# STATE OWNERSHIP, CORPORATE MISSIONS AND ACCOUNTABILITY OF DIVIDEND POLICY: EMPIRICAL EVIDENCE OF STATE-OWNED ENTERPRISES GOVERNANCE

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## Abstract

In the Indonesian context, state-owned enterprises (SOEs) are established to serve dual conflicting missions, namely: commercial and social-economy. This research hypothesized that the SOE mission's focus (i.e., the single commercial mission versus the dual mission) affects SOE policy to pay dividends to the state as controlling owner. The sample is 52 SOEs covering the years 2009 to 2015, resulting in 364 firm-year observations which are grouped into the single commercial mission and the dual mission (Rossieta et al., 2019). The hypotheses are tested using unbalanced panel data and regression statistics. Consistent with the hypotheses, the results suggest that the association between net income and dividend level on the single commercial mission SOEs is stronger compared to the association on the dual mission SOEs. Empirical evidence also shows that the SOE's mission type weakened the association. Presumably, the state as controlling owner perceived social-economy contribution as some form of return on investment, besides dividends as one source of the state revenue. For that reason, although the dual mission SOEs pay lower dividends relative to their income level compared to the single mission SOEs, yet, the payment is still considered accountable when referring to the Supreme Constitution and laws regarding the SOE's mission.

**Keywords:** State Ownership, Corporate Mission, Dividend Payout, Dividend Accountability, Overinvestment Behavior

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## 1. INTRODUCTION

In general, dividends are one of the continuing sources of return for equity investors, besides capital gain through equity sales in the capital market. However, in the case of state-owned enterprises (SOEs), due to some legal reasons, for the state as the controlling owner, selling the equity might not be an option. In this case, the state could only rely on dividends for the investment return. The argument is consistent with the empirical findings of Firth et al. (2016) which show that state ownership has a significant influence on firms' dividend payout. Moreover, in the context of Indonesia, Duygun et al. (2018) find SOE dividends as the main source of revenue for the government budget besides revenue from tax. However, accountability of dividend policy in SOEs is quite problematic.

One of the main problems is that the state as the controlling owner often demands SOEs to pursue dual and conflicting objectives of commercial and social objectives (Sappington & Sidak, 2003) and policy burden (Li et al., 2024). Commercial objectives drive the company to focus on revenue-generating activities that lead to high profitability. On the other hand, social objectives represent the role of the state to produce public goods and provide services that allow free riding for those who have low buying power. This means that some of the firms' activities are non-revenue-generating which would reduce firms' capability to achieve high profitability levels as the basis for dividend decisions. Therefore, the paradox is when the state as the controlling owner expects SOEs to achieve a high level of profitability to pay dividends, yet, the state also burdens SOEs with non-revenue-generating activities that could drag the profitability down. Consequently, sometimes SOEs could not be held accountable for their low financial performance due to their dual conflicting mission. Often, firms blame the social mission for their low profitability and low dividend payment accordingly. Hence, SOEs are more prone to excessive agency cost, since shirking behavior driven by management's self-interest at the cost of the state as owner, can be hidden behind the SOEs' social-economy mission. Accordingly, to increase the accountability of profitability achievement as the basis for dividend decisions, SOEs need to explicitly and clearly define both commercial as well as social-economic missions.

The effect of state ownership on dividend policy has been widely studied in various countries by researchers (Bian et al., 2022; Bradford et al., 2013; Duygun et al., 2018; Lin et al., 2017; Su et al., 2014). However, apart from the critical role of the mission statements on performance across contexts (Bayrack, 2020; Berbegal-Mirabent et al., 2020; Hirota et al., 2010; Wang & Lin, 2011), hardly, if any, study that investigates the effect of mission statement on SOEs dividend policy. This research contributes to the SOE literature by providing empirical evidence regarding the role of the SOE mission statement on the accountability of dividend policy based on firms' earnings. Some of the previous research on the accountability of SOE's financial performance addresses several issues such as risk and return (Luke et al., 2011), corporate governance reform (Jurkonis, 2012), good governance mechanism, and agency problems (Rossieta, 2017), market reform (Wu, 2019), public interest perspective (Ruggiero et al., 2022). However, the previous studies overlooked the fundamental issue of SOE missions on the association between financial performance and dividend payment as the most important investment considerations for the state as SOEs' controlling owner. This research hypothesized that the SOE's dual mission negatively moderates the association between earnings level and dividend payment. Arguably, the state as controlling owner tends to be more lenient to the dual mission SOEs with regards to paying dividends, since the state might have received the return on their investment in the form of social-economy contribution. This research uses Indonesian contexts since the SOE's dual mission is explicitly stated in the country's constitutions and regulations.

The paper is divided into the following sections: Section 1 introduces the study; Section 2 reviews relevant literature on SOEs' dual and single missions; Section 3 outlines the research methodology applied to empirically investigate the effect of governance on accountability of dividend policies of Indonesian SOEs; Section 4 presents the research results; Section 5 discusses the findings in the context of existing literature; and Section 6 concludes the paper, highlighting key insights and implications.

## 2. LITERATURE REVIEW

### 2.1. Theoretical foundation

#### *2.1.1. The relevant regulatory framework of state-owned enterprises mission in Indonesia*

According to the Indonesian supreme law, the ultimate purpose of SOEs' establishment is for the greatest benefit of the people on the basis of economic democracy. In addition, the national economy should be organized not only based on a commercial perspective such as efficiency that leads to profitability, but should also consider social perspectives such as solidarity, fairness, sustainability, environmental preservations, and self-sufficiency. This means that different from the private owner who can focus on pursuing profit only, the state as an owner is also obliged to make sure that besides pursuing profit, SOEs also actively produce goods and services that can be enjoyed by the public regardless of their buying power.

Referring to the 1945 Supreme Constitutions, more specifically, Law No. 19/2003, article 2, Indonesian SOEs are established for five purposes, which can be classified into two categories. First, commercial purposes are: 1) contribute to the national economy in general and state revenue in particular, and 2) pursue profit. Second, for social-economy purposes include: 1) providing quality goods and services for public welfare; 2) becoming a pioneer in the business area in which private and cooperative institutions would consider it as economically unfeasible; 3) actively participating in providing guidance and assistance to small and medium enterprises (SMEs), cooperative organization and to the general public. Further, SOE activities should comply with the purposes and objectives as stated in the SOE law and could not be contradictory to the existing regulations, public order, and/or decency.

With regards to the social-economy mission, a special assignment can be given to SOEs to perform the Government's Public Service Obligation (PSO), such as public transportation, electricity, road, and health care, without violating the mission and objective of the SOE's activities. Moreover, the assignment should be approved by the SOE general shareholders' meeting as well as the minister relevant to the PSO activities. The legal form of most SOEs is limited liabilities, or *perseroan terbatas*, which are aimed at business activities. This means that implicitly, the general objective of limited liabilities' legal form is profit earning. Therefore, presumably, in the case of PSO activities that are financially unfeasible, the state should compensate the SOE financial shortage associated with all the costs incurred, including the expected margin.

### *2.1.2. The state-owned enterprise's mission statement and corporate performance*

Having reviewed various definitions proposed by authors regarding mission statements, Phanuel Kofi Darbi (2012) concluded that basically, the statements describe the organization's purposes, either explicitly or implicitly. The purposes are meant to answer the fundamental questions regarding the reasons for the organization's existence or the kind and scope of the organization's business. Accordingly, to be effective, the mission statements should be in line with the organization's values and stakeholders' expectations. Further, assuming that the mission statement is associated with the firm's performance, Phanuel Kofi Darbi (2012) investigated the components of the mission statements of 50 Ghana's high-performing firms.

Using content analysis, Phanuel Kofi Darbi (2012) finds that the mission statements of high-performing firms have three interrelated components in hierarchical order based on the priority from the top at the strategic philosophical level into the lowest hierarchy of the operational level. The highest level is imperative components which provide a general description of the firm's identity, purpose, and capabilities. In the second level, mission statements consist of highlight components that explain the firm's specific goals, interests, and intentions. Finally, the third level is the discretionary explanation called adjunct components which are particularly related to the business practice, for example: a description of specific technology used or particular market and geographic coverage.

The impact of mission statements on performance has long attracted many researchers. In the corporate context in Japan, Hirota et al. (2010) find that among large companies, mission statements and their derived policies promote better corporate performance. Similar phenomena regarding the positive association between mission statements and performance are also found in the context of universities (Bayrack, 2020; Berbegal-Mirabent et al., 2020) and non-profit organizations (Wang & Lin, 2011).

Some previous research further investigates how the corporate mission influences its performance. Based on a survey in the airline industry, Lee and Suh (2023) found that the influence of mission statements on performance is achieved through employee work engagement resulting from alignment between corporate mission and employee perception. The association between corporate mission statements and social impact performance is also found in the Italian B Corps, a group of corporations that adopt a high standard of social and environmental performance, accountability, and transparency (Mion et al., 2024). Further investigations indicate that the corporate mission statements have common characteristics, these are: driving market success and economic performance through complex mission statements that capture philosophy and values, environmental protection, and social benefit.

### *2.1.3. Accountability of state-owned enterprises dividend decision*

Dong et al. (2005) review the theories that explain the reasons for investors to demand cash dividends, including agency theory. Under the agency relationship (Jensen & Meckling, 1976), a manager who acts as an agent for the owner, would normally have better information regarding the firm's condition, including the firm's cash flow and profitability. Based on the condition of asymmetric information favorable to managers, Jensen and Meckling (1976) proposed the overinvestment theory associated with dividend payment. Accordingly, managers tend to keep investing and make the company grow instead of paying dividends, even if they have to undertake a negative net present value (NPV) project. Consistent with the theory, based on manufacturing firms listed on the Chinese stock exchange over the period 2017 to 2022, Sheng and Montgomery (2024) found a negative association between firm performance and dividend payout. However, the negative association is weaker among SOEs, indicating that managers could not focus only on corporate growth and financial performance, but should also consider dividend as one of state financing sources.

Larger firms are considered to be more prestigious, therefore, managers can ask the shareholders to pay them higher. On the contrary for shareholders, managers' overinvestment behavior creates unnecessary excessive agency costs which may reduce their return on investment. For that reason, shareholders hold managers accountable for paying dividends so that they can control managers' overinvestment behavior (Budiarso & Pontoh, 2020; Easterbrook, 1984; Nguyen Trong & Nguyen, 2021). However, being aware of asymmetric information favorable to them, managers try to show their accountability to shareholders by giving signals in the form of paying sufficient dividends (Bhattacharya, 1979; Miller & Rock, 1985). Consequently, firms with good-quality corporate governance tend to pay higher dividends (Jiraporn et al., 2011).

Some of the previous studies find that dividend policy is associated with state ownership. SOEs tend to pay higher dividends compared to others, as found by Bradford et al. (2013) in China and Duygun et al. (2018) in Indonesia. Further on their findings, Bradford et al. (2013) argue that China's SOEs have better access to external equity and long-term debt so that they can pay higher dividends. Whereas among China's SOEs, Su et al. (2014) discovered that through related party transactions and political connections, the state holds an important role in SOE's dividend policy. Lin et al. (2017) in the context of China-listed firms include asymmetric information as a determinant factor for dividend policy. Accordingly, they find that the SOEs with high information asymmetry tend to pay high dividends to be accountable to the state as controlling shareholders. However, contrary to the findings of previous studies (Bradford et al., 2013; Lin et al., 2017; Duygun et al., 2018), when considering political determinants in an Indian context, state ownership is negatively associated with dividend amount as well as dividend possibility (Jain, 2022).

## 2.2. Hypotheses development

The condition of asymmetric information favorable to managers allows them to practice overinvestment behavior (Jensen, 1986). Accordingly, dividend payment is one of the ways used by shareholders to control their behavior (Easterbrook, 1984). On the other hand, to counter the suspicions of the behavior, managers send signals regarding their efficient behavior by paying dividends to shareholders (Bhattacharya, 1979; Miller & Rock, 1985; Jiraporn et al., 2011). However, most of the previous studies assume that the firm's owner is the private sector with a single commercial purpose, namely: optimal return on investment. The assumptions become irrelevant when the owner is the state which has a dual mission of commercial as well as social-objective mission, as in the case of Indonesian SOEs.

Considering the positive association between mission statements and corporate performance (Phanuel Kofi Darbi, 2012; Hirota et al., 2010; Berbegal-Mirabent et al., 2020; Bayrack, 2020; Lee & Suh, 2023; Mion et al., 2024), this study argues that theoretically, the single mission SOEs that focus on solely commercial mission have better financial performance compared to the dual mission SOEs which also have to bear the social-economy mission. The dual mission SOEs have to allocate the free cash flow between three purposes, namely: 1) revenue-generating projects to serve commercial missions; 2) non-revenue-generating projects to serve social-economy missions; and 3) dividend payment. For the single mission SOEs, the allocation of free cash flow is solely for revenue-generating projects and dividend payments. Since dividend payment is derived from firms' earnings, consequently the hypotheses suggested are as follows:

*H1: The association between earnings level and dividend payment in single-mission-SOEs is stronger compared to the association in dual-mission-SOEs.*

*H2: The type of mission statements adopted by SOEs (i.e., single versus dual mission) moderate the association between earnings level and dividend payment.*

# 3. RESEARCH METHODOLOGY

## 3.1. Research design

Borrowing Phanuel Kofi Darbi's (2012) taxonomy of mission statements, this study assumes the SOEs Law No. 19/2003, article 2, as the main reference for SOE imperative components in an Indonesian context. Accordingly, the dual mission of commercial and social economy are the very reasons for Indonesian SOE's existence. Further, in the level of the highlight component, this study refers to a) being the source of the state revenue and b) pursuing profit of the article for the commercial missions, while c) producing public goods and services for the public prosperity, d) being a business pioneer in the area unfeasible for the private sector and cooperative enterprises and e) providing assistant and guidance to SMEs, cooperative enterprises and the general public are for the social-economy mission. As for the adjunct component, this study considers it as outside the scope.

Further, based on the main reasons for SOE establishment stated in Law No. 19/2003, article 2, this research analyses the content of highlight components of each SOE mission statement (Rossieta et al., 2019) using NVivo software as presented in the following Table 1.

**Table 1**. Law No. 19/2003, article 2, as decision rules for SOE categories based on the purposes of establishment as stated in the mission statements

| *SOEs type* | *Description* |
|---|---|
| The single mission SOEs (commercial purpose only) | The purpose of establishment as stated in the mission statements is solely for commercial purposes, consistent with articles a) and b) below:<br>a) being the source of the state revenue;<br>b) pursuing profit. |
| The dual mission SOEs (commercial and social-economy purposes) | The purpose of establishment as stated in the mission statements for commercial as well as social-economy purposes, consistent with articles a) to e) below:<br>a) being the source of the state revenue;<br>b) pursuing profit;<br>c) producing public goods and services for the public prosperity;<br>d) being a business pioneer in the area unfeasible for private sector and cooperative enterprises;<br>e) providing assistance and guidance to SMEs, cooperative enterprises, and the general public. |

Next, two empirical models are formulated to test the two hypotheses suggested. First, the empirical model regarding the association between net income and dividend payment is tested in each SOE group, expecting that the associations in the single mission SOEs are stronger compared to that of the dual mission SOEs. Then, the second empirical model with interaction examines whether the type of SOE missions (single or dual mission statements) moderates the association between net income and dividend payment.

## 3.2. Research sample

This research uses a purposive sampling method with the selection criteria as follows:

1. The SOEs' mission is presented on the website of the Indonesian SOEs Ministry (https://www.bumn.go.id/) accessed on July 11, 2018. Accordingly, out of 115 SOEs registered on the website, there are 109 SOEs or 94.78% publish the mission statements on their website.
2. Assuming that the purpose of SOE establishment as stated in the mission statement is relatively stable, this research observation covers the years 2009 to 2015 or seven years periods, resulting in the potential sample of 763 firm-year observations.
3. Having a complete data set is required by the empirical model to test the hypotheses.

The above sample selection criteria resulting a sample size of 356 firm-year observations, consisting of 156 firm-year observation single-mission SOEs and 200 dual-mission SOEs.

### 3.3. Hypotheses testing

The hypotheses are tested using unbalanced panel data — statistical regression by Stata software.

Model 1 tests *H1* regarding the association between net income and dividend payment, using two groups as sub-samples: the single-mission SOEs and the dual-mission SOEs.

*Model 1*

$$LnDiv_{i,t} = \alpha + \beta_1 LnNI_{i,t} + \beta_2 Size_{i,t} + \beta_3 Grw_{i,t} + \beta_4 Liq_{i,t} + \beta_5 Lev_{i,t} + \varepsilon \quad (1)$$

Model 2 tests *H2* concerning the moderating effect of SOE mission type on the association between net income and dividend payment using the pooled sample.

*Model 2*

$$LnDiv_{i,t} = \alpha + \beta_1 LnNI_{i,t} + \beta_2 MT + \beta_3 LnNI_{i,t} * MT + \beta_4 Size_{i,t} + \beta_5 Grw_{i,t} + \beta_6 Liq_{i,t} + \beta_7 Lev_{i,t} + \varepsilon \quad (2)$$

The dependent variable *LnDiv* is dividend payment, measured by Ln dividend.

- $\alpha$ is intercept;
- $\beta_1$ –$\beta_7$ are regression coefficients;
- $i$ is company;
- $t$ is time;
- $\varepsilon$ is error term.

The independent variables are:

- *LnNI* represents net income determined by Ln net income after interest and tax for Model 1 and Model 2;
- *MT* denotes the type of mission statement as a dummy variable, 1 for the single mission SOEs and 0 otherwise for Model 2 only.

The control variables are:

- *Size* is size, measured by Ln total sales;
- *Grw* symbolizes growth, calculated by total assets growth for the year;
- *Liq* denotes liquidity, determined by the ratio of total current assets (CA) divided by total current liabilities (CL);
- *Lev* represents leverage calculated by total debt divided by total liabilities.

Model 2 uses pooled data of single-mission as well as dual-mission SOEs. Consequently, a test of variance difference is conducted to examine whether the data can be pooled for the Hypotheses testing.

## 4. RESULTS

Table 2 shows the descriptive statistics for variables used in the parametric model.

**Table 2**. Descriptive statistic of variables in the parametric model to test the hypotheses

| *Variables* | *Min* | *Max* | *Mean* | *Std. dev.* | *Variance* | *Skewness* | *Kurtosis* |
|---|---|---|---|---|---|---|---|
| ***Independent variable*** | | | | | | | |
| *LnDiv* (Ln divivend) | 3.04 | 16.59 | 10.35 | 2.32 | 5.38 | 0.11 | 3.33 |
| ***Dependent variable*** | | | | | | | |
| *LnNI* (Ln net income after tax) | 0 | 6.23 | 5.20 | 1.01 | 1.02 | 1.80 | 7.23 |
| ***Control variables*** | | | | | | | |
| *Size* (Ln sales) | 1.00 | 722.00 | 383.21 | 221.92 | 49,249.23 | 0.04 | 1.76 |
| *Grw* (assets growth, %) | 1.00 | 630.00 | 372.76 | 205.64 | 42,287.59 | 0.21 | 1.69 |
| *Liq* (CA to CL ratio) | 1.00 | 700.00 | 369.05 | 214.47 | 45,999.00 | 0.00 | 1.75 |
| *Lev* (debt to equity ratio) | 1.00 | 714.00 | 379.65 | 218.69 | 47,824.79 | 0.03 | 1.76 |

The statistic descriptive presented in Table 2 covers all the potential data available, meaning that the number of observations for each variable is not equal. However, the skewness and kurtosis indicate that the data is normally distributed, hence, it is fit for a statistic regression test.

After all the necessary tests have been done to conduct the panel data regression of Model 1 (i.e., test to detect multicollinearity, heteroscedasticity, autocorrelation, data outlier), and the suitability of the regression method (i.e., ordinary least squares, fixed effect, and random effect), the results of the statistical test is presented in Table 3 below.

**Table 3**. The result of the empirical test of *H1*

| *Model 1* | | | | | | |
|---|---|---|---|---|---|---|
| ***Variables*** | ***Single mission SOEs (N = 156)*** | | | ***Dual mission SOEs (N = 200)*** | | |
| | ***Coef.*** | ***Std. err.*** | ***P > \|t\|*** | ***Coef.*** | ***Std. err.*** | ***P > \|t\|*** |
| Constant | 4.7372 | 0.89 | 0.00*** | 8.3650 | 0.70 | 0.00*** |
| *LnNI* | 0.4382 | 0.08 | 0.00*** | 0.1490 | 0.12 | 0.12 |
| *Size* | 0.0054 | 0.00 | 0.00*** | 0.0029 | 0.00 | 0.00*** |
| *Grw* | -0.0013 | 0.00 | 0.03** | 0.0001 | 0.00 | 0.46 |
| *Lev* | -0.0015 | 0.00 | 0.06* | -0.0001 | 0.00 | 0.46 |
| *Liq* | 0.0004 | 0.00 | 0.32 | 0.0019 | 0.00 | 0.03** |
| Prob. > F | 0.00 | | | 0.01 | | |
| R-squared | 86.84% | | | 42.03% | | |

*Note: *** sig. at ≤ 0.01; ** sig. at ≤ 0.05; * sig. at ≤ 0.1 (fixed-effect method).*

The results show the parametric Model 1 is significant in both the single mission SOEs (F-test at $p < 0.00$) as well as the dual mission SOEs (F-test at $p < 0.01$). However, the predictive power of the single-mission SOEs (R-sq. = 86.84%) is more powerful than the dual-mission SOEs (R-sq. = 42.03%). Also, the coefficient regression of earnings level for the single mission SOEs is higher and more reliable (coeff. reg. *LnNI* = 0.44 at $p < 0.00$) compared to the dual mission SOEs (coeff. reg. *LnNI* = 0.15 at $p < 0.12$). Therefore, the data support *H1* which argues that the associations between earnings level and dividend payment in the single mission SOEs are stronger compared to that in the dual mission SOEs.

Interesting to note that although the association between net income and dividend payment for the dual mission SOEs is positive, it is statistically insignificant. This means that earnings level is not used as a primary consideration to pay dividends. Presumably, this is due to the social-economy mission which also consumed firms' free cash flow besides commercial mission activities and dividend payments. To a certain extent, this argument of the social mission is consistent with the results of the control variable, most particularly SOE size (coeff. reg. *size* = 0.0029 at $p < 0.00$). Big-size firms have more resources, including free cash flow, to carry out social-economy missions efficiently, such as PSO assignments, then, earn some profit and pay the associated dividend. The findings are consistent with the SOEs Law No. 19/2003, article 66, as well as Limited Liability Law No. 40/2007, article 2, where the state will compensate the SOEs shortage due to PSO assignment if it is financially unfeasible, including the appropriate margin. As for liquidity, although it is statistically significant ($p < 0.05$), yet, the coefficient regression is too small which makes it insignificant at 0.0019.

To test *H2* using pooled data, a test of variance differences has been conducted. The result shows that no significant variance difference between the two groups of SOEs (p-value = 58.33% for negative differences, or 41.67% for positive differences), therefore, the data can be pooled. Table 4 below shows the result of the statistical test for *H2* under the random effect generalized least squares (GLS) method.

**Table 4**. The result of the empirical test of *H2*

| *Model 2* | | | |
|---|---|---|---|
| ***Variables*** | ***Coef.*** | ***Std. err.*** | ***P > \|t\|*** |
| Constant | 6.75 | 0.71 | 0.00*** |
| *LnNI* | 0.32 | 0.12 | 0.01*** |
| *MT* | 1.87 | 0.98 | 0.03** |
| *LnNI * MT* | -0.30 | 0.17 | 0.04** |
| *Size* | 0.00 | 0.00 | 0.00*** |
| *Grw* | 0.00 | 0.00 | 0.46 |
| *Lev* | 0.00 | 0.00 | 0.00*** |
| *Liq* | 0.00 | 0.00 | 0.34 |
| Prob. > F | 0.00 | | |
| R-squared | 58.33% | | |

*Note: *** sig. at ≤ 0.01; ** sig. at ≤ 0.05; * sig. at ≤ 0.1 (random-effect GLS method).*

Table 4 shows that earning level is positively associated with dividend payment (coeff. reg. *LnNI* = 0.32 at p-value < 0.05) so as SOEs mission type (coeff. reg. *LnNI* = 1.87 at p-value < 0.05). A positive association between mission type and dividend payment is due to the categorical variable of *MT*, in which single mission SOEs are coded 1. Therefore, the association between earnings level and dividend payment in single-mission SOEs is stronger compared to the dual-mission SOEs, consistent with the test result of *H1*. However, when all of the mission type is considered, the association of earnings level and dividend payment becomes negative (coeff. reg. *LnNI * MT* = -0.30 at p-value < 0.05). This means that the adoption of mission type (i.e., the single or the dual mission) weakened the association between earnings level and dividend payment, consistent with *H2*.

## 5. DISCUSSION

In the Indonesian context, SOE's dual missions are mostly problematic. Adoption of the dual mission hinders SOE's potential to achieve optimal benefit due to the burden of social-economy missions such as PSO assignment activities. However, when looking at the philosophical level, the dual missions are well comprehended and acceptable, since in the Indonesian context, the SOE missions are linked to the country's constitutions and laws. Borrowing Phanuel Kofi Darbi's (2012) hierarchical conception of the mission statements, this study assumes that in the imperative components, the SOE missions are bounded by article 33 Section XIV of the 1945 Supreme Constitution regarding the objectives of national wealth management. In the highlight components, SOEs Law No 19/2003, article 2, regulates the SOEs to adopt conflicting dual missions of commercial and social economy.

The empirical evidence regarding the associations between corporate mission statements and their performance has been widely documented (Hirota et al., 2010; Bayrack, 2020; Berbegal-Mirabent et al., 2020; Wang & Lin, 2011; Lee & Suh, 2023; Mion et al., 2024). Based on overinvestment theory (Jensen & Meckling, 1976) for their self-interest, managers tend to pay lower dividends and keep investing for the company to grow larger, regardless of the value of the project's NPV. Consistent with the theory Sheng and Montgomery (2024) provide empirical evidence considering negative associations between firm performance and dividend payout. Consequently, larger firms give managers a better chance to ask for high payment at the cost of lower shareholders' return on investment. For this reason, shareholders keep managers accountable through a sufficient dividend policy (Easterbrook, 1984; Nguyen Trong & Nguyen, 2021; Budiarso & Pontoh, 2020).

In the context where SOE corporate mission statements are rooted in the state constitution and regulations, a low dividend policy could not always be interpreted as overinvestment behavior. The results of this research show that the dual-mission SOEs practice a lower dividend policy compared to the single-mission SOEs. However, they have to engage in non-profitable activities of the state policy burden (Li et al., 2024) which reduces available cash for dividend payment. In this governance, a low dividend policy is still considered accountable, most particularly for the dual mission SOEs.

This research contributes to the knowledge by providing empirical evidence that better explains the role of state ownership on dividend policy (Bradford et al., 2013; Su et al., 2014; Lin et al., 2017; Duygun et al., 2018; Sheng & Montgomery, 2024). More specifically, this research illustrates SOE governance regarding how the mission statements derived from the country constitutions and law could affect the accountability of dividend policy in the context of Indonesian SOEs.

## 6. CONCLUSION

According to corporate finance theory and empirical evidence, managers would pay sufficient dividends to signal to shareholders that they are accountable and they do not practice overinvestment behavior (Bhattacharya, 1979; Miller & Rock, 1985; Jiraporn et al., 2011; Budiarso & Pontoh, 2020; Nguyen Trong & Nguyen, 2021). However, the theory is challenged when the owners' interests are not solely for commercial return such as the state. Lin et al. (2017) and Jain (2022) found that political connections determine SOE dividend policy in China and the Indian context.

In line with the study of the effect of non-financial factors on dividend policy, this research contributes by providing empirical evidence of the role of SOE mission statements on the dividend policy in an Indonesian context. The empirical evidences suggest that although the dividend policy of the dual mission SOEs has a relatively weaker association with the earning level compared to the single mission SOEs, yet, the dividend policy is still considered accountable and free from managers' overinvestment behavior. Arguably, this is due to the allocation of free cash flow to pay dividends which should be allocated not only to commercial activities but also to non-revenue generating activities of social-economy mission as required by the country's constitutions and SOEs law.

The results of the research have several practical implications. Since the SOE's dual missions are rooted in the country's constitutions and law, hence, financial performance of Indonesian SOEs could not be used as the primary indicator as applied in private corporations. For the dual mission SOEs, their performance evaluation needs to also cover the social-economy contribution to the society that might compromise SOEs earning level and capability of dividend payment. Without specific and clear performance indicators of the SOE's social-economy missions, excessive agency costs would be more likely to occur, since overinvestment behavior could be hiding behind the cloud of social-social economy activities. In that case, the accountability of the dividend policy of the dual mission SOEs in Indonesia could be jeopardized.

This research has several development potentials. As a basis for grouping the SOEs into single and dual missions, this research categorized SOEs based on the Indonesian regulatory framework and the mission statements presented on each of the SOE Ministry websites in July 2018. Accordingly, the basis has two limitations. First, although the mission statements generally last for a long period, yet, the change is still possible due to the merger, acquisition, or other corporate action. Inaccurate identification of mission statements might lead to biased SOE grouping and, hence biased empirical results. To reduce the grouping bias, further studies that use the map should ensure that the SOE's mission statements are aligned with the latest version. Second, generalization across contexts is limited, since the dual missions only apply to the Indonesian context. Interesting to explore whether SOEs in other countries also have dual contrasting missions similar to the Indonesian context, or have different patterns. Next research could improve the generalization of the results by replicating this research across countries.

Finally, this research assumes that the mission statements link perfectly with the real SOE activities, so the free cash flow is allocated among three alternatives, namely: commercial activities, social-economy activities, and dividend payment. However, the inconsistency between the mission statement and the activities implemented often happened. Further research could increase the internal research validity by conducting a survey to confirm the consistency.

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