Abstract

Good Corporate Governance (GCG) is a method to reduce agency problem in a company. Applying GCG can maximize its operation and optimize profit which will be shared to shareholders as dividend. If the company can share dividend, the firm value will increase.

The objective of this research is to know how the effect of corporate governance, fundamental factors to dividend policy and the implication for firm value. The proxy for corporate governance consists of institutional ownership, board of commissioner, board of director, independent commissioner and audit committee. There are three fundamental factors as additional such as current ratio, debt to equity ratio and return on asset. Dividend policy will be measured by dividend payout ratio and firm value will be measured by price to book value ratio. The method of data collection is purposive sampling. The data is a panel data using public companies listed LQ 45 and share dividend from 2008-2011. The statistical method is multiple regression with two stages least squares method.

The result shows that institutional ownership, board of commissioners and audit committee as corporate governance proxy have significant effect to dividend payout ratio because they have direct effect to dividend policy . Next, debt to equity ratio and return on asset as fundamental proxy also has significant effect to dividend payout ratio. Then, the dividend payout ratio has significant effect to firm value because dividend will increase the firm value. While there are three non-significant factors such as board of director, independent commissioner and current ratio. This is because they do not have direct role to dividend policy.

Keywords: corporate governance, institutional ownership, board of commissioners, board of directors, independent commissioners, audit committee, current ratio, debt to equity ratio, return on asset, dividend payout ratio, price to book value.