

THE EFFECTS OF CORPORATE GOVERNANCE ON COMPANY PERFORMANCE AND DIVIDENDS IN THREE ASEAN COUNTRIES

Werner R. Murhadi
University of Surabaya
Email: Werner@staff.ubaya.ac.id

Received: June 2021; Accepted: June 2021; Available online: July 2021

Abstract

This study aims to investigate the effects of corporate governance on company performance and dividends paid by the company. In developing countries where the protection system against public investors is still weak, corporate governance becomes important. This study uses a sample of manufacturing companies in three developing countries. i.e., Indonesia, Malaysia, and Thailand. The variables that represent corporate governance are board characteristics and ownership structure. Board characteristics comprise board size, independent board, and board gender, while the ownership structure uses managerial ownership and institutional ownership. The results show that in Indonesia, corporate governance has no significant effect on company performance and dividends. In comparison, in Malaysia, the female board has a positive effect on both performance and dividends paid. Whereas in Thailand, institutional ownership has a negative effect both on performance and dividends paid. The results also consistently show that debt and company size have an effect on performance and dividends in the three countries.

Keywords: board size; independent board; board gender; managerial ownership; institutional ownership.

Abstrak

Penelitian ini bertujuan untuk menginvestigasi pengaruh dari tata kelola terhadap kinerja dan deviden yang dibayarkan perusahaan. Di Negara berkembang dimana sistem perlindungan terhadap investor publik masih lemah, maka tata kelola perusahaan menjadi hal penting. Penelitian ini menggunakan sampel perusahaan manufaktur yang terdapat di tiga Negara berkembang yaitu Indonesia, Malaysia, dan Thailand. Variabel yang mewakili tata kelola adalah karakteristik dewan komisaris dan struktur kepemilikan. Karakteristik dewan komisaris akan menggunakan ukuran dewan komisaris, komisaris independen dan diversitas gender, sedangkan struktur kepemilikan menggunakan kepemilikan manajerial dan kepemilikan institusi. Hasil penelitian menunjukkan di Indonesia, tatakelola tidak memiliki pengaruh signifikan baik terhadap kinerja dan devidends. Sementara, di Malaysia, keberadaan komisaris wanita memiliki pengaruh positif baik terhadap kinerja dan deviden yang dibayarkan. Di Thailand, kepemilikan institusi memiliki pengaruh negatif terhadap kinerja dan deviden. Hasil penelitian juga menunjukkan bahwa utang dan ukuran perusahaan memiliki pengaruh terhadap kinerja dan deviden di ketiga Negara.

Kata Kunci: ukuran dewan komisaris, komisaris independen, jender komisaris, kepemilikan manajerial, kepemilikan institusi.

How to Cite: Murhadi, W. R. (2021). The Effects of Corporate Governance on Company Performance and Dividends in Three Asean Countries. *Media Ekonomi dan Manajemen*, 36(2), 230-242. doi: <http://dx.doi.org/10.24856/mem.v36i2.2224>.

INTRODUCTION

Many researchers have studied the effects of corporate governance on company performance and dividends. However, the study results in developing countries are still mixed. Good corporate governance is believed to make the company's performance better and have an impact on dividend payments by the company. The discussion of corporate governance becomes interesting, especially in developing countries. Developing countries where law enforcement against corporate actions has not been optimal may lead to conflict between management and public shareholders. In order to reduce agency costs from the conflict, strengthening governance in each company is critical. There have been many studies related to corporate governance, but the results are still mixed until now.

Corporate governance itself cannot be visibly seen by public investors. Public investors know whether the corporate governance is good or not, depends on the information provided by the company and the possibility of complaints from consumers or other stakeholders. In capital markets in developing countries like Indonesia, Malaysia, and Thailand, there is not much governance information that investors can obtain. Investors will assess corporate governance through annual reports submitted to investors through the management and discussion analysis. From management and discussion analysis, investors can get information from the statement of the board of commissioners, the composition of the board of commissioners, and the ownership structure. This information is usually published once a year unless there is an extraordinary event leading to price movements, which makes the company declares the information. Based on these thoughts, this study will examine whether corporate governance directly affects dividends paid or whether corporate governance affects dividends through

company performance. This means that good governance will have an impact on good company performance, and this good performance will affect the dividends paid to shareholders. This research also investigates the condition of corporate governance in three developing ASEAN countries and its effects on company performance and dividends paid.

Good corporate governance will lead to good company performance. Companies with good governance will try to protect the interests of stakeholders. Governance itself can be reflected in various ways, that is the composition of the board of commissioners (Al Farooque, Buachoom, & Sun, 2020; Buallay, 2019; Kowalewski, 2016; Puni & Anlesinya, 2020; Saidat, Silva, & Seaman, 2019; Suttipun, 2018) and the ownership structure (Buallay, 2019; Kabir & Thai, 2017; Puni & Anlesinya, 2020; Saidat et al., 2019). Studies on corporate governance related to the composition of the board of commissioners can be in the form of the size of the board of commissioners and the presence of independent commissioners and female commissioners. Companies with a large board of commissioners, on the one hand, are positive by enabling more supervision by the commissioners, but on the other hand, the size of the board of commissioners can have a negative impact where decision-making is more complex. Meanwhile, independent commissioners are believed to provide positive benefits in terms of company supervision and are expected to be able to protect the interests of public investors. However, several studies also show that independent commissioners have no impact on company performance, especially in countries with the legal system where the commissioner's decision must be one. In these countries, the independent commissioners will often be inferior to affiliated commissioners. Meanwhile, the presence of female commissioners is considered capable of giving a positive impact on company

performance. Females are considered able to balance male commissioners' aggressiveness so that their existence can provide better control to the company.

Besides the composition of the board of commissioners, the ownership structure also plays a role in supervising the company. Companies owned by institutional investors will be more closely monitored than companies owned by individual investors. The existence of institutional ownership with the resources in it will help the company to supervise better. However, several other studies show the opposite results, where high institutional ownership tends to perform earnings management aimed at reducing taxes. Meanwhile, managerial ownership in the company will also make the company well managed. Managers who also own company shares will have a sense of belonging so that they will manage the company more carefully. Nevertheless, there is also a contradiction where high managerial ownership tends to make companies reduce dividend payers and prioritize retained earnings for developing the companies. Successful company development will have an impact on top management in the form of an increase in company size, which implies an increase in compensation, and because top management owns shares, they will get capital gains from an increase in share prices. The combination of institutional ownership and managerial ownership will have a positive effect on company performance.

From the abovementioned explanation, it can be seen that good corporate governance should be able to improve company performance. Investors will see the company performance improvement through the increase in dividends they receive. Nonetheless, the question of whether good governance has a direct impact on dividends paid arises. In fact, dividend policy is an expensive policy where companies must provide significant funds. Based on the signaling theory,

having good governance is expected to reduce the expensive policies in the form of dividend payments; therefore, company funds can be used to carry out other investment activities that will increase company value. For this reason, this study will examine the effects of corporate governance on dividends directly or whether corporate governance affects dividends through company performance variables.

This study also used two control variables, namely debt and company size (Ahmed, Shakoor, Khan, & Ullah, 2021). These two control variables were used because of the research gap in the existing studies. Several studies reveal that the use of debt gives a positive result on performance so that it also has a positive impact on dividend payments (Al Farooque et al., 2020; Benjamin & Biswas, 2019; Nguyen Trong & Nguyen, 2020). However, some studies state that when a company has debt, creditors will carry out supervision to the company so that the dividend function as a signal of the company's condition can be reduced (Al-Najjar & Kilincarslan, 2016; Christianto, Murhadi, & Wijaya, 2021; Tekin & Polat, 2020). The use of company size can positively affect performance and dividends, where large-sized companies tend to have stable performance and pay higher dividends (Baker, Dewasiri, Premaratne, & Yatiwelle Koralalage, 2020; Benjamin & Biswas, 2019; Nguyen Trong & Nguyen, 2020; Tekin & Polat, 2020). Meanwhile, some argue that analysts and investors relatively pay more attention to large-sized companies, so that the dividend function as a signal of the company's condition will decrease (Asali, Murhadi, & Sutejo, 2020; Christianto et al., 2021; Rajput & Jhunjhunwala, 2019; Sarwar, Xiao, Husnain, & Naheed, 2018). This research was conducted in three ASEAN countries, namely Indonesia, Malaysia, and Thailand, which have similar governance characteristics. The three countries were selected because the law enforcement in

these three countries is still weak (Al Farooque et al., 2020).

LITERATURE REVIEW

Many theories discuss corporate governance, including agency theory, stakeholder theory, legitimacy theory, resource dependence theory, and social contract theory (Bosse & Phillips, 2016; Buallay, 2019; Frynas & Stephens, 2015; Khalid, Haron, & Masron, 2018; Moriarty, 2016; Zona, Gomez-Mejia, & Withers, 2018). This study used agency theory to explain corporate governance that exists within the company.

In developing countries, research on corporate governance is very important. Developing countries where law enforcement is still selective will have an impact on weak protection for public investors (Al Farooque et al., 2020). This is the reason why corporate governance in developing countries is an interesting thing to study. Based on the agency theory, a good corporate governance strategy is expected to reduce agency costs. One of the strategies for corporate governance is the separation between the executive who makes decisions and the supervisor responsible for monitoring the implementation in the company. In Indonesia, this separation is known as a two-tier system, where the party responsible for running the company is the Board of Directors as the top management, while the party which supervises it is known as the Board of Commissioners that represents the shareholders.

Good corporate governance is committed to protecting the interests of shareholders and stakeholders. Corporate governance has three objectives: accountability, supervision of financial reports, and increasing value for shareholders (Koh, Laplante, & Tong, 2007). Accountability and supervision of financial reports will result in better transparency and disclosure of information, thereby reducing conflicts

of interest between shareholders and top management (Suttipun, 2018). This will have an impact on all shareholders being able to access important information so that the result can be an increase in company value (Velnampy, 2013). Companies with good governance are expected to be able to produce a good performance, which later will result in high dividends.

Board of Director, Company Performance and Dividends

Corporate governance can be seen using various approaches, one of which is the Board of Directors, who acts as a supervisor of the company. There are three dimensions in this study that represent the board of directors: board size, independent board, and female board.

Board size is one indicator that is often used in research. The large size of the board of commissioners is expected to provide better supervision to management.

The agency theory indeed suggests that the size of the board of commissioners must be sufficient to obtain various points of view in supervising the company. With a large number and a variety of competencies, top management's supervision will be good so that information asymmetry between public shareholders and management can be reduced (Puni & Anlesinya, 2020). Despite several studies that reveal negative results because a large size will make coordination and communication more difficult (Christianto et al., 2021), most studies still support agency theory.

The next dimension of the board of commissioners is the existence of an independent board. An independent board that does not have a relationship with the company can perform independent supervision. Usually, an independent board is filled with people who have the expertise, experience, and knowledge about the company's business so that it is expected to help the company in achieving its best

performance. The existence of a large number of independent boards will be able to encourage the disclosure of company information so that it will reduce information asymmetry. The existence of many independent boards will have an impact on good company performance; thereby, they can provide higher dividend payments (Seputro, Murhadi, & Herlambang, 2020). The independence of the board of commissioners is also an essential part of implementing good corporate governance. With the obligation to have at least an independent board, it is hoped that company supervision will be more optimal (Muntahanah, Kusuma, Harjito, & Arifin, 2021). Buachoom (2017) states that an independent board will increase company performance, but CEO duality will reduce company performance.

One of the corporate governance dimensions being discussed a lot is the female board. Research on the role of females in company supervision is done by Gul, Srinidhi, & Ng (2011) where the existence of female directors will increase supervision and advice to the management team. The presence of female directors will increase the effectiveness of supervision so that it will reduce agency costs. The impact of reducing agency costs will reduce the risk of company failure (Benjamin & Biswas, 2019). With good supervision by the female director, it is expected that the company's performance will improve and the dividends paid will also be higher.

Ownership Structure, Company Performance, and Dividends

The ownership structure is one of the critical factors that can reduce agency problems in the company. Unification between ownership and control will result in top management having less pressure from external investors who inquire for accountability and disclosure of company information (Saidat et al., 2019). In this study, the ownership structure is seen through managerial ownership and institutional ownership.

Managerial ownership can reduce agency conflicts between shareholders and top management. With share ownership by top management, management also has a position as a shareholder so that this conflict can be reduced and has an impact on better performance and higher dividends paid. These positive results are supported by Buachoom (2017) and Farooque et al. (2019). However, some studies show the opposite results. High managerial ownership will encourage top management to maintain retained earnings which will be used for business development rather than distributing it in dividends. Business development will have the impact of increasing the company size so that management compensation will increase, and at the same time, the success of business development will increase the company's share price, which makes the manager who is also the owner of the company to get capital gains. These findings are supported by Hadi, Murhadi, & Sutejo (2020) and Mili, Sahut, & Teulon's (2017) studies.

Institutional ownership is portrayed as an important part of corporate governance. Companies that institutions own tend to be better monitored because the institutions have the competencies and skills to supervise the actions taken by management. Institutions that have good quality human resources will be able to supervise and correct management actions. Good supervision is expected to have an impact on a good performance and high dividend payments. However, the results of research related to institutional ownership of earnings and dividends have different results. Some studies that support a positive relationship are (Firth, Gao, Shen, & Zhang, 2016; Jeon, Lee, & Moffett, 2011; Kim, Eppler-Kim, Kim, & Byun, 2010). In comparison, Rajput & Jhunjhunwala (2019) and Asali et al. (2020) support a negative effect of institutional ownership on performance or dividends. Asali et al. (2021) argue that a company with high institutional ownership

will reduce dividend payments considering that the tax on dividends is higher, as stated in the tax preference theory.

The results of the study state that corporate governance affects performance and dividends, and research model is presented in Figure 1. The following hypotheses are proposed:

- H1: Board Size has a positive effect on performance and dividends;
- H2: Independent Board has a positive effect on performance;
- H3: Female Board has a positive effect on performance;
- H4: Managerial ownership has a positive effect on performance;
- H5: Institutional ownership has a positive effect on performance;
- H6: Board Size has a positive effect on dividends;
- H7: Independent Board has a positive effect on dividends;
- H8: Female Board has a positive effect on dividends;
- H9: Managerial ownership has a positive effect on dividends;
- H10: Institutional ownership has a positive effect on dividends;
- H11: Financial performance has a positive effect on dividends.

RESEARCH METHODS

This study used data from manufacturing sector companies listed on three main ASEAN Stock Exchanges, namely Indonesia, Malaysia, and Thailand. The study used five-year data over the 2015-2019 periods, including all companies that are members of the manufacturing sector in each country. The number of observations for Indonesia reached 420 years of observation, while Malaysia reached 530 years of observation, and Thailand reached 450 years of observation. This study used path analysis with the dependent variable used is dividends as measured by the dividend payout ratio (DPR). The mediation variable in this study was a financial performance as

measured by return on assets, while the independent variables used were corporate governance comprising the size of the board of commissioners (BS), the percentage of independent commissioners (BI), and female commissioners (BW), and the ownership structure represented by the percentage of managerial ownership (MO) and the percentage of institutional ownership (IO). This study also used two control variables: debt ratio (DR) and company size (FS). The research models are:

$$ROA = \alpha + \beta_1.BS + \beta_2.BI + \beta_3.BW + \beta_4.MO + \beta_5.IO + \beta_6.DR + \beta_7.FS + e \dots\dots\dots(1)$$

$$DPR = \alpha + \beta_1.BS + \beta_2.BI + \beta_3.BW + \beta_4.MO + \beta_5.IO + \beta_6.ROA + \beta_7.DR + \beta_8.FS + e \dots\dots(2)$$

RESULTS & DISCUSSION

This study used panel data in three countries for five years. This study tested whether GCG has an effect on performance and dividends and whether financial performance affects dividends. From the results of data processing, descriptive statistics for each country are presented Table 1. From the table, it can be seen that the highest mean of dividend payers is in Thailand, Malaysia, and Indonesia, respectively. Meanwhile, the highest mean of ROA is Indonesia, Thailand, and Malaysia, respectively. This indicates that although the mean of ROA is the highest in Indonesia, the percentage of dividend payments is the lowest, this may be due to the immense market potential in Indonesia, which makes companies set aside their profits for business development.

From Table 2 that exhibits the correlation between variables, it can be seen that no multicollinearity between variables in Indonesia. From Table 3 that exhibits the correlation between variables, it can be seen that no multicollinearity between variables in Malaysia. From Table 4 that exhibits the correlation between variables, it can be seen that no

multicollinearity between variables in Thailand.

Table 5 exhibits the results of the data processing. From Table 5, it can be seen that in Indonesia, for Model 1, only debt and company size have a significant effect on performance. In Indonesia, only hypothesis 11 in Model 2 is supported, signifying that performance has a positive effect on dividends paid. As measured either by board characteristics or ownership structure, good governance variables have no effect on performance and dividends. In comparison, in Malaysia, for Model 1, it can be seen that board characteristics proxied by the female board have a positive effect both on performance and dividends. The presence of female commissioners will further enhance supervision and prudence so that the company's performance will be better. This good performance also has an impact on increasing dividend payments. Besides, in Malaysia, company size has a positive effect on financial performance. Large-sized companies will obtain economies of scale in their operations so that costs become smaller and lead to higher company performance.

In Malaysia, for Model 2, there is a consistent result: female board and company size have a positive effect on dividends. Besides, also for Model 2, it is found that financial performance has a positive effect on dividends paid. Meanwhile, in Thailand, both Models 1 and 2 show that institutional ownership and debt have a negative effect on financial performance and dividends.

The data processing results in Table 5 show that for Model 1, variables that affect company performance (ROA) are debt and company size in Indonesia, female board and company size in Malaysia, and institutional ownership and debt in Thailand. An interesting result occurs in Indonesia, where all governance variables have no effect on profitability. This may indicate that governance implementation in Indonesia tends only to

follow the rules set by self-regulatory organizations. The results in Indonesia are opposite to the results in Malaysia, where female board has a positive effect on company profitability.

This supports the hypothesis that the existence of female directors will increase supervision and advice to the management team. The presence of female directors will increase the effectiveness of supervision, thereby reduce agency costs. Meanwhile, the results for Model 1 in Thailand for governance variables show that only institutional ownership has a negative effect on company performance (ROA). The negative effect of institutional ownership on company performance implies that increasing institutional ownership can lead to earnings management practices that aim at reducing the taxes paid. This means that the company can use earnings management to exhibit low performance so that the tax burden paid is also low.

For Model 2 in Indonesia, consistent results as in Model 1 are found where governance has no effect on dividend policy. Besides, also for Model 2, it is found that only profit, debt, and company size have an effect on dividend policy. Profit has a significant positive result where with the increasing profit, the company tends to pay more dividends. Meanwhile, for the debt variable, negative results are obtained, where high debt will have an effect on the payment of higher obligations to creditors so that dividends available for distribution are limited. For company size in Indonesia, a significant positive result is found, implying that large-sized companies tend to pay higher dividends than small-sized companies.

For Model 2 in Malaysia, consistent results as in Model 1 are found where governance has no effect on dividends paid. Besides, also for Model 2, female board, company size, and profitability have a positive effect on dividend policy. The results in Malaysia support the hypothesis that females will drive better performance

and the impact is higher dividend payments. The results of this study also support the statement that good performance companies (High ROA) will make companies able to distribute more dividends than poor performance companies. For company size, consistent results as in Indonesia that show large-sized companies tend to pay higher dividends than small sized companies are found.

The results also show that debt has a negative effect on performance and dividends paid in the three countries. This result contradicts the Kim & Shin (2021) study, which gave positive results for Tobins Q. This signifies that an increase in debt will lead to an increase in interest expenses and principal installments so that

it will decrease performance. The decrease in the performance itself will affect the dividends paid, where if the performance decreases, the dividends paid will also decrease. Debt also has a negative effect on direct dividend payments. Increased debt leads to an increase in debtor supervision so that the dividend function as a signal to investors is reduced, as is known as the substitution argument in dividend policy. A significant positive result is found in Indonesia and Malaysia for company size, but not significant in Thailand. From the study results, it is found that there is a positive effect between performance and dividend policy in Indonesia and Malaysia, but not proven to be significant in Thailand.

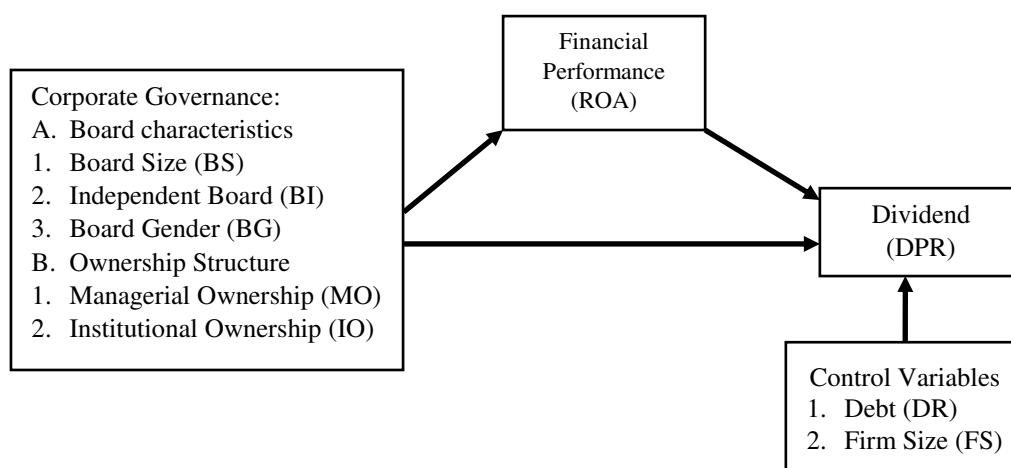


Figure 1. Research Model

Table 1. Descriptive Statistics for Three Countries

Variable	Indonesia			Malaysia			Thailand		
	Mean	Min.	Max.	Mean	Min.	Max.	Mean	Min.	Max.
DPR	0.33	0.00	5.23	0.35	0.00	3.39	0.61	0.00	4.48
BS	4.35	2.00	12.0	4.39	2.00	10.0	6.26	2.00	14.0
BI	0.42	0.20	0.80	0.79	0.29	1.00	0.72	0.30	1.00
BW	0.11	0.00	0.75	0.14	0.00	1.00	0.22	0.00	1.00
MO	0.04	0.00	0.38	0.11	0.00	0.64	0.19	0.00	0.75
IO	0.67	0.03	0.99	0.55	0.02	0.96	0.37	0.00	0.95
ROA	0.07	-0.12	0.92	0.05	-0.79	0.75	0.06	-0.23	0.32
DR	0.41	0.07	0.82	0.34	0.04	0.77	0.32	0.00	0.80
FS	12.49	11.13	14.5	12.20	11.06	13.9	28.30	26.17	33.3

Table 2. Correlation Coefficient for Indonesia

	DPR	BS	BI	BW	MO	IO	ROA	DR	FS
DPR	1.00								
BS	0.17	1.00							
BI	0.06	-0.02	1.00						
BW	-0.11	-0.09	-0.04	1.00					
MO	-0.09	-0.17	-0.06	0.02	1.00				
IO	0.00	-0.01	0.10	-0.05	-0.41	1.00			
ROA	0.22	0.11	0.21	-0.09	-0.04	0.15	1.00		
DR	-0.11	0.16	0.14	0.23	-0.20	0.06	-0.12	1.00	
FS	0.23	0.65	0.06	-0.03	-0.30	-0.06	0.17	0.26	1.00

Table 3. Correlation Coefficient for Malaysia

	DPR	BS	BI	BW	MO	IO	ROA	DR	FS
DPR	1.00								
BS	0.09	1.00							
BI	-0.05	-0.55	1.00						
BW	0.11	0.01	-0.14	1.00					
MO	-0.08	-0.22	0.10	0.03	1.00				
IO	0.10	0.18	-0.06	0.05	-0.57	1.00			
ROA	0.32	0.08	-0.05	0.09	-0.09	-0.01	1.00		
DR	0.02	0.03	0.06	0.02	-0.05	0.20	0.06	1.00	
FS	0.15	0.34	-0.22	-0.01	-0.28	0.32	0.06	0.26	1.00

Table 4. Correlation Coefficient for Thailand

	DPR	BS	BI	BW	MO	IO	ROA	DR	FS
DPR	1.00								
BS	-0.07	1.00							
BI	0.05	-0.70	1.00						
BW	-0.04	0.01	-0.05	1.00					
MO	-0.01	-0.15	0.17	-0.08	1.00				
IO	-0.06	0.11	0.05	-0.04	-0.64	1.00			
ROA	0.07	-0.04	0.02	0.07	0.03	-0.12	1.00		
DR	-0.12	-0.00	0.11	-0.05	0.21	-0.10	-0.35	1.00	
FS	-0.04	0.39	-0.07	-0.15	-0.14	0.06	-0.07	0.37	1.00

Table 5. Data Processing Results

Variable	Indonesia				Malaysia				Thailand			
	Model 1		Model 2		Model 1		Model 2		Model 1		Model 2	
	B	t-stat	β	t-stat	β	t-stat	β	t-stat	β	t-stat	β	t-stat
ROA			0.793	-2.34**			1.433	7.49***			0.197	0.41
BS	0.007	0.48	0.007	0.47	0.013	0.85	0.007	0.63	-0.012	-0.63	-0.011	-0.62
BI	0.325	1.61	0.186	0.36	0.052	0.46	0.048	0.45	0.123	0.67	0.121	0.66
BW	-0.138	-1.05	-0.129	0.32	0.286	2.62***	0.206	1.98**	-0.100	-0.69	-0.107	-0.74
MO	-0.242	-0.89	-0.303	-1.13	-0.046	-0.31	0.087	0.61	-0.208	-1.18	-0.210	-1.19
IO	-0.000	0.00	-0.067	-0.56	0.111	0.87	0.048	0.45	-0.256	-1.97**	-0.248	-1.90*
DR	-0.473	-3.73***	-0.391	-3.05***	-0.065	-0.57	-0.125	-1.17	-0.418	-2.59**	-0.390	-2.22**
FS	0.152	3.65***	0.127	3.03***	0.108	2.61***	0.102	2.58***	0.011	0.67	0.009	0.36
R-Squared	0.09		0.12		0.04		0.13		0.03		0.03	
F-Stat	6.46***		7.04***		3.21***		10.12***		2.21**		1.95**	

Note: *** Sig at level 1%; ** Sig at level 5%; * Sig at level 10%.

CONCLUSION

From this study, it can be concluded that corporate governance does not affect both company performance and dividend policy paid to manufacturing companies in Indonesia. Female director has a positive effect on company performance and dividends paid to manufacturing companies in Malaysia. Meanwhile, institutional ownership has a negative effect on company performance and dividend policy in Thailand. This study results also show that debt has a negative effect on both company performance and dividends in the three countries. Meanwhile, company size has a positive effect on performance and dividends on stock exchanges in Indonesia and Malaysia.

These results imply that the implementation of corporate governance in Indonesia is still limited to compliance with existing regulations. This has an impact on relatively weak investor protection. In comparison, in Malaysia, corporate governance with a focus on board characteristics turns out that the presence of female will have a positive impact on company performance and dividends paid to investors. Meanwhile, in Thailand, the study results imply that institutional ownership tends to have a negative impact on performance and dividends.

Further research that can be carried out is to include earning management in companies with high institutional ownership variables. In Thailand, high institutional ownership has a negative effect on performance and dividends; it is alleged that the company carried out earning management in order to reduce taxes. Future research can also include the family ownership variables, considering that many companies in Indonesia, Malaysia, and Thailand are family-owned.

REFERENCES

- Ahmed, Z., Shakoor, Z., Khan, M. A., & Ullah, W. (2021). The Role of Financial Risk Management in Predicting Financial Performance: A Case Study of Commercial Banks in Pakistan. *The Journal of Asian Finance, Economics and Business*, 8(5), 639–648.
- Al-Najjar, B., & Kilincarslan, E. (2016). The effect of ownership structure on dividend policy: evidence from Turkey. *Corporate Governance (Bingley)*, 16(1), 135–161. <https://doi.org/10.1108/CG-09-2015-0129>
- Al Farooque, O., Buachoom, W., & Sun, L. (2020). Board, audit committee, ownership and financial performance – emerging trends from Thailand. *Pacific Accounting Review*, 32(1), 54–81. <https://doi.org/10.1108/PAR-10-2018-0079>
- Asali, F., Murhadi, W. R., & Sutejo, B. S. (2020). The effect of corporate governance and financial factors on dividend payment. *Contemporary Research on Business and Management: Proceedings of the International Seminar of Contemporary Research on Business and Management (ISCRBM 2019)*, 27-29 November, 2019, Jakarta, Indonesia, 248. CRC Press.
- Baker, H. K., Dewasiri, N. J., Premaratne, S. P., & Yatiwelle Koralalage, W. (2020). Corporate governance and dividend policy in Sri Lankan firms: a data triangulation approach. *Qualitative Research in Financial Markets*, 12(4), 543–560. <https://doi.org/10.1108/QRFM-11-2019-0134>
- Benjamin, S. J., & Biswas, P. (2019). Board gender composition, dividend policy and COD: the implications of CEO duality. *Accounting Research Journal*, 32(3), 454–476. <https://doi.org/10.1108/ARJ-02-2018-0035>

- Bosse, D. A., & Phillips, R. A. (2016). Agency theory and bounded self-interest. *Academy of Management Review*, *41*(2), 276–297.
- Buachoom, W. (2017). Simultaneous relationship between performance and executive compensation of Thai non-financial firms. *Asian Review of Accounting*, *25*(3), 404–423.
- Buallay, A. (2019). Corporate governance, Sharia'ah governance and performance: A cross-country comparison in MENA region. *International Journal of Islamic and Middle Eastern Finance and Management*, *12*(2), 216–235. <https://doi.org/10.1108/IMEFM-07-2017-0172>
- Christianto, A., Murhadi, W. R., & Wijaya, L. I. (2021). Corporate Governance, Transparency and Stock Return Synchronicity. *Journal of Entrepreneurship & Business*, *2*(1), 1–10. <https://doi.org/https://doi.org/10.24123/jeb.v2i1.3919>
- Firth, M., Gao, J., Shen, J., & Zhang, Y. (2016). Institutional stock ownership and firms' cash dividend policies: Evidence from China. *Journal of Banking & Finance*, *65*, 91–107.
- Frynas, J. G., & Stephens, S. (2015). Political corporate social responsibility: Reviewing theories and setting new agendas. *International Journal of Management Reviews*, *17*(4), 483–509.
- Gul, F. A., Srinidhi, B., & Ng, A. C. (2011). Does board gender diversity improve the informativeness of stock prices? *Journal of Accounting and Economics*, *51*(3), 314–338.
- Hadi, A. P. K., Murhadi, W. R., & Sutejo, B. S. (2020). Good corporate governance and agency cost in Indonesia. *Contemporary Research on Business and Management: Proceedings of the International Seminar of Contemporary Research on Business and Management (ISCRBM 2019)*, 27-29 November, 2019, Jakarta, Indonesia, 358. CRC Press.
- Jeon, J. Q., Lee, C., & Moffett, C. M. (2011). Effects of foreign ownership on payout policy: Evidence from the Korean market. *Journal of Financial Markets*, *14*(2), 344–375.
- Kabir, R., & Thai, H. M. (2017). Does corporate governance shape the relationship between corporate social responsibility and financial performance? *Pacific Accounting Review*, *29*(2), 227–258. <https://doi.org/10.1108/par-10-2016-0091>
- Khalid, A. A., Haron, H., & Masron, T. A. (2018). Competency and effectiveness of internal Shariah audit in Islamic financial institutions. *Journal of Islamic Accounting and Business Research*.
- Kim, I. J., Eppler-Kim, J., Kim, W. S., & Byun, S. J. (2010). Foreign investors and corporate governance in Korea. *Pacific-Basin Finance Journal*, *18*(4), 390–402.
- Koh, P., Laplante, S. K., & Tong, Y. H. (2007). Accountability and value enhancement roles of corporate governance. *Accounting & Finance*, *47*(2), 305–333.
- Kowalewski, O. (2016). Corporate governance and corporate performance: financial crisis (2008). *Management Research Review*, *39*(11), 1494–1515. <https://doi.org/10.1108/MRR-12-2014-0287>
- Mili, M., Sahut, J. M., & Teulon, F. (2017). Do corporate governance and ownership structure impact dividend policy in emerging market during financial crisis? *Journal of Applied Accounting Research*, *18*(3), 274–297. <https://doi.org/10.1108/JAAR-07-2014-0079>
- Moriarty, J. (2016). The demands of stakeholder theory for corporate governance. *Business Ethics Journal Review*, *4*(8), 47–52.

- Muntahanah, S., Kusuma, H., Harjito, D. A., & Arifin, Z. (2021). The Effect of Family Ownership and Corporate Governance on Firm Performance: A Case Study in Indonesia. *The Journal of Asian Finance, Economics and Business*, 8(5), 697–706.
- Nguyen Trong, N., & Nguyen, C. T. (2020). Firm performance: the moderation impact of debt and dividend policies on overinvestment. *Journal of Asian Business and Economic Studies*, 28(1), 47–63. <https://doi.org/10.1108/jabes-12-2019-0128>
- Puni, A., & Anlesinya, A. (2020). Corporate governance mechanisms and firm performance in a developing country. *International Journal of Law and Management*, 62(2), 147–169. <https://doi.org/10.1108/IJLMA-03-2019-0076>
- Rajput, M., & Jhunjhunwala, S. (2019). Corporate governance and payout policy: evidence from India. *Corporate Governance (Bingley)*, 19(5), 1117–1132. <https://doi.org/10.1108/CG-07-2018-0258>
- Saidat, Z., Silva, M., & Seaman, C. (2019). The relationship between corporate governance and financial performance: Evidence from Jordanian family and nonfamily firms. *Journal of Family Business Management*, 9(1), 54–78. <https://doi.org/10.1108/JFBM-11-2017-0036>
- Sarwar, B., Xiao, M., Husnain, M., & Naheed, R. (2018). Board financial expertise and dividend-paying behavior of firms: New insights from the emerging equity markets of China and Pakistan. *Management Decision*, 56(9), 1839–1868. <https://doi.org/10.1108/MD-11-2017-1111>
- Seputro, F. H., Murhadi, W. R., & Herlambang, A. (2020). Faktor–faktor yang Mempengaruhi Dividend Perusahaan Sektor Manufaktur yang Terdaftar di Bursa Efek Indonesia dan Bursa Malaysia. *Journal of Entrepreneurship & Business*, 1(1), 43–55.
- Suttipun, M. (2018). The influence of corporate governance, and sufficiency economy philosophy disclosure on corporate financial performance: Evidence from Thailand. *Asia-Pacific Journal of Business Administration*, 10(1), 79–99. <https://doi.org/10.1108/APJBA-08-2017-0077>
- Tekin, H., & Polat, A. Y. (2020). Do market differences matter on dividend policy? *Borsa Istanbul Review*, 21(2), 197–208. <https://doi.org/10.1016/j.bir.2020.10.009>
- Velnampy, T. (2013). Corporate governance and firm performance: a study of Sri Lankan manufacturing companies. *Journal of Economics and Sustainable Development*, 4(3), 228–236.
- Zona, F., Gomez-Mejia, L. R., & Withers, M. C. (2018). Board interlocks and firm performance: Toward a combined agency–resource dependence perspective. *Journal of Management*, 44(2), 589–618.