

Are Individual Investors Attracted to Shareholder Perks in the Emerging Markets? An Experimental Study in Indonesia

Febi Trihermanto¹, Yunieta Anny Nainggolan¹, and Yoshiyuki Matsuura²

¹School of Business and Management, Institut Teknologi Bandung, Indonesia

²Graduate School of Innovation and Technology Management, Yamaguchi University, Japan

Abstract. Choice-Based Conjoint (CBC) analysis experiment is conducted in this study to investigate perception equivalency of shareholder perks (SP) and dividend policy among Indonesian investors and to examine whether SP as a new alternative of payout policy can attract more individual investors in Indonesia. The results show that investors prefer SP over dividend in both 2 and 4 percent yield. However, the marginal utility of SP is decreasing to yield. This result suggests that individual investors prefer to receive SP rather than no dividends but they do not expect to receive an excessive number of SP when it is possible for the company to distribute a high amount of cash dividend. Furthermore, the results grouped by gender indicates that female respondents are prefer SP to dividend and have a higher economic value on SP than their male counterpart. Practically, by investing in an SP-paying stocks, individual investors are able to buy their favourite brands and products at lower prices which might be more beneficial than receiving a small amount of cash dividends. Meanwhile, for companies, the results imply that the distribution of SP can attract a number of individual investors, particularly women.

Keywords: *Shareholder Perks, Dividend Policy, Individual Investor, Conjoint Analysis, Indonesia*

1. Introduction

Indonesian Central Securities Depository (KSEI) 2018 annual report shows that the number of domestic individual investors in the capital market has more than fourfold in size, from 364,465 in 2014 to 1,619,372 in 2018. However, despite the rapid increase, the total number of individual investors in Indonesia only represent less than 1% of the total population of 260 million and only about 40% of them are women.

There are several reasons, according to the World Federation of Exchanges (WFE) research report (2017), why stock exchanges seek to encourage the presence and direct participation of individual investors in the market. From a market quality perspective, individual investors may contribute positively to both market liquidity and resilience.

Individual investors may supply liquidity to the market during periods of market instability by taking the opposite direction of institutional position (Barrot et al., 2016). This results from the fact that individual investors tend to buy when stock prices are declining and sell when prices are increasing. Individual investors are also valued for their track record of investing for their long-term investment and loyalty to management thus they are able to provide a stable base of capital and help dampen stock-price volatility (JP Morgan, 2008). Further, from a social perspective, individual participation may contribute to a greater democratisation in finance and indirectly contributes to the broader economic growth by mobilising savings towards productive enterprises. This may also provide the well-functioning stock exchange with a certain social license to operate (Boutillier, 2013).

*Corresponding author. Email: febi.hermanto@gmail.com

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While having a large base of individual investors benefits exchanges, companies, and even countries, the number of their participation in the emerging markets are very low (Frensidy, 2016; Khan et al., 2017; MB Securities, 2018) and literature about how companies in emerging markets enlarge their retail ownership cannot be found. This issue is crucial for Indonesia as a recent study from the WFE (2017) shows that the number of retail participation in Indonesia Stock Exchange (IDX) is among the lowest of all 14 countries observed in their report despite having similar market characteristics and being the largest population. One of the major reasons for low individual participation in Indonesia's capital market is the risk averse nature of Indonesian individuals (Ekberg et al., 2015).

A high degree of risk aversion may prefer a stream of relatively certain dividend payments over uncertain capital gains. Potential investors with such criteria may prefer high dividend yield stocks because the dividend income may act as a "silver-lining" when the capital gains are low or negative (Graham and Kumar, 2006). Individual investor perceptions toward dividend policy are also not neutral as they prefer to receive stock dividends compared to not receiving dividends at all (Dong et al., 2005). However, this condition cannot be fulfilled by many companies as more than 50 percent of Indonesian listed companies do not pay dividends due to the large number of growth stage companies which are unable to generate cash internally to pay dividends (Wardhana and Tandelilin, 2018; Trihermanto and Nainggolan, 2020). In order to solve this problem, public companies in the emerging markets can follow strategic approaches implemented by companies in the developed countries by distributing shareholder perks (hereafter SP) payout policy as an alternative wealth distribution.

SP can be observed in many developed countries as a part of companies' shareholder benefit programs in order to attract and retain individual investors (Karpoff et al., 2020;

Nose et al., 2021; Uchida et al., 2022; Huang et al., 2022). The perks are in-kind gifts or purchase discounts made available to individual investors that do not scale proportionately with the number of shares held. For example, Merlin Entertainments is one of the well-known companies in the UK stock market that offers SP to its shareholders. This theme park operator offers a 30 percent discount on a family Merlin annual pass for investors with 1,000 worth of shares (Warwick-Ching, 2013). In Japan, Takashimaya department store offers an SP card with a 10 percent discount benefit for investors with 1,000 stocks or more (Huang et al., 2022). Further, some companies in the US stock market, such as Ford Motor and IBM, essentially used SP as brand loyalty boosters (Moyer, 2013). It assumes that loyal consumers for certain products will get satisfaction by investing in a company that produced the products thus creating the long-term shareholders' wealth creation.

Moreover, according to consultancy Deloitte (2015), heterogeneity of investors requires attentiveness and cannot be treated in the same way. For example, unlike male investors, female investors typically view investments more personally and have a greater attachment to where they choose to direct their money. A lower number of female investors in Indonesia is a clear indication firms have an opportunity to better engage with this important clientele. Firms should strive to serve the nuanced need of the female investors to successfully capture this market segment. By considering the different characteristics of investors, SP as part of companies' engagement strategy and proposed payout policy might be perceived differently by gender and attracted more female investors.

Learning from the successful distribution of SP to enlarge the individual investor base in the developed countries, it is imperative to experiment a similar distribution in Indonesia where the number of individual investors, particularly women, is very low and the perks

are new for local investors. SP is also worth considering in Indonesia, to attract investors, as it allows growing companies, which are unable to distribute their wealth, to deliver their own products and make themselves more visible.

This paper focuses to investigate the perception of individual investors toward SP. Although there have been some researches in this topic (Karpoff et al., 2020; Huang et al., 2022; Uchida et al., 2022), there is still thin literature investigating the implementation of SP in the emerging markets such as Indonesia. The payout policy implemented in both developed and emerging markets are expected to be different where shareholder wealth maximization in emerging markets may necessary not be the goal of the firm and also considering differences in terms of culture and ethical reasoning (Li et al., 2016; Trihermanto and Nainggolan, 2020) which may affect the perception of individual investors. Thus, the objectives of this study are 1) to examine whether there is resistance from individual investors to receive SP; 2) to investigate individual investors' perceived utility of SP in comparison with the current dividend policy in Indonesia 3) to investigate whether there are gender differences in perceiving SP as a proposed payout policy.

The pre-experiment results of this study reveal that the majority of the respondents seem not prefer to receive SP which may be due to unfamiliarity with the new wealth distribution policy. This result is due to respondents resisting the new payments, in the form of SP, or innovation offered by the company they (will) invest in. However, respondents are very rational about the economic value of SP through the conjoint experiments which shows that the marginal utility of SP yield is higher than dividend yield. Further, this study contributes to the scarce literature on SP by introducing and providing an analysis of SP implementation in the emerging markets, particularly Indonesia, and supports existing literature that SP carry value to individual

investors. This study also provides evidence of differences in perceptions based on gender.

The remaining of this paper is organized as follows. The next section presents the literature review about investor preference toward dividend policy and the economic value of SP. The third section provides the research design of this experimental study, including the research methodology and data collection procedures. Section four reports the results of this study. The pre-experiment result describes the investors' individual perception on SP while the main test result describes the experimental results of this study using the conjoint analysis method. The final section concludes this study and proposes future research.

2. Literature Review / Hypothesis Development

The Economic Impact of Shareholder Perks

The important characteristic of SP is the variability of value received by each shareholder (Nose et al., 2021; Huang et al., 2022; Uchida et al., 2022). The perks will be provided if a shareholder holds a minimum number of shares, usually equivalent to the minimum trading unit set by the stock exchange. However, their values do not significantly increase with a larger number of shares thus they are less attractive for institutional investors. For example, a gift card valued at USD 50 is given to an investor who holds 1,000 worth of shares, while a gift card valued at USD 100 is given to an investor who holds 10,000 worth of shares. Therefore, the value per share of SP is higher for investors with fewer shares. In addition to their role for attracting small individual investors, SP appeals to firms for tax and accounting reasons.

While cash payment of dividend leads to cash outflow and is recorded in the books and accounts as net reduction, most companies record the costs of SP as advertising cost, sales discount, or social expenses (Matsuura et al.,

2018, Karpoff et al., 2020; Huang et al., 2022). Unlike dividends, companies do not pay SP out of the after-tax earnings thus they are able to reduce their taxable income by distributing some wealth to the shareholders as perks. Another advantage of SP is it allows companies to distribute their wealth without a resolution at shareholder general meetings to initiate, terminate or modify the perks. Compared to dividend policy, which is perceived by managers in IDX listed firms to be worthy of management attention (Baker and Powell, 2012), the tax advantages and managerial discretion of SP should have eased companies in Indonesia to distribute their wealth to shareholders. Though speculative, SP might become an alternative to dividend policy, and a solution for Indonesian growth stage companies who needs to retain their earnings but are still able to distribute their wealth to attract individual investor base.

Prior studies show that Individual investors tend to invest in companies that they are aware of, either because of incomplete information (Merton, 1987), familiarity effects (Coval and Moskowitz, 1999; Huberman, 2001; Grullon et al., 2004) or attention constraints (Barber and Odean, 2008). These researches imply that any investor engagement programs, including the distribution of SP, may increase investors' awareness of the company and the likelihood of them to invest there. According to Merton (1987), the increase in awareness of the company does not necessarily mean that the investors were previously fully unaware of the company, but additional engagement will result in the increases of the stock's salience for at least some individual investors. Consistent with the literature, Huang et al. (2022) reveal that price and trading volume movements of perks-distributing stocks suggest that SP attract a clientele of individual investors.

Further, from an investor perspective, SP benefits individual investors as it typically does not create tax events for shareholders (Suzuki and Isakawa, 2008; Huang et al., 2022), compared with 10 percent dividend tax rate in

Indonesia (IDX, 2020). Thus, while cash dividends have been strongly related to institutional investor clientele effects (Allen et al., 2000), SP creates incentives for small individual investors (Karpoff et al., 2020). SP have also been highlighted by Moyer (2013) as important considerations for individual investors in the developed countries in selecting stocks for their portfolio. Therefore, considering most of Indonesian companies do not pay dividends (Trihermanto and Nainggolan, 2020) and valuable benefits the perks have to offer, there are sufficient reasons for individual investors in Indonesia to see dividend and SP as an equal wealth distribution. Thus, the first hypothesis is tested for individual investors in Indonesia as follow:

H1: Individual investors are interested in receiving SP when the company cannot pay dividends.

Shareholder Perks as an Alternative to Dividend Policy

Despite the benefits of SP as an innovative distribution of shareholder wealth for both companies and individual investors, local investors may not appreciate the dividend and SP with the same utility as they are still unfamiliar with such a new distribution. To investigate whether SP can be distributed by companies as an alternative to dividend policy in Indonesia, theoretical perspectives of bird in hand, behavioural finance and innovation resistance theories are used in this research.

Bird in the Hand Theory

Lintner (1962) and Gordon (1963) confirm that dividend policy affects firm value. This is contrary to the Miller and Modigliani's (1961) dividend irrelevance theory that suggest in a perfect and complete capital market shareholders are indifferent to whether their returns are from receiving dividend payment now or future capital gains. However, the bird in the hand theory asserts that investors prefer to receive a high certain cash dividend rather than a highly uncertain future capital gains that might or might not appear if the earnings are retained. Specifically, Graham and

Kumar (2016) found that dividend-paying stock is more attractive for risk-averse investors, which is the nature of Indonesian individuals (Ekberg et al., 2015). By looking at the similar characteristics of SP and dividend, the bird in hand theory is likely to be applicable to SP as well in a way it provides immediate benefits to the investors to make holding a stock more attractive than selling it for profits especially in a country where most companies are in the growth stage of their lifecycle and do not pay dividends such as Indonesia.

Behavioral Finance

Shefrin and Statman (1984) provide a framework of the behavioral life cycle theory of dividends based on self-control by Thaler and Shefrin (1981) and the theory of choice under uncertainty by Kahneman and Tversky (1979). Their theory suggests that some investors would be willing to pay a premium for cash dividends to restrict themselves from consuming too much in the present because of self-control reasons, the desire to segregate, or the wish to avoid regret. These types of investors do not want to dip into capital and only allow themselves to consume current income, such as dividends. Shefrin and Statman (1984) describe retired investors as the best example for this theory as they rely heavily on passive income from their stock holding. Unfortunately, in the case of Indonesian market, Indonesian investors do not have much choices as the majority of listed firms do not pay dividends (Trihermanto and Nainggolan, 2020).

Innovation Resistance Theory

Ram and Sheth (1989) defined innovation resistance as “the resistance offered by consumers to an innovation, either because it poses potential changes from a satisfactory status quo or because it conflicts with their belief structure.” According to O’Connor et al. (1990), individuals and organizations will not

change the current situation or status quo unless there is either a very pressing or excessively attractive alternative. Moreover, Ellen et al. (1991) finds that individuals’ behavioural and evaluative response to the product are successfully affected by their perceived ability to use a product. The likelihood of adopting an alternative will be reduced by the level of satisfaction experienced with an existing behaviour. This theory is relevant with the possibility of individual investors resistance toward the SP as an alternative wealth distribution when they are being asked individually. Thus, to avoid bias results from investors’ perspectives and to examine the economic value of the perks, an experimental study is then needed to be conducted in Indonesia.

Referring to the above theories and arguments, companies that pays out a dividend attracts investors and creates demand for their stock. However, in emerging markets with high economic growth rates such as Indonesia, forcing companies to pay dividends might disrupt their investment plans, especially when companies face high growth opportunities (Wardhana and Tandelilin, 2018). The high growth rate of the country indicates that the growth rates of the companies, in general, are also high thus majority of them cannot pay dividends (Trihermanto and Nainggolan, 2020). In this case, retaining earnings to finance a bountiful investment opportunities might be the best options for all of the shareholders.

The unmet demand of dividends might be the reason of stock investment in the emerging countries such as Indonesia not as attractive as in the developed countries. Moreover, as Indonesian investors are predominantly risk-averse (Ekberg et al., 2015), investing in dividend-paying stocks are more attractive to them (Graham and Kumar, 2016). The nature of SP that creates incentives for small individual investors might fill the current market gap and attract more individual investors in the emerging market (Karpoff et

al., 2020). However, as investors in the emerging markets, particularly Indonesia, are not yet familiar with this form of wealth distribution, they might resist this alternative of wealth distribution and still prefer to receive dividend to SP if the companies are able to pay them with cash. Therefore, the second hypotheses are tested for individual investors in Indonesia as follow:

H2: Individual investors would rather receive dividend than excessive number of SP

Gender Differences toward Shareholder Perks Distribution

Academic literature suggest that female and male investors behave differently in making financial decisions (Croson and Gneezy, 2009). Female investors are, in general, more risk averse, trade less aggressively and less overconfident than their male counterpart (Jianakoplos and Bernasek, 1998; Barber and Odean 2001). There are significant implications associated with the increased risk aversion and lower confidence of women when they invest. The disadvantages of these female “style of investing” include lost opportunities and an over-reliance on low return investment. Fortunately, however, the typical risk aversion of female investors tend to avoid relatively higher risk investments by trading less often, thereby increasing their long-term returns (Graham et al., 2002).

Further, when it comes to investing, men and women behave differently depends upon how much risk they are willing to take and what are their expectations in terms of returns generated from their investments (Croson and Gneezy, 2009). In general, with their characteristics (Jianakoplos and Bernasek, 1998; Barber and Odean 2001), female investors might perceive SP better than their male counterparts. Their nature to hold stock in a longer period of time and trade less aggressively than male investors are in line with the purpose of SP as brand loyalty boosters to retain and attract individual investors (Moyer, 2013). Thus, based on their investment behaviour, the third hypotheses in this study are as follow:

H3: Individual female investors prefer to receive SP than dividend as opposed to their male counterpart.

3. Methodology

Research Methodology

As Indonesian investors are characterised as risk-averse individuals in nature, SP should have at least equal utility with cash dividend to be able to attract individual investors in Indonesia (Ekberg et al., 2015). Therefore, a conjoint analysis experiment is conducted to investigate perception equivalency of SP and dividend policy among Indonesian investors. Employing four categories of conjoint analysis (Rao et al., 2010), this study decides to use the conjoint based choice (hereafter CBC) approach as it, to some extent, replicates real-life decision-making situations. By using the CBC method, respondents are asked to choose one investment profile, which consists of several attributes, from each of several set alternatives. This approach suggests to limit the number of attributes included in a profile into six, as a high number of attributes may lead the test subjects to omit some attributes unintentionally (Haaijer and Kamakura, 2001; Matsuura et al., 2018).

As the main objective of our CBC experiment is to examine how Indonesian retail investors choose dividend to SP, the selected attributes in this study are dividend and SP yield. We also decide to add price to earnings ratio (PER) as additional attribute to be included in the experiment since it is the most popular metrics in a country where no-dividend paying companies dominate in the stock market. Moreover, PER is also used as a control variable, as SP is positively affect PER (Chen, 2018), implying that fundamental measures by earnings-price relationship reflects SP. In developing CBC attributes, this study sees the equivalence between dividend and SP while controlling for growth potential using PER.

For attribute levels, we employ the attributes of the firms included in the most liquid (blue chip) stock index which is the LQ45 index

from 2013 to 2017. We find that 80% of stocks' dividend yield and PER value are between 0% and 4% and 10 and 50 respectively. Thus, their respective attribute levels in this study are: 4%, 2%, and 0% for

dividend and SP yield; and 10 times, 30 times, and 50 times for PER. The PER means that the stock is traded at certain times of earnings. The attribute-level matrix for this experimental study is provided in Table 1.

Table 1.
Attribute-Level Matrix

Attribute	Level		
Dividend Yield	4 %	2 %	0 %
SP Yield	4 %	2 %	0 %
PER	10	30	50

Once the attributes and levels are selected, the hypothetical profiles are able to be generated for evaluation by respondents. Ideally, the profiles are constructed by full factorial designs that include all combinations of the attribute levels. For example, consider a conjoint problem to evaluate four attributes with two levels each (Biong and Silkset, 2017). The researchers then would have $2^4 = 16$ profiles that covered all the attribute levels. The advantage of using this full profile approach is its ability to estimate the interaction terms and main effects in the utility functions (Rao, 2013). However, these designs are not practical when the study has a large number of attributes and or levels. Therefore, this conjoint experimental study uses the fractional factorial designs by selecting a

fraction of the profiles constructed in a full factorial design. In the conjoint measurement, the most commonly used of constructing the fractional design is the orthogonal array. According to Green and Wind (1975), orthogonal arrays are built by developing highly fractionated designs in which the test combinations or profiles are selected thus that the independent contributions of all attributes are balanced. These designs are used in this study as it has many desirable properties and, in statistical perspective, is the most effective design for a large number of profiles. The conjoint design generated in this study consists of 12 hypothetical profiles as shown in Table 2 below. These profiles are then distributed into 12 tasks where each profile will appear thrice in all of the tasks.

Table 2.
Hypothetical Investment Profile

Investment Profile	Dividend Yield	SP Yield	PER
1	4 %	4 %	50
2	2 %	4 %	30
3	0 %	4 %	10
4	0 %	4 %	50
5	2 %	2 %	30
6	4 %	2 %	10
7	4 %	2 %	50
8	0 %	2 %	30
9	2 %	0 %	10
10	2 %	0 %	50
11	4 %	0 %	30
12	0 %	0 %	10

The authors then ran conditional logistic regression based on the hypothetical investment profile chosen by the respondents to estimate the partial utility of each attribute using Stata software. The CBC analysis results in utilities, similar to a regression coefficient, and represent the preference or relative attractiveness of an attribute level which influence respondent's choice. The higher values of attributes reflect greater attractiveness.

Data Collection

This research runs conjoint analysis experiment test to MBA students at Institut Teknologi Bandung in Indonesia. The respondent is selected because it is assumed that they have good investment knowledge as most of them are taking or have taken the financial management, business economics, and accounting courses. The experiments were conducted in four MBA classes, after getting permission from the responsible lecturers, where there are 10 – 40 students in each class. Students who have taken the experimental survey in one class were asked not to join the survey again in other classes to avoid the potential biases. In total, this research recruited 90 MBA students to participate in the experimental study. This experimental survey consisted of three sessions and was conducted on 13 March 2018

(Further details of the design can be seen in Appendix). In the first session, students were asked to fill their demographic profiles, such as gender, age, occupation, investment experience, and courses they have taken at their MBA program. The result shows that most of the respondents were male, younger than 25 years of age, full-time students, and have not started their stock investment yet. The summary of sample demographics is presented in Table 3.

Next, in the second session, in duration of 3 minute presentation the experimentees were explained about the general information of SP such as the form of the perks, the benefit of SP practice based on investors' experiences in other countries that have applied the perks, and also the accounting treatment of SP which is commonly treated as expenditure instead of profit distribution. Respondents were given an example of SP practice in Japan where investors with a hundred worth of shares in Aeon Mall were given a 3 percent discount on every purchase they made. After listening to the presentation, students were asked to answer two essay questions in the pre-experiment worksheet. This study would like to know the reasons why students are interested or not to buy stocks that offer SP and also how students valuing the perks compares to dividends.

Table 3.
Summary Statistics

	Number	%		Number	%
Gender			Age		
Male	50	55.56	< 25	67	74.44
Female	40	44.44	25-30	22	24.44
			> 30	1	1.12
Occupation			Stock Investment		
Office Worker/Entrepreneur	13	14.44	Stockholder	21	23.33
Full-time Student	77	85.56	Non-Stockholder	69	76.67
Course taken at MBA ITB					
Accounting	56	62.22	Risk Management	10	11.11
Economics	58	64.44	(Real-Asset) Investment	5	5.56
Financial Management	56	62.22	Corporate Finance	9	10.00
Capital Market	5	5.56	Wealth Management	5	5.56

The experiment session begun after students finished their pre-experiment worksheet. In this session, respondents were shown with 13 tasks that were displayed in 13 different slides, which each of tasks consists of three hypothetical CBC profiles. Students had to choose one out of three set alternatives and write down their answers on the experiment worksheet. At last, in the third session, students were asked to fill up the questionnaires on dividend policy that will be used for another study.

4. Findings and Discussion

Data Analysis and Results

Pre-experiment results

In the pre-experiment session, respondents were asked whether they are interested in investing in a company that offers SP or not. Their answers are then categorized into three groups, which are interested, depend on the SP products, and not interested. The results show that 47 percent of respondents are interested in investing in SP-paying stocks, while 22 percent of respondents said it depends on the product of SP that company offered, and 31 percent of them are not interested in investing in SP-paying stocks. Respondents who are interested in SP said there are at least three benefits to invest in SP-paying stocks. First, they can receive a discount for certain products from their favorite brands, which is more beneficial than getting a low cash in hand from dividend by holding a small number of shares. This is consistent with theory that investors prefer certainty of return with low transaction costs as they are familiar with the company's products. Second, by buying SP-paying stocks, they perceive that they can save more money. They are very interested in the case of Aeon Mall in Japan which gives a 3 percent discount on every purchase for shareholders who hold at least 100 Aeon shares. At last, based on their investment experiences, many companies that they have invested did not pay dividends. Thus, they are interested in receiving SP instead of nothing. This is consistent with bird

in the hand theory that stating investors love cash, and the theory of choice under uncertainty that investors are willing to pay premium for dividends. Meanwhile, respondents who are not interested to invest in SP-paying stocks said that they may not need the SPs offered by the companies as the products are usually segmented and they can only fully utilize the benefits of SP if they are brand loyal customers. This is consistent with the innovation resistance theory where SP as a payout policy innovation may conflict with the goal of shareholders to invest in the stock market. Furthermore, the prospective investors may not appreciate the dividend and SP with the same utility as they are still unfamiliar with such a new distribution.

In the second question, respondents were asked to value dividend over SP. Similar to the first question, their answers were divided into three categories. The results show that 52% respondents value dividend higher than SP, while 21% of respondents value SP higher than dividend, and 27% of them see dividend and SP as identical. These results are consistent with the behavioural finance theory as the majority of investors are looking for a certain and regular income through cash dividends. The main reason why the majority of respondents chose dividend over SP is because real cash can be used for various purposes while the benefit of SP is segmented and limited to the products or discounts offered by the companies. Respondents who value SP higher than dividend and see dividend and SP as identical explained that they will buy the stocks of the company who sell the brands or the products that they used regularly. These results support the argument of innovation resistance (Ram and Sheth, 1989; O'Connor et al., 1990; Ellen et al., 1991) and suggest that SPs are not attracted, as an alternative shareholder wealth distribution, to the majority of Individual investors in Indonesia. Therefore, to avoid potential bias caused by the innovation resistance toward the new wealth distribution, this study conducted the conjoint analysis experiment to

find out the marginal utility of dividend and SP perceived by individual investors.

Main test results

Panel A in Table 4 represents the conditional logistic regression result for estimating partial utility of the attributes. Dummy coding is then applied to each pair of attribute and level and

then dropped one level for each attribute to handle the collinearity problem (Malhotra, 2009). As the basis level of each attribute and omitted from the regression, this study composed the combination of Dividend Yield: 0, SP Yield: 0, and PER: 50. Finally, we had 3,240 valid tasks in total.

Table 4.

Main Test Result

Panel A Main Conditional logistic regression result		
Preference	Coefficient	z value
Dividend Yield 4	0.9791***	9.00
Dividend Yield 2	0.5981***	4.46
SP Yield 4	1.0791***	8.43
SP Yield 2	0.8152***	7.48
PER 30	0.2670***	2.61
PER 10	0.5512***	4.56
Panel B Relative importance		
Attribute	Relative importance	
Dividend Yield	41.01%	
SP Yield	28.40%	
PER	30.59%	
Notes: This table presents the partial utility of each attribute. The preference has statistical significance at *10, **5, and 1*** % respectively		

Part worth analysis reveals a similar pattern of dividend and SP yield. Both utilities of dividend and SP yield increase monotonously from the base case of 0% to 4%. The coefficient of dividend yield increased from 0.5981 at yield 2% to 0.9791 at yield 4%, while the coefficient of SP yield increased from 0.8152 at yield 2% to 1.0791 at yield 4%. However, even though SP has higher utilities in both yields, the marginal utility of dividend increases higher than SP at yield 2% to 4%. This result suggests that SP can become an alternative of dividend policy for growth stage companies given that it has higher marginal utility than dividend. At this stage, investors are more interested to receive SP instead of receive no dividend at all. When the yield increases to 4%, investors become skeptical about SP and it is better for the company to pay the dividend instead of paying more SP to

their shareholders. Further, the attribute of PER shows contrasting results. It decreases monotonously from PER 50 to the base level. This result is similar with Matsuura et al. (2018) and implies that respondents did not see higher PER as future growth potential.

This paper then summarized conjoint results by computing attribute weights within each market level (Cattin and Wittink, 1982; Halbrendt et al., 1991; Matsuura et al., 2018). The relative importance of attributes is measured in the following steps: First, determine the attribute utility range by looking at the differences between the highest and lowest utility values of each attribute. Then, take the sum of all utility ranges. The relative importance of an attribute (*i*) is defined as follow (Halbrendt et al., 1991):

$$relative\ importance\ (i) = \frac{100 \times range\ (i)}{\sum ranges\ (i)}$$

Table 4 Panel B presented the relative importance of each attribute as percentages. Dividend yield is the most important attribute for the investors, contributing over 40 percent to the rating. Meanwhile, SP yield and PER weights are almost similar, accounting for 28 to 31 percent to the rating. This is showing that investors in Indonesia still tend to choose dividend over SP or PER.

Table 5.

Test Result and Relative Importance – Grouped by Gender

Panel A. Conditional Logistic Regression Result – Group by Gender						
Preference	Main Test Result		Male		Female	
	Coefficient	z value	Coefficient	z value	Coefficient	z value
Dividend Yield 4	0.9791***	9.00	1.2525***	8.21	0.6843***	4.35
Dividend Yield 2	0.5981***	4.46	0.7566***	4.08	0.4193***	2.14
SP Yield 4	1.0791***	8.43	1.0705***	6.27	1.1408***	5.77
SP Yield 2	0.8152***	7.48	0.6575***	4.52	1.0347***	6.12
PER 10	0.5512***	4.56	0.9818***	5.84	0.0426	0.24
PER 30	0.2670***	2.61	0.4581***	3.18	0.0621	0.42
Panel B. Relative Importance of the Attribute – Grouped by Gender						
Attribute	Relative importance					
	Main	Male		Female		
Dividend Yield	41.01%	34.62%		67.84%		
SP Yield	28.40%	28.83%		27.16%		
PER	30.59%	36.56%		4.99%		
Notes: This table presents the partial utility of each attributes grouped by stockholder and compared to the main test result. The preference have statistical significance at *10, **5, and *** % respectively						

Table 5 shows the regression results for both male and female respondents. The results are contradictory to each other as we expected. Both groups show the increasing partial utility of dividend and SP but the male group have higher marginal utility of dividend compared to SP while the female group have the vice versa. These results support our arguments that female respondents are prefer SP to dividend and have a higher economic value on SP than the male respondents. Moreover, similar to the main test result, the male respondents did not see higher PER as future growth potential as the PER attribute decreases monotonously from PER 50 to the base level. On the female side, even though it shows an increase from the base level to PER 50, the results are insignificant.

Sub-Group Test by Gender

The role of gender is an interesting issue regarding the importance of SP on making investment decision. The female respondents are expected to put a higher economic value on SP compared to the male respondents. We then divided our data set based on respondents' gender to better investigate our research objectives.

5. Conclusions

This research aims to explore whether SP can be an alternative to dividend policy in emerging markets like Indonesia as it is in developed countries. The pre-experiment results provide support to the innovation resistance theory (Ram and Sheth, 1989; O'Connor et al., 1990; Ellen et al., 1991) as indicated by the majority of respondents rejecting SPs as alternative to dividend policy when they were asked individually.

To avoid the potential bias, this study used conjoint analysis to provide evidence on the utility of SP compared to dividend and earnings perceived by individual investors in Indonesia. The results show that investors prefer SP over dividend in both 2 and 4

percent yield. However, the marginal utility of SP is decreasing to yield. This result suggests that individual investors prefer to receive SP rather than receive no dividends but they do not expect to receive an excessive number of SP when it is possible for the company to distribute a high amount of cash dividend.

The part worth utilities of dividend and SP yields, however, are inconsistent with the pre-experiment result. This inconsistent result may be due to respondents resist the new payments, in form of SP, or innovation offered by the company they (will) invest in (Ellen et al., 1991). According to Ram and Sheth (1989), there are two reasons for innovation resistance. First, an innovation, in this case is the new payment method, may disrupt the investors' annual routines to receive cash dividends instead of certain products, discounts, or vouchers called SP. Second, this new payment method may conflict with the investors' prior belief structure. For example, individual investors currently decide to buy or sell stock purely based on its fundamental or trading and price history. Further, SP is new things for the respondents and they tend to be skeptical when being asked individually. Despite their individual perspectives, respondents are very rational about the economic value of SP through the conjoint experiments.

Practically, the results of this study imply that, for individual investors, to invest in SP-distributing companies enable them to buy their favorite brands and products at lower prices which might be more beneficial than receiving a small amount of cash dividends. Meanwhile, for companies aiming to enlarge their base of individual investors, the results imply that the distribution of SP can attract a number of individual investors. Companies which are currently unable to pay dividends might consider to change its payout policy to distribute SP to its shareholders by integrating SP into their marketing strategy to transform their loyal customers into loyal shareholders.

In addition to the main results, the results grouped by gender indicates that female investors perceive SP more importantly than their male counterparts, thus companies can also distribute SP to better engage with this important clientele. Companies should design their payout policy carefully not only to attract and retain individual investors but also for gender inclusiveness as women's empowerment currently appears to be one of the transformative economic trends. Furthermore, with their tendency to hold stocks longer than male investors (Graham et al., 2002), having a large base of female investors may also benefit companies by contributing positively to market resilience.

Limitation and Future Research

This research is exploratory in nature to better understand investors' cognition which establishes research foundation for the relevance of future SP values in emerging markets, especially Indonesia. However, as we use business students as the respondents of our experimental research, there might be divergence between practical implementation and theoretical requirements as they are considered to be homogenous and do not have extensive investment experience. Future research can consider validating this study by considering other SP measurements and using all real investor subjects and sub-group them by several demographics, such as gender, investment experience, and average holding period to examine how it affects the preference of SP. Moreover, as most of recent studies in SP are using Japanese market data (Karpoff et al., 2020; Nose et al., 2021; Uchida et al., 2022; Huang et al., 2022), conducting similar research in other countries or regions may check the consistency of the results.

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Appendix

Shareholder Perks Experiment Questionnaire

Section I. Demographic Questions

- Gender** ☐ Male ☐ Female
- Age** ☐ < 25 ☐ 25 – 30 ☐ > 30
- Occupation** ☐ Office Worker/
Entrepreneur ☐ Full-time Student

Please tick the boxes below if you have taken the following courses at MBA SBM ITB:

- | | |
|--|--|
| <input type="checkbox"/> Accounting | <input type="checkbox"/> Risk Management |
| <input type="checkbox"/> Economics | <input type="checkbox"/> (Real Asset) Investment |
| <input type="checkbox"/> Financial Management | <input type="checkbox"/> Corporate Finance |
| <input type="checkbox"/> Capital Market Analysis | <input type="checkbox"/> Wealth Management |

Do you have stock investment?* ☐ Yes ☐ No

*If you answer no in this question, please continue to the next section

- Investment Experience (in years)** ☐ < 1 ☐ 1 – 3 ☐ 3 – 5 ☐ > 5
- Average Holding Periods** ☐ Few days ☐ Few months ☐ One Year ☐ Few years ☐ > 3 years

Section II. Experiment Session

Pre-Experiment

- ✓ Instructor will present the general information and accounting treatment of Stockholder Privileges (SPs) in front of the class
- ✓ Answer few questions regarding your attitudes toward SPs in the *pre-experiment worksheet*

Direction

- ✓ Imagine that you plan to invest IDR 100 million in a stock
- ✓ You have to choose one out of three stocks that offer different combination of dividend yield (DY), SP yield (SPY), and price to earnings ratio (PER) (other things being equal).

Instruction

- ✓ Instructor will show you three alternative stocks in each task. Each task will be displayed in 50 seconds before disappear and move to the next task. There will be eleven tasks in total.
- ✓ Present your choices by marking (X) one out of three alternative stocks in each task that you prefer to buy in your experiment worksheet! All numbers displayed are in percentage.