Corporate Governance, Characteristics On Dividend Policy : Evidence from Indonesia

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ABSTRACT: This research aims to explore the instability of the dividend distribution policy of listed companies on the Indonesian stock exchange. Researchers use several main variables as indicators to measure their impact on dividend policy. The samples used are 75 manufacturing companies. Data analysis technology uses descriptive statistical analysis and E-Views 6.0 as data processing tools. The results of this study show that the audit committee has a negative and insignificant influence on dividend policy. At the same time, independent committees, public interest, company size and profitability have a positive and significant impact on dividend policy.

Keywords: Corporate Governance, Dividend Policy, Evidence From Indonesia

INTRODUCTION

Corporate Governance is the art of directing and controlling an organization by balancing the various needs of stakeholders. This often involves conflicts of interest between various stakeholders and ensures that the organization is well managed, which means that processes, procedures and policies are implemented in accordance with the principles of transparency and accountability (Gyimah et al., 2021). Whenever talking about corporate governance, it must be remembered that organizations have duties and responsibilities towards their shareholders and stakeholders and therefore must be regulated in accordance with the law and with due regard for the interests of stakeholders and shareholders. (Lehn, 2021)

The next aspect of corporate governance is that the notion of economic efficiency must be followed when directing, managing and controlling an organization. For example, the fact that a company exists to make a profit and hence profitability and revenue should be a goal that a company should strive for (Ahmad et al., 2021).

Of course, this does not mean that companies can cut corners in the pursuit of profit and power and hence like the principles in the previous paragraph, corporate governance means that companies should strive to generate revenues and profits in a transparent and accountable manner. This means that the way the corporation is managed and directed must be carried out in accordance with the norms and standard procedures that apply to ethical and normative behavior (Van Hoang et al., 2021).

Corporate Governance has been in the news over the past decade following a spate of scandals engulfing companies that led to their collapse due to mismanagement. This prompts regulators

around the world to implement various measures and rules to control irresponsible companies that will damage the prospects of companies and harm their shareholders and stakeholders.

Broadly speaking, corporate governance includes various fair treatment and treatment of shareholders and the interest to follow ethical business conduct and integrity practices (Ali et al., 2021).

Alot of companies mostly use sources of finances from liability or capital while working their business. Both sources of financing can be conducted within the capital market. The company's capital market will be used for growth while at the same time creating profits for the company that is operating (Tang, 2021). The capital market develops every time, and the company's goal is to increase their capital in bussiness (Puspitaningtyas et al., 2019). Company leaders can manage these funds by re-investing in the form of operating assets, repaying liability, or dispersing them to shareholders in the form of dividends. Yet, when the company formulates a dividend policy, problems arise. Whether dividends are distributed in cash, stock profits, or else other forms.

While investors make investments, they have to initially choose a company with good performance so that they can make accepted profits. However, since only organization or insiders see the company's performance, investors are constrained by the trouble of incomplete data. So, investors have to see financial statements to give an indication of the company's performance in order to provide a foundation for taking investment choices. (Afriani et al., 2013)

Topic related to profit policy and payment will have an impact for investors. Investors certainly assume the dividend sharing to stabilize and increase year by year. Milton clarified that this would be a problem for investors in a country where the capital gains mechanism is particularly low (Asiri et al., 2018). Questions about profit policy are also connected to the agency issues. According to the agency theory by Jansen and Meckling, there is a clash of interest between the principal and the manager because they work for individual profit. Then again, this is not the case in underdeveloped countries, where the idea is quiet not extensively worn in businesses. (Agustia & Suryani, 2018)

The agency conflict inside the capital market occurs among large and small shareholders. Most large shareholders have a tendency to take over. Then, a mechanism to ensure minor and medium shareholders is needed (Sriayu & Mimba, 2013). One such mechanism is good corporate governance. If the corporate governance mechanism does not effort within the company or does not function normally, it forced to lower the trust of shareholders and the price of the company. Concurring to Setiawan and Phua (Puspitaningtyas et al., 2019), there are two hypotheses related to the agency theory of profit policy and corporate governance, is the income theory and the substitution theory. Income theory holds that companies along with excellent capital gains give more safety for investors' privileges because companies with improved governance will give more profits than instruments with little capital gains (Dewata et al., 2017).

The company's profitability in addition has a positive affect at the dividend policy, and companies that recieved more profits will give extra dividends to their investors. it is means, companies with minor profit will give investors lesser dividends. The company size variable is characterized as the range by which the company size can be classified in numerous other ways, expressed in the form of whole assets, stock market price, etc. The results present that the size of the enterprise can have a advanced level of growth opportunities and can give extra dividends. This is for the reason that the advanced the company's growth rate, the larger the company's scale and the need for more capital for reinvestment. In addition, the company must monitor the behavior of managers consequently so they are not narrow minded, and the company owner have to be prepared to give agency fees. Solitary way to cut this situation is to boost the management ownership of the company. Because managerial ownership aligns the interests of management and shareholders, it can decrease agency conflicts. The table below shows the performance of one manufacturing

business recorded in the Indonesia Stock Exchange (IDX) since 2018 to 2020. (Natasa & Trisnawati, 2021)

Table 1. Dividend Policy (In billion)

No	Name	In 2018	In 2019
1	Unilever Indonesia Tbk	6,981,450	11,401.150
2	Indo Kordsa Tbk	5,968,610	9,346,491
3	Shoes Bata Tbk	18,538,000	9,194,150

Source : *www.idx.co.id*

The issue wonders that the Shoes Bata Tbk company practised profit flimsiness in its company which caused a diminish within profits, which can be seen from the table 1 over in 2018 and 2019 with a huge ostensible contrast, not as it were so as to the Unilever Indonesia Tbk, it really expanded within the past 2018 with 6,981,450 whereas in 2019 it got to be 11,401,150 with an inconsequential rise in profits, conjointly happened to Indo Kordsa Tbk in 2018 with 5,968,610 and in 2019 with 9,346,491. Profit flimsiness happens in fabricating companies recorded on the Indonesia Stock Trade for the 2018-2019 cycle, watching the unsteady profit approach stage each year in benefit contribution. Not as it were to the company's capacity to create benefits is communicated by the level of benefit, where the benefits gotten by the company will decide how much profits will be paid afterwards to shareholders and the rest will move into held profit. Hence, the title of this research is "Corporate Governance, Characteristics on Dividend Policy: Evidence from Indonesia".

From the up-stories, the questions above, this research will analyze the characteristics of corporate governance and dividend policy of manufacturing firms that listed on the Indonesian Stock Exchange. Judging by the results of the investigation, it would be manifest as the questions:

1. Does the audit committee affect the dividend policy?
2. Does the independent committee affect the dividend policy?
3. Will public ownership affect dividend policy?
4. Does the size of the company affect the dividend policy?
5. Will the dividend policy affect profitability?
6. Do the audit committee, independent members, public ownership, company size, and profitability affect dividend policy?

The limitations in this research are:

1. In terms of governance, the researchers just limited the three audit committee indicators, independent members and public ownership, because these three indicators have a big effect in the improved of stocks and are responsible for shares to investors.
2. On the characteristics of the firm, the we limited the size and profitability of the company as two indicators, because many investors buy shares to see the size and profitability of the company.
3. The data used for the time since 2018-2020

Then, the purpose for this research is:

1. To test whether the audit committee affects the determination of the company's dividend policy
2. To test whether the independent committee affects the determination of the company's dividend policy
3. Testing the influence of public ownership in determining the company's dividend policy
4. Inspect the company Size affects the determination of the company's dividend policy

5. Test company profitability to determine dividend policy
6. Test audit committee, independent members, public ownership, company size, and profitability affect the company to determine dividend policy

Framework

The framework may be an abstract framework of however theory is connected with indicators outlined as vital issues. therefore during this analysis is seen the shape of the framework as follows:

Picture 1. Framework
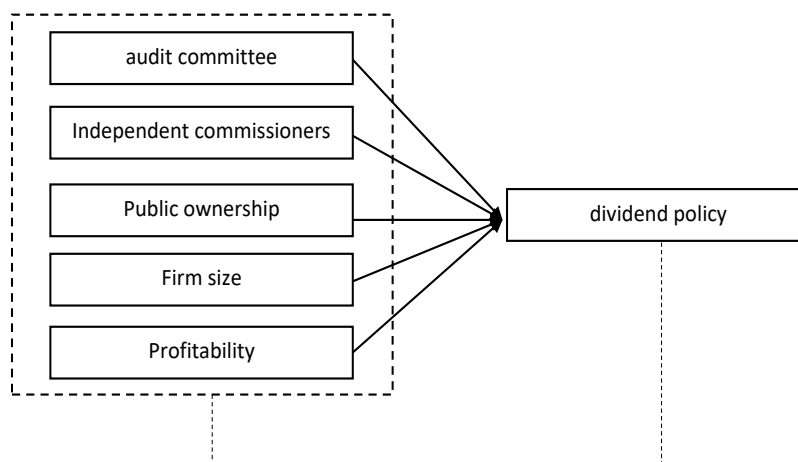
Source: concept developed for research 2021

Hypothesis

The hypothesis is within the variety of a brief answer to the analysis downside suggestion that has been expressed in the form of an issue and answer sentence whereas stated relies on the relevant theory, and isn't supported empirical proof obtained from knowledge collection. The hypotheses planned by this study are:

H1: The size of the audit committee has an effect on dividend policy

H2 : Independent commissioners have an effect on dividend policy

H3: Public ownership have an affects dividend policy

H4: Firm size has an effect on dividend policy

H5: Profitability has an effect on dividend policy

H6 : Corporate governance and characteristics affect dividend policy

METHOD

The population is a collection of all objects in the study. The population is an area of generalization made up of objects / subjects that have certain qualities and characteristics that are determined by the researcher under study and then draw conclusions (Sugiono, 2013). Manufacturing companies listed on the Indonesian Stock Exchange for the period 2018-2020, consisting of 135 manufacturing companies.

The sample is part of the number and characteristics of the population, what is learned from the sample, the conclusions are applied to the population so that the sample drawn is considered representative of the entire population studied (Sugiono, 2013). The sampling method used in this study is based on the deliberate sampling technique Targeted sampling is a sampling

technique with specific considerations or criteria (Sujarweni, 2016). The sampling criteria selected in this research include the following:

1. The Manufacturing companies that listed in the Indonesian Stock Exchange (IDX) in the period 2018-2020
2. The Manufacturing companies that publish annual statements in the rupiah currency
3. The Manufacturing companies that publish complete and consistent annual and financial reports in the Indonesian Stock Exchange (IDX) for the period up to December 31, 2018-2020

Table 2. Sampling Procedure

No	Criteria	Amount
1	The Manufacturing companies that listed in the Indonesian Stock Exchange (IDX) in the period 2018-2020	135
2	The Manufacturing companies that publish annual statements in the rupiah currency	(33)
3	The Manufacturing companies that publish complete and consistent annual and financial reports in the Indonesian Stock Exchange (IDX) for the period up to December 31, 2018-2020	(27)
	Sum selected companies	**75**
	Sum sample taken (75x3 period)	**225**
	Number of samples	**225**

Therefore, the sample used in this study includes 75 manufacturing companies that are listed on the Indonesian Stock Exchange (IDX) for the period 2018-2020.

Variable Operational Definition

This section explains the definition of each variable used, along with their operations and measurements. According to the title of the study, namely, "Corporate Governance, Characteristics on Dividend Policy: Evidence from Indonesia", the operational variables are the following:

Table 3 Operational Variables

No.	Variable	Definition	Scale
1.	Audit Committee (X1)	It is a group of people chosen from a larger select group to perform specific tasks, to perform specific tasks.	In Ratio
2.	Independent Commissioner (X2)	Independent Commissioners are members of the board of directors who are close to the management, other members of the board of directors and majority shareholders who are free from business or other relationships.	In Ratio
3.	Public Ownership (X3)	Public ownership is shares owned by the public	In Ratio

4.	Company Size (X4)	Company size is a form of company size measured in terms of assets, the sales value of stocks.	In Ratio	
5.	Profitability (X5)	This index measures the company's ability to generate profits (profitability).	In Ratio	
6.	Dividend Policy (Y)	Dividend policy is a policy that determines whether the profits generated by the company will be used to pay dividends.	In Ratio	

Source: By the author 2021 .

RESULT AND DISCUSSION

Hypothesis test

Both the simultaneous effect test (Ftest) and the local effect test (ttest) are based on the CEM model, as shown in Table 4, again as follows:

Table 4 Common Effect Model (CEM) Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	6.167006	33.02077	0.186761	0.8520
X1	-0.062269	0.048811	-1.275723	0.2034
X2	0.478843	0.160465	2.984097	0.0032
X3	5.274384	3.593955	1.467571	0.1437
X4	0.010012	0.011233	0.891271	0.3738
X5	0.222517	0.108723	2.046637	0.0419
Root MSE	25.96883	R-squared		0.082818
Mean dependent var	41.29333	Adjusted R-squared		0.061878
S.D. dependent var	27.17639	S.E. of regression		26.32216
Akaike info criterion	9.405004	Sum squared resid		151735.5
Schwarz criterion	9.496100	Log likelihood		-1052.063
Hannan-Quinn criter.	9.441771	F-statistic		3.954977
Durbin-Watson stat	0.969936	Prob(F-statistic)		0.001873

Source: Researcher Process 2021

Multiple Linear Regression Analysis

The purpose of multiple regression analysis is to analyze the influence of independent variables on the dependent variable. If the value of the dependent variable increases or decreases, it also determines whether the direction of the relationship between the independent variable and the dependent variable is positive or negative. .

This study uses multiple regression analysis to test the independent variables, that is, the impact of the audit committee, independent members, public ownership, company size, and profitability on the company's dependent variable dividend policy. According to the data in Table 12, the panel data regression equation of the value of manufacturing companies listed on the Indonesian Stock Exchange from 2018 to 2020 can be obtained as follows:

$$Y = 6.16 - 0.06X1 + 0.47X2 + 5.27X3 + 0.01X4 + 0.22X5 + e$$

The following is an explanation of the regression equation for the above panel data:

1. The constant value (a) 6.61 can be interpreted as if the value of the variables such as audit committee, independent members, public ownership, company size and profitability were zero, the value of the dividend policy is 6 , 61
2. Value of the multiple regression coefficient of the audit committee variable It is negative, which is 0.06. It can be explained that the audit committee reduces by one unit, assuming that other variables have fixed values, the dividend policy will be reduced by 0.06 units. A negative coefficient means that the smaller the audit committee, the lower the dividend policy by 6%.
3. The value of the multiple regression coefficient of the independent committee variables is 0.47 positive, that is,. Therefore, it can be explained that for each additional unit of the independent commissioner, under the assumption that other variables have fixed values, the dividend policy will increase by 0.47 units. A positive coefficient means that an increase in the number of independent committee members will increase the dividend policy by 47%.
4. The value of the multiple regression coefficient of the publicly owned variables is positive 5.27, that is,. Therefore, it can be explained that, assuming that other variables are fixed values, for each additional unit of public property, the dividend policy will increase by 5.27 units. The positive coefficient means that the increase in public ownership will increase the dividend policy by 527%.
5. The value of the multiple regression coefficient for the company size variable is 0.01, which is positive. Therefore, it can be explained that for each unit of increase in the size of the company, under the assumption that other variables have fixed values, the dividend policy will increase by 0.01 unit. The positive coefficient indicates that expanding the company's scale will increase the 1% dividend policy.
6. The value of the multiple regression coefficient of the profit variable is 0.22, which is positive. Therefore, it can be explained that for each unit of increase in profitability, the dividend policy will increase by 0.22 units under the assumption that other variables have fixed values. The positive coefficient means that the increase in profitability will increase the dividend policy by 22%.

Partial Effect Significance Test (t-test)
The following is an explanation of the regression equation for the previous panel data:

1. The count of the audit committee variable is 1.275723, so tcount <ttable> 0.05 (0.2034> 0.05). From these results it can be seen that the role of the audit committee is negative and insignificant.
2. The tcount of the independent commissioner's variable is 2.984097, so tcount <ttable> 1.970806) and a probability value. 0.0032, therefore, tcount <0> ttable (1.467571 <1> 0.05 (0.1437> 0.05). From these results, they show that public ownership has a positive effect, which can be ignored
3. Public Ownership variable is 1.467571, so count> ttable (1.467571 <1> 0.05 (0.1437> 0.05). These results indicate that public property has a positive and negligible effect.
4. The tcount of the company size variable is 0.891271. Therefore, tcount <ttable> 0.05 (0.3738> 0.05) From these results, it can be seen that the company size has a positive effect and is not significant.
5. The tcount of the profitability variable is 2.046637, so tcount <ttable> 1.970806) and the probability value. 0.0419, so tcount <0.05 (0.0419 <0.05). These results show that the size of the company has a positive and significant impact.

Simultaneous Effect Significance Test (F-Test)

The F test is designed to examine the influence of the independent variable on the dependent variable, at the same time or at the same time. In this test, using a significance level of 0.05, the first degree of freedom (df) = k1 (where k is the number of independent variables) and the second degree of freedom (DF2) = n - k (where n is the number of independent variables)) Research sample, k is the number of independent variables). So from this formula, calculate (df) 51 = 4, (DF2) 225-5 = 220, so Ftable is 2.416800. It has the following test standards:

a. Ho is accepted if Fcount > Ftable and Ha is rejected if Fcount < Ftable

The simultaneous effect test (FTest) is shown in Table 12. According to Table 12, it can be seen that Fcount is 3.954777>F table value is 2.416800. Therefore, it can be concluded that the audit committee, independent committee members, public ownership, company size, and overall profitability affect the dividend policy.

Determination Test (R^2)

The coefficient of determination (R^2) is used to determine the percentage of contribution of the independent variables to the dependent variable. In this study, the value of R-squared is used to see the magnitude of the coefficient of determination. This is because if the regression uses two independent variables, the R-squared value is usually used to measure the contribution of the impact.

The coefficient of determination in this study is used to determine the percentage of contribution that the audit committee, independent committee members, public ownership, company size, and overall profitability (at the same time) contribute to the dividend policy.

According to the test of the coefficient of determination in Table 12, it can be seen that the adjusted R-squared value is 0.061878. This means that the audit committee, independent committee members, public ownership, company size, and profitability as a whole (at the same time) only affect 6.1%, with the remaining 93.9% affected by other factors. not examined in this study.

CONCLUSION

According to the discussion in the previous chapter, the following conclusions can be drawn:

1. The negative influence of the audit committee on the dividend policy is negligible
2. The independent committee has a positive and significant influence on the dividend policy.
3. Public ownership on dividends The policy has a positive impact and can be ignored.
4. The size of the company has a positive but negligible impact on the dividend policy.
5. Profitability has a positive and significant impact on dividend policy.

Suggestion

Although the suggestions that this research can make include:

1. Companies and investors should pay attention to the experience of audit committees, independent committees, public ownership, company size and profitability, as it is has been empirically demonstrated in results management based on this. investigate.
2. In future research on similar topics, other variables that affect earnings management can be added, such as the earnings ratio

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