

The Effect of The Board of Commissioners Structure on Dividend Policy : Study of The Non-Financial Family Firm in Indonesia Period 2017-2020

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Abstract. This study intends to research the impact of the board of commissioners structure family firm's dividend policy in Indonesia's non-financial sector. The research uses panel regression of 116 IDX non-financial listed family firm over the period 2017-2020. In order to explore the effects of board independence, family board, board size, board meeting frequency, and audit committee size on family firms's dividend policy in non-financial sector in Indonesia. According to the study's findings, for the years 2017 to 2020, the dividend policy of family firm in Indonesia operating in non-financial sectors will be positively and significantly impacted by board independence, board presence from family, the board size, board meeting frequency, and audit committee size.

Keywords: *Family Ownership; Non-Financial; Dividends; Board of Commissioners Structure.*

I. INTRODUCTION

The ownership structure outlines the division of authority and influence over day-to-day business operations. There are two categories of share ownership structures: distributed share ownership and concentrated share ownership. If a company's majority shareholders that controlled by a small number of people or organizations, that is referred to as having concentrated share ownership. Similar to a family business managed and controlled by one or more family members.

Companies in underdeveloped nations like Indonesia typically have concentrated ownership. According to earlier studies, family firm make up over 60% of Southeast Asia's publicly traded corporations. Southeast Asia's highest ownership concentration that found in Indonesia. According to records from 2001, 15 families controlled 61.7% of the market capitalization of the Indonesia Stock Exchange, demonstrating the prevalence of family control (Duygun et al., 2018).

Ownership issues between principal and minority shareholders can arise in family firm. When a small number of shareholders dominates the ownership structure, they might use their influence to oversee and control managers (Duygun et al., 2018). Majority shareholders may expropriate money if legal protection is insufficient.

According to research by La Porta et al. (1999), developed country laws protect minority shareholders against potential wealth expropriation. As a result of the poor institutional rules and the lack of proper legal protection for minority shareholders in developing nations, dividend payment policies are seen as a

replacement for these ineffective legal systems (Duygun et al., 2018). When a business distributes dividends, the controlling shareholder (controlling) ensures the cash distribution to all shareholders (Kilincarslan, 2021).

Companies with high family ownership tend to appoint family members to occupy important positions in the company, which is intended to control the internal company. The presence of family members on the company's board will be an opportunity to take advantage of minority shareholders by using company assets. In addition, a family board that does not work professionally will not affect the company's performance or even disrupt the condition of the company's management. Therefore the company will not generate profits that can share in the form of dividends (Hendrawaty et al., 2021)

According to a number of earlier research in another nations, including Rajput & Jhunjhunwala (2019), family ownership has a bad association with the dividend policy. In order to maintain the strength of their authority, boards of commissioners for businesses with a significant percentage of family ownership will always be made by family members. Minority shareholders may be harmed by family-controlled managers that use asset expropriation or tunneling to increase family wealth. It demonstrates the value of board independence in preventing family control and minimizing the risk of agency issues between families and minority shareholders, especially in businesses with few corporate governance measures (Kilincarslan, 2021). According to Hendrawaty's research (2020), agency issues between shareholders and corporate management can lead to high-risk

investments, particularly when companies face financial difficulties resulting in unfavorable public perceptions.

An independent board of commissioners can firmly control the acts of family executives that can hurt others, and the promotion of big dividend payouts helps to establish a reputation for treating minority shareholders fairly. The independent board of commissioners oversees the implementation of good corporate governance, also known as GCG (GCG). The GCG idea of transparent and open corporate governance can boost a company's worth. It relates to public credibility and trust, drawing domestic and international investors' attention and increasing the economy's competitiveness and the capital market (Kilincarslan, 2021).

Dividend policy served as the dependent variable in earlier studies by Kilincarslan (2021) and Sener & Akben Selcuk (2019), while board independence served as the independent variable. The variables of board independence, the family council's existence, the board's size, the frequency of board meetings, and the size of the audit committee serve as proxies for the board independence variable in this study.

Dividend policies and independent commissioners are complementary governance tools to lessen agency conflicts between minority shareholders and families. It is consistent with Duygun et al. (2018), who support the board's critical role in encouraging better GCG practices with the efficiency of dominant shareholders' control. Nevertheless, other research has produced different outcomes. Family ownership has a sizable beneficial impact on the Dividend Payout Ratio, much like Setianto and Sari (2017) found. The percentage of family ownership that a company has affects how much dividends are paid.

Few studies investigate the impact of board structure on dividend distribution decisions for family companies in Indonesia, according to the background explanation and various opinions from prior research regarding dividend payout policies in family companies in Indonesia, such as Setianto & Sari (2017) and Atmaja (2016). Additionally, different research findings, such as that by Duygun et al. (2018), who discovered a negative relationship between independent board effectiveness and dividend payout decisions, demonstrate that the independent board's ability to affect dividend policy in family-owned businesses is limited.

The authors are interested in evaluating the impact of the board of commissioners' structure on dividend policy in family firm in light of the background information provided above.

II. LITERATURE REVIEW

Good Corporate Governance

Good corporate governance (GCG), is a way to build market trust and company integrity, both of which are crucial for organizations that need long-term finance (Rajput & Jhunjhunwala, 2019).

LaPorta et al. (1999) described GCG as being impacted by legal tools to protect the interests of diverse stakeholders connected to the corporation, particularly minority shareholders. Conflicts of interest between majority and minority owners frequently arise in developing nations with a relatively high concentration of ownership due to disparities in interests and power imbalances that lead to exploitation and system inequality.

According to Rodriguez Fernandez (2016), GCG attempts to lower agency costs by safeguarding shareholder interests, coordinating manager and shareholder interests, and eliminating information asymmetry between owners and managers. GCG must oversee and direct managers while allocating and controlling corporate funds. GCG is anticipated to persuade minority shareholders that their investment would be profitable (Suhadak et al., 2019). Additionally, using GCG lowers capital expenditures and boosts business performance and value (Utama et al., 2017). Firm value is a state that the company has attained as evidence of the public and shareholder faith in the company after engaging in the activity process for several years, from the company's founding until the present (Octaviana et al., 2019).

Family Ownership

A business with family ownership is one in which the founder or his ancestors continue to retain executive roles, have seats on the board of directors, or are the most significant shareholders (Anderson & Reeb, 2003). According to Setianto and Sari (2017), giving members of their family top management and board roles demonstrates the family's increased control over the business (Kilincarslan, 2021). According to Sakawa & Watanabe (2019), the family does not want to sell the shares it currently holds because doing so will reduce the family's control rights. It illustrates how the board's independence significantly impacts choices about dividend payments.

Family ownership structure, according to La Porta et al. (1999), is when the family holding the majority share owns more than 10% of the voting rights. The IDX stipulates that shareholders eligible to vote at the company's annual general meeting must own at least 10% of the company's shares. Hence this percentage is the cutoff (Duygun et al., 2018).

Board Structure

An essential instrument for corporate governance is the board structure. The degree of board

structure independence impacts how well a company performs. The board's responsibility in a company is to decide on corporate governance and dividend distributions. According to agency theory, a company's difficulties can reduce by using an independent board to supervise the executive directors' behavior (Buachoom, 2018; Duygun et al., 2018; Kilincarslan, 2021; La Porta et al., 1999). The opportunistic conduct of family executives can also be monitored and controlled by independent boards with veto power.

In order to balance the power of family executives and increase protection for minority shareholders in nations with weak legal protection, Rajput & Jhunjhunwala (2019) claim that the role of an independent board structure is crucial for the company. The high level of board structure independence makes it possible to supervise firm management more successfully.

Dividend Policy

The dividend is the company's net profit, which is partially distributed to shareholders according to the percentage of shares owned. The amount of the dividend and the timing of its distribution will be decided at the General Meeting of Shareholders or GMS (Samrotun, 2015).

According to Fredrikson et al. (1969), several variables influence dividend policy, including (1) Legal requirements; (2) The Need for Funding; (3) Liquidity; (4) the Ability to Borrow; (5) Limits in Debt Contracts; and (6) Control. Abbas et al. (2017) assert that a company's dividend payout ratio that impacted by its size. Large businesses are regarded as well-established since they have simple access to the financial market when looking for funding sources.

The dividend payout ratio and dividend yield are used as proxies for a company's dividend policy. The dividend payout ratio is measured by dividing dividends paid by net income (Duygun et al., 2018). Dividend yield, on the other hand, is the ratio of dividend payments to the company's stock price (Avianto & Hasnawati, 2022).

III. METHODOLOGY

Types and Sources of Research Data

This type of research is quantitative descriptive. This study uses secondary data from the Indonesian Stock Exchange (IDX) website. The financial report information for each non-financial firm listed on the Indonesia Stock Exchange in 2017–2020 was obtained from the website www.idx.co.id or other associated corporate websites and used in this study. The five independent variables included in this study are board independence, family board, board size, board meeting frequency, and audit committee size. There are five

controls variable: return on assets, debt level, firm size, investment opportunities, and presence of other priority shareholders. Along with the dependent variable, which is the dividend policy in Indonesian family firm outside the financial sector.

Population and Sample

The research population uses companies listed on the Indonesia Stock Exchange from 2017–2020. In order to choose the sample for this study, a purposive sampling strategy was used, which involved using several unique characteristics.

1. Non-financial companies listed on the Indonesia Stock Exchange between 2017 and 2020 are one of the specific criteria in this study.
2. Non-financial companies that consistently release financial reports between 2017 and 2020
3. Non-financial companies with family ownership for the 2017–2020 period that meet the requirements for more than 10% share ownership or employ family members in managerial roles.

Table 1
Sample of Research

Criteria	Total
Non-financial enterprises listed on the Indonesia Stock Exchange between 2017 and 2020	464
Non-financial companies that were delisted during the 2017–2020 period	(6)
Non-financial company with non-family ownership period 2017–2020	(342)
Total of Sample	116

Research Variable Measurement

1. Dependent Variable

A. Dividend Policy

A dividend policy is a decision made by the company's top management regarding the distribution of profits made by the company to shareholders as dividends or retained earnings for investment financing to boost the company's internal funding. The Dividend Payout Ratio in this study projects the dividend policy (Duygun et al., 2018).

$$\text{DPR} = \frac{\text{Total Cash Dividend}}{\text{Net Earnings}}$$

2. Independent Variable

A. Independence Board

The level of independence a board of commissioners has is called the board level. By comparing the number of independent boards in the firm with the total number of boards in the company, the independence of the board of commissioners is determined (Kilincarslan, 2021).

$$BI = \frac{\text{The number of independence commissioners}}{\text{The number of commissioners in the company}}$$

B. Presence of Family Board

The percentage of the total number of boards owned by family members determines the presence of the family council (Kilincarslan, 2021).

$$FB = \frac{\text{The number of family board}}{\text{The number of commissioners in the company}}$$

C. Board Size

The number of board members in the corporation determines the size of the board of commissioners (Duygun et al, 2018).

$$BS = \text{The number of commissioners in the company}$$

D. Board Meeting Frequency(BMF)

The number of board meetings held annually is referred to as the frequency of board meetings (Buachoom, 2018).

$$BMF = \text{Number of board meetings during a year}$$

E. Audit Committee Size (AUDIT)

The audit committee, a part of the board of commissioners, comprises one or more commissioners and outsiders with the knowledge, skills, and attributes necessary to carry out the committee's goals. The number of audit committees on the board of commissioners is called the audit committee size (Kilincarslan, 2021).

$$AUDIT = \text{The number of audit committee in the company}$$

Control Variable

A. Return on assets (ROA)

Return on assets (ROA) calculates by dividing net income by total assets (Kilincarslan, 2021).

$$ROA = \frac{\text{net earnings}}{\text{total assets}}$$

B. Debt size (LEV)

Debt size (LEV) can be calculated by dividing total debt by total assets (Kilincarslan, 2021).

$$LEV = \frac{\text{Total Debt}}{\text{Total Assets}}$$

C. Investment opportunity (GRW)

Company growth/investment opportunity (GRW): using market-to-book value ratio formulation. By dividing market capitalization by book value (Kilincarslan, 2021).

$$\text{Market-to-book value ratio} = \frac{\text{market capitalization}}{\text{book value}}$$

D. Firm size (FS)

Firm size (FS) is natural logarithm of total assets (Rajput & Jhunjhunwala, 2019).

$$FS = \text{Ln total assets}$$

E. Presence of other priority shareholders (BLOCKOWN)

Presence of other priority shareholders (BLOCKOWN) is a binary variable where if the other priority shareholders are at the 10% level of ownership, the threshold is assessed with "1" and "0" otherwise (Kilincarslan, 2021).

Analysis Techniques

The economic model used in this study is as follows:

$$Y = f(X1, X2, X3, X4)$$

Then the model is transformed into a panel data regression equation model:

$$\text{Model : } DPR = \alpha + \beta_1 BI_{it} + \beta_2 FB_{it} + \beta_3 BS_{it} + \beta_4 BMF_{it} + \beta_5 AUDIT_{it} + \beta_6 ROA_{it} + \beta_7 LEV_{it} + \beta_8 GRW_{it} + \beta_9 FS_{it} + \beta_{10} BO_{it} + \varepsilon$$

Description

DPR	:Dividend Payout Ratio
BI	:Board independence
FB	:Family board
BS	:Board size
BMF	:Board meeting frequency
AUDIT	:Audit committee size
ROA	:Return on asset
LEV	:Debt level
GRW	:Investment opportunities
FS	:Firms size
BO	:Presence of other priority stakeholders
<i>i</i>	:Firms
β_{1-10}	:Regressions coefficient
α	:Constanta
ε	: Error

IV. RESULT AND DISCUSSION

Descriptive Statistical Analysis

This study uses non-financial companies listed on the Indonesia Stock Exchange for the 2017-2020 period. Information was taken from linked company pages and the website of the Indonesian Stock Exchange. Sampling using the purposive sampling method, which is free from outliers, is 84 samples, so the total observation data is 336 observations. Data with extreme values are considered

outliers. Each variable, including the dependent variable—the dividend payout ratio—was subjected to descriptive analysis. Independent variables included independence board, family board, board size, board meeting frequency, and audit committee size. Control variables included return on assets, company size, the presence of other priority shareholders, debt level, and investment opportunities. The research data's descriptive statistics are summarized as follows:

Table 2
Result of Descriptive Statistics

Variable	Mean	Median	Maximum	Minimum	St. Deviation
DPR	0.007039	0.000000	0.242926	0.000000	0.020282
BI	0.408080	0.375000	0.800000	0.200000	0.111994
FB	0.599883	0.666667	0.800000	0.200000	0.106104
BS	4.014881	3.000000	10.00000	2.000000	1.683037
BMF	6.330357	6.000000	9.000000	2.000000	1.262939
AUDIT	3.020833	3.000000	4.000000	2.000000	0.453359
ROA	0.310475	0.245557	0.940779	0.005164	0.230302
LEV	0.578429	0.508108	3.621355	0.009159	0.453039
GRW	1.099242	0.795353	6.036025	0.001709	1.053743
FS	1.27E+13	2.90E+12	1.63E+14	4.21E+10	2.50E+13
BO	0.568452	1.000000	1.000000	0.000000	0.496031
OBSERVASI	336	336	336	336	336

DPR : Dividend Payout Ratio, BI : Board independence, FB : Family board, BS : Board size, BMF : Board Meeting Frequency, AUDIT : Audit Committee, ROA : Return on Assets, LEV : Debt level, GRW : Investment opportunities, FS : Firm Size, and BO : The presence of other priority shareholders

Source: Results of Data Processing Using Eviews 10, 2022

Table 2 show dividend payout ratio, which measures the proportion of net income given as cash dividends, indicates that 46 issuers have a minimum value of 0.000000, indicating that they do not distribute net income as cash dividends. The highest value from BRPT issuers is 0.242926, which indicates that the business may pay out dividends to shareholders and avoid liquidation issues. The dividend payout ratio has an average value of 0.007039. The dividend payout ratio consequently has a wide range of values. The average score of 0.007039 demonstrates that the typical sample company distributes dividends at a rate of only 0.7% of net income and shows that the company's management is not good at managing its operational activities, so it cannot provide unequal results to shareholders.

The independence board shows, with a minimum value of 2 individuals and a maximum value of 10 people. In the sample company, the average board independence is 0.408080, or 41% of the entire board of commissioners. Due to exceeding the number of independent commissioners required by OJK Regulation Number 33/POJK.04/2014 Concerning Directors and Board of Commissioners of Issuers or Public Companies Article 20, which states that the minimum number of independent commissioners shall constitute 30% of all members of the

board of commissioners, this demonstrates that the level of independence of the sample companies' boards of commissioners is very high.

Family board presence has a minimum value of 2 and a maximum value of 8. The average attendance of the family board is 0.599883, which indicates that 59% of the sample companies' entire board of commissioners' meetings are attended on average by the family board. The family board has a more significant presence than the independent board of commissioners does.

Board meeting frequency shows a minimum value of 2 and a maximum value of 9. The BMF's mean value is 6.330357. According to clause 18 of the company's articles of association, which requires meetings held at least twice a month and up to six times a year, the average board of commissioners in the sample companies complies with this requirement.

The audit committee size shows a minimum value of 2 and a maximum value of 4 with an average value of 3.020833. It conclude that the average number of audit committees in the sample companies is by the Decree of the Chairman of Bapepam-LK Number Kep-643/BL/2012 dated December 7, 2012 concerning the Establishment and Guidelines for the Implementation of Audit Committee Work, which requires that the audit committee consists of

at least 3 people, with 1 independent commissioner as chairman and 2 people as members.

Return on assets displays the company's rate of return or the percentage of earnings it made about the total quantity of resources it held. The smallest value is 0.005164, which indicates that some businesses can only make a profit of 0.5% by using all of their assets. The maximum value is 0.940779, which indicates that some businesses can profit up to 94% by employing all of their assets. The sample enterprises can, on average, produce a net profit (net income) of 31% of their total assets thanks to the average ROA of 0.310475. The average ROA number has above the 5% mark, demonstrating the sample companies' excellent rate of return.

Firm size is seen from the total asset value owned by the company. According to its size, the corporation can be as small as 42 billion IDR or as large as 163 trillion IDR. The average of firm size is 1.27E+13 or 12 trillion Indonesian rupiah. This means that the average sample company is included in the category of large companies.

The size of the debt is the level of funding of a company that comes from liabilities. Debt Size displays a range between 0.009159 and 3.621355 as its minimum and maximum values. The average debt size value is 0.578429, which indicates that 57% of the total assets of the typical sample company fund by debt. Because it is at a fair level, this demonstrates that the company's average financial state is strong.

Company growth or investment opportunities use the market-to-book value ratio, which is very representative because it follows the company's performance. A minimum value of 0.001709 and a maximum value of 6.036025 are available for this variable. The example company has a high growth rate above the 100% mark because its average growth value is 1.099242, which translates to an average growth of 109% for the sample company.

The presence of other priority shareholders is a dummy variable ranging from 0.000000 (which indicates none) to 1.000000 (which indicates there are other shareholders with a 10% share ownership level). The average and standard deviation of the presence of additional priority stockholders are 0.568452 and 0.496031, respectively.

Model Selection for Panel Data Regression

The panel data has three regression models: Common Effect, Fixed Effect, and Random Effects. Selection of the best panel data regression model through three tests: the Chow Test, Lagrange Multiplier (LM) Test, and Hausman Test. A Chow test use to select between the Common Effect Model (CEM) and Fixed Effect Model (FEM), followed by a comparison test to select between the CEM and Random Effect Model (REM), and finally, a Hausman test to select between the FEM or REM.

Table 3
Descriptive Statistics of Research Variables

Test	Prob	Decision
Chow	0.0000	FEM
Lagrange	0.0000	REM
Multiplier (LM)		
Hausman	0.0000	FEM

Source: Results of Data Processing Using Eviews 10, 2022

Based on the results of the tests, a fixed effect model is preferred over random effect and common effect models for analyzing the impact of independence board variables, family board, the board size, board meeting frequency, and audit committee size on dividend policy in family companies in Indonesia's non-financial sector for the 2017–2020 period.

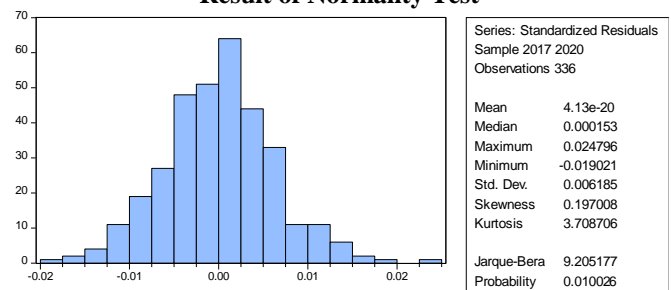
Classical Assumption Testing

There are four classical assumption tests namely: normality test, multicollinearity detection, heteroscedasticity test, and autocorrelation test.

1. Normality Test

The purpose of the normality test is to determine whether the independent and dependent variables in a regression model can both have a normal distribution or a decent absolute regression. The Jarque Bera test can be used to determine normalcy by examining the distribution of residual data.

Figure 2
Result of Normality Test



Source: Results of Data Processing Using Eviews 10, 2022

Based on the test results shown in Figure 1, it is known that the probability is 0.010026 or <0.05 . It is in line with the testing, and it can be inferred that the regression residuals are not normally distributed based on the normality test results, specifically the probability of 0.010026 > 0.05 . The normalcy test is only appropriate for research with small sample sizes, not for big sample sizes, according to Ghazali & Ratmono's explanation in their book from 2017. It is consistent with Gujarati & Porter's (2009) assertion that if the sample is small or contains fewer than 30 observations, the data center limit theorem will be regularly distributed. The number of studies in this

observation amounted to 336 observations, which means more than 30 observations.

2. Multicollinearity Test

Multicollinearity is one of the classical assumption tests used to determine whether there is a linear relationship

between the independent variables used. Assessing how strongly independent variables are correlated. Multicollinearity shows if the correlation between the independent variables is more than 0.85. (Widarjono, 2018). The outcome of the multicollinearity detection is as follows.

Table 4
Results of the Multicollinearity Test

	BI	FB	BS	BMF	AUDIT	ROA	LEV	GRW	FS	BO
BI	1.000000	0.832732	0.026154	0.016220	0.043987	0.116179	0.079263	0.027933	0.138725	0.046675
FB	0.832732	1.000000	0.003870	0.015087	0.003052	0.044293	0.004350	0.017222	0.093103	0.014569
BS	0.026154	0.003870	1.000000	0.032789	0.062187	0.131605	0.123519	0.027316	0.318161	0.104257
BMF	0.016220	0.015087	0.032789	1.000000	0.081787	0.067284	0.011763	0.029269	0.009380	0.004297
AUDIT	0.043987	0.003052	0.062187	0.081787	1.000000	0.101450	0.122543	0.199166	0.027927	0.000277
ROA	0.116179	0.044293	0.131605	0.067284	0.101450	1.000000	0.040547	0.030592	0.075429	0.155854
LEV	0.079263	0.004350	0.123519	0.011763	0.122543	0.040547	1.000000	0.106979	0.082122	0.092362
GRW	0.027933	0.017222	0.027316	0.029269	0.199166	0.030592	0.106979	1.000000	0.200945	0.009814
FS	0.138725	0.093103	0.318161	0.009380	0.027927	0.075429	0.082122	0.200945	1.000000	0.001441
BO	0.046675	0.014569	0.104257	0.004297	0.000277	0.155854	0.092362	0.009814	0.001441	1.000000

DPR : Dividend Payout Ratio, BI : Board independence, FB : Family board, BS : Board size, BMF : Board Meeting Frequency, AUDIT : Audit Committee, ROA : Return on Assets, LEV : Debt level, GRW : Investment opportunities, FS : Firm Size, and BO : The presence of other priority shareholders

Source: Results of Data Processing Using Eviews 10, 2022

Table 4 demonstrates that none of the variables have a correlation value greater than 0.85. Therefore, the regression model does not have multicollinearity.

3. Heteroscedasticity Tes

Heteroscedasticity is a type of assumption violation frequently occurring in cross-sectional data, leading to biased and irrelevant error term estimations. Another way to think of heteroscedasticity is as a

situation where the variance of the disturbance factors differs. The model commonly used to detect the presence of heteroscedasticity in a model is the Glejser test utilizing the absolute value of the regression residual with the independent variables. Moreover, if the probability value of each independent variable is > 0.05 , it can be concluded that the model is free from heteroscedasticity.

Table 5
Results of Heteroscedasticity Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.014882	0.022883	-0.650362	0.5161
BI	0.006576	0.004313	1.524749	0.1286
FB	-0.001608	0.004771	-0.337072	0.7364
BS	0.000413	0.000211	1.955746	0.0516
BMF	0.000443	0.000298	1.487784	0.1381
AUDIT	0.000823	0.000581	1.415586	0.1582
ROA	-0.002727	0.001933	-1.411030	0.1595
LEV	0.001291	0.000692	1.865300	0.0633
GRW	-7.58E-05	0.000403	-0.188008	0.8510
FS	0.000351	0.000800	0.439348	0.6608
BO	0.002063	0.001402	1.472176	0.1423

DPR : Dividend Payout Ratio, BI : Board independence, FB : Family board, BS : Board size, BMF : Board Meeting Frequency, AUDIT : Audit Committee, ROA : Return on Assets, LEV : Debt level, GRW : Investment opportunities, FS : Firm Size, and BO : The presence of other priority shareholders

Source: Results of Data Processing Using Eviews 10, 2022

The FEM model employed in this study is free from heteroscedasticity, as shown by the regression findings above, because the values of each dependent variable, X1, X2, and X3, are all more than $\alpha = (5\%)$.

4. Autocorrelation Test

The autocorrelation test in this study used the Durbin Watson Test. The Durbin-Watson value is 2.120376, according to the table. Both 4-dU and dU(k=10;n=336) have values of 1.87659 and 2.12341, respectively. It demonstrates no autocorrelation issue with the regression model because the Durbin-Watson value is between the dU value and the 4-dU value.

Based on the test results above, it gives a Durbin-Watson stat (DW) result of 1.8994. These findings show that the Durbin-Watson stat (DW) value is within the range of -2 and +2 (-2 DW +2), indicating that the data is free of autocorrelation issues.

Panel Data Regression Analysis

Statistical or hypothesis testing is used to see the independent variables' effect on the dependent variable. The panel data regression estimation is obtained as follows based on data processing:

Table 6
Panel Data Regression Estimation Using a Fixed Effect Approach

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.318638	0.049939	-6.380597	0.0000
BI	0.103886	0.009412	11.03761	0.0000***
FB	0.101193	0.010412	9.718713	0.0000***
BS	0.003951	0.000461	8.575767	0.0000***
BMF	0.006369	0.000650	9.795239	0.0000***
AUDIT	0.005664	0.001269	4.465197	0.0000***
ROA	0.013710	0.004218	3.249977	0.0013***
LEV	0.011946	0.001511	7.907029	0.0000***
GRW	-0.006239	0.000880	-7.087167	0.0000***
FS	0.004650	0.001745	2.664516	0.0082***
BO	0.022877	0.003059	7.479317	0.0000***

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.907003	Mean dependent var	0.007039
Adjusted R-squared	0.871265	S.D. dependent var	0.020282
S.E. of regression	0.007277	Akaike info criterion	-6.776840
Sum squared resid	0.012815	Schwarz criterion	-5.708958
Log likelihood	1232.509	Hannan-Quinn criter.	-6.351152
F-statistic	25.37896	Durbin-Watson stat	2.120376
Prob(F-statistic)	0.000000		

DPR : Dividend Payout Ratio, BI : Board independence, FB : Family board, BS : Board size, BMF : Board Meeting Frequency, AUDIT : Audit Committee, ROA : Return on Assets, LEV : Debt level, GRW : Investment opportunities, FS : Firm Size, and BO : The presence of other priority shareholders.

Source: Results of Data Processing Using Eviews 10, 2022

Based on the results of the FEM model's estimation, the results of the regression for independence board variables, family board, the board size, board meeting frequency, and audit committee size, return on assets, firm size, debt level, investment opportunities, and the others priority shareholder are shown in Table 6.

1. T test

The effect of independence board on dividend policy in family companies is shown by the

estimation results from the FEM model with a probability value of 0.0000 and a coefficient of 0.103886, which suggests that board independence has a positive influence with a significance level of 5%. The test's findings are consistent with the idea of good corporate governance, which holds that independent commissioners are essential to the management of a firm, particularly when it comes to guaranteeing corporate governance. The board of commissioners' level of independence will affect

regulating the dividend policy, protecting shareholder rights, and minimizing type 2 agency issues (Kilincarslan, 2021).

The effect of the presence of a family board on dividend policy in family firms has a probability value of 0.0000 and a coefficient of 0.101193, which means that the presence of a family board has a positive influence with a significance level of 5%. It demonstrates that the presence of a family board has a favorable impact on dividend distribution practices in family firm in Indonesia's non-financial sector. This is consistent with Setia-Atmaja et al.'s (2009) research, which showed that increased family board attendance would enhance dividend payments.

The probability value and coefficient for testing the impact of board size on dividend policy in family firm are 0.0000 and 0.003951, respectively. It indicates that board size has a favorable effect at a significance level of 5%. The board of commissioners' corporate governance control will rise with its size, and the directors will get much more feedback or ideas (Rajput & Jhunjunwala, 2019).

Board meeting frequency has a probability value of 0.0000 and a coefficient of 0.006369, so it can be concluded that board meeting frequency has a positive influence with a significance level of 5%. According to research by Buachoom (2018), a high frequency of board meetings demonstrates strong quality concerning the outcomes of strategic decisions, such as dividend payout policies. Board meeting frequency has a favorable influence on dividend policy.

The audit committee's test results on the dividend policy in family firm yield a probability value of 0.0000 and a coefficient of 0.005664. With a significance level of 5%, it can be said that the audit committee has a favorable influence. The size of the audit committee will impact how closely the firm is monitored, which will affect how much the company operates, ultimately affecting how much money is delivered to shareholders (Buachoom, 2018).

The control variable in this study is return on assets (ROA), has a probability value of 0.0000 and a coefficient of 0.013710 with a significance level of 5%. In contrast, company size exhibits a probability value of 0.0082 and a coefficient of 0.004650. It suggests that ROA and firm size have a favorable impact on dividend distribution policy. According to research by Kilincarslan (2021), the number of dividends distributed by a corporation increases in proportion to profitability and firm size.

The presence of other controlling shareholders is 0.0000 with a coefficient of 0.022877. The dividend policy of family firm is significantly influenced favorably by the presence of other controlling shareholders. It is consistent with Setia-Atmaja et al. (2009)'s research, which found that the existence of additional shareholders effectively

increases family managers' opportunistic behavior and ensures the company pays dividends.

On the other hand, the debt level has a likelihood value of 0.0000 and a coefficient of 0.011946, indicating that it significantly influences dividend policy in family firm. According to Atmaja (2010), family companies tend to have higher debt and a higher dividend payout ratio. Debt is viewed as a form of discipline between shareholders and the company's management since it will strengthen corporate oversight, which will affect how the rights of each shareholder are distributed fairly.

The investment opportunities indicates a likelihood value of 0.0000 and a coefficient of -0.006239. This study's investment opportunities significantly impact the family firm's dividend distribution policy. Companies that have high growth opportunities tend to be reluctant to pay dividends (Kilincarslan, 2021).

2. F Test

Table 6 reveals that F value is 25.37896 and the probability value is 0.000000, or less than 5%. It can be said that the independent factors significantly impact the dependent variable simultaneously. As shown in Table 10, the value of R^2 is 0.907003, indicating that the independent variables and control variables in this study can explain 90.7% of the dependent variable, the dividend payout ratio, while the remaining 0.92997 or 9.29% can be accounted for by variables that were not included in this study.

3. Coefficient of Determination (R^2)

Based on the estimated Fixed Effect model regression, the coefficient of determination (R^2) is 0.907003 or 90.7003%. It indicates that from 2017 to 2020, the independent variables influence board independence variables, family board, board size, board meeting frequency, and audit committee size can explain 90.7003% of family firm's dividend policy in Indonesia's non-financial sector, with the remaining 9.2997% being explained by other variables not included in this research model.

IV. CONCLUSION

In this study, the impact of the board of commissioners structure on the dividend policy of family firm in the non-financial sector from 2017 to 2020 was examined.

First, the study results show that board independence has a positive and significant effect on dividend policy in non-financial family firm. A corporation needs an independent commissioner to verify that minority shareholders' rights are dispersed fairly, particularly in underdeveloped nations where there is less regulation. The independent board of commissioners is anticipated to serve as a go-between

for minority shareholders to oversee corporate governance and the efficient and effective utilization of available resources.

Second, family board has a positive and significant effect on dividend policy in non-financial family firm. The study's findings provide credence to the concept of reputation-building behavior. In order to establish a solid reputation and treat minority shareholders fairly, family boards support paying big dividends. Additionally, this is because they intend to issue more shares in the future.

Third, board size has a positive and significant effect on dividend policy in non-financial family firm. The board of commissioners' control of corporate governance will grow with its size, and the directors will get a lot more feedback or ideas.

Fourth, board meeting frequency has a positive and significant effect on dividend policy in non-financial family firm. The high intensity of board of commissioners meetings indicates how well shareholders' ideas and opinions are communicated. The practical and efficient board of commissioners meetings will impact corporate governance.

Fifth, audit committee size has a positive and significant effect on dividend policy in non-financial family firm. The Audit Committee's size will raise the company's supervisory role, increasing operational activities to their highest level and, ultimately, increasing the profit that will be paid out to shareholders in the form of dividends.

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