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Penulis : Hendra Wijaya

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1.Bukti konfirmasi submit dan artikel yang disubmit (31 Juli 2022)

Gmail

Hendra Wijaya <hendrawijayagoei@gmail.com>

[JASF] Submission Acknowledgement

Diah Hari Suryaningrum <smtp@upnjatim.ac.id> Sun, Jul 31, 2022 at 5:05 PM
To: Hendra Wijaya <hendrawijayagoei@gmail.com>

Hendra Wijaya:

Thank you for submitting the manuscript, "Cash Holdings, Dividend, and Firm Value: The Role of Institutional Investor" to Journal of Accounting and Strategic Finance. With the online journal management system that we are using, you will be able to track its progress through the editorial process by logging in to the journal web site:

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If you have any questions, please contact me. Thank you for considering this journal as a venue for your work.

Diah Hari Suryaningrum

Journal of Accounting and Strategic Finance

2.Bukti konfirmasi review dan hasil review pertama (29 November 2022)

Gmail

Hendra Wijaya <hendrawijayagoei@gmail.com>

[JASF] Editor Decision

Erry Andhaniwati <smtp@upnjatim.ac.id> Tue, Nov 29, 2022 at 5:46 AM
To: Hendra Wijaya <hendrawijayagoei@gmail.com>

Hendra Wijaya:

We have reached a decision regarding your submission to Journal of Accounting and Strategic Finance, "Cash Holdings, Dividend, and Firm Value: The Role of Institutional Investor".

Our decision is: Revisions Required

Erry Andhaniwati
Universitas Pembangunan Nasional Veteran Jawa Timur
erry.andhaniwati.ak@upnjatim.ac.id

Reviewer A:

Title: YES clearly illustrates the article.

- ***Abstract***: Yes the content reflects the article

- **Introduction**: The subject describes accurately and clearly states the problem of the article. The Introduction also summarizes the context of relevant research and briefly explains the findings of the research.

Method: Yes method is comprehensive and that appropriate analysis has been employed in the findings of the research result.

- **Results and Discussion**: Yes the result was **thoroughly** discussed. And the author has **compared** the research results with other previous research. The author used proper statistical tools. An appropriate analysis has been carried out.

- **Conclusions**: Yes the conclusions are supported by fair results and reasonable discussions. and the author explains how the follow-up of the research is based on the results. Yes, it describes the limitations of the research.

- **Tables and Figures**: Tables and Figures are the referred explanation and are easy to interpret and understand.

- **References**: Yes it is relevant to the article's topic and up to date.

Reviewer B:

- ***Abstract***: The abstract is relatively brief. A good informative abstract acts as a surrogate for the work itself. The researcher presents and explains the main arguments, significant results, and evidence in the paper. An informative abstract includes the information found in a descriptive abstract [purpose, methods, scope]. However, it also consists of a judgment or comment about the study's validity, reliability, or completeness, the results and conclusions of the research, and the author's recommendations.

- **Introduction**: the author did not adequately explain and identify a research niche by opposing an existing assumption, and/or revealing a gap in existing research. The hypothesis development did not thoroughly explain.

- **Method**: there are more than four dependent variables in the method section, but the author did not explain why he/she/they need more than 4 variables as described in the hypotheses. For the population, why were the financial companies excluded?

- Results and Discussion: The Discussion lacks a critical synthesis and comparison of the primary data with the literature. The discussion should connect to the introduction through the research questions or hypotheses and the literature reviewed.

- **Conclusions**: The Conclusion is underdeveloped and does not adequately discuss the theoretical and managerial implications of the study.

- **Tables and Figures**: Add a table for research variables and measurement, and the source. It will help readers to understand what variables were studied.

- **References**: it is relevant and updated, but needs more references for the discussion section. At least 30-50 articles for a good journal, especially when the topic is widely studied.

Journal of Accounting and Strategic Finance

2 attachments

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B-307-Research Paper-1217-1-4-20220731.docx
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Cash Holdings, Dividend, and Firm Value: The Role of Institutional Investor

ABSTRACT

This study examines the effect of cash holdings and dividend policy on firm value. This study also examines the moderation of institutional ownership on the effect of cash holdings and dividend policy on firm value. This study uses the research object of non-financial companies listed on the Indonesia Stock Exchange in the 2015-2019 period and a total of 1269 observations. The data in this study were analyzed using ordinary least squares. The results of this study are that cash holdings positively affect firm value, and dividend policy has no effect on firm value. Regarding the moderating of institutional ownership, the results of this study are that institutional ownership does not moderate the effect of cash holdings on firm value, and institutional ownership positively moderates the effect of institutional ownership on firm value.

Keywords: cash holdings, dividend policy, institutional ownership, firm value, agency conflict

INTRODUCTION

Agency conflict is an interesting issue to study. One that can cause agency conflicts to occur is the cash holdings owned by the company. Based on Jensen (1986)**,** through the free cash flow hypothesis, it is found that the cash owned by the company can cause the company's management to be not careful in investing and investing in investment projects with a negative net present value. This carelessness can have an impact on the decline in the value of the company. The results of previous research regarding the negative effect of cash holdings on firm value were conducted by Toly, Claudya, Santoso, & Grace (2019) and Asante-Darko, Adu Bonsu, Famiyeh, Kwarteng, & Goka (2018). Research conducted by Bhuiyan & Hooks (2019) found that a company's cash holdings have a positive effect on overinvestment. The results of the opposite study were obtained by Ifada, Indriastuti, & Hanafi (2020), Aslam, Kalim, & Fizza (2019), and La Rocca & Cambrea (2019), who found that cash holdings have a positive effect on firm value. Cash holdings positively affect firm value due to investors' perception that the company can manage cash well (Ifada et al., 2020). Another study by La Rocca, Staglianò, La Rocca, Cariola, & Skatova (2019) found that cash holdings positively affect the company's operating performance.

In Jensen (1986), it was stated that this could be overcome by distributing dividends to shareholders, so that company management can look for alternative funding such as debt to fund their investments. The dividend policy can increase the company's value by reducing agency conflict. The results of previous studies regarding the effect of dividend policy on firm value were carried out by Launtu (2021) and Resti, Purwanto, & Ermawati (2019). They found that dividend policy has a positive effect on firm value. Rajverma, Misra, Mohapatra, & Chandra (2019) and Banerjee (2018) also find that dividend policy positively affects firm value. The results of the opposite study regarding dividend policy on firm value were conducted by Aprilyani, Widyarti, & Hamidah (2021) and Odum, Odum, Omeziri, & Egbunike (2019). They found that dividend policy does not affect firm value.

Institutional ownership is the number of company shares owned by financial institutions, insurance companies, securities companies, mutual funds, and others. Based on the agency theory proposed by Jensen & Meckling (1976) suggests that institutional ownership is one of the mechanisms of agency conflict. The results of previous research on the effect of institutional ownership on firm value were conducted by Tee (2019) and (Hussain, Abid, Ambreen, Usman, & Rahman, 2022), who found that institutional ownership positively affects

firm value. Institutional ownership can also be a substitution mechanism related to dividend policy (Karim & Ilyas, 2021).

Therefore, this study examines and analyzes the effect of cash holdings and dividend policy on firm value with institutional ownership as a moderating variable based on the arguments above. This study has several contributions, namely, first, the role of institutional ownership in reducing agency conflicts that occur. Second, this study provides empirical evidence regarding the role of institutional ownership in moderating the effect of cash holdings on firm value and dividend policy on firm value. Third, this study also examines and analyzes foreign institutional ownership, local institutional ownership, pressure-resistant institutional ownership, and pressure resistive institutional ownership.

Cash holdings are cash and cash equivalents owned by the company. Based on agency theory, cash and cash equivalents owned by the company can increase agency conflict. The agency conflict occurs because the company's cash holdings are invested by management in unprofitable investments (Asante-Darko et al., 2018). The statement is supported by research conducted by Toly et al. (2019) and Asante-Darko et al. (2018), who found that cash holdings have a negative effect on firm value. Therefore, the first hypothesis in this study is:

H_1: Cash holdings have a negative effect on firm value

Dividend policy is one of the agency conflict mechanisms. According to (Jensen, 1986), a dividend policy can reduce agency conflicts in the company's cash holdings. Dividends distributed to shareholders cause the company to use debt to fund its investment projects. This debt causes the company's management to be careful in investing because it must repay the debt with interest (Jensen, 1986). La Porta, Lopez-De-Silanes, Shleifer, & Vishny (2000) also state that companies have pressure to distribute dividends in countries with weak investor protection due to the waste that can occur in the resources owned by the company. The statement is supported by research conducted by Launtu (2021), Resti et al. (2019), Rajverma et al. (2019), and Banerjee (2018), who found that dividend policy has a positive effect on firm value. Therefore, the second hypothesis in this study is:

H_2: Dividend policy has a positive effect on firm value

Institutional ownership is one of the mechanisms of agency conflict (Jensen & Meckling, 1976). Institutional ownership can reduce agency conflict through supervision. This improved supervision is due to the expertise possessed by these institutional investors (Gillan & Starks, 2003). The statement is supported by research conducted by Bathala, Moon, & Rao (1994), who found that institutional investors have an effective role in monitoring to reduce agency costs and affect company performance. The higher institutional ownership is expected to reduce agency conflicts in cash holdings to increase the company's value. Research conducted by Tee (2019) found that institutional ownership positively affects firm value. Another study by (Hussain et al., 2022) also found that institutional ownership positively affects firm value. Therefore, the third hypothesis in this study is:

H_3: Institutional ownership moderates the positive effect of cash holdings on firm value

Based on the third hypothesis, higher institutional ownership can reduce agency conflict so that the effect of cash holdings on firm value can increase. The higher the institutional ownership of the company, the effect of the dividend policy on the company's value can be reduced because institutional ownership can act as a substitution mechanism with dividend policy. The statement is supported by research by Karim & Ilyas (2021), who found that dividend policy has a more positive effect on firm value when foreign institutional ownership increases. Therefore, the fourth hypothesis in this study is

H_4: Institutional ownership moderates the negative effect of cash holdings on firm value.

RESEARCH METHOD

This study uses secondary data obtained from the company's annual report. The company's annual report is obtained from the website of the Indonesian stock exchange (IDX), the Indonesian central securities depository (KSEI), and companies. The population in this study are non-financial companies listed on the Indonesia Stock Exchange. Samples in this study were taken using purposive sampling with the criteria of 1) companies being listed on the Indonesia Stock Exchange in 2015-2019, 2) companies having complete data used in this study, 3) companies using rupiah currency in their financial statements, and 4) the company has a positive corporate profit. The total observations in this study amounted to 1269 observations.

The dependent variable in this study is firm value. Karim & Ilyas (2021) measure the company's value using the sum of market capitalization plus the book value of debt divided by total assets. Odum et al. (2019) measure the firm value by the firm's market value divided by the firm's total equity. Karim & Ilyas (2021) measure a company's cash holdings by cash and cash equivalents divided by total assets. Aprilyani et al. (2021) measure the dividend policy by dividing the dividend by the company's net income Tee (2019) measures institutional ownership by using the number of shares owned by institutional investors divided by the number of outstanding shares, foreign institutional ownership by using the number of foreign institutional ownership divided by the number of outstanding shares, local institutional ownership by using the number of local institutional ownership divided by the number of shares outstanding. Tee (2019) measures pressure-sensitive institutional investors by using the number of shares owned by institutions with the potential to have business ties, such as financial institutions and insurance companies, divided by the number of outstanding shares. Tee (2019) measures pressure-resistant institutional investors by using the number of shares owned by institutions that do not have the potential to have business ties, such as mutual funds and pension funds companies, divided by the number of shares outstanding. Lin & Fu, (2017) measure leverage using total debt divided by total assets, company size using the logarithm of total assets, profitability by net income divided by total assets, and company age using the company's age since the company was founded. Asante-Darko et al. (2018) measures managerial ownership using the number of shares owned by the company's management divided by the number of outstanding shares. Aslam et al. (2019) measure the board size by using the number of members on the company's board. The board in this study is the size of the board of commissioners.

The statistical equations in this study are as follows:

$$FV\ (MBV, MBVA) = \alpha + \beta_1 CHL + \beta_2 DPR + \beta_3 TINS + \beta_4 CHL*TINS + \beta_5 DPR*TINS + \beta_6 LEV + \beta_7 SIZE + \beta_8 ROA + \beta_3 *FAGE + \beta_3 *MAN\_OWN + \beta_3 *BS\_C + \varepsilon$$

Where, FV = firm value; CHL = cash holdings; DPR = dividend payout; TINS= institusional ownership; LEV= leverage; SIZE= firm size; ROA= profitability; FAGE= firm age; MAN_OWN= managerial ownership; BS_C= board size

RESULTS AND DISCUSSION

Result

The following are descriptive statistics in this study. Descriptive statistics show the mean, standard deviation, minimum, and maximum of the 15 variables used in this study:

Table 1. Descriptive Statistics

No	Variables	N	Mean	Std. Dev	Maximum	Minimum
1	MBV	1269	1.6977	1.7264	13.9735	0.0547
2	MBVA	1269	1.3878	1.0608	9.0837	0.1228
3	CHL	1269	0.1028	0.1295	2.5695	0.0004
4	DPR	1269	0.1982	0.3333	2.3970	0.0000
5	LEV	1269	0.4395	0.2000	0.9599	0.0076
6	SIZE	1269	28.6675	1.6530	33.4945	24.5683
7	FAGE	1269	33.1710	13.5056	106.0000	6.0000
8	ROA	1269	0.0364	0.0870	0.9210	-0.6003
9	MAN_OWN	1269	4.9348	14.2199	89.4400	0.0000
10	BS_C	1269	4.2561	1.9549	22.0000	2.0000
11	TINS	1269	0.1430	0.1556	0.9524	0.0000
12	PRII	1269	0.0552	0.0781	0.4724	0.0000
13	PSII	1269	0.0889	0.1296	0.9204	0.0000
14	FINS	1269	0.0913	0.1319	0.8912	0.0000
15	LINS	1269	0.0517	0.0772	0.6237	0.0000

The results of the descriptive statistics in Table 1 show that the average market to book value is 1.6977, and the average market to book value of assets is 1.3878. The number shows that the average market price of the company is 1.6977 of the company's total equity and 1.3878 of the company's total assets. The average of the company's cash holdings is 0.1028 of the company's total assets. The average dividend payout is 0.1982 of the company's total net profit. The average institutional ownership is 0.1430 of the company's outstanding shares. The average pressure resistive institutional ownership is 0.0552 of the company's total outstanding shares. The average pressure-sensitive institutional ownership is 0.0889 of the company's total outstanding shares. The average foreign institutional ownership is 0.0913 of the company's outstanding shares, and the average local institutional ownership is 0.0517 of the company's outstanding shares.

Table 2. Regression Analysis

Variables	(1)	(2)	(3)	(4)	(5)	(6)
	MBV	**MBVA**	**MBV**	**MBVA**	**MBV**	**MBVA**
Constant	3.6083*** (3,71)	2.4711*** (4.20)	3.4767*** (3.45)	2.4508*** (4.02)	3.5567*** (3.65)	2.4578*** (4.16)
CHL	1.4268*** (2,88)	0.9416*** (3.14)	1.4677*** (2.84)	0.9508*** (3.05)	1.4309*** (2.89)	0.9424*** (3.14)
DPR	0.2398 (1,07)	0.1974 (1.45)	0.2284 (1.01)	0.1974 (1.45)	0.2953 (1.30)	0.2173 (1.58)
TINS	1.3190*** (3,10)	0.8157*** (3.17)				
CHL*TINS	-3.2325 (-1.33)	-1.7609 (-1.19)				
DPR*TINS	2.5784** (2.16)	1.3946* (1.93)				
PRII			0.6084 (0.67)	0.4560 (0.83)		
PSII			1.5168*** (3.05)	0.9409*** (3.13)		
CHL*PRII			-4.2665	-2.1086		

Variables	(1)	(2)	(3)	(4)	(5)	(6)
	MBV	**MBVA**	**MBV**	**MBVA**	**MBV**	**MBVA**
			(-0.95)	(-0.78)		
CHP*PSII			-2.8736 (-0.93)	-1.7681 (-0.95)		
DPR*PRII			5.7359*** (3.04)	3.4569*** (3.03)		
DPR*PSII			-0.3793 (-0.20)	-0.6882 (-0.59)		
FINS					1.5021*** (2.97)	0.7911** (2.58)
LINS					0.8898 (1.10)	0.8995* (1.84)
CHL*FINS					-4.1948 (-1.26)	-1.7396 (-0.86)
CHL*LINS					-1.3419 (-0.33)	-1.7613 (-0.72)
DPR*FINS					3.5774*** (2.63)	1.7272** (2.09)
DPR*LINS					-0.4444 (-0.19)	0.3523 (0.24)
LEV	1.0098*** (4.04)	-0.0892 (-0.59)	0.9886*** (3.95)	-0.1008 (-0.67)	1.0043*** (4.02)	-0.0896 (-0.59)
SIZE	-0.0949*** (-2.60)	-0.0488** (-2.21)	-0.0888** (-2.34)	-0.0474** (-2.06)	-0.0932** (-2.54)	-0.0488** (-2.20)
FAGE	-0.0172*** (-4.93)	-0.0073*** (-3.48)	-0.0174*** (-4.99)	-0.0074*** (-3.52)	-0.0167*** (-4.74)	-0.0071*** (-3.33)
ROA	5.1204*** (8.79)	3.3092*** (9.39)	5.1246*** (8.77)	3.3133*** (9.37)	5.0815*** (8.72)	3.2989*** (9.34)
MAN_OWN	-0.0035 (-1.06)	-0.0012 (-0.61)	-0.0038 (-1.13)	-0.0014 (-0.68)	-0.0037 (-1.10)	-0.0012 (-0.62)
BS_C	0.0838*** (3.00)	0.0512*** (3.02)	0.0816*** (2.92)	0.0500*** (2.94)	0.0830*** (2.95)	0.0518*** (3.04)
r2_a	0.1227	0.1490	0.1238	0.1506	0.1231	0.1474
N	1269	1269	1269	1269	1269	1269

The regression analysis results in Table 2 show that cash holdings have a positive and significant effect on firm value, so the first hypothesis in this study is rejected. The regression analysis results in Table 2 show that the ownership of dividend policy has no effect on firm value, so the second hypothesis in the study is rejected. Table 2 shows that institutional ownership does not moderate the effect of cash holdings on firm value, so the third hypothesis in this study is rejected. Table 2 also shows that institutional ownership positively moderates the effect of dividend policy on firm value, so the fourth hypothesis in this study is rejected.

Discussion

The results show that cash holdings have a positive effect on firm value. The results shows that the greater the amount of cash owned by the company can increase the value of the company. The results of this study do not support the agency theory, which suggests that cash holdings can cause overinvestment. The results of this study indicate that the greater the

company's cash and cash equivalents owned by the company, the greater the company's financial flexibility. The company has internal funds to fund investment opportunities with a positive net present value to increase the company's value. The results of this study are supported by research conducted by Ifada et al. (2020) and Aslam et al. (2019), which found that cash holdings positively affect firm value.

The results of this study indicate that dividend policy does not affect firm value. The results of this study also do not support agency theory which suggests that dividend policy is one of the agency conflict mechanisms that can increase firm value. The results indicate that many companies in Indonesia are not consistent in distributing dividends so that the dividends distributed do not affect the company's value. The results of this study are supported by research conducted by Aprilyani et al. (2021) and Odum et al. (2019).

The results of this study indicate that institutional ownership does not moderate the effect of cash holdings on firm value. The study's results do not support the agency theory, which suggests that institutional ownership is one of the mechanisms of agency conflict. The descriptive statistics of this study indicate that the average institutional ownership is 14.30%, which shows that institutional ownership is still relatively low, so the supervision carried out cannot create firm value. The results of this study are supported by research conducted by Sukmawardini & Ardiansari (2018)**,** which finds that institutional ownership does not affect firm value. Pertiwi & Hermanto (2017) research also find that institutional ownership does not affect firm value.

The results of this study indicate that institutional ownership positively moderates the effect of dividend policy on firm value. These results indicate that dividend policy and institutional ownership are complementary policies, so the effects of the two agency conflict mechanisms can increase firm value. The results of this study are supported by Tee (2019) and Hussain et al. (2022), who show that institutional ownership positively affects firm value. The results of the opposite study were obtained by Karim & Ilyas (2021), who found that dividend policy and institutional ownership are substitutes so that the positive effect of dividend policy on firm value will decrease when the company's institutional ownership increases.

Additional analysis in this study was conducted by dividing institutional ownership into two groups. The first group is foreign and local institutional ownership, while the second group is pressure-resistive institutional ownership and pressure-sensitive institutional ownership. The results of this study indicate that foreign institutional ownership and pressure-resistant institutional ownership positively moderate the effect of dividend policy on firm value. It also shows that foreign institutional and pressure-resistant institutional ownership is an effective complementary mechanism for dividend policy increasing firm value. Both institutional ownership types indicate that independence from institutional ownership is important to increase firm value. The results of this study are supported by Tee (2019)**,** who found that pressure-resistant institutional investors have a positive effect on firm value, and (Hussain et al., 2022), who found that foreign institutional ownership had a positive effect on firm value in non-financial companies.

CONCLUSIONS

. This study examines and analyzes the effect of cash holdings and dividend policy on firm value. This study also examines and analyzes the moderation of institutional ownership on the effect of cash holdings and dividend policy on firm value. This research was conducted on non-financial companies listed on the Indonesia Stock Exchange from 2015-2019. The results of this study indicate that 1) cash holdings have a positive effect on firm value; 2) dividend policy does not affect firm value; 3) institutional ownership does not moderate the effect of cash holdings on firm value; 4) institutional ownership positively moderates the effect of institutional ownership on firm value.

This study has limitations, namely 1) only looking at the effect of cash holdings, dividend policy, and institutional ownership moderation on firm value. Firm value is market performance. Further research can examine the company's accounting performance. 2) This study only uses institutional ownership as a mechanism that can substitute or complement the company's dividend policy. Further research can use managerial ownership or debt, which can also be a substitute or complement to dividend policy. 3) This study does not take a sample of companies that pay dividends for three consecutive years. Further research can be carried out on non-financial companies listed on the Indonesia Stock Exchange and paying dividends for three consecutive years.

ABBREVIATIONS

IDX: Indonesian Stock Exchange; KSEI: Indonesian Central Securities Depository

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This research received no external funding

CONFLICTS OF INTEREST

The authors declare no competing interests

AVAILABILITY OF DATA AND MATERIALS

Data are available from the public sources cited in the text

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Cash Holdings, Dividend, and Firm Value: The Role of Institutional Investor

ABSTRACT

This study examines the effect of cash holdings and dividend policy on firm value. This study also examines the moderation of institutional ownership on the effect of cash holdings and dividend policy on firm value. This study uses the research object of non-financial companies listed on the Indonesia Stock Exchange in the 2015-2019 period and a total of 1269 observations. The data in this study were analyzed using ordinary least squares. The results of this study are that cash holdings positively affect firm value, and dividend policy has no effect on firm value. Regarding the moderating of institutional ownership, the results of this study are that institutional ownership does not moderate the effect of cash holdings on firm value, and institutional ownership positively moderates the effect of institutional ownership on firm value.

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Keywords: cash holdings, dividend policy, institutional ownership, firm value, agency conflict

INTRODUCTION

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Agency conflict is an interesting issue to study. One that can cause agency conflicts to occur is the cash holdings owned by the company. Based on Jensen (1986)**,** through the free cash flow hypothesis, it is found that the cash owned by the company can cause the company's management to be not careful in investing and investing in investment projects with a negative net present value. This carelessness can have an impact on the decline in the value of the company. The results of previous research regarding the negative effect of cash holdings on firm value were conducted by Toly, Claudya, Santoso, & Grace (2019) and Asante-Darko, Adu Bonsu, Famiyeh, Kwarteng, & Goka (2018). Research conducted by Bhuiyan & Hooks (2019) found that a company's cash holdings have a positive effect on overinvestment. The results of the opposite study were obtained by Ifada, Indriastuti, & Hanafi (2020), Aslam, Kalim, & Fizza (2019), and La Rocca & Cambrea (2019), who found that cash holdings have a positive effect on firm value. Cash holdings positively affect firm value due to investors' perception that the company can manage cash well (Ifada et al., 2020). Another study by La Rocca, Staglianò, La Rocca, Cariola, & Skatova (2019) found that cash holdings positively affect the company's operating performance.

In Jensen (1986), it was stated that this could be overcome by distributing dividends to shareholders, so that company management can look for alternative funding such as debt to fund their investments. The dividend policy can increase the company's value by reducing agency conflict. The results of previous studies regarding the effect of dividend policy on firm value were carried out by Launtu (2021) and Resti, Purwanto, & Ermawati (2019). They found that dividend policy has a positive effect on firm value. Rajverma, Misra, Mohapatra, & Chandra (2019) and Banerjee (2018) also find that dividend policy positively affects firm value. The results of the opposite study regarding dividend policy on firm value were conducted by Aprilyani, Widyarti, & Hamidah (2021) and Odum, Odum, Omeziri, & Egbunike (2019). They found that dividend policy does not affect firm value.

Institutional ownership is the number of company shares owned by financial institutions, insurance companies, securities companies, mutual funds, and others. Based on the agency theory proposed by Jensen & Meckling (1976) suggests that institutional ownership is one of the mechanisms of agency conflict. The results of previous research on the effect of institutional ownership on firm value were conducted by Tee (2019) and (Hussain, Abid, Ambreen, Usman, & Rahman, 2022), who found that institutional ownership positively affects

firm value. Institutional ownership can also be a substitution mechanism related to dividend policy (Karim & Ilyas, 2021)**.**

Therefore, this study examines and analyzes the effect of cash holdings and dividend policy on firm value with institutional ownership as a moderating variable based on the arguments above. This study has several contributions, namely, first, the role of institutional ownership in reducing agency conflicts that occur. Second, this study provides empirical evidence regarding the role of institutional ownership in moderating the effect of cash holdings on firm value and dividend policy on firm value. Third, this study also examines and analyzes foreign institutional ownership, local institutional ownership, pressure-resistant institutional ownership, and pressure resistive institutional ownership.

Cash holdings are cash and cash equivalents owned by the company. Based on agency theory, cash and cash equivalents owned by the company can increase agency conflict. The agency conflict occurs because the company's cash holdings are invested by management in unprofitable investments (Asante-Darko et al., 2018). The statement is supported by research conducted by Toly et al. (2019) and Asante-Darko et al. (2018), who found that cash holdings have a negative effect on firm value. Therefore, the first hypothesis in this study is:

H_1: Cash holdings have a negative effect on firm value

Dividend policy is one of the agency conflict mechanisms. According to (Jensen, 1986), a dividend policy can reduce agency conflicts in the company's cash holdings. Dividends distributed to shareholders cause the company to use debt to fund its investment projects. This debt causes the company's management to be careful in investing because it must repay the debt with interest (Jensen, 1986). La Porta, Lopez-De-Silanes, Shleifer, & Vishny (2000) also state that companies have pressure to distribute dividends in countries with weak investor protection due to the waste that can occur in the resources owned by the company. The statement is supported by research conducted by Launtu (2021), Resti et al. (2019), Rajverma et al. (2019), and Banerjee (2018), who found that dividend policy has a positive effect on firm value. Therefore, the second hypothesis in this study is:

H_2: Dividend policy has a positive effect on firm value

Institutional ownership is one of the mechanisms of agency conflict (Jensen & Meckling, 1976). Institutional ownership can reduce agency conflict through supervision. This improved supervision is due to the expertise possessed by these institutional investors (Gillan & Starks, 2003). The statement is supported by research conducted by Bathala, Moon, & Rao (1994), who found that institutional investors have an effective role in monitoring to reduce agency costs and affect company performance. The higher institutional ownership is expected to reduce agency conflicts in cash holdings to increase the company's value. Research conducted by Tee (2019) found that institutional ownership positively affects firm value. Another study by (Hussain et al., 2022) also found that institutional ownership positively affects firm value. Therefore, the third hypothesis in this study is:

H_3: Institutional ownership moderates the positive effect of cash holdings on firm value

Based on the third hypothesis, higher institutional ownership can reduce agency conflict so that the effect of cash holdings on firm value can increase. The higher the institutional ownership of the company, the effect of the dividend policy on the company's value can be reduced because institutional ownership can act as a substitution mechanism with dividend policy. The statement is supported by research by Karim & Ilyas (2021), who found that dividend policy has a more positive effect on firm value when foreign institutional ownership increases. Therefore, the fourth hypothesis in this study is

H_4: Institutional ownership moderates the negative effect of cash holdings on firm value.

RESEARCH METHOD

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Add a table for research variables and measurement, and the source. It will help readers to understand what variables were studied.

This study uses secondary data obtained from the company's annual report. The company's annual report is obtained from the website of the Indonesian stock exchange (IDX), the Indonesian central securities depository (KSEI), and companies. The population in this study are non-financial companies listed on the Indonesia Stock Exchange. Samples in this study were taken using purposive sampling with the criteria of 1) companies being listed on the Indonesia Stock Exchange in 2015-2019, 2) companies having complete data used in this study, 3) companies using rupiah currency in their financial statements, and 4) the company has a positive corporate profit. The total observations in this study amounted to 1269 observations.

The dependent variable in this study is firm value. Karim & Ilyas (2021) measure the company's value using the sum of market capitalization plus the book value of debt divided by total assets. Odum et al. (2019) measure the firm value by the firm's market value divided by the firm's total equity. Karim & Ilyas (2021) measure a company's cash holdings by cash and cash equivalents divided by total assets. Aprilyani et al. (2021) measure the dividend policy by dividing the dividend by the company's net income Tee (2019) measures institutional ownership by using the number of shares owned by institutional investors divided by the number of outstanding shares, foreign institutional ownership by using the number of foreign institutional ownership divided by the number of outstanding shares, local institutional ownership by using the number of local institutional ownership divided by the number of shares outstanding. Tee (2019) measures pressure-sensitive institutional investors by using the number of shares owned by institutions with the potential to have business ties, such as financial institutions and insurance companies, divided by the number of outstanding shares. Tee (2019) measures pressure-resistant institutional investors by using the number of shares owned by institutions that do not have the potential to have business ties, such as mutual funds and pension funds companies, divided by the number of shares outstanding. Lin & Fu, (2017) measure leverage using total debt divided by total assets, company size using the logarithm of total assets, profitability by net income divided by total assets, and company age using the company's age since the company was founded. Asante-Darko et al. (2018) measures managerial ownership using the number of shares owned by the company's management divided by the number of outstanding shares. Aslam et al. (2019) measure the board size by using the number of members on the company's board. The board in this study is the size of the board of commissioners.

The statistical equations in this study are as follows:

$$FV\ (MBV, MBVA) = \alpha + \beta_1 CHL + \beta_2 DPR + \beta_3 TINS + \beta_4 CHL*TINS + \beta_5 DPR*TINS + \beta_6 LEV + \beta_7 SIZE + \beta_8 ROA + \beta_3 *FAGE + \beta_3 *MAN\_OWN + \beta_3 *BS\_C + \varepsilon$$

Where, FV = firm value; CHL = cash holdings; DPR = dividend payout; TINS= institusional ownership; LEV= leverage; SIZE= firm size; ROA= profitability; FAGE= firm age; MAN_OWN= managerial ownership; BS_C= board size

RESULTS AND DISCUSSION

Result

The following are descriptive statistics in this study. Descriptive statistics show the mean, standard deviation, minimum, and maximum of the 15 variables used in this study:

Table 1. Descriptive Statistics

No	Variables	N	Mean	Std. Dev	Maximum	Minimum
1	MBV	1269	1.6977	1.7264	13.9735	0.0547
2	MBVA	1269	1.3878	1.0608	9.0837	0.1228
3	CHL	1269	0.1028	0.1295	2.5695	0.0004
4	DPR	1269	0.1982	0.3333	2.3970	0.0000
5	LEV	1269	0.4395	0.2000	0.9599	0.0076
6	SIZE	1269	28.6675	1.6530	33.4945	24.5683
7	FAGE	1269	33.1710	13.5056	106.0000	6.0000
8	ROA	1269	0.0364	0.0870	0.9210	-0.6003
9	MAN_OWN	1269	4.9348	14.2199	89.4400	0.0000
10	BS_C	1269	4.2561	1.9549	22.0000	2.0000
11	TINS	1269	0.1430	0.1556	0.9524	0.0000
12	PRII	1269	0.0552	0.0781	0.4724	0.0000
13	PSII	1269	0.0889	0.1296	0.9204	0.0000
14	FINS	1269	0.0913	0.1319	0.8912	0.0000
15	LINS	1269	0.0517	0.0772	0.6237	0.0000

The results of the descriptive statistics in Table 1 show that the average market to book value is 1.6977, and the average market to book value of assets is 1.3878. The number shows that the average market price of the company is 1.6977 of the company's total equity and 1.3878 of the company's total assets. The average of the company's cash holdings is 0.1028 of the company's total assets. The average dividend payout is 0.1982 of the company's total net profit. The average institutional ownership is 0.1430 of the company's outstanding shares. The average pressure resistive institutional ownership is 0.0552 of the company's total outstanding shares. The average pressure-sensitive institutional ownership is 0.0889 of the company's total outstanding shares. The average foreign institutional ownership is 0.0913 of the company's outstanding shares, and the average local institutional ownership is 0.0517 of the company's outstanding shares.

Table 2. Regression Analysis

Variables	(1)	(2)	(3)	(4)	(5)	(6)
	MBV	**MBVA**	**MBV**	**MBVA**	**MBV**	**MBVA**
Constant	3.6083*** (3,71)	2.4711*** (4.20)	3.4767*** (3.45)	2.4508*** (4.02)	3.5567*** (3.65)	2.4578*** (4.16)
CHL	1.4268*** (2,88)	0.9416*** (3.14)	1.4677*** (2.84)	0.9508*** (3.05)	1.4309*** (2.89)	0.9424*** (3.14)
DPR	0.2398 (1,07)	0.1974 (1.45)	0.2284 (1.01)	0.1974 (1.45)	0.2953 (1.30)	0.2173 (1.58)
TINS	1.3190*** (3,10)	0.8157*** (3.17)				
CHL*TINS	-3.2325 (-1.33)	-1.7609 (-1.19)				
DPR*TINS	2.5784** (2.16)	1.3946* (1.93)				
PRII			0.6084 (0.67)	0.4560 (0.83)		
PSII			1.5168*** (3.05)	0.9409*** (3.13)		
CHL*PRII			-4.2665	-2.1086		

Variables	(1)	(2)	(3)	(4)	(5)	(6)
	MBV	MBVA	MBV	MBVA	MBV	MBVA
			(-0.95)	(-0.78)		
CHP*PSII			-2.8736 (-0.93)	-1.7681 (-0.95)		
DPR*PRII			5.7359*** (3.04)	3.4569*** (3.03)		
DPR*PSII			-0.3793 (-0.20)	-0.6882 (-0.59)		
FINS					1.5021*** (2.97)	0.7911** (2.58)
LINS					0.8898 (1.10)	0.8995* (1.84)
CHL*FINS					-4.1948 (-1.26)	-1.7396 (-0.86)
CHL*LINS					-1.3419 (-0.33)	-1.7613 (-0.72)
DPR*FINS					3.5774*** (2.63)	1.7272** (2.09)
DPR*LINS					-0.4444 (-0.19)	0.3523 (0.24)
LEV	1.0098*** (4.04)	-0.0892 (-0.59)	0.9886*** (3.95)	-0.1008 (-0.67)	1.0043*** (4.02)	-0.0896 (-0.59)
SIZE	-0.0949*** (-2.60)	-0.0488** (-2.21)	-0.0888** (-2.34)	-0.0474** (-2.06)	-0.0932** (-2.54)	-0.0488** (-2.20)
FAGE	-0.0172*** (-4.93)	-0.0073*** (-3.48)	-0.0174*** (-4.99)	-0.0074*** (-3.52)	-0.0167*** (-4.74)	-0.0071*** (-3.33)
ROA	5.1204*** (8.79)	3.3092*** (9.39)	5.1246*** (8.77)	3.3133*** (9.37)	5.0815*** (8.72)	3.2989*** (9.34)
MAN_OWN	-0.0035 (-1.06)	-0.0012 (-0.61)	-0.0038 (-1.13)	-0.0014 (-0.68)	-0.0037 (-1.10)	-0.0012 (-0.62)
BS_C	0.0838*** (3.00)	0.0512*** (3.02)	0.0816*** (2.92)	0.0500*** (2.94)	0.0830*** (2.95)	0.0518*** (3.04)
r2_a	0.1227	0.1490	0.1238	0.1506	0.1231	0.1474
N	1269	1269	1269	1269	1269	1269

The regression analysis results in Table 2 show that cash holdings have a positive and significant effect on firm value, so the first hypothesis in this study is rejected. The regression analysis results in Table 2 show that the ownership of dividend policy has no effect on firm value, so the second hypothesis in the study is rejected. Table 2 shows that institutional ownership does not moderate the effect of cash holdings on firm value, so the third hypothesis in this study is rejected. Table 2 also shows that institutional ownership positively moderates the effect of dividend policy on firm value, so the fourth hypothesis in this study is rejected.

Discussion

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The results show that cash holdings have a positive effect on firm value. The results shows that the greater the amount of cash owned by the company can increase the value of the company. The results of this study do not support the agency theory, which suggests that cash holdings can cause overinvestment. The results of this study indicate that the greater the

company's cash and cash equivalents owned by the company, the greater the company's financial flexibility. The company has internal funds to fund investment opportunities with a positive net present value to increase the company's value. The results of this study are supported by research conducted by Ifada et al. (2020) and Aslam et al. (2019), which found that cash holdings positively affect firm value.

The results of this study indicate that dividend policy does not affect firm value. The results of this study also do not support agency theory which suggests that dividend policy is one of the agency conflict mechanisms that can increase firm value. The results indicate that many companies in Indonesia are not consistent in distributing dividends so that the dividends distributed do not affect the company's value. The results of this study are supported by research conducted by Aprilyani et al. (2021) and Odum et al. (2019).

The results of this study indicate that institutional ownership does not moderate the effect of cash holdings on firm value. The study's results do not support the agency theory, which suggests that institutional ownership is one of the mechanisms of agency conflict. The descriptive statistics of this study indicate that the average institutional ownership is 14.30%, which shows that institutional ownership is still relatively low, so the supervision carried out cannot create firm value. The results of this study are supported by research conducted by Sukmawardini & Ardiansari (2018)**,** which finds that institutional ownership does not affect firm value. Pertiwi & Hermanto (2017) research also find that institutional ownership does not affect firm value.

The results of this study indicate that institutional ownership positively moderates the effect of dividend policy on firm value. These results indicate that dividend policy and institutional ownership are complementary policies, so the effects of the two agency conflict mechanisms can increase firm value. The results of this study are supported by Tee (2019) and Hussain et al. (2022), who show that institutional ownership positively affects firm value. The results of the opposite study were obtained by Karim & Ilyas (2021), who found that dividend policy and institutional ownership are substitutes so that the positive effect of dividend policy on firm value will decrease when the company's institutional ownership increases.

Additional analysis in this study was conducted by dividing institutional ownership into two groups. The first group is foreign and local institutional ownership, while the second group is pressure-resistive institutional ownership and pressure-sensitive institutional ownership. The results of this study indicate that foreign institutional ownership and pressure-resistant institutional ownership positively moderate the effect of dividend policy on firm value. It also shows that foreign institutional and pressure-resistant institutional ownership is an effective complementary mechanism for dividend policy increasing firm value. Both institutional ownership types indicate that independence from institutional ownership is important to increase firm value. The results of this study are supported by Tee (2019)**,** who found that pressure-resistant institutional investors have a positive effect on firm value, and (Hussain et al., 2022), who found that foreign institutional ownership had a positive effect on firm value in non-financial companies.

CONCLUSIONS

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. This study examines and analyzes the effect of cash holdings and dividend policy on firm value. This study also examines and analyzes the moderation of institutional ownership on the effect of cash holdings and dividend policy on firm value. This research was conducted on non-financial companies listed on the Indonesia Stock Exchange from 2015-2019. The results of this study indicate that 1) cash holdings have a positive effect on firm value; 2) dividend policy does not affect firm value; 3) institutional ownership does not moderate the effect of cash holdings on firm value; 4) institutional ownership positively moderates the effect of institutional ownership on firm value.

This study has limitations, namely 1) only looking at the effect of cash holdings, dividend policy, and institutional ownership moderation on firm value. Firm value is market performance. Further research can examine the company's accounting performance. 2) This study only uses institutional ownership as a mechanism that can substitute or complement the company's dividend policy. Further research can use managerial ownership or debt, which can also be a substitute or complement to dividend policy. 3) This study does not take a sample of companies that pay dividends for three consecutive years. Further research can be carried out on non-financial companies listed on the Indonesia Stock Exchange and paying dividends for three consecutive years.

ABBREVIATIONS

IDX: Indonesian Stock Exchange; KSEI: Indonesian Central Securities Depository

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This research received no external funding

CONFLICTS OF INTEREST

The authors declare no competing interests

AVAILABILITY OF DATA AND MATERIALS

Data are available from the public sources cited in the text

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Toly, A. A., Claudya, C., Santoso, R., & Grace, F. (2019). Analisa Pengaruh Corporate Governance, Ownership Structure, dan Cash on Hand Terhadap Nilai Perusahaan. *Jurnal Riset Keuangan Akuntansi*, *5*(2), 31–51. Retrieved from http://journal.uniku.ac.id/index.php/jrka/article/view/2006

Comments from reviewers:

- Abstract: The abstract is relatively brief. A good informative abstract acts as a surrogate for the work itself. The researcher presents and explains the main arguments, significant results, and evidence in the paper. An informative abstract includes the information found in a descriptive abstract [purpose, methods, scope]. However, it also consists of a judgment or comment about the study's validity, reliability, or completeness, the results and conclusions of the research, and the author's recommendations.

This study investigates the effect of cash holdings and dividend policy on firm value. This study also examines the moderating effect of institutional ownership on the impact of cash holdings and dividend policy on firm value. This study utilizes non-financial companies listed on the Indonesia Stock Exchange between 2015 and 2019 and a total of 1269 observations. This study's data was analyzed using ordinary least squares. According to the findings of the study, cash holdings has a positive impact on the firm's value, however dividend policy has no effect on firm value. The results of this study indicate that institutional ownership does not moderate the effect of cash holdings on firm value, however institutional ownership moderates the influence of dividend policy positively. **This paper elaborates on institutional ownership, a mechanism for agency conflict in the relationship between cash holdings and dividend policy and firm value.**

- Introduction: the author did not adequately explain and identify a research niche by opposing an existing assumption, and/or revealing a gap in existing research. The hypothesis development did not thoroughly explain.

The amount of a company's shares held by financial institutions, insurance companies, securities firms, mutual funds, and other organizations is referred to as institutional ownership. Based on the agency theory suggested by Jensen & Meckling (1976) suggests that institutional ownership is one of the mechanisms of agency conflict. The results of previous research on the effect of institutional ownership on firm value were conducted by Singh & Kansil (2018), Tee (2019), and Hussain, Abid, Ambreen, Usman, & Rahman (2022), who discovered that institutional ownership enhances the value of the firm. Yun et al. (2021) find that cash holdings can increase firm value when there is strong governance.

Gillan & Starks (2005) argue that institutional investors are the dominant players in financial markets. Hanafi & Setiawan (2018) argue that institutional ownership is different from individual ownership because institutional ownership invests large amounts of funds, so it has incentives for greater monitoring compared to individual ownership. It is hoped that the existence of institutional ownership with incentives for greater monitoring can reduce agency conflicts that occur in cash holdings to increase firm value. Institutional ownership can also be a substitution mechanism related to dividend policy (Karim & Ilyas, 2021). Research conducted by Martono et al. (2020), which discovered that institutional ownership has a negative impact on dividend policy, also supports this.

- Method: there are more than four dependent variables in the method section, but the author did not explain why he/she/they need more than 4 variables as described in the hypotheses. For the population, why were the financial companies excluded?

This study utilizes secondary data extracted from the annual report of the company. The annual report of the company is acquired via the websites of the Indonesian stock exchange (IDX), the Indonesian central securities depository (KSEI), and the company itself. This study's population consists of non-financial firms listed on the Indonesia Stock Exchange. **Financial companies are excluded from this study's population because their rules differ from those of non-financial companies.** Purposive sampling was used to select samples for this study, with the following inclusion criteria: 1) companies listed on the Indonesia Stock Exchange between 2015 and 2019, 2) companies with complete data used in this study, 3) companies using rupiah currency in their financial statements, and 4) a positive corporate profit. In total, 1269 observations were collected for this investigation.

In the hypothesis there is only one variable, namely institutional ownership. To take a deeper look at institutional ownership, it is broken down into 4 variables and an additional test looks at the difference in impact between foreign institutional ownership and local institutional ownership. In addition, it also looks at the differences in ownership of pressure-resistant and pressure-sensitive institutions

- Results and Discussion: The Discussion lacks a critical synthesis and comparison of the primary data with the literature. The discussion should connect to the introduction through the research questions or hypotheses and the literature reviewed.

The results indicate that cash holdings has a positive effect on the value of a firm. The results indicate that a larger quantity of cash holdings can raise the value of a company. This study's findings do not support the agency theory, which indicates that cash holdings might lead to overinvestment and diminish a company's value. The findings of this study show that a company's financial flexibility increases with the amount of cash and cash equivalents it has. This financial flexibility enables the company to finance investment opportunities with a positive net present value, hence increasing the value of the company. The results of this study are supported by research conducted by Ifada et al. (2020) and Aslam et al. (2019), which found that cash holdings positively affect firm value.

The findings of this research show that dividend policy has no effect on the value of a company. This study's findings also contradict agency theory, which proposes that dividend policy is one of the agency conflict mechanisms that can enhance firm value. Few corporations continuously pay dividends in Indonesia, hence the dividend policy has no impact on the increase of firm value. Consistency in dividend distribution is necessary for dividends to successfully decrease agency conflicts. The results of this study are supported by research conducted by Aprilyani et al. (2021) and Odum et al. (2019). The results of this study also indicate that dividend policy has no influence on the value of a company because cash holdings can enhance the value of a company. This suggests that internal funds play a significant role in financing investments in Indonesia Stock Exchange-listed non-financial companies.

This study's findings demonstrate that institutional ownership does not reduce the impact of cash holdings on firm value. The findings of the study contradict the agency theory, which argues that institutional ownership is one of the mechanisms of agency conflict. According to this study's descriptive statistics, the average institutional ownership is 14.30%, indicating that institutional ownership is still relatively low, therefore monitoring cannot enhance company value. The results of this study are supported by research conducted by Purba & Africa (2019) dan Sukmawardini & Ardiansari (2018)**,** which finds that institutional ownership does not affect firm value. Pertiwi & Hermanto (2017) research also finds that institutional ownership does not affect firm value.

According to the findings of this study, institutional ownership moderates the influence of dividend policy on firm value. These results suggest that dividend policy and institutional ownership policies are complementary. This indicates that institutional ownership improves a company's dividend policy in order to eliminate agency conflicts and raise firm value. The results of this study are supported by Tee (2019) and Hussain et al. (2022), who show that institutional ownership positively affects firm value. The findings of this study contradict the findings of Karim & Ilyas (2021), who discovered that dividend policy and institutional ownership are substitutes; hence, the beneficial effect of dividend policy on firm value will diminish as institutional ownership increases.

Additional analysis in this study was conducted by dividing institutional ownership into two groups. The first group is foreign and local institutional ownership, while the second group is pressure-resistive institutional ownership and pressure-sensitive institutional ownership. The results of this study indicate that foreign institutional ownership and pressure-resistant institutional ownership positively moderate the effect of dividend policy on firm value. It also shows that foreign institutional and pressure-resistant institutional ownership is an effective complementary mechanism for dividend policy increasing firm value. Both institutional ownership types indicate that independence from institutional ownership is important to increase firm value. The results of this study are supported by Tee (2019)**,** who found that pressure-resistant institutional investors have a positive effect on firm value, and (Hussain et al., 2022), who found that foreign institutional ownership had a positive effect on firm value in non-financial companies.

- Conclusions: The Conclusion is underdeveloped and does not adequately discuss the theoretical and managerial implications of the study.

The conclusions of this study can serve as a basis for investors to make investment decisions, given that cash flow is a key asset for increasing firm value and the governance system is essential for investors to assure a return on their capital. This study's findings are also applicable to future research on agency conflict in cash holdings and dividends, as well as institutional ownership as an agency conflict mechanism.

- Tables and Figures: Add a table for research variables and measurement, and the source. It will help readers to understand what variables were studied.

Already added

- References: it is relevant and updated, but needs more references for the discussion section. At least 30-50 articles for a good journal, especially when the topic is widely studied.

References have been added

3.Bukti permintaan revisi dan penambahan keterangan (19 Desember 2022)

Gmail **Hendra Wijaya <hendrawijayagoei@gmail.com>**

Article revision

Editor JASF UPNJATIM <jasf.editor@upnjatim.ac.id> Mon, Dec 19, 2022 at 8:46 PM
To: hendrawijayagoei@gmail.com

Dear Dr. Hendra Wijaya (Author)

Greetings!
We have asked for the revision of your manuscripts titled: Cash Holdings, Dividend, and Firm Value: The Role of Institutional Investor via the OJS of JASF since November 28, 2022. Enclosed is the revision from the reviewers. Please add in the manuscripts the authors and affiliation that includes Department, Faculty, University address, and authors information.

We intend to publish your article for the JASF issue vol. 5 no. 2 December 2022.

Please send your revised paper before December 25, 2022.

Best regards
JASF Editor

Comments from reviewers:
- Abstract: The abstract is relatively brief. A good informative abstract acts as a surrogate for the work itself. The researcher presents and explains the main arguments, significant results, and evidence in the paper. An informative abstract includes the information found in a descriptive abstract [purpose, methods, scope]. However, it also consists of a judgment or comment about the study's validity, reliability, or completeness, the results and conclusions of the research, and the author's recommendations.

- Introduction: the author did not adequately explain and identify a research niche by opposing an existing assumption, and/or revealing a gap in existing research. The hypothesis development did not thoroughly explain.

- Method: there are more than four dependent variables in the method section, but the author did not explain why he/she/they need more than 4 variables as described in the hypotheses. For the population, why were the financial companies excluded?

- Results and Discussion: The Discussion lacks a critical synthesis and comparison of the primary data with the literature. The discussion should connect to the introduction through the research questions or hypotheses and the literature reviewed.

- Conclusions: The Conclusion is underdeveloped and does not adequately discuss the theoretical and managerial implications of the study.

- Tables and Figures: Add a table for research variables and measurement, and the source. It will help readers to understand what variables were studied.

- References: it is relevant and updated, but needs more references for the discussion section. At least 30-50 articles for a good journal, especially when the topic is widely studied.

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Hendra Wijaya <hendrawijayagoei@gmail.com>

[JASF] Editor Decision

Erry Andhaniwati <smtp@upnjatim.ac.id> Tue, Nov 29, 2022 at 5:46 AM
To: Hendra Wijaya <hendrawijayagoei@gmail.com>

Hendra Wijaya:

We have reached a decision regarding your submission to Journal of Accounting and Strategic Finance, "Cash Holdings, Dividend, and Firm Value: The Role of Institutional Investor".

Our decision is: Revisions Required

Erry Andhaniwati
Universitas Pembangunan Nasional Veteran Jawa Timur
erry.andhaniwati.ak@upnjatim.ac.id

Reviewer A:

Title: YES clearly illustrates the article.

- ***Abstract***: Yes the content reflects the article

- **Introduction**: The subject describes accurately and clearly states the problem of the article. The Introduction also summarizes the context of relevant research and briefly explains the findings of the research.

Method: Yes method is comprehensive and that appropriate analysis has been employed in the findings of the research result.

- **Results and Discussion**: Yes the result was **thoroughly** discussed. And the author has **compared** the research results with other previous research. The author used proper statistical tools. An appropriate analysis has been carried out.

- **Conclusions**: Yes the conclusions are supported by fair results and reasonable discussions. and the author explains how the follow-up of the research is based on the results. Yes, it describes the limitations of the research.

- **Tables and Figures**: Tables and Figures are the referred explanation and are easy to interpret and understand.

- **References**: Yes it is relevant to the article's topic and up to date.

Reviewer B:

- ***Abstract***: The abstract is relatively brief. A good informative abstract acts as a surrogate for the work itself. The researcher presents and explains the main arguments, significant results, and evidence in the paper. An informative abstract includes the information found in a descriptive abstract [purpose, methods, scope]. However, it also consists of a judgment or comment about the study's validity, reliability, or completeness, the results and conclusions of the research, and the author's recommendations.

- **Introduction**: the author did not adequately explain and identify a research niche by opposing an existing assumption, and/or revealing a gap in existing research. The hypothesis development did not thoroughly explain.

- **Method**: there are more than four dependent variables in the method section, but the author did not explain why he/she/they need more than 4 variables as described in the hypotheses. For the population, why were the financial companies excluded?

- Results and Discussion: The Discussion lacks a critical synthesis and comparison of the primary data with the literature. The discussion should connect to the introduction through the research questions or hypotheses and the literature reviewed.

- **Conclusions**: The Conclusion is underdeveloped and does not adequately discuss the theoretical and managerial implications of the study.

- **Tables and Figures**: Add a table for research variables and measurement, and the source. It will help readers to understand what variables were studied.

- **References**: it is relevant and updated, but needs more references for the discussion section. At least 30-50 articles for a good journal, especially when the topic is widely studied.

Journal of Accounting and Strategic Finance

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Hendra Wijaya <hendrawijayagoei@gmail.com>

Article revision

Editor JASF UPNJATIM <jasf.editor@upnjatim.ac.id> Sun, Dec 25, 2022 at 2:39 AM
To: Hendra Wijaya <hendrawijayagoei@gmail.com>

Sudah saya cek Turnitin-nya, similarity 29%, mohon direvisi sampai kurang dari 15%.
Saya tunggu sampai 29 Desember ya Pak.
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Gmail **Hendra Wijaya <hendrawijayagoei@gmail.com>**

[JASF] Editor Decision

Erry Andhaniwati <smtp@upnjatim.ac.id> Sat, Dec 31, 2022 at 2:32 AM
To: Hendra Wijaya <hendrawijayagoei@gmail.com>

Hendra Wijaya:

The editing of your submission, "Cash Holdings, Dividend, and Firm Value: The Role of Institutional Investor," is complete. We are now sending it to production.

Submission URL: http://jasf.upnjatim.ac.id/index.php/jasf/authorDashboard/submission/307

Erry Andhaniwati
Universitas Pembangunan Nasional Veteran Jawa Timur
erry.andhaniwati.ak@upnjatim.ac.id

Gmail **Hendra Wijaya <hendrawijayagoei@gmail.com>**

[jasf] Submission Acknowledgement

Editor in Chief - Tantina Haryati <smtp-jurnal@upnjatim.ac.id> Wed, Jun 21, 2023 at 5:18 PM
To: Hendra Wijaya <hendrawijayagoei@gmail.com>

Hello,

jasf has submitted the manuscript, "Cash Holdings, Dividend Payout, and Corporate Value: The Role of Institutional Investors" to JASF.

If you have any questions, please contact me. Thank you for considering this journal as a venue for your work.

Editor in Chief - Tantina Haryati

JASF

Cash Holdings, Dividend, and Firm Value: The Role of Institutional Investor

ABSTRACT

This study examines the effect of cash holdings and dividend policy on firm value. This study also examines the moderation of institutional ownership on the effect of cash holdings and dividend policy on firm value. This study uses the research object of non-financial companies listed on the Indonesia Stock Exchange in the 2015-2019 period and a total of 1269 observations. The data in this study were analyzed using ordinary least squares. The results of this study are that cash holdings positively affect firm value, and dividend policy has no effect on firm value. Regarding the moderating of institutional ownership, the results of this study are that institutional ownership does not moderate the effect of cash holdings on firm value, and institutional ownership positively moderates the effect of institutional ownership on firm value.

Keywords: cash holdings, dividend policy, institutional ownership, firm value, agency conflict

Commented [A1]: The abstract is relatively brief. A good informative abstract acts as a surrogate for the work itself. The researcher presents and explains the main arguments, significant results, and evidence in the paper. An informative abstract includes the information found in a descriptive abstract [purpose, methods, scope]. However, it also consists of a judgment or comment about the study's validity, reliability, or completeness, the results and conclusions of the research, and the author's recommendations.

INTRODUCTION

Commented [A2]: the author did not adequately explain and identify a research niche by opposing an existing assumption, and/or revealing a gap in existing research. The hypothesis development did not thoroughly explained.

Agency conflict is an interesting issue to study. One that can cause agency conflicts to occur is the cash holdings owned by the company. Based on Jensen (1986)**,** through the free cash flow hypothesis, it is found that the cash owned by the company can cause the company's management to be not careful in investing and investing in investment projects with a negative net present value. This carelessness can have an impact on the decline in the value of the company. The results of previous research regarding the negative effect of cash holdings on firm value were conducted by Toly, Claudya, Santoso, & Grace (2019) and Asante-Darko, Adu Bonsu, Famiyeh, Kwarteng, & Goka (2018). Research conducted by Bhuiyan & Hooks (2019) found that a company's cash holdings have a positive effect on overinvestment. The results of the opposite study were obtained by Ifada, Indriastuti, & Hanafi (2020), Aslam, Kalim, & Fizza (2019), and La Rocca & Cambrea (2019), who found that cash holdings have a positive effect on firm value. Cash holdings positively affect firm value due to investors' perception that the company can manage cash well (Ifada et al., 2020). Another study by La Rocca, Staglianò, La Rocca, Cariola, & Skatova (2019) found that cash holdings positively affect the company's operating performance.

In Jensen (1986), it was stated that this could be overcome by distributing dividends to shareholders, so that company management can look for alternative funding such as debt to fund their investments. The dividend policy can increase the company's value by reducing agency conflict. The results of previous studies regarding the effect of dividend policy on firm value were carried out by Launtu (2021) and Resti, Purwanto, & Ermawati (2019). They found that dividend policy has a positive effect on firm value. Rajverma, Misra, Mohapatra, & Chandra (2019) and Banerjee (2018) also find that dividend policy positively affects firm value. The results of the opposite study regarding dividend policy on firm value were conducted by Aprilyani, Widyarti, & Hamidah (2021) and Odum, Odum, Omeziri, & Egbunike (2019). They found that dividend policy does not affect firm value.

Institutional ownership is the number of company shares owned by financial institutions, insurance companies, securities companies, mutual funds, and others. Based on the agency theory proposed by Jensen & Meckling (1976) suggests that institutional ownership is one of the mechanisms of agency conflict. The results of previous research on the effect of institutional ownership on firm value were conducted by Tee (2019) and (Hussain, Abid, Ambreen, Usman, & Rahman, 2022), who found that institutional ownership positively affects

firm value. Institutional ownership can also be a substitution mechanism related to dividend policy (Karim & Ilyas, 2021).

Therefore, this study examines and analyzes the effect of cash holdings and dividend policy on firm value with institutional ownership as a moderating variable based on the arguments above. This study has several contributions, namely, first, the role of institutional ownership in reducing agency conflicts that occur. Second, this study provides empirical evidence regarding the role of institutional ownership in moderating the effect of cash holdings on firm value and dividend policy on firm value. Third, this study also examines and analyzes foreign institutional ownership, local institutional ownership, pressure-resistant institutional ownership, and pressure resistive institutional ownership.

Cash holdings are cash and cash equivalents owned by the company. Based on agency theory, cash and cash equivalents owned by the company can increase agency conflict. The agency conflict occurs because the company's cash holdings are invested by management in unprofitable investments (Asante-Darko et al., 2018). The statement is supported by research conducted by Toly et al. (2019) and Asante-Darko et al. (2018), who found that cash holdings have a negative effect on firm value. Therefore, the first hypothesis in this study is:

H_1: Cash holdings have a negative effect on firm value

Dividend policy is one of the agency conflict mechanisms. According to (Jensen, 1986), a dividend policy can reduce agency conflicts in the company's cash holdings. Dividends distributed to shareholders cause the company to use debt to fund its investment projects. This debt causes the company's management to be careful in investing because it must repay the debt with interest (Jensen, 1986). La Porta, Lopez-De-Silanes, Shleifer, & Vishny (2000) also state that companies have pressure to distribute dividends in countries with weak investor protection due to the waste that can occur in the resources owned by the company. The statement is supported by research conducted by Launtu (2021), Resti et al. (2019), Rajverma et al. (2019), and Banerjee (2018), who found that dividend policy has a positive effect on firm value. Therefore, the second hypothesis in this study is:

H_2: Dividend policy has a positive effect on firm value

Institutional ownership is one of the mechanisms of agency conflict (Jensen & Meckling, 1976). Institutional ownership can reduce agency conflict through supervision. This improved supervision is due to the expertise possessed by these institutional investors (Gillan & Starks, 2003). The statement is supported by research conducted by Bathala, Moon, & Rao (1994), who found that institutional investors have an effective role in monitoring to reduce agency costs and affect company performance. The higher institutional ownership is expected to reduce agency conflicts in cash holdings to increase the company's value. Research conducted by Tee (2019) found that institutional ownership positively affects firm value. Another study by (Hussain et al., 2022) also found that institutional ownership positively affects firm value. Therefore, the third hypothesis in this study is:

H_3: Institutional ownership moderates the positive effect of cash holdings on firm value

Based on the third hypothesis, higher institutional ownership can reduce agency conflict so that the effect of cash holdings on firm value can increase. The higher the institutional ownership of the company, the effect of the dividend policy on the company's value can be reduced because institutional ownership can act as a substitution mechanism with dividend policy. The statement is supported by research by Karim & Ilyas (2021), who found that dividend policy has a more positive effect on firm value when foreign institutional ownership increases. Therefore, the fourth hypothesis in this study is

H_4: Institutional ownership moderates the negative effect of cash holdings on firm value.

RESEARCH METHOD

Commented [A3]: there are more than four dependent variables in the method section, but the author did not explain why he/she/they need more than 4 variables as described in the hypotheses. For the population, why the financial companies are excluded?

Add a table for research variables and measurement, and the source. It will help readers to understand what variables were studied.

This study uses secondary data obtained from the company's annual report. The company's annual report is obtained from the website of the Indonesian stock exchange (IDX), the Indonesian central securities depository (KSEI), and companies. The population in this study are non-financial companies listed on the Indonesia Stock Exchange. Samples in this study were taken using purposive sampling with the criteria of 1) companies being listed on the Indonesia Stock Exchange in 2015-2019, 2) companies having complete data used in this study, 3) companies using rupiah currency in their financial statements, and 4) the company has a positive corporate profit. The total observations in this study amounted to 1269 observations.

The dependent variable in this study is firm value. Karim & Ilyas (2021) measure the company's value using the sum of market capitalization plus the book value of debt divided by total assets. Odum et al. (2019) measure the firm value by the firm's market value divided by the firm's total equity. Karim & Ilyas (2021) measure a company's cash holdings by cash and cash equivalents divided by total assets. Aprilyani et al. (2021) measure the dividend policy by dividing the dividend by the company's net income Tee (2019) measures institutional ownership by using the number of shares owned by institutional investors divided by the number of outstanding shares, foreign institutional ownership by using the number of foreign institutional ownership divided by the number of outstanding shares, local institutional ownership by using the number of local institutional ownership divided by the number of shares outstanding. Tee (2019) measures pressure-sensitive institutional investors by using the number of shares owned by institutions with the potential to have business ties, such as financial institutions and insurance companies, divided by the number of outstanding shares. Tee (2019) measures pressure-resistant institutional investors by using the number of shares owned by institutions that do not have the potential to have business ties, such as mutual funds and pension funds companies, divided by the number of shares outstanding. Lin & Fu, (2017) measure leverage using total debt divided by total assets, company size using the logarithm of total assets, profitability by net income divided by total assets, and company age using the company's age since the company was founded. Asante-Darko et al. (2018) measures managerial ownership using the number of shares owned by the company's management divided by the number of outstanding shares. Aslam et al. (2019) measure the board size by using the number of members on the company's board. The board in this study is the size of the board of commissioners.

The statistical equations in this study are as follows:

$$FV\ (MBV, MBVA) = \alpha + \beta_1 CHL + \beta_2 DPR + \beta_3 TINS + \beta_4 CHL{*}TINS + \beta_5 DPR{*}TINS + \beta_6 LEV + \beta_7 SIZE + \beta_8 ROA + \beta_3{*}FAGE + \beta_3{*}MAN\_OWN + \beta_3{*}BS\_C + \varepsilon$$

Where, FV = firm value; CHL = cash holdings; DPR = dividend payout; TINS= institusional ownership; LEV= leverage; SIZE= firm size; ROA= profitability; FAGE= firm age; MAN_OWN= managerial ownership; BS_C= board size

RESULTS AND DISCUSSION

Result

The following are descriptive statistics in this study. Descriptive statistics show the mean, standard deviation, minimum, and maximum of the 15 variables used in this study:

Table 1. Descriptive Statistics

No	Variables	N	Mean	Std. Dev	Maximum	Minimum
1	MBV	1269	1.6977	1.7264	13.9735	0.0547
2	MBVA	1269	1.3878	1.0608	9.0837	0.1228
3	CHL	1269	0.1028	0.1295	2.5695	0.0004
4	DPR	1269	0.1982	0.3333	2.3970	0.0000
5	LEV	1269	0.4395	0.2000	0.9599	0.0076
6	SIZE	1269	28.6675	1.6530	33.4945	24.5683
7	FAGE	1269	33.1710	13.5056	106.0000	6.0000
8	ROA	1269	0.0364	0.0870	0.9210	-0.6003
9	MAN_OWN	1269	4.9348	14.2199	89.4400	0.0000
10	BS_C	1269	4.2561	1.9549	22.0000	2.0000
11	TINS	1269	0.1430	0.1556	0.9524	0.0000
12	PRII	1269	0.0552	0.0781	0.4724	0.0000
13	PSII	1269	0.0889	0.1296	0.9204	0.0000
14	FINS	1269	0.0913	0.1319	0.8912	0.0000
15	LINS	1269	0.0517	0.0772	0.6237	0.0000

The results of the descriptive statistics in Table 1 show that the average market to book value is 1.6977, and the average market to book value of assets is 1.3878. The number shows that the average market price of the company is 1.6977 of the company's total equity and 1.3878 of the company's total assets. The average of the company's cash holdings is 0.1028 of the company's total assets. The average dividend payout is 0.1982 of the company's total net profit. The average institutional ownership is 0.1430 of the company's outstanding shares. The average pressure resistive institutional ownership is 0.0552 of the company's total outstanding shares. The average pressure-sensitive institutional ownership is 0.0889 of the company's total outstanding shares. The average foreign institutional ownership is 0.0913 of the company's outstanding shares, and the average local institutional ownership is 0.0517 of the company's outstanding shares.

Table 2. Regression Analysis

Variables	(1)	(2)	(3)	(4)	(5)	(6)
	MBV	**MBVA**	**MBV**	**MBVA**	**MBV**	**MBVA**
Constant	3.6083*** (3,71)	2.4711*** (4.20)	3.4767*** (3.45)	2.4508*** (4.02)	3.5567*** (3.65)	2.4578*** (4.16)
CHL	1.4268*** (2,88)	0.9416*** (3.14)	1.4677*** (2.84)	0.9508*** (3.05)	1.4309*** (2.89)	0.9424*** (3.14)
DPR	0.2398 (1,07)	0.1974 (1.45)	0.2284 (1.01)	0.1974 (1.45)	0.2953 (1.30)	0.2173 (1.58)
TINS	1.3190*** (3,10)	0.8157*** (3.17)				
CHL*TINS	-3.2325 (-1.33)	-1.7609 (-1.19)				
DPR*TINS	2.5784** (2.16)	1.3946* (1.93)				
PRII			0.6084 (0.67)	0.4560 (0.83)		
PSII			1.5168*** (3.05)	0.9409*** (3.13)		
CHL*PRII			-4.2665	-2.1086		

Variables	(1)	(2)	(3)	(4)	(5)	(6)
	MBV	**MBVA**	**MBV**	**MBVA**	**MBV**	**MBVA**
			(-0.95)	(-0.78)		
CHP*PSII			-2.8736 (-0.93)	-1.7681 (-0.95)		
DPR*PRII			5.7359*** (3.04)	3.4569*** (3.03)		
DPR*PSII			-0.3793 (-0.20)	-0.6882 (-0.59)		
FINS					1.5021*** (2.97)	0.7911** (2.58)
LINS					0.8898 (1.10)	0.8995* (1.84)
CHL*FINS					-4.1948 (-1.26)	-1.7396 (-0.86)
CHL*LINS					-1.3419 (-0.33)	-1.7613 (-0.72)
DPR*FINS					3.5774*** (2.63)	1.7272** (2.09)
DPR*LINS					-0.4444 (-0.19)	0.3523 (0.24)
LEV	1.0098*** (4.04)	-0.0892 (-0.59)	0.9886*** (3.95)	-0.1008 (-0.67)	1.0043*** (4.02)	-0.0896 (-0.59)
SIZE	-0.0949*** (-2.60)	-0.0488** (-2.21)	-0.0888** (-2.34)	-0.0474** (-2.06)	-0.0932** (-2.54)	-0.0488** (-2.20)
FAGE	-0.0172*** (-4.93)	-0.0073*** (-3.48)	-0.0174*** (-4.99)	-0.0074*** (-3.52)	-0.0167*** (-4.74)	-0.0071*** (-3.33)
ROA	5.1204*** (8.79)	3.3092*** (9.39)	5.1246*** (8.77)	3.3133*** (9.37)	5.0815*** (8.72)	3.2989*** (9.34)
MAN_OWN	-0.0035 (-1.06)	-0.0012 (-0.61)	-0.0038 (-1.13)	-0.0014 (-0.68)	-0.0037 (-1.10)	-0.0012 (-0.62)
BS_C	0.0838*** (3.00)	0.0512*** (3.02)	0.0816*** (2.92)	0.0500*** (2.94)	0.0830*** (2.95)	0.0518*** (3.04)
r2_a	0.1227	0.1490	0.1238	0.1506	0.1231	0.1474
N	1269	1269	1269	1269	1269	1269

The regression analysis results in Table 2 show that cash holdings have a positive and significant effect on firm value, so the first hypothesis in this study is rejected. The regression analysis results in Table 2 show that the ownership of dividend policy has no effect on firm value, so the second hypothesis in the study is rejected. Table 2 shows that institutional ownership does not moderate the effect of cash holdings on firm value, so the third hypothesis in this study is rejected. Table 2 also shows that institutional ownership positively moderates the effect of dividend policy on firm value, so the fourth hypothesis in this study is rejected.

Discussion

The results show that cash holdings have a positive effect on firm value. The results shows that the greater the amount of cash owned by the company can increase the value of the company. The results of this study do not support the agency theory, which suggests that cash holdings can cause overinvestment. The results of this study indicate that the greater the

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company's cash and cash equivalents owned by the company, the greater the company's financial flexibility. The company has internal funds to fund investment opportunities with a positive net present value to increase the company's value. The results of this study are supported by research conducted by Ifada et al. (2020) and Aslam et al. (2019), which found that cash holdings positively affect firm value.

The results of this study indicate that dividend policy does not affect firm value. The results of this study also do not support agency theory which suggests that dividend policy is one of the agency conflict mechanisms that can increase firm value. The results indicate that many companies in Indonesia are not consistent in distributing dividends so that the dividends distributed do not affect the company's value. The results of this study are supported by research conducted by Aprilyani et al. (2021) and Odum et al. (2019).

The results of this study indicate that institutional ownership does not moderate the effect of cash holdings on firm value. The study's results do not support the agency theory, which suggests that institutional ownership is one of the mechanisms of agency conflict. The descriptive statistics of this study indicate that the average institutional ownership is 14.30%, which shows that institutional ownership is still relatively low, so the supervision carried out cannot create firm value. The results of this study are supported by research conducted by Sukmawardini & Ardiansari (2018)**,** which finds that institutional ownership does not affect firm value. Pertiwi & Hermanto (2017) research also find that institutional ownership does not affect firm value.

The results of this study indicate that institutional ownership positively moderates the effect of dividend policy on firm value. These results indicate that dividend policy and institutional ownership are complementary policies, so the effects of the two agency conflict mechanisms can increase firm value. The results of this study are supported by Tee (2019) and Hussain et al. (2022), who show that institutional ownership positively affects firm value. The results of the opposite study were obtained by Karim & Ilyas (2021), who found that dividend policy and institutional ownership are substitutes so that the positive effect of dividend policy on firm value will decrease when the company's institutional ownership increases.

Additional analysis in this study was conducted by dividing institutional ownership into two groups. The first group is foreign and local institutional ownership, while the second group is pressure-resistive institutional ownership and pressure-sensitive institutional ownership. The results of this study indicate that foreign institutional ownership and pressure-resistant institutional ownership positively moderate the effect of dividend policy on firm value. It also shows that foreign institutional and pressure-resistant institutional ownership is an effective complementary mechanism for dividend policy increasing firm value. Both institutional ownership types indicate that independence from institutional ownership is important to increase firm value. The results of this study are supported by Tee (2019)**,** who found that pressure-resistant institutional investors have a positive effect on firm value, and (Hussain et al., 2022), who found that foreign institutional ownership had a positive effect on firm value in non-financial companies.

CONCLUSIONS

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. This study examines and analyzes the effect of cash holdings and dividend policy on firm value. This study also examines and analyzes the moderation of institutional ownership on the effect of cash holdings and dividend policy on firm value. This research was conducted on non-financial companies listed on the Indonesia Stock Exchange from 2015-2019. The results of this study indicate that 1) cash holdings have a positive effect on firm value; 2) dividend policy does not affect firm value; 3) institutional ownership does not moderate the effect of cash holdings on firm value; 4) institutional ownership positively moderates the effect of institutional ownership on firm value.

This study has limitations, namely 1) only looking at the effect of cash holdings, dividend policy, and institutional ownership moderation on firm value. Firm value is market performance. Further research can examine the company's accounting performance. 2) This study only uses institutional ownership as a mechanism that can substitute or complement the company's dividend policy. Further research can use managerial ownership or debt, which can also be a substitute or complement to dividend policy. 3) This study does not take a sample of companies that pay dividends for three consecutive years. Further research can be carried out on non-financial companies listed on the Indonesia Stock Exchange and paying dividends for three consecutive years.

ABBREVIATIONS
IDX: Indonesian Stock Exchange; KSEI: Indonesian Central Securities Depository

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This research received no external funding

CONFLICTS OF INTEREST

The authors declare no competing interests

AVAILABILITY OF DATA AND MATERIALS

Data are available from the public sources cited in the text

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Gmail **Hendra Wijaya <hendrawijayagoei@gmail.com>**

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Cash Holdings, Dividend, and Firm Value: The Role of Institutional Investor

ABSTRACT

This study examines the effect of cash holdings and dividend policy on firm value. This study also examines the moderation of institutional ownership on the effect of cash holdings and dividend policy on firm value. This study uses the research object of non-financial companies listed on the Indonesia Stock Exchange in the 2015-2019 period and a total of 1269 observations. The data in this study were analyzed using ordinary least squares. The results of this study are that cash holdings positively affect firm value, and dividend policy has no effect on firm value. Regarding the moderating of institutional ownership, the results of this study are that institutional ownership does not moderate the effect of cash holdings on firm value, and institutional ownership positively moderates the effect of institutional ownership on firm value.

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Keywords: cash holdings, dividend policy, institutional ownership, firm value, agency conflict

INTRODUCTION

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Agency conflict is an interesting issue to study. One that can cause agency conflicts to occur is the cash holdings owned by the company. Based on Jensen (1986)**,** through the free cash flow hypothesis, it is found that the cash owned by the company can cause the company's management to be not careful in investing and investing in investment projects with a negative net present value. This carelessness can have an impact on the decline in the value of the company. The results of previous research regarding the negative effect of cash holdings on firm value were conducted by Toly, Claudya, Santoso, & Grace (2019) and Asante-Darko, Adu Bonsu, Famiyeh, Kwarteng, & Goka (2018). Research conducted by Bhuiyan & Hooks (2019) found that a company's cash holdings have a positive effect on overinvestment. The results of the opposite study were obtained by Ifada, Indriastuti, & Hanafi (2020), Aslam, Kalim, & Fizza (2019), and La Rocca & Cambrea (2019), who found that cash holdings have a positive effect on firm value. Cash holdings positively affect firm value due to investors' perception that the company can manage cash well (Ifada et al., 2020). Another study by La Rocca, Staglianò, La Rocca, Cariola, & Skatova (2019) found that cash holdings positively affect the company's operating performance.

In Jensen (1986), it was stated that this could be overcome by distributing dividends to shareholders, so that company management can look for alternative funding such as debt to fund their investments. The dividend policy can increase the company's value by reducing agency conflict. The results of previous studies regarding the effect of dividend policy on firm value were carried out by Launtu (2021) and Resti, Purwanto, & Ermawati (2019). They found that dividend policy has a positive effect on firm value. Rajverma, Misra, Mohapatra, & Chandra (2019) and Banerjee (2018) also find that dividend policy positively affects firm value. The results of the opposite study regarding dividend policy on firm value were conducted by Aprilyani, Widyarti, & Hamidah (2021) and Odum, Odum, Omeziri, & Egbunike (2019). They found that dividend policy does not affect firm value.

Institutional ownership is the number of company shares owned by financial institutions, insurance companies, securities companies, mutual funds, and others. Based on the agency theory proposed by Jensen & Meckling (1976) suggests that institutional ownership is one of the mechanisms of agency conflict. The results of previous research on the effect of institutional ownership on firm value were conducted by Tee (2019) and (Hussain, Abid, Ambreen, Usman, & Rahman, 2022), who found that institutional ownership positively affects

firm value. Institutional ownership can also be a substitution mechanism related to dividend policy (Karim & Ilyas, 2021)**.**

Therefore, this study examines and analyzes the effect of cash holdings and dividend policy on firm value with institutional ownership as a moderating variable based on the arguments above. This study has several contributions, namely, first, the role of institutional ownership in reducing agency conflicts that occur. Second, this study provides empirical evidence regarding the role of institutional ownership in moderating the effect of cash holdings on firm value and dividend policy on firm value. Third, this study also examines and analyzes foreign institutional ownership, local institutional ownership, pressure-resistant institutional ownership, and pressure resistive institutional ownership.

Cash holdings are cash and cash equivalents owned by the company. Based on agency theory, cash and cash equivalents owned by the company can increase agency conflict. The agency conflict occurs because the company's cash holdings are invested by management in unprofitable investments (Asante-Darko et al., 2018). The statement is supported by research conducted by Toly et al. (2019) and Asante-Darko et al. (2018), who found that cash holdings have a negative effect on firm value. Therefore, the first hypothesis in this study is:

H_1: Cash holdings have a negative effect on firm value

Dividend policy is one of the agency conflict mechanisms. According to (Jensen, 1986), a dividend policy can reduce agency conflicts in the company's cash holdings. Dividends distributed to shareholders cause the company to use debt to fund its investment projects. This debt causes the company's management to be careful in investing because it must repay the debt with interest (Jensen, 1986). La Porta, Lopez-De-Silanes, Shleifer, & Vishny (2000) also state that companies have pressure to distribute dividends in countries with weak investor protection due to the waste that can occur in the resources owned by the company. The statement is supported by research conducted by Launtu (2021), Resti et al. (2019), Rajverma et al. (2019), and Banerjee (2018), who found that dividend policy has a positive effect on firm value. Therefore, the second hypothesis in this study is:

H_2: Dividend policy has a positive effect on firm value

Institutional ownership is one of the mechanisms of agency conflict (Jensen & Meckling, 1976). Institutional ownership can reduce agency conflict through supervision. This improved supervision is due to the expertise possessed by these institutional investors (Gillan & Starks, 2003). The statement is supported by research conducted by Bathala, Moon, & Rao (1994), who found that institutional investors have an effective role in monitoring to reduce agency costs and affect company performance. The higher institutional ownership is expected to reduce agency conflicts in cash holdings to increase the company's value. Research conducted by Tee (2019) found that institutional ownership positively affects firm value. Another study by (Hussain et al., 2022) also found that institutional ownership positively affects firm value. Therefore, the third hypothesis in this study is:

H_3: Institutional ownership moderates the positive effect of cash holdings on firm value

Based on the third hypothesis, higher institutional ownership can reduce agency conflict so that the effect of cash holdings on firm value can increase. The higher the institutional ownership of the company, the effect of the dividend policy on the company's value can be reduced because institutional ownership can act as a substitution mechanism with dividend policy. The statement is supported by research by Karim & Ilyas (2021), who found that dividend policy has a more positive effect on firm value when foreign institutional ownership increases. Therefore, the fourth hypothesis in this study is

H_4: Institutional ownership moderates the negative effect of cash holdings on firm value.

RESEARCH METHOD

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Add a table for research variables and measurement, and the source. It will help readers to understand what variables were studied.

This study uses secondary data obtained from the company's annual report. The company's annual report is obtained from the website of the Indonesian stock exchange (IDX), the Indonesian central securities depository (KSEI), and companies. The population in this study are non-financial companies listed on the Indonesia Stock Exchange. Samples in this study were taken using purposive sampling with the criteria of 1) companies being listed on the Indonesia Stock Exchange in 2015-2019, 2) companies having complete data used in this study, 3) companies using rupiah currency in their financial statements, and 4) the company has a positive corporate profit. The total observations in this study amounted to 1269 observations.

The dependent variable in this study is firm value. Karim & Ilyas (2021) measure the company's value using the sum of market capitalization plus the book value of debt divided by total assets. Odum et al. (2019) measure the firm value by the firm's market value divided by the firm's total equity. Karim & Ilyas (2021) measure a company's cash holdings by cash and cash equivalents divided by total assets. Aprilyani et al. (2021) measure the dividend policy by dividing the dividend by the company's net income Tee (2019) measures institutional ownership by using the number of shares owned by institutional investors divided by the number of outstanding shares, foreign institutional ownership by using the number of foreign institutional ownership divided by the number of outstanding shares, local institutional ownership by using the number of local institutional ownership divided by the number of shares outstanding. Tee (2019) measures pressure-sensitive institutional investors by using the number of shares owned by institutions with the potential to have business ties, such as financial institutions and insurance companies, divided by the number of outstanding shares. Tee (2019) measures pressure-resistant institutional investors by using the number of shares owned by institutions that do not have the potential to have business ties, such as mutual funds and pension funds companies, divided by the number of shares outstanding. Lin & Fu, (2017) measure leverage using total debt divided by total assets, company size using the logarithm of total assets, profitability by net income divided by total assets, and company age using the company's age since the company was founded. Asante-Darko et al. (2018) measures managerial ownership using the number of shares owned by the company's management divided by the number of outstanding shares. Aslam et al. (2019) measure the board size by using the number of members on the company's board. The board in this study is the size of the board of commissioners.

The statistical equations in this study are as follows:

$$FV\ (MBV, MBVA) = \alpha + \beta_1 CHL + \beta_2 DPR + \beta_3 TINS + \beta_4 CHL{*}TINS + \beta_5 DPR{*}TINS + \beta_6 LEV + \beta_7 SIZE + \beta_8 ROA + \beta_3{*}FAGE + \beta_3{*}MAN\_OWN + \beta_3{*}BS\_C + \varepsilon$$

Where, FV = firm value; CHL = cash holdings; DPR = dividend payout; TINS= institusional ownership; LEV= leverage; SIZE= firm size; ROA= profitability; FAGE= firm age; MAN_OWN= managerial ownership; BS_C= board size

RESULTS AND DISCUSSION

Result

The following are descriptive statistics in this study. Descriptive statistics show the mean, standard deviation, minimum, and maximum of the 15 variables used in this study:

Table 1. Descriptive Statistics

No	Variables	N	Mean	Std. Dev	Maximum	Minimum
1	MBV	1269	1.6977	1.7264	13.9735	0.0547
2	MBVA	1269	1.3878	1.0608	9.0837	0.1228
3	CHL	1269	0.1028	0.1295	2.5695	0.0004
4	DPR	1269	0.1982	0.3333	2.3970	0.0000
5	LEV	1269	0.4395	0.2000	0.9599	0.0076
6	SIZE	1269	28.6675	1.6530	33.4945	24.5683
7	FAGE	1269	33.1710	13.5056	106.0000	6.0000
8	ROA	1269	0.0364	0.0870	0.9210	-0.6003
9	MAN_OWN	1269	4.9348	14.2199	89.4400	0.0000
10	BS_C	1269	4.2561	1.9549	22.0000	2.0000
11	TINS	1269	0.1430	0.1556	0.9524	0.0000
12	PRII	1269	0.0552	0.0781	0.4724	0.0000
13	PSII	1269	0.0889	0.1296	0.9204	0.0000
14	FINS	1269	0.0913	0.1319	0.8912	0.0000
15	LINS	1269	0.0517	0.0772	0.6237	0.0000

The results of the descriptive statistics in Table 1 show that the average market to book value is 1.6977, and the average market to book value of assets is 1.3878. The number shows that the average market price of the company is 1.6977 of the company's total equity and 1.3878 of the company's total assets. The average of the company's cash holdings is 0.1028 of the company's total assets. The average dividend payout is 0.1982 of the company's total net profit. The average institutional ownership is 0.1430 of the company's outstanding shares. The average pressure resistive institutional ownership is 0.0552 of the company's total outstanding shares. The average pressure-sensitive institutional ownership is 0.0889 of the company's total outstanding shares. The average foreign institutional ownership is 0.0913 of the company's outstanding shares, and the average local institutional ownership is 0.0517 of the company's outstanding shares.

Table 2. Regression Analysis

Variables	(1)	(2)	(3)	(4)	(5)	(6)
	MBV	**MBVA**	**MBV**	**MBVA**	**MBV**	**MBVA**
Constant	3.6083*** (3,71)	2.4711*** (4.20)	3.4767*** (3.45)	2.4508*** (4.02)	3.5567*** (3.65)	2.4578*** (4.16)
CHL	1.4268*** (2,88)	0.9416*** (3.14)	1.4677*** (2.84)	0.9508*** (3.05)	1.4309*** (2.89)	0.9424*** (3.14)
DPR	0.2398 (1,07)	0.1974 (1.45)	0.2284 (1.01)	0.1974 (1.45)	0.2953 (1.30)	0.2173 (1.58)
TINS	1.3190*** (3,10)	0.8157*** (3.17)				
CHL*TINS	-3.2325 (-1.33)	-1.7609 (-1.19)				
DPR*TINS	2.5784** (2.16)	1.3946* (1.93)				
PRII			0.6084 (0.67)	0.4560 (0.83)		
PSII			1.5168*** (3.05)	0.9409*** (3.13)		
CHL*PRII			-4.2665	-2.1086		

Variables	(1)	(2)	(3)	(4)	(5)	(6)
	MBV	MBVA	MBV	MBVA	MBV	MBVA
			(-0.95)	(-0.78)		
CHP*PSII			-2.8736 (-0.93)	-1.7681 (-0.95)		
DPR*PRII			5.7359*** (3.04)	3.4569*** (3.03)		
DPR*PSII			-0.3793 (-0.20)	-0.6882 (-0.59)		
FINS					1.5021*** (2.97)	0.7911** (2.58)
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DPR*FINS					3.5774*** (2.63)	1.7272** (2.09)
DPR*LINS					-0.4444 (-0.19)	0.3523 (0.24)
LEV	1.0098*** (4.04)	-0.0892 (-0.59)	0.9886*** (3.95)	-0.1008 (-0.67)	1.0043*** (4.02)	-0.0896 (-0.59)
SIZE	-0.0949*** (-2.60)	-0.0488** (-2.21)	-0.0888** (-2.34)	-0.0474** (-2.06)	-0.0932** (-2.54)	-0.0488** (-2.20)
FAGE	-0.0172*** (-4.93)	-0.0073*** (-3.48)	-0.0174*** (-4.99)	-0.0074*** (-3.52)	-0.0167*** (-4.74)	-0.0071*** (-3.33)
ROA	5.1204*** (8.79)	3.3092*** (9.39)	5.1246*** (8.77)	3.3133*** (9.37)	5.0815*** (8.72)	3.2989*** (9.34)
MAN_OWN	-0.0035 (-1.06)	-0.0012 (-0.61)	-0.0038 (-1.13)	-0.0014 (-0.68)	-0.0037 (-1.10)	-0.0012 (-0.62)
BS_C	0.0838*** (3.00)	0.0512*** (3.02)	0.0816*** (2.92)	0.0500*** (2.94)	0.0830*** (2.95)	0.0518*** (3.04)
r2_a	0.1227	0.1490	0.1238	0.1506	0.1231	0.1474
N	1269	1269	1269	1269	1269	1269

The regression analysis results in Table 2 show that cash holdings have a positive and significant effect on firm value, so the first hypothesis in this study is rejected. The regression analysis results in Table 2 show that the ownership of dividend policy has no effect on firm value, so the second hypothesis in the study is rejected. Table 2 shows that institutional ownership does not moderate the effect of cash holdings on firm value, so the third hypothesis in this study is rejected. Table 2 also shows that institutional ownership positively moderates the effect of dividend policy on firm value, so the fourth hypothesis in this study is rejected.

Discussion

The results show that cash holdings have a positive effect on firm value. The results shows that the greater the amount of cash owned by the company can increase the value of the company. The results of this study do not support the agency theory, which suggests that cash holdings can cause overinvestment. The results of this study indicate that the greater the

Commented [A4]: The Discussion lacks a critical synthesis and comparison of the primary data with the literature. The discussion should connect to the introduction through the research questions or hypotheses and the literature reviewed.

company's cash and cash equivalents owned by the company, the greater the company's financial flexibility. The company has internal funds to fund investment opportunities with a positive net present value to increase the company's value. The results of this study are supported by research conducted by Ifada et al. (2020) and Aslam et al. (2019), which found that cash holdings positively affect firm value.

The results of this study indicate that dividend policy does not affect firm value. The results of this study also do not support agency theory which suggests that dividend policy is one of the agency conflict mechanisms that can increase firm value. The results indicate that many companies in Indonesia are not consistent in distributing dividends so that the dividends distributed do not affect the company's value. The results of this study are supported by research conducted by Aprilyani et al. (2021) and Odum et al. (2019).

The results of this study indicate that institutional ownership does not moderate the effect of cash holdings on firm value. The study's results do not support the agency theory, which suggests that institutional ownership is one of the mechanisms of agency conflict. The descriptive statistics of this study indicate that the average institutional ownership is 14.30%, which shows that institutional ownership is still relatively low, so the supervision carried out cannot create firm value. The results of this study are supported by research conducted by Sukmawardini & Ardiansari (2018)**,** which finds that institutional ownership does not affect firm value. Pertiwi & Hermanto (2017) research also find that institutional ownership does not affect firm value.

The results of this study indicate that institutional ownership positively moderates the effect of dividend policy on firm value. These results indicate that dividend policy and institutional ownership are complementary policies, so the effects of the two agency conflict mechanisms can increase firm value. The results of this study are supported by Tee (2019) and Hussain et al. (2022), who show that institutional ownership positively affects firm value. The results of the opposite study were obtained by Karim & Ilyas (2021), who found that dividend policy and institutional ownership are substitutes so that the positive effect of dividend policy on firm value will decrease when the company's institutional ownership increases.

Additional analysis in this study was conducted by dividing institutional ownership into two groups. The first group is foreign and local institutional ownership, while the second group is pressure-resistive institutional ownership and pressure-sensitive institutional ownership. The results of this study indicate that foreign institutional ownership and pressure-resistant institutional ownership positively moderate the effect of dividend policy on firm value. It also shows that foreign institutional and pressure-resistant institutional ownership is an effective complementary mechanism for dividend policy increasing firm value. Both institutional ownership types indicate that independence from institutional ownership is important to increase firm value. The results of this study are supported by Tee (2019)**,** who found that pressure-resistant institutional investors have a positive effect on firm value, and (Hussain et al., 2022), who found that foreign institutional ownership had a positive effect on firm value in non-financial companies.

CONCLUSIONS

Commented [A5]: The Conclusion is underdeveloped and does not adequately discuss the theoretical and managerial implications of the study.

. This study examines and analyzes the effect of cash holdings and dividend policy on firm value. This study also examines and analyzes the moderation of institutional ownership on the effect of cash holdings and dividend policy on firm value. This research was conducted on non-financial companies listed on the Indonesia Stock Exchange from 2015-2019. The results of this study indicate that 1) cash holdings have a positive effect on firm value; 2) dividend policy does not affect firm value; 3) institutional ownership does not moderate the effect of cash holdings on firm value; 4) institutional ownership positively moderates the effect of institutional ownership on firm value.

This study has limitations, namely 1) only looking at the effect of cash holdings, dividend policy, and institutional ownership moderation on firm value. Firm value is market performance. Further research can examine the company's accounting performance. 2) This study only uses institutional ownership as a mechanism that can substitute or complement the company's dividend policy. Further research can use managerial ownership or debt, which can also be a substitute or complement to dividend policy. 3) This study does not take a sample of companies that pay dividends for three consecutive years. Further research can be carried out on non-financial companies listed on the Indonesia Stock Exchange and paying dividends for three consecutive years.

ABBREVIATIONS

IDX: Indonesian Stock Exchange; KSEI: Indonesian Central Securities Depository

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CONFLICTS OF INTEREST

The authors declare no competing interests

AVAILABILITY OF DATA AND MATERIALS

Data are available from the public sources cited in the text

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Commented [A6]: it is relevant and updated, but need more references for discussion section. At least 30-50 articles for a good journal, especially when the topic is widely studied.

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Gmail

Hendra Wijaya <hendrawijayagoei@gmail.com>

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Erry Andhaniwati <smtp@upnjatim.ac.id> Sat, Dec 31, 2022 at 2:32 AM
To: Hendra Wijaya <hendrawijayagoei@gmail.com>

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The editing of your submission, "Cash Holdings, Dividend, and Firm Value: The Role of Institutional Investor," is complete. We are now sending it to production.

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Erry Andhaniwati
Universitas Pembangunan Nasional Veteran Jawa Timur
erry.andhaniwati.ak@upnjatim.ac.id
