ANALYSIS OF THE INFLUENCE OF GOOD CORPORATE GOVERNANCE ON DIVIDEND POLICY IN PROPERTY AND REAL ESTATE SECTOR COMPANIES LISTED ON THE INDONESIAN STOCK EXCHANGE

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Abstract
This research aims to determine the impact of good corporate governance as measured using the size of the board of commissioners, independent commissioners, size of the board of directors and leverage as control variables on dividend policy in property and real estate sector companies listed on the Indonesian stock exchange. This research uses a combination of cross section and time series data. The population from this research is 73 companies and the sample in this research is 28 companies using a purposive sampling technique. Data analysis used in this research uses the Panel Data Regression method with the help of the Eviews 10 application. The data used is secondary data which can be accessed via the official website www.idx.co.id. The research results found that the size of the board of commissioners had a positive and insignificant effect on dividend policy, independent commissioners had a positive and insignificant effect on dividend policy, the size of the board of directors had a positive and insignificant effect on dividend policy.

Keywords: *Size of the Board of Commissioners, Independent Commissioners, Good Corporate Governance*

INTRODUCTION

In Indonesia, the capital market is a crucial securities trading market. The development of the capital market in Indonesia has become a long-term funding source for businesses and governmental institutions, attracting both domestic and foreign investors to invest their money there. This development has prompted stakeholders in the capital market industry to improve the issuer companies to compete with investors who have high expectations of achieving returns (Suharli and Oktorina, 2019). Agency theory explains the conflicts that often occur between shareholders and managers in a company. Jensen and Meckling (1976) suggested that this conflict arises because managers, who act as agents, may have interests that do not always align with those of the shareholders as principals. To reduce these conflicts of interest, companies must incur additional costs, known as agency costs, including monitoring costs and incentives for managers (Anthony and Govindarajan, 2009).

The implementation of corporate governance in companies can reduce information asymmetry and agency costs, such as monitoring and incentives for managers. One phenomenon related to dividend policy in property and real estate companies is the case that occurred in 2021 where the gross domestic product (GDP) of the property and real estate sector at current prices reached IDR 468.22 trillion. This achievement was better compared to the GDP growth of the previous year, which was only 2.32%, due to the COVID-19 pandemic, which saw a decline from 2019 (katadata.id, 2022). Below is an overview of the development of the Dividend Payout Ratio from 2019 to 2021 for several property and real estate companies listed on the Indonesia Stock Exchange.

Agents are given the authority to carry out the operational activities of the company because the owners believe that the agents have the necessary knowledge and skills to run the company's operations, and the operations carried out by the agents are expected to achieve the company's goals. The implementation of good governance, also known as good corporate governance, is one of the factors considered to be a component of dividend policy. The implementation of good corporate governance is essential to develop and apply new systems and paradigms, both for private companies and the government.

According to a survey conducted by the Asian Corporate Governance Association (ACGA) on business practices in Asia, Indonesia is still ranked 10th in terms of good corporate governance (GCG). In the implementation of good corporate governance, many stakeholders are involved in applying good corporate management practices. According to the Republic of Indonesia Law No. 40 of 2007, Article 2 on the structure of corporate governance of limited liability companies, the general meeting of shareholders, the board of commissioners, and the board of directors are required. In addition to shareholders, the board of commissioners and the board of directors are also key parties in the corporate governance structure. In this study, independent commissioners are used, delegated by shareholders and independent commissioners. One of the tasks of the independent commissioners is to protect minority shareholders from majority shareholders. The role of independent commissioners is to oversee the performance of the board of directors to prevent agency conflicts where directors prioritize personal interests over shareholders' interests. This is done to reduce agency costs between minority shareholders and the board of directors (Cahyadi, Purwanti, & Mardiati, 2018).

In recent years, the issue of corporate governance has been widely debated in developing countries. Many companies have gone bankrupt due to weak implementation of good corporate governance within the company. Bankruptcy results in a decline in shareholders' trust in management. This will also affect investors' actions to withdraw investments previously made (Risnandityo and Laksito, 2019). The issue of corporate governance has increased in recent years, partly as a result of corporate scandals and deviant actions by executives. Cases of corporate governance issues still occur in Indonesia, such as the case of PT. Lippo Group regarding the Meikarta project (2017). Lippo Group experienced liquidity difficulties, and the Meikarta project was cited as the cause because it consumed a lot of company funds. From this case, PT. Lippo Group is at risk of bankruptcy, as evidenced by declining company profits, stock prices, and cash flows, causing investor concerns about investing in the company (www.cnbcindonesia.com 2023).

Many factors influence dividend policy, one of which is the implementation of good corporate governance, which includes several variables such as the size of the board of commissioners. Gresita Fikania Limbong and Darsono (2021) found that the size of the board of commissioners positively impacts dividend policy. This finding is in line with Alvin Akbar Pratama (2015), who found that the size of the board of commissioners has a statistically significant impact on dividend policy. The board of directors can also influence dividend policy, as previous studies by Bangun et al. (2018) and Padil & Adawiyah (2019) found that the number of directors positively impacts dividend policy. In Padil & Adawiyah (2019), investors with a larger board of directors tend to have more difficulty communicating, collaborating, and reaching consensus than smaller groups. This can improve performance, which means higher profits and impacts dividend payments.

LITERATURE REVIEW

Signal Theory

According to Jensen and Meckling (1976), agency theory views management as agents and shareholders as principals. According to this theory, management is contracted by shareholders to work in the shareholders' interest and is given the authority to make decisions for the benefit of the shareholders. A company is considered a nexus of contracts or a hub of contracts between agents (agents) and principals (principals). This can encourage managers to take moral risks. According to Jensen and Meckling (1976), there are three types of agency costs: directorial monitoring costs, bonding costs, and residual loss. According to research conducted by M. Jensen and Meckling (2012), an agency relationship is a relationship between owners and managers who manage investments. In other words, an agency relationship is a relationship between owners and managers involving investments to perform tasks on their behalf by granting decision-making authority to agents. This is due to the fact that the ownership and management of investments have different responsibilities.

Dividend Policy

One of the important decisions that a company must make is the payment of dividends. This is done to calculate the amount of net profit reinvested in the business as retained earnings and also to determine how much profit is paid out as dividends (Tahir et al., 2020). According to Ginting and Munawaroh (2018), a dividend payment policy is when a company chooses to distribute part or all of its profits to its shareholders, which is decided by the General Meeting of Shareholders (GMS). This policy reduces the likelihood that internal funds or retained earnings will be used for investment or business expansion. Companies usually pay dividends to investors regularly. The amount of profit or net income received affects the payment of dividends to shareholders. The dividend payout ratio can be used to calculate how much dividend will be distributed (Khan et al., 2020).

Good Corporate Governance

Good corporate governance is a corporate governance system that consists of regulations governing the relationships between management, shareholders, creditors, the government, employees, and internal and external stakeholders. In other words, this system oversees and regulates the company with the aim of increasing value for all parties interested in the company. The implementation of good corporate governance is expected to ensure that management operates effectively as expected and that the management process runs efficiently.

Board Of Commissioners

Based on the Republic of Indonesia Law No. 40 of 2007 regarding limited liability companies, Article 1, number 6, the board of commissioners is an organ of the company responsible for general and/or specific supervision in accordance with the articles of association, as well as providing advice to the board of directors. The number and composition of the board of commissioners can enhance its performance. The board of commissioners is tasked with overseeing and advising the board of directors to ensure that the company adheres to good corporate governance practices (GCG). Rulsli Abdullah (2008) states that the board of commissioners is responsible for supervising and advising the board of directors on how to conduct business in line with the interests of shareholders and in accordance with the objectives and goals of the company.

Independent Commissioner

According to BAPEPAM Regulation Number: KELP-643/BL/2012, what is meant by Independent Commissioners are members of the Board of Commissioners who meet the following requirements: a) Must come from outside the Company or Public Company; b) Must not be individuals who have worked for the Company or Public Company and have authority and responsibility for planning, leading, controlling, or supervising activities within the Company or Public Company in the last six months; c) Must not own shares, either directly or indirectly, in the Company or Public Company; d) Must not have any affiliation with the Company or Public Company, Commissioners, Directors, or Major Shareholders of the Company or Public Company; e) Must not have any direct involvement in the business activities of the Company or Public Company; and f) Must not have any relationships that could affect their ability to act independently.

Size Of The Board Of Directors

The board of directors consists of individuals who have the authority and responsibility for all company operations. According to Khaoulla and Moelz (2019), the board of directors is responsible for allocating resources, improving company performance, and increasing shareholder wealth. The provisions regarding the Board of Directors according to Law No. 40 of 2007 concerning limited liability companies state that the Board of Directors is an organ of the company that has the authority and is responsible for managing the company's operations in the interests of the company, in line with its objectives and goals, and represents the company both inside and outside the court in accordance with the provisions of the articles of association.

Leverage

Leverage also indicates that a company has the ability to obtain debt from external parties to finance its operational activities while continuing to grow or develop (Ginting, 2018). The level of leverage can be calculated by dividing the total assets of the company by the total debt of the company. This method is known as the Debt to Equity Ratio (DER). If a company does not have sufficient internal funds, a company with good prospects will likely use borrowed funds to finance operations or expansion (Tahir et al., 2020).

METHOD

The research location for this study is property and real estate companies listed on the Indonesia Stock Exchange (IDX) accessed through the official site www.idx.co.id. The objects of this research are the size of the board of commissioners, independent commissioners, size of the board of directors, and leverage. This study is limited to the year 2022. The technique used in this research is panel data regression aimed at combining cross-section and time series data. The research objects include the size of the board of commissioners, independent commissioners, size of the board of directors, leverage, and dividend policy. The data is processed using Eviews 10. The population used in this research consists of 73 companies in the property and real estate sector listed on the Indonesia Stock Exchange. The sampling technique employed in this research is purposive sampling, which involves selecting samples based on specific criteria relevant to the research objectives (Firmansyah & Deldel, 2022). The sample includes 28 selected companies for the study, covering observations over five years, from 2018 to 2022.

RESULTS AND DISCUSSION

Results

In the descriptive analysis, the average, maximum value, minimum value, and standard deviation of the data used in this research will be presented. In descriptive statistical analysis, the main point to consider is that if the standard deviation is greater than the mean, the mean is not a good representation of the data distribution. Conversely, if the standard deviation is smaller than the mean, it indicates a better representation of the data distribution.
The descriptive results of this research are as follows:

Table 1. Descriptive Statistics Results

	DIVIDElN	UlDK	KI	UlDD	LElV
Melan	3.514286	4.264286	8.664286	4.871429	3.842857
Meldian	1.000000	4.000000	4.000000	5.000000	4.000000
Maximulm	19.00000	10.00000	17.00000	10.00000	4.000000
Minimulm	1.000000	2.000000	3.000000	2.000000	3.000000
Std. Delv.	5.472608	1.585050	6.738284	1.853804	0.365242
Obselrvations	140	140	140	140	140

Source: Data Processed, 2024

1. The average dividend policy value is 3.514286 with a standard deviation of 5.472608. In descriptive terms, the dividend policy as a dependent variable has a minimum value of 1.000000, while the maximum value is 19.00000.

2. The average Independent Commissioner (UlDK) value in this study is 4.264286. The highest UlDK value in this study is 10.00000, and the lowest value is 2.000000.

3. The average Board of Directors (KI) value in this study is 8.664286. The highest KI value in this study is 17.00000, and the lowest value is 3.00000.
4. The average leverage (UlDD) value in this study is 4.871429. The highest UlDD value in this study is 10.00000, and the lowest value is 2.00000.

Uji Chow

The Chow test is used to select the better approach between the common effect model and the fixed effect model based on the following criteria:

1. If the probability chi-square < 0.05, then the fixed effect model is chosen.
2. If the probability chi-square > 0.05, then the common effect model is chosen.

Table 2. Chow Test Results

Elffelcts Telst	Statistic	d.f.	Prob.
Cross-selction F	12.484979	(27,108)	0.0000
Cross-selction Chi-sqularel	198.261732	27	0.0000

Source: Data Processed, 2024

The results of this test using a fixed elffelct model were obtained with a prob value of 0.0000 <0.05, indicating that the fixed elffelct model was better used. So this model, seen from the results of the study, is the fixed field elf model (FEM).

Uji Hasuman

The Hausman test is conducted to determine the selected model between the Fixed Effect Model and the Random Effect Model. The criterion is as follows: if the probability (>0.05), then the selected model is the Random Effect Model; whereas if the probability (<0.05), then the selected model is the Fixed Effect Model. The results of the Hausman test are as follows:

Table 3. Hausman Test Results

Telst Sulmmary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-selction random	2.878390	4	0.5784

Source: Data Processed, 2024

Based on Table 4.5 above, the Hausman test results obtained a probability value of 0.5784 > 0.05, indicating that the Random Effect Model is preferred. Therefore, based on this analysis, there is no need to conduct the Lagrange Multiplier test since this model is considered the best. Based on the model selection technique conducted in this research, the model applied is the Random Effect Model (REM), which can be seen in the following table.

Table 4. Panel Data Regression Estimation Using Random Effect Model (REM)

Variablel	Coelfficielnt	Std. Elrror	t-Statistic	Prob.
C	13.99257	5.058597	2.766098	0.0065
UlDK	0.154541	0.481510	0.320952	0.7487
KI	0.041527	0.083733	0.495950	0.6207
UlDD	0.104648	0.338979	0.308716	0.7580
LelV	-3.124469	1.020596	-3.061415	0.0027

Source: Data Processed, 2024

Based on the table above, the equation derived from this research is as follows:
Dividends = 13.9925724792 + 0.154541437053BoardSize + 0.0415273030129 IndependentCommissioners + 0.104648190738BoardDirectorSize - 3.12446853095 Leverage
From the results of the equation, we can interpret the following:

1. The constant value in the regression model is 13.992572. This means that if all other variables in this study are valued at 0, the dividend policy would be 13.992572.
2. The coefficient for board size is 0.154541. This indicates that if all other variables remain constant, every one-unit increase in board size will result in an increase in dividend policy of 0.154541.
3. The coefficient for independent commissioners is 0.041527. This indicates that if all other variables remain constant, every one-unit increase in independent commissioners will lead to an increase in dividend policy of 0.041527.
4. The coefficient for board director size is 0.104648. This suggests that if all other variables remain constant, every one-unit increase in board director size will result in an increase in dividend policy of 0.104648.
5. The coefficient for leverage is -3.124469. This indicates that if all other variables remain constant, every one-unit increase in leverage will result in a decrease in dividend policy of 3.124469.

Based on the results of the partial regression (t-test) in Table 3 above, the following results are obtained:

1. The data obtained shows that the UlDK value is 0.320952, which is lower than the t-table value of 1.97756. This means UlDK has a positive and insignificant effect on dividend policy, as indicated by the probability value of 0.7487 > 0.025.
2. The data obtained shows that the KI value is 0.495950, which is lower than the t-table value of 1.97756. This indicates that KI has a positive and insignificant effect on dividend policy, with a probability value of 0.6207 > 0.025.
3. The data obtained shows that the UlDD value is 0.308716, which is lower than the t-table value of 1.97756. This indicates that UlDD has a positive and insignificant effect on dividend policy, with a probability value of 0.7580 > 0.025.

Discussion

The Influence of Board Size on Dividend Policy

Based on the research results using Eviews, the variable for board size shows a t value of 0.320952, which is lower than the t-table value of 1.97756, with a significance level of 0.7487, which is greater than 0.05. Therefore, it can be concluded that H1 is accepted. This means that board size has a positive but insignificant effect on dividend policy.

The Influence of Independent Commissioners on Dividend Policy

Based on the research results using Eviews, the variable for independent commissioners shows a t value of 0.495950, which is lower than the t-table value of 1.97756, with a significance level of 0.6207, which is greater than 0.05. Therefore, it can be concluded that H2 is accepted. This means that independent commissioners have a positive but insignificant effect on dividend policy.

The Influence of Board Size on Dividend Policy

Based on the research results using Eviews, the variable for board size shows a t value of 0.308716, which is lower than the t-table value of 1.97756, with a significance level of 0.7580, which is greater than 0.05. Therefore, it can be concluded that H3 is accepted. This means that board size has a positive but insignificant effect on dividend policy.

CLOSING

Conclusion

The results of this study indicate that the size of the board of commissioners, independent commissioners, and the size of the board of directors have a positive effect on dividend policy in the property and real estate sector.

Suggestions

For prospective investors looking to invest in stocks, it is advisable to consider the factors of good corporate governance, as these factors have been shown to influence dividend policy in property and real estate companies listed on the Indonesia Stock Exchange (IDX).

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