

CAN BOARD DIVERSITY PROMOTE DIVIDEND POLICY? SEEKING THE ROLE OF PROFITABILITY

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Abstract: *This study investigates the effect of the board of directors (BOD) diversity on dividend policy and how the implications of profitability are treated as moderation. Dividend policy and BOD characteristics have been studied extensively; however, the profitability role being moderating variable and BOD diversity are challenging. To the best of the authors' knowledge, this study is one of the first to examine profitability as moderation. BOD diversity includes gender, age, education level, accounting expertise, and nationality. The research period spanned 2017-2020, where the number of samples was 370 companies listed on the Indonesia Stock Exchange, resulting in 1,480 data. The regression model used is panel data. Overall, BOD gender, education level, and nationality are homogeneous, where female directors, directors with master's education, and foreign directors have a small proportion. As a result, they have no significant effect in promoting dividends. In addition, profitability cannot influence the relationship between board gender and board nationality on dividends. Nevertheless, profitability moderates the relationship between board nationality and dividend policy to a significant negative. Further, board age and accounting expertise positively and significantly affect dividend policy, and the results are identical when moderated by profitability. The proportion of board expertise expressed is heterogeneous, and the board age of 52 years is categorized as old, while they mitigate agency conflict. Thus, companies are required to maintain these proportions. However, companies must remedy the recruitment system to accommodate more female directors, directors with higher education at the master's level, and foreign directors. The government must also refer to regulations in developed and developing countries that establish a minimum quota for the presence of female directors.*

Keywords: board diversity, dividend policy, profitability, agency conflict

INTRODUCTION

Explaining dividend policy is the most difficult challenge faced in the financial economy (Rajput & Jhunjunwala, 2019). Although the factors that influence dividend policy and how these factors interact have been investigated over the last few decades, dividend policy is still

not fully explored (Bhattacharyya, 2007). This is consistent with Black's (1976) analysis that the importance and practice of paying dividends becomes a "dividend puzzle". As a result, dividend policy has become a perennial research topic (Ye et al., 2019).

Dividend policy involves dividing the allocation of profits into cash inflows for investors

(dividends) and retained earnings. Dividend policies, when implemented correctly, can produce efficient performance (Naburi & Ndede, 2019). The dividend policy solves agency problems involving management and shareholders. The board of directors has raw information that creates asymmetric costs due to investor distrust. However, when dividend policy is more favorable for investors, it reduces agency conflict (Jensen, 1986).

Generally, investors desire a stable dividend announcement followed by a high nominal dividend (Bhattacharyya, 2007; Ismail et al., 2018). Furthermore, many works of literature emphasize that directors are considered to carry out good corporate governance practices if they encourage dividends (Tahir et al., 2020). Thus, previous research tends to examine the relationship between board of directors (BOD) characteristics and dividends, such as BOD size (Khan et al., 2022; Rajput & Jhunjhunwala, 2019; Thompson & Adasi Manu, 2020). They explained that a larger board size is more capable of maximizing operations than a smaller BOD size. However, the authors underline the importance of avoiding subjectivity problems where the BOD size is a given issue. As a result, the discussion regarding the number of directors will never be resolved since each country has a distinctive culture, and companies must face the complexity of operations and the complexity of achieving their visions and missions. Therefore, the authors offer a more objective BOD diversity because it represents the diversity of resources regarding expertise, experience, knowledge, and interaction capacity (Hillman et al., 2009; Hillman & Dalziel, 2003). For this reason, good corporate governance is measured by the scope of gender, age, expertise, education level, and nationality. Further, this is the first contribution to tackling the limited empirical evidence.

Previous research tends to combine the BOD characteristics and diversity. For example,

Naburi & Ndede (2019) tested not only BOD size and independence, considered a given problem with dividends, but also tested BOD expertise and age. Rajput & Jhunjhunwala (2019), Tahir et al. (2020), and Thompson & Adasi Manu (2020) still employ these combinations. However, they suggest expanding the study of corporate governance on dividends, where BOD diversity is rational to be employed because it offers capabilities (Hillman et al., 2009; Hillman & Dalziel, 2003).

First, gender diversity leads to stable profitability (Lara et al., 2017). Female directors can reduce agency costs through their support for dividend payments (Adamu et al., 2017; Chen et al., 2017; Naburi & Ndede, 2019; Ngo et al., 2019; Thompson & Adasi Manu, 2020; Ye et al., 2019). However, this study is difficult to find in developing countries such as Indonesia. In fact, as a fellow developing country, the Malaysian government mandates a minimum of 30% of women in board rooms (Katmon et al., 2019). However, Taufik (2021) and Taufik & Chua (2021) consistently find a small proportion of women in Indonesia. Thus, an opportunity arises for a research question how does gender heterogeneity affect dividends? This study is also the second contribution.

Second, older directors are more traditionalistic, maximizing so they support dividend distribution (Boumosleh & Cline, 2015). However, Waelchli & Zeller (2013) show the opposite finding. Among the limitations of previous studies is the lack of literature comparing younger and older directors, where the authors fill this gap, flourishing into the third contribution.

Further, BOD expertise in accounting can control finances and support pro-investor policies (Sarwar et al., 2018), thereby reducing agency costs (Custódio & Metzger, 2014). However, Thompson & Adasi Manu (2020) found the opposite. Furthermore, observing BOD expertise toward dividend policy is limited;

therefore, this paper fills the gap in literacy and becomes the fourth contribution.

Moreover, the relationship between BOD education level and the dividend has been answered by Khan et al. (2022). However, their work provides dubious evidence. Neither the dividend nor the BOD's educational level is explained by their references in formulating the hypothesis. Thus, this haphazardness needs to be re-examined and become the fifth contribution.

Furthermore, BOD foreignness has better knowledge accompanied by a higher commitment culture. Their focus will be on the interests of shareholders, including those who support dividend distributions (Shehata, 2021). Developing countries such as Indonesia, however, have difficulty obtaining such literacy. Since Indonesia is the only country from the lower middle-income bracket that is part of the group of twenty (G2), it requires foreign directors who have access to the global market (Giannetti et al., 2015). Thus, the relationship between foreign directors and dividend policy becomes rationally demonstrated and delivers the sixth contribution.

Furthermore, it was mentioned earlier that the source of dividend policy is profitability. Previous studies have proven that profitability has a positive and significant relationship with dividend payments (Benjamin & Biswas, 2019; Tahir et al., 2020; Ye et al., 2019). However, they treat profitability as a control variable, so the empirical relationship is not thoroughly analyzed. Thus, the authors emphasize the simple question: Can profitability mediate the relationship between BOD diversity and dividend policy? Therefore, this research question answers how the level of heterogeneity of directors tends (or is apathetic) in promoting dividends when profitability is high (or low). This investigation leads to the last or seventh contribution.

This paper continues as follows. Section 2 uses previous studies to develop hypotheses.

Section 3 discusses the methodology, and section 4 discusses the findings. Finally, chapter 5 concludes the research and examines its implications.

Agency Theory

Directors and shareholders have different views on the nominal dividend payments, which can cause agency costs. On the one hand, BOD members tend to favor retained earnings over dividend distributions. Specifically, the purpose is to enhance funds for projects under development, investment plans, and expansion plans of businesses. On the other hand, investors, with their traditional nature, crave dividends because they are considered dividends as cash inflows, so investors expect high nominal dividend amounts and are willing to pay dividend taxes (Bhattacharyya, 2007; Ismail et al., 2018). Moreover, investor expectations are reinforced by Ye et al. (2019) that dividend distribution is considered capable of suppressing the carelessness of managers in investing in suboptimal projects. The distribution of dividends can also reduce the potential for fraud due to the circulation of company funds larger than last year's accounting period. Dividends are compensation for information asymmetry caused by management's control of information. Information asymmetry is a condition where directors have the opportunity to use company resources that indirectly benefit themselves and are not in the interests of shareholders (Jensen, 1986). As a result, good corporate governance assessment indicators lead to the prosperity of shareholders' wealth through dividend payments. Thus, this discussion leads to the simple question of how directors use dividend policy to reduce principal and agency conflicts (Mitton, 2002; Sulong & Mat Nor, 2008).

Previous research tends to examine the characteristics of directors, such as BOD size and BOD independence (Al-Najjar & Hussainey, 2009; Boumosleh & Cline, 2015). Instead, the

authors focus more on the study of BOD diversity. BOD diversity means that directors are represented by the heterogeneity of expertise, experience, knowledge, and the capacity to interact with external parties (Hillman et al., 2009; Hillman & Dalziel, 2003). Thus, BOD diversity offers more optimal and objective resources rather than given variables. Specifically, BOD size is a given problem because the effectiveness of the number of directors' discussions is difficult to measure. Thus, the given issue should be tested with a qualitative approach that is more capable of measuring the behavior of directors. In contrast, BOD diversity, such as expertise, is deemed to have accounting knowledge, so directors are viewed as more concerned with the ability to survive and expand in the future, distorting information to prevent dividend payments (Thompson & Adasi Manu, 2020). Therefore, this study examines BOD diversity as a body of knowledge, including gender, age, expertise, education level, and foreignness.

BOD Gender and Dividend Policy

The primary function of BOD is to remedy agency problems based on conflicts of interest between the board of directors and shareholders (Fama, 1980; Jensen & Meckling, 1976). Boards of directors have generally consisted of male directors. In recent years, board gender diversity in promoting dividends has been extensively explored in the literature. Companies with BOD gender diversity tend to have more stable financial performance than companies with less or no gender diversity (Lara et al., 2017). In addition, female directors have a more extraordinary ability to focus and participate (Adams & Ferreira, 2009), are more sensitive and sensitive to complex issues (Gul et al., 2011), and are more likely to follow applicable regulations or the perception of the majority than men (Ye et al., 2019). The above studies suggest that female directors are more

sensitive to issues and focus more on solving agency problems by implementing good corporate governance. As a result, dividend payments are affected by the proportion of women on the board. The previous literature examining the relationship between board gender diversity and dividend policy has found a significant and positive effect (Adamu et al., 2017; Chen et al., 2017; Naburi & Ndede, 2019; Ngo et al., 2019; Thompson & Adasi Manu, 2020; Ye et al., 2019). Thus, the hypothesis is formulated as follows.

H1: Board gender diversity has a significant effect on dividend policy.

BOD Age and Dividend Policy

Huse & Rindova (2001) suggests that board age can result in good communication between the board and the shareholders. The board age diversity enhances the process of creating a different view, perspective, and consensus (Huse & Rindova, 2001). Furthermore, Boumosleh & Cline (2015) examined the impact of the age of directors on dividend policy. They found that the older directors brought a lot of work experience and practical knowledge in improving decision-making. Older directors tend to be more conservative, risk-averse, and less aggressive, so they prefer to promote dividends. Thus, the diversity of board age and dividend policy has positive and significant results (Naburi & Ndede, 2019; Thompson & Adasi Manu, 2020). However, there are differing views on board age's impact on dividend policy. Tahir et al. (2020) discussed the negative impact of board age on dividends. They suggest that younger directors are more likely to pay dividends than older directors.

H2: Board age has a significant effect on dividend policy.

BOD Expertise and Dividend Policy

According to Sarwar et al. (2018), board members with accounting expertise could influence board decisions, including dividend policy, and thus reduce information asymmetry. They are believed to be able to reduce the company's operational failure rate. They are equally good at controlling finances and serving the interests of shareholders. Several studies state that the presence of directors with expertise in accounting can increase the board's efficiency and build good corporate governance (Sarwar et al., 2018). Companies with good corporate governance protect shareholders, which indirectly emphasizes BOD to tend to support dividend distribution policies rather than being allocated as retained earnings. Therefore, they are crucial in reducing agency costs (Custódio & Metzger, 2014). However, directors with expertise in accounting are also considered to be more non-conservative, so they choose to improve their company's fundamentals (Sultana & Van der Zahn, 2013; Thompson & Adasi Manu, 2020). As a result, they tend not to espouse the distribution of dividends and prefer to strengthen retained earnings for investment reasons in the future. Thus, the hypothesis is formulated as follows.

H3: The expertise of the board of directors has a significant effect on dividend policy.

BOD Education Level and Dividend Policy

Ngo et al. (2019) state that education level is a priority in selecting the board of directors across the country. Cheng et al. (2010) added that the education level of the board is an essential characteristic in improving the company's operational efficiency. Directors with higher education are more likely to solve complex problems by applying a series of rational and best methods (Hambrick & Mason, 1984). In the dividend context, He et al. (2016) explained that the chairman of the board with a business school educational background is less inclined to pay a dividend, although they are more risk averse and prefer sound business

strategy, they may accept excessive investment behavior of managers for the sake of short-term stock price growth, or even accept managers to make the harmful decision to the shareholder. Contrary to that, Khan et al. (2022) found a positive and significant relationship between BOD educational level and dividends. They convey ideas and solutions to problems that lead to more optimal resource management. Thus, the hypothesis is formulated as follows.

H4: The education level of the board of directors has a significant effect on dividend policy.

BOD Nationality and Dividend Policy

The nationality of BOD denotes the presence of local and foreign directors. Giannetti et al. (2015) observed that they have unique resources that facilitate entry into international markets and transfer knowledge of management practices, resulting in soaring performance. They are also classified as having a more independent nature and willing to provide all ideas, commitments, and responsibilities only for the benefit of shareholders, thereby increasing performance and attracting new investors (Khan et al., 2022). In the context of dividends, Shehata (2021) documents that the presence of foreign nationals is deemed capable of paying attention to the interests of shareholders, as evidenced by the increase in dividend payments. Thus, the hypothesis is formulated as follows.

H5: The diversity of citizenship of the board of directors has a significant effect on dividend policy.

BOD Diversity and Dividend Policy: The Moderating Role of Profitability

In the board gender context, Chen et al. (2017) concluded that board gender positively influences dividend policy. They suggest that female directors tend to use dividend payouts to monitor and reduce agency costs. In contrast, Elmagrhi et al. (2017) found a negatively significant association between female directors and dividend payments. They explained that

dividends play a substitute role in mitigating agency problems when governance practices are poor, such as the representation of women on boards. Unfortunately, their representation on the board was only 12%. Additionally, Tahir et al. (2020) found that board gender diversity negatively affected dividend yields in a statistically insignificant manner. It was argued that the family-owned nature of Malaysian companies did not favour the dividend payout policy.

In the board age context, a study by Thompson & Adasi Manu (2020) demonstrated a positive relationship between board age and dividend policy. An older average director tends to be more conservative, less risk-averse, and less aggressive in their investment choices, which results in a higher dividend payment. However, Tahir et al. (2020) found that a younger board of directors resulted in a higher dividend payout policy. There is a mixed result in previous studies. Thus, the authors are eager to contribute to this research by incorporating a moderating variable that may strengthen or weaken the relationship between the BOD and dividend policy.

Dividend policy is determined primarily by profitability, one of the shareholders' major factors. Conversely, directors may expect profitability to be retained earnings to increase the business's expansion (Jensen, 1986). Consequently, profitability is the root problem of the discussion of dividend policy, as profitability determines whether earnings are retained or distributed to shareholders. Conflicts between principals and agents can be addressed by limiting the proportion of retained earnings and vice versa for dividends (Suhadak et al., 2019).

To address this problem, profitability could play a moderate role in increasing the diversity of the BOD in favour of higher dividends. Most female directors construct evenhanded decisions compared to male

directors because they consider all stakeholders' interests (Bart & McQueen, 2013). As a result of increasing profitability, the conflict between board gender diversity and shareholders could be resolved, as the higher profit enables the firm to retain earnings and pay out more dividends to its shareholders. Additionally, older directors tend to be more conservative and pay a higher dividend, but this does not necessarily mean that young directors favour retained earnings and choose not to pay higher dividends. Therefore, it is possible to resolve the problem if the firm has higher profits that accommodate both dividends and retained earnings. As indicated above, the authors advocate profitability as a variable that can moderate the relationship between board diversity and dividend distribution.

H6: Profitability moderates the relationship between board diversity and dividend policy.

RESEARCH METHODS

This study uses secondary data where the research population is all companies listed on the Indonesia Stock Exchange (IDX) in the 2017-2020 period. Purposive sampling was carried out with the criteria of companies that publish annual reports, including profiles of the board of directors and complete financial statements. The final sample of companies studied comprised 370 out of 776 listed on IDX, producing 1,480 data. The dependent variable used in this study is the dividend yield, while the independent variable consists of the BOD diversity, including gender, age, education level, expertise, and foreignness. Additionally, this study uses profitability, measured by return on assets (ROA), as a moderating variable. Finally, the control variables are the size of the board of directors, non-executives directors' independence, firm size, and leverage. The operational definition of variables is illustrated in Table 1.

Table 1 Variable Measurement

Variable	Abbreviation	Measurement
Dividend Yield	DY	$\frac{\text{Dividend per share}}{\text{Share price per share}}$
BOD gender	GEN	Percentage of female directors on the board of directors
BOD age	AGE	Average age board of directors
BOD educational level	EDU	Percentage of BOD members who have master qualifications
BOD expertise	EXP	Percentage of BOD members who meet skill qualifications in accounting and finance
BOD nationality	NATI	Percentage of BOD members who their origin from foreign
Profitability	ROA	$\frac{\text{Earnings afer tax}}{\text{Total assets}}$
BOD size	BODSI	Total board of directors
Non-executive directors' independence	NEDIN	Percentage of nonexecutives directors' independence
Leverage	LEVE	$\frac{\text{Total liabilities}}{\text{Total equitiy}}$
Firm size	SIZE	Log natural of total assets

The following equation describes the research model for this study:

$$DY_{it} = \beta_0 + \beta_1 GEN_{it} + \beta_2 AGE_{it} + \beta_3 EDU_{it} + \beta_4 EXP_{it} + \beta_5 NATI_{it} + \beta_6 BODSI_{it} + \beta_7 NEDIN_{it} + \beta_8 SIZE_{it} + \beta_9 LEVE_{it} + \varepsilon \dots (1)$$

$$DY_{it} = \beta_0 + \beta_1 GEN_{it} + \beta_2 AGE_{it} + \beta_3 EDU_{it} + \beta_4 EXP_{it} + \beta_5 NATI_{it} + \beta_6 ROA_{it} + \beta_7 GENROA_{it} + \beta_8 AGEROA_{it} + \beta_9 EDUROA_{it} + \beta_{10} EXPROA_{it} + \beta_{11} NATIROA_{it} + \beta_{12} BODSI_{it} + \beta_{13} NEDIN_{it} + \beta_{14} SIZE_{it} + \beta_{15} LEVE_{it} + \varepsilon \dots (2)$$

RESULTS AND DISCUSSION

Descriptive Statistical Analysis

Table 2 shows the results of descriptive statistical tests for each variable. The average dividend yield was 0.0160 or 1.60%, indicating a pro-investor policy. Moreover, the average gender diversity was 15.17 per cent, indicating that gender equality remains marginal, in

contrast in developed countries (Smith, 2018) and developing countries (Katmon et al., 2019). Furthermore, the average age diversity is 52.16, which is categorized as old age (Katmon et al., 2019). Furthermore, the average BOD expertise, BOD educational level, and BOD nationality were 25.64%, 37.09%, and 10.33%, respectively.

Table 2 Descriptive Statistics of The Variables

Variables	Min	Max	Mean	Std. Deviation	N
DY (%)	0.0000	0.7218	0.0160	0.0366	1,480
GEN (%)	0.0000	100	15.17	18.83	1,480
AGE (n)	33	74	52.16	5.498	1,480
EDU (%)	0.0000	1	0.3709	0.2884	1,480
EXP (%)	0.0000	1	0.2564	0.2274	1,480
FOR (%)	0.0000	1	0.1033	0.1940	1,480
BODIN	0.0000	1	0.4208	0.1323	1,480
BODSI	2	14	4.730	2.001	1,480
ROA	-3.311	0.9210	-0,0205	0.8246	1,480
SIZE	9.514	15.179	12.555	0.8206	1,480
LEVE	-7.535	3.705	1.549	204.270	1,480

Note: DY is the dividend yield, GEN is BOD gender, AGE is BOD age, EXP is BOD expertise, EDU is BOD educational level, NATI is BOD nationality, BODSI is BOD size, NEDIN is non-executive directors' independence, ROA is the return on asset, SIZE is firm size, and LEVE is firm leverage.

Tables 3, 4, 5, 6, and 7 illustrate the distribution of BOD diversity from the 1480 data observations. Table 3 shows that 50.41% of the sample did not have female directors. The age of directors under 50 years old, classified as young, has a proportion at 36.76%, while the age of old directors is dominant at 63.24% (Table 4). Moreover, the BOD with no master's education

background was 23.31%, representing 345 data from 1480 samples (Table 5). BOD who do not have expertise in accounting and finance is 31.55% (Table 6). Finally, BOD nationality in table 7 shows that BOD represented by Indonesian citizens is 1086 out of 1480 observations or 73.38%.

Table 3 BOD Gender Diversity

Description	Frequency	Percentage
BOD non-female	746	50.41
1 BOD female	365	24.66
More than 1 BOD female	369	24.93
Total	1,480	100

Table 4 BOD Age Diversity

Description	Frequency	Percentage
BOD under <40*	22	1.49
BOD Between 41-50*	522	35.27
BOD Between 51-60	839	56.69
BOD more than >60	97	6.55
Total	1,480	100.00

Note: *young BOD is under 50 (Khan et al., 2019)

Table 5 BOD Education Level

Description	Frequency	Percentage
BOD Non-Master	345	23.31
1 BOD-master's degree	420	28.38
2 BOD-master's degree	312	21.08
3 BOD-master's degree	213	14.39
4 BOD-master's degree	83	5.61
5 BOD-master's degree	66	4.46
More than 5 BOD-master's degree	41	2.77
Total	1,480	100

Table 6 BOD Expertise

Description	Frequency	Percentage
BOD non-expertise	467	31.55
1 BOD expertise	564	38.11
2 BOD expertise	286	19.32
More than 2 BOD expertise	163	11.01
Total	1,480	100

Table 7 BOD Nationality

Description	Frequency	Percentage
BOD Non-foreignness	1086	73.38
1 BOD foreignness	225	15.20
2 BOD foreignness	95	6.42
3 BOD foreignness	47	3.18
4 BOD foreignness	21	1.42
More than 4 BOD foreignness	6	0.41
Total	1,480	100

Hypotheses Results

The results of hypothesis testing are divided into two tables. Table 8 presents the results of BOD diversity on dividend policy, while table 9 presents the profitability results as a moderating variable of the relationship between BOD diversity and dividend policy.

Table 8 BOD Diversity and Dividend

Variables	Exp	DY
GEN	(+)	-0.00144 (0.00244)
AGE	(+)	0.000207** (0.000083)
EDU	(+)	0.000848 (0.00162)
EXP	(+)	0.00439* (0.00232)
NATI	(+)	-0.00449

Variables	Exp	DY
		(0.00291)
BODSI		0.00160***
		(0.000344)
NEDIN		-0.00371
		(0.00394)
SIZE		0.000815**
		(0.000350)
LEVE		-0.000325***
		(0.000118)
Constant		-0.0301***
		(0.00902)
Obs.		1,480
R-squared		0.7626

Notes: Exp is expected, *, **, *** indicate significance at the 10%, 5%, and 1% levels, numbers in parentheses represent standard errors

Table 8 shows that gender diversity has no significant effect on dividend yield, accounting for -0.00144. It explains that the presence of women in the BOD does not affect dividend policy. Moreover, the age of the BOD has a significant positive effect on dividend policy, evidenced by 0.000207 at 5%. This study shows that older boards are more likely to espouse dividends. In addition, education level has no significant effect on DY, constituting 0.000848. It shows that the education level of the board does not promote the dividends policy. Next, board expertise shows a significant positive effect, indicated by a value of 0.00439 at 10%. It shows that the board's expertise in accounting and finance can espouse dividends. Finally, board nationality has no significant effect on dividend policy, with values of 0.00449. Thus, the majority of directors represented by local directors do not promote the company's dividend policy.

Further, board size as the control variable significantly affects dividend policy, evidenced by 0.00160 at 1%. In contrast, the

nonexecutives directors' independence has no significant effect on dividend policy, with values of 0.00371, so they do not support dividend distributions. Moreover, board size positively and significantly affects dividends accounting for 0.000815 at 5%. Finally, leverage negatively and significantly affects dividends, evidenced by -0.000325 at 1%.

However, the results from the table above cannot represent the complexity of the BOD's diversity and dividend policy. So, a more in-depth analysis between variables is needed to reveal the effect of each diversity on dividend policy. In addition, two analyses are presented in order to evaluate the relationship between BOD diversity and dividend policy in light of agency theory and information asymmetry. The first analysis examines the relationship between BOD diversity and dividend policy. The second analysis is profitability being the moderator variable between BOD diversity and dividend policy.

Analysis between BOD Gender and Dividend Policy

Based on table 2, female directors have a small proportion, evidenced of 15.17%, while the rest are male directors; thus, board gender is far from heterogeneity. Moreover, as seen in Table 3, women are not represented in 50.41% of the data, demonstrating homogeneous gender representation. Consequently, it is not surprising that the regression results in table 8 show that BOD gender does not significantly affect dividend policy, with a value of -0.00144. Therefore, the board gender that men dominate is more likely to be less concerned with dividend distributions.

Our result contradicts Adamu et al. (2017), Chen et al. (2017) and Naburi & Ndede (2019), Ngo et al. (2019) and Thompson & Adasi

Manu (2020). They found a positive and significant impact on dividend policy due to gender diversity. This study provides implications that are similar to those of Tahir et al. (2020). Women on the board are deemed more sensitive to company issues and more focused on solving agency problems by implementing good corporate governance. Hence, the presence of women on the board cannot be ignored. Thus, the authors suggest that companies enhance the number of women in board rooms, and the government should be responsible for gender equality through regulation (Smith, 2018).

Analysis between BOD Age and Dividend Policy

Katmon et al. (2019) argue that the old age for directors is greater than 50 years; therefore, the descriptive statistical results demonstrate that the average age of Indonesian directors at 52 years is classified as old (Table 2). Moreover, in table 4, the data distribution shows that 63.24% of directors are over 50 years old. However, the regression results show that the BOD age significantly positively affects dividend policy, accounting for 0.000207 at 5% (Table 8). Accordingly, the older the directors on the board, the greater the likelihood of dividend distributions. Although Waelchli & Zeller (2013) argue that cognitive decline in older directors may be valid, younger directors (under 50 years) tend to be more non-conservative; thus, they tend to promote retained earnings rather than dividends. However, the results of this study conform with the research of Naburi & Ndede (2019) and Thompson & Adasi Manu (2020). The older directors have a lot of experience and knowledge to improve decision-making. They tend to be more conservative and less willing to take risks, so they prefer to espouse dividends

(Boumosleh & Cline, 2015). In conclusion, directors with 52 years old can overcome information asymmetry and agency conflict, suggesting that older directors may not always be a disadvantage.

Analysis between BOD Education Level and Dividend Policy

Based on table 2, the average number of directors with master's degrees is 37.09%. However, in table 8, the board education level has no significant effect on dividend policy, evidenced by 0.000848. It cannot be assumed that the educational level is not critical. However, the authors argue that the inability of the board to influence dividend policy is because the master education proportion is small, while directors with undergraduate levels dominate the board. This finding is supported by the fact that 23.31% of the observational data do not have a master's education director (Table 5). It means that higher education, such as a master's, can have a positive impact in the form of increasing company profitability (Humphreys & Zettel, 2011; Ngo et al., 2019). The author's views are reinforced by Akpan & Amran (2014) that the existence of BOD with a master's education background has reliable abilities in business, can solve problems, and has innovative thinking. Thus, this paper notes that if the company wishes to eliminate information asymmetry and agency conflict through dividend distribution, it is better to increase the proportion of board members who possess a master's degree.

Analysis between BOD Expertise and Dividend Policy

In table 2, the average director with accounting expertise is 25.64%. This proportion can be assessed as diversity since the firms need other types of expertise, such as

engineering, information technology, management, and law. It could be credible as the BOD with accounting expertise has a significant positive effect on dividend policy, indicated by values of 0.000439 at 10% (Table 8). These results conform with Sarwar et al. (2018) and Custódio & Metzger (2014) that if the firms have boards with accounting and finance expertise, the company's failure rate in operations can recede. Financial oversight is believed to be in their hands, so they are in an advantageous position to promote dividends on behalf of shareholders. In conclusion, BOD, who hold accounting and finance expertise, is proven to be able to mitigate the problem of information asymmetry and agency conflict.

Analysis between BOD Nationality and Dividend Policy

Regression results prove that BOD nationality does not significantly affect dividend policy, accounting for -0.00449 (Table 8). The average number of foreign directors who sit on the board of directors is minor, only 10.33 %; the rest are local directors (Table 2). It shows a far from heterogeneous proportion where companies prefer local over foreign directors. It was verified that 73.38% of the observation data indicated the absence of foreign directors (Table 7). Foreign directors have unique resources that boost entry into international markets and transfer knowledge of management practices, resulting in rocketing performance (Giannetti et al., 2015). As they are more likely to increase profitability, they will be able to attract investors (Khan et al., 2022). In addition, they tend to be loyal to investors and promote dividends (Khan et al., 2022; Shehata, 2021); thus, they can better overcome information asymmetry and agency conflict. If possible, the company should

consider increasing the proportion of foreign directors.

The Role of Profitability to Moderate BOD Diversity and Dividend Policy

The exhibition of the regression results where profitability moderates the relationship between BOD diversity and dividend policy is presented in table 9 below.

Table 9. BOD Diversity and Divided Policy Moderated by Profitability

Variable	Exp.	DY
GEN	(+)	-0.00109 (0.00271)
AGE	(+)	0.000154* (8.70e-05)
EDU	(+)	0.00158 (0.00169)
EXP	(+)	0.000761 (0.00240)
NATI	(+)	-0.000418 (0.00317)
ROA	(+)	0.0352*** (0.00980)
GENROA	(+)	-0.00141 (0.000920)
AGEROA	(+)	0.000154* -0.00875
EDUROA	(+)	-0.000368 (0.000486)
EXPROA	(+)	0.00160*** (0.000520)
NATIROA	(+)	-0.00138* (0.000742)
BODSI		0.00148*** (0.000332)
NEDIN		-0.00362 (0.00384)
SIZE		0.000490 (0.000352)
LEVE		-0.00265 (0.00178)

Variable	Exp.	DY
Constant		-0.0175* (0.00930)
Obs.		1,480
R-squared		0.8902

Notes: Exp is expected, *, **, *** indicate significance at the 10%, 5%, and 1% levels, numbers in parentheses represent standard errors.

Profitability Moderates the Relationship between BOD Gender and Dividend Policy

Based on table 9, profitability does not moderate the effect of BOD gender on dividend policy, with values of -0.00141. These results indicate that the company's profitability cannot influence the board gender in promoting dividends. These results further support the relationship analysis before being moderated by profitability which also has no effect. This insignificance is caused by the gender composition, which is far from heterogeneous, or the presence of female directors is a minority, only 15.17% (Table 2). It means that the directors are dominated by men who tend to be insensitive and not concerned with the wishes of investors. When companies generate profits, male directors tend to promote retained earnings to finance future projects and investments. However, female directors were judged to be more sensitive to conflict issues (Gul et al., 2011) and better able to focus and participate in decisions that benefit investors, such as dividends (Adams & Ferreira, 2009). That is, female directors are more reasonable for solving agency problems. This assumption conforms with Lara et al. (2017) that heterogeneity in the board room enhances company stability. Hence, the authors reiterate that gender diversity is needed. The implication is that companies need

to consider this unequal proportion. Finally, the government cannot ignore that developed European countries have established a minimum quota regulation of 30% in Germany, 33% in Italy, Belgium, and Iceland, and 40% in Norway, France, and Spain (Smith, 2018). For developing countries, the government can refer to the Malaysian government, which has set a quota for female directors at 30% (Katmon et al., 2019).

Profitability Moderates the Relationship Between BOD Age and Dividend Policy

Based on table 9, profitability positively and significantly moderates the relationship between board age and dividend policy, indicated by values of 0.000154 at 10%. These results show that the board tended to promote dividends if a company generates higher profits. This finding strengthens the results of previous studies, which found that older directors tended to be more conservative, so they chose to espouse dividends (Boumosleh & Cline, 2015; Naburi & Ndede, 2019; Thompson & Adasi Manu, 2020). In addition, having older directors will ensure that the interests of investors are maintained, which can minimize agency conflicts. Accordingly, this paper only emphasizes the BOD age with an average of 52 years as an indicator of old age; therefore, if it is older than 52 years, it may be necessary to utilize other analyses.

Profitability Moderates the Relationship between BOD Education Level and Dividend Policy

Based on table 9, profitability has no significant effect in moderating the relationship between board education level and dividend policy, constituted -0.000368. As discussed in the non-moderation section, it was found that the proportion of directors with master's education is

relatively undersized at 37.09% in table 2. As a result, they cannot influence the board room's decision to handle agency conflict more wisely. This paper is in accordance with the notion of Akpan & Amran (2014) that directors with higher education can boost investor interest and trust because of better knowledge, experience, and managerial and administrative skills. The implication is that companies must remedy the recruitment system to accommodate directors with master's degrees and above.

Profitability Moderates the Relationship between BOD Expertise and Dividend Policy

Based on table 9, profitability significantly moderates the relationship between directors with accounting and finance expertise and dividend policy, with values of 0.00160 at 1%. According to these results, when companies generate profits, the BOD with expertise represents investors' interests by promoting dividends (Custódio & Metzger, 2014). It is possible because they can allocate funds accurately with increased profitability. In addition, they are supposed to be able to reduce operational failure rates. They are equally good at controlling finances and serving the interests of shareholders. As a result, they tend to recede the asymmetry of information (Sarwar et al., 2018). However, as explained earlier in the non-moderation section, their percentage of 25.64% (Table 2) can be considered heterogeneity because companies also need directors with other skills, such as engineering, information technology, management, and law. Therefore, companies only need to ensure the presence of directors with accounting expertise and maintain a level of heterogeneity. It was proposed because 31.55% of the observation data did not have directors with accounting expertise (Table 6).

Profitability Moderates the Relationship between BOD Nationality and Dividend Policy

Local directors constitute the majority of the board, 89.67%, while foreign directors account for 10.33%. Foreign directors were more adept at resolving agency conflicts with investors where dividend issues were concerned (Khan et al., 2022; Shehata, 2021). Nevertheless, it is evident from the initial regression that their impact is insignificant since their proportion is tiny compared to local directors who tend to maintain retained earnings.

The relationship between these two factors is becoming more apparent, stronger, and statistically validated. It is evident that profitability moderates negatively and significantly the relationship between board nationality and dividend policy, which amounts to -0.00138 at 10%. Foreign directors could not counteract local directors' aggressiveness in expanding businesses funded by retained earnings. It illustrates the implications of the absence of national heterogeneity in the council, rising agency conflict. Therefore, the paper again emphasizes the importance of foreign directors within the boardroom. In other words, this paper encourages the proportion of boards with more foreign directors involved.

CONCLUSION

The objective of this study is to scrutinize the relationship between BOD diversity and dividend policy. In addition, profitability is employed as a moderating factor. Board diversity comprises gender, age, education level, accounting expertise, and nationality. This study verifies that BOD age and expertise positively and significantly affect dividend policy. Older directors, who are around

52 years of age, tend to be conservative and avoid agency conflicts, thereby promoting dividends more effectively. Further support is provided by evidence of moderation, which is also significantly positive. Moreover, having BOD with accounting and finance experts can accommodate the interests of investors; thus, profitability as a moderating variable bolsters this relationship. However, board gender, education level, and nationality have no significant effect on dividend policy because of the small proportion of female directors, directors with master's education, and foreign directors. Also, profitability cannot moderate the relationship between board gender and board educational level on dividend policy. However, local directors are more inclined to encourage profitability to be allocated to retained earnings and to invest in projects; thus, profitability moderates negatively and significantly affect dividend policy.

The implications are based on the reference to the level of heterogeneity in the board room. Although older directors (52 years) dominate (63.24%), they effectively mitigate agency conflicts; thus, they must be maintained. In addition, the proportion of board expertise is 25.64% which can be assessed for heterogeneity because companies also need to accommodate other skills. Further, practical implications should be addressed in the boards representing gender, education level, and nationality since their proportion is a minority and does not impact dividend policy. First,

companies need to consider increasing the presence of female directors, which is currently only 15.17%. The government must intervene in regulations considering that developed and developing countries have set a minimum quota of 30%. Second, the proportion of directors with a master's degree also needs to be raised, considering that they can remedy conflicts more wisely. Third, foreign directors offer knowledge, culture, and improvements to good corporate governance, including better resolving agency conflicts, so their proportion (10.33%) needs to be augmented.

Future research may address some issues that have not yet been addressed. Although Katmon et al. (2019) and Khan et al. (2019) examine the relationship between BOD expertise and corporate social responsibility, their approach to accommodate multiple backgrounds can be considered. This paper only examines accounting and finance, while other expertise such as engineering, information technology, management, and law have not been carried out. The authors do not accommodate because of the limited knowledge to explain the impact of diverse expertise. Furthermore, since our findings are predominantly unrepresentative of investors; thus, the authors encourage further investigation of the recruitment system associated with the rotation of directors because directors should be appointed to represent the interests of investors. Because BOD rotation does not constitute BOD diversity, the authors did not employ it

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