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Abstract

The purpose of the study is to test the dividend, debt, and investment policies as a corporate governance mechanism to reduce agency conflict between majority and minority shareholders under the domestic and foreign ownership structure. This research is important since most of companies in Indonesia are categorized based on concentrated structure, where it creates a conflict between majority and minority shareholders.

The population of the research are companies that go public in the Indonesian capital market until the year of 2007. The sample of this research consists of 364 companies that are selected based on nonprobability technique with purposive sampling method. They were then divided into two groups, domestic and foreign ownership structure. In the process of testing the hypothesis, 2 indicators were used, i.e. market indicator and accounting indicator. Event study analysis was used for market indicator, whereas multiple regression analysis was used for accounting indicator.

Based on empirical results, it is generally concluded that dividend policy can be used as a corporate governance mechanism, both under domestic and foreign ownership stucture. Debt policy cannot be used as a corporate governance mechanism, both under domestic and foreign ownership structure. This is because firms in Indonesia have high debt and are without fairness selection. Investment policy can be used as a corporate governance mechanism under the domestic ownership structure. But under the foreign ownership structure, investment policy can’t be used as a corporate governance mechanism because investment policy tends to be a tool of expropriation to minority shareholders.

Keywords: dividend, debt, and investment policies, corporate governance mechanism, domestic and foreign ownership structure.
JEL Classification: G34.

Introduction

Professional firms are characterized by separation of ownership and control. Agency conflict also appears in the presence of free cash-flow in a company, which is referred to as free cash flow hypothesis (Jensen, 1986). Nevertheless, since the problem of agency becomes complex, corporate governance is needed. Corporate governance, in general, is a system, structure, mechanism or policy, process as well as rules explaining the relations between all parts in a company, so conflict can be minimized.

Three financial policies are used as corporate governance mechanism to reduce agency conflict, namely dividend, debt, and investment policies. Rozeff (1982) and Easterbrook (1984) stated that dividend policy can reduce agency conflict by forcing management into the capital market more frequently. When new equity is raised, managers are monitored by capital market. Dividend payments, however, guarantee a pro-rata pay out for both large and small shareholders (Gugler and Yurtoglu, 2000). Dividends are, therefore, an ideal device for limiting rent extraction of minority shareholders. The large shareholder, by granting dividends to small shareholders, can signal his unwillingness to exploit them. On the other hand, dividend reductions may increase the potential for rent extraction by leaving more money at the discretionary use of the controlling owner. Debt policy also can be used as corporate governance mechanism to reduce agency conflict (Jensen and Meckling, 1976; Faccio, Lang, and Young, 2001). The increasing debt will drive manager to use the cash efficiently, because the cash is used to pay debt interest periodically. Debt generates external monitoring; therefore, the controlling shareholders should act to improve the firm’s performance. Investment policy can be used as corporate governance mechanism to reduce agency conflict, when investment creates positive net present value and not complicated interest among them. It has sound on Bapepam rule IX.E.1 and IX.G.1. These policies are effective as corporate governance mechanism since market responses to them positively. These will lead to reduce agency cost or increase firm performance (Denis, 2001; McColgan, 2001).

Ownership structure determines agency conflict type. When ownership structure is dispersed, as in the US, central agency conflicts between managers and shareholders exist. But, when ownership structure is concentrated, as in Indonesia, main agency conflicts are between majority shareholders and minority shareholders. Majority shareholders have the power to control the manager in decision making, therefore the decision made is the one mainly for the majority shareholders’ sake rather than for minority shareholders. This complies with Shleifer and Vishny’s (1997) statement saying that when concentrated ownership comes to a certain limit, the majority shareholders can control the firm and they tend to make policies that give benefit to themselves. A greater degree of control by majority shareholders implies a greater ability to expropriate minority shareholders.

The firms in Indonesia are categorized as high concentrated ownership structure, and generally dominated on institution, are domestic (65%) and foreign ownership structure (35%). Majority members of institutional ownership are family or a founder who has big power to control managers in decision making. Therefore, the decision made tends to give benefit for them on minority shareholders's account, this behavior isn't fair. So the agency conflict occurs between majority and minority shareholders (Claessens, Djankov, dan Lang, 2000; Zhuang et al., 2000; Gunarsih, 2003; Mutamimah, 2006). This complies with Shleifer and Vishny's (1997) study, which states that when concentrated ownership comes to a certain limit, the majority shareholders can control the company and they tend to make policies that give benefit to themselves. This statement is also proven by Mitton (2002): when majority shareholders are entangled in management as directors or managers, they will have an opportunity to expropriate minority shareholders. But, foreign ownership structure has more transparent information than domestic ownership structure, so agency conflict under the domestic ownership is higher than that under the foreign ownership structure.

Based on this background, this study investigates the influence of corporate governance mechanism on reducing agency conflict using dividend, debt, and investment policies both under the domestic and foreign ownership structure. This paper differs from the previous studies in several terms. For example, Jensen and Meckling (1976) found that debt policy and dividend policy can reduce agency problem under the dispersed ownership structure. Gugler and Yurtoglu (2000) only test dividend policy as corporate governance mechanism. Faccio, Lang, dan Young, (2001), Sarkar and Sarkar (2005) only examine debt policy as corporate governance mechanism to reduce agency conflict between majority and minority shareholders. Mutamimah (2006) tested dividend, debt, and investment policies as corporate governance mechanism, under low and high concentrated ownership structure. While this study tests dividend, debt, and investment policies as corporate governance mechanism under the domestic and foreign ownership structure.

This paper is structured as follows. The next section reviews literature on three policies, namely dividend, debt, and investment framework as corporate governance mechanism, to reduce agency conflict under the domestic and foreign ownership structure. The next is research method, followed by our main results and discussion. The last section contains conclusion and implication.

1. Agency theory and corporate governance

The concept of corporate governance is derived from agency theory. Agency theory explains the appearance of conflict, the essence of conflict, and also solution to the conflict. Agency theory states that conflict exists when ownership and control are dispersed in the firms (Jensen and Meckling, 1976). The agency conflict derives from asymmetric information. Agency conflict also appears in the presence of free cash flow in the firms, referred to as free cash flow hypothesis (Jensen, 1986). Nevertheless, since the problem of agency becomes complex, corporate governance is needed.

There is no single definition of corporate governance, but generally it is a system, structure, mechanism or policy, process and also rules explaining the relations among all parts in a firm, so agency conflict can be reduced. There are two paradigms of corporate governance: shareholder paradigm and stakeholder paradigm (Letza and Sun, 2002). There are four principles of corporate governance (Gregory and Simms, 2000), i.e., fairness, transparency, accountability, and responsibility. The effectiveness of corporate governance is determined by some factors: ownership structure, law and enforcement, economy system, social, culture, process, and also clear performance measurements.

2. Dividend policy as corporate governance mechanism

Dividend policy is used as a corporate governance mechanism to reduce the conflict between majority and minority shareholders, because the increasing of dividend will show to the public that the majority shareholders do not use free cash-flow for themselves and ignore the minority shareholders, but it is shared to the shareholders. This condition is referred to as rent extraction hypothesis (Gugler and Yurtoglu, 2000; Lee and Xiao, 2002). This argument is supported by Faccio, Lang, and Young (2000) who state that the increase of dividend can play a main role in limiting expropriation, because dividend can move the prosperity from insider control to outsider control. Firms with concentrated ownership are less likely to increase dividends when profitability increases and more likely to omit dividends when investment opportunities improve, which is consintent with extraction of private benefits at the expense of minority shareholders. Dividends are, therefore, an ideal device for limiting rent extraction of minority shareholders. The large shareholder, by granting dividends to small shareholders, can signal his unwillingness to exploit them. Harada and Pascal (2006) investigate the effect of ownership on the dividend policy of Japanese firms. La Porta, Lopez-de-Silanes, Shleifer, and Vishny (2002) tested two agency models of dividends. First, the outcome model suggests that dividends are paid because minority shareholders force corporate insiders to disgorge cash. Second, the substitution model predicts that firms with weak shareholder rights need to establish a reputation for not exploiting shareholders. The results show a negative relationship between ownership concentration and payout rates. On the other hand, dividend reductions may increase the potential for rent extraction by leaving more money at the discretionary use of the controlling owner. Accordingly, the rent extraction hypothesis expects positive abnormal returns for dividend increases, since higher dividends optimally reduce the cash on hand of the domestic shareholder, and negative abnormal returns for announcements of dividend reductions, since lower dividends increase the cash that the domestic shareholder can potentially expropriate. Therefore, the increase of dividend under domestic ownership structure will cause more positive reaction than under foreign ownership structure. On the contrary, the decrease of dividend under domestic ownership structure will react more negatively than under foreign ownership structure.

3. Debt policy as corporate governance mechanism

Debt policy is used as corporate governance mechanism to reduce agency conflict (Jensen and Meckling, 1976; Faccio, Lang, and Young, 2001). Debt can be used to reduce agency conflict between majority and minority shareholders too. The increasing of debt can show to public that majority shareholders do not use the free cash flow for their own sake. The increasing of debt will drive a firm to use the cash efficiently, because the cash is used to pay debt interest periodically. Debt shifts management monitoring from shareholders to creditors (Jensen and Meckling, 1976; Jensen, 1986; Faccio, Lang, and Young, 2001). This monitoring forces the management or shareholders to conduct actions which can give benefit to the firm. Debt generates external monitoring; consequently, the majority shareholders should conduct the best performance. This is called *control hypothesis* (Faccio, Lang, and Young, 2001; Jensen, 1986; Sarkar and Sarkar, 2005). Nevertheless, excessive debt will decrease the firm's performance, because the increase of debt will be followed by the increase of debt expense.

The level of concentrated ownership structure determines the agency conflict in a firm. The higher the concentrated ownership structure, the bigger the agency conflict between majority and minority shareholders. Under the domestic ownership structure, agency conflict is higher than that under the foreign ownership structure. This means, that foreign ownership structure can monitor manager's action effectively. Therefore, debt policy under the domestic ownership structure has bigger positive influence on the firm's performance than that under the foreign ownership structure.

4. Investment policy as corporate governance mechanism

Investment policy can be used as a mechanism to reduce agency conflict between majority and minority shareholders (Marco and Mengoli, 1999; and Bae, Kang, and Kim, 2002 Wu, 2004; Brio, Perote, dan Pindado, 2003). Because the investment shows a determination of a manager to manage the cashflow of his company there should be a good investment opportunity and no interest conflict exists. Thus, in order to protect the rights of minority shareholders from any expropriation acts from majority shareholders, Bapepam executes rules no IX.E.1 dan and IX.G.1 on merger and acquisition. In this case, investment policy should reflect the protection of minority shareholders rights from being expropriated by majority shareholders. When investment policy can be used as corporate governance mechanism, market reacts positively to merger and acquisition announcements.

Bapepam Rule No. IX.E.1 explains that in order to protect the minor shareholders' rights from being expropriated by majority shareholders, any transaction should get a permission from independent shareholders. This rule indicates that a transaction cannot proceed if independent shareholders (minority shareholders) do not agree to; even if the major shareholders do. If there is a transaction in which the commissioner, the director or the substantial shareholder or an affiliated person of the director, the commisioner or the substantial shareholder have a conflict of interests, it must first be approved by independent shareholders or their authorized representative in general meeting of shareholders as described in this rule.

Bapepam Rules No. IX.G.1 about merger or consolidation of public companies and issuers. Mergers or consolidations must be executed only when it is in compliance with existing rules and regulations. Mergers and consolidations must comply with the following requirements: directors and commissioners of public company or issuer that is a participant in a merger or consolidation must submit a statement to Bapepam and to the company and take into account the interests of the companies, the public and fair competition, and will guarantee the right of shareholders and employees, the statement referred to item that must be supported by an opinion given by an independent person. And a director of each company, after receiving agreement from the commissioners, must do a feasibility study of the merger or consolidation.

Investment policy as a mechanism to reduce agency conflict depends on type of conflict. Under the domestic ownership structure conflict is higher than under the foreign ownership structure (Tri Gunarsih, 2003). So, market reaction to merger and acquisition announcements under the domestic ownership structure is more positive than under foreign ownership structure. The effectiveness of investment policy in reducing an agency conflict is reflected by the impact of such policy on the company's profitability.

5. Research method

The population of this research is composed of all firms listed on Indonesian Stock Exchange until 2007. Study period starts from January 1, 2003 to December 2007. The secondary data consist of annual reports for the 2003-2007 period, the date of dividend announcement, obligation, merger and acquisition, daily stock price, daily stock price index, and other information related to this research.

The sample is divided into two groups: domestic and foreign ownership structure. Under the domestic ownership structure some of the listed firms are owned by domestic institutions, and under foreign ownership structure listed firms or some of them are owned by foreign institutions. The institutional investor is an institution that is listed on Indonesia Stock Exchange, e.g.: manufacture firm, bank, etc. The sample is received through non-probability technique with purposive sampling method which used the following criteria: a) financial and non-financial firms listed on Indonesia Stock Exchange; b) firms which shares are owned by the foreign and domestic institutions; and c) firms that announce dividend, bond, and investment policies. Based on the above criteria, 364 samples achieved are then divided into two groups; a) 228 are domestic ownership structure, where a firm's shares are owned by domestic institution; and b) 136 are foreign ownership structure, where a firm's shares are owned by foreign institution.

6. Market indicator testing

Abnormal return and cumulative abnormal return analyses are used as a market indicator testing (Gugler and Yurtoglu, 2000; Riyanto and Gudono, 1996). Abnormal return is an excess between actual return and expected return. Average abnormal return is observable when event is announced (t = 0). Cumulative average abnormal return being tested is the one with t = -2 until t = + 2 and t = 0 until t = + 5. Abnormal return is measured by using single index model with an estimation period of 21 days, 10 days before the announcement, 1 day at the time of the announcement (t = 0) and 10 days after the announcement (t = -10 until t = +10).

In this study event study methodology is used, so only one by one event (dividend, debt, and investment announcement) can be searched. Indicators of dividend, debt, and investment policy under event study methodology are dividend announcement (decrease or increase), bond announcement, and merger acquisition announcement. We used window of 21 days (-10 to +10) to eliminate either event. So this event must be independent of either event. To what extent the dividend, debt, and investment policies can be used as corporate governance mechanism should be tested through the significance of the values of average abnormal return and cumulative average abnormal return on four groups (Lang, Stulz, and Walking, 1991). We have controlled effect of other factors found as being important in setting dividend, debt, or investment policies by four diagrams, i.e. a) The cash flow increases as the investment opportunity set is high; b) The cash flow increases as the investment opportunity set is low; c) The cash flow decreases as the investment opportunity set is high; and d) The cash flow decreases as the investment opportunity set is low. The four groupings above explain that in discussing the hypothesis of free cash flow, the starting point is not on how to measure free cash flow, it's rather on how to make a decision on cash flow when faced with investment opportunity set. The agency problem of free cash flow occurs when the increasing cash flow is faced with low investment opportunity set. This is simply because the value of free cash flow is high (quadrant B) in this situation. It complies with the hypothesis of free cash flow (Jensen, 1986).

7. The accounting performance testing

The accounting indicators used a multiple regression analysis. Based on the testing with accounting indicators, independent variables are dividend, debt, and investment. For accounting indicator, dividend is indicated by dividend payout ratio. Debt is indicated by leverage = total debt/total assets. Investment is indicated by (total assets_t – total assets_{t-1})/(total assets_{t-1}). Company size is used as control variable.

Prior to multicollinearity multiple regression analysis we must test the multicollinearity and heteroskedasticity. Multicollinearity test is carried out to test whether the independent variables have one or more linear relations. To test the multicollinearity problem, tolerance value or variance inflation factors test is conducted. Heteroskedasticity test is carried out to detect whether (σ^2) variant dependent variable is increasing as a result of the increase in independent variable. To detect the heteroskedasticity, Glejser testing is conducted (Gujarati, 2003). Next, I test hypothesis with multiple regression analysis.

8. Result and discussion

The result market indicator shows (see Table 1) that AAR, $CAAR_2$, $CAAR_5$ on dividend increase announcement under the domestic ownership structure are positive and statistically significant. This positive reaction shows that high agency conflict occurs; that is when cash flow increases but investment opportunity is low, dividend announcement increase causes a positive reaction of the market. The values of AAR under foreign ownership structure are positive and significant too, but CAAR2 are negative and significant, CAAR5 negative and not significant. Market reacts more positively under domestic ownership structure than under foreign ownership structure (0,00876 > 0,00674). It allows to draw a conclusion that dividend policy can be used as a corporate governance mechanism to mitigate agency conflict under both domestic and foreign ownership structure. This result supports Gugler and Yurtoglu (2000) and Jensen (1986), but not Faccio, Lang, and Young (2000). This also supports the rent extraction hypothesis.

Table 2 shows that AAR, $CAAR_2$, $CAAR_5$ on dividend decreace announcement under domestic ownership structure are negative and statistically significant. This negative reaction indicates that high agency conflict occurs; that is, when cash flow increases but investment opportunity is low, dividend announcement decrease causes a negative response of investor. The AAR, CAAR2, and CAAR5 under foreign ownership structure are negative too. Market reacts more negatively under domestic ownership structure than under foreign ownership structure and this reaction is statistically significant (-0,01692 > -0,00061). We can conclude that dividend policy can be used as a corporate governance mechanism to reduce agency conflict under domestic and foreign ownership structure. This result supports Gugler and Yurtoglu (2000) and Jensen (1986), but is in conflict with Faccio, Lang, and Young (2000). This also supports the rent extraction hypothesis.

Table 3 indicates that AAR, $CAAR_2$ and $CAAR_5$ under domestic and foreign ownership structure are negative. This indicates that debt policy cannot be used as a corporate governance mechanism under domestic and foreign ownership structure. Still, this research result also shows that market response debt announcement under domestic ownership structure is negatively greater than that under foreign ownership structure (-0,00420 > -0,00016), and is statistically significant. The result is consistent with Faccio, Lang, and Young (2003), Taridi (1999), Haris and Raviv (1988), Faccio, Lang, and Young (2001), Sarkar and Sarkar (2005) who state that debt will bring about moral hazardous attitudes that influence a firm's performance negatively. As for this type of concentrated ownership structure, shareholders have the power to expropriate minor shareholders, which is referred to as expropriation hypothesis. Faccio, Lang, and Young.(2003) state that in developing countries with the characteristics of concentrated ownership structure like Indonesia, domestic or foreign ownership structure, debt cannot function as a monitoring tool to reduce agency problem; rather it will serve as a tool of expropriating minority shareholders.

The reasons as to why expropriating through debt is possible are: a) The protection of the minor shareholders is weak. These are proven by Alba, Claessens, and Djankov (Taridi, 1999) who state that Indonesia is among countries in East Asia whose protection of the minor shareholders is weak; b) Indonesian stock market has not yet so well developed that debt cannot yet function as an effective corporate governance mechanism; c) The fact that a firm's reputation is still dominated by majority shareholders indicates that the firm still has its intrinsic weakness. This is understandable since once the headquarter files a bankruptcy due to excessive debt, there will be difficulties as to who should be responsible simply because the control system is complicated in a pyramidal structure (Faccio, Lang, and Young, 2001). Debt policy cannot be used as a governance mechanism in Indonesia because firms in the country have high debt without fair selection, meaning that Indonesia's ownership structure is dominated by family or a founder; it could facilitate the expropriation of minority shareholders. Higher leverage facilitates expropriation by giving the majority shareholders control for more resources, that can be expropriated via unfair transactions with other affiliated. This result supports Faccio, Lang, and Young (2001), who state that debt in Asian country like Indonesia can facilitate the expropriation of minority shareholders by majority shareholders. And debt policy can't be effective as a corporate governance mechanism, because Indonesian stock market has not been so well developed yet. In other words, any debt in certain amount will function as a monitoring tool so as to help increase a company's performance. However, once the amount of debt is way beyond a maximum level, the debt will only diminish a company's performance. Concentrated ownership structure impels majority shareholders to expropriate minority shareholders. This is likely to occur since its structure is so pyramidal that minority shareholders will find it difficult to control any conducts of majority shareholders.

Indonesian stock market has not yet been well developed, low protection for minority shareholders and enforcement towards corporate governance rules are relatively low. This will also impel majority shareholders to expropriate the minority shareholders. These are proven by Alba, Claessens, and Djankov (Taridi, 1999) who state that Indonesia is among countries in East Asia whose protection for the minority shareholders is weak.

Table 4 indicated that AAR under the domestic ownership structure is negative but not significant. CAAR2 and CAAR5 under the domestic ownership structure are positive and significant. AAR, CAAR2, CAAR5 under the foreign ownership structure are negative and significant. This indicates that investment policy can be used as a corporate governance mechanism under the domestic ownership structure, while it can't be used as a corporate governance mechanism under the foreign ownership structure. Investment cannot function as a monitoring tool to reduce agency conflict; rather it will serve as a tool of expropriating to minority shareholders. It is usual for the market to react negatively to M&A announcements, because the market has negative perception with acquisition announcement. Under the concentrated ownership structure, the majority shareholders have insentive and opportunity to make unfair transactions to allocate resources from one firm to another at one group, this fenomenon is tunneling (Johnson, LaPorta, Lopez-de-Silanes, dan Shleifer, 2000). If firms under the domestic ownership structure announced a larger cash dividend payout, the reaction of the market will be more positive than under the foreign ownership structure, because agency conflict under the domestic ownership structure is higher than that under the foreign ownership structure.

This is indicated as tunneling as Johnson, LaPorta, Lopez-de-Silanes, dan Shleifer (2000) say that tunnelling comes when controlling shareholder can simply transfer resources from the firm for his own benefit through self-dealing transactions. Such transactions include outright theft or fraud, which are illegal everywhere though often go undetected or unpunished, as well as asset sales, contracts such as transfer pricing advantageous to the controlling shareholder, excessive executive compensation, loan guarantees, expropriation of corporate opportunities, and so on.

Results on accounting indicator show that variable coefficient dividend payout ratio under the domestic and foreign ownership structure is positive (0.005 and 0.068) and statistically significant. Investment policy under the domestic ownership structure can be used as a corporate governance mechanism to reduce agency conflict. But, investment policy under foreign ownership structure can't be used as a corporate governance mechanism. Variable coefficient debt is negative both under domestic (-0.042) and foreign (-0.168) ownership structures. Debt under the domestic ownership structure is less negative than that under foreign ownership structure. This indicates that debt policy can't be used as a corporate governance mechanism both under domestic and foreign ownership structures. Expropriation to minority shareholders is higher under the foreign ownership structure than under the domestic structure. Variable coefficient change asset is positive (0.056) under the domestic ownership structure under the foreign structure while it is negative (-0.04). Investment policy under the domestic ownership structure can be used as a corporate governance mechanism to reduce agency conflict. But, investment policy under the foreign ownership structure can't be used as a corporate governance mechanism. This is because investment policy is employed as an expropriation tool by majority shareholders as against minority shareholders. This corresponds to Johnson, La Porta, Lopez-de-Silanes, and Shleifer (2000), and Glaeser, Johnson, and Shleifer (2001) who state that in countries with weak legal protection for investors, entrepreneurs often tunnel resources out of firms, i.e., expropriate funds that rightfully belong to minority shareholders.

Conclusions and implications

It can be concluded that dividend policy in Indonesia can be used as a corporate governance mechanism to reduce agency conflict between majority and minority shareholders, both under domestic and foreign ownership structure. This result supports Gugler and Yurtoglu (2000) and Jensen (1986), but not Faccio, Lang, and Young (2000), Lee dan Xiao (2002). This also supports the rent extraction hypothesis. Nevertheless, debt policy cannot effectively be used as a corporate governance mechanism to reduce agency conflict between majority and minority shareholders, both under domestic and foreign ownership structure. This is because firms in Indonesia have high debt and have not fairness selection, and capital market has not developed yet. Greater expropriation exists under the domestic ownership structure than under the foreign ownership structure. The result is consistent with Faccio, Lang, and Young (2003), Taridi (1999), Haris and Raviv (1988), Faccio, Lang, and Young (2001); and also with Sarkar and Sarkar (2005) who state that any debt under concentrated ownership structure will bring about moral hazardous attitudes that influence negatively a company's performance. Investment policy can be used as a corporate governance mechanism under the domestic ownership structure.

But under the foreign ownership structure, investment policy can't be used as a corporate governance mechanism because investment policy tends to be a tool of expropriation as against minority shareholders. This is because investment policy is an expropriation tool used by majority shareholders with respect to minority shareholders.

This research has some implications. For academic purpose, it is beneficial as foundation of conducting further researches, especially for those who want to develop corporate governance in a more comprehensive way. Bapepam need to review their regulations and to increase the quality of enforcement related to corporate governance mechanism under foreign and domestic ownership structure in Indonesia. So far, any practices on corporate governance are just merely acts of practicing regulation. It is obvious that existing expropriation through debt and investment policy is not fair between majority and minority shareholders, and this is costly for minority shareholders.

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Appendix

Table 1. AAR and CAAR
Dividend increase under domestic and foreign ownership structure

Group	AAR (t-value)	$CAAR_2$ (t-value)	$CAAR_5$ (t-value)
Domestic	0,00876 (1,15204)*	0,02408 (2,2895)*	0,03274 (4,30753)*
Foreign	0,006740 (1,31572)*	-0,005610 (-1,09658)	-0,00361 (-0,70669)*

Note: AAR – Average Abnormal Return, $CAAR_2$ – Cumulative Average Abnormal Return 2 days before and 2 days after announcement. $CAAR_5$ – Cumulative Average Abnormal Return 5 days before and 5 days after announcement. * significant at $\alpha = 5\%$.

Table 2. AAR and CAAR
Dividend decrease under domestic and foreign ownership structure

Group	AAR (t-value)	$CAAR_2$ (t-value)	$CAAR_5$ (t-value)
Domestic	-0,01692 (-2,3484)*	-0,04078 (-4,86745)*	-0,02580 (-3,58223)*
Foreign	-0,00061 (-0,09615)	0,00265 (0,41614)	-0,00282 (-0,44767)

Note: AAR – Average Abnormal Return, $CAAR_2$ – Cumulative Average Abnormal Return 2 days before and 2 days after announcement. $CAAR_5$ – Cumulative Average Abnormal Return 5 days before and 5 days after announcement. * significant at $\alpha = 5\%$.

Table 3. AAR and CAAR
Debt under domestic and foreign ownership structure

Group	AAR (t-value)	$CAAR_2$ (t-value)	$CAAR_5$ (t-value)
Domestic	-0,00420 (-0,58972)	-0,00229 (-0,32013)	-0,02115 (-2,97108)*
Foreign	-0,00016 (-0,01721)	-0,01546 (-1,66272)**	-0,00935 (-1,00559)

Note: AAR – Average Abnormal Return, $CAAR_2$ – Cumulative Average Abnormal Return 2 days before and 2 days after announcement. $CAAR_5$ – Cumulative Average Abnormal Return 5 days before and 5 days after announcement. * significant at $\alpha = 5\%$.

Table 4. AAR and CAAR
Investment under domestic and foreign ownership structure

Group	AAR (t-value)	$CAAR_2$ (t-value)	$CAAR_5$ (t-value)
Domestic	-0,00438 (-0,11187)	0,18299 (4,67638)*	0,15124 (3,86506)*
Foreign	-0,01751 (-1,67785)*	-0,03967 (-3,80126)*	-0,01388 (-3,33011)*

Note: AAR – Average Abnormal Return, $CAAR_2$ – Cumulative Average Abnormal Return 2 days before and 2 days after announcement. $CAAR_5$ – Cumulative Average Abnormal Return 5 days before and 5 days after announcement. * significant at $\alpha = 5\%$.