

## SUMMARY

HASTORI. *Determinants of Agency Cost of Agro-industrial firms in Indonesia*. Supervised by HERMANTO SIREGAR, ROY SEMBEL and TB. NUR AHMAD MAULANA.

This study aims to investigate determinants of agency cost on agro-industrial companies listed on the Indonesian Stock Exchange (IDX). Modeling of agency cost is analyzed by performing regression analysis of panel data. This study employs secondary data of 54 companies during the period of 4 years i.e. 2010 to 2013, except the data for variable dividend that is 2009 to 2012.

The results showed that the agency costs significantly affected by the company's board of directors, board of commissioners, independent commissioners, audit committee, the concentration of shares, dividend policy, debt levels and the size of the company. As a component of corporate governance, the board of directors and board of commissioners significantly effect on reduction in agency costs. This shows that there are indications of progress in the implementation of corporate governance in Indonesia, particularly in the agro-industrial companies listed on IDX. In other words, it can be said that the implementation of the corporate governance has begun to be effective, though still an embryonic stage.

As a novelty, the variable dividend also has a significant effect on reducing agency costs, both measured by BOM and TOA. It supports several previous studies, such as those conducted by Mutamimah and Hartono (2010) and Arifin (2005). While the influence of independent directors and audit committee actually significantly increase agency costs. This result is contrary to the initial hypothesis. This may happen because the independence issue, lack of integrity and the dominance of one party against another party, for example, the strong dominance of the commissioner of the independent directors. This dominance can occur due to lack of transparency and accountability in the recruitment process. Results also show that the influences of the size and debt of the company to agency costs can vary widely even conflicting. So that, it makes difficult to be concluded.

Results could shade some highlights to management, investors and other decision makers that governance is already on the right track so it needs to be supported and encouraged in accordance with their own respective roles. At the end of expectation, governance practices as an instrument for reduction of the cost of agency, can be realized more quickly.

Keywords: Agency cost, dividend payout, good governance, leverage, ownership concentration