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The Effects of Internal factors and Stock Ownership Structure on Dividend Policy on Company's Value [A Study on Manufacturing Companies Listed on the Indonesia Stock Exchange (IDX)]

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ABSTRACT: *This study intends to examine and analyze the effects of internal factors and stock ownership structure on dividend policy and their impacts on company's value and examine the influence of dividend policy on company's value. Internal factors cover free cash flow, company size, debt, asset growth, return on equity and financial risk while stock ownership structure cover managerial and institutional stock ownership.The study involved all of the manufacturing companies listed on the Indonesia Stock Exchange (IDX). There are 164 companies, 55 of which were selected using saturation sampling. The sampling was conducted during the six-year observation periods from 2005 to 2010 totaling 330 observations (6 x 55). The data were analyzed by applying Smart PLS (Partial Least Square). The results showed that: (1) free cash flow and company size have no effect on dividend policy but on company's value, meaning that free cash flow and company size do not determine dividend policy but company's value; (2) Return on Equity has no effect on company's value but on dividend policy, meaning that profitability determines dividend payment; (3) Debt, asset growth and financial risk affect dividend policy and company's value; (4) Managerial ownership has no effect on dividend policy but on company's value, while institutional ownership positively and significantly affects dividend payment and company's value. This indicates that corporate management is a representation of company's ownership as a company's control. (5) Dividend policy positively affects company's value significantly. This result confirmed previous finding concluding that dividend payment has impact on company's value.*

KEYWORDS: *Internal factors, dividend policy, stock ownership structure, company's value.*

I. INTRODUCTION

Every company aims to maximize the wealth of its shareholders by maximizing the company's value. The company's value, is reflected from the market value of company's shares. This aim does not only benefit stockholders, but also the people in the company's environment. From the financial management perspective, it is the more appropriate goal a company should aim for (Keown *et al*., 1999:2). The number of shares owned is the ownership evidence of the company and shareholder's value is reflected from the market value of company's shares.

A company's goal can certainly be reached by implementing financial management functions that include fund-seeking and fund-spending function. Meanwhile, there are three financial decisions a financial manager must take: Investment, financing, and dividend. The improvement of company's value highly depends on how optimal these decisions are applied (Bishop *et al*., 2004: 8). These decisions are certainly intertwined, according to Fama and French (2001). Optimum company's value can be reached through the implementation of financial management functions. This is because one financial decision will affect other financial decisions and therefore will influence company's value.

Investment decision defines the asset state when investing. Financing decision relates to the source of finance for investing, and dividend decision includes distributing profits as company's dividend and retained earnings. According to Hussainey *et al*., (2010), dividend policy is a policy when a company distributes profits as dividend to shareholders and retains some of them to re-invest in the business. Dividend policy has been empirically studied by financial experts with various findings which is why in financial management, it is still debatable as to whether dividend policy influences company's value. The answer has yet to be resolved and remains a puzzle (Black 1976, Al-Malkawi 2007, Khan *et al*., 2011).

II. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Dividend Policy

Dividend is a part of net profits distributed to stockholders in proportion to their ownership of company shares. According to Hussainey *et al*., (2010), dividend policy is distribution of profits to shareholders as dividend and to the business as re-investment.

There are several opinions about dividend payment. Al-Malkawi *et al*., (2010) summarized dividend payment as follows: a) increases in dividend payment improve company's value, b) high dividend payment has opposite effect on company's value, i.e it degrades company's value, and c) dividend payment is not relevant to company's value.

Thomsen (2004) states that there are influences of dividend on company's value. Direct influence of payout ratio on company's value can be negative. However, payout ratio is a signal that the company is very successful or that company managers are very committed to maximizing shareholder value, which can improve company's value then.

Asquith and Mullins (1983) explains that negative influence may result in wealth from other costs related to dividend payment. Other than administrative costs for dividend, companies may also have to pay for transactional costs related to new equity issuance. With investment policy given and capital structure, increases in dividend must be funded by new equity. On the other hand, positive influence on wealth has also been suggested by researchers. Investors traditionally would prefer dividend in cash. Positive influence on wealth may also be resulted from dividend policy that communicates valuable information to investors. Dividend can be a medium to communicate quality managerial information about their interpretation of newest company's performance and their evaluation of future performance. This opinion is consistent with the findings of Lintner (1956), Gordon (1959), Ross (1977) and Bhattacharya (1979).

Factors Influencing Dividend Policy

Previous findings have used different factors in analyzing the effect of company dividend. Lintner (1956) states the factor that influences dividend payment is company's income rate, in which high dividend payout ratio occurs in companies with stable income while low dividend payout ratio occurs in emerging companies.

Al-Malkawi (2007) finds that financial leverage of a company significantly has negative relation with dividend policy. The factors used in his research are: Signaling, investment of opportunities, size, financial leverage, profitability, and taxes. Amidu (2007) uses factors that affect dividend policy and company performance as follows: return on equity, return on assets, dividend payout, size, leverage, and growth.
Azhagaiah *et al*., (2008) uses factors like dividend per share, retained earnings, price earnings ratio, and market value of share that affect dividend policy and wealth of shareholders.

Nazir *et al*., (2010) indicates factors like price volatility, dividend yield, payout ratio, leverage, asset growth, and earning volatility affecting stock price changes in Karachi Stock Exchange.
Hussainey *et al*., (2010) tests dividend policy and stock price change in a research using factors such as price volatility, dividend yield, payout ratio, size/market value, earning volatility, long term debt and growth in assets. The result shows positive correlation between dividend yield and stock price change, as well as negative correlation between payout ratio and stock price changes.
Okafor (2011) uses factors such as dividend yield, dividend payout ratio, asset growth, earning volatility, and size. The result shows that dividend policy is a form of good information for investors which consequently make stock price variable.

Khan et al., (2011) uses factors such as stock price, cash dividend, stock dividend, retention ratio, dividend yield, earning after tax, earning per share, and return on equity. The result shows that dividend yield negatively correlates to stock price in both fixed and disorder effects and significantly explains variations of stock price. This makes it clearer that investors want dividend because it gives future prospect signal of companies.

Al Shubiri (2011) states that company liquidity is a critical factor that influences cash dividend payment. Companies with high cash liquidity will pay higher dividend than those with lower cash liquidity. The factors used in the research are leverage, institutional ownership, profitability, business risk, assets structure, liquidity, growth opportunities, firm size, and free cash flow.

Dividend irrelevant theory by Modigliani and Miller (1981) has been proposed, showing that dividend policy does not influence company's value. It is investment policy or company's profits, not dividend policy, that influences company's value.

Different findings of Gordon and Lintner (1963) suggests that investors can view dividend more definite than capital gain. Investors usually avoid risks, thus they would prefer currently stable return, i.e dividend. Dividend represents progress of the company that is useful for shareholders and investors, and it ultimately results in rises of stock price.

Tax preference theory by Brennan (1970) states that low dividend payout ratio can lower return rate and consequently will improve company's value because dividend is paid from income after tax. Investors are faced with dividend with higher tax than capital gain and it makes investors prefer company to retain their earnings and re-invest it in the business so profits will improve and stock price will rise.

Stock Ownership Structure

Stock ownership structure is company's stock ownership distributed among investors. Investors can include individual, family, institutional and insider/managerial ownership.
According to Warrad et al., (2012) company's stock ownership is divided into private ownership, government ownership, family ownership, and foreign ownership.

According to Ullah (2012), concentrated institutional ownership plays an important role in company policies, particularly about dividend payment policy. Shahab-U-Din (2011) says that decision making, such as dividend policy and leverage, will improve company's value as long as the policy can go well with every stakes. According to Shleifer and Visny in Kouki and Guizani (2009), a manager must be monitored and this monitoring must be done by large shareholders (blockholders) so the cost for monitoring agencies can be reduced. These shareholders have incentive to bear the cost of monitoring due to the profit they get from investment.

Mehrani (2011) says that ownership structure is a factor that influences company policies like dividend policy, and it creates a relationship between ownership structure and expected dividend policy. Dividend policy is one of key components of company policies and has been viewed as an interesting issue in literature. Dividend payout decision influences company's value. In addition, cash dividend has special position among shareholders.

Wahla (2012) suggests that the correlation between ownership structure and company's performance has become an important area on corporate management studies over the last two decades. Many studies suggest that market value of a company is not only based on investment projects, but also on other factors like financial structure, dividend policy, control management, and ownership structure and they can also improve company's value.

Thomson (2004) says that blockholders ownership can either improve company's value because of incentive harmony or degrade it because of a takeover of minority investor shares. Dividend policy provides ways to differentiate the two effects: while blockholders may prefer low dividend when they get the benefit of company control, minority shareholders may prefer high dividend that is rewarding for all of shareholders. The role of blockholders in company is very critical. Theoretically speaking, blockholders can play an important role in eliminating agency problems between shareholders and managers.

Company's Value

The company's long-term goal is to improve its company's value. Improving company's value means maximizing the wealth of shareholders. According to Fama and French (2001), optimum company;s value can be reached through the implementation of financial management functions, making one financial decision will affect other financial decisions and therefore will influence company's value. Mai (2010) states that managing corporate finance involves settling investment decision, financing and dividend policy, and an optimum combination of these three decisions will maximize company's value. Wahyudi (2006) suggests that dividend policy directly influences company's value and investment decision influences company's value indirectly through dividend policy and financing decision.

Lintner (1956) and Gordon (1959), Lintner (1962) and Gordon (1963) propose that dividend payout ratio can improve company's value because investors think they would rather receive dividend that is more definite than capital gain. So the higher the dividend, the higher the company's value as reflected from the rises of stock price. Supporting finding by Bhattacharya (1979) states that investors would prefer high dividend because it has lower risks and uncertainties than retained earnings that will be re-invested in the business.
In his research by interviewing managers from 28 companies, Lintner (1956) concludes that company's value depends on dividend policy and furthermore, companies prefer stable dividend policy. Meanwhile, Gordon (1963) finds that dividend policy significantly has positive impact on company's value. Asquith and Mullins (1983) state that positive influence on wealth may also be resulted from dividend policy that communicates valuable information to investors. Dividend can be a medium to communicate quality managerial information and rationale of future performance.

Miller and Modigliani (1961) suggest that the concept of dividend is not relevant. The results show that dividend policy does not influence company's value; it is investment policy or company's earning asset ability, not dividend policy that influences company's value.

Increases in company's debt will increase the failure risk for paying off the principal and interests. Interest is an expense that must constantly be paid regardless of company's size. According to Utami and Inanga (2011), the consequence related to the existence of debt (leverage) will make the company tend to be the target of additional external supervision by the debt provider to protect their investments. Therefore, the increasing use of leverage must reduce the agency cost level which is inherent in the operation structure. Consequently, the existence of debt policy will have negative impacts to the company. Yanming (2007) states that manager will avoid the debts to minimize external monitoring.

Mehrani (2011) describes that structure of share ownership in a company is an influential factor for the company's policies, of which one of them is dividend policy, so there is a relationship between share ownership structure and dividend policy. According to Shahab-U-Din (2011), the decision of dividend and leverage policy will increase the company's value as long as the policy is appropriate with interests of many parties.

The Research Hypothesis

1. The Relationship between Internal Factors and Dividend Policies

a) The Influence of *Free Cash Flow* towards Dividend Policy
Free Cash Flow is an operation profit that is minus tax and investments in the working capital and fixed assets needed by the company to maintain its business. According to Jensen (1986) and Amidu (2007), *Free Cash Flow* is the remaining cash flow after all projects with positive Net Present Value (NPV) is started, so Free Cash Flow reflects the cash that is actually available to be distributed to the investors. Therefore it becomes the manager strategy to improve the company's value, in line with the research by Isti Fadah (2007), Pujiastuti (2008), Utami and lnanga (2011), Al-Shubiri (2011), Mehta (2012). So the proposed hypothesis is:
Hypothesis a.: *Free Cash Flow* influences dividend policy.

b) The Influence of Company's Size towards Dividend Policy
Large companies usually have a better access to capital market and have facilities in raising funds with lower cost and have fewer constraints compared to smaller companies. The size of companies can be observed from their total asset. The bigger the company, the wider its possibility to give and to show maturity so that can reduce uncertainty about the company's prospects which is able to produce profits. It shows its least dependence upon internal funding sources. Therefore, large companies tend to pay higher dividends to shareholders. This is consistent with the research by Gordon (1962), Fama and French (2001), Al-Malkawi (2007), Kowalski *et al*., (2007), and Mehta (2012). Based on the explanation above, the proposed hypothesis is:
Hypothesis b.: Company's size affects the dividend policy.

c) The Influence of Company's Debt towards the Dividend Policy.
When a company receives a loan to finance its investments, it has committed to pay a fixed cost in the form of interest and principal. A failure to meet these obligations may make the company liquidated. So, this loan has a payment failure risk. Rozelf (1982) shows that companies with a high leverage have low dividend payment ratio. Asif (2011) and Al-Malkawi (2007) state that Leverage is negatively related to dividend policy, because the company needs to maintain its internal cash flow to pay the obligation rather than

distribute cash to shareholders. The increase of debt would increase the risk of inability to pay the obligations which is the loan principal and interest. So, the proposed hypothesis is:
Hypothesis. c.: The company's debt influences on the dividend policy.

d) The Influence of Asset Growth towards Dividend Policy.
Companies with a high growth and investment opportunities need internal source of funds to finance its investment so they tend to retain profits and pay small dividends or even do not pay them. This is consistent with the research by Al-Malkawi (2007). Thus the hypothesis proposed is :
Hypothesis
The growth of asset's company influences the policy dividends.

e) The Influence of Return *on Equity* (ROE) towards dividend policy
Decision to pay dividend that is determined by General Meeting of Shareholders (RUPS) starts from the profits obtained by the company, so its profitability level is the most important variable that can affect company's dividend decision. According to Lintner (1956) and Fama and French (2000), the level of Company's Profitability is the important determination of dividend payments. In this research, profitability which is proxied with Return on Equity (ROE) is the ratio of net profit of common stock equity. So this ratio measures the rate of return over the investment ordinary shareholders. De Angelo *et al* (2005) propose that there is a very significant relationship between dividend payment policy and ROE. So the hypothesis proposed is:
Hypothesis 1. e.: Return on equity has an influence on the dividend policy.

f) The Influence of Financial Risk towards Dividend Policy
Financial risk is the increase of failure payment risk that is resulted from the increase of company's debt. This risk becomes ordinary shareholders burden, and thus financial risk has negative impact on dividend policy; this is in line with the research conducted by Al-Subiri (2011) and Mehta (2012). Therefore, the hypothesis proposed is :
Hypothesis

g) Financial risk influences dividend policy.

2. The Relationship between Share Ownerships and Dividend Policies

a) The Influence of Managerial Ownership towards Dividend Policy
Managerial ownership is the share ownership by commissioners, directors and the company's managers. The existence of Asymmetric information between managers and shareholders will lead to a conflict that will increase agent costs, but agent costs can be minimized by increasing manager's share ownership (Managerial Ownership). According to Yanming (2007), the positive relationship between managerial ownership and Company's value is the medium to effectively reduce agent costs. So, the existence of that positive relationship means the existence of managerial ownership can increase company's value.
Jensen and Meckling (1976) state that managerial ownership functions to harmonize manager's and shareholder's interests, so it is expected that there is a positive relationship between managerial ownership and company's value. The increase of managerial ownership can minimize *agent cost* especially it can reduce supervision costs.
Al-Malkawi (2007) says that a higher proportion of managerial ownershp in company will reduce the need of using dividend as a device to reduce agent costs. Therefore, the hypothesis proposed is :
Hypothesis 2.a. : Managerial ownership influences dividend policy

b) The Influence of Institutional Ownership towards Dividend Policy
Institutional ownership is the share ownership by institutions (company) which is large investors that have a greater control than the one owned by insurance companies, banks, mutual funds and other financial institutions. So the higher the level of that institutional ownership, the stronger the external control over the companies, so it can reduce *agent cost*, and the company will determine low dividend.
=Ullah (2012) states that ownership is concentrated to play a very important role in company's policies, especially those related to dividend policies. Concentrated ownership refers to the structure in which large shareholders own a large amount of company's shares. Recently, the major ownership or the concentrated ownership or is replaced by concentrated institutional ownership such as banks, insurances, etc because these institutions are the major shareholders. La Porta *et al*, (1998) states that effective controlling shareholders can influence company's policy. As a result, it can implement policy which is beneficial for them rather than for minor shareholders. In his research, Ramli (2010) says that companies with more

concentrated ownership will pay higher dividends because the controlling shareholders have bigger influence towards the dividend policy. Thus the hypothesis proposed is:
Hypothesis 2.b : Institutional ownership's structure have an influence towards dividend policy.

3. The Relationship between Internal Factors and Company's Value

a) The Influence of *Free Cash Flow* on The Company's Value

Laporta et al., (1998) states that if a company has free cash flow, the manager will apply uneconomical practices. While according to Utami and Inanga (2011), a company with free cash flow tends to face conflicts between shareholders and managers. Jensen (1986) says that higher dividend payments are expected to be more effective in minimizing agency costs, because company manager is agent of shareholders. This condition makes the manager have control over the use of free cash flow that must be invested back. According to Jensen (1986) free cash flow is defined as the cash flow from excess funds required for all projects with positive Net Present Value (NPV). Then, the increase of free cash flow can make the company's performance decrease and eventually infuence the company's value. So, the hypothesis proposed is :
Hypothesis 3. a.: Free Cash Flow has an influence towards the company's value.

b) The Influence of Company's Size towards Its Value

Company's size is the amount of assets owned by the company. The bigger the company, the easier the way to get funds to support investments, because there is an easiness to access Capital Market. The result of the study conducted by Sudarma (2004) indicates that the variable of company's size has positive effect on company's value. Sofyaningsih and Hardiningsih (2011) say that the bigger the size of company, the higher the company's belief about its ability to return investment. Large companies are more likely to be matured and more trusted by investors. Therefore, the hypothesis proposed is:
Hypothesis 3. b.: The company's size has an influence towards the company's value.

c) The Influence of Debt towards the Company's Value

According to the theory Asymmetric information proposed by Miller and Rock (1985), the company manager knows more about company's correct revenue than external investors. Related to the theory Asymmetric information according to Ross (1977), considered that debt is positive signals for the company's future. Meanwhile, Yanming (2007) supports the view that leverage has a positive effect on the company's value. Jensen and Meckling (1976) state that the use of debt will reduce the external equity and increase the proportion of managerial ownership. However, according to Utami and Inanga (2011), the use of debt makes the company tend to be the object of supervision by the debt providers. So the debt can function as a mechanism to discipline the company's manager and prevent them to maximize their personal gain. Yet, the use of debt causes a high-risk over the return of interest payment because of the uncertainty in returning assets. So, to avoid the bankruptcy, the use of debt should be reduced. Therefore, the hypothesis proposed is:
Hypothesis 3. c.: The debt has an influence on the company's value.

d) The Influence of Asset Growth on the Company's Value

Utami and Inanga (2011) propose that a company with growth tends to use internal funds to finance the investment project; if it has a great growth, it tends to pay smaller dividend, so the dependence on external funding can be reduced. Aisjah (2009) states that a growing companies will maximally be able to manage the assets so that they get greater profits and have wider opportunities to select the future investment. Meanwhile, according to Fitman and Wessels (1988) in Shahab-U-Din (2011), the high growth rate indicates the bigger flexibility in investment in the future and offers greater opportunities to take over the wealth from the debtor so that at the end it will increase the value of the company as stated in the research results of Sudarma (2004) that the variable of company asset growth gives positive influence to company values. Thus, the hypothesis proposed is:
Hypothesis 3. d.: Asset growth gives positive influence to company value.

e) The Influence of Return on Equity (ROE) towards Company's Value

Return on Equity (ROE) is the ratio of net profit to the equity of common stocks. The high ROE obtained by the company indicates high profitability level. Thomsen (2004) states that higher profitability means better investment opportunity and the needs to maintain income. According to Khan (2011) ROE is calculated by dividing the net profit by share holder's equity. This is also expected to give positive impact to stock price or company's value.
Hypothesis 3. e.: Return on Equity (ROE) influences company's value.

f) The Influence of Financial Risk towards Company's Value
Company's risk is a risk resulted from the accumulation of company's debt which will make the company fail to pay them off. This risk becomes the burden of share holders. According to Sudarma (2004) financial risk is profit variable which a company must bear and financial leverage is one of the factors which influence financial risk. The higher use of financial leverage will result is high fixed capital expenditures and high financial risk as well. Thus the hypothesis proposed is:
Hypothesis 3. f.: Financial risk influences company's value.

4. The Influence of Share Ownership towards Company's Value

a) The Influence of Management on Company's Value
Due to the ownership separation between the ownership of share holders and that of management, agency problems between share holders and management will occur (Jensen and Meclin, 1976). Therefore, to avoid the problem of share ownership agency by management, share ownership can be increased, which according to Yamming (2007), the increase of the percentage of management share ownership will make the conflicts between and shareholders decrease because management tends to make decision which maximize the wealth of share holders which eventually will increase company's value. According to Jensen and Mecling (1976) the management ownership can function to balance between the interest of the management and that of external share holders. Thus, management ownership can be used as incentive facility to effectively reduce agency problems as revealed in the research results of Shahab-U-Din (2011) indicating that great increase in management ownership will increase company's value. Thus, the hypothesis proposed is:
Hypothesis 4. a.: Management ownership influences company's value.

b) The Influence of Institutional Ownership towards Company's Value
Institutional ownership is the percentage of equity owned by institutional investors. The existence of big institutional investors allows more abilities in giving supervision to company management than the spread individual ownership. Ullah (2012) states that nowadays ownership is concentrated to big share holders or Block Holders is substituted by concentrated institutional ownership such as Banks, Insurance or other institutions. Kouki and Guizani (2009) state that the role of institutional monitory (Block Holders) is very important – if management is not monitored by Block holders, they can transfer the resources for their interest rather than for the company's interest, and eventually they are able to influence the operation of the company in achieving company's objectives, i.e. to increase company's value (Wahyudi and Pawestri, 2006). The higher the institutional ownership, the stronger the external control towards the company and this will reduce agent cost and so the company tends to use low dividend. According to La Porta et.al (1998) the observation results show that the holders of monitory stocks have effective influence towards company's decision, which eventually can increase company's value. Thus the hypothesis proposed is:
Hypothesis 4. b.: Institutional ownership influences company's value.

5. The Influence of Dividend Policy towards Company's Value

Dividend policy is the decision of the company based on General Meeting of Stock Holders (GMSH), whether the profit obtained will be distributed to the share holders as dividend or will be the profit retained as investment. Sometimes some parts of the profit are distributed while some are retained as investment.

Lintner (1956) conveys that dividend policy influences company's value and so a company prefers to have stable dividend. Miller and Modigliani (1961) who famous for their dividend irrelevant theory say that their research results do not prove the influence of dividend policy on company's value, the dividend payment is not relevant with company's value, or the stock price depends on the profit produced by the assets or investment rather than the profit distributed to the stock holders.

Gordon and Litner (1963) state that investor dividend is more certain than Capital Gain. Dividend can give signals about the future progress of the company. According to Thomson (2004) high dividend is a kind of signal that the company makes progress or that the management is very committed to maximize the value of the stock holders, so that the dividend policy can increase company value. The researchers having the same idea are Bhattacharya (1976), Sudarma (2004), Aisyah (2009) Sofyaningsih (2011). Thus the hypothesis proposed is:
Hypothesis 5: Dividend influences company's value.

III. RESEARCH METHODS

The Approach of the research is quantitative (positivist)
The location of the research is Indonesian Stock Exchange (ISE) in Jakarta.
Population and Sample

The population of the study is all the manufactured companies listed in Indonesia Stock Exchange (ISE) having fulfilled the criteria with observation periods from 2005 to 2010. Therefore the data of 2005 are used as the start of the observation periods and the data of 2010 are used as the end of observation periods, in which n= 164 companies.

The number of the population fulfilling the criteria is 55 companies. The kind of data obtained consists of secondary data, in which the data panel, n= 55x6= 330
Analysis of Inferential statistics is used in this research to examine the influence among the variables using Smart PLS (Partial Least Square) version 2.

IV. ANALYSIS AND DISCUSSION

To find out the results of the hypothesis testing, Partial Least Square is used as explained in the following table. If t value obtained is from the table is higher than the t value in the table 1.96 at 5%, the hypotheses among the variables are accepted. On the other hand, if the t value is smaller than 1.96 the hypotheses are rejected.

Table 1
The Results of Hypothesis Testing

Hypothesis	The Relationships among the variables	Parameter Coefficient	T value	Notes
1.a	Free Cash Flow → Dividend Policy	0.015	0.894	Not Significant
1.b	Firm Size → Dividend Policy	0.026	1.172	Not Significant
1.c	Debt → Dividend Policy	-0.069	4.166	Significant**
1.d	Growth → Dividend Policy	0.108	5.5066	Significant**
1.e	ROE → Dividend Policy	0.048	3.520	Significant**
1.f	Financial Risk → Dividend Policy	-0.024	4.201	Significant**
2.a	Management Ownership→ Dividend Policy	0.009	0.945	Not Significant
2.b	Institutional Policy → Dividend Policy	0.105	10.452	Significant **
3.a	Free Cash Flow→ Company's Value	0.085	6.330	Significant **
3.b	Firm Size → Company's Value	-0.245	20.341	Significant**
3.c	Debt→ Company's Value	-0.410	18.683	Significant**
3.d	Growth → Company's Value	-0.060	5-341	Significant**
3.e	ROE → Company's Value	-0.007	0.739	Not Significant
3.f	Financial Risk →Company's Value	-0.026	8.653	Significant**
4.a	Management Ownership → Company's Value	0.042	3.437	Significant**
4.b	Institutional Ownership → Company's Value	-0.141	6.851	Significant**
5	Dividend Policy → Company's Value	0.026	3.022	Significant**

Source: Treated Data

The result of the output on table 1 can be used to answer the hypotheses in this study.

The Influence of Free Cash Flow towards Dividend Policy

The parameter coefficient of path obtained from the influence of Free Cash Flow variables towards the dividend policy is 0.015 with $t_{statistic}$ value of 0.894< 1.96 at the significant level of α = 0.05 (5%) indicating that there is a significant influence of Free Cash Flow variable towards dividend policy. The results of the analysis does not support the hypothesis of 1.a (H_{1a}) in which there is no influence of Free Cash Flow towards dividend policy. The result of this coefficient parameter is not significant for manufactured companies in Indonesia.

The Influence of Company Size towards Dividend Policy

The path parameter coefficient obtained from he influence of firm size variable towards the dividend policy is 0.026 with $t_{statistic}$ value of 1.172< 1.645 at a significant level α = 0.05% (5%) stating that there is no significant influence between the firm size variable towards dividend policy. This analysis result did not support the research hypothesis 1.b (H_{1b}), in which there is no influence of firm size towards dividend policy. The result of the analysis of this parameter coefficient is not significant.

The influence of Firm Debt towards Dividend Policy

The path parameter coefficient obtained from the influence of firm debt is –o.o69 with t $_{statistic}$ value of 4.166>1.96 at the significant level of α =0.005(5%) indicating that there is a significant negative influence of firm debt and dividend policy. The result of this analysis supported the research hypothesis 1.c (H_{1c}), in which there is influence of firm debt towards dividend policy. The value of -0.069 at the parameter coefficient means that the higher the firm debt, the lower the dividend policy and vice versa.

The Influence of Company's Growth towards Dividend Policy

The path parameter coefficient obtained from the influence of firm growth variable towards dividend policy is 0.108 with t $_{statistic}$ value of 5.066 > 1.96 at the significant level of α =0.05 (5%) indicating that there is a positive and significant influence of firm growth variable towards dividend policy. The result of this analysis supported the research hypothesis 1.d, in which there is influence of firm growth towards dividend policy. The value of 0.108 at the parameter coefficient means that the higher the firm growth the better the dividend policy and vice versa.

The Influence of Return on Equity towards Dividend Policy

The path parameter Coefficient obtained from the influence of ROE variable towards dividend policy is 0.048 with t $_{statistic}$ value of 3.520> 1.96 at the significant level of α =0.05 (5%) indicating that there is a positive influence of ROE variable towards dividend policy. The results of this analysis supported the research hypothesis 1.e, in which there is an influence of ROE towards dividend policies. The value of 0.048 in parameter coefficient means the higher the company's ROE (Return on Equity), the better the dividend policies and vice versa.

The Influence of Financial Risks towards Dividend Policies

The path parameter coefficient obtained from the influence of financial risks variable towards dividend policies is -0.024 with t $_{statistic}$ value of 4.201>1.96 at significance level of α =0.05 (5%) explaining that there are negative and significant influences of financial risks variable towards dividend policies. The results of this analysis support the research hypothesis 1.f since the financial risks influence the dividend policies. The value of -0.024 in the parameter coefficient means: the higher the company's financial risks, the lower the dividend policies and vice versa.

The Influence of Managerial Ownership towards Dividend Policies

The path parameter coefficient obtained from the influence of managerial ownership variable towards dividend policies is 0.009 with t $_{statistic}$ value of 0.945>1.96 at significance level of α =0.05 (5%) explaining that there are no significant influences of managerial ownership towards dividend policies. Even at the testing phase at significant level of 10%, there are still no significant influences, where the t $_{statistic}$ value is lower than the t $_{table}$ value (0.945<1.645). The results of this analysis do not support the research hypothesis 2.a since the managerial ownership influences the dividend policies. The value of 0.009 in the parameter coefficient means: the higher the managerial ownership, the higher the dividend policies and vice versa. Yet, this parameter coefficient analysis does not significant.

The Influence of Institutional Ownership towards Dividend Policies

The path parameter coefficient obtained from the influence of institutional ownership variable towards dividend policies is 0.105 with t $_{statistic}$ value of 10.452>1.96 at significance level of α =0.05 (5%) explaining that there are positive and significant influences of institutional ownership variable towards dividend policies. The results of this analysis support the research hypothesis 2.b since the institutional ownership influences the dividend policies. The value of 0.105 in the parameter coefficient means: the higher the institutional ownership, the higher the dividend policies and vice versa.

The Influence of Free Cash Flow towards Company's Value

The path parameter coefficient obtained from the influence of free cash flow variable towards company's value is 0.085 with t $_{statistic}$ value of 6.330>1.96 at significance level of α =0.05 (5%) explaining that there are positive and significant influences of free cash flow variable towards company's value. The results of this analysis support the research hypothesis 3.a since the free cash flow influences the company's value. The value of 0.085 in the parameter coefficient means the higher the free cash flow available in the company, the higher the company's value and vice versa.

The Influence of Company's Size towards Company's Value

The path parameter coefficient obtained from the influence of company's size variable towards company's value is -0.245 with $t_{statistic}$ value of 20.341>1.96 at significance level of α =0.05 (5%) explaining that there are negative and significant influences of company's size variable towards company's value. The results of this analysis support the research hypothesis 3.b since the company's size influences the company's value. The value of -0.245 in the parameter coefficient means the higher the company's size, the lower the company's value and vice versa.

The Influence of Company's Debt towards Company's Value

The path parameter coefficient obtained from the influence of company's debt variable towards company's value is -0.410 with $t_{statistic}$ value of 18.683>1.96 at significance level of α =0.05 (5%) explaining that there are negative and significant influences of company's debt variable towards company's value. The results of this analysis support the research hypothesis 3.c since the company's debt influences the company's value. The value of -0.410 in the parameter coefficient means the higher the company's debt, the lower the company's value and vice versa.

The Influence of Company's Growth towards Company's Value

The path parameter coefficient obtained from the influence of asset's growth variable towards company's value is -0.060 with $t_{statistic}$ value of 5.341>1.96 at significance level of α =0.05 (5%) explaining that there are negative and significant influences of company's growth variable towards company's value. The results of this analysis support the research hypothesis 3.d since the company's asset growth influences the company's value. The value of -0.060 in the parameter coefficient means the higher the company's growth, the lower the company's value and vice versa.

The Influence of Return on Equity towards Company's Value

The path parameter coefficient obtained from the influence of return on equity variable towards company's value is -0.007 with $t_{statistic}$ value of 0.739>1.96 at significance level of α =0.05 (5%) explaining that there are no significant influence between return on equity variable towards company's value. Even when it is tested at significant level of 10%, there are still no significant influences, where the $t_{statistic}$ value is lower than the t_{table} value(0.739<1.645). The results of this analysis do not support the research hypothesis 3.e since the return on equity does not influence the company's value. The value of -0.007 in the parameter coefficient means the higher the company's return on equity, the lower the company's value and vice versa. This negative parameter coefficient analysis result is not significant. It can be concluded that Indonesian Manufactured Company's ROE has a positive relationship since the higher the company's return on equity, the higher the company's value.

The Influence of Financial Risks towards Company's Value

The path parameter coefficient obtained from the influence of financial risks variable towards company's value is -0.026 with $t_{statistic}$ value of 8.653>1.96 at significance level of α =0.05 (5%) explaining that there are negative and significant influences of financial risks variable towards company's value. The results of this analysis support the research hypothesis 3.f since the financial risks influence the company's value. The value of -0.026 in the parameter coefficient means: the higher the financial risks, the lower the company's value and vice versa.

The Influence of Managerial Ownership towards Company's Value

The path parameter coefficient obtained from the influence of managerial ownership variable towards company's value is 0.042 with $t_{statistic}$ value of 3.437>1.96 at significance level of α =0.05 (5%) explaining that there are positive and significant influences of managerial ownership variable towards company's value. The results of this analysis support the research hypothesis 4.a since the managerial ownership influences the company's value. The value of 0.042 in the parameter coefficient means the higher the managerial ownership, the higher the company's value and vice versa.

The Influence of Institutional Ownership towards Company's Value

The path parameter coefficient obtained from the influence of institutional ownership variable towards company's value is -0.141 with $t_{statistic}$ value of 6.851>1.96 at significance level of α =0.05 (5%) explaining that there are negative and significant influences of institutional ownership variable towards company's value. The results of this analysis support the research hypothesis 4.b since the institutional ownership influences the company's value. The value of -0.141 in parameter coefficient means the higher the institutional ownership, the lower the company's value and vice versa.

The Influence of Dividend Policies towards Company's Value

The path parameter coefficient obtained from the influence of dividend policies variable towards company's value is 0.026 with $t_{statistic}$ value of 3.022>1.96 at significance level of α =0.05 (5%) explaining that there are positive and significant influences of dividend policies variable towards company's value. The results of this analysis support the research hypothesis 5 (H_5) since the dividend policies influence the company's value. The value of 0.026 in parameter coefficient means the higher the dividend policies, the higher the company's value and vice versa.

V. CONCLUSIONS

1) Partially, each of the results of analysis on the internal factors indicates that the free cash flow variable and company's size do not influence the dividend policies, and asset growth has positive and significant influences towards dividend policies. This shows that asset growth can increase the company's dividend policies. Debt variable has negative and significant influences towards dividend policies. It means that the bigger the debt, the lower the dividend policies. Return of Equity has significant and positive influence towards dividend policies. This shows that dividend policies in manufactured company do consider profitability as the prominent consideration as well as the future company's prospect. Financial risk variable has significant and negative influence towards dividend policies. This shows that dividend policies do consider the financial risks as payment value risks as the effect of the increase of company's debt.
2) Partially, the results of the testing on stakeholder ownership structure show that managerial ownership does not influence the dividend policies. Institution ownership variable has a positive influence towards dividend policies. This shows that the improvement on institution ownership tends to improve dividend policies improvement. These findings empirically show that the stakeholder ownership structure is the determinant variable of dividend policies.
3) Partially, each of the analysis results on internal factors shows that: the free cash flow variable has a significant and positive influence towards the company's value. This finding shows that enough free cash flow indicates that the company is able to pay the dividend. This can affect the company's value. Company's size, debt, financial risks, and financial growth variables have significant and negative influences towards the company's value. These findings show that the bigger the company's size, debt, financial risks and financial growth, the lower the company's value and on the other hand, the smaller the company's size, debt, financial risks and financial growth, the higher the company's value. Return on equity variable does not influence the company's value. This finding shows that profitability is not a determinant variable of the company's value.
4) Partially, the results of stakeholder ownership structure show that managerial ownership has significant and positive influences towards company's value. This finding means that the higher the managerial ownership, the higher the company's value. Institutional ownership has significant and negative influence towards company's value. This shows that the higher the institutional ownership, the lower the company's value and on the other hand, the lower the institutional ownership, the higher the company's value.
5) Dividend policies have significant and positive influences towards company's value. The finding shows that the higher the dividend, the higher company's value and on the other hand, the lower the dividend, the lower the company's value. This research finding shows that dividend payment is positively responded by public investors. This means that in buying manufactured sector company stock in Indonesian Stock Exchange (ISE), the public investors consider the dividend payment. The investors in manufactured sectors see the dividend payment as the important thing in the improvement of company's value.

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