

THE IMPACT OF FAMILY AS CONTROLLING SHAREHOLDER ON PAID DIVIDEND

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ABSTRACT

Research aims: This study investigates empirically whether family as ultimate ownership influences positively or negatively on paid dividend on banking industries in the Indonesian Stock Exchange.

Design/Methodology/Approach: For this study, this study traces chains of ownership both direct and indirect to find the controlling shareholder. Based on tracing, this study finds family as controlling shareholder and others such as government and institutions. The process is very hard and complicated to find the controlling shareholder. This research studies in banking because studying in the controlling shareholder in banking in Indonesia is still limited. The more opportunity of the area is still conducted. The period of this study is 2016 until 2019. This study uses purposive sampling for collecting data. Total observations of period are 142 firm years. The method for collecting is archival (secondary data). This study uses dummy variable to measure family, 1 if controlling shareholder is a family and 0 if controlling shareholder is others. Paid dividend is measured by dividend payout ratio. There are some control variables such as leverage, size, and profitability.

Research findings: The results are family negatively influence paid dividend and all control variables significantly influence paid dividend. This study finds family has bad side to influence on the company.

Theoretical contribution/Originality: This study has contribution for theoretical contribution for agency theory in the context of concentrated ownership. Commonly, conflict is between manager and principles in agency theory. It is common in dispersed ownership. The result of this study is to show conflict between ultimate ownership and non-ultimate ownership. In the area concentrated ownership, it is a common. Some references (book), commonly the references describe the conflict between manager and principles.

Practitioner/Policy implication: The conflicts between controlling and non-controlling shareholder are potential cost for non-controlling shareholders. Some banking has limited information to inform detail ultimate or controlling shareholder in their financial reporting. Based on this result, regulator (Financial Services Authority) must make some regulations to regulate listed firms to disclosure their controlling shareholder or ultimate shareholder.

Research limitation: The limitations of this study are first, foreign companies cannot be traced because there are lack information about the company. For example, from BCIC bank in 2019, based on data available in the annual report, NLHD Co., Ltd. has the largest control rights in the bank, but the researcher could not trace the owner of NLHD Co., Ltd furthermore. Second, there is a misalignment between the data written in the description with the data presented in the ownership structure chart in the annual report. This happened to BINA bank in 2017-2019, in the description written that the ultimate owners of BINA bank are Pieter Tanuri and Okie Widjaja, but the ownership structure chart shows that the ultimate owner of BINA bank is Anthoni Salim. The researcher uses the data presented in the ownership structure chart because it is more valid and consistent with other samples.

Keywords: *Controlling Shareholder, Paid Dividend, Family, Non-Family.*

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