Corporate Governance on Dividend Policy and Firm Value in LQ45 Index Companies

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ABSTRACT

This study aims to analyze the effect of corporate governance, which includes family, institutional, managerial, and foreign ownership, on dividend policy and firm value, as well as the moderating role of independent directors in LQ45 companies. Purposive sampling method is used to select 43 LQ45 companies as research samples. The analysis method used is multiple linear regression analysis using data from the annual reports of companies listed on the Indonesia Stock Exchange (IDX). The findings of this study state that institutional ownership has a significant negative effect on dividend policy, with the independent director variable as a moderating variable. In addition, this study also shows that there is no effect of corporate governance through dividend policy as a mediating variable on firm value.

Keywords: Corporate Governance; Dividend Policy; Firm Value; Ownership Structure.

Pengaruh Tata Kelola Perusahaan terhadap Kebijakan Dividen dan Nilai Perusahaan pada Perusahaan Indeks LQ45

ABSTRAK

Penelitian ini bertujuan untuk menganalisis pengaruh tata kelola perusahaan yang meliputi kepemilikan keluarga, institusional, manajerial, dan asing terhadap kebijakan dividen dan nilai perusahaan, serta peran moderasi direktur independen pada perusahaan LQ45. Pendekatan purposive sampling digunakan untuk memilih 43 perusahaan LQ45 sebagai sampel penelitian. Metode analisis yang digunakan adalah analisis regresi linear berganda dengan menggunakan data laporan tahunan perusahaan yang terdaftar di Bursa Efek Indonesia (BEI). Temuan dari penelitian ini menyatakan bahwa kepemilikan institusional memiliki pengaruh negatif yang signifikan terhadap kebijakan dividen dengan variabel direktur independen sebagai variabel moderasi. Selain itu, penelitian ini juga menunjukkan tidak adanya pengaruhnya tata kelola perusahaan melalui kebijakan dividen sebagai variabel mediasi terhadap nilai perusahaan.

Kata Kunci: Tata Kelola Perusahaan; Kebijakan Dividen; Nilai Perusahaan; Struktur Kepemilikan.

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INTRODUCTION

Firm value is a comparison of stock price to book value, which indicates the level of success of a company (Salim & Aulia, 2021). Broadly, companies have a long-term goal to increase investor welfare through dividends and capital gains (Rahmawati, 2020). This goal can be achieved if the company's value is maximized. Besides being determined by stock prices, dividend policies can also influence dividend decisions made by companies. The dividend policy represents the distribution of residual profits among shareholders and financial suppliers (Rajput & Jhunjhunwala, 2019). It can serve as an indicator for investors to assess a company's financial health and prospects.

Generally, the dividend policy determined by the company can mitigate agency conflicts between management and shareholders by minimizing cash misuse and increasing transparency in corporate management. Governance practices implemented by a company can influence its dividend policy. Good governance can support intrinsic value enhancement, productivity optimization, and provide positive impacts for the company (Sindhu *et al.*, 2016). The company's value also reflects how well management, acting as representatives of shareholders, fulfills their duties and responsibilities within the company (Ellin & Wati, 2023; Jao *et al.*, 2020). Without good governance, companies will struggle to limit responsibilities, authority, and make appropriate decisions.

The LQ45 index comprises companies with high liquidity whose shares are in the top 95% of the total annual average stock transaction value (Edi & Wati, 2022). The Indonesia Stock Exchange evaluates LQ45 companies every six months, and those not meeting the criteria are replaced with new companies that do. For this reason, the LQ45 index garners the attention of investors looking to invest. This makes the company's dividend policies more scrutinized by the market and financial analysts. Hence, researchers chose LQ45 companies as the research object to investigate the impact of corporate governance on dividend decisions and firm value.

This study applies agency theory to analyze how principals (shareholders) ensure that agents (management) act in the company's best interest (Jensen & Meckling, 1976). This theory is based on three assumptions: human nature, uncertainty, and transaction costs. According to these assumptions, agency conflicts arise due to differing objectives of each party. Understanding agency theory provides guidance for corporate managers in designing optimal dividend payout ratios, ultimately fostering financial performance with good governance.

Signal theory also underpins this research, explaining a concept where company management with information sends signals to investors to influence their perceptions (Spence, 1997). Financial statements provide information for investors to estimate how the company will perform in the future, as they represent the company's prospects and help predict potential profits. High dividend payments are a strong indicator for investors regarding a company's ability to distribute profits in the future since companies with good performance can distribute high dividends to their investors (Priya & Mohanasundari, 2016). Thus, applying signal theory can offer a deeper understanding of the complex relationship between corporate governance, dividend policy, and firm value.

Ownership structure and the presence of independent directors can affect dividend policy and firm value. This ownership structure includes family, institutional, managerial, and foreign ownership.

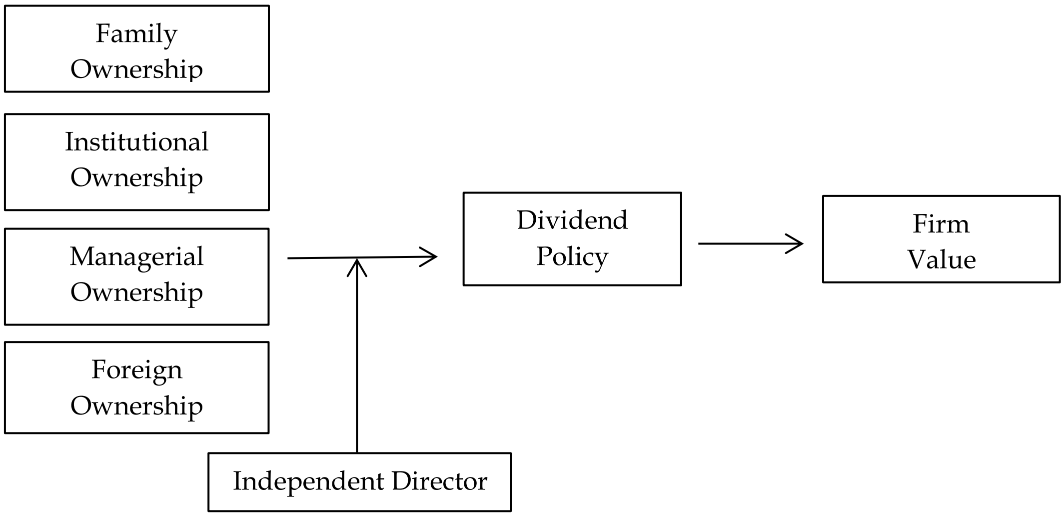

Figure 1. Research Model
Source: Research Data, 2022

Family ownership refers to share ownership where family members directly own and manage the shares. The success of family ownership often depends on the family's ability to maintain control over company decision-making. Therefore, family ownership is an effective corporate governance method to monitor managers and provide more efficient management and oversight (Al-Qahtan & Ajina, 2017). However, signaling theory and agency theory indicate that high family ownership can trigger conflicts of interest between controlling and minority shareholders.

Studies by Al-Qahtan & Ajina (2017), Duqi *et al.* (2020), Kilincarslan (2016), Rajput & Jhunjhunwala (2019), Reyna (2017), and Setiawan *et al.* (2016) have found that companies with high family ownership generally show a lower proportion of dividends paid. Family ownership with full control tends to take personal advantage of their control position by paying high salaries to family members and giving managerial positions to their own family members. The misalignment of interests in family ownership structures can cause conflicts between controlling and minority shareholders. Thus, companies dominated by families generally tend to retain profits and not distribute large dividends to their investors, which sends a negative signal to the market about the company's liquidity and well-being.

H_1: There is a significant negative effect of family ownership on dividend policy.

Institutional ownership refers to share ownership by large institutions and organizations, such as brokerage firms, insurance companies, and banks (Chandra & Junita, 2021). Institutional ownership has a high level of monitoring over the company. This can motivate the company to adopt higher principles of transparency and responsibility, including implementing proportional and beneficial dividend policies for all parties. Based on signaling theory and agency theory, this ownership can alleviate conflicts of interest between shareholders, providing a positive signal to the market about the company's liquidity and well-being.

Research by Anh & Tuan (2019), Bataineh (2021), Chandra & Junita (2021), Ibrahim & Shuaibu (2016), Jatmiko & Kusumastuti (2017), Kilincarslan (2016), Madyan *et al.* (2019), Mehdi *et al.* (2017), Nazar (2021), Obaidat (2018), Reyna (2017), Said & Lubna (2020), and Sumail (2018) shows that institutional ownership can increase the likelihood of companies paying higher dividends. Although institutional ownership is not directly involved in the company's operations, it can increase the amount of dividends to reduce agency costs between company management and shareholders. Therefore, the significant presence of institutional investors in a company can enhance the company's ability to pay dividends, reducing agency costs and motivating the company to operate more transparently and responsibly.

H_2: There is a significant positive effect of institutional ownership on dividend policy.

Managerial ownership refers to the proportion of shares held by company leaders, including directors, commissioners, and other senior officials (Chandra & Junita, 2021). A sense of ownership in the company motivates managers to make the best decisions for the company and benefit in the long run. Generally, company management prefers to retain profits because they want to obtain substantial internal benefits rather than dividends, which can trigger agency conflicts between shareholders. Since the proportion of managerial ownership is minimal, company management has difficulty influencing the company's dividend policy. The lack of influence on dividend policy indicates that the signal provided by managerial ownership to the market is not strong or relevant to this hypothesis. Previous studies by Ahmad *et al.* (2019), Alkurdi *et al.* (2017), Aluchna *et al.* (2019), Chandra & Junita (2021), Fatima *et al.* (2021), Juhmani (2020), Mardani *et al.* (2018), and Zainuddin & Manahonas (2020) support the statement that there is no relationship between managerial ownership and company decisions in setting dividend levels.

H_3: Managerial ownership does not significantly affect dividend policy.

Foreign ownership refers to individuals or entities from abroad that own shares in a company. Foreign ownership's involvement in the company's operations is minimal due to different locations and languages, as well as information asymmetry regarding the company. This ownership considers factors such as global market conditions, political stability, and currency fluctuations in the investment decision-making process. Based on this statement, foreign ownership focuses more on using company profits for operational activities to generate optimal profits (Bangun *et al.*, 2018; Bataineh, 2021). According to signaling theory, high foreign ownership sends a negative signal to the market regarding dividend distribution.

Based on previous research by Ahmad *et al.* (2019), Bangun *et al.* (2018), Bataineh (2021), Kilincarslan (2016), Rajput & Jhunjhunwala (2019), and Setiawan *et al.* (2019), it can be concluded that companies with majority ownership by foreign investors tend to pay lower dividends. This is because foreign investors focus more on the company's long-term growth potential and tend to avoid dividend tax burdens from foreign countries. Based on agency theory, foreign ownership can positively influence dividend policy, but due to their minimal involvement in company operations and prioritizing long-term growth, the tendency to pay dividends becomes low.

H_4: There is a significant negative effect of foreign ownership on dividend policy.

The presence of independent directors in the organizational structure sends a positive signal to the market regarding the company's transparency and accountability. Independent directors who are not directly involved in the company's daily operations and have no conflicts of interest with controlling shareholders can strengthen shareholder wealth protection. Thus, companies with more independent directors tend to distribute larger dividends as a form of commitment to transparency and shareholder interest protection (Sumail, 2018). Previous studies by Mardani *et al.* (2018), Nandom *et al.* (2022), Rajput & Jhunjhunwala (2019), Said & Lubna (2020), and Sumail (2018) align with this statement, showing that the presence of independent directors can encourage companies to distribute larger dividends.

Based on agency theory, the presence of independent directors can also mitigate agency conflicts between management and shareholders. Independent directors play a crucial role as an effective oversight mechanism to ensure that management actions align with shareholder interests. This can strengthen shareholder wealth protection through increased dividend policy, as independent directors can pressure management to distribute company profits fairly to shareholders rather than retain them for internal purposes (Sumail, 2018). Research by Rajput & Jhunjhunwala (2019) found that the moderation of independent directors strengthens the positive relationship between family ownership and dividend policy. This is because when family-owned companies are well-managed and have more independent directors, they will pay more dividends and approach the capital market to meet their financial needs. Thus, these findings confirm that the presence of independent directors not only enhances transparency and accountability but also reduces agency conflict risk, ultimately contributing to a larger and more favorable dividend policy for shareholders.

H_5: There is a significant relationship between the moderation of independent directors on ownership structure and dividend policy.

High family ownership levels often imply lower dividend policies (Al-Qahtan & Ajina, 2017; Duqi *et al.*, 2020; Kilincarslan, 2016; Rajput & Jhunjhunwala, 2019; Reyna, 2017; Setiawan *et al.*, 2016). Based on agency theory, high family ownership can increase conflicts of interest, leading to suboptimal decision-making, asset misuse, and asset value reduction. Signaling theory also states that high family ownership can lead companies to distribute lower dividends, which can send negative signals to investors and potentially decrease the company's value. Studies conducted by Al-Qahtan & Ajina (2017) show that family-owned companies in the Middle East and North Africa tend to have lower dividend policies compared to non-family companies, which is related to decreased firm value. Other findings by Duqi *et al.* (2020) show that family-owned companies in China tend to implement lower dividend policies than non-family companies, which is also related to higher stock volatility. This indicates that family ownership can negatively impact firm value through dividend policy.

H_6: Family ownership through dividend policy as a mediating variable significantly affects firm value.

In agency theory, the presence of institutional investors plays an important role in encouraging companies to implement GCG and increase dividend payments to resolve agency conflicts. Findings researched by Anh & Tuan (2019), Bataineh (2021), Chandra & Junita (2021), Ibrahim & Shuaibu (2016), Jatmiko & Kusumastuti (2017), Kilincarslan (2016), Madyan *et al.* (2019), Mehdi *et al.* (2017), Nazar (2021), Obaidat (2018), Reyna (2017), Said & Lubna (2020), and Sumail (2018) have concluded that institutional ownership is positively related to the level of company dividend payments. High dividend policies driven by institutional investors send positive signals to the market regarding the company's condition and prospects. This potentially increases firm value through increased stock prices and provides a positive perception to investors. High dividend policies also indicate the company's commitment to sharing profits with shareholders, which can enhance the company's reputation and attract more institutional investors. Thus, institutional ownership plays a significant role in shaping dividend policies that enhance firm value.

H_7: Institutional ownership through dividend policy as a mediating variable significantly affects firm value.

Managers who own shares in the company should have the motivation to increase the company's value in line with shareholder interests. However, if the proportion of management shares is too small, this incentive is not strong enough to significantly influence dividend policy. Several previous studies by Ahmad *et al.* (2019), Alkurdi *et al.* (2017), Aluchna *et al.* (2019), Chandra & Junita (2021), Fatima *et al.* (2021), Juhmani (2020), Mardani *et al.* (2018), and Zainuddin & Manahonas (2020) concluded that the level of share ownership by managers does not significantly affect the size of dividend payments by a company. From the perspective of signaling theory, dividend policy can provide information to investors about the company's prospects. However, if management share ownership is too small to influence dividend policy, the resulting signal will not be significant. Thus, dividend policy cannot effectively mediate the relationship between managerial ownership and firm value.

H_8: Managerial ownership through dividend policy as a mediating variable does not significantly affect firm value.

In agency theory, foreign ownership in a company can trigger conflicts of interest between foreign shareholders and company management. Foreign investors might prefer the company to retain earnings and use them for reinvestment rather than distributing dividends, especially since investors have to pay taxes on dividends received from foreign countries (Ahmad *et al.*, 2019; Bangun *et al.*, 2018; Bataineh, 2021; Kilincarslan, 2016; Rajput & Jhunjhunwala, 2019; Setiawan *et al.*, 2019). From a signaling theory perspective, a low dividend policy could send a negative signal to the market, reducing foreign investors' confidence in the company's prospects. This can create a negative perception that the company may have low financial stability or is not committed to sharing profits with investors. However, a low dividend policy could also support company growth and investment, potentially increasing company value in the long term.

H_9: Foreign ownership through dividend policy as a mediating variable significantly affects company value.

RESEARCH METHODS

This study takes a sample from companies listed in the LQ45 index as the research objects for the period from 2018 to 2022. A total of 43 companies were selected as samples using the purposive sampling method. The main data of this study were taken from the annual reports of companies available on the IDX website (www.idx.co.id). Data analysis was conducted using the multiple linear regression analysis method.

Firm value is the dependent variable in this study. Increasing firm value is an important part of company operations, considering that an increase in firm value has a positive impact on the welfare and balance of shareholders (Sasongko, 2019). The measurement of firm value generally uses the ratio of the stock price to its book value of equity. The measurement of firm value through PBV has also been conducted by several researchers, including Husna & Satria (2019), Jallo *et al.* (2017), Nurdiansari *et al.* (2022), Purwanti (2020) Putranto & Kurniawan (2018), Salim & Aulia (2021), Setiany *et al.* (2020) and Triani & Tarmidi (2019). The PBV formula is as follows.

$$\text{Firm Value} = \frac{Price\ Per\ Share}{Book\ Value\ Per\ Share} \quad \text{.......... (1)}$$

This study involves four independent variables, namely family ownership, institutional ownership, managerial ownership, and foreign ownership. Family ownership refers to shares owned by family members themselves. Family ownership is calculated based on the total ownership by family members divided by the total ownership of a company. Family ownership is calculated using the following formula, adapted from Gultom dan Wati (2022).

$$\text{Family Ownership} = \frac{Number\ of\ Family\ Shares}{Number\ of\ Outstanding\ Shares} x\ 100\% \quad \text{.......... (2)}$$

Share ownership by institutions and large organizations, such as securities companies, insurance companies, and banks, is an example of institutional ownership. Institutional ownership is calculated by the amount of institutional ownership relative to the total ownership of a company. The formula for calculating institutional ownership is as follows (Madyan et al., 2019).

$$\text{Institutional Ownership} = \frac{Number\ of\ Shares\ Held\ by\ Institutions}{Number\ of\ Outstanding\ Shares} x\ 100\% \quad \text{.......... (3)}$$

Managerial ownership refers to the type of share ownership by company executives such as directors, commissioners, or other senior officials currently in circulation. The percentage of this ownership is calculated by dividing the number of shares owned by the company's executives by the total shares of the company. The calculation of this ownership uses a formula adapted from Chandra & Junita (2021).

$$\text{Managerial Ownership} = \frac{Number\ of\ Shares\ Owned\ by\ Managers}{Number\ of\ Outstanding\ Shares} x\ 100\% \quad \text{.......... (4)}$$

Foreign ownership refers to individuals or business entities from abroad who own shares in the company. The level of ownership is calculated from the amount of ownership by foreign individuals or entities divided by the total shares of a company. The formula for calculating foreign ownership is as follows (Kilincarslan, 2016).

Foreign Ownership = $\frac{Number\ of\ Foreign\ Shares}{Number\ of\ Outstanding\ Shares}\ x\ 100\%$ .... (5)

This study uses independent directors as a moderating variable. Independent directors are parties who play a role in uniting managers, and these independent directors also function to reduce agency problems between the board of directors and management. Independent directors are calculated based on the ratio of the number of independent directors to the total number of company directors. The formula for calculating independent directors is as follows (Wati & Malik, 2021).

Independent Directors = $\frac{Number\ of\ Independent\ Directors}{Total\ Company\ Directors}\ x\ 100\%$ .... (6)

The dividend policy in this study acts as a mediating variable. This policy is defined as a strategic decision made by the company regarding the distribution of profits to investors. Companies can determine whether to distribute profits (dividends) or use them for future investments (retained earnings). The dividend payout ratio is commonly used by several studies as an indicator of dividend policy. The dividend payout ratio is calculated using the following formula, adapted from (Madyan et al., 2019).

Dividend Payout Ratio = $\frac{Dividend\ Per\ Share}{Net\ Income\ Per\ Share}\ x\ 100\%$ .... (7)

In this study, Eviews version 12 was used to run panel data regression analysis to identify and measure the influence of variable X on variable Y. The data analysis includes the use of descriptive statistical methods, panel data regression model estimation, panel data regression model selection, multiple linear regression testing, hypothesis testing, and the Sobel test. A multiple linear regression approach was applied to assess the impact of independent variables simultaneously and individually on the dependent variable. The panel regression model to assess the impact of corporate governance on dividend policy with the moderating variable of independent directors is formulated as follows:

Model 1

$Y = \alpha+\beta_1X_1+\beta_2X_2+\beta_3X_3+\beta_4X_4+\beta_5X_1*X_5+\beta_6X_2*X_5+\beta_7X_3*X_5+\beta_8X_4*X_5+e$ .... (8)

Explanation:

Y = Dividend Policy
α = Constant
$\beta_1 - \beta_8$ = Coefficients of independent variables
X_1 = Family Ownership
X_2 = Institutional Ownership
X_3 = Managerial Ownership
X_4 = Foreign Ownership
X_5 = Independent Directors
e = Standard Error

The panel regression model to assess the impact of corporate governance through dividend policy as a mediating variable on firm value is formulated as follows:

Model 2

$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + e$ .... (9)

Explanation:

Y = Firm Value
α = Constant
$\beta_1 - \beta_5$ = Coefficients of independent variables
X_1 = Family Ownership
X_2 = Institutional Ownership
X_3 = Managerial Ownership
X_4 = Foreign Ownership
X_5 = Dividend Policy
e = Standard Error

RESULT AND DISCUSSION

Descriptive statistics are defined as a method of statistical analysis aimed at presenting, summarizing, and systematically describing data. This method is used to organize data into a more understandable form, provide a clear picture of the characteristics of a data distribution, and show the trends and variations of a data set. This method produces statistics that include values for standard deviation, maximum, minimum, and mean. Table 1 presents the descriptive statistics information in this study.

Table 1. Descriptive Statistics Test Results

	Mean	Max	Min	St. Dev
Firm Value (FV)	1.020	2.340	0.121	0.436
Dividend Policy (DPR)	0.257	0.762	0.000	0.219
Family Ownership (FAM)	0.036	0.721	0.000	0.115
Institutional Ownership (INS)	0.763	0.997	0.186	0.249
Managerial Ownership (MAN)	0.046	0.721	0.000	0.127
Foreign Ownership (FOR)	0.317	0.930	0.000	0.248
Independent Directors (IND)	0.048	0.333	0.000	0.086

Source: Research Data, 2023

Based on Table 1, PT. Harum Energy Tbk recorded the lowest firm value (0,121) in 2019, while PT. Japfa Comfeed Indonesia Tbk peaked with a value of 2,340 in 2018. The average firm value shows a figure of 1,020, indicating that the firm value on the LQ45 index is relatively good, thus giving investors confidence and positive expectations about the growth and potential of LQ45 companies. The standard deviation analysis on the firm value variable shows a variation in profitability of 0,436 from the mean value.

The minimum dividend policy value among LQ45 companies during the 2018-2022 period is 0,000, while the maximum value was achieved by PT. Unilever Indonesia Tbk in 2018, amounting to 0,762. The average dividend policy value shows a figure of 0,257, which suggests that LQ45 companies generally prefer to prioritize investment in business growth and development over distributing dividends to shareholders. The standard deviation value on the dividend policy reaches 0,219, indicating a variation in profitability of 0,219 from the mean value.

The minimum and maximum family ownership values presented in Table 1 are both 0,000, achieved by several companies, and 0,721, achieved by PT. Barito Pacific Tbk in 2020. The average family ownership value is 0,036, indicating that LQ45 companies tend to involve external shareholders in the ownership and control of the company. The standard deviation value on family ownership reaches 0,115, showing a deviation in profitability of 0,115 from the mean value.

PT. Elang Mahkota Teknologi Tbk recorded the minimum institutional ownership value of 0,186 in 2021, while PT. Indofood CBP Sukses Makmur Tbk peaked with a value of 0,997 in 2018. This ownership averages 0.763, indicating high interest and participation from institutional investors in LQ45 index companies. The standard deviation analysis on the institutional ownership variable shows a value of 0,249, indicating a variation in profitability of 0,249 from the mean value.

The minimum managerial ownership value presented in Table 1 is 0,000, while the maximum value was achieved by PT. Barito Pacific Tbk in 2020, reaching 0,721. Managerial ownership has an average of 0,046, suggesting that LQ45 company management focuses on different types of ownership to provide different managerial incentives. The standard deviation analysis shows a value of 0,127 on the managerial ownership variable, meaning there is a deviation in profitability of 0,127 from the mean value.

The analysis in Table 1 shows that the lowest foreign ownership value is 0,000 and the highest is 0,930, achieved by PT. Unilever Indonesia Tbk in 2018. Foreign ownership averages 0,317, indicating high interest and participation from foreign investors in LQ45 companies, which can bring valuable capital, technology, and access to international markets. The standard deviation analysis shows a value of 0,248 on the foreign ownership variable, indicating a deviation in profitability of 0,248 from the mean value.

The minimum proportion of independent directors in LQ45 companies reaches 0%. The maximum value reaches 33,3%, achieved by several companies. Based on the average value of 0,048 on the independent director variable, it can be concluded that LQ45 companies have a low proportion of independent directors compared to company directors or have no independent directors. The standard deviation analysis shows a value of 0,086 on the independent director variable, indicating a deviation in profitability of 0.086 from the mean value.

This study conducted classical assumption tests before regressing the data to ensure the validity of the regression model. The normality test shows that the residual distribution of both models is normal, with Asymp. Sig (2-tailed) values in both models exceed 0,05. Based on the multicollinearity test, both research models are free from multicollinearity with VIF values of all variables below 10. Based on the autocorrelation test, no autocorrelation was found in both models. This is because the Durbin-Watson values in both models are close to 2, namely 0,046 and 0,047. The heteroscedasticity test shows no tendency for heteroscedasticity in both models, confirmed through the visualization of scatterplot diagrams. This indicates that the residual values are randomly distributed without forming a specific pattern.

After passing the classical assumption tests, the next step is to select the best model among the CEM, FEM, and REM models. This selection involves three stages of testing: the Chow test, the Hausman test, and the Lagrange Multiplier test. After testing, the REM test is the best model to conduct the tests for the two relevant models in the data analysis.

After determining the best model, the next step is hypothesis testing. The study uses multiple linear regression to explore the influence of ownership structure on dividend policy, including independent directors as a moderating variable. This study analyzes data from LQ45 companies for the period 2018-2022. The hypothesis test results for model 1 are presented in Table 2.

Table 2. Multiple Linear Regression Analysis Test Results Model 1

Variable	Coefficient	Std. Error	t-statistik	Prob.
C	0.189	0.076	2.484	0,014
FAM	0.789	1.131	0.697	0,486
INS	0.075	0.090	0.837	0,404
MAN	-1.075	1.109	-0.969	0,334
FOR	0.115	0.095	1.209	0,228
IND	2.928	1.346	2.174	0,031
FAM*IND	0.755	5.976	0.126	0,900
INS*IND	-3.347	1.477	-2.266	0,025
MAN*IND	-4.792	6.262	-0.765	0,445
FOR*IND	0.424	0.799	0.531	0,596
Adjusted R-Squared		0.055		
Prob. (F-statistic)		0.032		

Source: Research Data, 2023

The results of the F-test in Table 2 show a significance value of 0,032 in model 1, which is below the 0,05 significance level. The estimated regression model is proven valid to explain the effect of family, institutional, managerial, and foreign ownership on dividend policy, with independent directors as a moderating variable. The following regression equation is derived from the data analysis for model 1:

DPR = 0,189 + 0,789 FAM + 0,075 INS – 1,075 MAN + 0,115 FOR + 0,755 FAM*IND – 3,347 INS*IND – 4,792 MAN*IND + 0,424 FOR*IND + *e* .... (10)

The analysis of the coefficient of determination (Adjusted R^2) is conducted to evaluate the extent to which the variation of independent variables explains the dependent variable in this study. Adjusted R^2 is used as an indicator of the adjusted coefficient of determination. The Adjusted R^2 value in this research model is obtained at 0,055. From these findings, it can be concluded that the independent variables in this study can explain 5,5% of the variation in dividend policy, while the remaining 94,5% is explained by other variables not included in this analysis.

The t-test is used to assess the significance of the effect of each independent variable on the dependent variable individually within the research model framework. Based on Table 2, the regression coefficient of the family ownership variable is 0,789 with a p-value of 0,486. This finding indicates that the first hypothesis (H1) is rejected because there is no significant effect of family ownership on the dividend policy in LQ45 companies for the period 2018-2022. Family ownership with average ownership below 5% does not impact dividend policy as it does not have majority control. Therefore, family ownership is not proven to influence dividend decisions and does not exacerbate agency conflicts between majority and minority shareholders. This finding is in line with Bataineh

(2021) research, which shows no significant effect between family ownership and dividend policy.

Based on Table 2, the regression coefficient for institutional ownership is 0,075, with a p-value of 0,404. These results reject the second hypothesis (H_2) because there is no significant effect between institutional ownership and dividend policy in LQ45 companies for the period 2018-2022. Institutional ownership can help reduce agency costs in several ways, one of which is through dividend policy. However, in LQ45 companies, institutional ownership does not affect dividend policy. This ownership tends to focus more on management oversight and strategic planning rather than dividend decisions. These findings are consistent with previous studies by Fatima *et al.* (2021), Juhmani (2020), Mardani *et al.* (2018), and Mossadak *et al.* (2016), which show that institutional ownership does not have a significant effect on dividend policy.

Based on the analysis results, the regression coefficient for managerial ownership is -1,075 with a p-value of 0,334. This finding supports the third hypothesis (H_3), which states that there is no significant effect between managerial ownership and dividend policy in LQ45 companies for the period 2018-2022. The main factor for this result is the low level of managerial ownership in LQ45 companies, which is less than 5%. Low managerial ownership means their focus is not on dividend policy. Although managers may want to maximize profits internally, minimal managerial ownership means they do not significantly impact the company's dividend decisions. This finding is consistent with previous studies by Ahmad *et al.* (2019), Aluchna *et al.* (2019), Chandra dan Junita (2021), Fatima *et al.* (2021), Juhmani (2020), Mardani *et al*. (2018), Zainuddin dan Manahonas (2020), which also state that there is no significant effect between managerial ownership and dividend policy.

Based on Table 2, the regression coefficient for foreign ownership is 0,115, with a p-value of 0,228. This result can be concluded that the fourth hypothesis (H_4) is rejected because there is no significant effect between the level of foreign ownership and dividend policy in LQ45 companies for the period 2018-2022. This is because foreign investors are more interested in the long-term growth of the company than dividends, which also helps reduce the tax burden on dividends. Therefore, there is no significant effect between the foreign ownership variable and dividend policy. This finding is in line with previous research by Duqi *et al.* (2020), Kusumaningtyas (2022), and Said & Lubna (2020).

This study also examines the role of independent directors as a moderating variable in the relationship between ownership structure and dividend policy. Based on the analysis results in Table 2, independent directors are not proven to moderate the relationship between family ownership, managerial ownership, and foreign ownership with dividend policy. This is shown by the probability values for the three variables being greater than 0,05. However, at the level of institutional ownership with independent directors as a moderating variable, the coefficient and probability values are -3,347 and 0,025, respectively. This research supports the fifth hypothesis (H_5), which states that there is a significant relationship between the moderation of independent directors and the relationship between ownership structure and dividend policy. Independent directors play an important role in addressing agency problems because they are neutral and objective, providing independent perspectives and effectively supervising company management. Institutional ownership in LQ45 companies has a view toward the company's long-term growth and concerns about unstable company operations because LQ45 companies are selected companies with high liquidity and high investor confidence. Therefore, this ownership aims to maintain investor trust and the company's position in the LQ45 index by developing stable business and finances rather than providing higher dividends. Thus, the higher the level of institutional ownership and the number of independent directors, the lower the likelihood of dividends being paid to investors.

Table 3. Multiple Linear Regression Analysis Test Results Model 2

Variable	Coefficient	Std. Error	t-statistik	Prob.
C	1.045	0.151	6.914	0.000
FAM	0.542	0.531	1.020	0,310
INS	-0.373	0.187	-1.992	0,048
MAN	-1.004	0.438	-2.288	0,024
FOR	0.889	0.018	5.061	0,000
DPR	-0.045	0.067	-0.683	0,496
Adjusted R-Squared		0.213		
Prob(F-statistic)		0.000		

Source: Research Data, 2023

The F-test results in Table 3 show that the significance value for model 2 is 0,000, which is below the 0,05 significance level. This indicates that the regression model is valid in explaining the effect of family ownership, institutional ownership, managerial ownership, foreign ownership, and dividend policy on firm value. Model 2 has the following regression equation:

FV = 1,045 + 0,542 FAM – 0,373 INS – 1,004 MAN + 0,889 FOR – 0,045 DPR..... (11)

The Adjusted R^2 for model 2, as recorded in Table 3, is 0,213. This indicates that approximately 21,30% of the variation in firm value can be explained by the independent variables within the framework of this study, while the remaining 78,70% is influenced by other variables not included in this framework. The study results show that the probability values for the institutional ownership, managerial ownership, and foreign ownership variables are lower than 0,05. These results conclude that these three variables have a significant effect on firm value. However, the family ownership and dividend policy variables do not have a significant impact on firm value as their probability values exceed 0,05.

Table 4. Model 2 Sobel Test Results

Variable	Two-Tailed Probability
FAM - DPR - FV	0.576
INS - DPR - FV	0.518
MAN - DPR - FV	0.513
FOR - DPR - FV	0.499

Source: Research Data, 2023

The Sobel test is applied to assess whether the mediating variable significantly mediates the relationship between variable X and variable Y. This test uses the two-tailed probability value. A two-tailed probability value lower than 0,05 indicates sufficient statistical evidence to conclude that the mediating variable has a mediating effect on the relationship between variable X and variable Y. Based on Table 4, the two-tailed probability value for dividend policy mediation in the relationship between family ownership and firm value is 0,576. This value is higher than the commonly established significance level of 0,05. These results reject the sixth hypothesis (H_6). Family ownership is responsible for maintaining stakeholder trust to maximize firm value and gain wealth from the firm's value (Juwita, 2017). However, family ownership in LQ45 companies has a minimal share proportion, thus unable to directly influence firm value. This study's findings support the results of Mulyani dan Solin (2019), which indicate that firm value cannot be directly or indirectly influenced by family ownership through dividend policy.

Based on Table 4, the two-tailed probability value for dividend policy mediation in the relationship between institutional ownership and firm value is 0,518. This result is above 0,05, rejecting the seventh hypothesis (H_7). High institutional ownership can create high pressure to continuously achieve rapid growth and high profits. If a company cannot meet these high growth expectations, it will result in a decrease in its stock price and firm value. This statement aligns with the results of Table 3 and previous research by Setyabudi (2021), which states a significant negative relationship between institutional ownership and firm value. Nevertheless, dividend policy is not proven to have a mediating effect on this relationship. This is because institutional investors in LQ45 companies focus more on capital gains than dividends.

From the analysis results, the two-tailed probability value for dividend policy mediation in the relationship between managerial ownership and firm value is 0,513, which exceeds 0,05. This figure indicates that dividend policy does not have a mediating effect on the relationship between managerial ownership and firm value, thus accepting the eighth hypothesis (H_8). However, according to the data in Table 3, managerial ownership has a significant direct negative impact on firm value. High managerial ownership can decrease firm value because management tends to make decisions that benefit their interests rather than the firm's profitability. High managerial ownership is not always a positive signal for investors. Additionally, high managerial ownership can cause instability in the company's management. If a manager with a high share proportion resigns, it can negatively impact the company's operations and value. This instability can affect the company's stock price and investor confidence. These findings are consistent with previous research by Trisnadewi & Amlayasa (2020), which found a negative relationship between managerial ownership and firm value. Dividend policy as a mediating variable does not have a mediating effect on the relationship between managerial ownership and firm value because the average managerial ownership is 4,6%, a minimal level that cannot directly influence dividend decisions. Thus, the hypothesis stating that dividend policy does not mediate the relationship between managerial ownership and firm value is proven.

According to Table 4, the two-tailed probability value for the foreign ownership variable reaches 0,499. This result is above 0,05, rejecting the ninth hypothesis (H_9). However, the results in Table 3 show a significant positive relationship between foreign ownership and firm value. High foreign ownership in a company can provide additional capital used for the company's growth and business development, helping achieve greater growth potential. Besides additional capital, foreign ownership can bring additional resources and expertise, such as knowledge and experience regarding international markets, which can help the company compete globally. Thus, the firm's value can increase rapidly. This study's findings indicate that dividend distribution does not significantly affect firm value. This suggests that dividend policy does not mediate the relationship between foreign ownership and firm value.

This research supports the agency theory that independent directors can help reduce agency conflicts by moderating the relationship between institutional ownership and dividend policy. Furthermore, this research provides mixed evidence for signaling theory. Foreign ownership is considered a positive signal for investors regarding the company's prospects, leading to increased firm value in this study. On the other hand, dividend policy is not proven to be an effective signal for investors in this study.

These findings have important implications for investors, managers, and policymakers. The study results provide valuable information for investors in making investment decisions. Investors need to consider ownership structure, dividend policy, and the number of independent directors when evaluating firm value. For managers, these findings can guide the formulation of effective dividend policies. Managers should consider the ownership structure and the number of independent directors when making dividend decisions. Meanwhile, this research can provide input to policymakers. Policymakers can formulate regulations related to ownership structure, dividend policy, and corporate governance.

CONCLUSION

Based on the analysis and discussion results, this study states that independent directors can weaken the relationship between institutional ownership and dividend policy of LQ45 index companies on the Indonesia Stock Exchange during the period 2018-2022. Independent directors help address agency problems by providing an objective perspective that can create fairer dividend policies, while institutional ownership in LQ45 companies prioritizes long-term growth and stability, which can result in fewer dividends being distributed to investors. High institutional ownership in a company and many independent directors tend to distribute fewer dividends to investors. Dividend policy does not have a mediating effect on the relationship between ownership structure and the value of LQ45 index companies during the period 2018-2022.

There are several limitations in this study, one of which is the focus on ownership structure as a single aspect of corporate governance. Future research could consider adding other independent variables such as macroeconomic factors, financial performance, and firm size. Adding these variables could provide a comprehensive understanding and increase the validity and reliability of research results. Additionally, the measurement of firm value could use Tobin's Q, as this measure combines information from market value and book value of assets, providing a more comprehensive picture of firm value compared to PBV, which only shows a static comparison of these values. Therefore, future research could yield more comprehensive and useful findings by incorporating the suggested independent variables and a more accurate measure of firm value.

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