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The Influence Of Institutional Ownership And Profitability On Company Value With Dividend Policy As A Moderating Variable

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ABSTRACT

This research aims to examine the influence of institutional ownership and profitability on company value by considering dividend policy as a moderating variable in banking companies on the Indonesia Stock Exchange for the 2017-2022 period. The research method used is path coefficient analysis to test the relationship between variables. Data was obtained from annual reports of banking companies registered on the IDX. The research results show that there is a positive and significant influence between the profitability variable on company value with a significance value of 0.006 (<0.05) while the institutional ownership variable does not have a positive and insignificant influence with a significance value of 0.309 (>0.05). Apart from that, dividend policy as a moderating variable is able to influence the relationship between profitability and company value with a significance value of 0.000 (<0.05), while dividend policy is not able to influence the relationship between institutional ownership and company value. Thus, the conclusion of this research is that institutional ownership has no effect on company value with or without considering dividend policy, while profitability has a direct and significant influence on company value with or without considering dividend policy. Therefore, company management needs to pay attention to these factors in managing company policies and investments to increase long-term company value.

INTRODUCTION

One of the main goals of every company is to create corporate value to provide signals to investors. Rahma et al., (2019) States that The value of a company is an entity in which there are groups of people who work together to achieve certain goals.

The value of any company that goes public is determined by supply and demand on the stock exchange through share prices. The higher the company value, the higher the company's share price. So it can increase investor confidence and future prospects (Dwi Kartika Sari, 2021).

Data from the Indonesia Stock Exchange (2024) shows that there has been a decline in the value of banking companies, both conventional and Sharia, from 2017 to 2022. The following is a graph showing the decline in the value of conventional and Sharia banking sector companies from 2017 to 2022.

Figure 1. Graph of average company value

Source:www.idx.co.id

Research on the influence of institutional ownership on company value as proxied by PBV was carried out by Hidayat et al., (2020), with the results showing that institutional ownership has a significant negative effect, which means it has a non-linear relationship with company value as proxied by PBV. Besides that, Dogan (2020), has also conducted research with results showing that institutional ownership has a significant positive effect on company value as proxied by Tobin's Q, but will decrease as the age of the company increases.This is inversely proportional to research conducted by Firdausi et al., (2021), Gunawan Setyabudi (2022), Eliana Saragi & Tampubolon (2023), Ayu & Sumadi (2019), Dewi & Abundanti (2019), And Dea Nurcahyati & Mohklas (2022), which shows that institutional ownership has no effect on company value.

Research on the influence of profitability on company value has been carried out, such as research conducted by Ali et al., (2021), Wulandari & Efendi (2022), Zafirah & Fun (2021), And Sinta Dewi & Ekadjaja (2020), shows that profitability has a significant positive effect on company value. This is inversely proportional to research conducted by Tandanu & Suryadi (2020), Muharramah & Hakim (2021), Satria Bagaskara et al., (2021), And Johan & Septariani (2020), which shows that profitability has no significant effect on company value.

In the theory developed by Gordon, (1959) says that there is a relationship between company value and dividend payments. This means that if the dividend distributed by the company is higher, the market price of the company's shares will also be higher and vice versa. This theory says that dividends have less risk than capital gains. In previous research, such as research Erdiyaningsih et al., (2021), shows that dividend policy is able to strengthen the influence of profitability and institutional ownership on company value.

Based on what is described above, there is a phenomenon where company value as described by PBV in the banking sector has decreased from 2017-2022. So that makes researchers interested in conducting research on this matter.

Apart from that, there are also inconsistent research results which make researchers interested in researching company value again.

LITERATURE REVIEW

Signaling Theory

According to Spence (1973), which put forward signal theory states that by giving a signal, the owner of the information tries to provide information that can be utilized by the party receiving the information.Therefore, investors need complete, relevant, accurate and timely information as an analytical tool for making investment decisions (Novianti & Hendrawati, 2020). Signal theory in this research is used for profitability and institutional ownership variables.

"Bird in the hand" Theory

The Bird in the Hand theory put forward by Gordon (1959) argues that investors view one bird in the hand as more valuable than a thousand birds in the air. This means that the expected income from dividends is actually valued more by investors than income from capital gains. This is because the risk borne is smaller resulting from dividend income. Investors consider dividends to be more certain than capital gains(Novianti & Hendrawati, 2020). The Bird In The Hand theory is used for dividend policy variables.

Profitability

Profitability is measuring the company's ability to generate profits or profits (Ningrum, 2021). According toYovita et al., (2021), profitability is one of the factors that abstractly determines the value of a company. In this research, profitability ratios are proxied into three, namely; ROA (Return On Assets), ROE (Return On Equity) and ROI (Return On Investment).

Formula for calculating ROA:

$$ROA = \frac{Laba\ Bersih\ Sebelum\ Pajak}{Total\ Asset}\ x\ 100\%$$

The formula for calculating ROE

$$ROE = \frac{\text{Laba Bersih Setelah Pajak}}{\text{Total Equitas}}\ x\ 100\%$$

Formula for calculating ROI:

$$ROI = \frac{Pendapatan\ setalah\ pajak\ (EAT)}{Total\ Asset}\ x\ 100\%$$

Institution Ownership

Institutional ownership is share ownership by other institutions in the form of insurance, banks, investment companies and other institutional ownership. According to Suteja (2020), shares owned by institutional holdings will be able to supervise management to provide guarantees from various personal actions. Institutional ownership is a tool that can be used to reduce agency conflicts. With a high level of institutional ownership, it will lead to greater supervision by institutional ownership shareholders so that it can minimize the level of violations committed by internal parties in the company (Suparlan, 2019).

Formula for calculating institutional ownership:

$$KI = \frac{\text{Kepemilikan } Saham\ Institutional}{\text{Total Saham Beredar}}\ x\ 100\%$$

The value of the company

Ningrum (2021), states that company value is the performance reflected by the share price which is formed by the demand and supply of the capital market which reflects the public's assessment of the company's performance. Company value in the research is divided into two proxies, namely PBV and Tobin's Q.

Formula for calculating PBV:

$$PBV = \frac{Harga\ per\ lembar\ saham}{Nilai\ buku\ per\ lembar\ saham}$$

The formula for calculating Tobin's Q:

$$Q = \frac{(\ EMV + D)}{(\mathrm{EBV} + \mathrm{D})}$$

Dividend policy

Dividend policy is proxied using the dividend payout ratio. Where the dividend payout ratio is the portion of profits paid to the principal in cash (Indri Agustini & Nursasi, 2020). Dividend policy formula:

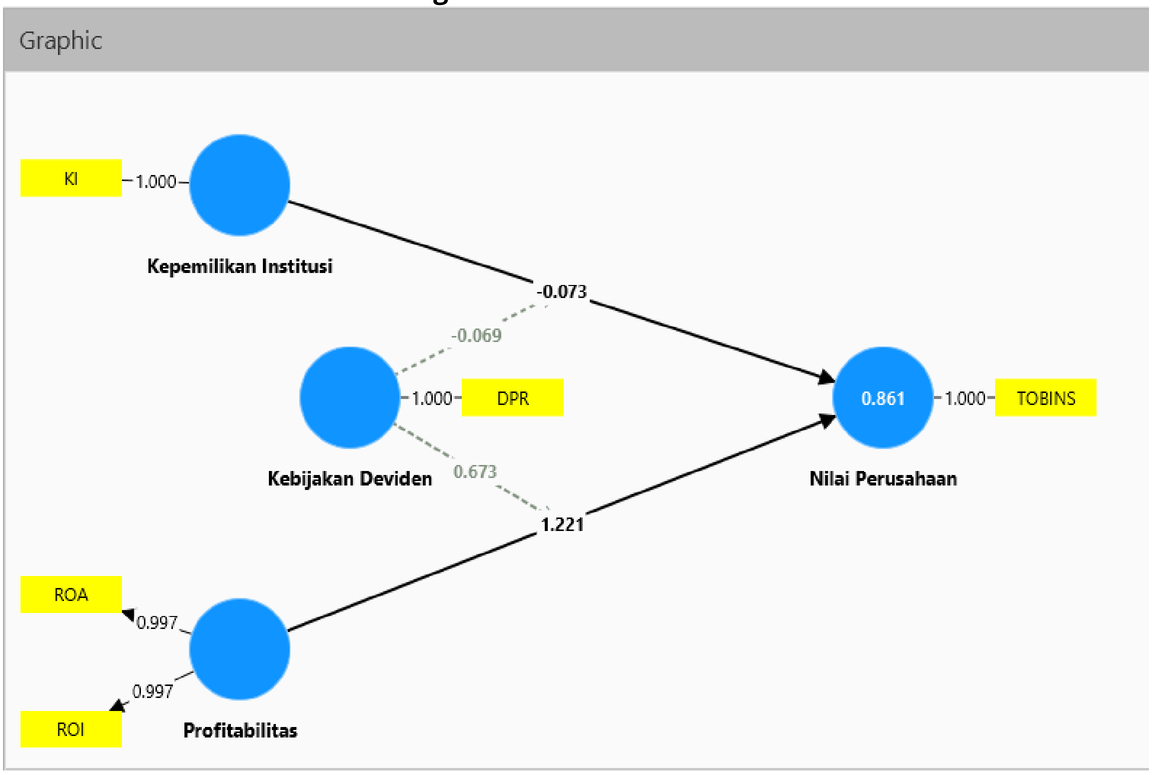
$$DPR = \frac{\text{Dividen Per Share}}{\text{Earning Per Share}}$$

METHODS

The analysis in this research was carried out using Smart-PLS Ver software. 4 by conducting a model test as the first test. According to Wiyono (2020), model testing is carried out through the outer model and inner model. The outer model or measurement model, in principle, is testing indicators against latent variables, or in other words measuring how far the indicators can explain the latent variables. Reflective indicators are tested with convergence validity, discriminant validity or average variance extracted (AVE), and composite reliability.

In principle, the inner model or structural model is to test the influence of one variable on another, both exogenous and endogenous. The stability of the structural model can be tested using the t-statistic test or Pvalue which is obtained through bootstrapping results (Wiyono, 2020). The following is the model used in the analysis of this research.

Figure 2. Research Model



Source: Smart-PLS software results ver 4

RESULTS

Results outer model

The first step to carry out testing using Smart-PLS ver.4 software is to carry out indicator tests which are carried out by testing convergence validity, discriminant validity or by average variance extracted (AVE), and composite reliability.

The following are the results of convergence validity, discriminant validity and composite reliability testing:

Table 1. Convergance validity test results

Validity and Reliability	Test results		Status
	Influence	Original Sample (loading)	
Outer Loadings (Covergance Validity)	DPR -> DPR	1,000	Valid
	KI->KI	1,000	Valid
	Tobin's Q -> Company Value	0.964	Valid
	ROA-> Profitability	0.977	Valid
	ROI -> Profitability	0.969	Valid
	DPR x Profitability	1,000	Valid
	DPR x Institutional Ownership	1,000	Valid

Source: Smart-PLS Software Ver. 4

Table 2. Discriminant validity test results

Validity and Reliability	INDICATOR	LATENT VARIABLES				
		KI	Profitability	DPR x KI	DPR x Profitability	Status
Discriminant Validity (Cross Loading)	KI	1,000	0.193	-0.419	0.042	Valid
	ROA	0.186	0.997	0.031	-0.420	Valid
	ROI	0.199	0.997	0.020	-0.454	Valid
	Tobin's Q	0.086	0.853	0.044	-0.305	Valid
	DPR x Institutional Ownership	0.144	0.026	1,000	0.595	Valid
	DPR x Profitability	0.042	-0.438	0.595	1,000	Valid
	DPR	-0.175	-0.239	-0.502	-0.502	Valid

Source: Smart-PLS Software Ver. 4

Table 3. Composite reliability test results

Validity and Reliability	INDICATOR	Test results	Results
Composite Reliability (Croanbach's Alpha)	Institutional Ownership	1,000	Reliable
	Profitability	0.994	Reliable
	The value of the company	1,000	Reliable
	DPR	1,000	Reliable

Source: Smart-PLS Software Ver.4

Result inner model

The second step is to carry out structural tests. This analysis aims to see the relationship between variables. The results of this analysis can be seen through the R Square value. Changes in the values contained in the R Square value are used to see what the influence of the relationship between each variable is.

Table 4. R Square test results

Variable	R Square	R Square adjusted
The value of the company	0.861	0.850

Source: Smart-PLS Ver 4 Software.

Result path analysis (Hypothesis)

The final step in the analysis uses Smart-Pls Ver. 4 is to test the hypothesis through bootstrapping by looking at the path analysis values. The following are the results of the path analysis.

Table 5. Path analysis results

Model Fit Index	Original Sample	P Value
Dividend Policy -> Y	0.493	0.006
Institutional Ownership -> Y	-0.073	0.309
Profitability -> Y	1,221	0,000
Dividend Policy x Institutional Ownership -> Y	-0.069	0.388
Dividend Policy x Profitability -> Y	0.673	0,000

Source: Smart-PLS software ver 4.

DISCUSSION

Convergance validity (outer loading) is used to see the validity of a variable. Data is said to be valid if the loading factor value is > 0.7. Based on table 1, it can be seen that all variables have been declared valid with loading factor values above >0.70.

The discriminant validity (cross loading) correlation value is used to see the validity of a variable by seeing that the value of the latent variable must be greater than the correlation with other latent variables. Based on table 2, each variable has a value that is greater than the correlation with other variables so that each variable is said to be valid.

The composite reliability value is used to see the reliability of a variable. A variable with good reliability has a value >0.70. Based on table 3, all variables have values above >0.70 so it can be said that the data has passed the reliability test.

R Square is used to see whether a model is good or bad. The R Square value criteria are divided into three, namely, >0.75 is said to be very good, >0.50 is said to be moderate, <0.25 is said to be bad. Based on table 4, it can be seen that the adjusted R Square value is 0.80, which means it is in the very good category.

Path analysis is used to see the results of the hypothesis of the influence of one variable on another variable. Based on table 5, it can be seen that [1)]institutional ownership has a negative influence on company value (Y) with a value of -0.073 and is not significant with a value of 0.309 or >0.05. [2)]profitability has a positive influence on company value (Y) with a value of 1.221 and is significant with a value of 0.000 or <0.05. [3)]dividend policy is unable to moderate institutional ownership of firm value (Y) with a negative value of -0.069 and a significance of 0.388 or >0.05. [4)]dividend policy as a moderating variable is able to strengthen the influence of profitability on company value (Y) with a positive value of 0.673 and a significance of 0.000 or <0.05.

CONCLUSION

Based on data analysis carried out by researchers using Smart-PLS Ver software. 4 regarding the influence of institutional ownership and profitability on company value with dividend policy as a moderating variable, the following conclusions can be drawn:

- The institutional ownership variable has no effect and is not significant on company value. The results of this study are inversely proportional to the research conducted by Doğan (2020), with the results showing that institutional ownership has a significant positive effect on the value of the company.
- The profitability variable has a significant and influential effect on company value. The results of this study support the signal theory that says profitability is information to investors so that it can increase the value of the company and supports research conducted by Ali et al., (2021), Wulandari & Efendi (2022), Zafirah & Asyik (2021), and Sinta Dewi & Ekadjaja (2020), which shows that profitability has a positive and significant effect on the value of the company.

- The dividend policy variable as a moderating variable is not able to strengthen the influence of the institutional ownership variable on company value. This study is inversely proportional to the research conducted by Erdiyaningsih et al., (2021) with the results showing that dividend policies are able to moderate institutional ownership of company value.
- The dividend policy variable as a moderating variable is able to strengthen the influence of the profitability variable on company value. This hypothesis supports research conducted by Anjani & Badjuri (2024), with results showing that dividend policies are able to monetize profitability to company value.
- By calculating the determinant coefficient R Square with a value of 0.850, this shows that the ability of the variables institutional ownership, profitability and dividend policy as moderating variables in explaining company value (Y) is 85% and the remainder is influenced by other variables not included in this research.

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