

Cash Holdings, Dividend Payout, and Corporate Value: The Role of Institutional Investors

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Cash Holdings, Dividend Payout, and Corporate Value: The Role of Institutional Investors

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Abstract

This study examines the relationship between cash holdings and dividend payout on corporate value. The moderating effect of institutional investors on the effect of cash holdings and dividend distribution on corporate value is also investigated in this study. This study applied non-financial companies listed on the Indonesia Stock Exchange between 2015 and 2019 and a total of 1269 observations. The data in this study were analyzed using the ordinary least squares method. According to the findings of the study, cash holdings have a positive influence on the value of the company. However, corporate value is unaffected by dividend payout. The findings of this investigation suggest that institutional investors do not moderate the impact of cash holdings on corporate value. However, institutional investors moderate the impact of dividend payout positively. This paper elaborates on institutional investors, a mechanism for agency conflict in relation to cash holdings, dividend payout, and corporate value.

Keywords: cash holdings, dividend payout, institutional investors, corporate value, agency conflict.

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INTRODUCTION

Agency conflict is a fascinating topic of study. The company's cash holdings are one factor that can lead to agency conflicts. Based on Jensen (1986), through the free cash flow hypothesis, It has been discovered that a company's cash reserves may lead its management to invest in projects with a negative net present value. This negligence could contribute to the company's value declining. The results of previous research regarding the negative impact of cash holdings on corporate value were conducted by Toly, Claudya, Santoso, & Grace (2019) and Asante-Darko, Adu Bonsu, Famiyeh, Kwarteng, & Goka (2018). Research conducted by Bhuiyan & Hooks (2019) also found

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that a company's cash holdings positively affect overinvestment. The results of the opposite study were obtained by Ifada, Indriastuti, & Hanafi (2020), Aslam, Kalim, & Fizza (2019), and La Rocca & Cambrea (2019), who discovered that having cash holdings increases a company's value. Cash holdings positively affect corporate value due to investors' perception that the company can manage cash well (Ifada et al., 2020). Another study by Jabbouri & Almustafa (2021) revealed that cash holdings had a positive influence on the firm's performance. La Rocca, Staglianò, La Rocca, Cariola, & Skatova (2019) also revealed that cash holdings positively impacted the company's operating performance. Isshaq et al. (2009) found that cash holdings have no influence on stock prices.

In addition to cash holdings, dividend payout is another aspect that might affect the value of a firm. According to Jensen (1986), this might be overcome by providing dividends to shareholders, allowing firm management to seek alternative funding sources, such as debt, to fund their investments. The dividend payout can enhance the value of the company by minimizing agency conflict. Past research on the impact of dividend payout on the value of corporate companies was carried out by Farrukh et al. (2017), Resti, Purwanto, & Ermawati (2019), and Launtu (2021). They discovered that dividend payout enhances corporate value. Rajverma, Misra, Mohapatra, & Chandra (2019) and Banerjee (2018) also discovered that dividend payout enhances corporate value. The results of the opposite study regarding dividend payout on corporate value were conducted by Aprilyani, Wiyarti, & Hamidah (2021) and Odum, Odum, Omeziri, & Egbunike (2019). They discovered that dividend payout has no impact on the company's value.

The number of a company's shares held by financial institutions, insurance companies, securities firms, mutual funds, and other organizations is referred to as institutional investors. Institutional investors, according to Jensen & Meckling's (1976) agency theory, are one of the mechanisms of agency conflict. Preceding studies on the impact of institutional investors on corporate value were conducted by Singh & Kansil (2018), Tee (2019), and Hussain, Abid, Ambreen, Usman, & Rahman (2022), who discovered that institutional investors enhance the value of the company. Yun et al. (2021) found that cash holdings can increase corporate 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 investors differ from individual ownership because institutional investors invest large amounts of funds, so it has incentives for greater monitoring compared to individual ownership. It is hoped that the existence of institutional investors with incentives for more excellent monitoring can reduce agency conflicts that occur in cash holdings to increase corporate value. Institutional investors can also be a substitution mechanism for dividend payout (Karim & Ilyas, 2021). This is supported by the findings of Martono et al. (2020), who discovered that institutional investors negatively influence dividend payout.

Therefore, this study examines and analyzes the influence of cash holdings and dividend payout with institutional investors as a moderating variable, on the corporate value based on the arguments above. This study has a number of contributions, including the role of institutional investors in diminishing agency conflicts. This study offers empirical evidence regarding the moderating impact of institutional investors on the impact of cash holdings and dividend payout

on the value of the company. Third, this study also explores and analyzes foreign institutional investors, local institutional investors, pressure-resistant institutional investors, and pressure-resistant institutional investors.

Cash holdings are cash and cash equivalents owned by the company. According to the agency theory proposed by Jensen (1986), The company's cash and cash equivalents 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). Unprofitable investment can cause a decrease in corporate value. The statement is supported by research conducted by Toly et al. (2019) and Asante-Darko et al. (2018), who discovered that cash holdings negatively influence the value of the company. Accordingly, this study's first hypothesis is the following:

H₁: Cash holdings have a negative influence on corporate value

Dividend payout is one of the agency conflict mechanisms. According to Jensen (1986), a dividend payout 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. The management of the company must be cautious when investing due to this debt because it must be repaid with interest. 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 the research findings of Launtu (2021), Resti et al. (2019), Rajverma et al. (2019), and Banerjee (2018), who discovered that dividend payout enhances corporate value. Accordingly, this study's second hypothesis is the following:

H₂: Dividend payout has a positive influence on corporate value

Institutional investors are one of the agency conflict mechanisms (Jensen & Meckling, 1976). Institutional investors can reduce agency conflict through supervision. This improved supervision is due to the expertise possessed by these institutional investors (Gillan & Starks, 2005). The statement is supported by research conducted by Bathala, Moon, & Rao (1994), who found that through monitoring, institutional investors have a considerable impact on agency costs and firm performance. This effectiveness in monitoring is due to institutional investors investing large amounts of funds and having more substantial monitoring incentives. The company's value is expected to increase as a result of the lower agency conflicts in cash holdings due to the larger institutional investors. Research conducted by Tee (2019) discovered that institutional investors positively impacted the company's value. Another study by Hussain et al. (2022) also found that institutional investors positively affect corporate value. Accordingly, this study's third hypothesis is the following:

H₃: Institutional investors positively moderate the negative influence of cash holdings on corporate value

According to the third hypothesis, higher institutional investors can reduce agency conflict so that the influence of cash holdings on corporate value can increase. The higher the institutional

investors of the company, the more effective the dividend payout has on the company's value can be reduced because institutional investors can act as a substitution mechanism with dividend payout. The substitution mechanism can occur because the institutional investors have more substantial monitoring incentives to replace dividend payout as an agency conflict mechanism, so the institutional investors negatively moderate the influence of dividend payout on corporate value. The statement is supported by research by Karim & Ilyas (2021), who discovered that the effect of dividend payout on corporate value increases as foreign institutional investors increase. Accordingly, this study's fourth hypothesis is the following:

H4: Institutional investors negatively moderate the positive influence of dividend payout on corporate value.

RESEARCH METHOD

This study applied 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, under the 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) companies have positive equity. In total, 1269 observations were collected for this investigation.

Corporate value is the dependent variable in this research. The value of a company is determined by Karim & Ilyas (2021) by dividing market capitalization plus the book value of debt by total assets. Odum et al. (2019) determine the corporate value by dividing its market value by its entire equity. Karim & Ilyas (2021) determine a company's cash holdings by dividing cash and cash equivalents by total assets. Aprilyani et al. (2021) determine the dividend payout by dividing the dividend by the net income of the company. According to Tee (2019), institutional investors are established by dividing the institutional investor's shares by all number of outstanding shares, local institutional investors are established by dividing local institutional investors' shares by all of the outstanding shares, and foreign institutional investors are established by dividing the foreign institutional investor's shares by all of the outstanding shares. Tee (2019) divides the number of shares held by institutions with the potential to have business ties as pressure-sensitive institutional investors, such as financial institutions and insurance companies, by the number of outstanding shares. Tee (2019) determines pressure-resistant institutional investors by dividing the number of shares held by institutions that do not have the potential to have business ties, such as mutual funds and pension funds companies, by the number of shares outstanding. Lin & Fu (2017) calculate firm size by the logarithm of total assets, leverage by dividing total debt by total assets, dividing net income by total assets as profitability, and company age using the company's age since the company was founded. Calculating managerial ownership involves dividing the company's

management number of shares by all number of outstanding shares (Asante-Darko et al., 2018). Aslam et al. (2019) measure the number of commissioners on the company's board of directors to determine the size of the board. The number of commissioners on the board is used as the board size in this study.

The statistical equations in this study are as follows:

Main Analysis

$$MBV_{it} = \alpha + \beta_1CHL_{it} + \beta_2DPR_{it} + \beta_3TINS_{it} + \beta_4CHL_{it} * TINS_{it} + \beta_5DPR_{it} * TINS_{it} + \beta_6LEV_{it} + \beta_7SIZE_{it} + \beta_8ROA_{it} + \beta_9 * FAGE_{it} + \beta_{10} * MAN_OWN_{it} + \beta_{11} * BS_C_{it} + \varepsilon \dots\dots\dots(MA_1)$$

$$MBVA_{it} = \alpha + \beta_1CHL_{it} + \beta_2DPR_{it} + \beta_3TINS_{it} + \beta_4CHL_{it} * TINS_{it} + \beta_5DPR_{it} * TINS_{it} + \beta_6LEV_{it} + \beta_7SIZE_{it} + \beta_8ROA_{it} + \beta_9 * FAGE_{it} + \beta_{10} * MAN_OWN_{it} + \beta_{11} * BS_C_{it} + \varepsilon \dots\dots\dots(MA_2)$$

Additional Analysis:

$$MBV_{it} = \alpha + \beta_1CHL_{it} + \beta_2DPR_{it} + \beta_3PRII_{it} + \beta_4PSII_{it} + \beta_5CHL_{it} * PRII_{it} + \beta_6CHL_{it} * PSII_{it} + \beta_7DPR_{it} * PRII_{it} + \beta_8DPR_{it} * PSII_{it} + \beta_9LEV_{it} + \beta_{10}SIZE_{it} + \beta_{11}ROA_{it} + \beta_{12} * FAGE_{it} + \beta_{13} * MAN_OWN_{it} + \beta_{14} * BS_C_{it} + \varepsilon \dots\dots\dots(AA_3)$$

$$MBVA_{it} = \alpha + \beta_1CHL_{it} + \beta_2DPR_{it} + \beta_3PRII_{it} + \beta_4PSII_{it} + \beta_5CHL_{it} * PRII_{it} + \beta_6CHL_{it} * PSII_{it} + \beta_7DPR_{it} * PRII_{it} + \beta_8DPR_{it} * PSII_{it} + \beta_9LEV_{it} + \beta_{10}SIZE_{it} + \beta_{11}ROA_{it} + \beta_{12} * FAGE_{it} + \beta_{13} * MAN_OWN_{it} + \beta_{14} * BS_C_{it} + \varepsilon \dots\dots\dots(AA_4)$$

$$MBV_{it} = \alpha + \beta_1CHL_{it} + \beta_2DPR_{it} + \beta_3FINS_{it} + \beta_4LINS_{it} + \beta_5CHL_{it} * FINS_{it} + \beta_6CHL_{it} * LINS_{it} + \beta_7DPR_{it} * FINS_{it} + \beta_8DPR_{it} * LINS_{it} + \beta_9LEV_{it} + \beta_{10}SIZE_{it} + \beta_{11}ROA_{it} + \beta_{12} * FAGE_{it} + \beta_{13} * MAN_OWN_{it} + \beta_{14} * BS_C_{it} + \varepsilon \dots\dots\dots(AA_5)$$

$$MBV_{it} = \alpha + \beta_1CHL_{it} + \beta_2DPR_{it} + \beta_3FINS_{it} + \beta_4LINS_{it} + \beta_5CHL_{it} * FINS_{it} + \beta_6CHL_{it} * LINS_{it} + \beta_7DPR_{it} * FINS_{it} + \beta_8DPR_{it} * LINS_{it} + \beta_9LEV_{it} + \beta_{10}SIZE_{it} + \beta_{11}ROA_{it} + \beta_{12} * FAGE_{it} + \beta_{13} * MAN_OWN_{it} + \beta_{14} * BS_C_{it} + \varepsilon \dots\dots\dots(AA_6)$$

Where, FV = corporate value; CHL = cash holdings; DPR = dividend payout; TINS= institutional investors; PRII=pressure-resistant institutional investors; PSII=pressure-sensitive institutional investors; FINS=foreign institutional investors; LINS=local institutional investors; LEV= leverage; SIZE= firm size; ROA= profitability; FAGE= firm age; MAN_OWN= managerial ownership; BS_C= board size

Table 1. Research Variables

Variables	Equation	Sources
Dependent Variables		
MBV	The market value of the firm / total equity of the firm	Odum et al. (2019)
MBVA	Sum of market capitalization plus the book value of debt / total assets.	Karim & Ilyas (2021)
Independent Variables		
CHL	Cash and cash equivalents / total assets	Karim & Ilyas (2021)
DPR	Dividend payout / the company's net income	Aprilyani et al. (2021)
Moderation Variables		
TINS	The number of shares held by institutional investors / the number of outstanding shares	Tee (2019)
PRII	The number of shares held by pressure-resistant institutional investors / the number of outstanding shares.	Tee (2019)
PSII	The number of shares held by pressure-sensitive institutional investors / the number of shares outstanding.	Tee (2019)
FINS	The number of shares held by foreign institutional investors / the number of outstanding shares	Tee (2019)
LINS	The number of shares held by local institutional investors / the number of outstanding shares	Tee (2019)
Control Variables		
LEV	Total debt / total assets	Lin & Fu, (2017)
SIZE	The logarithm of total assets	Lin & Fu, (2017)
ROA	Net income / total assets	Lin & Fu, (2017)
FAGE	Company's age since the company was founded.	Lin & Fu, (2017)
MANOWN	The number of shares held by the company's management / the number of outstanding shares	Asante-Darko et al. (2018)
BS_C	The number of members on the company's board of commissioners	Aslam et al. (2019)

RESULTS AND DISCUSSION

Result

The study's descriptive statistics of the data are as follows. The descriptive statistics for the 15 variables used in this study are the mean, standard deviation, minimum, and maximum values as follows:

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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

According to the descriptive statistics presented in Table 1, the average market-to-book value is 1.6977. The number shows that the average market price of the company is 1.6977 of the company's total equity. The average market-to-book value of assets is 1.3878. The number shows that the average market capitalization plus debt is 1.3878 of the company's total assets. According to the descriptive statistics in Table 1, the companies that are the sample in this study have an average cash holding of 10.28 percent of the total assets held by the company. On average, the companies that are the sample in this study distribute dividends of 19.82 percent of the net income earned by the company. Of the company's total outstanding shares, an average of 14.30 percent is held by institutional investors. According to domicile location, the average company ownership is held by foreign institutional investors at 9.13 percent and 5.17 percent by local institutional investors. According to potential business ties, the average company ownership is held by pressure-resistive institutional investors at 5.52 percent and 8.89 percent by pressure-resistant institutional investors.

Table 2. Regression Analysis

Variables	MA_1 MBV	MA_2 MBVA	AA_3 MBV	AA_4 MBVA	AA_5 MBV	AA_6 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 (-0.95)	-2.1086 (-0.78)		
CHL*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)

Variables	MA_1 MBV	MA_2 MBVA	AA_3 MBV	AA_4 MBVA	AA_5 MBV	AA_6 MBVA
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_OWEN	-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 presented in Table 2 indicate that cash holdings positively and statistically significantly affect the value of the company, rejecting the initial hypothesis of this study. The dividend payout does not influence the company's value, as shown by Table 2's regression analysis results; thus, the second hypothesis of the study is rejected. Table 2 shows that institutional investors do not moderate the influence of cash holdings on corporate value, rejecting the third hypothesis of the study. Table 2 further indicates that institutional investors positively moderate the dividend payout's impact on corporate value, rejecting the fourth hypothesis of this study.

Discussion

The findings of this study indicate that a larger quantity of cash holdings can raise the value of a company. This study's findings contradict the agency theory, which indicates that cash holdings might lead to overinvestment and diminish the value of the company. Companies have higher financial flexibility when they have more significant cash holdings. The higher the cash holdings owned by the company, the more financial flexibility the company has. Financial flexibility is crucial because financial flexibility enables the company to finance positive net present value investment opportunities, hence increasing the value of the company. As stated by previous studies, Ifada et al. (2020) and Aslam et al. (2019) revealed that cash holdings have a beneficial impact on corporate value, which is consistent with the present study's findings.

The findings of this study indicate that the value of the company cannot be influenced by dividend payout. This study's findings also contradict agency theory, which proposes that dividend payout is one of the agency conflict mechanisms that can enhance corporate value. Few corporations continuously pay dividends in Indonesia. Hence the value of the company cannot be influenced by dividend payout. Consistency in dividend distribution is necessary for dividends to decrease agency conflicts successfully. According to previous studies, Aprilyani et al. (2021) and Odum et al. (2019) found that the value of the company cannot be influenced by dividend payout,

which supports the findings of the present study. The results of this study also indicate that dividend payout does not influence corporate value because cash holdings can enhance corporate value. 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 investors do not reduce the impact of cash holdings on corporate value. These results contradict the agency theory, which argues that institutional investors are one of the mechanisms of agency conflict. According to this study's descriptive statistics, the average number of institutional investors is 14.30%, indicating that institutional investors are still relatively low. Therefore, monitoring cannot enhance corporate value. According to previous studies, Purba & Africa (2019) dan Sukmawardini & Ardiansari (2018) found that institutional investors do not affect corporate value, which supports the findings of the present study. Pertiwi & Hermanto's (2017) research also finds that institutional investors do not affect corporate value.

According to the findings of this study, institutional investors moderate the influence of dividend payout on corporate value. These results suggest that dividend payout and institutional investors' policies are complementary. This indicates that institutional investors improve a company's dividend payout in order to eliminate agency conflicts and raise corporate value. According to previous studies, Tee (2019) and Hussain et al. (2022) found that institutional investors positively affect corporate value, which supports the findings of the present study. The findings of this study contradict the findings of Karim & Ilyas (2021), who discovered that dividend payout and institutional investors are substitutes; hence, the beneficial effect of dividend payout on the value of the company will diminish as institutional investors increases.

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

CONCLUSIONS

This study explores the link between cash holdings, dividend payments, and the value of the company. This study also explores the moderating influence of institutional investors on the influence of cash holdings and dividend payout on corporate value. This study was conducted on Indonesia Stock Exchange-listed non-financial companies from 2015 to 2019. First, Cash holdings positively influence corporate value; second, dividend payout does not influence corporate value;

third, the influence of cash holdings on the value of the company is not moderated by institutional investors; and fourth, the impact of dividend payout on the corporate value is positively moderated by institutional investors. The results of this study do not confirm the hypothesis of free cash flow put forward by Jensen (1986) and indicate that dividend payout and institutional investors are complementary policies in increasing corporate value.

The limitations of this study include, first, focusing solely on the impact of cash holdings, dividend payout, and institutional investors' moderation on corporate value. The value of a company is its market performance. The additional study can evaluate the accounting performance of the company. Second, only institutional investors are used in this analysis to complement or replace the company's dividend payout. Additional research may employ managerial ownership or debt, which may serve as an alternative to or complement to dividend payout. This research does not include sample corporations that have paid dividends for three consecutive years. Additional research can be conducted on non-financial companies that have been listed on the Indonesia Stock Exchange and have paid dividends for three consecutive years. The conclusions of this study can serve as a basis for investors to make investment decisions, given that cash flow is a crucial asset for increasing corporate 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 and institutional investors as an agency conflict mechanism.

Abbreviations

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

Authors' Information

Hendra Wijaya is a lecturer at Accounting Master Study Program, Graduate School, Widya Mandala Surabaya Catholic University. His research interest includes corporate finance, corporate governance, and behavioral finance.

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Availability of data and materials

Data are attainable from the public sources cited in the text.

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