

## **Dividend Policy As Moderating The Effect Of Intellectual Capital And Insider Ownership On Stock Return**

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### ***Abstract***

*This study aims to determine the effect of intellectual capital and insider ownership on stock return, and determine the effect of dividend policy in moderating the relationship between intellectual capital and insider ownership on stock return in LQ45 companies listed on Indonesia Stock Exchange for the 2016-2020 period. Based on the purposive sampling method, a sample of 26 companies was obtained. The analytical method used is descriptive statistical method using a moderation regression analysis tool. The results of this study indicate that intellectual capital and insider ownership have a significant effect on stock return. Dividend policy can moderate the effect of intellectual capital on stock return. Dividend policy is not able to moderate the effect of insider ownership on stock return.*

**Keywords:** *Intellectual Capital, Insider Ownership, Stock Return, dividend policy*

## **INTRODUCTION**

Stock is an investment tool that provides benefits in the form of capital gains and dividends (Appuhami, 2007). The investor motivation is to make a profit, or Return (Djamil, Razafindrabinina, & Tandean, 2013). Stock return can be defined as the return on shares owned by investors (Jogiyanto, 2010). Stock returns obtained by investors, can show the value of the company in front of investors. The value of the company is described by increasing or decreasing stock prices in each period (Appuhami, 2007). This is based on research by Ball & Brown (1968) which states that stock returns are influenced by information from financial reporting. This statement is also supported by Skinner and Sloan (2002) which states that stock returns will fall when the company announces a decline in performance, and vice versa. In other words, earnings information has a relationship with stock prices.

The net performance of PT Bank Tabungan Negara (Persero) Tbk (BBTN) for the period of December 31, 2020 was Rp. 1.6 trillion, an increase of 66.57% compared to net profit for the period of December 31, 2019 of Rp. 209 billion. Likewise with profit as of the end of the third quarter of 2021 or as of September 30, 2021, BBTN posted a net profit of Rp. 1.51 trillion, an increase of 35.32% from net profit for the period of September 30, 2020 (last

year's period) of Rp. 1.12 trillion. The increased net profit resulted in the company's basic net profit per share also increasing by Rp 37 per share to Rp 143 per share, compared to the company's basic net profit per share for the September 2019 period of Rp 106 per share. However, on the capital market side, BBTN's share price actually decreased by 3.85% from the beginning of 2021 until December 8, 2021 ([www.cnbcindonesia.com](http://www.cnbcindonesia.com) & Google Finance, 2021).

Intellectual capital is an intangible asset of a company that has an important role to support company operations and improve company performance. Based on signaling theory, investors and other stakeholders need information, one of which is information about intellectual capital which is a positive signal for stakeholders in taking effective steps or decisions. This is because knowledge, skills and expertise are assets owned by employees which if managed properly can facilitate operational activities and will provide added value to increase company profits. This is the cause of increasing stakeholder trust in the company, increasing stakeholder trust will increase capital or investment invested in the company, so that stock returns also increase. (Appuhami, 2007; Yu, Baird & Tung, 2018).

Insider ownership is interesting to be used as a variable that affects the rise and fall of stock return. Insider ownership is defined as the management of a company where the management is an insider who owns the shares of the company it manages (Jannah & Khoiruddin, 2017). Jensen & Meckling (1976) suggested that the management (management) of the company who is also the shareholder of the company they manage can align the goals of management with the goals of shareholders. The goals congruence between management and stockholders will enable management to work in line with the wishes of shareholders. Management will be motivated to maximize performance in order to maximize the resulting stock return.

The third factor that affects stock returns in this study is the dividend policy, which is a policy regarding how much the company will distribute the profits generated during a certain period as dividends and how much the company's profits will be retained as retained earnings in order to develop the company's business (Sartono, 2014). The decision depends on the results of the shareholders' meeting, meaning that the amount of profit to be distributed as dividends depends on the policies of each company (Yudawirasastra, Sumantri & Daniel, 2018). According to signaling theory, dividends are a company signal to inform how the company will perform in the future. If the entity increases the amount of dividends, investors will get a signal about the company's future prospects are better, the investor's response to the signal is reflected in the stock return. On the other hand, if the company reduces the portion of the profits earned to be distributed as dividends, it will be a negative signal that the company's future prospects are less favorable for investors. The market will react negatively to the signal by decreasing stock prices or stock returns. Therefore, based on signaling theory, dividends have an important role in signaling how the company's prospects in the future can be considered by investors on the stock returns that will be received (Yudawirasastra, Sumantri & Daniel, 2018). The importance of the role of the dividend policy in conveying a signal to investors that investors will use in making decisions, where the decision is reflected in stock returns, so that the dividend policy will strengthen the influence of intellectual capital on stock returns, and also strengthen the influence of insider ownership on stock returns.

## LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Return is the profit that investors get on their investment. Meanwhile, shares are evidence that an investor owns the net assets or equity of a company. Stock return is a form of return on stock investment expected by investors (Ball & Brown, 1968). Stock return is a driving factor for investors to place their funds in a company. Investors generally want a low risk of loss with a high rate of return, so investors strive to achieve the best return on investment through the right investment concept (Ball & Brown, 1968).

In this study, stock returns are calculated using the abnormal return formulation, namely the difference between the profits obtained by investors and the profits that investors expect (Samsul, 2006). Abnormal returns can be positive where the profits obtained by investors are greater than the profits expected by investors, and abnormal returns can also be negative if the profits obtained by investors are smaller than the profits expected by investors. Positive abnormal returns will encourage investors to transact within the announcement timeframe with the aim of obtaining above-average returns. But if the abnormal return is negative, then investors are not interested in making these stock transactions (Wistawan, 2013). Market reaction to information is important, because this can result in price changes that can cause abnormal returns to change and change investors' opinions to make investment decisions (Adiwibowo, 2016). Stock return in this study refers to the event study proposed by Ball & Brown (1986). The event study proves that in the period of 12 months before and 6 months after the financial statements are published, stock returns consistently responds to information from the financial statements. Therefore, the average daily share price for 18 months around the issuance of the financial statements (12 months before and 6 months after the financial statements are published) is used to calculate the stock return.

Intellectual capital as a company asset can support company activities and has an important role to improve the performance of a company (Suhardjanto & Whardani, 2010). The development, understanding, and utilization of intellectual capital in the company can help improve the financial performance of the entity, thereby increasing stakeholder confidence in going concern or survival, which will affect the company's stock return (Appuhami, 2007). Intellectual capital is grouped into three groups, namely: (1) Human Capital (HC), (2) Structural Capital (SC), and (3) Employed Capital (CE) (Bontis et. al., 2000).

Human Capital (HC) represents individual knowledge of an entity that is demonstrated by the employees or resources of the entity. Human Capital includes employee loyalty, employee capabilities and employee commitment to the company. Employees generate intellectual capital through abilities, attitudes, and intellectual intelligence. The intellectual intelligence possessed by employees in a company becomes someone who changes practices and thinks about innovative solutions when problems arise. Each company has different employee capabilities, so this makes employees an intangible asset in a company (Bontis et al. 2000).

Structural Capital (SC) is the ability of an organization to carry out routine process activities that support the efforts of its employees to improve the performance of a company. Structural Capital contains all knowledge owned by the company beyond the knowledge

contained in human capital, such as routines, strategies, manual processes, organizational schemas, databases and anything that is greater in value than material value (Bontis et al. 2000). This method allows the company to perform well in the presence of good structural capital. This will improve company performance and increase stock returns (Bontis et al. 2000).

Capital Employed (CE) or working capital is also part of intellectual capital that displays the added value created by the company from the capital used (Bontis et al., 2000). According to Appuhami (2007), Employed Capital, also known as customer capital, contains how the company manages its relationships with its stakeholders in order to grow its sales.

Intellectual capital is formulated with "value added intellectual coefficient (VAICTM)" based on a study conducted by Pulic (1998). The consideration of using the VAICTM indicator is because this measurement is able to provide information about the efficiency of value creation on company assets, both tangible assets and intangible assets. VAICTM as a formula for calculating the performance of a company's intellectual capital with a simple measurement because it is made based on the information contained in the entity's financial statements. In other words, looking for the relationship between intellectual capital and its competitive advantage, which can be seen from the company's capability to manage intellectual capital efficiently, and the data used to calculate VAICTM generally already available and validated to ensure its effectiveness (Fazrin, Hermanto & Putra, 2019). Other studies that use VAICTM as an intellectual capital calculation are Fazrin, Hermanto & Putra (2019), Appuhami (2007), and Djamil, Razafindrabinina, & Tandean (2013).

Insider Ownership which in this study is defined by the management of an entity that is a shareholder of that entity. Management of an entity that is a stockholder in the entity it manages is believed to be able to increase the goals congruence between stockholders and management. This happens because management also has a role as stockholders, so that management will bear all the consequences of the decisions it makes. Jensen (1986) states that the number of shares held by the board of commissioners and the board of directors in an entity is able to equalize the interests of management and the interests of shareholders. The ownership of the shares of the board of commissioners and the board of directors makes the position of managing the entity equal to that of shareholders. Management positions that are equal to shareholders will be treated as employees and also as stockholders will motivate management as shareholders in improving management performance (Sujoko & Soebiantoro, 2007).

As shown by Jensen & Meckling (1976) that the more shares held by management in an entity, managers will work harder to fulfill the interests of stockholders as well as their own interests. In line with this, managers will make solid efforts to increase company profits. Assuming the company's profits increase, the market will respond firmly, so that the company's stock returns or the amount of returns earned by the company's shareholders will increase (Murwaningsari, 2012).

Managerial ownership (MOWN) is used to measure management ownership, namely the percentage comparison between the shares held by the commissioners and directors of the company with the number of shares outstanding multiplied by 100% (Murwaningsari, 2012). This MOWN calculation is very easy because it can be constructed from the company's

annual report. Other studies that use MOWN as a calculation of insider ownership are Murwaningsari (2012), Widyaningsih (2018), and Fahdiansyah, Qudsi, & Bachtiar (2018).

According to Adiwibowo (2018), dividend policy is a policy to determine whether the profits earned by the entity will become dividends or be used as retained earnings to fund investments in the future. If the entity decides some of its profits as dividends, then retained earnings will decrease and internal financing will also decrease (Sartono, 2001). If the dividend policy in an entity increases, the stock return of that entity will also increase. This means that when the dividend policy increases, the stock return will also increase. On the other hand, if the dividend policy decreases, the stock return will also decrease (Carlo, 2014).

Brigham & Houston (2011: 211) state that there is a theory that shows the importance of dividends for investors, namely the bird in the hand theory. Modigliani & Miller (1961) stated that the bird in the hand theory is that the amount of dividends paid to stockholders will increase share prices and attract other shareholders, thereby increasing the value of the company. Myron Gordon (1956) & John Lintner (1962) revealed that Bird in the hand theory explains that investors are happier if the profits on stock investments are in the form of cash dividends compared to capital gains. Cash dividends are more attractive to investors because cash dividends are a form of certainty, while capital gains are full of uncertainty. In other words, capital gains have a relatively large risk. This theory says that investors want to receive high dividends on company profits. Most investors are less interested in investing in entities that pay small dividends. This makes companies that regularly pay dividends can be a motivation for investors to buy their shares, so that the entity's share price will be more expensive than companies that rarely distribute dividends. Investors assume that receiving dividends now is considered safer than getting capital gains in the future, although it is possible that future capital gains can provide greater returns than dividends distributed now (Atmaja, 2008-287).

Dividend policy is represented by the Dividend Payout Ratio (DPR) which is the ratio between dividends and earnings per share. Investors can use the Dividend Payout Ratio (DPR) to find out the amount of profit that will be given by the company. Investors can also see how much profit is used to fund company operations (Pranata & Badera, 2016). Other studies that use the DPR as a dividend policy calculation are Carlo (2014), Pranata & Badera (2016), and Adiwibowo (2016).

Intellectual capital as an asset owned by a company can support the company's activities and have an important contribution in improving company performance. Intellectual capital increases marked by increased capability, commitment, knowledge, ability and loyalty of employees to the company. The capability, commitment, knowledge, ability and loyalty of employees to the company increase, the effectiveness and efficiency of the company's operations will increase. This happens because the intellectual intelligence possessed by employees in a company becomes someone who changes practices and thinks about innovative solutions in solving problems. The effectiveness and efficiency of the company's operations increase, so profits increase. If profits increase, potential investors and investors are increasingly interested in investing in the entity. Investors are interested in investing, so the stock price goes up. Therefore, if the intellectual capital in an entity increases, the stock return will also increase, and vice versa. This is supported by the results of research conducted

by (Appuhami, 2007) which says that intellectual capital (IC) has a positive and significant effect on stock return. This study will describe the hypothesis, namely:

H<sub>1</sub>: Intellectual capital has a significant effect on stock return

Insider ownership or insider parties who own shares in a company (Jannah & Khoiruddin, 2017). The increase in insider ownership is indicated by the increase in shares held by the management of the entity. Jensen & Meckling (1976) revealed that the increase in the shares owned by the management of the entity is able to balance the interests and objectives of the stockholders in order to increase the profit of the entity. Stocks held by insiders can motivate management to focus on improving company performance and value. Managers are motivated to improve their performance and act in accordance with the wishes of the principal. The size of the management ownership of a company can indicate the existence of interests that are in line between the interests of shareholders and the interests of management (Jensen and Meckling, 1976). The existence of this common interest results in increased company performance and is followed by an increase in company profits, so that stock returns will also increase. This is supported by research by Jannah & Khoiruddin (2017) which says that managerial ownership has a positive effect on stock returns. This study will describe the hypothesis, namely:

H<sub>2</sub>: Insider ownership has a significant effect on stock return.

H<sub>3</sub>: Intellectual capital and Insider ownership have a significant effect on stock return.

Dividend policy is one of the driving factors for interested parties to information published by the entity (Nuringsih, 2005). Dividends contain information content as a qualification for the company's future. Dividend policy as a moderating variable plays a role in weakening or strengthening the influence of intellectual capital on stock returns. If the company's intellectual capital is good coupled with a good dividend policy too, then the stock return will increase optimally. This means that the dividend policy strengthens the influence of intellectual capital on stock return. On the other hand, if the company's intellectual capital is good, but the dividends distributed are small, then investors are less interested in investing in the company, as a result, stock returns will not increase optimally. This means that the dividend policy weakens the influence of intellectual capital on stock return. This study will describe the hypothesis, namely:

H<sub>4</sub>: Dividend policy is able to moderate the influence of intellectual capital on stock return.

The influence of insider ownership on stock returns can be strengthened or weakened by the dividend policy as a moderating variable. If the company's managerial ownership is high, coupled with a large dividend policy, then the stock return will increase optimally. This means that the dividend policy strengthens the influence of insider ownership on stock return. This statement is supported by the signal theory, which says that the entity, where the entity distributes large dividends, then the stock price will rise because investors have an interest in these shares (Anita & Yulianto, 2016). On the other hand, if the managerial ownership of the company is high, but the dividends distributed are small, then investors are less interested in investing in the company, as a result, stock returns will not increase optimally. This means that the dividend policy weakens the influence of insider ownership on stock returns). Based on the explanation above, the hypothesis can be formulated:

H<sub>5</sub>: Dividend policy is able to moderate the influence of insider ownership on stock return.

H<sub>6</sub>: Dividend policy is able to moderate the influence of intellectual capital and insider ownership on stock return.

## RESEARCH METHOD

This study will analyze dividend policy as a moderator of the effect of intellectual capital and insider ownership on stock return. This study uses a quantitative approach. LQ45 companies listed on the IDX for the 2016-2020 period are the population in this study. Samples were taken using purposive sampling method, so that a sample of 26 companies was obtained. The secondary data used are in the form of financial reports and annual reports which contain information about the intellectual capital and insider ownership variables on stock returns with dividend policy as Moderating Variables. The population in this study are all companies listed in the LQ45 Index. As for the reason for using companies listed in the LQ45 index because LQ45 is one of the most actively traded stocks on the IDX, the market reaction to the information obtained will be reflected in the price movements of the shares included in LQ45. Sample selection was done based on purposive sampling method.

### Data Analysis Technique

The following is the Moderated Regression Analysis (MRA) panel data regression equation:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 Z + \beta_4 X_1 Z + \beta_5 X_2 Z + e$$

Description: Y (Stock Return);  $\alpha$  (Konstanta);  $\beta_1$ - $\beta_5$  (Koefisien); X<sub>1</sub> (Intellectual Capital); X<sub>2</sub> (Insider Ownership); Z (Dividend Policy); e (Standar error)

## ANALYSIS AND DISCUSSION

### Research Result

#### A. Descriptive Statistical Analysis

**Table 1.** Descriptive Statistical Analysis Test Results

	Stock Return	Intellectual Capital	Insider Ownership	Dividend Policy
Mean	-0.000116	20.50012	0.005526	0.434846
Maximum	0.004139	62.41499	0.133285	1.015254
Minimum	-0.002081	4.153381	0.000000	0.000000
Std. Dev.	0.000984	15.53176	0.024173	0.277148
Observations	130	130	130	130

## B. Selection of Panel Data Estimation Model

**Table 2.** Chow Test Results

Effects Test	Statistic	d.f.	Prob.
Cross-section F	2.380573	(25,101)	0.0013
Cross-section Chi-square	60.224155	25	0.0001

Table 2 above shows the probability value of the Chi-Square Cross-section of 0.0001. The probability value is smaller or less than the significance level of 0.05, so in this Chow Test the model chosen is the Fixed Effect model.

**Table 3.** Hausman Test Results

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	10.906693	3	0.0122

Table 3 above shows that the probability of a random cross-section is 0.0122 which is smaller than 0.05 so that the Hausman Test is the chosen model.

**Table 4.** Lagrange Multiplier Test Results

Null (no rand. effect) Alternative	Cross-section One-sided	Period One-sided	Both
Breusch-Pagan – Cross Section	<b>(0.0362)</b>	(0.2262)	(0.0156)

Table 4 above shows that the probability value of Breusch-Pagan – Cross Section is 0.0362, which is smaller than 0.05 so that in this Lagrange Multiplier Test the selected model is a random effect model. Therefore, to determine the outcome decision in this study, using the Fixed Effect model.

## C. Classical Assumption Test

**Figure 1.** Normality Test Results

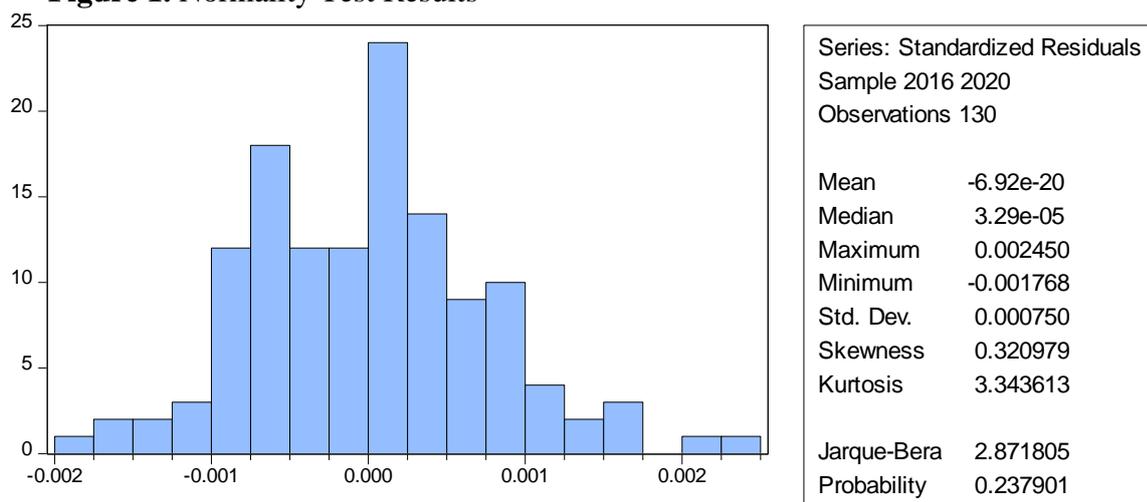


Figure 1 above shows the Jarque-Bera value of 2.871805, while the probability value of 0.237901 is greater than a significance of 0.05. So it can be concluded that the data in this study were normally distributed.

**Table 5.** Heteroskedasticity Test Results

Heteroskedasticity Test : White			
F-statistic	0.987804	Prob. F(9,120)	0.4538
Obs*R-squared	8.966785	Prob.Chi-Square(9)	<b>0.4403</b>
Scaled explained SS	19.13648	Prob.Chi-Square(9)	0.0241

Based on the test results in table 5 above, the Chi-Square probability value is 0.4403. The Chi-Square probability value is greater than the significance, i.e. 0.05 ( $0.4403 > 0.05$ ), so the residuals have a homogeneous variance and the heteroscedasticity assumption is met, which means that the data used is free from symptoms heteroscedasticity.

**Table 6.** Multicollinearity Test Results

	<i>Intellectual Capital</i>	<i>Insider Ownership</i>
<i>Intellectual Capital</i>	1.000000	<b>0.337463</b>
<i>Insider Ownership</i>	<b>0.337463</b>	1.000000

Based on table 6 above, the correlation between X1 (Intellectual Capital) and X2 (Insider Ownership) is 0.337463. These results are below 0.80, so there is no multicollinearity between the independent variables in this study.

**Table 7.** Autocorrelation Test Results

Adjusted R-squared	0.256560
Durbin-Watson stat	1.900228

Table 7 shows the DW (Durbin-Watson) value of 1.900228, compared to the standard value, which is between 1.7449 to 2.2551, then the results obtained are 1.900228 within the standard, so there is no autocorrelation in the study.

#### D. Model Accuracy Test

Table 7 shows the Adjusted R-squared value of 0.256560 which means that 25.65% of the stock return can be explained by the variables of intellectual capital, insider ownership and dividend policy studied, while 74.35% is explained by other variables in outside of research.

#### E. Panel Data Regression Analysis

**Table 8.** Panel Data Regression Test Results

Variable	Coefficient	Std. Error	t-Statistic	Probability
Constanta	-0.000612	0.000792	-0.555639	0.5797
INTCAP	-0,0000318	1.84E-05	-1.983682	0.0500
INSOWN	0.305758	0.113676	2.583106	0.0112
DIVPOL	-0.001767	0.000955		
INTCAP.DIVPOL	0,0000213	3.97E-05	-2.713140	0.0078
INSOWN.DIVPOL	0.011728	0.017396	-0.043177	0.9656

Table 8 above forms the following regression equation:

$$Y = -0,000612 - 0,0000318 \text{INTCAP} + 0,305758 \text{INSOWN} - 0,001767 \text{DIVPOL} + 0,0000213 \text{INTCAP.DIVPOL} + 0,011728 \text{INSOWN.DIVPOL} + e$$

The equation above explains that if the independent variable and the moderating variable are fixed, the stock return will decrease by 0.000612 units. The regression model shows that intellectual capital has a significant effect on stock return with t value of -1.983682 and probability of 0.0500. Insider ownership has a significant effect on stock return with t value of 2.583106 and a probability of 0.0112. Dividend policy is also able to strengthen the influence of intellectual capital on stock return with t value of -2.713140 and probability of 0.0078. Meanwhile, the dividend policy is not able to strengthen or weaken the influence of insider ownership on stock return with t value of -0.043177 and probability of 0.9656.

## Discussion

### 1. Hypothesis 1

Intellectual capital has a significant effect on stock return as the first hypothesis in this study. The probability value of intellectual capital is 0.0500, meaning that the probability value is the same as the significance value (0.05). Therefore, the intellectual capital variable has a significant effect on stock returns in LQ45 companies for the 2016-2020 period. This shows that the first hypothesis is accepted.

The results of the study explain that intellectual capital has a significant effect on Stock Return, meaning that when the company has employees with the capability, commitment, good knowledge and skills, it will be able to increase the effectiveness and efficiency of the company's operations. This is because there is an optimal synergy between employees within the company. Optimal synergy between employees increases maximum added value for the company, so that it will encourage the company's performance to increase further. The company's performance that continues to improve is a positive signal that becomes a magnet to attract investors.

This shows that investors are motivated to invest in entities that have good intellectual capital. Investors' interest in companies that have high intellectual capital is reflected in the increase in stock prices or stock returns. Therefore, the company's intellectual capital should be increased so that the value of the company in the eyes of investors will increase and investors will get the expected stock returns (Djamil, Razafindrabinina, & Tandans, 2013).

The results of this study are in line with research conducted by Appuhami (2007) and also research by Nharaswarie, Putri, & Astika (2013), which states that intellectual capital has a significant influence on stock return.

### 2. Hypothesis 2

The second hypothesis proposed in this study is that insider ownership has a significant effect on stock return. The results of the tests carried out show that the probability value of insider ownership is 0.0112, meaning that the probability value is smaller than the significance value (0.05). Therefore, the insider ownership variable has a significant effect on stock returns in LQ45 companies for the 2016-2020 period. This shows that the second hypothesis in this study is accepted.

The results of the study can explain that the greater the shares owned by the company's management, the greater the ability to minimize agency conflicts between

the principal and the agent or in other words, the more shares of the company owned by management, the more balance the interests of shareholders in order to improve management performance. This is because the principal also acts as an agent, so the agent will give his best contribution to improve the company's performance (Jensen and Meckling, 1976). If the company's performance continues to improve, insider ownership will get double benefits. The first advantage as an agent where they will receive a reward in the form of a large bonus and the second advantage as a principal whose investment value will grow continuously in accordance with the growth of the company's performance. The existence of this dual advantage makes management will give its best effort to achieve maximum results and to meet the interests of shareholders who are also themselves (Jensen and Meckling, 1976). In addition, high managerial ownership will streamline corporate governance because managers feel they own the company, thereby affecting the increase in company value and followed by an increase in company profits, so that the stock return received by shareholders will also increase (Jannah & Khoiruddin, 2017).

The results of this study are in line with research conducted by (Murwaningsari, 2012), (Jannah & Khoiruddin, 2017) which shows that insider ownership has an effect on stock return.

### **3. Hypothesis 3**

The third hypothesis proposed is that intellectual capital and insider ownership have a simultaneous effect on stock return. The test results in this study indicate that the *f* (simultaneous) test for all models shows a value of 0.000284, meaning the probability value is smaller than 0.05 significance. Therefore, the intellectual capital and insider ownership variables simultaneously have a significant effect on stock return in LQ45 companies for the 2016-2020 period.

Intellectual capital is an asset owned by the company, where this asset is an intangible asset in the form of company employees who have skills and advantages. insider ownership is the management party who also acts as a shareholder of a company. The results of this study prove that if a company has a high intellectual capital where the company has expert and skilled employees. Expert and skilled employees will increase the synergy between employees which will increase employee contributions in improving company performance which in turn will provide a positive signal for investors, so that stock returns will increase. The company's performance will be even more optimal if the company's management has relatively large shares in the company where share ownership by company management can equalize the interests of shareholders and management interests, because the management is included in the shareholders. If the interests of shareholders are the same as the interests of management, then management will focus more on improving the company's performance, so that the company's performance can grow more optimally. The growth of the company's performance will encourage investors to invest their funds in the company, so that the stock return will increase further.

#### **4. Hypothesis 4**

The fourth hypothesis proposed is that dividend policy moderates the influence between intellectual capital and stock return. The results of the moderated regression analysis in this study showed the probability value of M1 was 0.0078, this value was smaller than the significance level (0.05). So the dividend policy is able to moderate the influence of intellectual capital on stock returns in LQ45 companies for the 2016-2020 period.

The data above shows that the dividend policy is able to moderate the influence of intellectual capital on stock return. The entity will have an advantage if the entity is able to manage all the assets it owns properly, including intangible assets. This theory also says that the company will be superior if the company focuses more on overseeing the company's internal resources compared to external resources. The internal resources in question are knowledge, competence and information owned by the company, including intellectual capital. As explained in the previous discussion, the higher the intellectual capital owned by a company will be able to improve the company's performance, so that investors are more interested in investing in the company which will encourage an increase in stock returns. Apart from intellectual capital, dividend policy is also one of the factors that can attract investors to invest their funds in the company. This is based on the Bird on the Hand Theory (Modigliani and Miller, 1961) where investors are more happy with companies that regularly distribute dividends compared to companies that only promise capital gains that investors do not necessarily get. Therefore, a company that has superior intellectual capital coupled with a dividend policy is able to maximize investor interest in investing in the company which will affect the company's stock return.

#### **5. Hypothesis 5**

Companies that have insider ownership tend to work harder to fulfill the interests and desires of the stockholders where in this case management also has a role as a shareholder of the company. Companies with large insider ownership lead to increased reported performance. The company's profit that rose from the previous period is a positive signal for the market, so the market will immediately react with rising stock prices. However, the dividend policy has proven to be unable to weaken or strengthen the influence of insider ownership on stock returns in LQ45 companies for the 2016-2020 period.

Because the dividend policy is considered a trivial decision from the company's capital decisions, investors do not react too much to the dividend policy. In addition, the high value of the DPR does not become a material for investors to review to invest in the company's shares. The dividend irrelevant theory where investors do not care about an entity's dividend policy supports the results of this study. Where shareholders who also act as management do not care how much they receive dividends from the company. That's because if earnings are retained or not distributed as dividends, then the profits will be used for company expansion, where company expansion will increase

the company's production capacity, increase production capacity, then sales also increase which in turn improves company performance in the next period. Improved performance will make management receive rewards in the form of bonuses which may be of higher value than the dividends they receive. The dividend irrelevant theory assumes that the dividend policy does not have a significant effect on stock returns and this theory is very suitable for companies whose shareholders also act as management of the company. therefore, the dividend policy is not able to moderate the influence of insider ownership on stock return.

## 6. Hypothesis 6

The last hypothesis is that dividend policy moderates the influence between intellectual capital and insider ownership on stock return. Simultaneous moderated regression analysis resulted in an F-statistic probability of 0.004128. The probability value is lower than the significance level (0.05). Therefore, the dividend policy is able to moderate the influence of intellectual capital and insider ownership on stock returns.

The dividend policy is able to increase stock returns in LQ45 companies for the 2016-2020 period where the company has good intellectual capital plus the company has a large insider ownership. This is because the dividend policy is the decision the company chooses to distribute dividends at the end of the year or for reserves as additional capital to fund investments in the future (Harjito and Martono, 2014:270). If the company's dividend rate is high, other investors will invest in the company, this is the cause of increasing stock returns.

## CONCLUSION

This study can explain that intellectual capital and insider ownership either partially or simultaneously have a significant effect on stock return. Dividend policy is also proven to be able to strengthen the influence of intellectual capital on stock returns and simultaneously dividend policy is able to strengthen the influence of intellectual capital and insider ownership on stock returns. However, this study has not been able to explain the role of dividend policy as moderating the influence of insider ownership on stock return. Therefore, it is hoped that the next researcher can choose a wider type of industry so that the research results become more representative in representing each business sector and can strengthen the results of this study. In addition, the research time should be longer and longer in order to get more accurate research results.

Adjusted R-Square is 25.65%, meaning that intellectual capital, insider ownership and dividend policy are only able to affect stock return of 25.65%. Therefore, further research should add other factors or add control variables in order to increase the effect of stock returns.

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