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The Effect Of Firm Size, Managerial Ownership, Capital Structur, and Dividend Policy On Financial Perfomance

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Abstract

Purpose – *This study aims to obtain empirical evidence on the influence of Firm Size, Managerial Ownership, Capital Structure, and Dividend Policy on the Financial Performance of Companies.*

Design/methodology/approach – *The research uses a quantitative method with secondary data. The population in this study comprises energy sector companies that publish audited annual reports by independent auditors listed on the Indonesia Stock Exchange from 2019-2023. The sampling technique used is purposive sampling, resulting in panel data of 55 observations. The analytical technique used to test the hypothesis is multiple regression analysis using Eviews 9 software.*

Findings – *The results of this study indicate that the variables of Firm Size and Dividend Policy have a positive and statistically significant effect on Financial Performance. However, managerial ownership and capital structure do not have a significant impact on financial performance.*

Originality/Value – *This study discusses Financial Performance and other factors such as Firm Size, Managerial Ownership, Capital Structure, and Dividend Policy, focusing on energy sector companies. This study uses the return on assets ratio as a measure of the company's Financial Performance.*

INTRODUCTION

Global economic growth and development have undergone rapid and significant changes, marked by the expansion of market globalization, increased technological innovation, and international trade (Darmawan, 2022). This has intensified business competition, forcing companies to continuously innovate and improve their operational efficiency. Many companies strive to maintain a competitive advantage by adopting more sophisticated business strategies that are responsive to global market changes. This can create a dynamic business environment where only companies that can quickly adapt will survive and continue their operations.

Financial performance is closely related to a company's operational activities,

including financial, marketing, fundraising, and fund distribution aspects (Pahlevi & Anwar, 2022). Good financial performance can enhance business stability within a company and ensure its sustainability. However, poor financial performance can influence investors' perceptions and decisions about investing their capital, potentially leaving the company with insufficient funds to continue its operational and investment activities. Therefore, financial performance plays a crucial role in decision-making for both the company and investors, as it reflects the evaluation and financial performance of the company. Financial ratio analysis can help the company gain an overview of its financial condition and use it as a tool to project future performance.

A company's financial performance is not immune to various problems. Understanding the issues and factors that affect a company's financial performance is crucial for planning the right strategies and taking necessary steps to improve overall financial performance. Several factors that may influence a company's financial performance include company size, managerial ownership, capital structure, and dividend policy.

Company size refers to the scale of a company, as measured by the total assets it owns. The larger the company, the better it is at managing its assets, indicating that its financial performance is in good condition. Large companies have an easier time obtaining funding sources, which makes investors more inclined to invest in them. This is because large-scale companies tend to provide more transparent financial reports. On the other hand, small-scale companies face higher risks due to limited resources, whether financial, human, or technological, which can restrict the company's growth and revenue.

Managerial ownership refers to the total percentage of shares owned by internal parties of the company, such as management, the executive board, and company owners (Yulianti & Cahyonowati, 2023). Share ownership by management can motivate them to perform their duties well, aiming to enhance the company's performance optimally. Managerial ownership can serve as an effective mechanism to align the interests of managers with those of shareholders, encouraging more prudent decision-making, thereby improving the company's financial performance.

Capital structure is a highly complex aspect of a company, as it reflects the sources of the company's funding, whether its business activities are primarily financed through debt or equity. Achieving optimal company performance in generating profits can be facilitated by having a good capital structure. The greater the proportion of debt financing, the worse the financial performance may become, as improper debt management can lead to an inability to repay the debt. Therefore, a comparison between the debt obtained and the capital owned is necessary. However, in terms of taxation, debt-financed capital can help avoid higher taxes compared to equity-financed capital. This complexity requires financial management to work diligently in determining the optimal capital structure, as it can significantly impact the resulting financial performance.

An optimal dividend policy is one that creates a balance between current dividends and future growth, thereby maximizing profits and influencing company performance (Rodoni, 2014). The dividend policy determines how much profit should be distributed to shareholders and how much should be reinvested in the company (Nur, 2021). The relationship between a company's financial performance and its dividend policy can impact various operational and strategic aspects of the business. One such impact is the signaling effect; the dividend policy can signal to investors the company's financial performance

condition.

LITERATUR REVIEW

Agency Theory

In 1976, Jensen and Meckling described the agency relationship as follows: "an agency relationship is a contract under which one or more persons (the principals) engage another person (the agent) to perform some service on their behalf, which involves delegating some decision-making authority to the agent" (Harnovinsah, 2023). This agency theory depicts shareholders as the principals and management as the agents, where management is the party contracted by the principals to work in the shareholders' interest.

Management is entrusted with the authority by the shareholders to act and make decisions according to the shareholders' interests. If management and shareholders have the same goals, management will support and carry out all the directives given by the shareholders. According to Pradipta (2022), the principals provide the infrastructure and funding for the company's business, while the agents act as the company's management, with the obligation to enhance the principals' wealth by increasing the company's value, as entrusted to them by the shareholders. Management and shareholders have different roles. Management, as the agent, is responsible for reporting the company's overall financial performance through financial statements prepared in accordance with applicable accounting principles. Meanwhile, the shareholders serve as the recipients of the information provided by management to make the best decisions. Therefore, management is accountable to the shareholders for reporting all achievements or accomplishments realized through the company's financial performance. Financial performance reflects everything happening within the company, including its ability to generate profits, meet its debt obligations, and maintain the stability of the company's financial health. In the context of information available within the company, shareholders want to know all information and developments regarding the company, including management's activities in managing the funds invested in the company. Management has more information because they are frequently at the company and are directly involved in its operations. On the other hand, shareholders have limited information because they rarely, if ever, visit the company or become directly involved in its activities. This situation creates information asymmetry or adverse selection. Adverse selection occurs when management possesses more information compared to the shareholders (Mirza, 2023).

Singnalling Theory

In 1973, Signaling Theory was first introduced by Spence in his research titled *Job Market Signaling* (Wahyudin, 2024). This theory is used to explain information imbalances in the labor market. In a corporate environment, information asymmetry is always present, prompting Spence to develop the signaling theory model to explain how individuals can use signals or indicators to communicate characteristics or qualities that cannot be directly observed by others, such as potential employers or investors. These signals include education, work experience, gender, race, and personality. One form of information signaling provided by companies is the annual report, which can serve as a signal to external parties, especially investors. The annual report should contain relevant information and

disclose data considered important for both internal and external users (Ulum, 2017). Properly implemented signaling theory can influence investors' perceptions of a company's financial performance and directly impact the company's financial condition. Companies that publish high-quality financial statements and transparent, accurate information can signal to investors that they have strong financial performance and quality management. Conversely, if a company sends out negative signals, such as delays in financial reporting or unclear disclosures, it may indicate investor concerns and distrust regarding the company's financial performance. According to Yessi Pertiwi (2021), signaling theory addresses how signals of management's success or failure should be communicated. For example, in managing leverage levels, a company can use the signaling concept to indicate that it can meet all its debt obligations, thereby not disrupting operational activities. Another example is in dividend distribution; if dividends are distributed with sound policies, accurate measurements, and timely payments, this can also send a positive signal to investors. This can influence investors' decisions to invest, as they see that the financial performance is in good condition. Therefore, stable and good financial performance also sends a positive signal to shareholders and investors. Signaling theory plays an important role, as company management uses financial statements to demonstrate to investors their financial performance and other achievements that benefit the company. This serves as a positive signal to investors. Accurate and transparent information provided by the company can reduce information asymmetry between internal and external parties, prompting investors to respond to the signals given by the company when making decisions.

Firm Size

According to Machmuddah (2020), company size is a value that indicates the scale of a company. Generally, company size can be measured using several indicators such as total assets, total sales, and the number of employees. Total assets reflect the overall value of the resources owned by the company, while total sales represent the revenue generated from the company's operational activities. The number of employees is often used to provide an overview of the company's operational scale and the extent of human resources being managed. Total assets are frequently considered the most direct measure of company size, as assets encompass all property, equipment, and financial resources owned by the company. An increase in the number of assets can indicate company growth, and larger companies that are publicly listed have broad access to funding sources through capital markets or financial institutions to finance investments aimed at increasing profits or earnings. According to Lely Diana (2020), this can alleviate the burden on managers regarding funding sources, as managers only need to present financial reports as accurately and transparently as possible to provide positive signals to stakeholders. In contrast, smaller companies may find it very difficult to attract investors due to their high-risk nature and potentially high leverage, making it challenging to repay debts.

Managerial Ownership

According to Sari (2021), managerial ownership refers to the proportion of shares held by management who actively participate in company decision-making, including the board of directors and commissioners. This can include common stock ownership, stock options, or other forms of ownership that provide them with a direct economic interest in the

company. Jensen & Meckling (1976) argued that when managers hold a small proportion of company shares, they are more likely to take actions that do not add value to the company (Robertus, 2021). Conversely, an increase in managerial ownership can reduce agency costs because managers who hold a larger share of the company's equity can have enough voting rights to ensure their position in the company is secure. Additionally, there are indicators used to determine the extent of managerial share ownership.

Capital Structure

According to (Rodoni, 2014), capital structure is the proportion used to meet a company's expenditure needs, where funds are obtained through a combination or guidelines of sources from long-term funding, consisting of two main sources: internal and external. The funds referred to are debt from outside the company and equity from within the company. In terms of capital structure, the type of debt considered is long-term debt, as its repayment period can extend beyond one year, giving the company sufficient time to manage the funds optimally. Decisions regarding capital structure are among the most critical aspects of financial management because they can affect the company's performance, financial risk, and overall value. Indicators used to determine optimal capital structure include comparing debt with total equity or total assets. In determining the capital structure, financial management must work hard to decide on the appropriate and optimal structure, as it will impact the company's financial performance.

Dividend Policy

According to (Fauziah, 2017), dividends are distributions to shareholders of a company in proportion to the number of shares each owner holds. This distribution requires a dividend policy to decide whether the company's profits will be distributed to investors as dividends or retained for future investment financing. Retained earnings are an important source of funding for the company's growth. Dividend payments are important to investors as they provide information about the company's development and stability, indicating good financial performance (Hilmi, 2022). The larger the dividend distributed to shareholders, the better the company's performance is perceived. Ultimately, a company with effective management is considered profitable, and as a result, the valuation of the company will increase. This is usually reflected in the company's stock price.

Financial Perfomance

Financial performance is an analysis conducted to assess how well a company has executed its operations using proper and effective financial management practices (Hutabarat, 2020). Financial performance generally reflects the success and achievements of a company in reaching its targets from its operational activities. Good management of company resources usually results in good financial performance, leading to increased profits, which aligns with the company's goals, such as maximizing profits. To evaluate financial performance, financial statements can be used. Financial statements serve as a tool to communicate financial data or company activities to interested parties (Hery, 2016). The financial statements include the balance sheet, income statement, statement of changes in equity, cash flow statement, and notes to the financial statements. By creating financial statements, a company can gain insights into and evaluate its financial status for a given

period. Additionally, they are also useful for external parties in decision-making.

Hypothesis Development

Company size can be classified into large, medium, and small companies. The size of a company can be determined by several factors, including the total number of employees, total sales, total revenue, market value, total assets, and others. Generally, company size is based on the total assets owned by the company, as total assets can reflect the operational capacity and capability of the company. However, as company size increases, it can lead to greater operational complexity. Complexity often comes with more intricate bureaucracy, longer decision-making processes, and difficulties in managing various divisions or business units. This can reduce operational efficiency, which, in turn, can negatively impact the company's financial performance. Large companies also frequently face challenges related to flexibility and adaptability. When market conditions or economic situations change, large companies may not be able to react as quickly as smaller companies. In relation to agency theory, there is a relationship between company owners (principals) and management (agents). As the size of the company increases, agency problems tend to become more complex. Managers, as agents, may have goals that differ from those of the company owners. Additionally, a larger company makes it increasingly difficult for owners to monitor every management decision. This can lead to managers making decisions that benefit themselves personally but are detrimental to the company's financial performance. This hypothesis aligns with the research conducted by Alda Nur Amalia (2021), which states that company size has a negative and insignificant effect on financial performance. This suggests that a larger company does not necessarily imply better management of its resources (assets), and a large total asset base does not guarantee maximum profitability.
H_1: Firm Size has a negative effect on Financial Perfomance.

Managerial ownership refers to the proportion of company shares held by the company's management. Managerial ownership is expected to serve as a mechanism to align the interests of managers and minority shareholders (Haz & Setiawan, 2023). Managers with equity stakes may be more cautious in making financial decisions, such as investments and financing, because they view the company as their own, striving to ensure that financial performance remains strong. This is related to agency theory, where, despite potential conflicts of interest between company owners (principals) and managers (agents), managers with company shares tend to have their interests more aligned with those of the owners. By holding a stake in the company, managers have a greater incentive to improve financial performance, as they will benefit from such improvements. Higher managerial ownership can also reduce information asymmetry problems. As shareholders, managers possess in-depth knowledge about company operations and the impact of strategic decisions. This can encourage them to be more transparent and accountable in reporting company performance to owners and other stakeholders. The larger the manager's shareholding, the greater the manager's motivation to maximize the company's profits (Haz & Setiawan, 2023). This hypothesis aligns with previous research conducted by Haz & Setiawan, 2023), which indicates that managerial ownership has a positive effect. This means that the interests of managers and owners can be aligned, motivating managers to improve

the quality of accounting information and the informativeness of profits.
H_2: Managerial Ownership has a positive effect on Financial Perfomance.

Capital structure relates to signaling theory, which concerns how a company communicates information to investors through its financial performance. When a company faces insufficient internal funds, it may seek external sources of capital through borrowing. Debt compels a company to make more disciplined investment decisions due to the obligation to pay interest and principal regularly. This borrowing originates from external sources. What the management can offer is financial reports that reflect the overall financial performance of the company. Good financial performance will provide positive signals to reassure investors about committing capital for long-term investments. Conversely, poor financial performance will send negative signals, decreasing investor confidence. This hypothesis aligns with the research conducted by Ritonga (2021), which states that capital structure has a positive effect on a company's financial performance.
H_3: Capital Structure has a positive effect on Financial Perfomance.

Dividend policy can influence investor perceptions of a company's performance. Companies that pay stable and consistent dividends may be more attractive to investors, as this indicates stability and the company's ability to generate sufficient cash flow to pay dividends. This can positively reflect the company's financial performance in generating profits from its assets and signify optimal asset management. This hypothesis is supported by research conducted by Prabowo & Suzan (2021), which states that dividend policy has a positive effect on financial performance. An increase in dividend payouts indicates good financial performance, as the company is capable of providing substantial dividends.
H_4: Dividend Policy has a positive effect on Financial Perfomance.

RESEARCH METHOD

The study aims to examine the potential relationships between the independent variables of Company Size, Managerial Ownership, Capital Structure, and Dividend Policy on the dependent variable of Financial Performance. The research adopts a positivist paradigm, utilizing a systematic approach with deductive logic, beginning with the formulation of hypotheses. The data used in this study is quantitative, and the research strategy involves a case study approach to investigate specific events or phenomena, with organizations as the unit of analysis and minimal researcher intervention. The sampling design is non-probability sampling, specifically using purposive sampling. The study does not involve intervention (non-contrived) and utilizes panel data, which is a combination of cross-section and time series data, for hypothesis testing.

Population

According to Yuliani (2010), a population is a generalization area consisting of objects/subjects that have certain qualities and characteristics determined by the researcher to be studied and from which conclusions are drawn. The population in this study is the energy sector companies listed on the Indonesian Stock Exchange.

Sample

A sample is a representative of the entire population along with its characteristics (Nuzuli, 2023). Based on the defined population using the purposive sampling method, specific criteria are determined to select the sample for this research. The criteria established by the researcher to determine the sample are as follows:

1. The company must be an energy sector company listed on the Indonesia Stock Exchange from 2019-2023.
2. The energy sector company must have published audited annual reports accompanied by independent auditor reports during the years 2019-2023.
3. The energy sector company must have managerial-level share ownership within the company during the years 2019-2023.
4. The energy sector company must have distributed dividends to shareholders during the years 2019-2023.

Based on the above criteria, the companies eligible for this survey are 11 companies. The research was carried out using secondary data from energy companies over five years, making the total of observations 55. This research uses a secondary data type, the data source used in this research is from the financial reports of sector companies listed on the Indonesian Stock Exchange for the years 2019-2023 obtained from www.idx.co.id and the respective web of the companies. In obtaining data on this study, researchers use library research techniques. Researchers gather data related to the problem researched through previous research journals, books and internet searches related to research topics.

Financial Perfomance

Financial performance is a form of a company's success and achievement in reaching the targets derived from its activities. In this study, financial performance is measured using Return on Assets (ROA) by comparing the net income obtained with the total assets owned (Hery, 2016). Total assets represent the wealth owned by the company. Return on Assets (ROA) is used to show the results of the company's asset utilization in generating net income. The higher this ratio, the better the condition of the company (Darmawan, 2020). According to Sukamulja (2022), there is a limitation in calculating ROA, with a standard result of 0.5 to 0.8, indicating that the financial performance is stable and good. The formula for measuring financial performance is as follows:

$$\textbf{\textit{Return On Asset}}\ (\textbf{\textit{ROA}}) = \frac{\textbf{\textit{Net Income After Tax}}}{\textbf{\textit{Total Asset}}}$$

Firm Size

Firm size in this study is measured by the total assets. Total assets are chosen as a proxy for firm size, considering that the value of assets is relatively more stable compared to market capitalization and sales (Melistiari, 2021). The firm size variable in this study is measured using the Natural Logarithm of Total Assets (Neldi, 2023). The purpose of using the Natural Logarithm of Total Assets is to reduce excessive data fluctuations; the value of a company's assets can reach hundreds of billions or even trillions, and this method simplifies the data without altering the actual proportion of the total assets. The formula for firm size is as follows:

$$\boldsymbol{Size = Ln\ (Total\ Asset)}$$

Managerial Ownership

Managerial ownership refers to the extent to which shares are owned by management members who are actively involved in the decision-making process, such as directors, managers, and commissioners. The independent variable of managerial ownership in this study is calculated using the formula that compares the number of shares owned by management to the total outstanding shares. This formula was previously used by Setyaningsih & Aufa (2022) in manufacturing companies, and in this study, the researcher is interested in applying it to companies in the energy sector. The purpose of this formula is to determine the proportion of managerial ownership in a company relative to the profits generated (Yamasitha, 2024). The formula for managerial ownership is as follows:

$$\boldsymbol{Managerial\ Ownership = \frac{Number\ of\ shares\ owned\ by\ management}{Total\ outstanding\ shares}}$$

Capital Structure

Capital structure is a conceptual framework used to analyze how a company chooses and determines the mix between equity capital and debt in its capital structure (Lestari, 2024). In this study, the independent variable of capital structure is measured using the debt-to-equity ratio (DER). This measure is the most commonly used, and the researcher is interested in applying it to companies in the energy sector to assess the level of risk faced when having high debt. The determination of the Debt to Equity Ratio formula is used to measure a company's debt level (Sukamulja, 2022). The lower this ratio, the better the company's ability to pay its long-term obligations, leading to better financial performance. According to Sukamulja (2022), this ratio has a standard limit ranging from 0.5 to 1. The formula for capital structure is as follows:

$$\boldsymbol{Debt\ to\ Equity\ Ratio\ (DER) = \frac{Total\ Liability}{Total\ Equity}}$$

Dividend Policy

Dividend policy refers to the decision regarding the allocation of profits, specifically whether the profits earned by the company will be distributed to investors as dividends or retained as retained earnings for future investment financing (Fauziah, 2017). The independent variable of dividend policy in this study is measured using the Dividend Payout Ratio (DPR). This ratio aims to determine the proportion of dividends distributed from the profits generated by the company (Rodoni, 2014). The DPR formula is needed to regulate the proportion of profit distribution. The formula for dividend policy is as follows:

$$\boldsymbol{Dividend\ Payout\ Ratio\ (DPR) = \frac{Dividend\ Per\ Share}{Earning\ Per\ Share}}$$

RESULTS

Statistik Deskriptive

Statistical analysis of variables explains the independent variables and dependent

variables used in this study. The independent variables in question are firm size, managerial ownership, capital structure and dividend policy and the dependent variable is financial perfomance.

Table 1. Descriptive Statistic

	KK	UP	KM	SM	KD
Mean	0.131175	29.76800	0.093377	0.830200	0.149267
Median	0.100100	29.45900	0.014800	0.569000	0.139600
Maximum	0.592600	32.75700	0.430200	3.434000	1.225300
Minimum	-0.029600	27.45000	0.000000	0.059000	-2.148400
Std. Dev.	0.128360	1.591700	0.125779	0.759530	0.510441
Skewness	1.557199	0.204370	1.280436	1.898922	-2.157219
Kurtosis	5.550765	1.668993	3.647031	6.327607	12.01401
Jarque-Bera	37.13847	4.442734	15.98831	58.42968	228.8612
Probability	0.000000	0.108461	0.000337	0.000000	0.000000
Sum	7.214600	1637.240	5.135745	45.66100	8.209665
Sum Sq. Dev.	0.889717	136.8095	0.854296	31.15185	14.06969
Observations	55	55	55	55	55

KK= Financial Performance, UP= Company Size, KM= Managerial Ownership, SM= Capital Structure, KD= Dividend Policy

The table above shows that there are 114 observations for the 2018-2023 research year period. The descriptive statistical explanation of the data above means:

1. The table above shows the data distribution of the financial performance variable, proxied by ROA, where the results have a minimum value of -0.029 and a maximum value of 0.592, with an average value of 0.131. These results indicate that the average ROA level of companies in the energy sector is relatively high, as seen from the close proximity between the average and maximum values. Meanwhile, the data variance is relatively small, as reflected by the closeness between the average and standard deviation values. The energy sector company with the highest ROA is PT Baramulti Suksessarana Tbk (BSSR) in 2022, due to profits earned throughout the year. On the other hand, the lowest ROA was recorded by PT Indika Energy Tbk (INDY) in 2020, due to losses resulting from low production and revenue throughout the year.
2. The table above shows the data distribution of the firm size variable, measured using the total assets of the companies, then transformed using the logarithm, with a sample size of 55. The results for the firm size variable in the energy sector show a minimum value of 27.45 and a maximum value of 32.75, with an average value of 29.76. These results indicate that the average total assets of companies in the energy sector are relatively small, as seen from the close proximity between the average and minimum values. Meanwhile, the data variance is relatively large, as reflected by the considerable distance between the average and standard deviation values. The energy sector company with the highest total assets is PT Adaro Energy Tbk (ADRO) in 2022, due to increases in cash and cash equivalents, accounts receivable, and investments in ventures. On the other hand,

the company with the lowest total assets is PT Dana Brata Luhur Tbk (TEBE) in 2020, due to a decline in current and non-current assets.

3. The table above shows the data distribution of the managerial ownership variable, measured by comparing the total shares owned by management with the total outstanding shares in companies in the energy sector. The data distribution shows a minimum value of 0.00, observed in PT Baramulti Suksessarana Tbk (BSSR) in 2022, and a maximum value of 0.43 or 43 percent, owned by management at PT Rukun Raharja Tbk (RAJA) in 2021. The average value is 0.09, indicating that the level of managerial ownership in the sample companies is relatively low, as seen from the close proximity between the average and minimum values. The standard deviation is 0.12, meaning the data variance is relatively small, as reflected by the closeness between the average and the standard deviation.
4. The table above shows the data distribution of the capital structure variable, proxied by the Debt to Equity Ratio (DER), which compares total debt with total equity of the company. The data distribution shows a minimum value of 0.05, recorded by PT Dana Brata Luhur Tbk (TEBE) in 2023, and a maximum value of 3.43, recorded by PT Radiant Utama Interinsco Tbk (RUIS) in 2020. According to Table 4.2, the average value is 0.83, which falls within the standard ratio range of 0.5-1 as determined by Sukamulja (2022). This indicates that companies in the energy sector are in a stable financial position because they do not exceed the established DER limit, which can provide greater confidence to creditors and investors.
5. The table above shows the data distribution of the dividend policy variable, proxied by the Dividend Payout Ratio (DPR), which compares dividends per share with earnings per share. The data distribution shows a minimum value of -2.14, observed in PT Indika Energy Tbk (INDY) in 2020, and a maximum value of 1.225, recorded by PT Rukun Raharja Tbk (RAJA) in 2020. The average value is 0.15, indicating that the DPR level in the sample is relatively high, as seen from the proximity of the average and maximum values. The standard deviation is 0.51, meaning the data variance is relatively large, as reflected by the significant difference between the average and the standard deviation.

Tabel 2. Uji Chow

Effects Test	Statistic	d.f.	Prob.
Cross-section F	7.903725	(10,40)	0.0000
Cross-section Chi-square	59.980637	10	0.0000

Based on the Chow Test results using Eviews 9, the probability value for the Cross Section F is 0.00, which is less than the significance level (α = 0.05). This means that the best model to use is the Fixed Effect Model (FEM). Therefore, a Hausman Test is required to choose the best model between the Fixed Effect Model and the Random Effect Model.

Tabel 3. Uji Hausman

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	44.547280	4	0.0000

Based on the Hausman Test results, the probability value is 0.00, which is less than the significance level (α = 0.05). This indicates that the best model to use is the Fixed Effect Model (FEM). Therefore, the Lagrange Multiplier Test is not conducted.

Koefisiensi Determinasi (R^2)

Table 4. Uji Koefisien Determinasi

R-squared	0.794269	Mean dependent var	0.131175
Adjusted R-squared	0.722263	S.D. dependent var	0.128360
S.E. of regression	0.067647	Akaike info criterion	-2.322039
Sum squared resid	0.183042	Schwarz criterion	-1.774584
Log likelihood	78.85606	Hannan-Quinn criter.	-2.110334
F-statistic	11.03061	Durbin-Watson stat	1.799255
Prob(F-statistic)	0.000000		

Based on Table 4, the Adjusted R-squared value is 0.722263, which means that 72.22% of the variation in the Financial Performance variable can be explained by the variables of Firm Size, Managerial Ownership, Capital Structure, and Dividend Policy. The remaining 27.78% is explained by other variables not examined in this study.

Hypothesis testing – which was carried out using the Eviews 9 application – produced partial test results (t-test) in this study as follows:

Tabel 5. Uji Parsial

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-8.364303	1.299805	-6.435044	0.0000
UP	0.284607	0.043336	6.567400	0.0000
KM	0.132338	0.311306	0.425105	0.6730
SM	0.002564	0.026621	0.096306	0.9238
KD	0.058998	0.022406	2.633176	0.0120

DISCUSSIONS

The Influence of Firm Size on Financial Perfomance

Based on the partial test (t-test) using the Fixed Effect Model (FEM), the coefficient value is 0.285, indicating a positive effect with a probability value of 0.000. Since this study uses a one-tailed hypothesis, the probability value is divided by 2 (0.000/2 = 0.000 or 0%),

which is smaller than the significance level of α = 5% (0.05). From these statistical results, it can be concluded that Hypothesis One (H1) is accepted. Therefore, it can be concluded that the independent variable of firm size has a significant impact on the financial performance of energy sector companies for the period 2019-2023. This indicates that the research hypothesis aligns with the study results. The results of the above test indicate that the larger the firm size, the better the financial performance, due to effective and efficient asset management that maximizes profits for the company. When a company successfully generates profit, it can be used for future growth. In the energy sector, from 2019 to 2023, there has been an increase in total assets. However, in 2020, there was a slight decline due to decreases in current assets such as receivables and inventory in some companies. For instance, PT Rukun Raharja Tbk experienced a decrease in total assets due to reductions in other receivables and depreciation of fixed assets (Raja, 2020). Additionally, PT AKR Corporindo Tbk saw a decline in current assets like receivables and inventory, as well as a decrease in cash and cash equivalents, which were used to pay dividends, settle maturing bonds, and increase investments (AKR, 2020). Therefore, companies with larger total assets must maintain their reputation. Maintaining a good reputation is crucial because larger companies are more closely watched by the public, including investors and the general community. Consequently, companies must be prepared to present transparent and credible financial statements for the benefit of stakeholders. Moreover, larger companies are subject to more scrutiny to prevent fraud or financial data manipulation for personal gain. Strict oversight ensures better and more accurate financial performance, which is crucial for decision-making and future business strategy. One of the financial institutions that oversee large or publicly listed companies is the Financial Services Authority (OJK) or the Indonesia Stock Exchange (BEI). Another aspect of how firm size affects financial performance is in securing funding for investment activities. Investors tend to prefer larger companies for their investments, as they are believed to be better at managing debt and generating optimal profits, supported by accurate and transparent financial reports. This is similar to the findings of Rosella & Nugroho (2023), who researched banking companies; Elizabeth Sugiarto Dermawan (2019) and Setyaningsih & Aufa (2022), who researched manufacturing companies; Setiadi (2021), who researched State-Owned Enterprises (SOEs); and Allufi & Hidayati (2020), who studied companies in the textile and garment sub-sector. Their research found that firm size has a positive effect on financial performance.

The Influence of Managerial Ownership on Financial Perfomance

Based on the partial test (t-test) using the Fixed Effect Model (FEM), the coefficient value is 0.132, indicating a positive effect with a probability value of 0.6730. Since this study uses a one-tailed hypothesis, the probability value is divided by 2 (0.6730/2 = 0.3365 or 33.65%), which is larger than the significance level of α = 5% (0.05). The statistical results indicate that Hypothesis Two (H2) is rejected. Therefore, it can be concluded that the independent variable of managerial ownership does not have a significant impact on the financial performance of energy sector companies for the period 2019-2023. This suggests that the research hypothesis is not supported by the study results. In the energy sector, the percentage of managerial ownership fluctuates. Factors influencing this include company policies, market conditions, regulations, industry dynamics, and the personal trust and needs of the managers themselves. Additionally, stock price fluctuations can also affect

managers' decisions to buy or sell shares; managers might buy shares when prices are low and sell when prices are high. Theoretically, managerial ownership, where managers hold company shares, is expected to align management's interests with those of other shareholders, thereby encouraging decisions that enhance company value. However, the finding that there is no significant impact in the energy sector suggests that other factors may be more dominant in determining a company's financial performance. The energy sector is known for its high dependence on external factors such as oil price fluctuations, government regulations, and global economic conditions. Commodity price fluctuations can create significant uncertainty, which can obscure the impact of managerial ownership on financial performance. For example, when oil prices plummet, the pressure on company profitability can be so great that managerial ownership alone may not be sufficient to drive performance improvements, as these external factors are beyond management's control. This study shows that in the energy sector, financial performance is more complex and influenced by various external and structural factors that are not always controllable or influenced by managerial ownership. While managerial ownership remains important as a corporate governance mechanism, its impact may be less significant compared to other sectors that are more stable or less dependent on external factors. Therefore, further analysis that considers the full spectrum of factors affecting financial performance in the energy sector is needed to fully understand this dynamic.This study aligns with the findings of Himawan & Fazriah (2021), who state that managerial ownership does not impact financial performance because the level of managerial shareholding is still very small, meaning managers may not yet experience the benefits of managerial ownership. Similar results were also found by Yulianti & Cahyonowati (2023), who stated that managerial ownership does not affect financial performance because it creates a dual role for management as both managers and shareholders.

The Influence of Capital Structure on Financial Perfomance

Based on the partial test (t-test) using the Fixed Effect Model (FEM), the coefficient value is 0.003, indicating a positive effect with a probability value of 0.9238. Since this study uses a one-tailed hypothesis, the probability value is divided by 2 (0.9238/2 = 0.4619 or 46.19%), which is greater than the significance level of α = 5% (0.05). The statistical results indicate that Hypothesis Three (H3) is rejected. Therefore, it can be concluded that the independent variable of capital structure does not have a significant impact on the financial performance of energy sector companies for the period 2019-2023. This suggests that the research hypothesis is not supported by the study results. From this condition, it can be said that companies predominantly use their own capital to finance operational needs and investments and are able to manage debt effectively, which suggests a positive impact on financial performance. However, statistically, this does not significantly affect the financial performance measured by return on assets (ROA) during the 2019-2023 period. The average ROA each year is below the standard ratio limits. According to Sukamulja (2022), the standard ROA ratio limits are between 0.5 or 50% and 0.8 or 80%. This condition indicates that the energy sector has unique characteristics, where fluctuations in commodity prices, such as oil and gas, greatly impact company revenues and profitability. In this context, external variables like global oil prices may have a more significant impact on financial performance than the company's capital structure. This means that, although capital

structure (e.g., debt-to-equity ratio) is important for financial risk management, these external factors can obscure the direct impact of capital structure on financial performance. Furthermore, the energy sector experienced the lowest financial performance in 2020. This was due to the COVID-19 pandemic, which highlighted several key factors underlying this finding. The pandemic caused extreme economic uncertainty worldwide, affecting nearly all industrial sectors. However, the energy sector, particularly oil and gas, experienced severe shocks. Global energy demand fell drastically due to reduced economic activity, lockdowns, and travel restrictions. In this context, the company's capital structure, typically considered an important factor in determining financial performance, may not have the same significant impact as larger external factors. Another point to analyze is that companies in the energy sector often have access to different funding sources compared to other sectors, including strategic partnerships, government investments, or long-term contracts that can provide financial stability even if their capital structure is not optimal. In this case, companies may focus more on managing operations and cost efficiency rather than just optimizing capital structure. This could explain why the study did not find a significant relationship between capital structure and financial performance.This finding is consistent with the research of Astuti Yuli & Erawati Teguh (2021) on manufacturing companies and Puspitasari (2021) on basic and chemical industries, diversified industries, and consumer goods industries. Their findings indicate that capital structure does not impact financial performance because an increase in the proportion of debt relative to total assets can reduce the effectiveness of assets in generating profits. Additionally, excessive debt usage can increase the company's burden.

The Influence of Dividend Policy on Financial Perfomance

Based on the partial test (t-test) using the Fixed Effect Model (FEM), the coefficient value is 0.059, indicating a positive effect with a probability value of 0.0120. Since this study uses a one-tailed hypothesis, the probability value is divided by 2 (0.0120/2 = 0.006 or 0.6%), which is smaller than the significance level α = 5% (0.05). The statistical results indicate that Hypothesis Three (H3) is accepted. Therefore, it can be concluded that the independent variable of dividend policy has a significant impact on the financial performance of energy sector companies for the period 2019-2023. This suggests that the research hypothesis is supported by the study results. The coefficient value and probability above indicate that dividend policy has a positive effect on financial performance. Companies that distribute dividends to shareholders demonstrate good financial performance and can benefit shareholders. Dividend policy helps companies determine the amount of dividends to be distributed from their profits. This serves as a guide for companies in managing dividend distribution accurately and appropriately. Dividend policy is related to signaling theory, which can influence investor perceptions of company performance. Companies that pay dividends steadily and consistently may be more attractive to investors because it indicates good financial performance. This positively reflects the company's ability to generate profits from its assets and suggests optimal asset management. This study is similar to the findings of Prabowo & Suzan (2021), who researched companies in the consumer goods sector, Hilmi (2022), who studied companies in the diverse industries sector, Nur (2021), who investigated state-owned enterprises (BUMN), and Nurzaeni (2023), who examined companies in the telecommunications subsector. Their research found that company size has a positive effect

on financial performance, despite the different research subjects.

CONCLUSIONS

Based on the research conducted on the impact of Company Size, Managerial Ownership, Capital Structure, and Dividend Policy on Financial Performance, with the research object being 11 energy sector companies listed on the Indonesia Stock Exchange (IDX) from 2019 to 2023, the conclusions of this study are as follows:

1. Company Size has a significant effect on financial performance. This demonstrates that larger companies tend to have better financial performance due to optimal asset management, supported by strict oversight from both internal and external entities such as the OJK or IDX. Additionally, larger companies have easier access to funding sources compared to smaller companies.
2. Managerial Ownership does not have a significant effect on financial performance. This suggests that fluctuations in energy commodity prices can create substantial uncertainty, potentially obscuring the impact of managerial ownership on financial performance. For example, when oil prices drop sharply, the pressure on the company's profitability can become so severe that managerial ownership alone may not be sufficient to drive performance improvements.
3. Capital Structure does not have a significant effect on financial performance. This indicates that regulatory factors and government policies also play a crucial role in the energy sector. Policies that either support or restrict certain activities within this industry can affect company performance regardless of their capital structure. For instance, tax incentives, environmental regulations, and international trade regulations may have a greater impact on company profitability than decisions regarding the composition of debt and equity.
4. Dividend Policy has a significant effect on financial performance. The more consistently a company pays dividends to its shareholders, the better its financial performance is perceived. A dividend policy is crucial for companies to determine the amount of dividends to distribute and to manage retained earnings for future investment activities.

IMPLICATIONS and LIMITATION

The results of this study have several implications, including, can contribute to the academic literature and can also be used to develop a more comprehensive theoretical model for understanding financial performance practices in the energy sector. Than, can assist regulators and the government in creating new policies that are relevant to the current growth conditions of companies in Indonesia. However, this study has some limitations that may affect the research results. Not all companies publish financial reports, which means that the researcher had to select samples based on criteria outlined in the previous section. Additionally, obtaining the data for this research was challenging due to restricted access to certain data sources, as some company websites were not accessible.

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