This study discusses type II agency costs. The problem of agency in type II is full control by the majority of shareholders who decide to save the company's resources as assets without prioritizing the interests of minority shareholders. Artikis, Harada, and Nguyen (2011) examined the relationship between concentrated ownership and dividend policy in Japan and found that controlling shareholders provided lower dividend payments to minority shareholders. The more extreme case was business groups in India which preferred not to pay dividends (Manos, Murinde and Green, 2012). Thus, the agency cost model through dividend policy is necessary to investigate the company's consistency in prospering shareholders.

4 RESEARCH METHODOLOGY

Data in this study were obtained from companies listed on the Indonesia Stock Exchange in periods of 2016-2018. The study population was 146 manufacturing companies listed in Indonesia Stock Exchange (IDX). By simple random sampling, based on Slovin's calculations, the number of samples was 59 manufacturing companies, consisting of 15 companies in conventional stock and 44 companies in sharia stock. The utilized analytical method in this research was Ordinary Least Square (OLS). The regression equation model built in this research is as follows:

$$DPR = \alpha + \beta_1 FAMILY + \beta_2 INST + \beta_3 ROA + \beta_4 LEV + \beta_5 SIZE + \varepsilon$$

Dividend payment variables were proxied by the dividend payout ratio (DPR), while the family ownership variable was proxied by aggregate percentage of company equity owned by family or affiliates (Setia-Atmaja, Tanewski, and Skully, 2009). Furthermore, Institutional ownership was proxied by the total proportion of company equity owned by non-affiliated institutional shareholders (Mulyani, Singh, and Mishra, 2016). In addition, the control variable was profitability proxied by Return on Assets (ROA), whereas leverage was proxied by the ratio of total debt to the book value of total assets. Finally, the size was proxied by the natural logarithm of a firm's total assets (Rajverma et al., 2019).

5 DISCUSSION AND OR IMPLICATION

Research concerning agency conflicts in concentrated ownership types has received attention from numerous researchers in various countries. Several studies on ownership structure and dividend policy found that concentrated ownership has a negative influence so that it can reduce dividend payments to other shareholders. Decisions regarding dividend payments should be a tool to reduce agency costs incurred due to conflicts of interest among shareholders. It was revealed that dividend payments made by most companies in Indonesia tended to be inconsistent. Thus, there was a possibility that the low dividend payments were due to decisions made by large shareholders in ownership structures, such as family ownership and institutional ownership.

From this research, it was found how much the ownership structure in Indonesia can influence corporate dividend decisions, particularly for companies listed on the Islamic stock index in Indonesia. This research focused on the company's ownership structure and dividend policy as an agency cost model, which can reduce conflicts of interest between majority and minority shareholders. The results of the study can be useful for policymakers, investors, and further researchers.

REFERENCES

Alzomaia, T. S. and Al-Khadhiri, A. (2013) 'Determination of dividend policy: The evidence from Saudi Arabia,' International Journal of Business and Social Science, 4(1).

Artikis, G. P., Harada, K. and Nguyen, P. (2011) 'Ownership concentration and dividend policy in Japan', Managerial Finance.

Claessens, S., Djankov, S. and Lang, L. H. (2000) 'The separation of ownership and control in East Asian corporations,' Journal of Financial Economics, 58(1-2), pp. 81–112.

Claessens, S. and Yurtoglu, B. B. (2013) 'Corporate governance in emerging markets: A survey,' Emerging markets review, 15, pp. 1–33.

Easterbrook, F. H. (1984) 'Two agency-cost explanations of dividends,' The American economic review, 74(4), pp. 650–659.

Faccio, M., Lang, L. H. and Young, L. (2001) 'Dividends and expropriation,' American Economic Review, 91(1), pp. 54–78.

Jensen, M. C. (1986) 'Agency costs of free cash flow, corporate finance, and takeovers', The American economic review, 76(2), pp. 323–329.

Jensen, M. C., and Meckling, W. H. (1976) 'Theory of the firm: Managerial behavior, agency costs and ownership structure', Journal of financial economics, 3(4), pp. 305–360.

Manos, R., Murinde, V. and Green, C. J. (2012) 'Dividend policy and business groups: Evidence from Indian firms', International Review of Economics & Finance, 21(1), pp. 42–56.

Mardani, R. M. and Indrawati, N. K. (2018) 'Ownership Structure, Corporate Governance, and Dividend Policy: Evidence from Indonesia', KnE Social Sciences.

Mulyani, E., Singh, H. and Mishra, S. (2016) 'Dividends, leverage, and family ownership in the emerging Indonesian market', Journal of International Financial Markets, Institutions, and Money, 43, pp. 16–29.

Rajverma, A. K., Arrawatia, R., Misra, A. K. and Chandra, A. (2019) 'Ownership structure influencing the joint determination of dividend, leverage, and cost of capital', Cogent Economics & Finance, 7(1), pp. 1600462.

Rozeff, M. S. (1982) 'Growth, beta and agency costs as determinants of dividend payout ratios', Journal of Financial Research, 5(3), pp. 249–259.

Setia-Atmaja, L., Tanewski, G. A. and Skully, M. (2009) 'The role of dividends, debt and board structure in the governance of family-controlled firms', Journal of Business Finance & Accounting, 36(7-8), pp. 863–898.

Shinta, N. P. and Ahmar, N. (2011) 'Eksplorasi Struktur Kepemilikan Saham Publik di Indonesia Tahun 2004-2008′, The Indonesian Accounting Review (TIAR), 1(2), pp. 145–154.

Shleifer, A. and Vishny, R. W. (1986) 'Large shareholders and corporate control', Journal of political economy, 94(3, Part 1), pp. 461–488.

Shleifer, A. and Vishny, R. W. (1997) 'A survey of corporate governance', The journal of finance, 52(2), pp. 737–783.

/

This study discusses type II agency costs. The problem of agency in type II is full control by the majority of shareholders who decide to save the company's resources as assets without prioritizing the interests of minority shareholders. Artikis, Harada, and Nguyen (2011) examined the relationship between concentrated ownership and dividend policy in Japan and found that controlling shareholders provided lower dividend payments to minority shareholders. The more extreme case was business groups in India which preferred not to pay dividends (Manos, Murinde and Green, 2012). Thus, the agency cost model through dividend policy is necessary to investigate the company's consistency in prospering shareholders.

4 RESEARCH METHODOLOGY

Data in this study were obtained from companies listed on the Indonesia Stock Exchange in periods of 2016-2018. The study population was 146 manufacturing companies listed in Indonesia Stock Exchange (IDX). By simple random sampling, based on Slovin's calculations, the number of samples was 59 manufacturing companies, consisting of 15 companies in conventional stock and 44 companies in sharia stock. The utilized analytical method in this research was Ordinary Least Square (OLS). The regression equation model built in this research is as follows:

$$DPR = \alpha + \beta_1 FAMILY + \beta_2 INST + \beta_3 ROA + \beta_4 LEV + \beta_5 SIZE + \varepsilon$$

Dividend payment variables were proxied by the dividend payout ratio (DPR), while the family ownership variable was proxied by aggregate percentage of company equity owned by family or affiliates (Setia-Atmaja, Tanewski, and Skully, 2009). Furthermore, Institutional ownership was proxied by the total proportion of company equity owned by non-affiliated institutional shareholders (Mulyani, Singh, and Mishra, 2016). In addition, the control variable was profitability proxied by Return on Assets (ROA), whereas leverage was proxied by the ratio of total debt to the book value of total assets. Finally, the size was proxied by the natural logarithm of a firm's total assets (Rajverma et al., 2019).

5 DISCUSSION AND OR IMPLICATION

Research concerning agency conflicts in concentrated ownership types has received attention from numerous researchers in various countries. Several studies on ownership structure and dividend policy found that concentrated ownership has a negative influence so that it can reduce dividend payments to other shareholders. Decisions regarding dividend payments should be a tool to reduce agency costs incurred due to conflicts of interest among shareholders. It was revealed that dividend payments made by most companies in Indonesia tended to be inconsistent. Thus, there was a possibility that the low dividend payments were due to decisions made by large shareholders in ownership structures, such as family ownership and institutional ownership.

From this research, it was found how much the ownership structure in Indonesia can influence corporate dividend decisions, particularly for companies listed on the Islamic stock index in Indonesia. This research focused on the company's ownership structure and dividend policy as an agency cost model, which can reduce conflicts of interest between majority and minority shareholders. The results of the study can be useful for policymakers, investors, and further researchers.

REFERENCES

Alzomaia, T. S. and Al-Khadhiri, A. (2013) 'Determination of dividend policy: The evidence from Saudi Arabia,' International Journal of Business and Social Science, 4(1).

Artikis, G. P., Harada, K. and Nguyen, P. (2011) 'Ownership concentration and dividend policy in Japan', Managerial Finance.

Claessens, S., Djankov, S. and Lang, L. H. (2000) 'The separation of ownership and control in East Asian corporations,' Journal of Financial Economics, 58(1-2), pp. 81–112.

Claessens, S. and Yurtoglu, B. B. (2013) 'Corporate governance in emerging markets: A survey,' Emerging markets review, 15, pp. 1–33.

Easterbrook, F. H. (1984) 'Two agency-cost explanations of dividends,' The American economic review, 74(4), pp. 650–659.

Faccio, M., Lang, L. H. and Young, L. (2001) 'Dividends and expropriation,' American Economic Review, 91(1), pp. 54–78.

Jensen, M. C. (1986) 'Agency costs of free cash flow, corporate finance, and takeovers', The American economic review, 76(2), pp. 323–329.

Jensen, M. C., and Meckling, W. H. (1976) 'Theory of the firm: Managerial behavior, agency costs and ownership structure', Journal of financial economics, 3(4), pp. 305–360.

Manos, R., Murinde, V. and Green, C. J. (2012) 'Dividend policy and business groups: Evidence from Indian firms', International Review of Economics & Finance, 21(1), pp. 42–56.

Mardani, R. M. and Indrawati, N. K. (2018) 'Ownership Structure, Corporate Governance, and Dividend Policy: Evidence from Indonesia', KnE Social Sciences.

Mulyani, E., Singh, H. and Mishra, S. (2016) 'Dividends, leverage, and family ownership in the emerging Indonesian market', Journal of International Financial Markets, Institutions, and Money, 43, pp. 16–29.

Rajverma, A. K., Arrawatia, R., Misra, A. K. and Chandra, A. (2019) 'Ownership structure influencing the joint determination of dividend, leverage, and cost of capital', Cogent Economics & Finance, 7(1), pp. 1600462.

Rozeff, M. S. (1982) 'Growth, beta and agency costs as determinants of dividend payout ratios', Journal of Financial Research, 5(3), pp. 249–259.

Setia-Atmaja, L., Tanewski, G. A. and Skully, M. (2009) 'The role of dividends, debt and board structure in the governance of family-controlled firms', Journal of Business Finance & Accounting, 36(7-8), pp. 863–898.

Shinta, N. P. and Ahmar, N. (2011) 'Eksplorasi Struktur Kepemilikan Saham Publik di Indonesia Tahun 2004-2008′, The Indonesian Accounting Review (TIAR), 1(2), pp. 145–154.

Shleifer, A. and Vishny, R. W. (1986) 'Large shareholders and corporate control', Journal of political economy, 94(3, Part 1), pp. 461–488.

Shleifer, A. and Vishny, R. W. (1997) 'A survey of corporate governance', The journal of finance, 52(2), pp. 737–783.