

**THE INFLUENCE OF AGENCY COSTS AND INVESTMENT
TOWARDS DIVIDEND AND THEIR IMPLICATIONS
ON THE LEVERAGE IN THE CONTEXT OF
CAPITAL STRUCTURE CHANGES**

A STUDY ON DOMESTIC AND FOREIGN CAPITAL INVESTORS IN INDONESIA

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Abstract

This study was aimed at analyzing the effect of agency costs and investment to leverage the dividend and its implications in the context of changes in the company's capital structure on foreign direct investment (FDI) and domestic investment companies (DCI) in Indonesia before the crisis and after the crisis of 1998, based on the perspective capital structure theory, the theory of information asymmetry and agency theory by building a model of structural theory and dynamic mix of integrated capital structure proposed. The companies distributing dividends during the period of 1996-2012 years consistently were the unit of analysis. Based on data it showed that there are 22 foreign investment company (PMA) and 24 domestic investment

companies (DCI). The method used in this research was explanatory research. Secondary data was analyzed as the data panel, cross-sectional, and time series by using regression panel. Eviews 7 output suggested that there are differences in aspects of agency costs and investments in domestic and foreign companies in the period pre and post-crisis. This is also true for ownership structure, utilization of assets ratio, free cash flow, profitability, growth, size and risk strengthened by dividend which have a significant impact on the Company's leverage (FDI) before and after the crisis. But those are in the contrary to what happened in the domestic investment company because all that components do not have significant influence upon the leverage before the crisis and only give impact after the crisis period.

Keywords: Agency costs, investments, capital structure, dividend, leverage

INTRODUCTION

Multidimensional crisis starting from the economic crisis in 1997 and its peak in 1998 that was considered as “The Great Depression” in Indonesia had caused various negative impacts. It was marked by the decline of national banking as the financial intermediary in the process of national economy development, the stacking of foreign debts as well as the stagnancy of real sectors. There was also bankruptcy of companies supported by domestic and foreign capital investors. After the worst economic condition in 1998, marked by the regression of the Gross Domestic Product as much as 13.2%, Indonesian economy was naturally growing up slowly by counting on the remaining power and this was also influenced by the beginning of transition era of authoritarian to democratic regime through reformation.

In this study, the term multinational company refers to a company of foreign capital investment as the domestic capital with the headquarter office located in Indonesia. The empirical study by Vera et al (2005) used the sample of eight issuers of foreign capital investment and ten domestic companies with huge capitulation and had been go public in the Indonesian Capital Market as well as being the most active companies in the period of observation i.e. in 2009-2012. The study showed a phenomenon that foreign investment which was smaller than the domestic was typically had lower leverage compared to the domestic one. This was shown by the relation between company size and its leverage, e.g. the size foreign investment company in Indonesia (27.75%) was smaller than the domestic one (28.52%). However, the average leverage of foreign investment was higher (58%) than the leverage of domestic (52%). The data shows that big-size domestic investment company in Indonesia uses lower debts than the foreign investment companies. This observable fact was not in line with the

study by Kwok & Reeb (2000), showing that size has negative correlation with long-term leverage. Profitability relationship with the domestic and foreign leverage is 32.06% using lower debts. Either the foreign or the domestic investment companies having high average of profitability tend to use lower debts.

Phenomenon of domestic and foreign investment companies is consistent with the theory of pecking order, in which high company profitability will lead to lower leverage policy. Furthermore, Vera et. al., (2005) revealed that the higher profitability, the wider debt ratio difference upon multinational and domestic companies' assets. Whilst, the difference of leverage level between the domestic and foreign investment companies caused by agency conflict had become sort of fact affecting the determination of capital structure for both companies in Indonesia Capital Market.

High retained earning is probably used to pay the dividend, debts, and stock emission expenses. Nevertheless, for domestic investment company with low dividend payment, there might be a phenomenon of free cash flow hypothesis when the high retained earning was managed into unproductive investment of projects (over-investment). On the other hand, agency conflicts potentiality between the managers and shareholders, between managers and the creditors, as well as between the shareholders and the creditors, is probably coming up in the domestic investment company who increase its issuance of shares but pay lower on the dividend. According to agency theory, this condition refers to the principles of net residual dividend; where retained earning is not only used to pay debts but also managed to create capital gain. The agency conflict due to excess cash flow is possibly low if the company increase the payment of dividend and create debts to pay its investment projects (the equity holders' risk incentives).

Dividend is an effective signaling device about the company's future prospect. According to Ross et. al., (2008) when the company increases the payment of dividend, this gives signal to the investor about the rise of company's profit in the future. This also shows that the management is optimistic about upcoming profit to be adequate fund to fulfill the needs of investment projects and to be shared for future dividend payment. Whenever a company raises its dividend payment, it is rarely to cut or decrease the amount of payment in the forthcoming.

Other fact is the possibility of management possessing shares in foreign company investment manages moral hazard through general meeting of shareholders by the acknowledgement of the shareholders announcing high dividend payment as well as repurchase of stocks. While, debts are maintain to reduce agency conflict. Free cash flow hypothesis occurs in the foreign investment company managing low payment on dividend where debts are maintained or added to restraint the management. Nonetheless, the phenomenon of

trade-off theory prevails in the foreign investment company who increases the share issuance and pay low on dividend and Retained earning is managed not only to invest the projects but also for capital gain. The allocation of fund source shows that the company use debt instrument as dividend payment substitution to reduce agency conflict or monitoring costs in terms of controlling the management, while in the domestic investment company, increasing dividend payment is done to reduce agency conflict due to free cash flow.

Difference on domestic capital structure and multinational company are not only caused by external environment influence, industrial types and internationalization degree, but also by agency costs (extra cost for monitoring and controlling) as well as bankruptcy expenses (bankruptcy potentiality, financial distress cost and volatility earning). Gaud et al (2005) showed that bankruptcy costs has no influence towards leverage. Nevertheless, Vera et al (2005) by empirical study in Indonesia showed that there was inconsistent direction of relationship between agency costs and debt ratio. This condition supported a research by Panno (2003) about factors influencing capital structure in UK and Italy capital markets in which inconsistency of directional relationship between dividend payment and composition of assets ownership and equity issuance.

There are only few researches on the difference of capital structure of multinational and domestic companies. The examples of this research are; by Lee & Kwok (2008), and Burgman (2006) in United States, by Shumi Akhtar (2005) in Australia; and by Supanvanij (2006) in Asia. Those researchers showed different result. Lee & kwok (2008), Shapiro (2008) and Chen et al (2007), showed that leverage of multinational company is lower compared to domestic company, however, agency cost and bankruptcy cost had no influence on leverage. While Akhtar (2005) showed that the leverage of multinational company was not different from the domestic company, but bankruptcy cost gives influence on the leverage. Supanvanij (2006) revealed that there was determinant of difference of long-term leverage of Asian firms and Multinational Corporation in Asia.

A study of Vera et al (2005), Chen et al (2007) resulted that leverage of multinational company in Indonesia is different from agency costs and is not significant. Those results showed that bankruptcy risk or asymmetry information, equity ownership structure, and dividend policy are important for determinant of capital structure. This study is to clearly describe how dividend policy connect the relation of agency costs and debt ratio in the context of agency theory, thus, optimal capital structure is gained to maximize the company value through strain of process performance.

LITERATURE REVIEW

Capital structure is a composition of permanent funding in a company, i.e. mixture of long-term funding of a company. It is a part of financial structure reflecting the management policies in funding its assets. The capital structure is a mixture of various kinds and capital sources to be used by the company to fund the company itself (Brealey dan Myers, 2006). Brigham & Houston (2012:296) stated that the target of capital structure is to combine debts and preference shares as well as common shares which is planned by the company to increase the capital. According to Baker and Wurgler (2002), "capital structure is the cumulative outcome of attempts to time the equity market". While, based on Lawrence, Gitman (2009), capital structure is defined as follows: "Capital Structure is the mix of long term debt and equity maintained by the firm". Brigham dan Houston (2012) also stated that capital structure policy involves exchange of risk and repayment i.e. the use of more debts will increase risks as the burden of the shareholders and this will cause higher expectation on repayment rate for the equity.

Agency theory can be viewed as a contractual model between two or more individuals (parties), where one of them is called as agent and the other as the principal. The principal delegates responsibility of decision making to the agent. In other words, the principal ask the agent to perform specific job according to working contract that has been agreed. The authority and responsibility of agent and principal are regulated in the contract and agreed by both parties. According to Gitman (2009) agency costs is costs to be expensed by the shareholders to avoid or minimize agency problems and to maximize the wealth of the shareholders. Madura and Ross (2009) stated that agency costs are the expenses for solving the conflict between the shareholders and the manager. This is an extra fee paid by the company for the agency problems occurred. It consists of (1) direct contract cost, comprising (i) transaction cost for making the contract like sales commission cost and administration of bond issuance, (ii) lost opportunity cost for failure in getting project with positive NVP due to covenant in an agreement, (iii) incentive cost like bonus scheme, directed-payment so that the management act as the owner's wish. (2) Cost for audit expenses in terms of monitoring the agent. (3) Residual loss as a result of unrecognized-distortion.

Baker & Wurgler (2002) and Rezvan Hejazi and Fatemeh Saadati Moshtaghin (2014) found out that agency costs can be formulated based on some aspects i.e., 1) Ownership structure i.e. a concept based on agency theory and is expected to function as a toll to ensure the investors that they will get return for the invested-fund, 2) Asset Utilization Ratio (AUR) i.e. ratio to measure the company's ability in managing all of the assets in terms of creating operating income and non-operating income. The assets ratio consists of: total asset turnover, fixed asset turnover, accounts receivable turnover, cash turnover, sales to inventory and

working capital turnover, 3) free cash flow which is describing financial condition of a company. This is a left-over cash after conducting all projects resulting in positive net present value whenever discounted to relevant capital expense.

Investment is a set of action of investing an amount of fund with the purpose to gain additional value in the form of return in the future. Sharpe (2003) formulated investment with the following terms i.e. using the owned assets to gain bigger amount of future assets. While, Jones (2004) defined investment as a commitment to invest some amounts of fund on one or more assets in some periods of time in the future. According to Reilly and Brown, investment is a commitment reminding today's assets for some periods of time in the future in order to gain income which is able to compensate the investor's sacrifice in the form of extra assets in a certain time, inflation rate, and the improbability of income in the forthcoming. Therefore, investment is a set of activities managed to distribute or invest fund or capital in the present with the aim of gaining profit in the future. According to Oliver, Barry and Shumi Akhtar (2005), investment can be formed in some aspects, i.e.: 1) profitability as one of the measurement of company's performance, 2) Company's growth as the ability of a company in improving its size, 3) Size as company's dimension describing company's scales determined by some factors, e.g. total of sales, assets, and the sales average in the company, 4) risk i.e. the level of lost potential occurred due to the achievement of investment which is resulting in unexpected outcome.

One of the policies that have to be taken by the management related to the dividend is deciding whether all of the gained-profit in a period of time will be shared to the dividend or not. When the company decides to share all the profit to the dividend, this means that there is a reduction of internal fund source to develop the company. On the other hand, when the company is not sharing all of the profit to the dividend, this will increase the amount of internal fund source to develop the company (Sutrisno, 2008).

Gitman (2009) proposed that dividend is the source of cash flow for the shareholders and is able to give information about the company's performance whether in recent or future times. Dividend is a distribution to the shareholders of a company proportionally with some amount of shares owned by each shareholder. This can be in the form of cash, other assets, notes, and stock dividends. The amount of dividend paid to the shareholders depends on the policy of each company. This needs more serious consideration from the company's management. Factors influencing the dividend are debt equity ratio, current ratio, earning per share, company's size, and degree of operating leverage.

In order to measure the level of solvability in a company, leverage ratio is needed. According to Brigham and Houston (2012), leverage ratio is "the ratio measuring how the company user the fund through debts (financial leverage)". While Van Horne daan Wachoviz

(2009) defined “leverage” as “the use of fixed costs in an attempt to increase (or lever up) profitability”. The term leverage is usually used to describe the company’s ability to use its assets or funds with fixed expenses or named as fixed cost assets or funds to increase the level of income (return) for the owner of the company. The level of leverage can vary between companies in a certain periods, but the most important thing is that the higher the level of leverage, the higher the level of risk to be faced as well as the level of expected-return or income. The term risk means uncertainty in its relation to the company’s ability in fulfilling its fixed payment obligation.

RESEARCH METHOD

Method used in this research is quantitative method, i.e. using numeric formula or mathematical model. Based on the purpose of the research, the approach applied was explanatory research (explanation), i.e. a kind of research which focuses on research variables and hypothesis testing formerly formulated.

Population in this research was all domestic and foreign investment companies registered in Indonesia Stock Exchange (BEI). The companies used as the population are those which had been go public di Indonesia Stock Exchange (IDX) formerly known as Jakarta Stock Exchange (JSX) in the range period of 1996 to 2012. Whilst, the sample was the companies included into a category of Indonesian Capital Market Directory (ICMD), with the industry classification as nonfinancial/banking and non wholesale and retail trade companies registered in Indonesia Stock Exchange. Those sample companies regularly paid dividend every year in the period of observation, i.e. year 1996 to 2012.

The data used in this study is secondary data with the characteristic of panel data. Those were in the form of cross-sectional and time series. The collected data were “go public” domestic and foreign investment companies in nonfinancial and non-wholesale & retail trade in the capital market of Indonesia Stock Exchange, JSX Statistic, ICMD, Bapepam Statistics and internet publication of financial report.

EMPIRICAL RESULTS AND DISCUSSION

The table 1 is the result of descriptive statistics of agency costs variable covering ownership structure, asset utilization & free cash flow, and also investment variable i.e. Profitability, growth, size and risk as well as the dividend variable and the leverage.

Table 1. Description of Agency Costs in Domestic and Foreign Investment Companies
in the Period of Year 1996 to 2012

Variables	N	Unit	Mean	Min	Max	Standard Deviation
Foreign Investment Sector						
OW	22	ratio	79,31	57,97	92,02	9,29
AU	22	ratio	21,29	10,11	47,97	10,19
FCF	22	ratio	0,07	0,01	0,18	0,04
Domestic Investment Sector						
OW	24	ratio	67,54	33,05	89,93	13,70
AU	24	ratio	17,09	9,23	32,28	5,55
FCF	24	Ratio	0,06	-0,03	0,13	0,04

Source: BEI. The data was processed by the researcher

According to the table, the ownership structure in Foreign Investment Company (PMA) possesses the mean of 79.31 with the maximum value of 92.02 and the minimum value of 57.97. Meanwhile, the Ownership Structure in Domestic Investment Company gets the mean of 67.54 with the maximum value of 89.93 and the minimum of 33.05. Considering the Mean value, the ownership structure of the foreign investment company gains higher mean compared to domestic investment company i.e. 79.31.

From the aspect of Asset Utilization in the foreign investment company obtain the value of mean of 21.29 with the maximum value of 47.97 and the minimum of 10.11. Whilst, from Asset Utilization view point, in Domestic Investment Company, the mean is 17.09 with the maximum value of 32.28 and the minimum of 9.23. This result shows that in asset utilization aspect, the foreign investment company has higher value of mean comparing to the domestic investment company i.e. 21.29.

For Free Cash Flow, the foreign investment company possesses the value of mean of 0.04 with the maximum value of 0.18 and the minimum of 0.01. On the other hand, the Free Cash Flow in domestic investment company has the value of mean of 0.06 with the maximum value of 0.13 and the minimum value of -0.03. This clearly states that the Free Cash Flow of foreign investment company has higher value of mean comparing to the domestic i.e. 0.07.

Table 2. Description of Investment in Domestic and Foreign Investment Company
in the Period of Year 1996 to 2012

Variables	N	Unit	Mean	Min	Max	Standard Deviation
Foreign Investment Sector						
Profitability	22	ratio	19,12	-94,15	68,23	30.47
Growth	22	ratio	25,75	0,08	507,98	108.21
Size	22	ratio	27,75	25,78	30,34	1.34
Risk	22	ratio	1,422.49	45,96	11,343.89	2,452.30
Domestic Investment Sector						
Profitability	24	ratio	17.21	1.89	46,49	9.74
Growth	24	ratio	0.41	0.09	2,23	0.52
Size	24	ratio	28.51	24.76	31,67	1.62
Risk	24	ratio	324.37	4.08	2,159.72	465.32

Source: BEI. The data was processed by the researcher

The table shows that probability of foreign investment company has the value of mean of 19.12 with the maximum value of 68.23 and the minimum of -94.15. Meanwhile, the probability of domestic investment company gains the value of mean on 17.21 with the maximum value of 46.49 and the minimum of 1.89. This results that from the viewpoint of the mean values, the foreign investment company has higher value of mean comparing to the domestic investment company i.e. 19.12.

Furthermore, the growth of foreign investment company has the mean value of 25.75 with the maximum value of 507.98 and the minimum of 0.08. On the contrary, growth of domestic investment company possesses the value of mean of 0.41 with the maximum value of 2.23 and the minimum of 0.09. From this point, the foreign investment company has higher mean value comparing to the domestic investment company i.e. 25,75.

Size in foreign investment company in the period of 1996 to 2012 gained the mean value of 27.75 with the maximum value of 30.34 and the minimum of 25.78. While, the size of domestic investment company obtained the mean value of 28.51 with the maximum value of 31.67 and the minimum of 24.76. This shows that the domestic investment company has higher mean value comparing to the foreign investment company i.e. 28,51.

Risk in foreign investment company got mean value of 1422.49 with the maximum value of 11343.89 and the minimum of 45.96. on the other hand, Risk in the domestic investment company acquired the mean value of 324.37 with the maximum value of 2159.72 and the minimum of 4.08. This means that the foreign investment company achieved higher value of mean comparing to the domestic investment company i.e. 1,422.49.

Table 3. Description of Dividend in Domestic and Foreign Investment Companies
in the Period of Year 1996 to 2012

Variables	N	Unit	Mean	Min	Max	Standard Deviation
Foreign Investment Sector						
Dividend	22	Ratio	275,57	3,75	900,86	196,08
Domestic Investment Sector						
Dividend	24	Ratio	182811.34	10,52	4,382255.97	894,477.97

Source: BEI. The data was processed by the researcher

The mean of dividend in foreign investment company from 1996 to 2012 is 275.57 with the maximum value of 900.86 and the minimum of 3.75. While, the mean of dividend in domestic investment company is 182811.34 with the maximum value of 4382255.97 and the minimum of 10.52. This result shows that the dividend of domestic investment company got higher value of mean comparing to foreign investment company i.e. 182811.34.

Table 4. Description of Leverage in Domestic and Foreign Investment Companies
in the Period of Year 1996 to 2012

Variables	N	Unit	Mean	Min	Max	Standard Deviation
Foreign Investment Sector						
Leverage	22	ratio	0.58	0.07	0.93	0.22
Domestic Investment Sector						
Leverage	24	ratio	0.52	0.31	0.69	0.12

Source: BEI. The data was processed by the researcher

The mean value of leverage in the foreign investment company during 1996 to 2012 is 0.58. with the maximum value of 0.93 and the minimum of 0.07. While, for the domestic investment company, the mean value is 0.52 with the maximum value of 0.69 and the minimum of 0.31. This shows that the value of mean of leverage of foreign investment company is higher than the domestic investment company i.e. 0.58.

In order to testing the hypothesis, this research used double regression. The influence of agency costs (ownership structure, asset utilization ratio and free cash flow) towards the dividend of foreign investment company in the period of pre-crisis gained by Hausman testing i.e. chi-square value of 13.200749 with the probability of $0.0042 < 0.05$. Thus, the model of testing used was fixed effect. From the data calculation, it was gained the result of R-squared of 0.011757 or 1.1757 or 1.2%, meaning 1.2% of changes occurred on the dependent variable i.e. the dividend are caused by independent variables i.e. Ownership Structure, Asset Utilization

Ratio and Free Cash Flow. The value of F-statistic is 0.245876 and probability of 0.863961, therefore it was compared to the value of F_{table} with the degree of error of 5% (3;64) and gained a value of 2.748191 since the result of $F_{count} < F_{table}$ ($0.245876 < 2.748191$) and probability is ($0.863961 > 0.05$). This means H_0 is accepted, thus, it is concluded that all independent variables i.e. Ownership Structure, Asset Utilization Ratio and Free Cash Flow do not give significant influence towards the dividend in the foreign investment company before the crisis.

After the crisis, the influence of agency costs (ownership structure, asset utilization ratio and free cash flow) towards the dividend in the foreign investment company was gained by Hausman testing with the value of chi square of 15.233778 and the probability of $0.0016 < 0.05$, consequently, the testing model used was fixed effect. From the calculation, it was obtained that the R-squared was 0.268423 or 26.8423 or 26.84%. This means there are 26.84% changes occurred on the dependent variable i.e. dividend caused by independent variables i.e. Ownership Structure, Asset Utilization Ratio and Free Cash Flow. The value of F-statistic is 4.311196 and the probability is 0.00000. Then, the values were compared to the F_{table} with the degree of error 5% (3;305) and the result was 2.634209 due to the result of $F_{count} > F_{table}$ ($4.311196 > 2.634209$) and the probability ($0.0016 < 0.05$), thus, H_0 was rejected. Therefore, it is concluded that all independent variables i.e. Ownership Structure, Asset Utilization Ratio and Free Cash Flow possess significant influence towards the dividend in foreign investment company.

In the domestic investment company, the influence of ownership structure, asset utilization ratio and free cash flow in pre-crisis period was gained by Hausman testing with the value of chi square (2.306663) and the probability $0.3156 > 0.05$, therefore, the testing model used was random effect. The calculation shows that the result of R-squared is 0.019801 or 1.9801 or 1.98%. This means that 1.98% of changes occurred in the dependent variable i.e. dividend caused by Ownership Structure, Asset Utilization Ratio, and Free Cash Flow. The value of F-statistic is 0.457888 and probability is 0.712606, thus, compared to the value of F_{table} with the degree of error of 5% (3;70), the result gained was 2.735541 since the result of $F_{count} < F_{table}$ ($0.457888 > 2.735541$) and probability ($0.712606 > 0.05$). This means H_0 was accepted and it was concluded that ownership structure, asset utilization ratio, and free cash flow do not have influence towards the dividend before the crisis.

In post-crisis period, the influence of Ownership Structure, Asset Utilization Ratio, and Free Cash Flow in the domestic investment company obtained from the result of Hausman testing i.e. the value of chi square of 1.981580 with the probability of $0.5762 > 0.05$. Consequently, the testing model applied was random effect. The result of R-squared is 0.132586 or 13.2586 or 13.26%. This states that 13.26% changes in dependent variable i.e. the

dividend caused by Ownership Structure, Asset Utilization Ratio, and Free Cash Flow. F-statistic value is 1.816586 and probability of 0.010040, which then were compared to the F_{table} and the degree of error 5% (3;334), it was gained the result of 1.967092 due to the result of $F_{count} < F_{table}$ (1.816586 < 1.967092) and probability (0.010040 < 0.05). This means H_0 was accepted. Therefore it is concluded that Ownership Structure, Asset Utilization Ratio, and Free Cash Flow do not have influence towards the dividend after the crisis.

The result of Hausman testing to find the influence of investment (profitability, growth, size and risk) towards the dividend in foreign investment company before the crisis, with the value of chi square 58.070493 and probability 0.0000 < 0.05, the testing model used was fixed effect. The data calculation gained the result of R-squared of 0.661533 or 66.1533 or 66.15%. This means that 66.15% changes in dependent variable i.e. dividend were caused by independent variable i.e. Profitability, growth, size and Risk. The value of F-statistic is 3.127200 and probability is 0.00000, afterward, it was compared with the F_{table} and the degree of error of 5% (4;64), the result is 2.515318 because the result of $F_{count} > F_{table}$ (3.127200 > 2.515318) and the probability (0.0000 < 0.05). This means H_0 was rejected and so it was concluded that all independent variables i.e. Profitability, growth, size and risk give significant influence towards the dividend of the foreign investment company before the crisis.

In post-crisis period, the influence of investment (Profitability, growth, size and risk) towards the dividend in the foreign investment company gained by Hausman testing with the value of chi square of 7.336726 and the probability of 0.1191 > 0.05. The testing model used was random effect. The result of R-squared is 0.054588 or 5.4588 or 5.46%, meaning that 5.46% changes in the dependent variable i.e. the dividend caused by profitability, growth, size and risk. The F-statistic value is 4.359324 and probability is of 0.001926, which then compared to the F_{table} with the degree of error is 5% (4;304). The result is 2.401345 and since the result of $F_{hitung} > F_{tabel}$ (4.359324 > 2.401345) with the probability of 0.001926 < 0.05, then the H_0 was rejected. Finally, it is concluded that all independent variables have significant influence towards the dividend in foreign investment company after the crisis.

In the domestic investment company, the influence of profitability, growth, size and risk towards the dividend before the crisis was obtained by the result of Hausman testing i.e. the value of chi square of 2.303484 and probability of 0.6801 > 0.05. Therefore the testing model used was random effect. The gained R-squared is 0.016701 or 1.6701 or 1.67%, meaning that there is 1.67%% changes in the dependent variable caused by profitability, growth, size and risk. The F-statistic values is 0.284494 and the probability is 0.887050, thus, after being compared to the F_{tabel} and the degree of error of 5% (4;70), the result is 2.502656. This is due to the result of $F_{count} < F_{table}$ (0.284494 < 2.502656) and the probability (0.887050 > 0.05), H_0 was

accepted. The conclusion is that profitability, growth, size and risk do not give influence on dividend in the period of pre-crisis.

After the crisis, the influence of profitability, growth, size and risk towards the dividend in the domestic investment company, the result of Hausman testing with the chi square of 4.672990 and probability of $0.3225 > 0.05$, the testing model used was random effect. The result of R-squared is 0.002069 or 0.2069 or 0.2069%, meaning that 0.2069% changes in dependent variable i.e. the dividend were caused by profitability, growth, size and risk. The value of F-statistic is 0.171603 and probability is 0.952829, furthermore, were compared to the F_{table} with the degree of error of 5% (4;334) and the result gained is 2.398686. H_0 was accepted due to the result of $F_{count} < F_{table}$ ($0.171603 < 2.398686$) and the probability ($0.952829 > 0.05$). Therefore, the conclusion is that profitability, growth, size and risk do not have influence towards dividend after the crisis.

In the foreign investment company, the result of Hausman testing used to find out the influence of Ownership Structure, Asset Utilization Ratio, Free Cash Flow, Profitability, growth, size and risk strengthened by the dividend towards the Leverage before the crisis. The value of chi square is 5.961663 and the probability is of $0.6515 > 0.05$, thus the testing model was random effect. The calculated result of the R-squared is 0.325804 or 30.5804 or 30.58%, meaning that as much as 30.58% changes in the dependent variable i.e. the leverage caused by Ownership Structure, Asset Utilization Ratio, Free Cash Flow, Profitability, growth, size and risk strengthened by the dividend. The value of F-statistic is 3.443144 and the probability is 0.002675, and then compared to the F_{table} with the degree of error of 5% (8;304). The result is 1.968914 due to the $F_{count} > F_{table}$ ($3.443144 > 1.968914$) and the probability is ($0.002675 < 0.05$), thus the H_0 was rejected. It was concluded then that Ownership Structure, Asset Utilization Ratio Free Cash Flow, Profitability, growth, size and risk strengthening by the dividend give influence to the leverage in the period of pre-crisis.

For the period of post-crisis, the influence of Ownership Structure, Asset Utilization Ratio, Free Cash Flow, Profitability, growth, size and risk strengthened by the dividend towards the Leverage was tested by Hausman testing with the value of chi square is as much as 29.687031 and the probability is of $0.0002 < 0.05$. The testing model used was fixed effect. The result of R-squared is 0.623023 or 62.3023 or 62.30% meaning that there is 62.30% changes in the dependent variable or the dividend caused by Ownership Structure, Asset Utilization Ratio, Free Cash Flow, Profitability, growth, size and risk strengthened by the dividend. The value of F-statistic is as much as 15.78598 and the probability is 0.000000, which them compared to the F_{table} with the degree of error of 5% (8;304) and gained the result of 1.968914 due to the $F_{count} > F_{table}$ ($3.443144 > 1.968914$) while the probability is ($0.000000 < 0.05$) and that

the H_0 was rejected. It is concluded that Ownership Structure, Asset Utilization Ratio, Free Cash Flow, Profitability, growth, size and risk strengthening by the dividend has influence on the Leverage in the period of post-crisis.

The result of data calculation of the influence of Ownership Structure, Asset Utilization Ratio, Free Cash Flow, Profitability, growth, size and risk strengthening by the dividend towards the Leverage in the domestic investment company using Hausman testing with the value of chi square 6.829405 and the probability $0.4469 > 0.05$, random effect model was used. The result of R-squared is as much as 0.053650 or 5.365 or 5.36%, meaning 5.36% changes in the Leverage caused by Ownership Structure, Asset Utilization Ratio, Free Cash Flow, Profitability, growth, size and risk strengthening by the dividend. The value of F-statistic is 0.446447 and the probability is 0.888334. furthermore, those were compared to F_{table} with 5% degree of error (8;70) to gain the result of 2.07369 because the $F_{count} < F_{table}$ ($0.446447 < 2.07369$) and the probability ($0.888334 > 0.05$), thus H_0 was accepted. It is then concluded that Ownership Structure, Asset Utilization Ratio, Free Cash Flow, Profitability, growth, size and risk strengthened by the dividend has no influence towards the leverage in pre-crisis period.

For post-crisis period, in the domestic investment company, the calculation of data resulted the use of Hausman testing value of the chi square as much as 32.408240 with the probability of $0.0001 < 0.05$, thus the testing model used fixed effect. The R-squared gained is 0.481594 or 48.1594 or 45.16%, meaning that there is 45.16% changes in the dependent variable caused by Ownership Structure, Asset Utilization Ratio, Free Cash Flow, Profitability, growth, size and risk strengthened by the dividend. The F-statistic is 9.110095 and the probability is 0.000000 compared to the F_{table} with the 5% degree of error (8;334) and obtained the result of 1.966159 because of the $F_{count} > F_{table}$ ($9.110095 > 1.966159$) and the probability ($0.000000 < 0.05$), thus the H_0 was rejected. Therefore, the conclusion is that Ownership Structure, Asset Utilization Ratio, Free Cash Flow, Profitability, growth, size and risk strengthened by the dividend give influence towards leverage in post-crisis period.

CONCLUSIONS

Based on the result of data calculation using Eviews 7, the result of this research are as follow:

1. There are differences of aspects of agency costs and investment on the domestic and foreign investment companies in the period of pre and post-crisis.
2. Agency costs components covering Ownership Structure, Asset Utilization Ratio, and Free Cash Flow gave influence on the dividend in the foreign investment company during the period of pre and post-crisis of year 1998, and in the contrary, these components did not

influence the dividend in the domestic investment company in the pre and post-crisis period of the year 1998.

3. Investment components comprising Profitability, growth, size and risk gave influence towards the dividend of foreign investment company in the period of pre-and post-crisis of 1998, but this did not count for the domestic investment company.
4. Ownership Structure, Asset Utilization Ratio, Free Cash Flow, Profitability, growth, size and risk strengthened by the dividend gave significant influence towards leverage in the foreign investment company. While in domestic investment company, Ownership Structure, Asset Utilization Ratio, Free Cash Flow, Profitability, growth, size and risk strengthened by the dividend did not give significant influence towards leverage in the for pre-crisis period and vice versa in the post-crisis period.

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