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Information Asymmetry Effect on Stock Liquidity Effect on Dividend Payout in Market Microstructure in Indonesia

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ABSTRACT

The impact of market microstructure in shaping corporate governance has been distinguished in several previous research. Market Microstructure becomes prominent factor in emerging markets. This study tested the effect of market microstructure, in the scheme of stock liquidity, on dividend payouts. This study has set focus mainly on the impact of stock liquidity on the corporate payout policy. Later, the researcher examined the interaction given to the stock liquidity factor with information transparency and agency problem properties since the researcher believed that transparency is linked to the and, subsequently, affecting the corporate agents. This research examined observations using quantitative research method, Tobit regression on 256 non-financial firms of the Indonesian capital market during 2010-2018. Stock liquidity significantly impacted dividend policy. The result showed robustness with other stock liquidity measures. This study found that information asymmetry and agency problems had a moderation effect on stock liquidity effect on dividend payout. However, the interaction of stock liquidity and disparity of control rights and cash flow rights did not give a moderation effect on the dividend payout policy. The result supports the notion that dividend payout is an outcome of firm good governance and an inverse of dividend signaling theory.

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Introduction

In past decades, scholars have laid their research interests on emerging markets. Each emerging market has ample deviations which affect business in different ways (Iman et al., 2022). At the while, empirical studies still focused on fundamental factors of the firm which influence investor gain in the developing market, especially in how payout discretion is determined. In addition, some study findings are not confirmed in the emerging market. For example, one of the popular views, dividend as a signal, does not prove to work in the emerging market (Qosim et al., 2023). Faradisi, A. et al., (2021) research investigates the informational effect of stock liquidity on dividend payouts in Indonesia. Similarly, Bakri, M. A (2019) found that the moderating effects of governance quality on stock liquidity and dividend relationship. Past empirical studies on the link between stock liquidity and dividend suggest there are mixed findings between them. Moreover, Bakri, M. A (2021) research also examines the relationship between dividend and firm value in Malaysian firms.

Similarly, going over the payout policy, previous studies have proven that the legal and institutional aspects of where the firms run their business affects their governance. La porta et al. (2000a) earlier showed that differences in how law systems in a country, either common law or civil law, would affect the rate of corporate payout. Priya et al. (2016) showed established that dividend policy theories have divergent relevance between management and the shareholders arising from opposing interests. Subsequently, Mitton (2004) confirmed that governance is an influential factor in how minority shareholders will be fairly treated regarding dividend in emerging markets. Thus, governance has been esteemed as a main aspect in corporate payout policy as essential as firm characteristics.

Furthermore, in a country where law enforcement is considered weak, payout is undoubtedly a means to mitigate agency problem since dividend diminishes insiders' interest in expropriating its minority (Santoso & Kusuma, 2023). Based on this rationale, payout is no longer as a signal of future prospect of a firm, but a signal to outsiders that the firm is well-governed business. Firm shows a commitment in addressing the potential expropriation done by the insiders. Later, the investors are willing to invest in a firm which pay more dividend. Their presences making informational environment of the firm becomes less opaque. This study is encouraged by several motivations. Apart from the irregularities and uncertainty of emerging market, Indonesian market has become an interest for foreign investors. Most foreign investors investing in the Indonesian market are mostly institutional investors Evidence showed that the total transaction made by foreign investors reached 30% of the total trading volume, and foreign ownership held nearly 52% in 2018 (Rahman et al., 2022) The fact that one-third of the transactions are exercised by foreign investors denotes that the Indonesian market attracts foreign investors. A study conducted by (Ryandono et al., 2020) found that the ownership structure and its effects on disclosure of information to reduce information asymmetry and subsequent effects on the enhancement of liquidity is of a great importance for investors.

In other words, liquidity plays a key role in assets evaluation, because investors are basically concerned about a suitable market for their asset. In each financial market, there are many tools for investment according to the expansion and depth of the market, and investors choose their proper assets by considering the output and risk of the investment (Wardhana et al., n.d.). Financial markets have developed in ways that allow individuals and companies to diversify their savings, and companies can now raise money in stocks, bonds, and wholesale money markets (Wijayanti et al., 2021). Indonesia, as one of the emerging markets, owns peculiarities that readily lead to insiders' conflict of interest, explained as follows. First, the two-tiered system does not work as supposed, lacking legal representatives for employees. There is an oddity that many go-public firms with good fundamentals experience low performance in the market,

yet still pay dividends. The promising gains and unique phenomena happening at the same moment make the Indonesian market attractive to study.

A study done by (Raut, 2020) found that liquid stock did not encourage firms to pay more dividends in developed markets, and the dividend was solely a substitution. Liquidity has proven positive impacts corporate payout policy in several emerging markets (Jiang et al., 2017; Strerenczak, 2018). The bid-ask spread is a proxy in this research that is used to measure stock liquidity which is related to stock transaction costs (Wijayanti et al., 2020). Even though findings were similar to this current study's result, which liquid stock acted as a booster to correct the firm's governance, those markets and Indonesia's market are different in so many fashions, putting several adjustments in examining the correlated factors. Other studies also incorporated market microstructures, but correlate to different aspects of corporate finance such as repurchase, firm value, firm innovation, seasonal equity offering, bankruptcy risk (Brogaard et al., 2017). Corporate governance practices play an important role in the functioning of stock markets (Boubaker et. al, 2019).

Stock market liquidity grabs the attention of researchers mainly in emerging markets because market liquidity helps to allocate financial resources efficiently (Duterme, 2023). An increase in the liquidity of stock markets improves the efficiency of stock valuation, and therefore may help to improve the value of a firm. Therefore, to achieve this objective, firms need to implement a better corporate governance system (Billah et al., 2023). the asymmetric effect of institutional shareholders on the relationship between liquidity and stock returns. The results confirmed the asymmetric effect of different levels of institutional shareholders on the relationship between liquidity and stock returns.

This current study's objective is to examine the impact of market microstructure model, corresponded to the stock liquidity, on the firm payout policy. In mainstream view, firms have two ways in distributing their surplus cash, repurchase and pay a dividend to their shareholders. Some studies have proven that one way of them, repurchase, was not genuine distributions or, in other words, it does not substitute dividend payment (Kim et al., 2004). This study has set focus mainly on the impact of stock liquidity on the corporate payout policy. Later, the researcher examined the interaction given to the stock liquidity factor with information transparency and agency problem properties since the researcher believed that transparency is linked to the and, subsequently, affecting the corporate agents. The current study contributes to the literature on corporate payout study, specifically dividend policy which is relevant in the emerging market. In an economy that is dominated by poor stock liquidity, stable income through dividend payment is preferable. This study also contributes to the literature of market microstructure study. Market microstructure does matter in shaping corporate policy.

Literature Review

Payout Measures

Payout is a means of a corporation in distributing its profit, which the percentage is determined through general meeting of shareholders. In this current study, two payout measures were used, DPR and DPP. DPR is a ratio of cash disgorgement to the shareholders scaled by firm' net income. DPP is a dichotomous variable. Firm disburses cash to the shareholder is given value 1 and 0 for otherwise.

Market Microstructure

The market microstructure through the stock liquidity mechanism. A lower level of liquidity describes a higher level of information asymmetry dispersion. With this idea, less information asymmetry conveys less adverse selection, which in turn, implies a smaller bid-ask spread. (Kyle, 1985; Glosten and

Milgrom, 1985). Stock liquidity was measured by Amihud Illiquidity ratio since it is a compilation of three dimensional of spread such as tightness, depth of volume, and resiliency. Amihud Illiquidity Ratio, Amihud (2002):

$$Amihud\ Illiquidity = \frac{1}{D_{i,t}} \times \sum_{d=1}^{D} \left| Return_{i,t,d} \right| / Volume_{i,t,d} \ \ldots (1)$$

Amihud measures the price impact derived from daily trading. D is a number of trading days within a year. Return is in IDR of stock *i*, in time *t*. Volume is the traded share volume of stock *i*, in time I. Higher value of Amihud illiquidity corresponds to a lower level of liquidity. The researcher multiplied the value with -1 and log transform afterwards since the result tends to be highly skewed. On that account, the final computation for Amihud ratio is: $Amihud\ Liquidity_{it} = -\ln(1 + Amihud_{it})$. For robustness test, other stock liquidity measures were employed, High Low Spread Estimator (HSLE) by (Corwin and Schultz, 2012) and percentage of zero return (ZERO) by (Lesmond, 1999)[1]. Both measures have used in so many previous studies and claimed to give closer result.

Transparency Properties

A study conducted by (Zulkarnaen et al., 2021) defined transparency is an obtainability of the firm information, which some of the means are through high-quality financial reporting and analysts. To measure the impact of firms' environmental transparency on the payout policy, two factors such as *Big-Four* (BIG4) and analyst coverage (ANALYST) were interacted with stock liquidity variable. Both, BIG4 and ANALYST, are dichotomous variables. Firm audited by Big-Four firms was given value 1 and 0, if otherwise. Analyst coverage factor is, by definition, how many forecasters follow and give updates about firm's future earning prospect to the public.

In order to match the study with Indonesian trading market, an adjustment has been taken. Analysts of earnings follow closely to the movement of the most active stocks which are listed in the most liquid stock index, LQ45. LQ45 consists of 45 the most active stocks with large market capitalization. IDX, however, always makes review for every end of semester to decide which stock stays and leaves the LQ45 list. Based on that argumentation, firms which were listed on the LQ45 for continuously two semesters in a year period of observation were given 1 and 0, if otherwise.

Further, employed the interaction of moderating variables. The urgency of the estimation has based on studies of Baron and Kenny (1986) and Dawson (2014). On the similar tones, both studies stated that when the contradictory relationship between dependent and independent variable exists moderation texting is needed.

Agency Problem

Several previous studies made use wedge as agency problem proxies, such as Jiang et al. (2011), Jiang et al. (2017), Belkhir and Baubaker (2014). To measure the impact of agency issue, this current study utilized factors such as wedge (WEDGE), control right (CRR), and cash flow ownership right (CFR). All those factors are continuous variables. WEDGE is a gap of CRR and CFR then scaled by CRR (La Porta et al., 1999; Belkhir and Baubaker, 2014). CRR and CFR, both, are number of rights owned by the ultimate controllers of the firm. The researcher referred the CFR and CRR computation from La Porta et al. (1999).

[1] Both, HSLE and ZERO, calculations were provided in the appendix section.

Methodology

The current study employed data from non-financial listed firms of the Indonesian market during nine years period of observations, 2010 until 2018. Since the Indonesian trading market has some lucid irregularities, a purposive sampling technique was applied. The firms with incomplete reports, either company reports or market data, were excluded from the research. Also, listed firms showing extremely low trading activity were exempted from the research. Data were collected from the Indonesian Stock Exchange (IDX) database, for trading summary, and per-company website, for the firm reports. Lastly, the data sorting resulted in 254 firms (2286 observations) and were balanced for every year of observation.

Table 1. Research Sample per Industrial sectors

Sectors	N
Agriculture	9
Basic Industry and Chemicals	49
Consumer Goods Industry	28
Infrastructures, Utilities, Transportation	18
Mining	24
Miscellaneous Industry	30
Property, Real Estate, Building Construction	33
Trade, Services, Investment	63
Total	254

Source: Arranged by authors

The sample of this current study is provided in the table 1. The data pool was dominated by the Trade, Service, Investment Sector (N = 63), and followed by Basic Industry Sector (N = 49) as the second largest. There are factors which control the estimation results. Fama and French (2001) claimed that fundamental factors influence the corporate payout policy such as the size of the firm (SIZE) firm's profitability (ROA), the internal firm's liquidity (CASH). Barclay et. Al. (1995), Firm's opportunity to reinvest (TobinsQ), firm's leverage ratio (LEV) (Jiraporn et al., 2011), controlling shareholder (CSH), and independent commissioners (Comm). Year and industry were included into the multivariate estimation models.

Hypothesis Development

This research employed Tobit and Logit to estimate multivariate model. DPR data is continues and left-censored data, using simple regression will cause bias result. The other variable is DPP. Since DPP is dummy variable, Logit regression estimation was used for the analysis. The econometrics models for this study are provided below:

The impact of market-microstructure to dividend payout ratio

Li & Zhao (2008) and Petrasek, (2012) conveyed that stock liquidity determines the firm's environmental information, which, later, induces insiders' interests toward their minorities. The more liquid the stock, the less opaque the firm's environmental information becomes. At the same time, indirectly, market holds a monitoring role on a firm managerial performance (Holmstorm and Tirole, 1993; Cheung et al., 2016). Therefore, this study proposed that market microstructure affects firms' payout policy. A stock with a higher liquidity becomes more transparent, and that transparency encourages the firm to pay higher dividend. Any wrong-doing by insiders making the minorities' interests at stake will be apparent to the public and easily be detected. Bad reputation will hurt firm's reputation. Instead of exploiting the minorities, insiders sustain the good governance, one of the ways is by paying more dividends.

H1: Stock liquidity positively affects dividend payout policy.

The impact of market-microstructure to dividend payout ratio moderated by asymmetry information

Disclosures hold important roles in the firm information environment. The intended reporting is reports authorized by reputable independent auditors. The main root of firms hiring independent auditors is a risk that may arise from information asymmetry. The information asymmetry, then, induces insiders to misconduct resources on the minorities' cost. This phenomenon happens prevalently in the economy where investor-level protection is considered weak (Ghifara et al., 2022). Referring to the IAASB (2009), (independent) auditors have roles as an instance which increase the report's users through the truth-and-fair given opinion. Furthermore, the role of independent auditors primarily consists of two, insurance and information quality. Giving insurance is giving assurance that managers conduct a fair, credible, reliable, integrity, and not violating the enacted accounting standard (Khurana and Raman, 2004; Azizkhani et al., 2010), which later gives users, themselves, information regarding finance and asset allocation.

The role of independent auditors, actually, has been empirically proven differently in a different legal environment. La Porta et al. (2000) stated that the level of investor protection affects firms' behaviors toward minorities. In the market, where investor protection is considered weak, the role of independent auditors is dominant in enhancing the quality of firms' disclosures (Choi and Wong, 2007). In the market where investor protection level is high, the role of independent auditors effectively worked on both parts, insurance and information quality. The absence of reputable independent auditors encourages a bad signal to the outsides because less commitment from the insiders to tone down insider's incentive to manipulate their minorities, later, causing a severe cost of capital (Khurana and Raman, 2004). Employing Big Four affiliated auditors not only assure disclosure quality but also impacts security valuation (Chou et al., 2014), reducing security cost, compared to the firms audited by non-Big Four auditors (Azizkhani et al., 2010; Khurana & Raman, 2004). Developed from these arguments, in Indonesia, where the level of investor protection considered weak and less transparent disclosure (Pratiwi et al., 2022). The role of independent auditors will improve transparency, aligned with governance improvement. Independent auditor's hypothesis is arranged as follows:

H2A: Big Four gives a positive moderation effect on stock liquidity's impact on corporate payout policy.

Another expert, acting as an intermediary, namely analyst coverage, plays an important role in improving governance by enhancing corporate information environment through both direct and indirect

monitoring (Jensen and Meckling, 1976; Healy and Palepu, 2001; Brown et al., 2011). A number of Analysts have various functions regarding the services requested by their clients such as predicting future earnings (Lang et al., 2004), trading recommendations (Healey and Palepu, 2001), detecting irregularities and fraud potential done by the insiders' (Yudha et al., 2024).

There are two mainstream views in respect of analyst coverage's role in the market. Mainly, analysts tend to gather around a firm that has more predictive issues in management due to an imbalance of information between insiders and stakeholders. Minorities assume that the management has a tendency to perform actions at the minority's cost. Thus, minorities request analyst's services to bridge the information gap (Frankel and Li, 2004; Boubaker and Labegorre, 2008). Although the analysts' job is preparing disclosures, analysts, themselves, prefer firms that enable them to get information from a firm that does not. Analysts favor firms with better access to their information more than firms that have restricted information dispersion (Bushman et al., 2003). Subsequently, making analysts clustered around that type of company. Thus, reports become more reliable and accurate (Bushman et al., 2004; Bhat et al., 2006; and Yu, 2010), and negatively correlated with the information cost, bid-ask spread (Easly and O'Hara, 2004).

Both views suggest that analysts' services contribute prominently in creating and enhancing the transparency of the firm leading to lowering information asymmetry (Febriyanti et al., 2022). Conjecture suggests that the presence of analysts supports saliently in increasing good governance of the firm. The analyst contribution gives moderation impact on the market's monitoring effect on corporate payout policy. based on the explained rationale, the hypothesis is arranged as follows:

H2B: Information quality gives a positive moderation of stock liquidity effects on corporate payout policy

The impact of market-microstructure to dividend payout ratio moderated by agency problems

The agency problem is prevalent in the emerging markets, which potentially shapes corporate payout policy. The root of agency issues of firms is built on the greater deviation of firms' ultimate control and cash flow right that mostly are concentrated on the hand of a certain group such as family or affiliations (Jensen and Meckling, 1976; DeCesari, 2012). In Claessens et al. (2000) study, Indonesian listed firms showed highly concentrated compared to other East Asian countries. The pyramidal ownership structure is popular due to the private benefits of control rights, mostly in countries with weaker law systems and underdeveloped economies (La porta et al., 1999; Claessens et al., 1999, Claessens et al., 2000, Claessens et al., 2002). Ultimate owners control resources relative to their investment through a corporate pyramid structure. Control is achieved through a chain of ownership in which it directly controls a firm that owns a dominant stake in or more firms, which in turn controls other firms in the same manner (Bradford et al., 2013).

Long control chains enable higher utilization of investable funds among the firms within corporate pyramids, causing less cash can be returned to the shareholders. It is then expected that the discrepancy of control right and cash flow right creates agency problems which moderates stock liquidity effect on payout policy. Though the impact of cash-flow rights and control rights may affect a firm market performance, cash flow rights and control rights do not go together in giving contributions to the firm decisions. Each gives different implications (Claessens et al., 2000; Claessens et al., 2002; Attig et al., 2006). CFR and CRR may potentially produce agency issues in the firm. In a pyramidal structure, either of the two typical

majority shareholders has a different approach regarding the firm's surplus cash. The researcher presumptively stated that either one controlling shareholder have in excess will induce their incentives to benefit at minorities' cost. The hypothesis is arranged as follows:

H3A: The discrepancy of control right and cash flow right (wedge) gives a positive moderation effect on stock liquidity of its impact on corporate payout policy.

The hypothesis, then, began from the type of the existing Indonesian firms' largest shareholders' behaviors toward corporate free cash flow. Two of the most common types of majority shareholders, indirectly, are able to exercise the firm's free cash flow. They are family-founders and possibly institutional shareholders. Firstly, if the family behaves as the controlling, the most attainable and legal way for the family to gain financial benefits is through exercising its cash flow rights (Jiang et al., 2011; Attig et al., 2016). The firm needs a public-favorable reputation regarding its governance, in an effort to obtain external funding (Gomes, 1996). The firm will be encouraged to return the firm's profit to its shareholders. The firm maintains its reputation by paying dividends. Secondly, either a family or institutional as a largest shareholder, both run their role to monitor how the cash flow managed and, at the same time, demand a stable income through dividend payments (Buertey et al., 2023). If the monitoring is effective, the owners can suppress managers desire to overuse the firm welfare.

These argumentations themselves are strong encouragement for a firm to become wise and fair to its shareholders by returning their profit to shareholders. In conjunction with this rationale, higher stock liquidity makes firm becomes more transparent. If any agency issues sourced from the free cash flow occurs, that will be likely detected by the public. Well-governed firms will not allow any potential cheating of surplus cash, which risks their minority interests, subsequently, hurts the corporate's reputation. The bigger the cash flow right the bigger incentive for controlling shareholders to exercise their financial rights. To this extent, the cash flow right moderation effect hypothesis is built as followed:

H3B: Cash flow right gives a positive moderation effect to stock liquidity on its impact on corporate payout policy.

Control right moderates the positive effect of stock liquidity on the corporate payout. Another way of controlling shareholders gaining financial benefit is through tunneling. In the pyramidal structure, when the control rights have a bigger proportion than cash flow rights, controlling shareholders have an ampler incentive to acquire benefits on their minority cost, for instance, directing the resources to other parts of the controlling chain, or transferring the wealth to their private benefits, which should be returned as a dividend (Claessens et al., 1999; Claessens et al., 2000; Claessens et al., 2002; Gugler and Yurtoglu, 2003). Controlling shareholders care enough not to hurt the firm's reputation by expropriating their minority. Because, an unpleasant reputation will hinder the corporation in gaining external funding in the future. This argumentation builds the hypothesis as followed:

H3C: control right gives a positive moderation effect to stock liquidity on its impact on corporate payout policy.

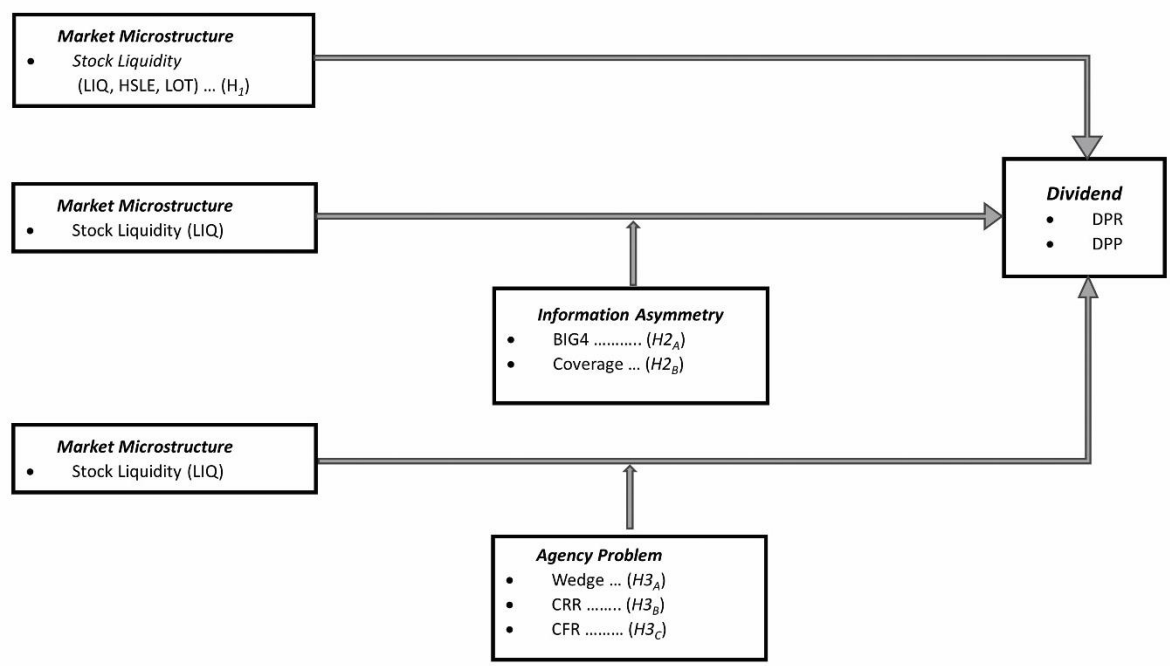

Figure 1. Research Framework

Source: Arranged by authors

H1: Stock liquidity positively affects dividend payout policy.
H2A: Big Four gives a positive moderation effect on stock liquidity's impact on corporate payout policy.
H2B: Information quality gives a positive moderation of stock liquidity effects on corporate payout policy
H3A: The discrepancy of control right and cash flow right (wedge) gives a positive moderation effect on stock liquidity of its impact on corporate payout policy.
H3B: Cash flow right gives a positive moderation effect to stock liquidity on its impact on corporate payout policy.
H3C: control right gives a positive moderation effect to stock liquidity on its impact on corporate payout policy.

Results and Discussion

Table 2. Univariate Analysis

	High Liquidity		***Low Liquidity***		***Test of difference***	
	Mean	Median	Mean	Median	*t*-Stat.	*z*-Stat.
DPR	0.232476	0.1487	0.14112	0	-8.8417***	-9.023***
DPP	0.592301	1	0.419948	0	-8.3628***	-8.239***
N obs.	1143		1143			

Note. Each asterisk, respectively, indicates *** 1%; ** 5%; * 10%.

Source: Data Processed

Table 2 presents the univariate analysis of stock liquidity on firm payout. In order to examine the difference of each mean (median) from two different group of payouts based on their stock liquidity, high and low liquidity stocks *t-test* (*z-test*) was conducted. DPR was divided into two groups based on LIQ median value (*Mdn* = -.001). Firms with stock liquidity above median value are in high liquidity group and firms with stock liquidity below median value are in low liquidity group. Table 1 also provides the estimation result from the *t* and *z-test.* The result of mean difference test of each group, high and low stock liquidity, respectfully, (M =.23) and (M = .14) showed statistically significant for both, DPR ($t(2284) = -8.84$, $p < .01$, $z = -9.02$, $p < .01$) and DPP ($t(2284) = -8.36$, $p < .01$, $z = -8.24$, $p < .01$).

High liquidity firms pay higher dividend and have higher propensity to pay dividend ($M = 0.23$, $Mdn = 0.15$) than firms with low liquidity ($M = 0.14$, $Mdn = 0.00$). This indicates that firms with more liquid stocks tend to pay more dividends and have higher propensity to pay dividend than firms with low liquid shares. These findings are matched with the expectation that stock liquidity has effect on dividend payout policy.

Table 3. Basic Model

Variables	**A**		B	
	DPR	**DPP**	**DPR**	**DPP**
	(1)	**(2)**	**(3)**	**(4)**
LIQ	1.11 ***	4.23 ***	0.27 **	1.14 *
	4.73	4.53	2.35	1.80
SIZE			0.08 ***	0.50 ***
			8.17	7.67
LEV			-0.21 ***	-0.93 **
			-3.21	-2.19
ROA			1.47 ***	13.37 ***
			8.09	4.86
CASH			0.60 ***	4.16 ***
			4.13	3.16
Q			0.02 **	0.05
			2.13	1.19
CSH			0.19 ***	0.40
			2.73	0.88
COM			-0.16	-1.30
			-1.16	-1.59
Intercept	0.048 *	0.126	-1.155 ***	-7.63 ***
	6.85	1.20	-7.45	-7.26
Year Effect	No	No	Yes	Yes
Industry Effect	No	No	Yes	Yes
N	2286	2286	2286	2286
Pseudo-R2	0.022	0.02	0.36	0.30

Note. Each asterisk, respectively, indicates *** 1%; ** 5%; * 10%.
Source: Data Processed

Table 3 provides multivariate estimation result of the basic model. Panel A shows estimation results for the model without control variables included and does not control the year and industry effects. Robust standard error clustered by industries was applied. The impact of LIQ variable to payout was positive and significant [DPR (β = 1.11, t = 4.73, p < .01); DPP (β = 4.23, t = 4.53, p < .01)]. The other Panel, B, shows estimation result for the model with controls included and control year and industry effects. LIQ variable was consistently positive and significant of its impact on DPR (β = .27, t = 2.35, p < .05) and DPP (β = 1.14, t = 1.80, p < .1).

Table 4. Alternative Measure of Stock Liquidity

Variables	High Low Spread Estimator (HSLE)		Percentage of Zero Return (LOT)	
	DPR	**DPP**	**DPR**	**DPP**
	(1)	**(2)**	**(3)**	**(4)**
LIQ	0.40 ***	1.72 **	0.24 **	2.69 **
	2.79	1.92	2.04	2.21
SIZE	0.09 ***	0.62 ***	0.08 ***	0.59 ***
	8.75	8.05	15.35	7.28
LEV	-0.20 ***	-0.99 **	-0.20 ***	-1.01 **
	-3.25	-2.32	-5.09	-2.45
ROA	1.41 ***	12.86 ***	1.42 ***	12.91 ***
	7.96	4.48	9.29	4.50
CASH	0.70 ***	5.15 ***	0.67 ***	4.95 ***
	5.00	3.73	7.66	3.43
Q	0.02 **	0.08 *	0.02 ***	0.07 *
	2.43	1.82	3.46	1.69
CSH	0.16 **	0.322	0.18 ***	0.47
	2.26	0.67	5.05	0.99
COM	-0.15	-0.861	-0.17 **	-1.26
	-1.11	-1.04	-2.08	-1.08
Intercept	-1.242 ***	-8.61 ***	-1.21 ***	-8.15 ***
	-7.26	-6.92	12.81	-6.17
Year Effect	Yes	Yes	Yes	Yes
Industry Effect	Yes	Yes	Yes	Yes
N	2286	2286	2286	2287
Pseudo-R2	0.39	0.32	0.38	0.32

Note. Each asterisk, respectively, indicates *** 1%; ** 5%; * 10%.
Source: Data Processed

Table 4 shows the result estimating stock liquidity alternative measures to the payout policy. HSLE showed significant impact on the DPR (β = 0.4, t = 2.79, p < .01) dan DPP (β = 1.72, t = 1.92, p < .05). So is ZERO (β = 0.24, t = 2.04, p < .05) dan DPP (β = 2.69, t = 2.21, p < .05). These results indicated robustness to all stock liquidity measures to both payout proxies. In order to measure the effect of transparency properties on payout variables, model 2 tested the interaction of LIQ with transparency properties such as

BIG4[2] and ANALYST. Panel A shows the impact of interaction variable LIQ with Non-BIG4 was negative and significant on DPR (β = -0.56, t = -1.79, p < .01) dan DPP (β = -2.75, t = -1.63, p < .1). The other interaction variable, LIQ and ANALYST, exhibited positive and significant of its impact on DPR (β = 1.44, t = 1.74, p < .1) and DPP (β = 12.52, t = 2.10, p < .05). These results indicate that transparency properties give moderation effect of stock liquidity impact on payout polices.

Table 5. Information Asymmetry

Variables	Panel A: BIG4		Panel B: Coverage	
	DPR	**DPP**	**DPR**	**DPP**
LIQ	0.71**	3.68 **	0.33 **	1.70 **
	2.41	2.70	2.45	2.00
(NON)BIG4(0)	-0.17 ***	-0.79 ***		
	-4.93	-6.76		
LIQ*(NON)BIG4	-0.56 ***	-2.75 *		
	-1.79	-1.63		
			0.11 ***	1.32 **
			2.80	3.28
LIQ*			1.44 *	12.52 **
			1.74	2.10
SIZE	0.06 ***	0.52 ***	0.07 ***	0.53 ***
	6.27	12.30	6.26	6.42
LEV	-0.17***	-0.89 ***	-0.19 ***	-0.95 **
	-2.89	-3.97	-3.12	-2.13
ROA	1.30 ***	12.47 ***	1.37 ***	12.54 ***
	7.79	12.04	7.79	4.38
CASH	0.65 ***	4.97 ***	0.632 ***	4.61 ***
	4.80	7.92	4.41	3.21
Q	0.02 *	0.06 *	0.02 *	0.05
	1.88	1.78	1.92	1.15
CSH	0.13 *	0.19	0.17 **	0.39
	1.86	0.72	2.43	0.82
COM	-0.11	-0.875 **	-0.15	-1.22
	-0.84	-1.14	-1.02	-1.50
Intercept	-0.80 ***	-6.72 ***	-1.06 ***	-7.40 ***
	-4.48	-8.87	-5.75	-5.62
Year Effect	Yes	Yes	Yes	Yes
Industry Effect	Yes	Yes	Yes	Yes
N	2286	2286	2286	2287
Pseudo-R2	0.41	0.33	0.39	0.33

Note. Each asterisk, respectively, indicates *** 1%; ** 5%; * 10%.
Source: Data Processed

[2] In testing the interaction variable BIG4 and LIQ of its impact on payouts, this study overturns the estimation the dummy variable BIG4 to as non-BIG4 or measured when dummy variable BIG4 = 0, not audited by Big Four.

In order to measure the effect of transparency properties on payout variables, model 2 tested the interaction of LIQ with transparency properties such as BIG4[3] and ANALYST in the table 5. Panel A shows the impact of interaction variable LIQ with Non-BIG4. The finding showed negative and significant on DPR (β = -0.56, t = -1.79, p < .01) dan DPP (β = -2.75, t = -1.63, p < .1). The other interaction variable, LIQ and ANALYST, exhibited positive and significant of its impact on DPR (β = 1.44, t = 1.74, p < .1) and DPP (β = 12.52, t = 2.10, p < .05). These results indicate that transparency properties give moderation effect of stock liquidity impact on payout polices.

Table 6. Interaction model Stock Liquidity with Wedge, CRR, and CFR

Variables	Panel A: WEDGE		Panel B: CRR		Panel C: CFR	
	DPR	**DPP**	**DPR**	**DPP**	**DPR**	**DPP**
LIQ	0.282 *	1.386	-1.486	-0.612	0.153	0.99
	1.82	1.59	-0.77	-0.40	1.07	1.02
WEDGE	0.185 ***	0.826 **				
	2.96	2.02				
LIQ*WEDGE	0.385	3.855				
	0.66	0.74				
CRR			-0.163	-0.487		
			-1.24	-0.55		
LIQ*CRR			1.147 **	5.60 *		
			2.34	1.67		
CFR					-0.130	-0.861
					-1.07	-0.98
LIQ*CFR					3.572 **	14.665 *
					2.09	1.85
SIZE	0.081 ***	0.592 ***	0.083 ***	0.597 ***	0.082 ***	0.590 ***
	8.00	7.74	8.35	7.83	8.15	7.64
LEV	-0.200 ***	-1.005 **	-0.198 ***	-0.992 **	-0.200 ***	-1.00 **
	-3.200	-2.36	-3.19	-2.37	-3.27	-2.42
ROA	1.393 ***	12.831 ***	1.388 ***	12.697 ***	1.389 ***	12.654 ***
	7.800	4.48	7.84	4.4	7.85	4.37
CASH	0.667 ***	4.854 ***	0.657 ***	4.803 ***	0.653 ***	4.796 ***
	4.72	3.37	4.67	3.34	4.57	3.32
Q	0.019 **	0.074 *	0.018**	0.0693 *	0.0189 **	0.071 *
	2.15	1.76	2.04	1.66	2.15	1.71
CSH	0.183 ***	0.471	0.331 **	0.963	0.264 ***	0.984
	2.58	0.990	2.55	1.06	2.86	1.45
COM	-0.129	-1.097	-0.153	-1.210	-0.152	-1.173
	-0.94	-1.34	-1.09	-1.48	-1.09	-1.44

[3] In testing the interaction variable BIG4 and LIQ of its impact on payouts, this study overturns the estimation the dummy variable BIG4 to as non-BIG4 or measured when dummy variable BIG4 = 0, not audited by Big Four.

Intercept	-1.234 ***	-8.55 ***	-1.203 ***	-8.453 ***	-1.220 ***	-8.502 ***
	-7.19	-6.93	-7.07	-6.78	-7.2	-6.81
Year Effect	Yes	Yes	Yes	Yes	Yes	Yes
Industry Effect	Yes	Yes	Yes	Yes	Yes	Yes
N	2286	2286	2286	2286	2286	2286
Pseudo-R2	0.393	0.32	0.387	0.319	0.386	0.320

Note. Each asterisk, respectively, indicates *** 1%; ** 5%; * 10%.
Source: Data Processed

Table 6 presents the result of agency problem impact on LIQ variable to payout policy. The model 3 was interacted by several agency problem properties (WEDGE, CRR, CFR). Panel A shows the impact of interaction variable, LIQ*WEDGE. The result showed that the interaction variable was positive and insignificant to both payout proxies, DPR (β = -0.56, t = -1.79, p < .01); DPP (β = -2.75, t = -1.63, p < .1)]. Variable WEDGE did not have a moderation effect in LIQ's impact on DPR and DPP. The next panel, B, shows the result from moderating effect of CRR of LIQ's impact on payout policy. The result showed that the interaction variable gave a positive and significant moderation impact on payout policy [DPR (β = 1.45, t = 2.34, p < .05) and DPP (β = 5.6, t = 1.67, p < .1)]. The last panel, C, provides the result of interaction variable LIQ*CFR. The result showed that the interaction variable, LIQ*CRR, gave positive [DPR (β = 3.57, t = 2.09, p < .05) and DPP (β = 14.67, t = 1.85, p < .1)]. Both CRR and CFR had moderation effects on LIQ's impact on payout policy.

Discussion

Investing in the emerging market with some risks entailed requires assurance and the ability to understand its market, besides learning about firms' fundamental factors. While several previous studies have less sounded the importance of market microstructure aspects, this research suggests that other than firm specific factors considerably influence corporate policy leading to investors' investment plans. In this study, the researcher demonstrated the impact of market microstructure on the corporate policy. The researcher examined the impact of stock liquidity on firm's payout policy. Moreover, this study presented the circumstances of firm-observations. The sample pool consisted of eight Indonesian market sectors. The researcher recognized several points which exposed the typical emerging market phenomena namely firms with low stock liquidity; and firms with low dividend payout levels.

The estimation result showed that stock liquidity was empirically proved as a prominent factor of corporate payout policies in the developing market, as in Indonesia, during the research period, 2010-2018. This finding confirms previous studies that market microstructure, through stock liquidity, influences corporate policies. Market microstructure and corporate finance are interrelated and should not be considered independently regarding their impacts on each other. The researcher confirmed several studies done previously in the emerging markets that stock liquidity shapes dividend payout (Cheung et al., 2016; Jiang et al., 2017). The results show that in the emerging market with a high asymmetry information, market microstructure is a reflection of informational effect that shapes the firms' payout rate. Stock with a high liquidity deemed as lower asymmetry information, which in effect will induce firm to pay higher dividend rate.

This study connoted that different markets create different shareholders attitude towards wealth incremental, either through trading liquid stocks or dividend payouts. In an advanced stock market where investor protection is high, like in the US, the clienteles' preference will likely get compensated. Hence,

shareholders attitude is indifference in both ways of how liquidity generated, through dividend payouts and holding liquid stocks. There is a guarantee that investors interests are protected. If shareholders are in firms which have low stock liquidity, regardless, they will get offset by a higher dividend payout rate. Meanwhile, in the developing economy where the market colored by low liquid stocks and poor investor protection, dividend payout acts as an outcome of well-governed firms (Loestefani et al., 2022).

Firms with a good reputation are believed to protect their minorities rights by fulfilling their rights like paying dividend. The researcher conclude that stock liquidity is analogous with a transparency. Transparency represents well governance firm, less intention to expropriate minorities (Holmstorm and Tirole, 1993; Leuz et al., 2003, Petrasek, 2012). Firms need to maintain the reputation in order to acquire external funding in the future when it is needed (Zakik et al., 2022). Empirically, at the same moment, the finding proves to contradicts the mainstream view of dividend policy, which states that payout is a signal of future prospect of the firms and to lessen the information asymmetry (Tarlani et al., 2022). If it were true, the result would show the more information asymmetry, the less dividend payout would be distributed. The findings have confirmed that in the emerging market, corporate payout, like dividend, is used as a mean to mitigate agency problems of the firm, along with its role as an outcome of well-governed firms. Dividend payout enforces manager to stick on financial discipline (Wardhana & Ratnasari, 2022).

This study proposed that dividend payout is an outcome of a well-governed firm. Firm with high stock liquidity is transparent to the public. The researcher tested the impact of stock liquidity on dividend payout in the circumstance where the asymmetry information existed. The researcher utilized asymmetry information properties, Big Four auditor firms and analyst coverage. The researcher interacted stock liquidity and the given asymmetry information property variables. Result showed significant impact of improving the quality of reporting and firms' environmental information moderates the stock liquidity and dividend payout correlation. Finding in this section supports Khurana and Raman's (2004) idea that the presence of reputable auditors, Big Four in this study, enhance the firm's transparency and Lang et al., (2004), analyst coverages who cluster around the liquid stocks increase the propensity and payout ratio of firms.

The transparency properties such as Big Four and analyst following gave moderation effects on SL of its impact on corporate payout policy. Both properties represent the degree of information asymmetry in the firm's environmental information. Interaction variables showed significant effect of stock liquidity on dividend payout. Both, Big Four and analyst following gave moderation effect of positive influence stock liquidity on dividend payout. The gap between control right and cash-flow right did not show a significant impact on dividend policy. This finding aligned with De Cesari's (2012) finding which wedge between control right and cash flow right did not encourage firm's payout policy.

Conclusion

This study then gives investor insight what they can expect when they invest in some Indonesian firms. Picking stocks only from active index which considered well-governed firms. Certain sector of business also promising in giving more dividend payout. For policy makers, the study gives insight that maintaining efficiency will attract more investors, either domestic or foreign investors. Policy makers, authority, will impose more obligations to the firms to disclose proper information to the market, in order to govern the firms in well manner. As for the firms, it is necessary to maintain the good reputation. The reputation is beneficial for the future prospect of the firm, especially when they need more external funding. Implied that enhancing stock liquidity of a firms furnish informativeness of the market, consequently, increase market efficiency.

Suggestion of this study: This study insight specially for the policymakers that maintain efficiency help to attract more investors.

Author's Contribution

All authors have contributed to the final manuscript. The contributions of each author are as follows: collecting data, drafting manuscripts, and drafting drawings, drafting key conceptual ideas. Sanju K. Singh is provided excellent guidance and provided critical revisions of articles. All authors discussed the results and contributed to the final manuscript.

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List of Terms

LIQ= Firms Liquidity

Size= Fiz Size

LEV= Firm's Leverage Ratio

ROA= Return on Assets

CASH = Firm's Liquidity

IDX = Indonesian Stock Exchange

CSH= Controlling Shareholder

Comm = Independent Commissioners

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