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OWNERSHIP STRUCTURE, INTERNATIONAL FINANCIAL REPORTING STANDARDS, AND DIVIDEND POLICY - EVIDENCE OF INDONESIA

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Abstract
This research examined the impact of ownership structure and International Financial Reporting Standard (IFRS) implementation on dividend policy of Indonesian listed companies. This study uses 437companies listed in Indonesia Stock Exchanges in the period 2010-2013 as a sample using purposive sampling method. The data used in this study was secondary data obtained from the Indonesia Stock Exchange website. The study uses ownership structure and IFRS as independent variables with firm size, leverage and EPS as control variables, and dividend policy as a dependent variable. Ownership structure consists of ownership concentration and majority ownership. Majority ownership consists of governmental ownership, managerial ownership, family ownership, and foreign ownership. The analytical method used is multiple linear regressions. The results show that governmental ownership, managerial ownership, family ownership and foreign ownership negatively affect dividend policy, whereas concentrated ownership and IFRS implementation positively affect dividend policy.

Keywords: dividend policy, IFRS, ownership structure.

1. INTRODUCTION

This paper discusses the empirical evidence about the effect of International Financial Reporting Standard (IFRS) implementation and share ownership structure on dividend payout policy. This research is motivated by the adoption of IFRS, a new high quality accounting standards by company throughout the world. Dividend payout decisions is one of critical item of the company's policies. It had also been widely investigated by many scholars. The dividend policy was affected by many factors such as the firm's financial performance and liquidity position, its position in its life cycle, corporate tax, investment opportunities, earnings, firm size, growth, profitability, and financial leverage (Aguneanoau, Farooq, and Di, 2013; Rafique, 2012). Dividend policy theory had been developed (Allen and Michaelly, 2002). The first is dividend irrelevant theory which is proposed by Miller and Modigliani (1961). According to this concept, investors do not pay any importance to the dividend history of a company and thus, dividends are irrelevant in calculating the valuation of a company. Following this theory, a huge number of studies have been performed to explain why firms pay a large portion of their profit as dividends if this payment does not affect firm's value. One of the concepts which explain about dividend payment is the free cash flow hypothesis, which states that shareholders' monitoring difficulty

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over opportunistic behaviors of managers creates the possibility for them to spend cash flow which was internally generated, for their own benefit, instead of its spending on maximizing firm value (Jensen, 1986). Managers allocate the firm's resources to benefit themselves, instead of acting in shareholders' best interests (Jensen and Meckling, 1976). The unclear action of managers may also include careless mergers and acquisitions (Thanatawee, 2013). Therefore, more free cash results in more serious agency problems since managers may used free cash flows to fund negative return projects.

To alleviate such problem, Easterbrook (1984) suggest that paying free cash flows to shareholders as dividends may be useful in reducing the agency costs of management. Dividends may keep firms in the capital market, where monitoring of managers is available at lower cost, and may be useful in adjusting the level of risk taken by managers and the investors. This explanation offers a hope of understanding why firms simultaneously pay out dividends and raise new funds in the capital market (Easterbrook, 1984). Jensen (1986) argue that dividends decrease the amount of free cash. Consequently, dividends could be used as a mechanism to overcome agency cost.

Extant research about dividend policy have focused on investigating the effects of governance and ownership structure on firm's dividend policy. LaPorta, Lopez-de-Silanes, Shleifer, and Vishny (2000) find that firms operating in countries with better protection of minority shareholders pay higher dividend. Similarly, Mitton (2005) finds that, firms with stronger corporate governance have higher dividend payouts. Grinstein and Michaely (2005) find that institutions prefer firms which pay dividend than non-dividend-paying firms in US. They find that payout policy affects institutional holdings. On average, institutions decrease their holdings after an increase in dividends. Yet, institutions are not interested in firms that pay high dividends. They also report that the higher institutional ownership do not lead a company to pay higher dividends.

Although empirical evidences about the association between ownership structure and dividend payout have been documented, such research do not involve other critical factors that probably influence the dividend policy. One of the factors is fair value-based accounting standards, which is International Financial Reporting Standard (IFRS). IFRS is a principle-based standard (Epstein and Jermakovic, 2010). This means that auditors and accountants need to follow general principles rather than detailed standards and adapt these principles to specific situations (Ball, 2006). The objective of principle-based is to motivate companies not only report accounting numbers based on accounting rules and standards but also report the business substance of a transaction. Moreover, principles-based standards provide limited interpretive and implementation guidance. Therefore, implementation of principle-based accounting standard is sensitive to discretion (Langmead and Soroosh, 2009). IFRS require that measurement of majority asset and liability is performed with fair value. Fair value implementation, especially in financial instrument lead to unrealized gain or loss which is reported as a part of income (Alwén and Rybäck, 2013).

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There is little, if any, literature on the effect of IFRS and shareholder ownership dividend policy, especially in Indonesia. This gives us motivation to fill this gap by exploring the effect of IFRS and shareholder ownership dividend policy. Indonesia is selected as the country for study for several reasons. First, Indonesia is a developing country with likely weak investor protection. Second, Indonesian companies tend to have concentrated ownership (LaPorta et al., 2000). Moreover, Indonesia has owned Law of The Republic of Indonesia number 25 of 2007 concerning Investments. This law guarantee for investor protection. Yet, Indonesia is still included in the weak law enforcement countries (Report on The Observance of Standards and Codes/ROSC, 2010). Therefore, this research will enrich literatures about variable of interest affected dividend policy and help investors in investment decision in listed companies. Based on the above facts, this study seeks to address the following research question:

RQ1. Do IFRS implementation and ownership structure affect dividend policy made by companies listed on the Indonesian Stock Exchange?

The purpose of this study is to investigate the effects of IFRS implementation and ownership structure on the dividend policy. Building on agency theory, I predict and find that the effect of IFRS implementation on dividend policy is positive. Furthermore, I find the governmental ownership, managerial ownership, family ownership is negatively affect dividend policy, whereas concentrated ownership, and foreign ownership positively affect dividend policy

This study is significant for several reasons. First, it provides further evidence on the effect of IFRS, a principle-based and fair value-based measurement reporting standard, and ownership structure on dividend policy using data from a different setting (i.e. Indonesia). Second, previous research emphasize on the association between share ownership and dividend. This research includes a fair value reporting standard. The use of fair value reporting standard affects reported earnings which in turn affects dividend distributed to shareholders.

The remainder of this paper proceeds as follows. The next section reviews the related literature and presents the study's hypotheses. Section 3 describes the research method and Section 4 details the data analyses and the results of statistical tests. The final section discusses the study's major findings and limitations, as well as its implications for future research in this area

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

This research is based on agency theory which predicts and explains behavior of related parties in principal-agent relationships (Jensen and Meckling, 1976). The relationship between principal and agent is agency relationship. In this relationship, both principal and agent are assumed to be self-interested and act for their own interests. Therefore, when principal delegates the authority, agent tends to pursue personal agendas such as empire building and wasting firm resources for personal benefits rather than fulfilling the principle interest (Barnea, Haugen, and

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Senbet 1985). Principal-agent relationships create a potential conflict between the principal and the agent.

The agency problem appears when a company had been listed in stock exchange and there are some shareholder groups. The groups have incentive and ability to control and monitor both decisions and activity of the agent (management). The agency problems increase when the company's growth is low but it has high free cash flows. In this condition, manager is likely to spend the free cash flow instead of pay it in the form of dividend to shareholders. Investors comprehend to such situation, and hence they rate lower value for firm with huge amount of free cash flows and rate higher value otherwise. Consequently, company's share price increases when there is initiation for dividend or there is enhancement in dividend payment because both of them decrease the firm's free cash flow (Arifin, 2007).

Fluck (1995) and Myers (1995) introduce a mechanism to overcome the fact that managers are self-interested and cash flows are not verifiable, based on belief that shareholders may eject manager at any time. This leads to the company to pay dividend. This mechanism assumes that shareholders are coordinated to each other to menace the manager if they are small and dispersed. In addition, Shleifer and Vishny (1997) argue that concentrated ownership is the main factor which forces a company to pay dividend.

Previous research had found that corporate governance mechanism was not sufficient enough in developing countries (Yeh, Lee, and Woidtke, 2001; Shleifer and Vishny, 1997). Such research reports the existence of ineffectiveness of regulatory authorities, weak enforcement mechanisms, and presence of family control as the factors for the inadequate corporate governance mechanism. One of consequences of inadequate corporate governance mechanisms is worsen of agency problems in firms which are headquartered in developing countries (Aguneanoau *et al*., 2013). Agency problems are considered to offer opportunities to agent to impound firm's resources outside of the firms, and this in turn affects the performance of the firms.

This is consistent to Mitton (2002) who documents that agency conflicts worsen firm's performance. An important requirement for insiders to impound is the level of control that they use over firms. This control is performed by obtaining controlling risks in firms. Firm's control permits managers to expropriate by spending in unproductive activities which benefit for them. Such expropriation may decrease dividend payment. Another previous research also documents that low dividend payout can be meant that there is a high agency problems in a company (Jensen, 1986; Grossman, Sanford, and Hart, 1980).

2.1. Ownership Concentration and Dividend Policy

Ownership concentration is a part of governance tools that permits the majority shareholder to control firm's activities and resources. This leads to agency conflict between the

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majority shareholder and the minority shareholders (Gedajlovic and Shapiro, 2002). The agency conflict occurs because ownership concentration provides incentives and facilitates to the majority shareholder to expropriate minority shareholders (Zingales, 1994; Morck, Shleifer, and Vishny, 1988). Concentrated ownership permits controlling shareholders to collaborate with managers to exhaust the resources of minority shareholders (Short, 1994).

The expropriation may be performed in any forms. In certain situation, the agents just take or steal the profits. In other situation, the agents sell the firm's output, assets, or securities to their own company at lower prices. These actions basically have the same effect as theft (Aguenaou *et al*., 2013). Moreover, ownership concentration can also cause operational inefficiencies when owners prefer the short-term performance than long-term performance (Kohler, 1990). Because ownership concentration worsens agency problems, it encourage controlling shareholders to avoid effective disclosure of firm value (LaPorta, Lopez-de-Silanes, Shleifer and R. Vishny, 1998). In this research, we argue that ownership concentration, negatively affects firm performance and leads to lower dividend payout ratios because ownership concentration may increase agency problems. Our arguments are in line with previous research which finds that ownership concentration is negatively associated with dividend payout ratios. Mancinelli and Ozkan (2006) investigates the association between ownership structure and dividend policy of Italian companies. They find that majority shareholder voting rights is negatively associated with dividend payout. Moreover, Harada and Nguyen (2011) find that the higher ownership concentration firms pay lower dividend.

This research documents that ownership concentration affects dividend policies due to its ability to define the extent of agency problems within firms. Firms with concentrated ownership give more powers in the hands of controlling shareholders, who unlikely to disclose all information in order to obtain private benefits of control. Stacescu (2013) find a positive relationship between ownership concentration and dividends dividend policy in Norwegian private and public firms. Thanatawee (2013) finds that Thai firms are more likely to pay dividends when they have higher ownership concentration. Sakinc and Gungor (2015) also find that increase in the concentration of ownership increases the proportion of cash dividend. Based on the review of previous research, this research hypothesizes that private benefit of control lead to lower dividend payout ratios. Therefore, hypothesis is stated as follow:

H_1: Concentration of ownership is associated with dividend payout ratio.

2.2. Government Ownership and Dividend Policy

In developing countries, share ownership by government is triggered by the lack of property rights (LaPorta, Lopez-de-Silanes, and Schleifer, 2002). Prior research, which investigates this type of ownership structure, is performed by D'Souza and Megginson (1999). They document significant increases in profitability, output, operating efficiency, and dividend payments—and significant decreases in leverage ratios—for the full sample of firms after privatization, and for most subsamples examined. Capital expenditures increase significantly in absolute terms, but not relative to sales. Employment declines, but insignificantly. Moreover,

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large government ownership firms usually have budget restrictions, limited innovation, lower financial performance, and high corruption (Tihanyi and Hegarty, 2007; Megginson, and Netter, 2001). In addition, Jen (2007) identify other problems in firms with high government ownership such as the lack of transparency and the preference of political interests at the expense of economic and strategic benefits. Other previous research shows that the problems in firms with high government ownership translate into poor performance (Djankov, and Murrell, 2002; Boycko, Shleifer, and Vishny, 1996; Megginson, Nash, and van-Randenborgh, 1994; Vining, and Boardman, 1992).

Hart, Schleifer and Vishny (1997) find that firms with high government ownership are more focus in providing low prices products and excessive employment than in profitability. Research conducted by Bai, Liu, Lu Song and Zhang (2004) find that the when large shareholder being the government have negative effects on market valuation. They conclude that intervention by government lead to the lower financial performance. Nasr (2015) documents that dividend payout is negatively related to government ownership. Based on finding review above, it is argued that bad performance of firms with government ownership lead to the lower dividend payout ratios. Therefore, we propose the following hypothesis:

H_2: Government ownership negatively affects dividend payout ratio

2.3. Managerial Ownership and Dividend Policy

Jensen (1986) stated that managers prefer to retain earnings rather than distribute earnings to shareholders. Managers are likely to use firm's resources to expand business and to fulfil their own interests. Eckbo and Verma (1994); Chen, Cheung, Stouraitis, and Wong (2005) find that managerial ownership negatively affects dividend payment. It means that dividend is decreased when managerial ownership is increased. Moreover, Short, Zang, and Keasey (2002) and Collins, Dutta, and Wensley (2009) find a negative association between managerial ownership and dividend policy. Wen and Jia (2010) find that dividend is negatively related to CEO ownership, CEO incentive pay and institutional ownership in bank holding companies. Jensen, Solberg, and Zorn (1992) stated that managerial ownership negatively affect dividend payout policy and firm's liability. Mehrani, Moradi and Eskandar (2011) find that there is a negative association between managerial ownership and dividend payout policy. Ullah, Fida, and Khan (2012) find that managerial ownership negatively affect dividend payout policy in Pakistani's firms. Rizqia, Aisjah, and Sumiati (2013) investigate the Jordanian's firms and the research results showed that managerial ownership affect dividend policy. Al-Gharaibeh, Zurigat, and Al-Harahsheh (2013) investigates the Jordanian's firms and find that managerial ownership has a negative coefficient in the Partial Adjustment Model, and the critical values are significant in association with dividend policy. Sakinc and Gungor (2015) find that increase in the ratio of managerial ownership decreases dividend payout ratio for firms listed in Istanbul Stock Exchange. Based on previous research, it is argued that managerial ownership negatively associated with dividend payout policy, therefore we stated hypothesis as follows:

H_3: Managerial ownership negatively affects dividend payout ratio.

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2.4. Family Ownership and Dividend Payout Policy

Family ownership is common in developing countries. It becomes an important characteristic of firms. Zhang (1998) stated that family owners, especially if they act as managers, enforce costs to the firm since they may make improper investment decisions. They hire inexperienced and unqualified member of family for strategic managerial position instead of hiring experienced and qualified people (Perez-Gonzalez, 2006). If a family acts as the majority shareholder in a firm, they may expropriate other shareholder rights, and this in turn reduces transparency and accountability (La Porta et al., 2000). Shahab-u-Din and Javid (2012) find negative association between the family ownership and firm's dividend payment. Based on the previous study, we argue that high agency problems in family controlled firms result in low dividend payout ratios. Thus, we formulate hypothesis as follow:

H_4: Family ownership negatively affects dividend payout ratio.

2.5. Foreign Ownership and Dividend Payout Policy

Foreign ownership is assumed to has a positive effect on firms performance. Aguenaou *et al*. (2013) argue that firms will be supposed to have better government environment if their largest shareholder is foreigner. This argument is based on the fact that foreigners are trained in appreciating effective corporate governance. Similarly, Haniffa and Cooke (2002) stated that firms have the higher disclosure than other firms if they are owned by foreigner. Additionally, Khanna and Palepu (1999) find that foreign owner perform a better monitoring in in developing countries. They argues that firms with large foreign ownership are more able to attract additional local and other foreign investors. Foreign shareholder adds value to the firm. Bai et al. (2004) find that firms with large foreign ownership have higher market value. Moreover, Thanatawee (2014) who investigates China's firms find that the magnitude of dividend payouts has a negative relationship with the ownership by foreign investors, whereas Sakinc and Gungor (2015) document a negative relationship between the foreign ownership and dividend payout ratio. Based on the previous study, we conclude that a company with lower agency problems and better performance of firms with high foreign ownership translates into high dividend payout ratio. Consequently, hypothesis can be formulated as follows.

H_5: Foreign ownership negatively affects dividend payout ratio.

2.6. IFRS and Dividend Payout Ratio.

Fair value reporting is expected to increase the transparency and decision relevance of accounting information since fair values incorporate market expectations about future cash flows and reflect present economic conditions (Barth, Beaver, and Landsman, 2001; Barth and Clinch, 1998; Hitz, 2007). However, mark-to-market accounting also introduces additional transitory components in the income statement, which may increase the volatility of aggregate income and reduce the ability of managers and investors to accurately assess the long-run performance on

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which to base the dividend payout (Cornett, Rezaee, and Terhranian, 1996; Hung and Subramanyam, 2007; Petroni and Wahlen, 1995).

Prior research point to three reasons for an increased volatility under the use of a fair-value: (1) a transitory change in the underlying economics, (2) a failure to match changes in the fair value of assets recognized at fair value with negatively correlated changes in the fair value of liabilities not recognized at fair value (Penman, 2007; Plantin, Sapra, and Shin, 2008), and (3) the inclusion of bubble prices into financial statements (Penman, 2003). If stakeholders fail to efficiently assess the implications of volatile earnings components for future earnings (Sloan, 1996; Xie, 2001), fair value adjustments may provide more noise than information to capital providers and other users of financial information' (CAS Task force, 2002). Moreover, Ball (2006) claims that if fair value accounting introduces noise into decision making, it might increase the risks faced by the users of accounting information.

Previous research documents that dividends are not related to volatile earnings components (Jagannathan, Stephens, and Weisbach, 2000; Lintner, 1956). If the fair value adjustments are persistent, this persistent part should influence the dividend distribution. If fair value adjustments are transitory and thus have no impact on the underlying or core earnings (Ohlson, 1999), it can be concluded that no relationship between positive fair value adjustments and dividends, assuming that stakeholders are able to assess the implications of fair value adjustments for future earnings. Hence, the relationship between core earnings and dividends persists after introducing a positive fair value adjustment.

Additionally, research conducted by Hail, Tahoun, and Wang (2014) find that around the time of IFRS mandatory adoption, firms are likely to increase the payment of cash dividend. Alwén and Rybäck (2013) also find that the use of fair value had impact the dividend policy. When the dividend policies have been adjusted for unrealized gains that occur from the use of fair value, the actual dividend payout isn't impacted by unrealized gains. A newer finding is documented by Harakeh, Lee, and Walker (2016). They suggest that IFRS adoption is a major contributor in increasing dividend payouts among code-law firms through enhancing the corporate financial information environment and reducing asymmetric information. Improvements to the information environment reduce firms' concerns about their ability to raise external funds and this in turn makes them more willing to pay dividends. Moreover, the reduction in information asymmetry helps investors become more confident about using accounting measures in assessing firm financial performance, which causes a significant reduction in dividend value relevance among code-law firms. Thus, our hypothesis is formulated as follows:

H_6: IFRS implementation positively affects dividend payout ratio.

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RESEARCH DESIGN

3.1 Sample selection

The samples used in this research are firms listed on the Indonesian Stock Exchange (IDX) in the period of 2010 - 2013. The sample was selected using the purposive sampling technique. The first requirement is that it is a public company listed on the IDX from 2010 to 2013. The second requirement is that the firms distributed dividend in the research period. The third criterion is that these firms are not part of the financial industry. The fourth requirement is that these firms have complete and publicly available data. The data came from three sources, Indonesian Capital Market Directory, www.idx.co.id, and company's website. The unit analysis used in this research is firm-year.

3.2. Variable Definition and Measurement

This research examines two ownership structure forms, which are concentrated ownership and majority ownership. Concentrated ownership (CON) is measured by using Herfindahl index. The value of the H is the sum of the squares of the shares ownership of each kind of ownership and the value is between 0 and 1. It is calculated as follows:

$$H = \sum_{i=1}^{n} (\text{Share Ownership Portion})^2$$

where i refers to an individual firm and n refers to the number of firms. The higher the index, the more concentrated the ownership. Higher ownership concentration lead to the decrease of information disclosure and increase of agency problem (Leuz, Nanda, and Wysocki, 2003). Majority ownership is measured by ownership percentage. This research uses five different majority shareholder identities, which are managerial ownership (MAN), government ownership (GOV), family ownership (FAM), and foreign ownership (FOR). All groups of ownership may affect corporate governance in differently.

Family ownership is share ownership by a family. The literature does not provide commonly accepted definition, measure or criterion for identifying a family ownership (Anderson, Mansi and Reeb, 2003). We identify family relationship based on the information provided in the section on director's profile of firms' annual reports. We measure family ownership as the cumulative percentage of family members' common equity ownership. Consistent to Haniffa and Hudaib (2006), we define managerial ownership as the cumulative percentage of executive directors' equity shares. In line with Ghazali and Weetman (2006) we exclude the shares held by independent nonexecutive directors because they are expected to play a monitoring role and minimize self-interested behavior of the executive management. Similar to Ang and Ding (2006), we define government ownership as the sum of ownership percentage of government institutions and government-controlled bodies. Indicator used to measure government ownership is cumulative percentage of government's equity shares. Refering to Ang

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and Ding (2006), we define institutional ownership is cumulative percentage of financial institutional and other business institution's equity shares. The indicator used to measure is number of shares owned divided by all outstanding's share.

We define and measured dividend policy by the dividend payout ratio (DPO) which is the percentage of earnings paid out as dividends. Dividend payouts are supposed to alleviate agency conflicts through the reduction of free cash flow available to managers. IFRS is a dummy variable which stated to 0 for the IFRS pre-implementation period and 0 for the IFRS post-implementation period. This research uses a number of firm-specific characteristics, such as logarithm of total assets (SIZE), total debt to total asset ratio (LEV), and earnings per share (EPS) as control variables

3.3 Model specification

The main statistical method to test the hypotheses is the GLS regression. The GLS regression models are estimated as follows:

$$DPO_{it} = \alpha + \beta_1 CON_{it} + \beta_2 IFRS_{it} + \beta_3 SIZE_{it} + \beta_4 LEV_{it} + \beta_5 EPS_{it} + \varepsilon_{it} \quad (1)$$

$$DPO_{it} = \alpha + \beta_1 GOV_{it} + \beta_2 MAN_{it} + \beta_3 FAM_{it} + \beta_4 FOR_{it} + \beta_5 IFRS_{it} + \beta_6 SIZE_{it} + B_7 LEV_{it} + \beta_8 EPS_{it} + \varepsilon_{it} \quad (2)$$

DPO_{it} is dividend payout firm i in the year t, CON is concentrated ownership firm i in the year t, $IFRS_{it}$ is IFRS' implementation firm i in the year t, GOV is government ownership firm i in the year t, MAN is management ownership firm i in the year t, FAM is family ownership firm i in the year t, FOR is foreign ownership firm i in the year t, SIZE is firm's size firm i in the year t, LEV is ratio between total debt and total asset firm i in the year t, EPS is earnings per share firm i in the year t, and ε_{it} is *error term*.

4. DATA ANALYSIS AND DISCUSSION

On the basis of the sampling process described, this study used 437 firms in the period between 2010 and 2013 as the data sample. The total observations consisted of 1.748 firm-year. Table I shows the descriptive statistics for the sample data. From Table I, it can be seen that the mean of the DPO shows a value of 10.38 with a standard deviation of 42.95. This means that in average, the sample firms distribute dividend 10.38 of net income, though some distribute more than this figure and some distribute less than this number. Concentrated ownership has mean of 0.28 with maximum value of 1 and median of 0.13. This indicates that ownership in sample firm is quite spread. Similarly, almost all of majority ownerships have mean value less than ten percent, except for institutional ownership and foreign ownership which own mean value of 0.39 and 0.26 respectively.

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Table 1
Descriptive Statistic

	Mean	Median	Maximum	Minimum	Std. Dev.
DPO	10.38	0.00	936.97	0.00	42.95
IFRS	0.50	1.00	1.00	0.00	0.50
CON	0.28	0.13	1.00	0.00	0.30
IFRS*CON	0.55	0.52	1.00	0.14	0.16
GOV	0.03	0.00	1.00	0.00	0.15
IFRS*GOV	0.01	0.00	0.67	0.00	0.06
FAM	0.02	0.00	0.77	0.00	0.09
IFRS*FAM	0.01	0.00	0.67	0.00	0.06
MAN	0.02	0.00	0.71	0.00	0.07
IFRS*MAN	0.01	0.00	0.71	0.00	0.05
FOR	0.26	0.11	0.99	0.00	0.31
IFRS*FOR	0.13	0.00	0.99	0.00	0.25
LEV	2.10	0.51	2613.00	0.00	63.09
EPS	836.62	33.00	383692.00	-10063.00	12557.07
SIZE	3.24	3.23	5.87	0.00	0.85

To test the hypotheses, this study uses multiple regression model. The procedure uses generalized least square (GLS) estimation method. The classic assumptions of regression model were tested before the regression statistics analysis was conducted. The assessment shows that the residual were normally distributed and there were no problems with multicolinearity, heteroscedasticity, and autocorrelation in the data. The correlation among variables is presented in Table 2. The table shows that the correlation among independent variables less than 0.70. This indicates that there are no multicolinearity among independent variables. The correlation coefficient between IFRS and DPO is positive. It is an initial indication that IFRS positively affects DPO. The correlation coefficient between ownership variables and DPO are varied, some are positively correlated, negatively correlated, and the rests are insignificant. This will be further investigated in regression analysis.

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Table 2
Pearson Correlation

	DPO	IFRS	IFRS* CON	GOV	IFRS* GOV	FAM	IFRS* FAM	MAN	IFRS* MAN	FOR	IFRS *FOR	CON	LEV	EPS
IFRS	.009													
IFRS*CON	.012	.927**												
GOV	.069**	-.002	.010											
IFRS*GOV	-.014	.169**	.096**	-.035										
FAM	-.026	-.012	-.053*	-.053*	.670**									
IFRS*FAM	-.015	.152**	.086**	-.035	.983**	.661**								
MAN	-.033	.006	-.053*	-.052*	.036	.038	.021							
IFRS*MAN	-.015	.176**	.083**	-.035	.078**	.031	.057*	.712**						
FOR	.014	.011	.045	-.177**	-.061*	-.093**	-.060*	-.086**	-.063**					
IFRS*FOR	-.009	.520**	.524**	-.108**	.013	-.059*	.009	-.054*	.013	.608**				
CON	.024	-.010	.254**	.047*	-.114**	-.153**	-.101**	-.218**	-.152**	.136**	.072**			
LEV	-.006	.024	.047	-.005	-.004	-.006	-.004	-.006	-.004	-.020	-.013	.046		
EPS	.017	-.025	-.012	-.006	-.011	.033	-.011	-.014	-.009	.012	.022	.019	-.002	
SIZE	.077**	.098**	.089**	.271**	-.080**	-.136**	-.076**	-.134**	-.072**	-.075**	.005	.003	-.004	.020

**, * show that correlation is significant at the 0.01 level and 0.05 level respectively (2-tailed).

4.1. Data Analysis

The regression analysis results to test the hypotheses are presented in Table 3. Using the equation model (1) and (2), we split our analysis into four sub-models as follows:

$$DPO_{it} = \alpha + \beta_1 CON_{it} + \beta_2 IFRS_{it} + \beta_3 SIZE_{it} + \beta_4 LEV_{it} + \beta_5 EPS_{it} + \varepsilon_{it} \quad (1a)$$

$$DPO_{it} = \alpha + \beta_1 CON_{it} + \beta_2 IFRS_{it} + \beta_3 IFRS_{it}*CON_{it} + \beta_4 SIZE_{it} + \beta_5 LEV_{it} + \beta_6 EPS_{it} + \varepsilon_{it} \quad (1b)$$

$$DPO_{it} = \alpha + \beta_1 GOV_{it} + \beta_2 MAN_{it} + \beta_3 FAM_{it} + \beta_4 FOR_{it} + \beta_5 IFRS_{it} + \beta_6 SIZE_{it} + B_7 LEV_{it} + \beta_8 EPS_{it} + \varepsilon_{it} \quad (2a)$$

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$$DPO_{it} = \alpha + \beta_1 GOV_{it} + \beta_2 MAN_{it} + \beta_3 FAM_{it} + \beta_4 FOR_{it} + \beta_5 IFRS_{it} + B_6 GOV_{it} * IFRS_{it} + \beta_7 MAN_{it} * IFRS_{it} + \beta_8 FAM_{it} * IFRS_{it} + B_9 FOR_{it} * IFRS_{it} + B_{10} SIZE_{it} + B_{11} LEV_{it} + \beta_{12} EPS_{it} + \varepsilon_{it} \quad (2b)$$

The main objective for splitting the model into four models is to ensure the consistency of the analysis results. To test whether there is an association between ownership concentration and dividend payout policy (H_1), the variable investigated is CON. The Column Model 1a in Table 3 shows the regression result. The result shows a positive (1.798) and significant coefficient in the level α=0.05. This result indicates that the DPO increase as ownership concentration increases. It can be concluded that H_1 which states that concentration of ownership is associated with dividend payout ratio is supported by the empirical data.

The Column Model 1a in Table 3 also shows a positive (0.722) and significant coefficient in the level α=0.01 for IFRS. This indicates that the IFRS implementation is positively affect dividend payout policy. Therefore hypothesis 6 which stated that IFRS positively affects dividend payout ratio is supported by the empirical data. Yet, when these results are confirmed with the result in column 1b in Table 3, it is seen that correlation coefficient of interaction variable of IFRS*CON equals positive (0.094) but insignificant.

Hypothesis 2 to 6 are tested by equation model 2a and 2b, and the results are presented in Table 3. Column 2a in Table 3 indicates that coefficient for GOV is negative (-46.106) and significant at the level of 10%. This proves that government ownership negatively affects dividend payout policy. Thus, hypothesis 2 which stated that government ownership negatively affects dividend payout ratio is supported by empirical data. Column 2a in Table 3 also indicates that coefficient for MAN is negative (-73.632) and significant at the level of 1%. This proves that managerial ownership negatively affects dividend payout policy. Thus, hypothesis 3 which stated that managerial ownership negatively affects dividend payout ratio is supported by empirical data.

Column 2a in Table 3 also indicates that coefficient for FAM is negative (-66.611) and significant at the level of 5%. This proves that family ownership negatively affects dividend payout policy. Thus, hypothesis 4 which stated that family ownership negatively affects dividend payout ratio is supported by empirical data. Column 2a in Table 3 also indicates that coefficient for FOR is negative (-59.533) and significant at the level of 5%. This proves that foreign ownership negatively affects dividend payout policy. Thus, hypothesis 5 which stated that foreign ownership negatively affects dividend payout ratio is supported by empirical data. Hypothesis 6 which stated that IFRS positively affects dividend payout ratio is also tested by model 2a. The result, disclosed in column 2a in Table 3, indicates that coefficient for IFRS is positive (0.394) and significant at the level of 1%. This proves that IFRS implementation positively affects dividend payout policy. Thus, hypothesis 6 is supported by empirical data.

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Table 3
Regression Analysis

Variable	Model 1a Coefficient (t-Statistic)	Model 1b Coefficient (t-Statistic)	Model 2a Coefficient (t-Statistic)	Model 2b Coefficient (t-Statistic)
Intercept	-6.094 *** (-8.378)	-5.651 *** (-8.679)	63.081 ** (2.249)	-16.019 *** (-2.807)
IFRS	0.722 *** (2.316)	0.590 *** (2.366)	0.394 *** (0.303)	14.047 *** (3.630)
CON	1.798 ** (1.988)	1.540 *** (7.913)		
IFRS*CON		0.094 * (0.144)		
GOV			-46.106 * (-1.780)	32.140 *** (4.240)
FAM			-66.611 ** (-2.259)	13.353 ** (2.266)
MAN			-73.632 *** (-2.656)	11.527 ** (1.991)
FOR			-59.533 ** (-2.407)	14.344 ** (2.346)
IFRS*GOV				-5.845 ** (-2.293)
IFRS*FAM				-9.254 *** (-2.646)
IFRS*MAN				-13.935 *** (-3.846)
IFRS*FOR				-15.976 *** (-4.015)
LEV	-0.002 *** (-10.212)	-0.002 *** (26.566)	-0.001 ** (0.545)	-0.001 *** (27.330)
EPS	0.002 (0.627)	0.002 (0.431)	0.002 (1.005)	0.008 *** (4.375)
SIZE	2.708 *** (13.864)	2.621 *** (9.901)	3.579 *** (2.796)	0.003 *** (62.371)
Adj. R^2	0.092	0.101	0.011	0.222
F-statistic	36.274 ***	33.850 ***	2.883 ***	31.726 ***

***, **, * show that coeficient is significant at 0.01, 0.05, and 0.1 respectively

The result of model 2a is confirmed by the result if model 2b in model 2b. The variable of interest are interaction variables such as IFRS*GOV, IFRS*FAM, IFRS*MAN, and

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IFRS*FOR. The results, disclosed at Model 2b column in Table 3, indicate that all interaction variables have negative coefficient. IFRS*GOV has coefficient -5.845 and significant at the level of 5%, IFRS*FAM has coefficient -9.254 and significant at the level of 1%, IFRS*MAN has coefficient -13.935 and significant at the level of %, and IFRS*FOR has coefficient -15.976 and significant at the level of 5%. Moreover, IFRS has a positive (14.407) and significant at the level of 1%. This result indicated that there is a consistency and confirmed majority ownerships have stronger impact on DPO than IFRS.

4.2. Discussion

The result of data analysis and hypothesis test show that hypothesis 1 which stated that concentration of ownership is associated with dividend payout ratio is verified and supported by the empirical data. A positive regression coefficient shows that ownership concentration increase dividend payout ratio. It means that the more concentrated the ownership the higher the dividend payout ratio. This result confirms previous research conducted by LaPorta et al. (2000) who find that the higher ownership concentrated firms are likely to pay the higher dividend, and research conducted by Shleifer and Vishny (1997) who find that concentrated ownership is the main factor which forces a company to pay dividend. In addition, we argue that insiders of firms with concentrated ownership are aware of the fact that outsiders associate ownership concentration with high agency problems. Therefore, it is in the best interest of these firms to do something that can signal low agency conflicts. Paying high dividends is one such signal. Grossman and Hart (1980) stated that dividend payouts alleviate the agency conflicts through the reduction of free cash flow available to managers. In another related study, Jensen (1986) documents that high dividend payouts lessen agency costs by reducing free cash flows that could be expensed on unprofitable projects. Paying high dividends reflects managements' good faith and signals low agency problems. Consequently, it is very plausible explanation that firms with ownership concentration pay high dividends

Moreover, Mitton (2005) shows that the stronger corporate governance firms tend to pay the higher dividend. In Indonesia, a developing country with emerge corporate governance practice, concentrated ownership of Indonesian firms positively associated with dividend payout policy. We suspect that one of factors contributed to is that in the research period (2010-2013), Indonesian firms implement IFRS, a high quality reporting standard. IFRS implementation is believed increase information accounting quality which directly and indirectly empower corporate governance practice. This inference is supported by the regression result which show that IFRS implementation positively affects dividend policy

Statistical test also indicates that hypothesis 2, hypothesis 3, hypothesis 4, and hypothesis 5 are supported by empirical data. Our findings show that all forms of ownership identity influence negatively the dividend policy of firms listed at the Indonesia stock exchange for the period 2010 – 2013. In fact, when the identity of the largest shareholder is government, family, management, or foreign, the level of distributed dividends is decreased such ownership

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leads to additional monitoring of managerial discretion (Zhang G., 1998). In the Indonesia's context this may justify the low level of dividends distributed.

Moreover, the result for government ownership (hypothesis 2) is consistent to that of Tihanyi and Hegarty (2007) and Megginson and Netter (2001) who find that government ownership associates with budget limitation, the lack of innovation, the decrease of performance, and high corruption. This result also confirms the result of Jen (2007), Djankov, and Murrell, 2002; Boycko et al., 1996; Megginson et al., 1994; Vining and Boardman, 1992 who find that there is no transparency and there is a political interest preference on economic cost and strategic benefit which in turn decreases the performance of government owned companies. Additionally, excessive government intervention leads to the worse performance which in turn decreases dividend payout ratio.

The result for management ownership (H_3) is in line with Jensen (1986) who argue that managers prefer to retain firm's earnings rather than distributes it to shareholders in the form of dividend. Managers are likely to use firm's resources to expand the business and to their interests, Eckbo and Verma (1994) who find that dividend decrease as managerial ownership increase Chen et al., (2005), and Short et al. (2002) who find that there is a negative association between managerial ownership and dividend policy, and Jensen et al. (1992) who argue that managerial ownership negatively affects dividend payout policy, and Mehrani et al., (2011) who find evidences which support negative association between managerial ownership and dividend kebijakan pembayaran dividen payout policy.

The result for family ownership (H_3) confirms previous research conducted by Zhang (1998), Perez-Gonzalez (2006) and La Porta, et al. (2000) which stated that a typical aspect of firms in an emerging market, the low dividend payout ratios are justified by high agency problems in family controlled firms. Family shareholders increase costs for firms because of their lack of diversification (Zhang 1998), the hiring of unskilled family members (Perez-Gonzalez, 2006), and the abuse of other shareholders' rights (La Porta, et al., 2000). All this may result in poor transparency and absence of accountability.

The test for hypothesis 5 indicates that this hypothesis is supported by empirical data. This is in line with the characteristic of foreign ownership. Generally, foreign ownership is supposed to have a positive impact on firm's culture and performance, and therefore foreign ownership able to create the better governance environment (Aguenaou *et al*., 2013). Similarly, Haniffa and Cooke (2002) argue that firms with the higher percentage of foreign ownership are likely to have a higher level of disclosure. Consequently, foreign ownership lowers agency problems and increase performance which in turn decrease dividend payout ratio.

Finally, the statistic test is also confirm the hypothesis 6 which states that IFRS implementation positively affects dividend payout ratio. This is in line with the fact that IFRS requires the use of fair value to enhance transparency and relevance of accounting information (Krismiaji, Aryani, Suhardjanto, 2016). Fair value creates transitory components in the financial

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statements which are able to increase earnings volatility and decrease managers' and investors' ability to assess firm's long term performance as the basis for dividend payments (Aguenaou *et al*., 2013). Previous research stated that dividend is not affected by earnings component volatility (Alwén and Rybäck, 2013). If the fair value adjustment persistently, a part of this should affect dividend payment. Yet, Hail et al. (2014) support this result. They find that following the two events firms are less likely to pay (or increase) cash dividends, but more likely to cut (or stop) such payments. The changes in dividend policy occur around the time of the informational shock and only in countries and for firms subject to the regulatory change.

5. Conclusion

This research investigates the effect of IFRS implementation and ownership structure on dividend policy. The result shows that ownership concentration, measured by Herfindahl Index, increases dividend payout ratio. This support hypothesis 1 which stated that concentration of ownership is associated with dividend payout ratio. Moreover, the results also show that majority ownership by government, management, family, and foreign decrease dividend payout ratio. This supports hypothesis 2, 3, 4, and 5 which stated that ownership by government, management, family, and foreign negatively affect dividend payout ratio. Finally, the result also supports hypothesis 6 which stated that IFRS implementation positively affects dividend payout ratio.

The result has several implications to theory and previous research by empowering them. Theory and previous research expect that majority ownership increase agency problems. This happens because majority ownership provide incentive for largest shareholders to expropriate the minority shareholders. With this expropriation, the largest shareholders gets a private benefit to maximize their welfares by firm's policy including dividend policy. In contrast, ownership concentration enhances corporate governance which in turn decreases agency problems. Finally, the theory expects that IFRS implementation increases transparency and relevance of accounting information which in turn decreases agency problems. The result partly confirms the expectation.

This research has a limitation since it simply uses data from BEI which is of course affected by Indonesian characteristic as a developing country. Therefore, future research opportunity is exist by involving data from cross countries, especially with similar region such as south-east Asia region.

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