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The Effect of Institutional Ownership and Dividend Policy on Company Value with Quality Earnings as an Intervening Variable

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A R T I C L E I N F O

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A B S T R A C T

The study is to determine the effect of institutional ownership and dividend policy on corporate value with earnings quality as an intervening variable in manufacturing companies listed in Indonesia Stock Exchange (IDX) for 2012-2016. The population in this study is 162 manufacturing companies. Sampling totaling 27 companies was done by purposive sampling. Data analysis methods used in this research are descriptive statistical analysis, classical assumption tests, fit model tests and Structural Equation Modeling (SEM) analysis. The results of this study indicate that: (1) Institutional ownership doesn't have an impact on profit quality with a significant value of 0.955 (0.955> 0.05), (2) Dividend policy has a positive and significant impact on profit quality with a significant value 0.032 (0.032 ≤ 0.05), (3) Institutional ownership has a positive and significant impact on corporate value with a significant value *** (<0.01) or (*** ≤ 0.05). (4) Dividend policy has a positive and significant impact on corporate value with a significant value *** (<0.01) or (*** ≤ 0.05), (5) Profit quality has a positive and significant impact on corporate value with a significant value 0.019 (0.019 ≤ 0.05), (6) Profit quality as intervening variable between institutional ownership on company value with a significant value 0.026 (0.026 ≤ 0.05), (7) Profit quality not as intervening variable between dividend policy on corporate value with a significant value 0.571 (0.571> 0.05)

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INTRODUCTION

Companies in running their business have a desire to increase the value of the company because the value of the company reflects the company's performance and can influence investors' perceptions of the company. The value of the company can be shown by the amount of assets owned by the company, besides that the value of the company can also be known from the market value or stock price. If the prosperity of shareholders is guaranteed, it is certain that the value of the company will increase and the prosperity of these shareholders will increase if the price of the shares owned will increase (Sartono, 2010: 17).

Income smoothing practices or manipulation of financial reports usually occurs due to agency conflicts. This conflict arises when a company is run by management, not the owner of the company. This agency conflict implies the existence of information asymmetry where management has more information about the condition and prospects of the company in the future.

Jao (2011:49) reveals that institutional investors are temporary owners who usually focus on *current earnings*. As a result, the owners of these institutions are not optimal in carrying out the *monitoring function* because they only focus on profits earned now and not on long-term performance. The focus of institutional investors on *current earnings* allows managers to be motivated to take actions that can increase short-term profits, for example by taking *income smoothing actions* that lead to poor earnings quality.

Haruman (2008), explains another factor that influences company value is dividend policy. Company policy in distributing dividends to shareholders is an important policy. The dividend distribution policy is to share the profits the company has earned with the shareholders.

This study chose to use a sample of companies that are members of the manufacturing industry. Manufacturing companies are companies whose activities buy raw materials, process raw materials and then sell them. The number of issuers listed on the Indonesian Stock Exchange (IDX), manufacturing companies include agriculture, mining, basic industries, various industries, consumer goods industry, property, basic utility infrastructure, trade in goods and services.

The choice of manufacturing companies as samples in this study is because researchers see the reality that various cases related to financial statement manipulation in Indonesia will have an impact on low earnings quality and decreased company value, such as the case that was carried out by PT. Kimia Farma Tbk. and Indofarma Tbk. in 2001. In addition, the sample selection of annual reports issued by manufacturing companies in 2012-2016, on the grounds that 2011 is the final preparation year for the implementation of IFRS for companies *going public* in Indonesia. Also in 2011, IFRS-based PSAK has begun to be implemented in stages then in 2012 and so on it has begun to be fully implemented.

Structural Equation Modeling (SEM) analysis it is possible that there are several dependent variables and these variables are possible to become independent variables for other dependent variables. Other statistical techniques usually only take into account variables that can be measured directly, whereas

in the social sciences variables often appear that cannot be directly measured (indirect relationship).

Based on previous research with inconsistent results, the researcher wants to re-examine whether institutional ownership and dividend policy consistently affect earnings quality and firm value. This research is a development of previous research conducted by Isti'adah (2015) who examined the Effect of *Corporate Governance Mechanisms* on Corporate Value with Profit Quality as an *Intervening Variable* (Empirical Study of Manufacturing Companies Listed on the IDX in 2011-2013). There are differences from current research with previous research regarding the variables used in the study. Previous research only used *Corporate Governance Mechanisms*, while current research uses Institutional Ownership and Dividend Policy as independent variables.

The research objective is to determine the effect of Institutional Ownership and Dividend Policy on Firm Value and Earnings Quality. Besides that, it is to determine the effect of Earnings Quality as an *Intervening Variable* for Institutional Ownership and Dividend Policy on Firm Value.

The results of this study are expected to provide benefits for the writer to add knowledge that can be applied in real life and when working in a particular institution. In addition, this research is also expected to provide input for companies (especially manufacturing companies listed on the IDX) as material for consideration and input for investment decision-makers.

Isti'adah (2015), shows that there is an effect of Earnings Quality on Firm Value, Institutional and Committee Ownership on Earnings Quality and Firm Value, and Earnings Quality is an *intervening variable* between Institutional Ownership on Firm Value. Jusriani (2013), shows the influence of Profitability, Dividend Policy, Debt Policy, and Managerial Ownership on Firm Value. Rachmawati and Triatmoko (2007), show that there is an influence of Managerial Ownership and Institutional Ownership which have a positive effect on Firm Value and Institutional Ownership and Dividend Policy have a positive and significant effect on Earnings Quality. Andinata (2010), shows the influence of Managerial Ownership, Institutional Ownership, Dividend Policy and Debt Policy on Firm Value in non-financial companies in 2007-2009.

THEORETICAL FRAMEWORK

Institutional Ownership

Wahyudi and Pawestri (2006), Institutional Ownership is share ownership by external institutions. Institutional investors often become the majority in share ownership. This is because institutional investors have greater resources than other shareholders, so they are considered capable of carrying out a good oversight mechanism.

According to Jao (2011: 49), reveals that institutional investors are *transit owners* who usually focus on *current earnings*. As a result, the owners of these institutions are not optimal in carrying out the *monitoring function* because they only focus on profits earned now and not on long-term performance. The focus of institutional investors on *current earnings* allows managers to be motivated to

take actions that can increase short-term profits, for example by carrying out *income smoothing actions* that lead to poor earnings quality.

Dividend Policy

Soemarto (2008), dividend policy is a decision whether the profits earned by the company at the end of the year will be distributed to shareholders in the form of dividends or will be withheld to increase capital to finance investment in the future. In general, *a proxy* for dividend policy is the *dividend payout ratio* which is used to determine the amount of profit divided in the form of cash dividends and retained earnings as a source of funding.

Profit Quality

According to Schipper and Vincent (2003: 113), profit information is an attractive component for external parties in making investment assessments and business cooperation decisions. Financial analysts use earnings information to predict the return on investment in the future. The board of commissioners and institutional owners use earnings information to assess company performance and the quality of company management. Meanwhile, shareholders need profit information as a basis for determining profit-based bonuses and awards to company executives. High earnings quality will increase the usefulness of financial reports as a basis for decision-making.

METHODS

Research Objects and Locations

The object of this research is a manufacturing company listed on the Indonesia Stock Exchange in 2012-2016. This research is descriptive quantitative research because it uses data in the form of numbers. This research was conducted using *annual report data* obtained from *www.idx.co.id* and other relevant sources obtained through *the Indonesian Capital Market Directory* (ICMD).

Samples and Research Sampling Techniques

Sugiyono (2010: 68), The sampling technique in this study used a *purposive sampling technique*, which is a sampling technique with certain considerations and criteria. The sample criteria used in the study can be seen in Table 1:

Table 1. Sample Selection Process

No.	Information	Amount
1.	Manufacturing companies listed on the Indonesia Stock Exchange (IDX) during 2012-2016.	**162**
2.	Manufacturing companies that publish consistent and complete annual reports in 2012-2016.	**(28)**
3.	Manufacturing companies that publish financial statements in Rupiah and have been audited.	**(0)**

4.	Companies that have complete data related to research variables at the end of the period December 31 2012 to December 31, 2016, namely: a. Institutional Ownership (INST) b. Dividend Policy (DPR) c. Earnings Quality (DACC) d. Firm Value (Tobin's Q)	**(107)**
	Number of Final Samples	**27**

Source: Processed Secondary Data (2017)

The sample is part of the number and characteristics possessed by the population (Sugiyono, 2010: 62). The samples in this study were 27 manufacturing companies that met the criteria and with 5 research periods, resulting in a total sample of 135.

Method of collecting data

The data collection methods used to obtain information about the problem to be studied are:

1. Library Studies (*Library Research*)
   This literature study is a library research by studying and citing literature and theories related to the research problem of collecting the required data through the book *Indonesian Capital Market Directory* (ICMD) by visiting the library of the Faculty of Economics, University of Indonesia.
2. Field Studies (*Field Research*)
   Field studies are a technique for collecting secondary data (documentation) from the Indonesia Stock Exchange through its official website, *namely www.idx.co.id.*

Research variable

In this study, the dependent variable is Firm Value which can be measured using Tobin's Q ratio as follows:

$$\textbf{Tobin's Q} = \frac{(\textbf{EMV}+\textit{Debt})}{\textbf{Total Aset}}$$

Information:
Tobin's Q = Firm Value
EMV = *Equity Market Value* (equity market value calculated from *closing price* x number of outstanding shares)
Debt = Total Debt

Independent variables are variables that cause the emergence or change of the dependent variable (Sugiyono, 2010: 4). The independent variables in this study are:

$$\textbf{INST} = \frac{\textbf{Number of owned by institutions shares}}{\textbf{Number of outstanding shares}}$$

$$\textbf{DPR} = \frac{\textit{Devidend per Share}}{\textit{Earning per Share}}$$

Intervening variable is a variable that allows it to become the dependent variable for the Independent variable and become an independent variable for other dependent variables and as an intermediary/interrupting variable that lies between the independent variables and the dependent variable so that the independent variables do not directly affect changes or the emergence of the dependent variable (Sugiyono, 2010: 6).

DACCit = $\frac{TAit}{Ait}$ **- NDAit**

RESULTS

Descriptive Statistical Analysis

Descriptive statistics provide an overview or description of the data seen from the minimum value, maximum value, average value (mean), and standard deviation as follows:

Table 2. Descriptive Statistical Test Results

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
INST	135	,4342000	,9818000	,715801333	,1479551817
DPR	135	,0007400	1,4592400	,457482000	,2574605489
DACC	135	-,4211900	1,2720700	,008934741	,1982278010
TOBINS	135	,1988800	27,7176500	3,380246074	4,495880485
Valid N (listwise)	135				

The results of institutional ownership descriptive statistics range from 0.43420 – 0.98180 with a value of *the mean* (average) is 0.71580 and a standard deviation is 0.14795. The *mean* value is 0.71857 which means that the average institutional ownership in manufacturing companies is 71.58%. High institutional ownership can be an effective *monitoring tool for management performance.* The company that has the lowest Institutional Ownership value in this study is PT. Trias Sentosa Tbk in 2014 and 2015 amounted to 0.4342 while the company with the highest Institutional Ownership value was PT. HM Sampoerna 2012 and 2013 with an INST score of 0.9818.

The results of the dividend policy descriptive statistics range from 0.00074 – 1.45924 with a value of *the mean* (average) is 0.45748 and the standard deviation is 0.25746. The *mean* value is 0.45748 which means that the average institutional ownership in manufacturing companies is 45.748%. The company that has the lowest Dividend Policy value in this study is PT. Merck Tbk in 2012 was 0.00074 while the company with the highest Institutional Ownership value was PT. Multi Bintang Indonesia Tbk in 2015 with a DPR value of 1.45924.

The results of the Profit Quality descriptive statistics range from -0.42119 – 1.27207 with value *the mean* (average) is 0.008934 and a standard deviation is 0.19822. The *mean DACC* value of 0.008934 is close to 0 at index 0-1. The closer the DACC value is to 0, the higher the earnings quality. The company that has the lowest DACC value in this study is PT. Indomobil Sukses Internasional Tbk in 2015 was -0.42119, while the company with the highest DACC value was PT. HM. Sampoerna Tbk in 2016 with a DACC value of 1.27207.

Descriptive statistical results of firm value range from 0.19888 to 27.71765 with value *the mean* (average) is 3.38024 and a standard deviation is 4.49588. The *mean* value of 3.38024 or above the value of 1 means that companies that invest in assets are able to generate profits that provide a higher value than investment expenses. The company that has the lowest company value in this study is PT. Astra Otopart Tbk in 2012 was 0.19888, while the company with the highest company value was PT. Unilever Indonesia Tbk in 2013 with a Tobins Q value of 27.71765.

Normality test

The normality test was carried out using graphical analysis and statistical tests. Graphic analysis can be done by looking at the histogram graph and *Normal Probability Plot* (*Normal P-Plot*). The normal distribution will form one diagonal line. Meanwhile, the statistical test used was the Kolmogorov-Smirnov (KS) non-parametric statistical test. If the Kolmogorov-Smirnov test shows significant results, it means that the residual data is not normally distributed (Ghozali, 2011).

a. Results of the normality test of institutional ownership variables and dividend policy on earnings quality

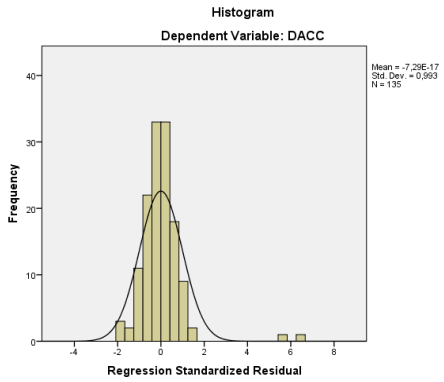

Figure 1. Normality Test Results with Histogram Graphs

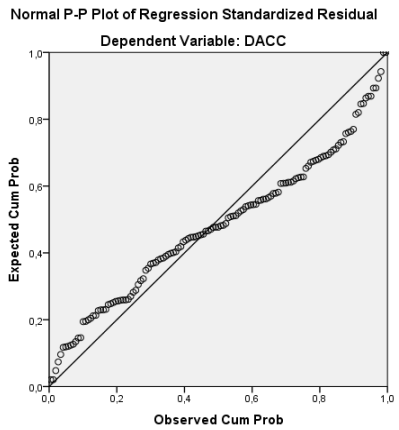

Figure 2. Results of the Normality Test with the Normal P-Plot

The test results have shown the P-Plot normality graph, that the distribution of data that occurs is around the diagonal line and follows the diagonal line, thus the data distribution meets the assumption of normality.

Table 3. Normality Test Results with the Kolmogorov-Smirnov Test

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		135
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	,19488786
Most Extreme Differences	Absolute	,140
	Positive	,140
	Negative	-,096
Test Statistic		,140
Asymp. Sig. (2-tailed)		,635[c]

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

The normality test shows that the residual values are normally distributed. The results of the normality test showed that *the Kolmogorov-Smirnov Z* value was 0.140 and the Asymp Sig value was 0.635 (> 0.05) which was greater than the significance of 0.05 (0.635 > 0.05) so that it could be concluded that the residual data in the study were normally distributed.

b. Results of normality test of institutional ownership variables, dividend policy and earnings quality on firm value

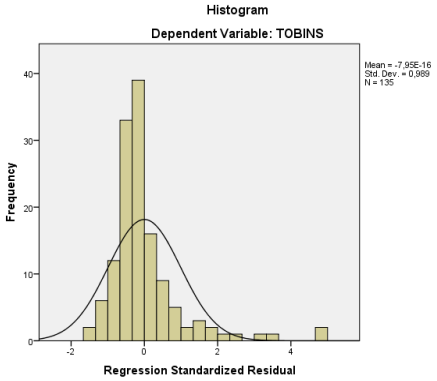

Figure 3. Normality Test Results with Histogram Graphs

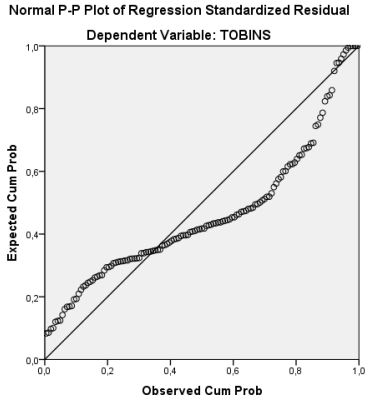

Figure 4. Results of the Normality Test with the Normal P-Plot

The test results have shown the PP Plot normality graph, that the distribution of data that occurs is around the diagonal line and follows the diagonal line, thus the data distribution meets the assumption of normality.

Table 4. Normality Test Results with the Kolmogorov-Smirnov Test

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		135
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	3,92872383
Most Extreme Differences	Absolute	,199
	Positive	,199
	Negative	-,112
Test Statistic		,199
Asymp. Sig. (2-tailed)		,573[c]

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

Kolmogorov-Smirnov Z value of 0.199 and an Asymp Sig value of 0.573 (> 0.05) which was greater than the significance of 0.05 (0.573 > 0.05) so that it could be concluded that the residual data in the study were normally distributed.

Heteroscedasticity Test

The heteroscedasticity test aims to test whether in the regression model, there is an inequality *of variance* from the residuals of one observation to another. A good regression model is one that has homoscedasticity or does not have heteroscedasticity.

a. Heteroscedasticity test results of institutional ownership variables and dividend policy on earnings quality

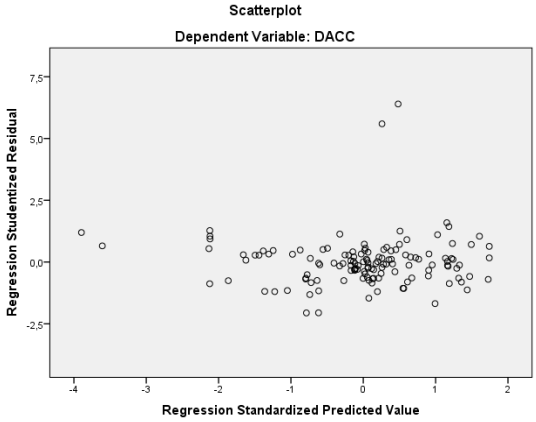

Figure 5. Heteroscedasticity Test Results with Scatterplots Graphs

From the scatterplots it can be seen that the points are spread randomly and well, not forming a particular pattern.

Table 5. Results of the Heteroscedasticity Test with the Glejser Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	,056	,085		,654	,000		
	INST	,033	,114	,025	,288	,774	,988	1,012
	DPR	-,173	,065	-,226	-,649	,542	,988	1,012

a. Dependent Variable: Unstandardized Residual

The results of the Glejser test show that none of the independent variables has a statistically significant effect on the *unstandardized residual variable* . Probability results with a significance of 0.774 > 0.05 and 0.542 > 0.05. So, it can be concluded that the regression model does not contain heteroscedasticity.

b. Heteroscedasticity test results of institutional ownership variables, dividend policy and earnings quality on firm value

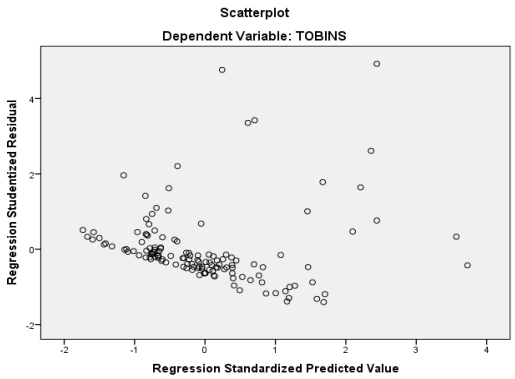

Figure 6. Heteroscedasticity Test Results with Scatterplots Graphs

From the scatterplots it can be seen that the points are spread randomly and well, not forming a particular pattern.

Table 6. Results of the Heteroscedasticity Test with the Glejser Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-,075	,017		-4,420	,000		
	INST	,006	,022	,005	,275	,783	,988	1,012
	DPR	,135	,013	,182	,267	,812	,956	1,046
	DACC	,961	,017	,997	,666	,521	,967	1,035

a. Dependent Variable: Unstandardized Residual

The results of the Glejser test show that none of the independent variables has a statistically significant effect on the *unstandardized residual variable* . Probability results with a significant 0.783 > 0.05; 0.812 > 0.05 and 0.521 > 0.05. So, it can be concluded that the regression model does not contain heteroscedasticity.

Multicollinearity Test

The multicollinearity test aims to test whether there is a correlation between the independent variables in the regression model.

a. Multicollinearity test results of institutional ownership variables and dividend policy on earnings quality

Table 7. Multicollinearity Test Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	,078	,086		,899	,370		
	INST	-,006	,115	-,005	-,056	,956	,988	1,012
	DPR	-,140	,066	-,182	-2,117	,036	,988	1,012

a. Dependent Variable: DACC

Tolerance and VIF *(Variance Inflation Factor)* values of Institutional Ownership (INST) and Dividend Policy (DPR) are above 0.10 (> 0.10) and below 10 (≤ 10). Thus it can be concluded that the model does not experience multicollinearity disturbances.

b. Multicollinearity test results of institutional ownership variables, dividend policy and profit quality on firm value

Table 8. Multicollinearity Test Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-5,213	1,755		-2,970	,004		
	INST	7,681	2,334	,253	3,291	,001	,988	1,012
	DPR	6,685	1,364	,383	4,902	,000	,956	1,046
	DACC	4,072	1,761	,180	2,312	,022	,967	1,035

a. Dependent Variable: TOBINS

Tolerance and VIF *(Variance Inflation Factor)* values of Institutional Ownership (INST) and Dividend Policy (DPR) are above 0.10 (> 0.10) and below 10 (≤ 10). Thus it can be concluded that the model does not experience multicollinearity disturbances.

Autocorrelation Test

A good regression model is a regression that is free from autocorrelation. To find out whether there is autocorrelation, it is necessary to test it first using Statistics at *Durbin Watson* (DW).

a. Autocorrelation test results of institutional ownership variables and dividend policy on earnings quality

Table 9. Autocorrelation Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,183[a]	,033	,019	,1963587341	1,665

a. Predictors: (Constant), DPR, INST

b. Dependent Variable: DACC

The results of the autocorrelation test show that the DW value is 1.665, so we first calculate the value (4 - d) or 4 - 1.665 = 2.335. This value will be compared with the value of the *Durbin Watson Table of Statistical Significance*. The number of samples (N) in this study was 135 and the number of independent variables was 2 (k=3), with a dU value of 1.74902 (2.335 > 1.74902). So, it can be concluded that there is no autocorrelation between independent variables, so the regression model is feasible to use.

b. Autocorrelation test results of institutional ownership variables, dividend policy and earnings quality on firm value

Table 10. Autocorrelation Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,486[a]	,236	,219	3,973454576	,685

a. Predictors: (Constant), DACC, INST, DPR

b. Dependent Variable: TOBINS

The results of the autocorrelation test show that the DW value is 0.685, so we first calculate the value (4 - d) or 4 - 0.685 = 3.315. This value will be compared with the value of Table *Durbin Watson d Statistics: Significance Point For* d_l *and* d_u *AT 0.05 Level of Significance*. The number of samples (N) in this study was 135 and the number of independent variables was 3 (k = 4), with a dU value of 1.76450 (3.315 > 1.76450) it can be concluded that there is no autocorrelation between independent variables, so the regression model is feasible to use.

Model Fit Test

In this study, the researchers chose the most popular fit models, namely Kai-Square (CMIN), *Goodness of Fit Index* (GFI), *Comparative Fit Index* (CFI), RMSEA, and *Akaike Information Criterion* (AIC).

Kai-Square **(CMIN)**

Table 11. Kai-Square (CMIN)

Model	NPAR	CMIN	DF	P	CMIN/DF
Default model	9	1,595	1	,207	1,595
Saturated model	10	,000	0		
Independence model	4	42,288	6	,000	7,048

The results of the analysis show that the kai-squared value (CMIN) is 1.595 (p>0.05). If the p-value is above 0.05 in the t-test, there is no significant difference, so in SEM too, the kai-squared value (CMIN) above 0.05 indicates that there is no difference between the data we use to analyze and the model that the researcher developed or this model represents the researcher's data.

***Goodness of Fit Index* (GFI)**

Table 12. Goodness of Fit Index (GFI)

Model	RMR	GFI	AGFI	PGFI
Default model	,122	,994	,941	,099
Saturated model	,000	1,000		
Independence model	,153	,876	,793	,526

The results of the analysis show the Analysis of *Goodness of Fit Index* (GFI) of 0.994. The GFI value is expected to be above 0.9 to show as few variances in the data as possible that are discarded or not included in the model. With this conclusion, this model really fits the data.

***Comparative Fit Index* (CFI)**

Table 13. Comparative Fit Index (CFI)

Model	NFI Delta1	RFI rho1	IFI Delta2	TLI rho2	CFI
Default model	,962	,774	,986	,902	,984
Saturated model	1,000		1,000		1,000
Independence model	,000	,000	,000	,000	,000

The results of the analysis show *Comparative Fit Index* (CFI) Analysis of 0.984. The CFI value is expected to be above 0.9 to show as few variants as possible in the data that are discarded or not included in the model. With this conclusion, this model really fits the data.

***Root Mean Square Error of Approximation* (RMSEA)**

Table 14. Root Mean Square Error of Approximation (RMSEA)

Model	RMSEA	LO 90	HI 90	PCLOSE
Default model	,067	,000	,251	,280
Independence model	,212	,155	,275	,000

The results of the analysis show the RMSEA Analysis of 0.067. The RMSEA value is expected to be below 0.08. RMSEA is a residual value, aka waste or disposal, so it is hoped that as few variants in the data as possible are discarded or not included in the model. With this conclusion, this model really fits the data.

***Akaike Information Criterion* (AIC)**

Table 15. Akaike Information Criterion (AIC)

Model	AIC	BCC	BIC	CAIC
Default model	19,595	20,293	45,742	54,742
Saturated model	20,000	20,775	49,053	59,053
Independence model	50,288	50,598	61,909	65,909

This index is very important to compare between the models that researchers have developed. For example, from the variables used in this study, researchers developed different models. All models in this study are fit. *Akaike Information Criterion* (AIC) is used to see or know the best model.

DISCUSSION

In this study, testing the hypothesis of the influence of Institutional Ownership and Dividend Policy on Firm Value with Earnings Quality as an *Intervening variable* used *Structural Equation Model* (SEM) analysis with the help of *Microsoft office excel* 2007 and SPSS 22. SEM analysis was carried out with the help of AMOS 24 *Software* .

Table 16. Results of the Direct Effects Hypothesis Test (Direct Relationship)

			Estimate	S.E.	C.R.	P	Label
DACC	<---	INST	-,006	,114	-,057	,955	par_3
DACC	<---	DPR	-,140	,065	-2,145	,032	par_4
TOBINS	<---	INST	7,681	2,294	3,348	***	par_1
TOBINS	<---	DPR	6,685	1,341	4,987	***	par_2
TOBINS	<---	DACC	4,072	1,741	2,338	,019	par_5

The Effect of Institutional Ownership on Earnings Quality, Institutional Ownership (INST) has no effect on earnings quality (DACC) with an acquisition value of 0.955. Institutional investors are temporary owners *(transit owners)* who usually focus on *current earnings* . As a result, the owners of these institutions are not optimal in carrying out the *monitoring function* because they only focus on profits earned now and not on long-term performance. The focus of institutional investors on *current earnings* allows managers to be motivated to take actions that can increase short-term profits, for example by carrying out *income smoothing actions* that lead to poor earnings quality.

The Effect of Dividend Policy on Earnings Quality, Dividend Policy (DPR) has a positive and significant effect on earnings quality (DACC) with an acquisition value of 0.032. Companies that distribute large dividends are supported by large cash flows. Large cash flows have little chance of being sourced from manipulated profits. In addition, the distribution of dividends in large numbers will increasingly attract external parties to invest in the company. This will result in more and more parties overseeing the company's performance. Increased supervision will further improve the quality of earnings.

The Effect of Institutional Ownership on Firm Value, Institutional Ownership (INST) has a positive and significant effect on Firm Value (TOBINS)

with a value of *** (<0.01). The higher the level of institutional ownership, the stronger the level of control exercised by external parties over the company, so that agency costs will decrease and company value will increase. Share ownership by institutions affects shareholder value because institutional ownership can be a reliable mechanism in motivating managers to improve performance so that it will increase the Company Value.

Effect of Dividend Policy on Firm Value, Dividend Policy has a positive and significant effect on Firm Value (TOBINS) with an acquisition value of *** (<0.01). The amount of dividends distributed depends on the dividend policy of each company. The proportion of *Net Incom After Tax* distributed as dividends is usually presented in *the Dividend Pay Out Ratio* . It is this DPR that determines the amount of *Dividend per Share* . If the dividends distributed are large, this will increase the share price which also results in an increase in the value of the company.

The effect of earnings quality on firm value, earnings quality (DACC) has a positive and significant effect on firm value (TOBINS) with an acquisition value of 0.019. For companies that issue shares on the capital market, the price of shares transacted on the stock exchange is an indicator of company value. Profits that do not show true information about management performance can mislead report users. If profits like this are used by investors to form the market value of the company, then profits cannot explain the true market value of the company.

Table 17. Indirect Effects Hypothesis Test Results (Indirect Relationship)

	DPR	INST	DACC
DACC	,000	,000	,000
TOBINS	-,571	-,026	,000

The Effect of Earnings Quality as an *Intervening Variable* between Institutional Ownership on Firm Value with a significance of 0.026. The existence of institutional investors in a company is believed to be able to monitor earnings management actions taken by managers can be reduced so as to improve earnings quality which is a reliable mechanism in motivating managers to improve their performance so that it will increase firm value.

Earnings Quality is not an *Intervening Variable* between Dividend Policy and Firm Value with a value of 0.571. Strong cash flow results from reporting unmanipulated earnings. Second, the distribution of dividends indicates the possibility of management to obtain external funding. Where this will increase supervision of company performance by banks, stock exchanges and providers of funds. Due to increased supervision, companies that pay dividends are expected to have better earnings quality than companies that do not pay dividends.

CONCLUSION

Based on the results of this study, it can be concluded as follows:

1. Institutional Ownership has no effect on Earnings Quality. This shows that Institutional Ownership (INST) has no effect on Earnings Quality (DACC) with an acquisition value of 0.955 (0.955 > 0.05).
2. Dividend Policy affects Earnings Quality. It is shown that dividend policy has a positive and significant effect on earnings quality (DACC) with a value of 0.032 (0.032 ≤ 0.05).
3. Institutional Ownership affects Firm Value. This is shown by Institutional Ownership (INST) has a positive and significant effect on Firm Value (TOBINS) with a value of ** * (*** < 0.01).
4. Dividend Policy has an effect on Firm Value. This is shown by the dividend policy having a positive and significant effect on firm value (TOBINS) with the acquisition of *** (*** ≤ 0.01).
5. Profit Quality has an effect on Firm Value. This shows that Earnings Quality (DACC) has a positive and significant effect on Firm Value (TOBINS) with an acquisition value of 0.019 (0.019 ≤ 0.05).
6. Profit Quality is an *intervening variable* between Institutional Ownership and Firm Value. This shows that Profit Quality is an *intervening variable* between Institutional Ownership and Firm Value with a value of 0.026 (-0.026 ≤ 0.05).
7. Earnings quality is not an *intervening variable* between dividend policy and firm value. This shows that earnings quality is not an *intervening variable* between dividend policy and firm value with an acquisition value of -0.571 (-0.571 ≥ 0.05).

FURTHER STUDY

This research still has limitations so further research is still needed on the topic of the effect of institutional ownership and dividend policy on company value with quality earnings as an intervening variable.

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