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The Effect of Efficiency, Market Power, Debt, and Risk on Company Performance and Their Impact on Dividend Policy on the Manufacturing Sector in the Indonesia Stock Exchange

Rina Mandara Harahap

Faculty of Economics and Business, Tanjung Pura State Islamic University, and the Institute of Religion of the Islamic University of Pontianak, Pontianak City, West Kalimantan Province, Indonesia
Corresponding author email: rina.mandara91@gmail.com

Mustaruddin

Faculty of Economics and Business Tanjung Pura University, Pontianak City, West Kalimantan Province, Indonesia

Rustam

Faculty of Economics and Business Tanjung Pura University, Pontianak City, West Kalimantan Province, Indonesia

Abstract---This study is to determine the effect of efficiency, debt, market power, prospects, and risks to company performance and their impact on dividend policy in companies listed on the Indonesia Stock Exchange (IDX). The sample in this study is a manufacturing sector company listed on the Indonesia Stock Exchange which pays dividends continuously during the study period. Researchers use path analysis (path analysis). Path analysis is a unit of multivariate statistical analysis that combines multiple linear regression analysis and simple regression analysis simultaneously with the addition of a mediating variable (intervening) or a reinforcing variable (moderator). There is a negative and significant direct influence between the debt variables on the company's performance. There is a negative and significant direct effect between the variables of Efficiency on Company Performance. There is a direct positive and insignificant effect between the Prospect variable on the Company's Performance. There is a direct positive and insignificant effect between the variables of Risk on Performance. There is a positive and significant direct effect between the variables of the Company's Performance on the Dividend Payout Ratio in the manufacturing sector.

Keywords---company performance, debt, dividend policy, efficiency, market power, prospects, risk

Introduction

Maximization of shareholder wealth is the main objective of managerial decisions, taking into account the risk and time associated with the estimated earnings per share to maximize the price of the company's common stock. Financial management involves the completion of important decisions taken by the company, including investment decisions, funding, and dividend policy. An optimal combination of the three will maximize the value of the company, thus these decisions are interrelated with one another. Stock prices are one way to see the value of the company, so it shows that the profitability ratio is a ratio that assesses the company's ability in maximizing the value of the company or shareholder wealth (Allen et al., 2000; Amihud & Lev, 1981; Amihud & Li, 2002; Bajaj & Vijh, 1990; Baker et al., 1985; Dhanani, 2005).

The financial manager in determining the dividend policy must consider how much internal financing is needed for operational financing needs. This must be calculated appropriately and can be accounted for, considering that the profits that are reinvested for operational activities are the rights of the shareholders which are not distributed as

dividends. On this basis, management must consider the risks and the results to be obtained when deciding the distribution of dividends. Debt policy is part of the company's capital structure decisions. Company managers are required to optimize the capital structure, which is a condition where the company can use an ideal combination of debt and company capital by taking into account the capital costs that arise (Wimelda & Marlinah, 2013). The selection of an inappropriate capital structure will cause fixed costs in the form of high capital costs which affect the profits generated by the company (Sartono, 2001). Companies must be able to weigh the benefits of using debt with the costs of debt incurred. According to Sudarma (2004), the capital structure of public companies in Indonesia is still dominated by debt rather than own capital. Existence the dominance of debt in the capital structure can pose risks bankruptcy of the company because of the large total cost of debt that must be borne by the company, so that it can affect a person's stress condition, stress is a body reaction that appears when someone faces a threat, pressure, or a change (Suhron, 2016; Suhron, 2017).

Capital structure policies, especially debt policies within the company can indirectly affect the company's market power. Market power is the company's ability to influence the price of goods or services in the market. Companies that have large amounts of debt will use this capital to increase production capacity and company expansion so that the company can repay the debt on time (Baker & Wurgler, 2004; Berle & Means, 1932; Barnhart & Rosenstein, 1998). The company's ability to increase production capacity and company expansion can be utilized by the company as an aggressive market strategy so that the company has influence in the market in increasing market share and influencing prices or having market power. Dividend policy can be changed, but it can be problematic because it can irritate the company's shareholders. After all, dividend policy can send unwanted signals and send messages of dividend instability, all of which can have negative implications on stock prices. Optimization in dividend payments is important for companies because profits and cash flow change over time, as well as investment opportunities. Thus, maximizing stock prices requires companies to balance the need for internal funds and the desires of their shareholders (Bhattacharya & Graham, 2007; Bhattacharya, 1979; Brealey et al., 1991).

Research on dividend policy in developed countries such as in America or Europe has been widely carried out, but in developing countries, there are significant differences in the implementation of dividend policies as well as phenomena that occur with developed countries. Some developing countries have several characteristics that are almost the same as the economies of countries that are in the process of economic transition, high economic growth, and have a large role in the economy as emerging markets, thus companies in emerging markets may differ based on economic and institutional conditions. Black & Scholes (1974), said that developing countries have more lenient policies and corporate governance practices that vary more between companies. This also affects dividend policy, and the implications of studies in developed countries will be different in developing countries (Brennan, 1970; DeAngelo & Masulis, 1980; Fama, 1980).

Indonesia is one of the developing countries and one of the countries that have a large level of economy in Southeast Asia. Just like other developing countries, which have corporate governance index a low, the behavior of companies listed on the Indonesia Stock Exchange will look different from what usually happens on other exchanges in the world. Most research on dividends in Indonesia is explained by agency theory, for example, research conducted (Tandelilin & Wilberforce, 2002). Meanwhile, research investigating dividend policy and its determinants by considering various market imperfections in Indonesia is very rare. Very little is known about the characteristics of companies that pay and do not pay dividends, or other perspectives that explain dividend policy in Indonesia comprehensively. Dividend policy is a problem at both the regulatory and practitioner levels. The problem is caused by whether the dividend policy should be applied or not. In Indonesia, there are regulations regarding the payment of dividends, although it is also stated that paying dividends is not an obligation that must be carried out by companies. This is decided in the General Meeting of Shareholders. Thus, companies in Indonesia are free to decide when and how much dividends will be paid. This implies what factors make companies pay dividends is still a mystery (Fama & Jensen, 1983; Fama, 1978; Gordon, 1963; Jensen & Meckling, 1976; Jensen, 1986; Booth & Zhou, 2015).

Method

This research according to the level of explanation is included in causality research because this study was conducted to test hypotheses regarding the causal relationship between one or several variables with one or several other variables. The population in this study were all companies listed on the Indonesia Stock Exchange (IDX) with an observation period from 2011 to 2018 (Lintner, 1956; Miller & Scholes, 1982; Miller & Modigliani, 1961). The sampling method used in this study was purposive sampling. The sample criteria used in this study are as follows: (1) the company publishes financial statements as of December 31 for 2011 to 2018 financial year; (2) the company distributes dividends that can be measured by dividends payout ratios; (3) Not a company that is included in the

financial sector, has been listed as an IDX issuer on January 1, 2011, and did not conduct mergers and delisting during the research period. Researchers use path analysis (path analysis). Path analysis is a unit of multivariate statistical analysis that combines multiple linear regression analysis and simple regression analysis simultaneously with the addition of a mediating variable (intervening) or a reinforcing variable (moderator). The mathematical model (structural model) is as follows (Bollen, 1989; Ferdinand & MacLean, 2002):

$$\begin{aligned}\eta_1 &= \gamma_1 \xi_1 + \gamma_2 \xi_2 + \gamma_3 \xi_3 + \gamma_4 \xi_4 + \gamma_5 \xi_5 + \zeta_1 \\ \eta_2 &= \beta_1 \eta_1 + \zeta_2\end{aligned}$$

Where:

η_1 (eta)	= First structure endogenous variable
η_2 (eta)	= Second structure endogenous variable
$\gamma_1 \dots \gamma_5$ (gamma)	= Path parameter for variable
β_1 (beta)	= Path parameter for endogenous variable
$\xi_1 \dots \xi_5$ (ksi) exogenous	= Exogenous variable
ζ_1 (zeta)	= Residual (error term) first structure
ζ_2 (zeta)	= Residual (error term) structure second

Result

Effect of efficiency on company performance

General business practice implies that operational efficiency (EO) plays an important role in increasing cash flow and future company performance (Gill, 2014). Efficiency is the best comparison between inputs and results, between profits and the resources, used, and the maximum results achieved using limited resources (Marbun, 2010). Operational efficiency is a measurement of how much the company's ability to carry out its operational activities. Gill (2014), reveal that the measurement of financial operational efficiency is carried out by using financial ratios, a method that can be useful for financial analysis, namely by knowing total assets turnover, operating costs to sales revenue, cash conversion cycle, and operating cash flow (Pandey, 2002; Pettit, 1977; Suhron et al., 2020; Watts & Zimmerman, 1986).

1. H1: Efficiency has a positive effect on company performance.

Effect of market power on company performance

Market share is an indicator in determining the level of market power of a company. Market share is a comparison between a company's sales and total sales in an industry. Market share can be measured by the large ratio of assets to total assets in the company. The higher the market share of a company, the higher the market power it has. This has an influence on the behavior of the company and the behavior of competing companies.

2. H2: Market forces have a positive effect on company performance.

Influence of debt on company performance

In the pecking order theory proposed by Myers (1984), profitable companies generally borrow in small amounts. This is because they have used enough internal funds sourced from the company's operating results so that they require little external financing. Meanwhile, less profitable companies tend to have larger debts. In a study conducted by Setiana (2012), DAR has a negative and significant effect on performance. Another study conducted by Rosyadah (2013) found that the DR or debt ratio partially had a significant positive effect on ROA.

3. H3: Debt has a negative effect on Company Performance.

Streams of risk on company performance companies

Will face serious problems if they have to operate at a high level of market risk because high market risk can make business conditions uncertain. It is difficult to predict the company's sales accurately, as a result, the company cannot predict how much profit it will earn. This condition will certainly affect the company's performance because the company's performance is largely determined by the sales results in each period. No matter how good a company is, it can produce products, but if it is not able to sell the products it has produced, it will be meaningless. The company will lose a lot of opportunities or opportunities to earn profits, as a result, the opposite happens because the company must bear a high fixed burden, and this can reduce the company's performance.

4. H4: Risk has a negative effect on company performance.

Influence of prospects on company performance

Analysis of company performance is needed by investors in assessing returns stock. By analyzing the company's performance, investors can assess the company's prospects in the future. If the company's performance is good, the stock will be in demand by investors and the price will increase so that the return received by investors will also increase. However, if the company's performance is poor, investors will not want to invest in the company because it is considered risky and unable to provide returns optimal. Growth (company growth) is one of the factors that affect the company's financial performance (Morris & Sexton, 1996; Zahra & Covin, 1995). Company growth is a ratio that measures how big the company's ability to maintain its position in the industry and in general economic development. The faster the company's growth, the greater the need for funds for expansion. The greater the need for future financing, the greater the profit generated as dividends. Companies that have high corporate growth provide an overview of growing by having high assets and sales. Sari & Abundanti (2014) shows that company growth has a significant positive effect on company performance. Growth (company growth) affects profitability, through assets owned so that it affects the productivity and efficiency of the company which in turn affects profitability. The faster the company's growth, the higher the company's ability to generate profits, this means that the assessment of the profitability ratio is higher. The company's performance is related to the company's prospects in the future. The better the performance of a company, the more positive investors will respond to it (Elmendorf & Mankiw, 1999; Kaźmierska-Jóźwiak, 2015).

5. H5: Prospects affect the company's performance.

The effect of company performance on dividend payout ratio

Ang & Choi (1997), states that Return on Assets is the level of net profit that the company has successfully obtained in carrying out its operations. Return on Assets is measured from net income after tax (earnings after tax) to total assets which reflect the company's ability to use investments used for company operations in order to generate company probabilities. ROA (one measure of profitability) is also a measure of the company's effectiveness in generating profits by utilizing fixed assets used to generate profits by utilizing fixed assets used for operations. The greater it is. ROA shows that the better the performance of the company because the level of return of investment (return) is the greater. The greater the profit obtained, the greater the company's ability to pay dividends.

6. H6: Company performance has a positive effect on dividend policy

Discussion*The normality assumption test*

Results of the assumptions test univariate normal and multivariate on the Manufacturing Sector Stock data in this study are presented in the following:

Table 1
Normality test for manufacturing sector stock data

Variable	Min	Max	Skew	C.R.	Kurtosis	C.R.
Debt	0.13	6.29	10.586	53.632	121.118	306.807
Market Forces	0	0.983	0.968	4.903	-0.306	-0.776
efsiensi	0.379	4.109	1.657	8.396	4.024	10.192
Prospects	-58.17	233.26	5.657	28.662	49.085	124.339
Risk	-48.52	326.43	2.624	13.295	8.228	20.843
Corporate performance	0.54	92	2.694	13.648	11.537	29.225
Dividend Payout Ratio	3.49	99.89	0.436	2.21	-0.22	-0.556
				Multivariate	199.341	110.19

Based on the results of the examination of the normality of the data distribution in Table 1, it can be seen that all research variables do not meet the assumption univariate normal, and the model as a whole does not meet the assumption multivariate normal, it can be seen from indigo I critical ratio (CR) Skewness and kurtosis where all variables and the value of CR kurtosis multivariate, indicating a value that exceeds the criterion value of 2.58. To overcome the violation of the assumption multivariate normal, the researchers discarded data indicated as outliers (data on the nth observation) from the distance Mahalanobis. Distance, while the detection of outliers univariate can be seen from the Z score .detection Multivariate outliers can be seen from the value of the Mahalanobis Distance. The results of checking outliers (outliers) in a manner multivariate can be seen in the following:

Table 2
Examination of outlier's multivariate for share data manufacturing sector

Number Observation	Mahalanobis d-squared	p1	p2
84	144.207	0,000	0,000
38	90.432	0,000	0,000
148	48.34	0,000	0,000
23	40.627	0,000	0,000
149	33.088	0,000	0,000
37	30.547	0,000	0,000
150	24.844	0,001	0,000

Based on the results of data outliers (outliers) in multivariate in Table 2 can be seen, there are 7 observations have value > mahalanobis d-squared²⁴, it means that these observations contain outliers Multivariate which affects the deviation of the normal distribution, so researchers have to discard these observations in order to eliminate the impact of outlier data on the abnormality of the data distribution multivariate. Researchers have also conducted checks outlier univariate using software SPSS 26 by displaying the Z-Score value for each observation, then discarding as many as 61 observations that have a Z-Score value. 3, then the researcher conducted a examination univariate and multivariate normal to ensure that the dropping of the outlier data had succeeded in normalizing the data, both univariate and multivariate. Hasl normality test the second stage on the data displayed on the Manufacturing Sector Shares Table as follows:

Table 3
Normality test phase 2 for data manufacturing sector equity

Variabel	Min	Max	Skew	C.r.	Kurtosis	C.r.
Debt	0.13	0.5	0.22	0.831	-0.939	-1.777
Market Forces	0	0.832	0.998	3.778	0.101	0.192
efsiensi	0.379	1.993	0.113	0.426	-0.705	-1.334
Prospects	-10.46	26.91	-0.04	-0.152	-0.294	-0.556
Risk	-2.265	3.905	-0.025	-0.093	0.355	0.671
Corporate performance	0.76	27.26	0.369	1.398	-0.698	-1.321
Dividend Payout ratio	4.52	98.5	0.495	1.872	-0.022	-0.042
				Multivariate	1.816	0.75

Normality Based on test results multivariate in Table 3 it can be seen that; value critical ratio multivariate kurtosis shows a value of < 2.58 , so it can be concluded that; The data on Manufacturing Sector Stocks on the Indonesia Stock Exchange used in this study has met the assumption Multivariate normal. Furthermore, the Univariate variables of Debt, Efficiency, Prospects, Risk, Company Performance and Dividend Payout Ratio have a value of Critical Ratio Skewness and Kurtosis < 2.58 , meaning; the variables of Debt, Efficiency, Prospects, Risk, Company Performance and Dividend Payout Ratio meet the assumptions Univariate normal, while the market power variable has a value critical ratio skewness > 2.58 , meaning; market power variable does not meet the assumption univariate normal. Market power variable which is not normal spread univariate can be ignored, since all data has met the normal assumption multivariate. In general it can be concluded that the data Manufacturing Sector Shares normal in multivariate distribution (Färe & Grosskopf, 2004; Bresnahan, 1989).

Test the assumption of multicollinearity

Determinant Value of the Covariance Matrix The sample obtained from the Manufacturing Sector Stock data on the Indonesia Stock Exchange in this study is 52, 007, because the Determinant value > 0 , it can be concluded that there is no multicollinearity between the variables of Debt, Market Strength, Efficiency, Prospects and Risk in relation to the predictive variables of Company Performance and the variable Payout Ratio of Manufacturing Sector (Wall, 1996; Glogau, 2000).

The accuracy index of model

Path Analysis Calculation on stock data all sectors produce GFI values as presented in Table 5 as follows:

Table 4
Model accuracy index on stock data all sectors

Index	Value	Criteria	Description
GFI	0.963	$\geq 0,9$	Fulfilled

Criteria for model accuracy (goodness of fit model) shown in Table 4, it can be seen that the goodness of fit index (GFI) value is $0.963 > 0.9$, so it can be concluded that the research model is appropriate (Armstrong & Reilly, 2002; Anderson et al., 2004).

Coefficient of determination

The results of the calculation of the coefficient of determination of Path Analysis in this study are presented in Table 5 as follows:

Table 5
Coefficient of determination (manufacturing sector shares)

Intermediate Variable and Bound Variable	R ²
Company Performance	0.303
Dividend Payout Ratio	0.044

The coefficient of determination of path analysis in the table above can be interpreted as follows; the coefficient of determination in model 1 (Effect of Debt, Market Power, Efficiency, Prospects and Risks on Company Performance) is 0.744, meaning that the contribution of debt variables, market power, efficiency, prospects and risks to company performance is 30.03% while the rest is 69, 97% is explained by other variables not included in this study. The coefficient of determination in model 2 (Effect of Company Performance on Dividend Payout Ratio) is 0.166, meaning that the contribution of the variable Company Performance to the Dividend Payout Ratio is 4.40% while the rest is 95, 60% is explained by other variables that are not included in this study (Kusuma & Yasa, 2019; Putra et al., 2020).

Hypothesis effect of debt, market power, efficiency, prospects and risks to corporate performance and its impact on the dividend payout ratio share data manufacturing sector

1. Direct impact (direct effect)

Test of direct influence on manufacturing stock data on the Indonesia Stock Exchange can be seen from Standardized the Coefficients Path Parameter in Table 6 are as follows:

Table 6
Path parameter coefficients

Relationship Between Variables			Coef. Parameter	SE	CR	P
Corporate Performance	<---	Debt	-0.277	6.378	-2.922	0.003
Company Performance	<---	Strength Market	-0.004	2.86	-0.044	0.965
Corporate Performance	<---	Efisiensi	0.344	1.713	3.731	***
Corporate Performance	<---	prospek for	0.364	0.078	3.896	***
Company performance	<---	Risks	0.053	0.51	0.57	0.569
Dividend Payout ratio	<---	Corporate performance	0.211	0.347	1.987	0.047

*** Significant at the level of 0,001

Effect (direct effect) shown in the table above can be interpreted as follows; The path parameter coefficient that states the direct effect of debt on company performance is -0.277 with a critical value of -2.922 and a P value of > 0.05, because the value of $-Z < -1.96$ and $P > 0.05$ (significant at level 5 %), then H_0 is rejected, it means; there is a direct negative and significant effect between the variable debt on the company's performance in the manufacturing sector shares. The path parameter coefficient which states the direct effect of market power on company performance is -0.004 with a critical value of -0.044 and a P value = 0.965 because the critical value is $-0.044 > -1.96$ and a P value > 0.05 (not significant at the 5%), then H_0 is accepted, meaning; There is a direct negative and insignificant effect between the Market Strength variable on the Company's Performance in the manufacturing sector stock.

The path parameter coefficient that states the direct effect of efficiency on company performance is 0.344 with a critical value of 3.731 and a P value < 0.001 , because the critical value is $3.731 > 1.96$ and the P value is < 0.001 (significant at the 1% level), then H_0 is rejected, that is; there is a negative and significant direct effect between the Efficiency variables on Company Performance in Manufacturing Sector Stocks. The path parameter coefficient which states the direct effect of the Prospect variable on Company Performance is 0.364 with a critical value of 3.896 and a P value of < 0.001 , because the critical value is $3.896 > 1.96$ and the P value is < 0.01 (significant at the 1% level), then H_0 is rejected, meaning; There is a direct positive and insignificant effect between the Prospect variable on Company Performance in Manufacturing Sector Stocks.

The path parameter coefficient which states the direct influence between the Risk variables on Company Performance is 0.053 with a critical value of 0.57 and a P value of 0.569, because the critical value is $0.57 < 1.96$ and the P value > 0.05 (not significant at level 5%), then H_0 is accepted, meaning; there is a direct positive and insignificant effect between the variables of Risk on Company Performance in Manufacturing Sector Stocks. The path parameter coefficient is obtained which states the direct influence between the Company Performance variable on the Dividend Payout Ratio of 0.211 with a critical value of 1.987 and a P value of 0.047, because the critical value is $1.987 > 1.96$ and the P value < 0.05 (significant at the 5% level), then H_0 is rejected, meaning; there is a positive and significant direct influence between the variables of the Company's Performance on the Shares Payout Ratio in the Manufacturing Sector Stocks.

2. The Indirect Effect

Coefficients of indirect influence path parameters, sobel Z value and calculated Z value can be presented in Table 7 as follows:

Table 7
Indirect effect on stock data of manufacturing sector

Variable	Coefficient. Parameter	Z	Z _{table}
Debt--> Company Performance --> Dividend Payout Ratio	-12.851	-1.6423	-1.96
Market Strength --> Company Performance --> Dividend	-0.087	-0.044	1.96

Payout Ratio			
--> Company Performance --> Ratio Dividend Payment	0.21	1.75281	1.96
Prospects -> Corporate performance -> Dividend Payout ratio	4.406	1.76922	1.96
Risk -> Corporate performance ->Dividend Payout ratio	0.201	0.54839	1.96

Based on the direct effect (indirect effect) in the table above can be interpreted as follows:

1. The path coefficient for the indirect effect of Debt on the Ratio of Dividend Payments through Company Performance is -12.851 with a Z value of -1.6423, because the value of $-Z > -1.96$, then H_0 is accepted, it means; there is a negative indirect effect that is not significant between the debt variable on the dividend payout ratio mediated by the company's performance variable on the manufacturing sector stock.
2. The path coefficient for the indirect effect of Market Power on the Ratio of Dividend Payouts through Company Performance is -0.087 with a Z value of -0.044, because the $-Z$ value > -1.96 , then H_0 is accepted, meaning; There is a negative indirect effect that is not significant between the Market Strength variable and the Dividend Payout Ratio mediated by the Company's Performance variable on Manufacturing Sector Stocks.
3. The path coefficient for the indirect effect of Market Power on the Ratio of Dividend Payments through Company Performance is 0.21 with a Z value of 1.75281, because the Z value < 1.96 , then H_0 is accepted, meaning; there is a positive indirect effect that is not significant between the Efficiency variable on the Dividend Payout Ratio mediated by the Company's Performance variable.
4. The path coefficient for the indirect effect of Market Power on the Ratio of Dividend Payouts through Company Performance is 4.406 with a Z value of 1.76922, because the Z value < 1.96 , then H_0 is accepted, meaning; There is a positive indirect effect that is not significant between the Prospect variable and the Dividend Payout Ratio mediated by the Company's Performance variable on Manufacturing Sector Stocks.

The path coefficient for the indirect effect of Market Power on the Ratio of Dividend Payments through Company Performance is 0.201 with a Z value of 0.54839, because the Z value < 1.96 , then H_0 is accepted, meaning; There is a positive indirect effect that is not significant between the Prospect variable and the Dividend Payout Ratio mediated by the Company's Performance variable on Manufacturing Sector Stocks.

Conclusion

1. There is a negative and significant direct effect between the variable Debt on the Company's Performance negative and insignificant
2. There is direct effect between the Market Power variable on the Company's Performance
3. There is a negative and significant direct effect between the Efficiency variable on the Company's Performance
4. There is a positive and insignificant direct effect between the Prospect variable on the Company's Performance
5. There is a positive and insignificant direct effect between the Risk variable on the Company's Performance
6. There is a positive and significant direct effect between the Company's Performance variable on the Dividend Payout Ratio

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