analyses the effect of ownership concentration and corporate liquidity toward dividend payment policy in financial industry by using dividend pay-out ratio on measuring dividend payment.

Dividend pay-out ratio is measured by ratio of dividend to net income. Meanwhile, the amount of stock owned by legal individual investors and large block-shareholders is measured based on the percentage levels of corporate ownership concentration. We divide ownership concentration into three categories. They are inside shareholder, stable shareholder, and market shareholder. The corporate liquidity is measured by corporate profit (Retained-earning/Total assets and Retained-earning/Total equity), corporate leverage (total liabilities/total assets), and corporate size (Log normal total assets). We apply data panel regression and using robust least square method. Based on robust least square method of data panel regression, we find there is a significant effect between inside shareholder, market shareholder toward dividend payment policy. There is no significant effect between stable shareholder toward dividend payment policy. There is significant effect between corporate profit (retained-earning/total assets), corporate leverage, and corporate size toward dividend payment-

policy. This results conclude that dividend payment will increase when inside shareholder decrease, market shareholder increase, corporate profit increase, corporate leverage and corporate size decrease.

Keywords: dividend payment policy, ownership concentration, corporate liquidity





DEDICATION

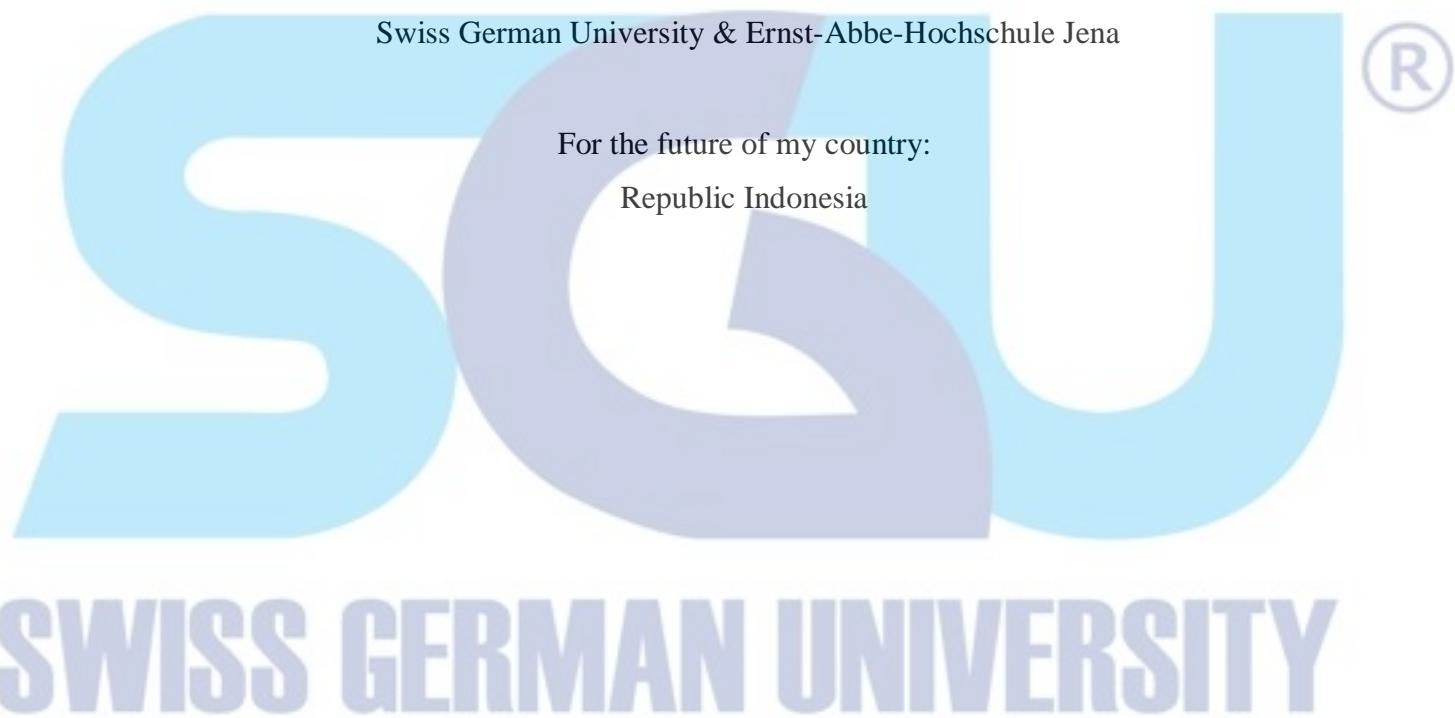
I dedicate this study

For my beloved parents:

H. Miftahurrahman S.E., M.M., M.Si. & Hj. Nur Beta Putri, B.B.A.

For my beloved university:

Swiss German University & Ernst-Abbe-Hochschule Jena

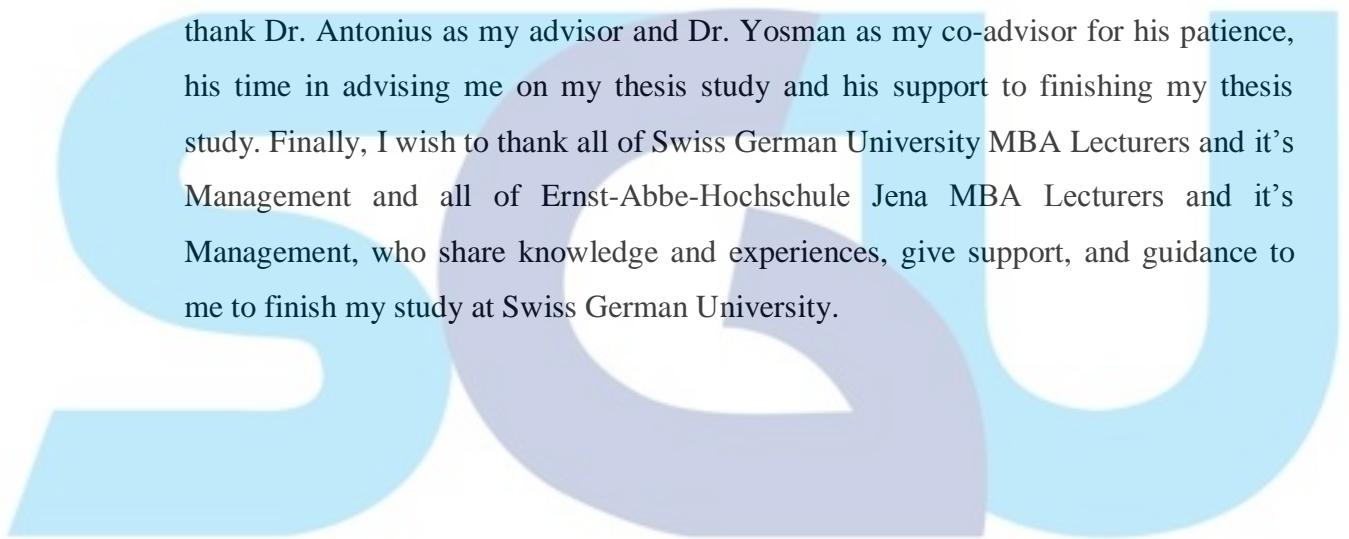


For the future of my country:

Republic Indonesia

ACKNOWLEDGEMENTS

First of all, my gratitude always comes to *Allah Subhanawata 'alla*, Who always gives me His bless. Second, I wish to thank my parents and my sister for always support me to focus on finishing my master degree. Third, I wish to thank my Swiss German University colleagues on batch 28, especially to Puput Dwi Putri and Natalie Marbun for their support and good humour in every our meeting. I really thank for their sharing of information, it impacts to my daily life in a good way. Fourth, I wish to thank Dr. Antonius as my advisor and Dr. Yosman as my co-advisor for his patience, his time in advising me on my thesis study and his support to finishing my thesis study. Finally, I wish to thank all of Swiss German University MBA Lecturers and it's Management and all of Ernst-Abbe-Hochschule Jena MBA Lecturers and it's Management, who share knowledge and experiences, give support, and guidance to me to finish my study at Swiss German University.



SWISS GERMAN UNIVERSITY

TABLE OF CONTENTS

	Page
STATEMENT BY THE AUTHOR	2
ABSTRACT	3
DEDICATION	6
ACKNOWLEDGEMENTS	7
TABLE OF CONTENTS	8
LIST OF FIGURES	11
LIST OF TABLES	12
CHAPTER 1 – INTRODUCTION	12
1.1 Background	12
1.2 Research Problem	13
1.3 Research Objectives	13
1.4 Significance of Research	16
1.5 Research Question	16
1.6 Research Hypothesis	17
1.7 Thesis Structure	19
CHAPTER 2 – LITERATURE REVIEW	20
2.1 Dividend	21
2.2 The Relation of Dividend and Share Repurchase	22
2.3 The Relation between Dividend and Corporation Liquidity	25
2.4 The Relation between Dividend and Corporate Governance	29
2.4.1 Shareholder Protection	31
2.4.1.1 The Relation between Dividend and Ownership Concentration	32
2.4.1.2 The Relation between Dividend and Legal Protection	35
2.5 The Relation between Control Variables and Dividend Payment Policy	37
2.6 Dividend Payment Policy	38
2.7 The Relation of Dividend and Asymmetry Information	40
2.8 The Relation of Dividend and Corporate Signalling	40
2.9 The Characteristics of Banks and Financial Institutions in Indonesia	43

2.10 The Comparison between Previous Studies about Dividend with This Research	44
CHAPTER 3 – RESEARCH METHOD	47
3.1 Scope and Limitation	47
3.2 Time Frame of Study	47
3.3 Type of Study	47
3.4 Research Process and Research Framework	50
3.5 Population and Sampling Method	52
3.5.1 Target Population	52
3.5.2 Sampling Design and Method	52
3.6 Data Sources and Collection	52
3.7 Method of Analysis	54
3.7.1 Structuring The Author Work-File as A Panel Work-File	55
3.7.2 Equation Estimation	55
CHAPTER 4 – RESULTS AND ANALYSIS	58
4.1 Descriptive Statistics	58
4.2 Empirical Results and Analysis	61
4.2.1 The Effect between Ownership Concentration toward Dividend Payment Policy	63
4.2.2 The Effect between Corporate Liquidity toward Dividend Payment Policy	64
4.2.2.1 The Effect between Retained Earning Divided by Total Assets (Corporate Profit) toward Dividend Payment Policy	64
4.2.2.2 The Effect between Leverage toward Dividend Payment Policy	64
4.2.2.3 The Effect between Corporate Size toward Dividend Payment Policy	66
CHAPTER 5 – CONCLUSIONS AND RECOMMENDATION	68
5.1 Conclusions of Research	68
5.2 Recommendation of Research	69
REFERENCES	70
CURICULUM VITAE	75