

Dividend Payout of Family Firms Across ASEAN Countries

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ABSTRACT

ASEAN Economic Community will soon embody free and open investment market for country members of ASEAN after creating a highly integrated and cohesive economy environment. Investors need to know more about the characteristic of various companies across ASEAN to widen their investments. To provide the information about character towards dividend of firms in ASEAN, especially family firms that dominate the market, this research compares the dividend payout exercised by each of country member. Moreover, this research also analyses founding family influences on dividend payout in ASEAN countries listed in high liquidity index from 2012-2016. Descriptive statistics is used to compare the dividend paid for the last 5 years based on historical data. To test some factors hypothesized to be influencing dividend payout, panel regression is used with ownership structure, family stake, reputation, legal system, and investor protection as independent variables and dividend payout ratio as dependent variable. We hypothesize founding family firms tend to pay more dividend due to high agency conflict occurs in Asian business group.

Keywords: : founding family firm, dividends, legal system

CHAPTER I

INTRODUCTION

Background

Dividend is the distributed portion of earnings for shareholders in the form of cash, stock, or even other properties. It is management's freedom to determine the amount of dividend and whether the company pays the dividend or not. However, in financial management approach, the goal of a company is to fulfill shareholder's wealth (Gitman & Zutter, 2012). So there are some companies that pay much dividend to shareholders to achieve this goal and there are some companies that retain its earnings to expand the business.

Usually, companies allocate the earnings into internal activities first, for example in investing and expanding, then allocate the leftover earnings to be divided to shareholders as dividend. This method is usually called residual dividend policy. Shareholders are usually interested to companies that have high payout of ratio and regularly pay the dividend. The fluctuation of dividends created by the residual policy significantly contrasts with the certainty of the dividend stability policy.

There are many factors affecting dividend payout, but this research focuses on ownership structure as main factor that influences dividend payout of firms, which is concentrated ownership. Concentrated ownership is when individual investors or large-block holder shareholders own the large amount of common stock, minimum 5% of stocks (Locke & Reddy, 2015). Large block holders are commonly institution owned by founder or investment holding company. When family members or private institution own more than 5% of outstanding stocks, the firm can be included into firm with concentrated ownership.

This ownership structure affects the dividend payout decision of a firm. Taken from the journal researched by Gonzalez et al. (2016), ownership concentration affects negatively on dividend payout as the largest investor is identified as an individual, firms tend to pay fewer dividends consistent with individual investors extracting benefits from minority shareholders. As family firms are included in concentrated ownership, it can be concluded that theoretically family firms would pay less dividend compared to non-family firms (Gonzalez et al., 2016).

This phenomenon is considerable as most firms in ASEAN countries are categorized as family firms. However, if we see the research result from Pindado,

Requejo, & Torre (2012), it is mentioned that family-controlled firms pay higher and more stable dividend to their shareholders in European zone as there is only 40% of firms are categorized into family firms and 33% in United States (developed market) (Bhalla, Orglmeister, & Tong, 2016). From the perspective of an owner/manager who has a large proportion of wealth invested in a firm, the retained earnings is not desirable compared to dividend that coupling of ownership is apparently positively associated with dividend payouts.

Moreover in emerging market, Chinese family business groups based in Hong Kong expected to distribute higher dividend payout to their shareholders affected by cultural norms of owning wealth and inheritance (Carney, 2002). The similar result is shown by Masulis, Pham, & Zein (2011) as it says that family business groups in 45 countries are larger, more established, and use more leverage as the advantage of their financing, and also shows higher dividend yield. However, opposite result is shown in Indonesia, as part of emerging market, where family-owned firms are proven to pay less dividend compared with non-family firms as they tend to keep cash they could expropriate (Mulyani, Singh, & Mishra, Dividends, Leverage, and Family Ownership in the, 2016). The research related to dividend and family firms concerns conducted in developed market and some emerging market countries show different result as characteristic of countries are various.

ASEAN countries are interesting as this region is one of the world's fastest-growing markets and having macroeconomic stability provides ASEAN a platform for growth and it has been a home to many globally competitive companies (HV, Thompson, & Tonby, 2014). If ASEAN countries were a single country, it would be the seventh-largest economy in the world as it consists of diverse group members (HV, Thompson, & Tonby, 2014). Besides family ownership structure, legal applied in each country are also various and may lead to different dividend payout policy. This large economy in ASEAN is widely supported by firms owned by a family.

ASEAN Economic Community, especially the ASEAN Comprehensive Investment Agreement (ACIA) may give great benefits to companies and also create new perspective for investors. It is very unfortunate that the research about high profitable ASEAN economic condition has not been conducted, so this research has goal to give new perspective about ASEAN family firm characteristics in paying out dividend that may help investors across country to actively invest due to contributing in achieving AEC goal.

Problem Identification

Based on Jakarta Post (Razook, 2016), it is known that more than ninety five percent (95%) of companies in Indonesia are family firms. These family firms have large company size and mostly take a role as leading companies in Indonesia. Large size of a company supports competitive advantage of a company and affect how it may compete with other companies around the world or even around its region. This competition will also be happening in The Association of Southeast Asian Nations, or we call it ASEAN, as the regional organization involving ten countries lied on Southeast Asia that facilitate economic integration and cooperate in governmental side view.

Moreover, the largest companies in ASEAN are mostly family firms as it is proven in Indonesia and also in Singapore which 50% of companies in each sector are categorized in family firms (Shim & Dieleman, 2013). In Singapore, family firms are generally outperforming non-family firms based on return on asset (ROA). (Shim & Dieleman, 2013). Family firms in Malaysia also dominate and control the market for 43% of main board companies in Bursa Malaysia. (Ibrahim & Samad, 2011). Laying on the same region makes countries in ASEAN also have similar characteristics as the rest six countries also show high percentage of family firms, such as Philippine confirmed 80% of its business are family firms (Johnston, 2004), 83% in Myanmar (Aung, 2016), and 72% in Cambodia (Inserey, 2013).

Those family firms with high market capitalization in each country will soon show up and compete in regional market as ASEAN Economic Community (AEC) of Banking will be arriving in 2020 and another phase of integrated economy system will be applied in 2025. According to AEC Blueprint 2025, ASEAN has visions to actualize a highly integrated and cohesive economy and a competitive, innovative, and dynamic ASEAN (ASEAN Integration Monitoring Directorate, 2017). This integration system also applies in investing activities. ASEAN has a goal to apply free and open investment environment for country members through ASEAN Comprehensive Investment Agreement (ACIA) which is one of AEC Blueprint points. By opening a single investment market in ASEAN, companies in each country will show a good sign of performance so investors will be attracted to invest. This phenomenon will be more profound as investors in all ASEAN countries will have the same rights to invest in all companies within ASEAN freely with no barriers like regulation, policy, or any complicated procedure.

Integrated economic activities in ASEAN region will soon or later affect the economic activities in those 10 country members. This happens because more customers will know more about each country products and provide ratings to certain products. Moreover, capital market in ASEAN will also be wider that every stock exchange in each country has rights to trade cross nation stocks freely. By this happening, investors better know the characteristics of each country towards dividend payout, especially in family-owned firms that are very common in ASEAN business.

Several conflicts may occur in family firms as family firms defined as founding family members own minimum 20% of common stocks of a firm, family firms in this research also are also categorized in concentrated ownership firm. This ownership structure can affect dividend payout as mentioned by Gonzalez et al. (2016). According to the ownership structure in ASEAN countries mentioned above, insider ownership, especially family-owned firms take most control as shown by the percentage.

Agency problem or conflicts mentioned above happen when there is a difference in perspective of management and shareholders, including in this dividend payout issue. Management wants to allocate the firm's earnings to operational needs or to more investments. However, the shareholders want to gain much return by obtaining dividend because they have invested some money to be used for operational activities in the firm. This agency problem and investors' signal related to dividend payout policy will affect the reputation and investor's perspective towards the companies because high dividend usually signs high profitability and future profit (Isakov & Weisskopf, 2015).

Dividend payout characteristics are important to be well known by investors as dividend payout has positively relation with profitability that will attract investors (Gonzalez et al., 2016). Furthermore, because of AEC, there will be more people; especially investors have opinion about ASEAN companies as people from all over ASEAN countries will have integrated economic activities.

Therefore dividend payout of a firm is very impactful for investor's decision and impression toward the sustainability and profitability of certain companies. The previous research stated that Indonesian founding-family firms pay lower dividend compared to non-family firms, while another researches showed family firms based in other countries pay higher dividend, invites curiosity that this research intends to see the comparison of dividend payout in ASEAN region where Indonesia involves in and

how do family firms in ASEAN pay dividend to help investors acquire new perspective.

Research Questions

1. How is dividend payout of founding family firms and non-founding family firms in ASEAN countries?
2. What are factors that determine dividend payout in ASEAN founding family firms?

Research Objectives

This research has a goal to compare dividend payout between founding-family firms and non-founding family firms based in ASEAN countries. Besides identifying, this research also intends to analyze what factors affect ASEAN family firms in paying dividend.

Scope and Limitation

As this research compares firms in regional level, which is ASEAN, samples are taken from ten countries of ASEAN, which are Indonesia, Singapore, Malaysia, Thailand, Vietnam, Myanmar, Cambodia, Laos, Philippines, and Brunei Darussalam. However, Brunei Darussalam has not launched stock exchange, so the research excludes companies listed in Brunei Darussalam. There is a limited data shown by Myanmar, Cambodia, and Laos in terms of this research, so those countries are also eliminated from this research. To equitably analyze firms with higher liquidity and large market capitalization which sign high competitive among firms, companies researched must be listed in high liquidity and top index in each country.

Therefore, companies researched are from different indexes, such as 45 companies from LQ45 Index of Indonesia Stock Exchange, 30 companies from STI Index of Singapore Stock Exchange, 30 companies KLCI Index from Bursa Malaysia, 50 companies from SET50 Index of Thailand Stock Exchange, 30 companies from PSEi Index of Philippines Stock Exchange, and 30 companies from VN30 Index of Vietnam Stock Exchange. Companies listed in those indexes are eligible because of their high liquidity and large market capitalization.

Samples are consisted of 185 companies around ASEAN in the year of 2016. Listed companies in indexes above are updated twice a year so the listed companies taken are those who are listed in the end of year 2016. This research discusses dividend policy that is related with agency theory. However, agency theory and agency problem

explained in the research is only the correlation between shareholders and management as they involve in dividend decision.

Writing Structure

Chapter I: Introduction

This chapter will consist of background, problem definition, research questions, research objectives, scope and limitation, and writing structure. Basically, the content filled with explanation of research in general.

Chapter II: Literature Review and Hypotheses Development

In this section, there will be a discussion about theoretical concept that supports the research. Basic idea of dividend payout policy in the family and non-family firms is shown in this section. Development of hypotheses and institutional context are also explained in this section.

Chapter III: Methodology

This chapter will explain about data variable, source of data, data collection method, and data analysis method that are being used in this research.

Chapter IV: Result and Data Analysis

This chapter will contain the result that comes out after data processing and analysis of the result itself.

Chapter V: Conclusion and Recommendation

In this final section, the conclusion and recommendation as the response of data analysis are presented. Then, there is limitation to give some insights for future research to improve this research.

CHAPTER II

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

In this chapter, there will be explanations about family firms and theories supporting the characteristics of family firms globally and also specially in ASEAN countries. Besides, as the research is discussing about dividend payout in different countries in ASEAN, there will be also the explanations about dividend payout theories in companies. To attain result, hypotheses development is also created and explained in this chapter.

2.1. Family Firms

There is no clear definition agreed by all countries in the world or determined by certain licensed department. However, there is interpretation and definition mentioned by some journals or departments and concluded to one definition of family firms.

There is different perspective from every country about family firms' definition. Western countries (Martinez & Stohr, 2005; Deslandes, Fortin, & Landry, 2016; Andreas, 2008) and The European Commission define family firms as firms that are controlled by a founder and/or family for at least 25% (by voting rights or control rights) and member of family involves in top management (Family Business, 2017). However, there is a difference in Asian countries, especially ASEAN countries' definition of family firms. Malaysian Rules and Regulation and Family Business Study Center, the University of the Thai Chamber of Commerce define family firms as firms when family members hold at least 20% share capital of the firm and also family members are present in the boards. Besides, Singapore institution and research from Vietnam supports this definition of family firms even though the percentage perception of capital owned is different (Viet, 2015; Dieleman, Shim, & Ibrahim, 2013).

The research focuses on family firms based in ASEAN countries, so the definition of family firm from ASEAN countries is considered more. Since the definition of family firms in several ASEAN countries are not available, definitions taken are from Malaysia, Singapore, Vietnam, Thailand, and supported by definition from ASEAN Economic Bulletin. It can be concluded that family firms defined as firms when founder or company owned by founder have at least 20% of shares and at least one member of founding family presents in either executive or supervisory boards. Board members can be called as family when identified sharing the same last name (Deslandes, Fortin, & Landry, 2016). There are some

cases that a firm is established by a family but then acquired by other company. In that case, a firm is no longer called as family firms as long as does not meet the criteria above (Andreas, 2008).

2.1.1. Family Firm Governance

Corporate governance is the way a company being controlled and directed by some rules and policies. This regulation made to meet the interest of its stakeholders, including shareholders, owner, management, customers, suppliers, government, and community. To attain company goal, management should consider each group interest and desire so there will be no conflict. There are several structures of governance in a company which is determined based on the character of the company. Evolution of big business has separated ownership (shareholders) over control (management) as mentioned by a book written by Adolf Berle and Gardiner Means (1932) as the focus issue in corporate governance.

Different cultures and policies are applied in family firms that will affect some activities in the company. In family firms, the business, the family, and the ownership are very important. This combination of parties may create overlapping in controlling the company because there might be some different viewpoints, for example the proper level of dividend payout (Davis, 2001). The governance structure of family firm is different from one firm to another, but mostly family firms have governance structure as shown below on figure

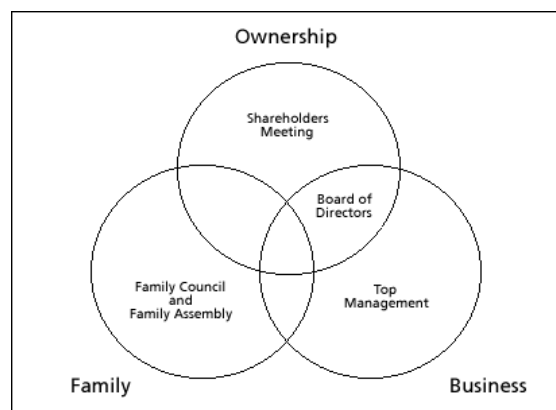


Figure 2.1.: Family Firm Governance Structure

2.1.

Separation upon managers and ownership as mentioned above from the book by Adolf Berle and Gardiner Means does not apply in family firms as shown in figure 2.1. This happens because family members in family firms involve in managerial activities as top management and also have ownership as a large shareholder. Family council creates policy

for concerning family to the board. The board of directors set policy for the business and may recommend the family council regarding the business (Davis, 2001).

Ownership structure is the most important in corporate governance as it affects the incentives of managers and efficiency of a firm (Jensen & Meckling, Theory of the Firm: Managerial Behavior, Agency Cost, and Ownership Structure, 1976). Ownership structure is defined as the relative amounts of ownership claims held by insiders (management) and outsiders (investors with no direct role in the management of the firm (Jensen & Meckling, 1976)). As the large equity owner is a family who holds more than 20% of shares, the family firms in the research is more likely categorized as concentrated ownership (Locke & Reddya, 2015). Concentrated ownership tends to reduce room for managers to exercise policies (Gugler & Yurtoglu, 2002) as the major shareholder holds more control that commonly harm minority shareholders by exercising certain controls (Wilson & Schleifer, 2013). Major shareholder which is family member has voting rights in boards that decide important policy like dividend payout policy. That is why dividend payout policy in family firms is considered through different parties to meet their interests and reduce the agency problem, especially among shareholders and management.

2.2. Agency Problem

Agency problem is defined as conflict of interest between certain parties that one is expected to act in another's interest. The parties existed in companies have different interest as they have different roles. Parties in a company have agent and principal relation that may lead to conflict and inflicts agency problem (Ross, Westerfield, Jaffe, & Jordan, 2016). Agent is party that implements the strategy brought by principal. The worst possible happens in this agency problem is when agent decides something for its own benefit without thinking about principal's interest because both parties (agent and principal) make decisions to maximize their own interest and benefit.

2.2.1. Shareholder vs Manager

Shareholder and manager have strong roles in a company so the decision taken in a company needs to strongly consider both shareholder and manager. Shareholder is a person, company, or institution who holds the stock of a company. They expect the company to grow better as they will lose if the stock price of a company is low. Shareholders consider stock valuation, while managers execute company to maintain its stock price to show good stock

valuation. If managers poorly manage the company, shareholders who have invested fund in the company may lose money.

However manager, which is defined as a person in charge to control all parts of company, sometimes needs to protect the future of company by deciding issues not in shareholder's interest. One of the examples of these parties' conflict is in dividend payout case (Jensen M. , 1986). Unless profits are paid out to shareholders, they may be diverted by the insiders or managers for personal use or committed to unprofitable projects that provide private benefits for the managers. As a consequence, outside shareholders have a preference for dividends over retained earnings (La Porta, Lopez-De-Silanes, Shleifer, & Vishny, 2000).

In family firms, manager or board of director and shareholder, especially large shareholder, are from same family. This condition may create different conflicts and situation among the parties. Unique situation in family firms creates different corporate governance and may be indicated by different characteristic of dividend payout. Distributing dividend is not a concern to manager-owner relationship because controlling shareholder which is family has high power over management so agency problem is not shown significantly (Isakov & Weisskopf, 2015). So the agency problem may occur is between minority-majority shareholder because the issue may lead to minority expropriation. (Isakov & Weisskopf, 2015).

2.2.2. Minority vs Majority Shareholder

Management and board run the company and surely decide important decisions toward the sustainability of the company. Certain decisions require shareholders' approval as they fund the company. However, not all shareholders have rights to approve decision. Commonly the approval is required from major shareholder or two-third of major shareholder. The minority shareholder must generally accept the decisions of management as long as it is approved by major shareholder (Karim, 2012).

The issue of dividend payout is also affected by this minority and majority shareholder relationship. These conflicts arise because controlling shareholders or we call it major shareholder can expropriate minority shareholders by using firm cash and resources to attain private interests (Cesari, 2012). The existing literature in fact shows that corporations characterized by concentrated ownership structures, signed by having large shareholders, use control-enhancing devices to magnify control rights relative to cash flow rights (Faccio & Lang, 2002). This is may also applied in family firms as family firm has concentrated

ownership. Moreover, it is mentioned in the research that dividend in Asia-based company pays lower dividend compared to in Europe because of weak investor protection (Isakov & Weisskopf, 2015).

2.2.3. Shareholder vs Debt-holder

The relationship between shareholder and debt-holder creates certain conflicts because they have different interest and goal. In this case, debt-holder is a principal and shareholder is an agent. Debt-holder relies on shareholder to protect its money because shareholder has rights to decide if the company issue risky debt. Large shareholding like in family firms may influence the company in disciplinary issues on management that aligns management and shareholder interest. Moreover, they surely look for optimal leverage for the company by increase debt and reduce outside equity capital. However, the debtholder recognition of this alignment favors outside equity and reduced leverage (Pushner, 1995).

2.3. Dividend

Dividend is the distributed portion of earnings for shareholders in the form of cash, stock, or even other properties. The amount of dividend is gained from the net profit in each period generated by company. The net profit located in income statement can be allocated for dividend or retained earnings. The dividend is distributed to shareholders while retained earnings are allocated for operational activities in the company to expand and also can be used for investing. The companies that distribute dividend are only those which have gone public, meaning the shares of company can be purchased by people inside and outside the company. The one who has rights to execute dividend distribution decision is a company management.

2.3.1. Dividend Payout Policy

Since the payout is based on management decision, the management has their own consideration and rules in distributing dividends. Dividend is usually paid at the end of closed book on each year end. When the company feels there must be something it has to do with the earnings, for example for investment or expansion, management may retain the earnings and not pay dividend.

Usually, companies allocate the earnings into internal activities first, for example in investing and expanding, then allocate the leftover earnings to be divided to shareholders as dividend. This method is usually called residual dividend policy. Shareholders are usually interested to companies that have high payout of ratio and regularly pay the dividend. The

fluctuation of dividends created by the residual policy significantly contrasts with the certainty of the dividend stability policy.

With the stability policy, quarterly dividends are set at a fraction of yearly earnings. This policy reduces uncertainty for investors and provides them with income. Specifically, listed companies with stable and predicted income are more likely to pay dividend compared to volatile income companies (Easterbrook, Two Agency-Cost Explanations of Dividends, 1984).

Research done by Chen, Cheung, Stouraitis, & Wong (2005) found out that controlling shareholders like in family firms have perspective that dividend is a way to extract resources out from the firms they control and makes up a disproportionately large part of the income they derive from these firms. Owners–managers may care more about their dividend income compared to their cash salary, since on average their cash salary is much lower than dividend income. Family firms with more room for expropriation due to the adoption of control-enhancing mechanisms prefer to retain earnings. By contrast, family firms with more transparent ownership structures and no deviations between ownership and control distribute more dividends (Pindado, Requejo, & Torre, Do Family Firms Use Dividend Policy as a Governance Mechanism? Evidence from the Euro Zone, 2012).

2.3.2. Cash Dividend

Firms that pay more cash dividend tends to be more connected to politic and the non-political firms tend to pay less cash dividend (Su, Fung, Huang, & Shen, 2014). Research findings indicate that firms can signal future profitability by paying cash dividends (Bhattacharya, 1979). There is common procedure for distributing dividend in cash.

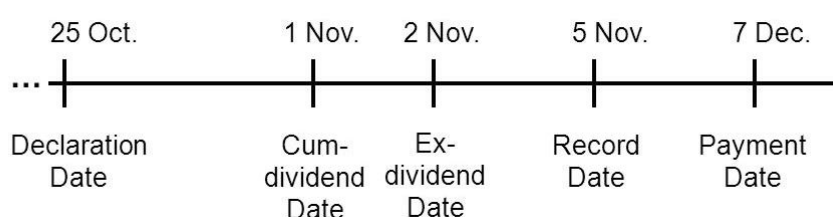


Figure 1.2.: Cash Dividend Payout Procedure

The figure 2.2. shows the steps procedure of paying cash dividend. In the declaration date, the management, especially the board of director declares payment of dividend. After that, the cum-dividend date is when buyer of stock still receives the dividend. Then in ex-dividend date, seller of the stock retains the dividend. Then all individuals and institutions are

listed to be shareholders on the record date. The last step is paying the cash dividend on the payment date. The stock price will fall by the amount of the dividend on the ex-dividend date.

2.3.3. Stock Dividend

When the company has limited cash, it can still make shareholders happy by dividing the dividend in the form of stock. So instead of giving cash, the company gives more stocks in certain percentage to the shareholders. When it is stated that the company will distribute dividend in amount of 10%, it means the shareholders have rights to get 10% of company's outstanding shares that year.

Firms distributing stock dividends have higher stock prices than firms that are in the same industries but do not distribute stock dividends (Al-Yahyaee, 2014). This is because the shareholders will still be happy receiving the dividend even though not in the form of cash. As the stock of company will be distributed more as dividend, the number of outstanding stock will also be increasing. In particular, stock dividends increase the number of shares outstanding, but do not influence the total or proportionate wealth of shareholders because the price per share is decreasing that in total, shareholder will have equal amount of wealth (Al-Yahyaee, 2014).

In many ways, it can be better for both the company and the shareholder to pay and receive a stock dividend at the end of a profitable fiscal year. This type of dividend is as good as cash, with the added benefit that no taxes have to be paid when receiving the same. Companies that pay stock dividend are giving their shareholders the choice of keeping their profit or turning it to cash whenever they desire. A stock dividend can therefore be seen as a win-win situation that has potentially huge rewards for the shareholder.

2.3.4. Dividend Payout Ratios

This ratio shows how many percent of net income of company is allocated for dividend. The higher the ratio, the more interesting the company will be seen by investors. This happens because investors will see the rational percentage of this ratio and categorize it as reasonable or not. Not all investors are happy with high dividend payout ratio.

This is due to unreasonable high ratio will sign the investors to think that the high rate will not sustain as the company will be dropping soon (Flannelly, 2014). Besides, when the company offers reasonable percentage of dividend ratio, the investors will see it as a good sign. When company states low number of dividend payout ratio, investors may think that the

company is not in the good condition or maybe it has a plan to expand and will be promising soon (Scott, 2017).

Here is the calculation of dividend payout ratio.

$$\text{Dividend Payout Ratio} = \frac{\text{Dividend}}{\text{Earnings}}$$

Equation 2.1.: Dividend Payout Ratio

As the dividend is gained from net income, the ratio will show how much income is allocated for dividend. When the calculation resulting high number of ratio, it means the company gives much dividend to its shareholders. However, if the number results in low number that means the company allocates the earnings to its internal fund. There is no exact percentage of dividend payout ratios that categorizes the company to good or not. Commonly, dividend payout ratio of a company is compared to ratio in the same industry with the company (Ross, Westerfield, Jaffe, & Jordan, 2016). When the dividend ratio results higher than average ratio of industry, that means the company pays more dividend than average industry.

A consistent trend in this ratio is usually more important than a high or low ratio. Investors are mainly concerned with sustain trends. For instance, investors can assume that a company that has a payout ratio of 20 percent for the last ten years will continue giving 20 percent of its profit to the shareholders.

Besides using dividend-to-earnings ratio, dividend payout is also determined by payout-to-earnings and dividend yield ratio (Isakov & Weisskopf, 2015). Payout calculation includes stock repurchase and cash dividend, while dividend-to-earnings ratio only includes cash dividend. However, this dividend-to-earnings ratio has several problems. First, it is affected by country's accounting conventions and may not be exactly comparable across countries. Secondly, this ratio can be manipulated by accounting tricks. Thirdly, diversion of resource may occur before earnings reported so the ratio overestimates the share of true earnings that paid as dividend (La Porta, Lopez-De-Silanes, Shleifer, & Vishny, 2000).

2.2. Literature Review

2.2.1. Family Firms and Dividend Policy

There are many factors influenced dividend payout in family firms. A cross-sectional of a research proves that fraction equity, past and future revenue growth, beta coefficient, and

number of common shareholders are related to dividend payout (Rozeff, 1982). He comes with the conclusion that dividend payout is negatively related to past and expected growth, investment policy, and percentage of stock held by insider management. However, dividend payout is positively related to number of common shareholders. Cited by Rozeff (1982), some factors influence dividend payout ratio is firm's fund requirement for investment purpose (Higgins, 1972), firm's debt financing (Higgins, 1972), and long-term debt (McCabe, 1979) that is negatively related to dividend payout ratio.

Dividend payout is used by controlling shareholder in small firms in Hong Kong as a way to extract the firms' wealth. This happens because the fact that owner-manager considers more about dividend because their cash salary is lower compared to dividend (Chen, Cheung, Stouraitis, & Wong, 2005). Dividend is also useful to assure outside investors that they would not be expropriated (La Porta et al., 2000) that is why dividend payout is important for shareholder as it has positive relation with profitability (Gonzalez et al., 2016). Chen, Cheung, Stouraitis, & Wong (2005) also argued that investors will be interested higher dividend when the firm has high agency conflict like Asian business group.

Managers who also act as control shareholders pay high dividend to reduce agency cost, especially when external financing is needed (Gonzalez, Molinab, Pablo, & Rosso, 2016). This commonly happens in family controlled firm when the firm does not separate cash flow rights and ownership rights. However, there is a tendency that family-controlled firms do not smooth dividend while state-controlled firms do (Gugler K. , 2003).

Some researchers have met another conclusion about the dividend payout in family firms. Research done by Isakov & Weisskopf (2015) concludes that family firms in Swiss tend to pay higher dividend compared to in non-family firms. It happens because low dividend shows minority expropriation by controlling shareholder, dividend is related to reputation of a firm, and family members concern the amount of wealth invested in a firm, so they treat dividend as their income. The contradictory result is shown in research done by Mulyani, Singh, & Mishra (2016) in Indonesia. They show Indonesian family firms pay less dividend compared to non-family firms. This happens as family firms in Indonesia tend to keep cash they could expropriate. The third paper concludes little relation between large family-owned firms and dividend policy, but there is a significant negative relationship between little family-owned firms and dividend policy because large shareholder expropriate minority shareholder (Chen, Cheung, Stouraitis, & Wong, 2005).

Not only ownership, but also structure of ownership itself has high relation to dividend payout (Gonzalez et al., 2016). This can be proven when a firm has no second blockholder and when the largest shareholder is not active management, it pays more dividends (Isakov & Weisskopf, 2015). Moreover, firms with high level of concentration ownership have higher level of dividend payouts (Gonzalez et al., 2016). Their result is as prove of research done by La Porta, Lopez-De-Silanes, Shleifer, & Vishny (2000) that family-related investors with high ownership level try to create good reputation in markets with very weak protection of minority investors. However, high concentration coupled by the largest shareholder is individual investor will reduce dividend payout (Gonzalez et al., 2016).

Not only by ownership, but dividend payout in firms also affected by the legal adopted in each country. Moreover, firms that are based in country adapting common law tend to pay higher dividend compared to those based in countries with civil law (Gonzalez et al., 2016). This happens because civil law countries have weaker legal protection of minority shareholders than common law countries do (La Porta et al., 2000). It is aligned with statement that countries that have low legal protection tend to pay lower dividend (Chen, Cheung, Stouraitis, & Wong, 2005).

However again, dividend is always related to structure of ownership. If the largest shareholder is not based in common law country, but if the second largest shareholder is, the firm tends to pay lower dividend. As Rozeff (1982) mentions that growth rate is expected to be affecting dividend payout, La Porta et al., (2000) also shows that in common law countries, payout ratios are strictly higher for slowly growing firms. However, in civil law countries, payout ratios are positively related to growth rate.

2.2.2. Context of Capital Market in ASEAN Countries

This section explains about the condition of capital market in each country in ASEAN. As each country has different characteristics and legal covering the firms, some differences may occur in the capital market, especially in stock market.

2.2.2.1. Indonesia Capital Market

In Indonesia, it is known that there is an index that encompasses all stock listed in Indonesia Stock Exchange called Jakarta Composite Index (JKSE). The price of this index reflects the growth of all listed companies in Indonesia seen from their stock prices. Indonesia as the largest economy in Southeast Asia is now smaller and less liquid compared to other ASEAN countries. Liquid companies that worth to invest is put into an index called

LQ45 index. This index consists of 45 companies with high market capitalization and high liquidity. To analyze certain companies with higher level of competitiveness, this research only includes companies listed in LQ45 index.

Besides stock market, Indonesia shows steadily grown bond market. Bond that are focused for the past few years by central government in Indonesia is Islamic bond or called *Sukuk* as most population are Muslim, while Islamic finance is underdeveloped, so this sector has high potential. Started in 2013, all capital market activities are overseen by Financial Institution Supervisory (OJK) authority (Makes, 2013).

2.2.2.2. Thailand Capital Market

There are some capitals that can be invested in Thailand capital market, such as equity and debt securities. Index of equity market that consists of all stocks listed in Exchange of Thailand is called SET Index. The price of this index is reflecting the price growth of all stocks listed. There are two well-known indexes in Thailand besides SET Index, which are SET50 and SET100 Index. These indexes consist of listed companies in Thailand which have large market capitalization, high liquidity, and compliance with requirements regarding the distribution of shares to minor shareholders. Companies included into SET50 Index are also listed in SET100 Index.

2.2.2.3. Singapore Capital Market

Capitals invested in capital market in Singapore are debt capital markets, equity capital markets, and foreign exchange. Singapore government provides securities and foreign corporate bonds are also available. To invest in wide range of investment, investors are offered fixed income. For retail trading, bond with lower minimum subscription size is also available in Singapore Exchange (SGX). For equity market, in Singapore, there is 40% of listed in SGX are foreign companies (Singapore Government, 2016). Singapore is the largest REIT market in Asia ex-Japan. The foreign exchange and OYC derivatives market plays a pivotal role in Singapore's vibrant.

In Singapore, the regulatory framework for capital markets is underpinned by the Securities and Futures Act (SFA) and the Financial Advisers Act (FAA). Consumers who invest in products or deal with entities that are regulated under this framework will enjoy the safeguards provided under these laws. Together, the SFA and FAA cover each of the four components in the capital markets ecosystem. The purpose of regulating capital markets is to safeguard the interests of investors, ensure that risks are kept to an acceptable level, promote

efficient price discovery, and maintain confidence in the market (Singapore Government, 2016).

Major index used to track the performance of top 30 companies listed on Singapore Exchange is called Straits Times Index (STI). This index is calculated by Singapore Press Holdings (SPH), Singapore Exchange (SGX), and FTSE Group (FTSE). Companies listed in this index are those who have the highest market capitalization among listed in Singapore Exchange. This index is then used as a benchmark index for the Singapore stock market which is also used in this research.

2.2.2.4. Malaysia Capital Market

Malaysia is located in the center of ASEAN which gives benefit to them as it also has stable growth of economy. Malaysia is also providing equities, fixed income, and alternative assets to investors as capitals. However, as Malaysia applies most of Islamic rule, there is Islamic capital market that provides equity and fixed income with Islamic principles. On Bursa Malaysia, the national exchange, more than 70% of the stocks are classified as Shariah compliant by the Shariah Advisory Council of SC. Malaysia has a large Islamic equity market and is home to 188 unit trust funds across asset classes. This provides the drive for continuous development of the country's Islamic fund management industry.

Similar with indexes in Singapore, Malaysia has major index which is used to track performance of Malaysia stock market which is FTSE Bursa Malaysia KLCI or known as FBM KLCI. This index consists of 30 largest companies on the Bursa Malaysia by market capitalization that meets the eligibility requirements. This index used to be known as Kuala Lumpur Composite Index (KLCI), but then changed in 2006. To create an apple-to-apple research, this index that is calculated based on high market capitalization is also used in this research.

2.2.2.5. Vietnam Capital Market

In Vietnam, there are two active stock exchanges. The largest stock exchange is Ho Chi Minh City Stock Exchange (HOSE or HSX). The second stock exchange opened is Hanoi Stock Exchange (HNX) that is used as securities trading also. Index used majorly in Ho Chi Minh City Stock Exchange is VN Index, while index used in Hanoi Stock Exchange is HNX-Index. Companies listed in each stock exchange are different. Currently, in HOSE or HSX, there are about 319 listed companies and in HNX, there are about 378 stocks listed. HNX also provide a different listing, which is Unlisted Public Company Market (UPCoM).

The popular index used worldwide for Vietnam is VN Index that tracks all performance listed in HOSE. Another popular index used is VN30 Equal Weight Index that tracks the total performance of the top 30 large capitalization and liquid stocks listed on HOSE. All index constituents are equal-weighted to help investors deal with liquidity, foreign ownership and state-owned enterprise constraints when investing in Vietnam. This index is also used in the research to compare the large capitalization and liquidity of companies.

2.2.2.6. Philippine Capital Market

In Philippine, there is one composite index, which is PSE Composite Index (PSEi) that consists of 30 companies listed in Vietnam. Companies listed are the most representative performance which the index is a free-float and capitalization-weighted that is also used in the research.

2.2.2.7. Myanmar Capital Market

Stock Exchange in Myanmar is called Yangon Stock Exchange with its major index called MYANPIX. This index represents price fluctuation of an overall stock market and becomes basic tool to describe Myanmar's stock market for investors. Since there are only four companies listed in Myanmar and only one index is provided, this index is also used in the research.

2.2.2.8. Laos Capital Market

Lao Securities Exchange is trading securities available in Laos. There are five listed companies in Laos that are tracked in LSX Index. This index is the only one available in the stock market.

2.2.2.9. Cambodia Capital Market

Similar condition happens in Cambodia, there are only four companies listed in Cambodia. The index tracks the performance of these four companies is CSX Index.

2.2.2.10. Brunei Darussalam Capital Market

Different condition in Brunei happens as it has not launched its stock exchange. Until now, Brunei Darussalam does not provide stock market. In this year, Brunei is in process of drafting rules and regulations to later provide Muslim investors to invest in listed companies.

2.3. Hypotheses Development

Hypothesis about the relation between dividend and other independent variables need to be concluded. These hypotheses are made from personal perspective supported by some previous studies and theories.

East Asia and Western Europe countries have high agency conflict which is highly correlated with business groups as they have wide divergence of control (Chen, Cheung, Stouraitis, & Wong, 2005). High agency conflict creates high risk for the company and certainly investors demand for more return when investing in a higher risk company. Company with high risk commonly gives higher dividend to their shareholders to maintain good reputation and also attract other investors. As ASEAN countries are located in Southeast Asia, which are included into the region mentioned on the research above, it can be assumed that ASEAN countries have similar characteristics with East Asia countries.

(Hypothesis 1) Family firms in ASEAN have high agency conflict which guides to high dividend payout

When family owns large percentage of stake, the family takes a role as blockholder. When there is a blockholder, firms tend to be run by the blockholder and control the policy including dividend policy. As the family owns larger share, they might fulfill their own interests by distributing high dividend so they will get more dividends as they have large share percentage. The larger controlling stake, the company will more easily expropriate minority shareholder (Isakov & Weisskopf, 2015).

(Hypothesis 2) The larger the percentage of stake, the more dividend distributed by family firm

Management has a role to take care of a company and make sure the performance is good and keep growing year to year. This role has to be applied by both active and passive family. Active family is defined as family members who are in top management position and have rights to control the company. While passive family is when the family owned the largest stake does not involve in management. They do not take technical decision in management and have less power to control dividend policy.

When family members are not involved in management, the management has a tendency to distribute dividend to the shareholders which are mostly the family owner. This

is supported by sleeping dog hypothesis that management give high dividend to the owner so the owner will not involve too much in management (Isakov & Weisskopf, 2015). By doing this, the management will not be too overwhelmed by family (owner) involvement.

(Hypothesis 3) Family firms with active family member in management tends to pay low dividend

In common law countries, firms tend to pay higher dividend when the largest blockholder is from common law country. If there is second largest blockholder that comes from common law country, while the largest blockholder comes from civil law countries, the policy in a firm is more controlled that it tends to pay lower dividend (Gonzalez, Molinab, Pablo, & Rosso, 2016). However, this conclusion is supported by the research mentioned that firms in common law countries pay higher dividend for slowly growing firms (La Porta, Lopez-De-Silanes, Shleifer, & Vishny, 2000). This happens because investors demand more return in a form of dividend for investing in slowly growing firms.

(Hypothesis 4) Family firms in common law countries pay higher dividend

Thus, the hypotheses are concluded in the following table.

Table 3.2.: Hypotheses

Explanatory Variable	Expectation Relation to Dividend Variable
Ownership structure (family owned)	+
Family stake percentage	+
Active family member in management	-
Legal law (common law)	+

CHAPTER III

METHODOLOGY

3.1. Research Methodology

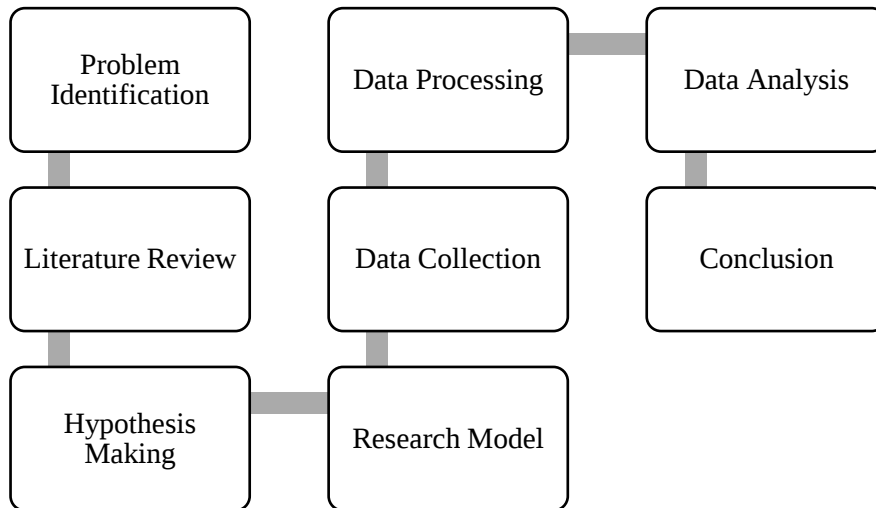


Figure 3.1.: Methodology

To attain the objective, this research is included into correlational research. Correlational research is defined as research that finds the relation between certain variables to others (Krishnakumar, 2011). To obtain the data, purposive sampling is used as the type of sampling. Purposive sampling can be defined as non-probability sampling technique when the researchers choose the sample based on their knowledge and purpose of the study (Andele, 2015). This research uses data from stock exchange website in each country and by library research to find theoretical foundation. Library research is finding theories that suitable to achieve objective in academic sources.

The samples are listed companies in ASEAN countries (Indonesia, Thailand, Singapore, Malaysia, Vietnam, and Philippines) which are listed in index with high liquidity. Brunei Darussalam is excluded from the list because it does not have stock exchange. Data series is taken as 2016 secondary data. Method used is multiple linear regressions as the research objective is to identify the some independent variables influence dividend payout as dependent variable with no time series being concerned.

3.2. Problem Identification

Concerning macroeconomics, the research first analyze problem in Indonesia globally. Then it comes up with Association of ASEAN Community that has been main issue

in Indonesia since 2015. Even though the AEC has started since 2015, the system in running this program still needs to be improved (ASEAN Integration Monitoring Directorate, 2017). That is why this issue is still discussed nowadays in Southeast Asia region. Moreover, ASEAN as one of potential regions economically will be a highlight for worldwide investor. That is why analyzing large market capitalization and liquidity firms in ASEAN is important.

Dividend payout as return for investor has role in attracting shareholder and increasing profitability of a firm. As capital market and investing activities will be emerged in one market which is ASEAN market, investors need to be more concerning ASEAN firms characteristics in distributing dividend. Besides identifying influencing factors in dividend payout, the research will also provide comparison dividend payout in current condition and recommend future steps for investors to invest in ASEAN should take.

Reviewing the literature review on chapter II, dividend payout is important for shareholder as it has positive relation with profitability (Gonzales et al., 2016). Moreover, Asian business group has high agency conflict that investors are argued to be interested higher dividend when investing in companies with high agency conflict (Chen, Cheung, Stouraitis, & Wong, 2005). Some researches about comparison on dividend payout in family firms and non-family firms have been conducted in several countries, but ASEAN as a potential market has not been researched. In Swiss, founding-family firms tend to pay higher dividend (Isakov & Weisskopf, 2015) to keep the reputation of company. While in Indonesia, the research concludes that Indonesian family firms tend to pay low dividend because they keep cash they could expropriate.

In family firms, there are some factors influenced the dividend payout, which one of them is structure of ownership shown by level of concentration ownership (La Porta et al., 2000). Besides, the law controlled the firms in a country is also affected dividend payout, whether the country is common law based or civil law based (Gonzalez et al., 2016). Managers who control the dividend policy is also influencing the dividend distribution to shareholders (Gonzalez et al., 2016). So family members who are active or not as a management are considered in the research conducted by Isakov & Weisskopf (2015).

Those previous findings support this research that has objective to solve research questions on how dividend payout of founding family firms and non-founding family firms in ASEAN countries is and what factors that determine dividend payout in ASEAN founding

family firms are. Variables used in previous research will be tested in this research to solve the research question shown in the regression model explained below on the next sub chapter.

3.3. Research Modeling

Theories obtained from academic sources and library is used to define problem deeper, variables suitable, and methods to be used. There are several variables used in this research that can be explained through table below.

Table 3.1.: Variables

Variable	Definition of Variable	Formula
Dependent Variable		
Cash Dividend	To compare the dividend in each country using standardized currency, which is USD	
Dividend payout ratio	Shows how much money in earning is returned to shareholder and how much the money is kept for reinvesting company growth	$Dividend\ payout\ ratio = \frac{Dividend}{Earnings}$
Ln Cash Dividend	To create a standard unit with all variables, cash dividend obtained need to be using ln	$Ln(Cash\ Dividend)$
Independent Variable		
Ownership Structure (blockholder)	The ownership of companies is categorized between founding family , non-founding family , and state	
Family Stake	Family internal structure should be considered to see if the relation between dividend and family firm is affected by percentage of stake owned by family. This research focuses on 20-25% , 25-50% , and more than 50% as proxies of family stakes	
Reputation	This variable presents the way market sees the company. Reputation is shown by categorizing firm if the family is in active management .	
Legal System	Countries in ASEAN apply different legal system that may affect dividend payout. The system is categorized to common law and civil law	
Control Variable		
Tobin's Q	Ratio of the market value of a company's assets. It represents how much cost should be paid for its asset compared to the value of stock	$Q\ Ratio = \frac{Total\ Market\ Value}{Total\ Asset}$
ROIC	Assess a company in allocating its capital. Return of capital investment (ROIC) represents how well a company using money to generate returns	$ROIC = \frac{Net\ Operating\ Profit\ After\ Tax}{Total\ Invested\ Capital}$
Firm Age	It is defined as how long the firm has been run, measured from founding time until period of research (2012-2016)	
Firm Size and Ln (firm size)	This research measures firm size by using total asset value of firms as market capitalization is not applicable for dividend payout calculation (Dang & Li, 2015; Ramachandran & Packkirisamy)	
Leverage	Financial instruments or borrowed capital used to increase the potential return on investment	$Book\ Leverage = \frac{Total\ debt}{Total\ Equity}$
Sales Growth	Typical percentage of average sales increases of a firm year to year. Gained from dividing latest average annual sales by prior period annual sales	

Beta	Measures how the company's equity market value changes with the change of market overall
Government-owned effect	Samples are categorized into firms that were founded and owned (more than 20% stake) by government
Financial industry effect	Firms are categorized into firms that are included in manufactured firm and non-manufactured firm

This study is aimed to find significant factor that influences dividend payout in family firms by using multi linear regression and also intends to compare dividend payout in ASEAN countries. To get the intended objective, models used to test the research question are following Isakov & Weisskopf (2015) as follows.

$$Dividend = \alpha + \beta_1 family\ firm + \beta_2 control\ variable + \beta_3 dummy\ variable + \varepsilon \quad (1)$$

$$Dividend\ payout\ ratio = \alpha + \beta_1 family\ stake + \beta_2 active\ management + \beta_3 legal\ law + \beta_4 control\ variable + \beta_5 dummy\ variable + \varepsilon \quad (2)$$

Where α is constant, β is the correlation coefficient of explanatory variable, while ε is the residual error of the regression model. Dependent variables are dividend and dividend payout as proxies to represent dividend payout. 'Family firms' is independent variable in the equation refers to variable of ownership structure, whether the firms are included into family firms or not. This variable is expected to be positively related to dividend payout. 'Family stake' is independent variable shows how many percent that the family owns stake of all outstanding shares in a company which is expected to be positively related to dividend.

'Active management' is independent variable shows whether the company is controlled by management who is also founding family member which is also expected to be low dividend payout when family member is involved in the management. Legal law here is the independent variable of which shows the country of listed company is categorized as common law or civil law. Family firms in common law countries are expected to pay higher dividend. More explanations toward these hypotheses can be read on chapter II.

This research also controls firm age, firm size, leverage, ROIC, Tobin's Q, sales growth, beta, government, and industry effect variables. Firm age is expected to be positively related to dividend payout because the older the firm age, the more stable the firm so it can distribute dividend more. Firm size and sales growth are also expected to be positively related as this firm size is shown by total asset of the firm. Firm which has high leverage is expected to pay fewer dividends as it has more debt so it needs more cash to be maintained.

ROIC, Tobin's Q, and beta is expected to be negatively related to dividend payout. Government-owned firms are expected to pay higher dividend because they need to guarantee the investors and people with safe return or dividend, while financial corporation shown by industry effect variable is expected to pay lower dividend because they have riskier level of industry. This research also uses country dummy variables.

3.4. Data Collection

The data in this research is secondary data which can be obtained from company website, financial statements of listed companies, and other verified websites. To collect the data related to family firms, it is concluded from various definitions that family firm is firm that the founder is a family that takes role as a management and supervisor in the company and have minimum 20% of company outstanding stake. The variables are all secondary data that can be obtained from several sources mentioned on the table below.

Table 3.3.: Data Sources

Variables	Sources
Dividend	Financial Statement 2016 from stock exchange website of each country
Sales	Financial Statement 2016 from stock exchange website of each country
Earnings	Financial Statement 2016 from stock exchange website of each country
Price per share	Financial statement or www.reuters.com/finance
Ownership Structure (blockholder)	Stock exchange website of each country, www.stockbit.com (Indonesia), www.investing.com
Family Stake	Stock exchange website of each country, www.stockbit.com (Indonesia), www.investing.com , news
Management and supervisor	Annual report 2016 of each country, www.4traders.com
Legal System	Previous research and www.wikipedia.com
Tobin's Q	Financial Statement 2016 from stock exchange website of each country
ROIC	Financial Statement 2016 from stock exchange website of each country
Firm Age	Company website and news
Firm Size	Total asset from annual report
Leverage	Financial Statement 2016 from stock exchange website of each country
Sales Growth	Financial Statement 2016 from stock exchange website of each country
Beta	www.reuters.com

Sampling technique used is purposive sampling as it is a non-probability sampling technique when the researchers choose the sample based on their knowledge and purpose of

the study (Andele, 2015). The population, sample, unit analysis, and the period of study are as follows.

- a. The population is all listed companies in ASEAN countries.
- b. The samples criterion for this research is the companies have to be in high liquidity and market capitalization index assessed by each country. This criterion is important to see the most competitive and large firm size in each country so the comparison will be apple to apple. So the samples are consisted of 183 companies around ASEAN taken from different indexes as follows.
 - i. 43 companies from LQ45 Index of Indonesia Stock Exchange
 - ii. 28 companies from STI Index of Singapore Stock Exchange
 - iii. 29 companies KLCI Index from Bursa Malaysia
 - iv. 42 companies from SET50 Index of Thailand Stock Exchange
 - v. 26 companies from PSEi Index of Philippines Stock Exchange
 - vi. 15 companies from VN30 Index of Vietnam Stock ExchangeCompanies listed in those indexes are eligible because of their high liquidity and large market capitalization. However, Laos, Myanmar, and Cambodia only have one index, which is composite index as they only have few public listed companies.
- c. The period of research is a year of 2016. Companies listed in all indexes above are updated twice a year. To get the updated data for each year, listed companies which are involved in research are those that are selected in second period of index updating, which is at the end of each year.

3.5. Data Analysis

The data obtained from sources above then analyzed to attain the research objective. The main methodology in this research is multi linear regression, but it has to do with some prior classical assumption tests to meet several assumptions for this method. Models that do not meet the classical assumption requirement is tested using robust test and then all models are tested using multiple linear regression with p-value in determining the significance of variables involved.

3.5.1. Classical Assumption Tests

3.5.1.1. Normality Test

The test is to make sure that the data is well-modeled by normal distribution and to see how likely the random variable in data is normally distributed. To exercise this test, this research uses Goodness of Fit Test which tests whether the data samples are drawn from identical distribution. Kolmogorov-Smirnov Test is used in SPSS as tools to test the normality of dataset in the research. In statistics, this test includes into non-parametric test that can be used to compare samples with reference probability distribution. The hypothesis of this test is defined as:

H_0 : The distribution is normal

H_1 : The distribution is not normal

If the Z sig. result is higher than 0.05, the data is defined as normally distributed then the test can be continued to the next assumption test for multi linear regression. When the data is found as not normally distributed, there are 2 methods that can be used, such as transformation and eliminating outlier. Transformation is a process of creating a transformed variable then tests the normality. The transformed variable can be substituted if it is found normally distributed.

3.5.1.2. Multicollinierity Test

Multicollinierity occurs when two independent variables are highly correlated that $r=0.90$ or higher. This is a problem in multi linear regression analysis because the relation between independent and dependent variable will be distorted when the relation within independent variables is very strong. This could lead to wrong interpretation of relationship later. The problem of multicollinierity is detected by examining the tolerance for each independent variable as tolerance is defined as the amount of variability in one independent variable that is no explained by the other independent variables.

Tolerance (Variance Inflation Factor) indicates collinearity or no occurrence of multicollinearity when the value is less than 0.10. If the value is more than 0.10, which indicates multicollinearity, the problem can be resolved by combining the highly correlated variables through principal component analysis or omitting a variable from the analysis.

3.5.1.3. Homoscedasticity Test

Homoscedasticity refers to the assumption that that the dependent variable exhibits similar amounts of variance across the range of values for an independent variable.

Homoscedasticity evaluation requires independent variable to be non-metric (nominal or ordinal) and dependent variable to be metric (ordinal or interval). If the requirements are not met, the assumption is evaluated as part of the residual analysis in multiple regressions. The hypothesis of this test is defined as:

H_0 : No heteroscedasticity occur

H_1 : Heteroscedasticity occurs

These hypotheses can be tested by using Glejser Method using SPSS. When the result of p-value is more than 0.05, H_0 is accepted or it can be shown that there is no heteroscedasticity and the methods can be continued.

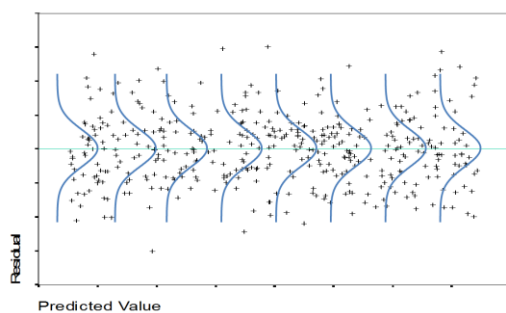


Figure 3.2.:No Heteroscedasticity

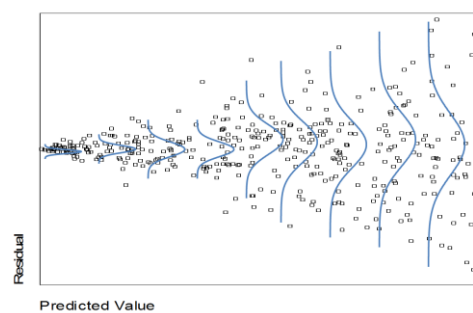


Figure 3.3.: Heteroscedasticity

3.5.1.4. Autocorrelation Test

Autocorrelation is a situation when it is suspected that the observations develop a time series where an observation depends on its predecessors. When autocorrelation does not occur, the observation is defined to be independent from each other. While when the autocorrelation occurs, it is suspected that t-value for regression parameter is too large while corresponding p-value is too small. The hypothesis of this test is defined as:

$$H_0: \rho = 0$$

$$H_1: \rho > 0$$

The test is using Durbin-Watson test in SPSS. The presence of autocorrelation, regression parameter's estimates may wrongly be interpreted as significant.

3.5.2. Multi Linear Regression

This test is conducted to see the relationship between one dependent variable and more than one independent variable. Multi linear regression has several functions. First use is to identify the strength of the effect that the independent variables have on dependent variable. Besides, the test is used to see how much variable change when independent variable is changing, so the impacts of each variable toward others can be concluded.

Third, this can be used to predict trends and future values. The significance test used to determine the relation between variables is p-value test as if the value is below 0.01, the variable is significance in 99% level, below 0.05 is 95% level, and below 0.1 is 90% level. However, when the model does not pass one of the classical assumption tests or all tests, robust regression could be applied to overcome homoscedasticity and autocorrelation problem in the model.

CHAPTER IV

RESULT AND DATA ANALYSIS

In accordance with the problem identification, research questions and objectives, hypotheses, data processing, this chapter will describe the summary of the data in descriptive statistics, correlation between independent variable, univariate statistics, and regression analysis. This research uses multiple linear regression analysis with classical assumption tests such as normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test.

The following Table 4.1. shows the samples taken as a representative of population in this research. There are 183 sample firms tested in this research as explained on previous chapter. There are 42 firms of 183 are categorized as founding-family firms, which is 22.95% in ASEAN, following the definition of family firms explained on previous chapters. This sample does not prove the statement of that most of ASEAN firms are founding-family firms. This may happen because these number of firms is only small part of companies in ASEAN.

Companies with high market capitalization and liquidity in ASEAN are dominated by non-founding-family firms and 30.60% are owned by government. This may show that founding-family firms in ASEAN are still growing and not yet included in this specific index.

Table 4.1. Sample Summary

Country	All Sample Firms	Founding-family Firms	Non-founding-family Firms	Government-owned Firms	Financial Industry Firms
Indonesia	43	9	34	14	5
Singapore	28	2	26	12	6
Malaysia	29	6	23	9	10
Thailand	42	7	35	15	8
Philippine	26	15	11	0	8
Vietnam	15	3	12	6	4
Total	183	42	141	56	41

4.1. Descriptive Statistics Analysis

This descriptive statistics is used to see the characteristics of data used before those variables are tested using multiple linear regression. The result of descriptive statistic is shown in Table 4.1. below.

Table 4.2. Descriptive Statistics

	Mean	SD	Minimum	Maximum
Dependent Variables				
Dividend Payout Ratio	0.4571	3.4432	-38.7700	23.0600
Cash Dividend	190611529.4945	262889093.5400	0.0000	1966521003.6700
Independent Variables				
<i>Ownership Variables</i>				
Founding-family	0.2295	0.4217	0.0000	1.0000
<i>Family Variables</i>				
Family Stake	0.4860	0.2199	0.2100	0.8100
Active Management	0.8333	0.3944	0.0000	1.0000
Family stake*active management	0.3636	0.1952	0.0000	1.0000
<i>Legal Law Variable</i>				
Common Law	0.4536	0.4992	0.0000	1.0000
Control Variables				
Tobin's Q	2.1163	4.2347	0.0100	48.5400
ROIC	0.0231	1.5836	-21.0000	2.1100
Leverage	2.0498	2.9057	0.0000	15.7200
Sales Growth	0.1434	0.8758	-0.8400	8.0400
Family Age	46.1749	32.1404	4.0000	184.0000
Family Size	12964662528.283	26876642554.275	159784368.220	197958352128.560
Ln (Family Size)	22.09027	1.5131	18.89	26.01
Beta	1.0710	0.4623	0.1000	2.6100
Government Effect	0.3077	0.4628	0.0000	1.0000
Financial Industry Effect	0.2240	0.4181	0.0000	1.0000

The table presents the mean, standard deviation (SD), minimum value, and maximum value of all variables calculated from 183 companies in 6 ASEAN countries. Country identifier is used as dummy variables as explained on previous chapter. Total sample is 183 with time period of 2016 so it is 183 total observations. Family firm sample is 42 observations and used in calculating descriptive statistics for family variables.

This descriptive statistics shows that there are less than 50% of families in ASEAN are categorized as family firms and there is 22.95% of companies are categorized as family firms. This might happen because the samples used are those companies listed in high market capitalization and liquidity index in each country, so it does not present all family firms wholly. Family firm in this research is defined as a firm which 20% or more shares are owned by a family which is also a founder of a firm. Besides, there should be an involvement of the family in either management or director/supervisor of the firm. In ASEAN, averagely the countries apply common legal law as shown by 45.36%.

It is shown that there is very broad range of several variables such as cash dividend Tobin's Q, ROIC, sales growth, and family age. This happens because the samples are taken from different countries which have different average and standard of values shown by variables above. Dividend payout also has large range from minus to plus because there are some companies that paid dividend even though they have loss or minus earning so it generates minus value. However, high value of plus dividend payout ratio represents that dividend paid is more than earnings gained by the company. These may happen because several companies distribute fixed amount of dividend each year so even though they have loss, they still have to pay dividend to their shareholders.

Among family firms in ASEAN listed for this research, it is known that averagely family owns 48.60% of firm's outstanding shares with 83.33% family firms have actively been managed by family members. To see more significance in family variables, the research provides interaction variable between family stake and active management. Table 4.2. shows that family firms which actively managed by family member have their 36.36% shares owned by family member averagely.

4.2. Correlation Analysis

Before running regression test, correlation between each variable needs to be tested as shown in Table 4.2. below.

Table 4.3. Correlation Matrix

	FF	FS	AM	CL	FSAM	ROIC	TBQ	BETA	LVG	SLG	FSI	LNFSI	GOV	NMN	INDO	MAL	SING	THAI	PHIL
FF	1																		
FS	0.9313	1																	
AM	0.7916	0.7194	1																
CL	0.1069	0.1052	0.1185	1															
FSAM	0.7847	0.8328	0.8808	0.1363	1														
ROIC	0.0393	0.0417	0.0188	0.075	0.0165	1													
TBQ	-0.0765	-0.0668	-0.0867	0.016	-0.087	0.138	1												
BETA	0.0463	0.0284	0.0485	-0.2437	0.0318	-0.087	-0.0777	1											
LVG	-0.067	-0.0835	-0.049	-0.0216	-0.0388	-0.0716	-0.2045	0.1304	1										
SLG	-0.0222	-0.012	0.0816	0.0013	-0.0398	0.0154	0.0057	-0.1048	-0.1449	1									
FSI	-0.0963	-0.1047	-0.0599	0.1577	-0.0595	0.003	-0.1737	0.0561	0.5881	-0.0475	1								
LNFSI	0.0011	-0.0144	0.0602	0.295	0.0717	-0.0204	-0.3778	0.0221	0.5847	-0.0817	0.7323	1							
GOV	-0.3604	-0.3357	-0.3211	-0.115	-0.2828	0.0311	-0.0946	-0.0121	0.1126	-0.0867	0.0492	0.1775	1						
NMN	-0.1081	-0.086	-0.1296	0.1461	-0.1011	0.0213	-0.1728	0.0051	0.583	0.0929	0.5169	0.4831	0.0461	1					
INDO	-0.0283	0.0316	0.024	-0.5037	0.0253	0.0375	0.0147	0.1934	-0.0889	0.0701	-0.0838	-0.1354	0.0283	-0.1451	1				
MAL	-0.0247	-0.0643	-0.0601	0.4808	-0.0856	0.0451	0.1476	-0.1361	0.0217	0.079	0.0614	0.0608	0.0077	0.1246	-0.2421	1			
SING	-0.1552	-0.1264	-0.1252	0.4609	-0.1374	0.0472	-0.011	-0.1599	-0.2916	-0.0541	0.1579	0.1378	0.0956	-0.003	-0.2321	-0.1817	1		
THAI	-0.0833	-0.1281	-0.1018	-0.496	-0.1192	-0.1403	0.0131	0.0661	0.0766	-0.0936	-0.0349	-0.0485	0.0655	-0.0456	-0.3046	-0.2385	-0.2286	1	
PHIL	0.3354	0.3453	0.3586	0.4508	0.423	0.0116	-0.1205	-0.0418	0.0804	-0.0258	-0.0004	0.2159	-0.2687	0.0805	-0.2271	-0.1777	-0.1704	-0.2236	1

Variable definitions: FF, founding family; FS, % of shares own by family; AM, active family members in management; CL, firms lay on common law country; FSAM, interaction variable between FS and AM; ROIC, return on invested capital; TBQ, Tobin's Q; LVG, leverage; SLG, sales growth; FSI, firm size; LNFSI, Ln of family size; GOV, government-owned firm effect; NMN, financial industry firm effect; INDO, dummy variable for Indonesia; SING, dummy variable for Singapore; MAL, dummy variable for Malaysia; THAI, dummy variable for Thailand; PHIL, dummy variable for Philippine

Before conducting regression analysis, we first need to know if there is a correlation between each independent variable tested. From the Table 4.2. above, it is shown that most variables are not correlated so they can be used in one model to see the relation between independent and dependent variables. However, there are some variables which have high correlation, which is family stake (FS) variable, active management (AM) variable, and interactional variable between them which is FSAM variable. To overcome this correlation, the using of three variables above are separated in different three models (model 2 using FS variable, model 3 using AM variable, and model 4 using FSAM interaction variable).

4.3. Classical Assumption Test

The research conducts blue test that consists of heteroscedasticity test, multicollinearity test, autocorrelation test, and normality test. The result of multicollinearity test and autocorrelation test in model 1 shows no problem, while some variables used in model 1 have homoscedasticity and not normally distributed as shown in Appendix A. To overcome this problem, robustness test is used. However, for the rest models, the variables show no problem, except in normality test. As the data gained from library research and market data, it is common to come with not normally distributed data because large data will remain robust even though it does not meet the normality requirement. The result of classical assumption test for model 2 can be seen on Appendix B, model 3 on Appendix C, model 4 on Appendix D, and result of model 5 on Appendix E.

Furthermore, Anderson, Black, Hair, & Tatham (2014) states that the minimum ratio of the number of observations on the regression analysis is 5:1. It means that at least 5 observation samples for each one independent variable. This research has 19 independent variables (including dummies), so the minimum requirements of observations are 95 samples. This research has 183 samples that it meets the requirement. This supports the statement that the normality can be ignored.

4.4. Univariate Test

This test is to see the significant difference between each independent variable mean with population mean in dependent variable. This Table 4.4. shows the value of t-stat, mean difference, and significance (p-value) of each independent variable.

Table 4.4. Univariate Test Table

For Dependent Variable: Dividend Payout Ratio

Independent Variables	t-Stat	Mean Difference	Sig. (2-tailed)
Founding-family Firms	-7.3015	-0.2276	0.0000
Family Stake	-0.3456	-21.2491	0.0000
Active Management	-0.2658	-9.1190	0.0000
Family stake*active management	-0.3737	-25.8796	0.0000
Common Law	-0.0035	-0.0961	0.9235

For Dependent Variable: Cash Dividend

Independent Variables	t-Stat	Mean Difference	Sig. (2-tailed)
Founding-family Firms	-6115074436.1566	-190611529.2650	0.0000
Family Stake	-11720677882.6945	-190611529.3830	0.0000
Active Management	-6538393732.7220	-190611529.3032	0.0000
Family stake*active management	-13201786971.6953	-190611529.4111	0.0000
Common Law	-5165316084.2852	-190611529.0409	0.0000

Founding-family firm variable has significant difference with both dependent variables of dividend payout ratio and cash dividend. It has 0.2276 point less than mean of population dividend payout ratio. All independent variables have less mean value than dependent variable means. This value is shown by mean difference column which shows minus when mean of independent is lower than dependent variable. Besides, almost all independent variables have significant difference at level of 1% compared to each dependent variable except common law variable with dividend payout ratio. So all independent variables, except common law variable have no relation with the dependent variables. However, there is no enough prove to say that common law variable has no relation with dividend payout ratio.

4.5. Regression Analysis

All the data have heteroscedasticity in one variable, which is beta. To overcome this problem, robust is used in multiple linear regressions. The result is shown in Table 4.5. below.

Table 4.5. Regression Table

	Cash Dividend	Dividend Payout Ratio			
	Model 1	Model 2	Model 3	Model 4	Model 5
Constant	-2.39x10 ⁹ *** (0.000)	0.280 (0.649)	6.665* (0.095)	7.635* (0.061)	0.530 (0.187)
Independent Variables					
<i>Ownership Variable</i>					
Founding family	-5.53x10 ⁷ ** (0.036)				
<i>Family Variables</i>					
Family stake		0.553 (0.482)			
Active management			-0.487** (0.039)		
Family stake*active management				-0.953** (0.029)	
<i>Legal Law Variable</i>					
Common law based firm					0.623*** (0.009)
Control Variables					
Tobin's Q	2.13x10 ⁷ *** (0.008)	0.015 (0.761)	-0.130 (0.138)	-0.159 (0.101)	0.005 (0.922)
ROIC	-257994.7 (0.920)	-0.698** (0.010)	0.897*** (0.001)	0.929*** (0.001)	-0.644*** (0.005)
Leverage	-2.31x10 ⁷ *** (0.007)	0.098 (0.395)	0.060 (0.196)	0.051 (0.215)	0.102 (0.402)
Sales Growth	-4195754 (0.665)	-0.237* (0.064)	-0.177 (0.196)	-0.145 (0.204)	-0.181 (0.159)

Family Age (in years)	948949.1 (0.341)	0.001 (0.454)	0.001 (0.767)	0.000 (0.906)	0.001 (0.514)
Family Size	1.21x10 ⁸ *** (0.000)	-1.75x10 ⁻¹¹ (0.342)	-0.262 (0.149)	-0.303 (0.098)	-1.95x10 ⁻¹¹ (0.328)
Beta	-4.68x10 ⁷ * (0.077)	-0.057 (0.846)	-0.358* (0.087)	-0.516** (0.035)	-0.129 (0.603)
Government-owned effects	No	Yes	Yes	Yes	Yes
Financial industry effects	-1.83x10 ⁷ (0.667)	No	-0.141 (0.261)	-0.115 (0.344)	No
Dummy Variables					
<i>Country Control</i>					
Indonesia	-6.79x10 ⁷ (0.170)	0.083 (0.754)	0.744 (0.103)	0.992** (0.044)	0.293 (0.315)
Singapore	4205882 (0.946)	0.461** (0.045)	1.216** (0.011)	1.429*** (0.005)	No
Malaysia	-8.97x10 ⁷ (0.133)	0.187 (0.532)	0.631 (0.159)	0.686* (0.073)	-0.337 (0.250)
Thailand	-4.93x10 ⁷ (0.273)	0.205 (0.485)	0.722** (0.045)	0.791*** (0.009)	0.263 (0.265)
Philippine	-1.66x10 ⁸ *** (0.008)	-0.262 (0.314)	0.488 (0.225)	0.706* (0.091)	-0.728*** (0.004)
R-squared overall	0.3987	0.3369	0.5568	0.5704	0.3155

Note: This table shows the coefficients and p-value. [* p<0.1; **p<0.05; ***p<0.01]

Founding family variable equals to one if the firms are founding-family firms. Active management equals to one if the firm has actively involved family in management. Common law variable equals to one if family firms are come from common law based country. Indonesia, Singapore, Malaysia, Thailand, and Philippine are dummy variables that equal to one if the companies come from mentioned country.

The research uses 5 models. Model 1 for all samples of ASEAN countries comparing cash dividend towards ownership structure of which they are founding family firms or not (FF variable). This model is due to answering the first research question of how difference dividend payout of family firms compared to non-family firms is. Family firms in ASEAN are expected to have high agency conflict which guides to high dividend payout. However, the result shows that founding family firms in ASEAN pay lower dividend in a significant number of -5.53×10^7 shown in Table 4.5. in the significance level of 5%. This result presents that founding-family firms tend to pay 5.53×10^7 times lower dividend than non-founding family firms.

$$\begin{aligned}
\text{Dividend} = & -2.39 \times 10^9 - 5.53 \times 10^7 \text{family firm} + \\
& 2.13 \times 10^7 \text{Tobin's } Q - 257994.7 \text{ ROIC} - 2.31 \times 10^7 \text{leverage} - 4195754 \text{ sales growth} + \\
& 948949.1 \text{family age} + \\
& 1.21 \times 10^8 \text{family size} - 4.68 \times 10^7 \text{beta} - 1.83 \times 10^7 \text{financial industry} - 6.79 \times 10^7 \text{Indonesia} + \\
& 4205882 \text{Singapore} - 8.97 \times 10^7 \text{Malaysia} - 4.93 \times 10^7 \text{Thailand} - 1.66 \times 10^8 \text{Philippine} + \varepsilon
\end{aligned}$$

(Model 1)

This may happen because family owned the company may not need dividend because the profit generated by the company will flow to family treasure. This also supports that family firms tend to have high agency conflict as it pays minority shareholders less. Family that owns a company also has high tendency to maintain the cash in a company by retaining the earnings to further expand the company. This result aligns with the fact that controlling shareholder in emerging market tends to extract private benefits from minority shareholder (Gonzalez et al. 2016). The companies with high leverage tend to lower its dividend 2.13×10^7 points seen on Table 4.5. Dividend payout is also affected by the size of firms measured by total asset. The more total asset they own, the more dividends are distributed.

The result is not in line with hypothesis explained on chapter II which says the family firms will pay higher dividend as Asian business group tends to have high agency conflict and to resolve this, they pay higher dividend. This finding is also not aligning with previous research done by Isakov & Weisskopf (2015) in Swiss. However, this result gets near to the result shown by Mulyani, Singh, & Mishra (2016) in Indonesia that family firms tend to pay lower dividend because they keep cash that could be expropriated (Shleifer & Vishny, 1997).

Model 2 is involving founding-family firms in ASEAN which is 42 samples, finding out the relation between share percentages owned by family (FS) towards dividend payout ratio. When family owns large percentage of stake, the family takes a role as blockholder. When there is a blockholder, firms tend to be run by the blockholder and control the policy including dividend policy, so this factor needs to be considered to answer the second research question. The result shows no significance between family stake percentage and dividend payout as seen in Table 4.5. that the p-value is above 0.05 or even 0.1. This can be happened because the distribution of family stake in the sample is even enough. So the relation between them is not significantly seen.

This result does not align with chapter II explanation that hypothesize the family firm with higher stake will pay higher dividend as it has high tendency to expropriate minority stakeholders. Previous study also concluded that the higher share percentage owned by a family, the more dividend they distribute to fulfill their interest (Isakov & Weisskopf, 2015). Unfortunately, this research has not yet shown the significant relation result between dividend payout and family stake.

Dividend payout ratio

$$\begin{aligned}
 &= 0.280 + 0.548 \text{ family stake} \\
 &+ 0.015 \text{ Tobin's } Q - 0.698 \text{ ROIC} + 0.098 \text{ leverage} - 0.237 \text{ sales growth} \\
 &+ 0.001 \text{ family age} - 1.75 \times 10^{-11} \text{ family size} - 0.057 \text{ beta} + 0.083 \text{ Indonesia} \\
 &+ 0.461 \text{ Singapore} + 0.187 \text{ Malaysia} + 0.205 \text{ Thailand} \\
 &- 0.262 \text{ Philippine} + \varepsilon
 \end{aligned}$$

(Model 2, not significant)

Different thing happens in reputation variable, which is active management (AM). This variable is used in model 3 which also involves only founding-family firms of 42 samples. This model intends to see the relation between actively involved family members in management effect to dividend payout ratio. There is significant relation between dividend and the existence of active family members inside the management with coefficient of -0.487 in significance level of 5% seen in Table 4.5. The family firms are defined to pay fewer dividends 0.487 times when there is active family members involved in the management. This might happen because management also controls dividend policy and family members involved in will be stricter in distributing dividend. This result supports the model 1 result as family firm tend to keep cash inside the firm. As the management is also family members, this policy is controlled well so they pay fewer dividends.

The result is in opposite with the hypothesis and previous study. Previous study shows result that family firms actively managed by family members tend to pay lower dividend explained by sleeping dog theory (Isakov & Weisskopf, 2015). Management which is not involved by family members pay higher dividend to avoid too much control from the controlling shareholder, in this case the family. This output is not seen in this research as there may be a culture difference and have less care about reputation compared to Swiss family firms.

$$\begin{aligned} \text{Dividend payout ratio} = & 6.665 - 0.487 \text{ active management} - 0.130 \text{ Tobin's } Q - 0.897 \text{ ROIC} + 0.060 \text{ leverage} - \\ & 0.177 \text{ sales growth} + 0.001 \text{ family age} - 0.262 \text{ family size} - 0.358 \text{ beta} - \\ & 0.141 \text{ financial industry} + 0.744 \text{ Indonesia} + 1.216 \text{ Singapore} + 0.631 \text{ Malaysia} + \\ & 0.722 \text{ Thailand} + 0.488 \text{ Philippine} + \varepsilon \end{aligned}$$

(Model 3)

However, if there is high percentage of family stake and simultaneously there is active family members involved in the management, dividend payout is shown to be low distributed. This result is shown by model 4 in Table 4.5. which finds out the relation between dividend payout ratio and interaction variable of FS and AM in sample of 42 family firms in ASEAN. As the family owns larger share, they might have fulfilled their own interest and do not need dividend in a large amount. Besides, family owns a firm tends to improve and expand the firm that the earnings better be retained than distributed to shareholder. The larger controlling stake, the company will more easily expropriate minority shareholder (Isakov & Weisskopf, 2015). Moreover when family members involved in the management, they are able to control the dividend policy so they give low dividend to shareholder. These simultaneous results between two variables support two previous findings as the increase of 1% stake owned by family and family is involved in management will lower 0.953 point of dividend payout ratio. This number is shown by the coefficient of -0.953 at significance level of 5%.

This result was founded out unpredictably and is not shown in previous study.

$$\begin{aligned} \text{Dividend payout ratio} = & 1.218 - 0.953 \text{ family stake} * \text{active management} - 0.159 \text{ Tobin's } Q + 0.929 \text{ ROIC} + \\ & 0.051 \text{ leverage} - 0.145 \text{ sales growth} + 0.000 \text{ family age} - 0.303 \text{ family size} - \\ & 0.516 \text{ beta} - 0.115 \text{ financial industry} + 0.992 \text{ Indonesia} + 1.429 \text{ Singapore} + \\ & 0.686 \text{ Malaysia} + 0.791 \text{ Thailand} + 0.706 \text{ Philippine} + \varepsilon \end{aligned}$$

(Model 4)

Model 5 is used to determine the relationship between dividend payout ratio and legal law applied in the based-country. In common law countries, firms tend to pay higher dividend shown by 0.623 coefficient point and p-value of 0.009 which shows high significance relation shown in Table 4.5. The coefficient means if the based-country of a family firm is applying common legal law, the family firm tend to pay dividend 0.623 times higher than family firms laid on

civil law country. This happens because in common law country, the protection of investor tends to be high. This high investor protection affects the companies to pay high dividend to maintain their investors' protection (Faccio & Lang, 2002). So among ASEAN countries in this research, family firms laid on Singapore, Malaysia, and Philippine pay higher dividend.

This finding aligns with the hypothesis 4 that family firms in common law country pays more dividend as they have high investor protection. Previous research also mentioned that firms in common law countries pay higher dividend for slowly growing firms (La Porta, Lopez-De-Silanes, Shleifer, & Vishny, 2000). This happens because investors demand more return in a form of dividend for investing in slowly growing firms. Another research by Gonzales et al. (2016) also emphasizes that if and only if all blockholders (the first largest or second largest) come from common law country, they pay higher dividend to shareholders.

Dividend payout ratio

$$\begin{aligned}
 &= 9.036 \\
 &+ 0.623 \text{ legal law} + 0.005 \text{ Tobin's } Q - 0.644 \text{ ROIC} + 0.102 \text{ leverage} \\
 &- 0.181 \text{ sales growth} + 0.001 \text{ family age} - 1.95 \times 10^{-11} \text{ family size} \\
 &- 0.129 \text{ beta} + 0.293 \text{ Indonesia} - 0.337 \text{ Malaysia} + 0.263 \text{ Thailand} \\
 &- 0.728 \text{ Philippine} + \varepsilon
 \end{aligned}$$

(Model 5)

CHAPTER V

CONCLUSION AND RECOMMENDATION

Dividend is the distributed portion of earnings for shareholders in the form of cash, stock, or even other properties. It is management's freedom to determine the amount of dividend and whether the company pays the dividend or not. There are many factors affecting dividend payout, but this research focuses on ownership structure as main factor that influences dividend payout of firms, which is concentrated ownership, specifically founding-family firms. This phenomenon is considerable as most firms in ASEAN countries are categorized as family firms.

ASEAN countries are interesting as this region is one of the world's fastest-growing markets and having macroeconomic stability provides ASEAN a platform for growth and it has been a home to many globally competitive companies (HV, Thompson, & Tonby, 2014). If ASEAN countries were a single country, it would be the seventh-largest economy in the world as it consists of diverse group members (HV, Thompson, & Tonby, 2014). Besides family ownership structure, legal applied in each country are also various and may lead to different dividend payout policy. This large economy in ASEAN is widely supported by firms owned by a family.

ASEAN Economic Community, especially the ASEAN Comprehensive Investment Agreement (ACIA) may give great benefits to companies and also create new perspective for investors. It is very unfortunate that the research about high profitable ASEAN economic condition has not been conducted, so this research has goal to give new perspective about ASEAN family firm characteristics in paying out dividend that may help investors across country to actively invest due to contributing in achieving AEC goal.

This research has a goal to compare dividend payout between founding-family firms and non-founding family firms based in ASEAN. Besides identifying, this research also intends to analyze factors affecting ASEAN family firms in paying dividend. As this research compares firms in regional level, which is ASEAN, samples are taken from six countries of ASEAN, which are Indonesia, Singapore, Malaysia, Thailand, Vietnam, and Philippines. To equitably analyze firms with higher liquidity and large market capitalization which sign high profitability among firms, companies researched must be listed in high liquidity and top index in each country. Therefore, companies researched are from different

indexes which are required high liquidity and large market capitalization. Samples are consisted of 183 companies around ASEAN in year 2016.

This research finds that founding family firms in ASEAN pay lower dividend compared to non-founding family firms. This may happen because family that owns a company also has tendency to maintain the cash in a company by retaining the earnings to further expand the company. Besides, this supports the statement that controlling shareholder in emerging market tends to extract private benefits from minority shareholder so they pay less to minority shareholder. However, the percentage of ownership held by family members shows no significant relation to dividend payout. This can be happened because the distribution of family stake in the sample is even enough. So the relation between them is not significantly seen.

Dividend payout is proven then to be significantly related to the existence of family member who actively manage the firm. It is found out that family firm with family members actively manage it pays less dividend to shareholders. This could be happen because family members have more control in dividend policy so they keep the earnings to extend the company and keep cash they could expropriate. This result strengthen the previous findings that family firms pay less dividend to keep earnings as the family members who actively manage the firms will reinforce that policy. Moreover, when there is high percentage of family stake and simultaneously there is active family members involved in the management, dividend payout is shown to be low distributed.

Interestingly, the legal law applied by country also affects the dividend payout. This research finds high relation between legal law and dividend payout as firms laid on common law country pays higher dividend than those on civil law country. This happens because in common law country, the protection of investor tends to be high. This high investor protection affects the companies to pay high dividend to maintain their investors' protection.

The time of open investing market in ASEAN will be approaching soon that investors need to pay attention to some characteristics applied in ASEAN countries as explained in this research. It suggested that investors focus on something that they want to obtain from investing. If the investors are interested in dividend, they better concern the characteristics that bring the companies to pay more dividends. Investors who are interested in high dividend may want to invest in non-founding-family firms. If investors are interested in investing in founding-family firms with high dividend, they could invest in family firms with no family members actively manage the firm and also has low ownership of shares. They could also invest in family firms laid on common law country like Singapore, Malaysia, and Philippine.

However, the relation between each variable is mostly significant in confidence level of 99% and 95% as some models represent the population and some do not. This happens because period of research is only one year because of the limitation of time. More comprehensive period of time is expected to be applied on further research. The research is also only covered six countries because the unavailability of data that also expected researched further.