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The Impact of Institutional and Managerial Ownership, Dividend Policy, and Company Size on the Financial Performance and Their Consequences for Firm Valuation

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ABSTRACT

Objectives*: The objective of this study is guided by agency theory, which seeks to reduce conflicts of interest between business owners and agents. Institutional ownership, management ownership, and dividend payout ratio are regarded as the primary determinants of a company's financial success, as measured by Return on Equity (ROE). Finally, financial performance can affect firm value, as measured by Price to Book Value (PBV).*

Methodology*: The research population consists of manufacturing sector enterprises that registered with the BEI between 2017 and 2021. The analysis approach utilized is Moderated Regression Analysis (MRA), which is a multivariate linear regression model with interaction (multiplication of more than one independent variable).*

Finding*: H1 and H2 are rejected as the computed t is less than the t table and the sig value exceeds α 0.05. H3 and H4 are valid since the projected t value surpasses the t table and the sign value is less than 0.05. H5 is also regarded as an MRA, despite its negative consequences.*

Conclusion: *Institutional ownership and managerial ownership do not affect financial performance or return on equity. Meanwhile, the dividend payout ratio has a favorable and large impact on financial performance. This shows that if the choice of dividend policy is of good quality and in line with the company's interests, it will have a beneficial influence on financial success. ROE has a positive and significant effect on company value/price book value (PBV). Meanwhile, company size (M) has a significant moderating value but the effect is negative. This means that variable M has a negative moderating influence on the effect of ROE on PBV.*

Keywords*: Managerial ownership; Dividend Policy; Financial performance; Firm Size; Firm Value*

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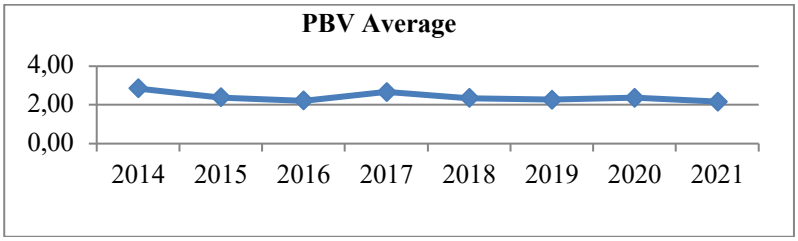
INTRODUCTION

IDX is a barometer of capital market activity in Indonesia because it has a large trading frequency and stock variations. Manufacturing companies are deemed a strategic sector for investment, given their swift advancement and growth on the IDX (Afriyani et al., 2023). The advantages of the manufacturing industry are that it has a very large capital capitalization value, the ability to absorb a large workforce, and the ability to add value to processed raw materials. Firm value holds significant importance for investors (Yusmaniarti et al., 2021). Firm value reflects the ability of funding management to determine capital structure targets, the ability of investment management to effectively use assets, and the ability of operations management to streamline the firm's production and distribution processes (Suwardika & Mustanda, 2017). The company's value results from management's efforts across various dimensions, including net cash flow from investment decisions, growth, and the cost of capital (Marjohan, 2023). The firm's value plays a vital role by providing shareholders with information about its historical performance and future strategies. Additionally, it guides the company's funding policies, which can influence stock prices on the exchange and, consequently, the firm's overall value (Zahri et al., 2024).



Source: Indonesia Capital Market Directory

Figure 1. Average Value of Manufacturing Companies in 2014-2021

Based on the picture above, it can be seen that there is a change in the average company value every year, where in 2014 it had the highest average company value and then decreased until 2017. There was an increase again in 2017 and decreased slowly until it reached the level of 2.17 in 2021. If we look at it as a whole, there is a phenomenon of decreasing company value that occurred during the research period, namely from 2014 to 2021. This phenomenon makes it interesting to research further regarding the factors that can influence this decline.

One of the factors influencing a firm's value, whether high or low, is its financial performance. Return on Equity (ROE) serves as a metric to gauge the earnings available to shareholders for the capital they've invested in the company (Yahya & Fietroh, 2019). Calculating ROE helps to illustrate the company's capacity to generate returns on its capital; the higher the return generated, the stronger the company's reputation, and consequently, its value tends to increase. In general, the financial performance of manufacturing sector companies listed on the IDX in the 2014-2021 period experienced fluctuations in each period. The highest average value was in the 2020 period at 18.44% but then decreased again in 2021 to 13.65%. Of the entire observation period, 2014 was the lowest financial performance period, namely 12.1%.

Companies listed on the IDX typically feature a distinct organizational structure where there's a separation between company owners and managers. Initially, these companies may have been directly managed by their owners, but as circumstances change and owners find themselves unable to oversee operations directly, they delegate authority to managers to drive the company forward. Managers are then entrusted with the power to make crucial decisions that were

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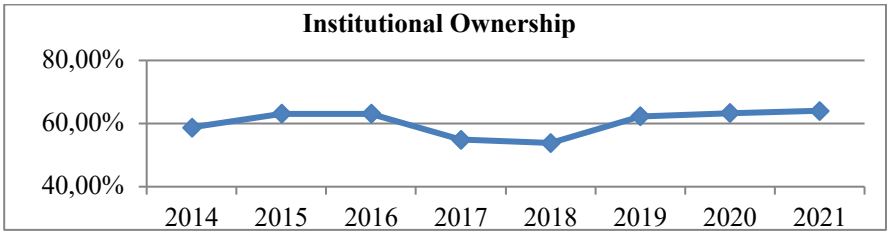
previously within the owner's domain. However, this delegation of authority can create a misalignment of interests between owners and managers. While owners seek to maximize wealth by focusing on the present value of cash flows generated by the company's investments, managers often prioritize increasing the company's growth and size. This dichotomy can give rise to agency problems.

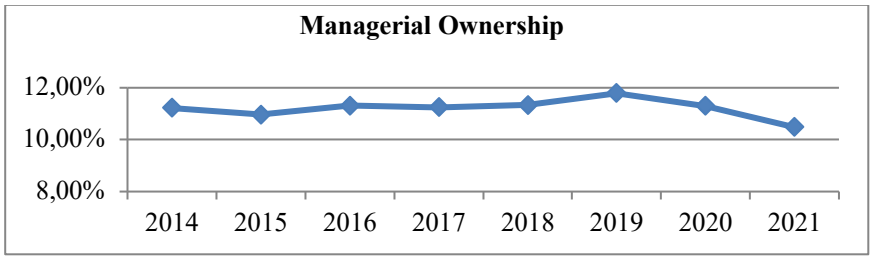
Agency theory can be seen as a contractual agreement between the principal (the company owner or majority shareholder) and the agent (in this case, the company manager) to conduct company operations. One strategy to mitigate agency conflicts is through share ownership by both internal shareholders (managerial ownership) and external shareholders (institutional ownership) (Nuraina, 2012).



Source: Indonesia Capital Market Directory

Figure 2. Average Institutional Ownership of Manufacturing Companies 2014-2021

Based on Figure 2, it is evident that the average institutional share ownership fluctuates annually. The presence of institutional investors can serve as a monitoring mechanism for the financial decisions made by managers. Institutional investors are actively engaged in strategic decision-making processes, which makes them less susceptible to believing in acts of profit manipulation.



Source: Indonesia Capital Market Directory

Figure 3. Average Managerial Ownership of Manufacturing Companies in 2014-2021

According to Figure 3, the composition of managerial share ownership has shown fluctuations over time. The peak average managerial ownership composition observed in the 2019 period was 11.79%, whereas the lowest average value recorded in the 2021 period was 10.47%. The ownership of shares by management facilitates oversight of policies implemented by company management. This is because managers, who are also owners of the company, directly reap the benefits of their decisions and also bear the losses resulting from poor decision-making. The dividend policy conditions are fluctuate. The highest dividend policy value represented through the DPR ratio in the 2019 period was 40.09%, while the lowest value was in the 2017 period of 18.55%. Another method to mitigate conflicts of interest, apart from institutional share ownership and managerial share ownership, is by enhancing the ratio of dividends to net profit. The expectation regarding the dividend policy is to minimize agency costs because dividend

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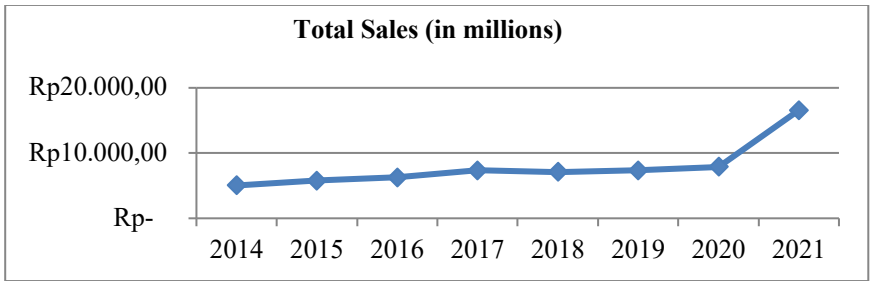
payments can provide positive information or signals to business prospects. Substantial dividend payments typically lead to an increase in share value. However, such payments may diminish the company's capacity to invest, consequently lowering its growth rate and resulting in a decline in overall company performance.



Source: Indonesia Capital Market Directory

Figure 4 Average Firm Size in Manufacturing Companies in 2014-2021

The sales level of manufacturing companies has increased. The highest level of sales in 2021 is 16,568 billion Rupiah. Company size is considered capable of influencing company value, where the larger the size or scale of the company, the easier it will be for the company to obtain funding sources, both internal and external. The size of a company is recognized as a factor capable of influencing its value (Goh et al., 2022). Generally, larger companies have greater access to funding sources, both internally and externally. A substantial company size signals growth and development, eliciting a positive response from investors and subsequently leading to an increase in the company's value. Furthermore, companies with high profitability tend to bolster investor confidence, enabling them to secure adequate funds. Consequently, these companies can enhance their performance, thereby augmenting their overall value.

Based on an earlier study, Thanatawee (2014) in his research informed that institutional ownership provides an effective monitoring role in increasing company value. According to Petta & Tarigan (2017), research on ownership structure and the kind of institutional ownership can have an impact on corporate financial performance since the direct association between institutional ownership factors has a strong beneficial influence. Din et al., (2019), and Gunawan & Wijaya (2020) indicated that their study findings apply to agency theory. Institutional majority ownership that participates in business control prevents managers from acting to prioritize their interests. Phenomena like these lead to decisions that are more in line with the interests of the business and its stakeholders. These two studies show that institutional ownership has a strong beneficial influence on return on equity (ROE), and institutional investors can help improve financial performance. In theory, these diverse studies reveal a strong correlation with the company's financial performance. However, there is still a minor or considerable unfavorable association. Aziza et al., (2020), and Andriyani et al., (2022) find a mismatch between the link between institutional ownership and financial performance with agency theory since institutional ownership in enterprises cannot yet be used to reduce agency or party conflicts. Institutions do not guarantee their financial performance. Artha et al., (2021) and Tarihoran et al., (2023) indicate in their research that a company's financial performance (for example, a bank) cannot be improved or lowered since the percentage (%) of institutional ownership is less than 50%. This is due to statistical research indicating a correlation value of less than 50% and a likelihood value of more than 5%. According to Irsyad (2023), the drop in

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financial performance induced by institutional ownership (not influential) may be mitigated by monitoring management performance to ensure that they are more effective and efficient in carrying out their tasks and achieving adequate profitability. Moudud-Ul-Huq et al., (2020) found that lower management ownership has a positive effect, whereas larger managerial ownership is harmful to firm value, and that company value affects managerial ownership favorably. At the firm. According to Zulfikar et al., (2020); Setyaningsih & Aufa (2022); Arief, H et al., (2023) management ownership can have a positive impact on a company's financial performance if the number of shares owned by managers decreases agency expenses. It was also said that by owning firm shares, managers aim to immediately feel the rewards of every action they make. In other words, the higher the level of managerial ownership, the better the company's management will be, resulting in higher financial performance. However, if the number of shares owned is not properly controlled or owners are unable to supervise external shareholders, the company's financial performance will suffer (Romadoni & Pradita, 2022). In the words of Kusumardana et al., (2022), and Sutrisno & Riduwan (2022) while their research findings show that managerial ownership has a positive impact, top managers can be more consistent in carrying out company activities to align the interests of management and shareholders and improve company financial performance. This study found that management ownership has a considerable impact on financial success. However, some associations remain inconsequential or bad. Alhassan & Mamuda (2020) and Ogbonna et al., (2022) asserted that a company's financial success is dependent on management ownership, even though the research findings revealed no significant relationship between managerial ownership and financial performance. Other writers argue that study findings contradict agency theory since management ownership does not improve financial performance (Wardhani & Suwarno, 2021; and Bagaskara et al., 2021). According to Purbawangsaa & Rahyudaa (2021) research findings, dividend policy can affect financial performance, which indicates that as the quality of dividend policy decisions improves, so will financial performance. Hermansyah (2023) agrees with this idea, stating that dividend policy has a significant impact on the company's financial success and shareholder investment decisions. According to him, organizations should carefully consider establishing an acceptable dividend policy to boost investor trust and achieve solid financial success. Meanwhile, Syafitri & Hidayati (2023) believe that the bigger the value of dividends issued to shareholders, the better the company's performance will be evaluated, and therefore the company's financial performance will improve. However, dividend policy can negatively impact the company's financial success. Lestari (2018) and Nuzil (2017) revealed that the findings of their research revealed inconsistencies with Miller and Modligiani's (MM) theory of irrelevant dividends, which stated that dividend policy was irrelevant, meaning it had no impact on the company's financial performance. Yuliana & Sulistyowati (2023) also said that dividend policy does not influence financial performance since firms that give dividends in large or small quantities do not affect the company's performance. It is also noted that corporations that distribute significant dividend profits would have lower retained earnings. Research by Nasution et al., (2021) and Sari & Wahyudiono (2023) suggests that, the higher the return on equity (ROE), the lower the price book value (PBV). This insignificant value indicates that return on equity does not significantly influence price book value. Colline (2023) ROE is an indicator of company profitability, and PBV is an indicator of company value so if ROE has a positive effect on PBV, it means that profits will be higher, thereby increasing company value. It was further explained that greater profitability indicates better operational activities and company growth so that investors have greater confidence in the company. Jajang (2022) provides information about the significance level of ROE, which is an indicator of the level of performance achieved by the company so increasing the value of the company in the

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eyes of investors depends on the company's performance. This ultimately determines investors to invest in the company. Supporting this, the research results of Hani et al., (2023) explain the significant and positive impact of ROE on PBV, emphasizing the important role of increasing profitability in driving overall company value. In other words, ROE can significantly increase price book value (Ibnu & Fadli, 2023). However, the results of other research (Akbar, 2021) reveal that ROE also has an insignificant effect. In other words, the higher the ROE, the greater the company's ability to gain a profit, and conversely a low ROE results in a decrease in profits (Aryani & Laksmiwati, 2021; Ikawidjaja et al., 2023); and Adhiguna, 2023). The study of Pratama & Wiksuana (2018) explains that firm size has a significant positive effect on firm value, which means that the larger the firm size of a company, the greater the value of that company. Meanwhile, the study by (Oktoriza & Puspitasari, 2023) shows that firm size does not affect firm value. Other authors reveal that firm size does not influence company value (Sari & Ayu, 2019; Sinaga et al., 2022). Apart from that, the study by Agustina & Malau (2023) shows that firm size can provide moderation between independent variables on PBV. Next, firm size has no direct effect on firm value (Santoso & Junaeni, 2022), but can also have a direct and significant positive effect as per research conducted by (Santoso & Junaeni, 2022; Irawati et al., 2022; and Isnaeni et al., 2021).

Research Gap

The multiple study gaps listed above reveal differences in conclusions about the impact of institutional ownership, management ownership, and dividend policy on financial performance. In other words, earlier research (for example, Aziza et al., 2020; Wardhani & Suwarno, 2021; and Romadoni & Nungki, 2022) encounter the *theoretical gap* that differs from this study. Because prior studies employed the same factors as this one but did not include firm size as a moderator variable in the link between return on investment and price to book value. Thus, the goal of the study is to scientifically assess and explain the impact of these variables on financial performance, which has the potential to affect corporate value. Furthermore, this study aims to analyze how firm size influences this connection. Aside from that, this study is vital to do since a huge business size signifies growth and development, as well as a positive response from investors, which will eventually boost the firm's worth.

LITERATURE REVIEW AND HYPOTHESIS

Signaling and Agency Theory

According to Lotfi (2019), financial theory has been enhanced since the 1970s with the introduction of several signal models. These models draw inspiration from the research conducted by Spence (1974) and Riley (1975) and aim to provide logical explanations for business behavior regarding capital structure and dividend policy. The Ross 1977 model, which pertains to dividend matters, provides an elucidation of Lintner's 1956 discoveries about managers' hesitancy to decrease the customary payout amount (Lotfi, 2019). This approach operates on the assumption that managers will face consequences if they try to convey misleading information. (Taufik, 2016) argues that signaling theory postulates that managers possess precise knowledge regarding the company's worth, which may be unknown to investors, and are motivated to optimize earnings. He claims that this assumption is founded on the presence of asymmetric information, which refers to a situation where one party possesses knowledge that the other side may be unaware of. According to Jensen and Meckling, 1976 as described by Hidayat (2022) agency theory argues that executives operate in their self-interest, hence a mechanism is required to ensure that executives do not overlook the interests of shareholders. According to Jansen and Meckling, organizations with the finest capital structure,

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for example, are less likely to experience shareholder-manager disputes (Ummah & Yuliana, 2023). It was further noted that this causes issues known as agency problems. Office concerns create a conflict of interest for directors and shareholders. Brokerage issues cause shareholders to bear representation costs, specifically capital representation costs connected with regulating administrative operations (Ummah & Yuliana, 2023).

Institutional ownership (IO)

Institutional ownership is a form of ownership of a company whose ownership is owned by both institutions and institutions known as institutional ownership (Irsyad, 2022). According to Jensen & Meckling, 1976, this has various significant roles and meanings in terms of company observation and management which is caused by the fact that ownership by an institution can have an impact on the company working more carefully due to additional supervision from the institution (Irsyad, 2022). According to (Rebecca & Siregar, 2015), institutional ownership can be used as a tool to reduce agency conflict. A healthy corporate governance structure is an important indicator that creditors consider when determining a company's risk premium (Soebagyo & Iskandar, 2022). The IO indicator can be calculated using the formula: IO = number of institutional shareholding: number of outstanding shares x 100% (Fitriatun et al., 2018).

Managerial ownership (MO)

As stated by Irsyad (2022) managerial ownership is defined as ownership in which management plays an active role. This style of ownership provides significant advantages if the management shares in the ownership of the firm in issue, as the manager will gain if the company earns a profit Fitriatun et al., (2018) following Sudarsi 2008, defined managerial ownership as shareholders who are actively participating in decision-making. Meanwhile, according to Melinda 2008, managerial ownership is the percentage of votes regarding shares and options controlled by firm managers and commissioners (Fitriatun et al., 2018). Ogbonna et al., (2022) managerial ownership is a structure where management also has a percentage of shares in a company. According to Putra and Chabachib (2013), managerial ownership (MO) indicators can be calculated using the formula: MO = Number of Management Shares: Number of Outstanding Shares × 100% (Romadoni & Pradita, 2022).

Dividend Payout Ratio (DPR)

As stated by Harjito & Martono (2014) dividend policy is the choice of whether a company's profits will be dispersed to shareholders as dividends or kept earnings to fund future investments. If the corporation chooses to distribute profits as dividends, it reduces retained profits while also reducing the overall source of internal cash or financing. On the other hand, if the corporation decides to retain its earnings, it will have a larger potential to create internal cash. According to Yuliana & Sulistyowati (2023), a dividend policy is a policy that determines the size of the retained earnings that will be distributed to shareholders. According to Husnan and Pudjiastuti quoted by Yuliana & Sulistyowati (2023), dividend policy is a policy that concerns the use of profits that are the rights of shareholders, which will later be distributed in the form of dividends or retained to be reinvested in the company. According to Weston and Copeland as quoted in Ferina et al., (2015) dividend policy refers to the strategy or decision-making process regarding whether profits generated by the company are distributed to investors in the form of dividends or kept within the company as income to fund future investments. Nuzil (2017) dividend policy refers to the strategy or decision-making process regarding whether profits generated by the company are distributed to investors in the form of dividends

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or kept within the company as income to fund future investments. DPR = dividend per share: earning per share x 100, where dividend policy is represented by the proxy of the Dividend Payout Ratio (DPR) (Nuzil, 2017).

Financial performance (ROE)

According to Barlian quoted by Erawati1 et al., (2022), financial performance is the prospect or future, growth, and potential for good development for the company. Financial performance information is needed to assess potential changes in controlled economic resources to predict production capacity from available resources. Financial performance can be measured using return on equity. Following Kasmir (2016), return on equity (ROE) is the return or profitability of own capital, measured as a ratio of net profit after tax to own capital. as reported by Fahmi 2015 cited by Akbar (2021) ROE is a statistic that measures how well a firm uses its resources to generate a return on equity. According to (Alipudin & Resi Oktaviani, 2016), ROE is an analytical instrument used to estimate the extent to which an investor's investment in a firm may deliver returns that meet their expectations. The formula for calculating ROE is as follows (Nasution et al., 2021): ROE = Net Income: Total Equity x 100%. Financial performance is represented by the proxy of Return on Equity (ROE).

Price to Book Value (PBV)

Price to book value (PBV) is one of the market value ratios of financial report analysis that compares the market price with the book price of a share (Ibnu & Fadli, 2023). This ratio displays how many times the market value of a share is appraised by the Book Value of a share. A company's financial management aims to maximize the value of shareholder wealth. Company value is very important because high company value will be followed by high shareholder prosperity (J. Keown et al., 2015). Based on Nasution et al., (2021) and Fitriatun et al., (2018) company value is often proxied by price to book value (PBV), namely the comparison of share prices to the company's book value or Price Book Value which shows the level of the company's ability to create value relative to the amount of capital invested. Price to book value can be interpreted as the result of a comparison between the share price and the book value per share. Nasution et al., (2021) also quoted Adam 2015 who explained that the company's success in creating PBV certainly gives hope to shareholders in the form of greater profits. Price Book Value is the link between stock price and book value. This ratio is used to examine the price per share in the market compared to the book value per share and to predict if a share has fair value, is undervalued, or even overpriced (S. N. Sari & Wahyudiono, 2023). PBV can be calculated using the formula = closing price x book value of share x 100% where firm or company value is represented by the proxy of Price to book value (PBV) (Nasution et al., 2021).

Firm Size

Following Malau, 2020, as stated by Agustina & Malau (2023), firm size is determined by total assets and actual policies are believed to have the potential to improve the value of corporate assets. According to Brigham & Houston (2015) Furthermore, it is also explained that company size is an indicator of the condition or characteristics of a company. There are several parameters in determining the size of a company, such as the number of employees used in company operations, the number of assets owned by the company, the company's total sales in one period, and the number (Hamdani et al., 2020). Furthermore, it is explained that company size is an indicator of a company's condition or characteristics, with several parameters used to determine the size of a company, including the number of employees used in company

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operations, the number of assets owned by the company, the company's total sales in a given period, and the number of shares held. circulating.

The Influence of Institutional Ownership (IO) on Return on Equity (ROE)
Institutional ownership is a form of ownership of a company over its ownership which can be used to reduce company conflicts and improve the company's financial performance. This is following some evidence from research results which show that institutional ownership has a positive and significant effect on return on equity (for example Din et al., 2019, Gunawan & Wijaya, 2020). Based on this, it can be hypothesized:
H_1: Institutional Ownership Influences on Return on Equity.

The Influence of Managerial Ownership (MO) on Return on Equity (ROE)
Apart from IO having an impact on ROE fluctuations, managerial ownership can also influence the return on equity. Because managerial ownership is principally related to the company's ability to decide on the distribution of ownership internally and externally about shareholders. This means that the decisions taken by the company can have an impact on the company's financial performance. This follows several previous studies that prove that managerial ownership has both positive and negative effects on financial performance (Zulfikar et al., 2020, Ogbonna et al., 2022). Based on this, it can be hypothesized:
H_2: Managerial Ownership Influences on Return on Equity.

Dividend Payout Ratio (DPR) on Return on Equity (ROE)
Dividend policy is a policy that concerns the issue of using profits that are the rights of shareholders, which will later be distributed in the form of dividends or retained to be reinvested in the company (Husnan and Pudjiastuti quoted by As a result, return on equity is a technique for increasing a company's profitability. In other words, the use of the company's resources must be capable of contributing to the effective and efficient use of earnings to create profits that meet investor criteria. This indicates that DPR can yield returns on investment (ROE). Previous studies have found both positive and negative implications on ROE (Hermansyah, 2023**;** Lestari 2018; and Yuliana & Sulistyowati, 2023). The study hypothesis is:
H_3: Dividend Payout Ratio influences on Return on Equity.

The Influence of Return on Equity (ROE) on Price to Book Value (PBV)
Apart from being influenced by various independent factors, ROE can also influence company value which is proxied by price to book value (PBV). PBV is a way for companies to find out whether the resulting company value can encourage investors to invest their capital or vice versa. So, the company's ability to generate profits using its capital can influence the company's value. If a company has a low ROE, PBV will also decrease. This is also explained in several previous studies that ROE has an important role in influencing PBV (Jajang, 2022; Hani et al., 2023). The study hypothesis is:
H4: Return on Equity influences on Price to Book Value.

The impact of Return on Equity (ROE) on Price to Book Value (PBV), and Company Size as a mediator of this connection.
As previously stated, ROE directly influences the return on equity. Other factors, such as firm size, can have an impact on this association, though. The influence might both strengthen and weaken the link between ROE and PBV. In many research, firm size has been found to moderate the influence of independent factors on PBV (Agustina & Malau, 2023).

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H4: Firm size moderates the relationship between Return on Equity and price-to-book value

Based on the description above, the research framework can be illustrated in Figure 5 below.

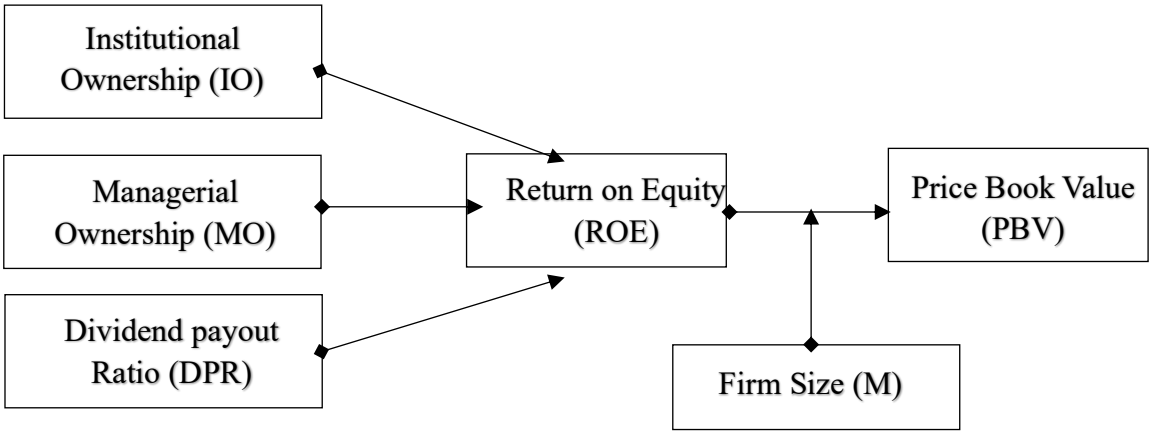

Figure 5. Research Thinking Framework

METHOD

This research is based on a quantitative methodological research approach. The data source used in this study is a secondary data source in the form of documentation presented in electronic format. The population used is all manufacturing companies listed on the IDX for the 2017-2021 period of 120 companies. The sample was determined using a purposive sampling method with the criteria is the firm's shares are actively traded, must have institutional and managerial share ownership, gave cash dividends to shareholders, and has complete quarterly financial statements. The samples are PT. Duta Pertiwi Nusantara Tbk (DPNS), PT. Indofood Sukses Makmur Tbk (INDF), PT. Kedawung Setia Industrial Tbk (KDSI), PT. Lionmesh Prima Tbk (LMSH), PT. Pyridam Farma Tbk (PYFA) and PT. Happy Perfect Tbk (SMSM). Verification analysis in this study is used to test how much influence institutional ownership, managerial ownership, and policies have on financial performance which will have implications for firm value which is moderated by firm size using Moderated Regression Analysis (MRA).

The operational definition of each variable is given in Table 1.

Table 1. Operational of Definition Variables

Variable	Definition	Indicators
Institutional ownership (IO)	IO: ownership of one company against its ownership owned by both institutions and institutions which is used to reduce agency conflict (Soebagyo & Iskandar, 2022).	**IO** = number of institutional shareholding/number of outstanding shares x 100% (Fitriatun et al., 2018)
Managerial ownership (MO)	MO: percentage of votes relating to shares and options owned by company managers and commissioners (Fitriatun et al., 2018).	**MO** = Number of Outstanding Shares× 100% (Romadoni & Pradita, 2022)
Dividend Payout Ratio (DPR)	DPR: the decision-making process regarding whether profits generated by the company are distributed to investors in the form of dividends or kept within the	DPR = dividend per share: earning per share x 100. (Nuzil, 2017)

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Variable	Definition	Indicators
	company as income to fund future investments (Ferina et al., 2015).	
Return on Equity (ROE)	ROE: This ratio tests the extent to which a company uses its resources to be able to provide a return on equity (Akbar (2021).	ROE = Net Income: Total Equity x 100%. (Nasution et al., 2021)
Price Book Value (PBV)	PBV: the ability of a corporation to produce value from its capital investment. (Nasution et al., 2021).	PBV= closing price x book value of share x 100% (Nasution et al., 2021)
Firm Size (M)	PBV: the ability of a corporation to produce value from its capital investment. (Nasution et al., 2021).	M = Total log of total asset (Hidayat, 2022)

Based on the description of the research framework above, the regression model used in the research is formulated as follows:

$ROE = \alpha + \beta_1 IO + \beta_2 MO + \beta_3 DPR + \varepsilon$..... sub structur I

$PBV_1 = \alpha + \beta ROE + \varepsilon$ ..... sub structur II

$PBV_3 = \alpha + \beta_1 ROE + \beta_2 M + \beta_3 ROE.M + \varepsilon$ ..... sub structur III

RESULTS AND DISCUSSION

Result

Descriptive Statistical Analysis

Descriptive statistical tests are designed to offer an overview or description of data based on the lowest value, maximum value, average value, and standard deviation of each variable in line with the structural model that was developed. Table 2 displays descriptive statistical data.

Table 2. Descriptive Statistical

Variable	N	Minimum	Maximum	Mean	Std. Deviation
IO	120	0.490	0.840	0.634	.12249
MO	120	.00	0.260	0.104	.09393
DPR	120	0.010	0.860	0.379	.23284
ROE	120	- 6.610	42.330	7.355	10.32075
PBV	120	0.400	7.310	2.298	1.89728
SIZE	120	1808.000	1713946.00	323692.400	446462.130

Source: Processed by research using IBM SPSS Statistics 22.0

Based on table 2 above, indicates that institutional ownership, which is proxied by the IO value in the research sample, has an average value of company ownership of 0.634 (63.40%) with a standard deviation of 0.1224. This means that a standard deviation that is smaller than the average IO value indicates that the distribution of the data variables is small or that there is no large enough gap between the highest and lowest IO values. The IO variable has a minimum

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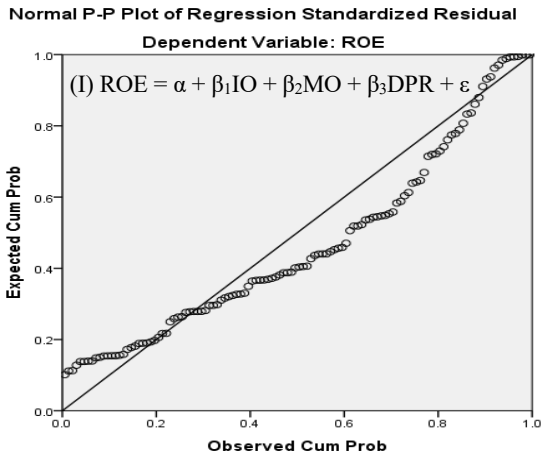
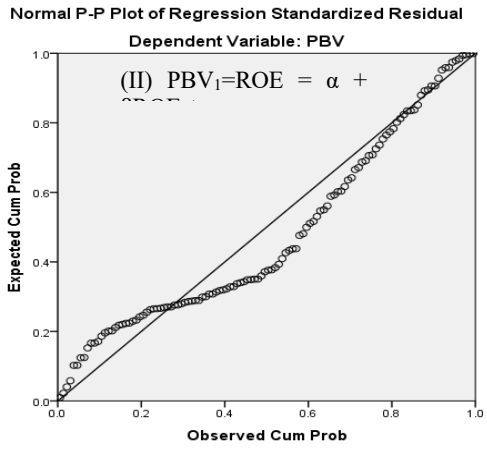
value of 0.490, including Jaya Pari Steel Tbk (JPRS), Duta Pertiwi Nusantara (DPNS), and Astra International Tbk (ASII), while the maximum value is 0.840, including Selamat Selamat Tbk (SMSM), and Indofood Sukses Makmur. Tbk (INDF). Next, managerial ownership, which is proxied by the MO value, is the research sample, which has an average value of company ownership of 0.104 (10.40%) with a standard deviation of 0.0939. This means that a standard deviation that is smaller than the average MO value indicates that the distribution of the data variables is small or that there is no large enough gap between the highest and lowest IO values. The MO variable has a minimum value of 0.00, including Selamat Selamat Tbk (SMSM), Indofood Sukses Makmur Tbk (INDF), while the maximum value is 0.260, including Lionmesh Prima Tbk (LMSH), Kedaung Setia Industrial Tbk (KDSI), Pyridam Farma Tbk (PYFA).

The dividend policy refers to or dividend payout ratio variable which is proxied by the DPR value and has an average value of company ownership of 0.379 (37.90%) which is greater than the standard deviation of 0.2328, which means there is no significant gap between the highest and lowest DPR values. The minimum DPR value of 0.010 includes Selamat Jaya Pari Steel Tbk (JPRS), Duta Pertiwi Nusantara (DPNS), and Astra International Tbk (ASII), while the maximum value of 0.860 includes Lionmesh Prima Tbk (LMSH), Kedaung Setia Industrial Tbk (KDSI), Pyridam Farma Tbk (PYFA). Meanwhile, the return on equity (ROE) variable has an average value of 7,355 which is smaller than the standard deviation (10,320), giving rise to a significant gap between the highest and lowest values. The lowest scores include Perfect Tbk (SMSM), Indofood Sukses Makmur Tbk (INDF), while the companies with the lowest scores include Lionmesh Prima Tbk (LMSH), Kedaung Setia Industrial Tbk (KDSI), Pyridam Farma Tbk (PYFA). Price book value (PBV) and company size also have the highest value and the lowest value which is not significant.

Classical Assumption Testing

Normality, heteroscedasticity, and multicollinearity tests are all examples of classical assumption tests. The normality test determines whether or not the dependent and independent variables in a regression model have a normal distribution. To determine whether or not the research data is normally distributed, two methods can be used: a normality plot using the SPSS tool, as shown in Figure 7. Test results: Data normality is determined by the regression model for each previously defined substructure of the model.





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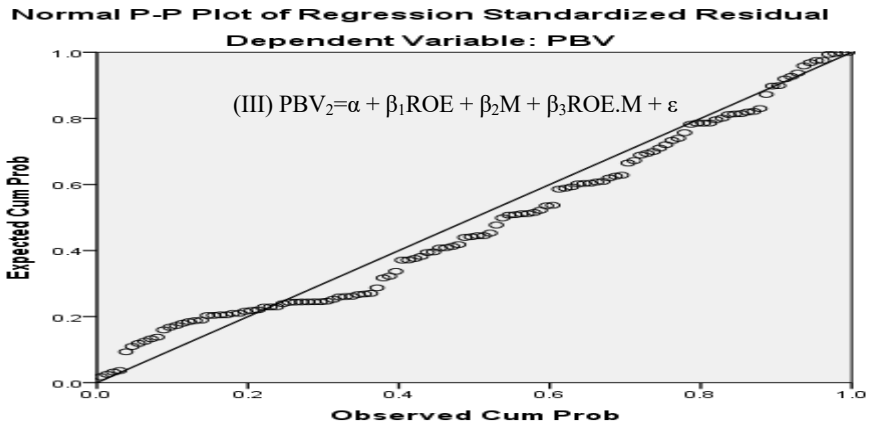

Figure 6. Various of Data Normality Test Results

Figure 6 depicts the normal probability plot for all structural models (ROE, PBV1, and PBV2), demonstrating that the data for each variable utilized in the study is normally distributed. This is demonstrated by the data or dots that spread about and follow the diagonal line in each SPSS result. Next, the secondary data in this study should be evaluated for heteroscedasticity. The test's goal is to determine if there is an inequality in variance in the regression model between the residuals of one observation and another. Figure 7 shows an overview of the heteroscedasticity test findings.

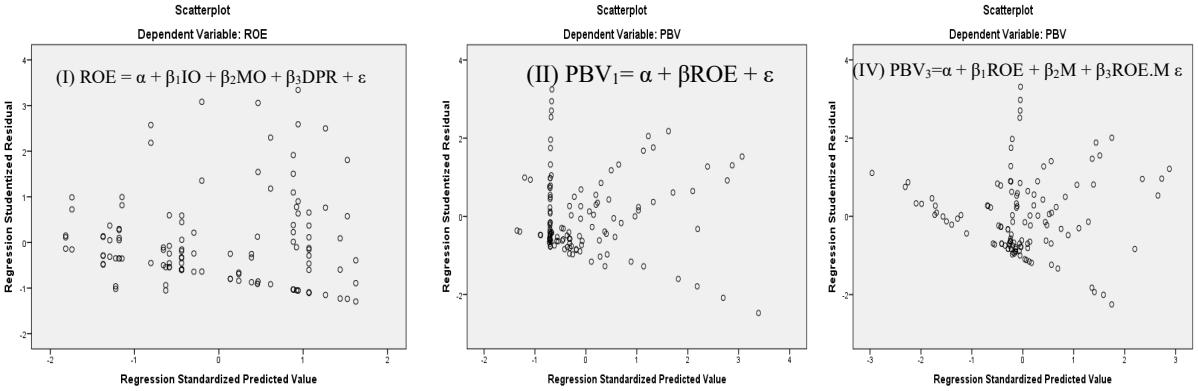

Figure 7. Various of Data Heteroscedasticity Test Results

The test results as in Figure 7 above are a way to find out whether heteroscedasticity is occurring or not, namely by looking at the graph plot between the predicted value of the dependent variable, namely ZPRED, and the residual SRESID. The test results show that heteroscedasticity does not occur because there is no clear pattern and the points are spread above and below the number 0 on the Y axis. Next, the multicollinearity test is used to determine whether or not there are deviations from the classical assumption, namely the existence of a linear relationship between independent variables in a regression model. Test criteria: if the VIF value is < 10 then multicollinearity does not occur, and if the VIF value is > 10 then multicollinearity occurs. To see whether there is multicollinearity in the regression model in general, it is shown in Table 3 below.

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Table 3. Summary of Multicollinearity Testing

Structural Model	VIF Variable						Tolerance Variable					
	IO	MO	DPR	ROE	M	ROE.M	IO	MO	DPR	ROE	M	ROE.M
$ROE = \alpha + \beta_1IO + \beta_2MO + \beta_3DPR + \varepsilon$	1.459	1.322	1.187	-	-	-	0.686	0.756	0.842	-	-	-
$PBV_1 = \alpha + \beta ROE + \varepsilon$	-	-	-	1.000	-	-	-	-		1.000	-	-
$PBV_3 = \alpha + \beta_1ROE + \beta_2M + \beta_3ROE.M \varepsilon$	-	-	-	1.414	1.829	1.989	-	-	-	0.707	0.547	0.503

Source: Processed by Author using IBM SPSS Statistics 22.0

Table 3 above displays the results of the multicollinearity test for each structural model. The sub-structure model yields tolerance values of more than 0.10 and VIF values of less than 10. As a result, this research model has no multicollinearity issues, making the regression model on the sub-sub structure possible.

Hypothesis Testing

The outcomes of hypothesis testing in this study will be reported or explained using the previously developed structural model. Table 4 shows a summary of test results based on this model.

Table 4. Summary of Statistical Test Results Based on Structural Models

Structural Model	Variable	β	t Count	t table	Sig.
$ROE = \alpha + \beta_1IO + \beta_2MO + \beta_3DPR + \varepsilon$	IO	-2.938	-0.328	1.981	0.743
	MO	-15.885	-1.43		0.156
	DPR	12.248	2.884		0.005
$PBV_1 = \alpha + \beta ROE + \varepsilon$	ROE	0.079	5.156		0.000
$PBV_2 = \alpha + \beta_1ROE + \beta_2M + \beta_3ROE.M \varepsilon$	ROE	0.086	5.288		0.000
	SIZE	-9.736	-2.273		0.025
	ROE.M	-1.448	-2.306		0.023

Source: Processed by Author using IBM SPSS Statistics 22.0

Based on Table 4 above, sub-structure model I ($ROE = \alpha + \beta1IO + \beta2MO + \beta3DPR + \varepsilon$) shows that the IO variable has a calculated t value of 0.328 which is smaller than the t table value of 1.981, and a significance value of 0.743 which is greater from an α value of 0.05. The same thing happens to the MO variable, the calculated t value is smaller than the table t, and the sig value. greater α 0.05. Because t count<t table, p-value> α, then H1 and H2 are rejected. In contrast to the DPR variable which has a calculated t value of 2,844 which is greater than the t table, and the sig value. smaller than 0.05. Therefore, H3 is accepted, which means that DPR has a positive and significant effect on Return on Equity (ROE). If substituted for the first sub structure model, ROE = 6.233 + (-2.293)IO + (-1.43)MO + 12.248(DPR) + ε. This model means that an α value of 6.233 indicates that the ROE for companies listed on the Indonesia Stock Exchange for the 2017-2021 period will be 6.233 if the IO, MO, and DPR variables are 0. In addition, if there is a decrease in the IO score by one unit, then ROE will decrease by -2,293 if the MO and DPR variables are considered constant or unchanged. A similar thing also happens to the MO score, namely if there is a decrease in the MO score by one unit, then ROE will decrease by -1.43 if the IO and DPR variables are considered constant or do not change.

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Meanwhile, if the score increases by one unit on the DPR variable, the return on equity (ROE) will increase by 12,248 assuming the IO and MO values are constant. Thus, the DPR variable has a stronger and more dominant influence on ROE compared to other variables.

Furthermore, the second structural model (PBV1= α + βROE + ε) shows that the ROE variable has a calculated t value of 5,156 which is greater than the t table value of 1,981, and a significance value of 0.000 is smaller than the α value of 0.05. Because t count>t table, H4 is accepted, which means that ROE has a positive and significant effect on firm value/price book value (PBV1). If substituted for the second sub-structure model, PBV1 = 1.718 + 0.079ROE + ε. This model means that PBV for companies listed on the Indonesia Stock Exchange for the 2017-2021 period will be worth 1,718.

Finally, based on Table 3 above, the third structural model (PBV2 = α + β1ROE + β2M + β3ROE.M + ε) shows that the IO variable has a calculated t value of 5,288 which is greater than the t table value of 1,981, and a significance value of 0.000 < the α value of 0.05. The same thing happens to the MO variable, the calculated t value is smaller than the table t, and the sig value. greater α 0.05. Because t count > t table, p-value < α which means that firm ROE has a positive and significant effect on PBV2. Meanwhile, firm size (M) has a calculated t value of -2.273 > t table (1.981), and p-value < 0.05. This means that ROE has a significant but negative effect on PBV2. Meanwhile, the results of the Model Regression Analysis (MRA) test for the ROE variable multiplied by M (ROE.M), and its effect on PBV2 show that there is a significant negative effect. Because the calculated t value is -2.304 > t table, and the p-value < 0.05, which means H5 is accepted. This means that company size (M) has a significant moderating value but the influence is negative. In other words, the size variable provides a negative moderating effect on the relationship between ROE and PBV. If substituted for the fourth sub-structure model (III), PBV2 = 2.209 + 0.086ROE + (-9.736)M + (-1.448)ROE.M + ε. This model means that an α value of 2,209 indicates that PBV2 in companies listed on the IDX for the 2017-2021 period will be worth 2,209 if the ROE, M, and ROE.M variables are 0. In addition, if there is an increase in the ROE score by one unit, then PBV2 will decrease by 0.086 if the variables M and ROE.M are assumed to not change. This is different from the M score, namely if there is a decrease in the M score by one unit, then PBV2 will decrease by -9.736 if the ROE and M variables are constant. This is similar to the ROE.M score, namely if the score decreases by one unit, then PBV3 will be -1,448. In this model, ROE is still the dominant variable which has a significant influence on PBV.

Discussion

The t-test findings reveal that institutional ownership does not influence financial performance (the proxy is ROE) because the ***ρ*** value is larger than 0.05. The results of this research demonstrate that institutional ownership does not make a substantial contribution to return on equity (ROE). This signifies that the firm's ownership structure operates as a party that oversees company management and has not been able to enhance financial performance. The more institutional ownership in the company's ownership structure, the bigger the role of institutional voice and encouragement in decision-making to oversee management, and can give stronger motivation to maximize financial performance **(Gunawan & Wijaya, 2020)**. However, the findings of this research suggest the reverse, institutional ownership has not resulted in considerable corporate financial performance. The results of this research are not related to the results of research performed by Petta & Tarigan (2017); Din et al., (2019); and Gunawan & Wijaya (2020) reveal that financial performance as proxied by ROE has witnessed an increase

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owing to appropriate institutional ownership. This indicates that the firm as an institution can carry out optimal supervision, and the company's authority (power) aids management in achieving profits. Meanwhile, the results of this research show that the firm is suffering a decrease, or has the potential to experience a drop in financial performance (return on equity) since it still requires strong assistance and supervision in the future. Apart from that, the outcomes of this research apply to other research, namely: Aziza et al., (2020), and Andriyani et al., (2022) which prove that financial performance about profitability (ROE) has reduced owing to less than ideal supervision. This research also verifies agency theory, meaning that executives work in their interests, thus a system is needed to guarantee that executives do not overlook the interests of shareholders (Jensen and Meckling, 1976 referenced by Hidayat (2022). This suggests that the firms investigated in this research reveal There is still a conflict of interest between shareholders and managers. This indicates that there has to be clear interaction between shareholders and firm management about the control of company assets. Following this, Abedin et al., (2022) study reveals that not just strong monitoring by institutions as shareholders (institutional ownership), but also by independent directors is the basis for a good association between institutional ownership and the company's financial success. Independent board members, with substantial experience and ability, along with monitoring capabilities and base A vast network will reinforce the beneficial association between institutional ownership and corporate financial success.

The t-test findings reveal that managerial ownership has no significant influence on financial performance because the p-value is bigger than the significance value α (0.05). The results of this research do not follow the conclusion of Moudud-Ul-Huq et al., (2020) that lesser management ownership has a favorable effect, and larger managerial ownership is harmful to business value, and in turn company value also has a beneficial influence on managerial ownership at the firm. This suggests that the bigger the amount of management share ownership, the better the company's financial success. In organizations with managerial ownership, managers who are also shareholders will of course match their interests as managers with their interests as shareholders. Apart from that, the results of this research contradict previous research by Zulfikar et al., (2020), and Setyaningsih & Aufa (2022) which revealed: that the greater the managerial ownership, the more optimal management is in managing a company, and can guarantee an increase in the company's financial performance. Another study suggests that managerial ownership can enhance management incentive to work harder and pay more attention to the firm's financial performance (ROE) in the long run to offer advantages for the company and shareholders Altania & Tanno (2023). So, the findings of this research demonstrate that there is a conflict of interest between managers in the context of shareholders, which has the potential to result in certain actions that might lower the company's financial performance. This signifies that there is a deterioration in financial performance because certain shareowners have not actively participated in decision-making linked to financial success. This has also been established in prior studies that managerial ownership is unable to influence the company's financial success (Zulfikar et al., 2020, Ogbonna et al., 2022). The company's financial success is a consequence of its capacity to manage money with positive value (profitability), provided shareholders actively engage in every decision-making process. This is linked to the notion of managerial ownership that management ownership as stockholders must actively engage in decision-making (Sudarsi, 2008). Thus, the results of this research in theory reflect the company's failure to manage assets to create net profits through ROE.

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The research results follow the proposed hypothesis, namely that dividend policy is proxied by the Dividend Payout Ratio (DPR) which affects financial performance (ROE) because the p-value is smaller than 0.05. The results of this research are in line with the opinion of Purbawangsaa & Rahyudaa (2021) who explain that dividend policy can influence financial performance, meaning that if the dividend policy decisions taken are of good quality, there will be an increase in financial performance. If the company chooses to distribute profits as dividends, it will reduce retained earnings and further reduce the total sources of internal funds or internal funding. On the other hand, if the company chooses to maintain the profits it earns, its ability to form internal funds will be greater. In addition, these results confirm previous research which shows that dividend policy has a significant effect on financial performance (Hermansyah, 2023**;** Lestari 2018; and Yuliana & Sulistyowati, 2023). In line with these findings, Harjito & Martono (2014) have explained that if a company chooses to distribute profits as dividends, this will reduce retained earnings while reducing overall sources of cash or internal funding, whereas the company will have greater potential to generate internal cash if it decides to retain the profit. In other words, the research results indicate that return on equity is the ability and efficiency to generate profits because the company can manage profits. This means that there is proof that the company is currently able to determine when and how much profit will be retained and distributed. This is also confirmed in studies such as Hermansyah (2023) that a sustainable and consistent dividend policy (proxied by the dividend payout ratio) can also improve a company's financial performance. It was also explained in the research that companies that distribute high dividends have a more significant level of profitability growth and better financial ratios, whereas the resulting profitability decreases along with the poor distribution of low dividends.

The research results show that there is a positive and significant influence of return on equity (ROE) on price book value (PBV) as a proxy for company value. These results are in line with research by Sari & Wahyudiono (2023) which reveals that the meaning of the significant relationship between ROE and PBV is that Return on Equity which is well managed will increase company value (PBV) because the level of ROE can influence investors to buy shares and will increase company value. Meanwhile, research results from Colline (2023) explain that company value (PBV) has increased because the company can manage its capital to generate profits. So, greater profitability indicates better operational activities and company growth, so that investors have greater confidence in the company (Colline, 2023). The results of this research confirm the opinion of Jajang (2022) that the significance level of ROE is an indicator of the level of financial performance achieved by the company because investors invest quality of the company's financial performance. The results of this research are also relevant to the research findings of Sari & Wahyudiono (2023) which explains that the increase in company value is due to the company's ability to be profitable every year, so investors are interested in investing. In other words, investors will be interested in investing if there is a positive signal or confidence in the return on equity. Apart from that, the research findings reconfirm the signaling theory confirmed by Oliveira et al., 2006 followed by Whiting & Miller's (2008) signaling theory that an organization will try to provide positive information signals to investors through an annual reporting mechanism.

Furthermore, the MRA test results show that company size (M) has a significant negative moderation value. The results of this research are not in line with Sari & Ayu (2019) who found that company size does not influence company value. However, similar to other research, Pratama & Wiksuana (2018) explained that the larger the size of a company, the greater the

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value of the company. However, the influence value is different, namely this research reveals that company size does not always increase company value, but can reduce company value. In addition, the findings of this research (MRA) show that the assets possessed by the firm (for example, total earnings, taxes, etc.) need to be managed by the company to maintain the link between financial achievement and corporate value. This means that this research inspires companies in the manufacturing sector to manage company assets comprehensively and understand or measure the suitability of company size with total assets and sales. This is in agreement with the notion of Brigham & Houston (2015) that firm size is the dimension of a company which is assessed by total assets, total sales, total profits, tax burden, and so on.

CONCLUSION

The outcomes of the research show that institutional and management ownership do not influence return on equity. This conclusion means that ownership of the structure has not resulted in substantial corporate success, and the firm has been unable to make judgments regarding overseeing management, resulting in poor financial performance. Aside from that, in terms of management, the proportion of managerial share ownership has yet to result in improved financial performance for the organization.

Meanwhile, dividend policies have a favorable and considerable impact on return on equity. This indicates that if the dividend policy choice is of high quality and appropriate to the company's interests, it will have a beneficial influence on financial success. Furthermore, return on equity has a positive and considerable impact on price-to-book value (PBV). These findings suggest that a significant level of ROE can boost firm performance, making investors more inclined to invest. Firm size has a negative and considerable impact on the link between return on equity and price to book value. According to the findings of this study, corporate size does not necessarily have a good influence, as prior research has shown.

Therefore, to boost financial performance (return on equity), corporate owners (institutions) watch more closely and work more carefully in the current period because the underlying premise of institutional ownership is a tool for decreasing agency conflicts. Furthermore, company management or managerial ownership needs to understand the function and role of ownership, and continuously increase management's work motivation related to the company's current and future financial performance (sustainable finance) to provide benefits for the company and shareholders. Apart from that, company leaders at the executive level need, especially in the manufacturing sector, to manage company assets completely and comprehend or evaluate the compatibility of company size with total assets, total sales, total profits, tax burden, and so on. In line with the findings of this research, firm size has a negative impact on the link between financial success and company value.

Based on the synthesis of past research findings given, it is possible to infer that some of the conclusions of this study are consistent with previous research, while others are not. These data demonstrate that institutional and management ownership have no meaningful influence on financial performance, although dividend policy does. Meanwhile, the moderating variable has a detrimental impact on the link between the independent and dependent funds. Apart from that, the IO, MO, and DPR variables in the study were solely assessed for their influence on ROE. As a result, additional study is required to examine these factors for both ROE and PBV.

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