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The Effect of Institutional Ownership on Financial Performance With Intellectual Capital as A Moderating Variable

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ABSTRACT.

Researchers believe that Institutional Ownership can have a positive relationship and a significant influence on a company's Financial Performance because more and more companies, government institutions, and so on as external parties owning shares in a company can increase the value of the company and ultimately have a good impact on Financial Performance. Therefore, this research aims to analyze the influence of institutional ownership on financial performance. Different from a number of previous studies, this research adds the Intellectual Capital variable as a moderating variable. This research is quantitative research with an explanatory approach. The data used in this research is secondary data that researchers obtained from PT's financial reports. Gudang Garam is spread throughout Indonesia. These data were analyzed using the smart PLS 4.0 analysis tool. The result in this article show the Institutional Ownership variable has a positive relationship and a significant influence on the Financial Performance variable because the p-values are below the significance level of 0.042. Apart from that, the Intellectual Capital variable can moderate the influence of the Institutional Ownership variable because the P-Values are also below the 0.05 significance level, namely 0.005. Thus the first and second hypotheses in this research can be accepted.
Keywords: Institutional Ownership, Financial Performance, Intellectual Capital

INTRODUCTION

The performance of a bank can be assessed by analyzing its financial reports. Based on this report, financial ratios can be calculated to assess the bank's health level. This financial ratio analysis allows management to identify the bank's success in carrying out its operational activities. Financial ratio analysis can also help business people such as investors to assess bank performance so that banking management must always maintain the bank's financial performance in order to increase profits which are used as a measure of the bank's success (Kurnia Dewi, 2023).

According to (Fahmi, 2014), financial performance is one of the analytical methods used by companies to measure effectiveness and compliance by using financial

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rules as a basis for good and correct financial implementation. One example is that a company makes financial reporting based on applicable SAK (Financial Accounting Standards). According to (Jumingan, 2009), overall bank performance is one way to assess the achievements that a bank has achieved in a period involving all aspects of bank operations. According to (Rivai, 2004), banking performance assessment covers all operational and non-operational aspects of the bank. Assessment of company financial performance generally focuses on information originating from financial reports and is measured by various indicators and variables in measuring the success of a company (Purwantini, 2008).

Improving company performance with the aim of increasing the owner's welfare or maximizing shareholder value is a common motivation for starting a business. The willingness of a person or group to carry out an activity perfectly in accordance with their obligations and the anticipated results is the etymological root of the word "performance", as stated by (Imanta, 2011). The financial results of a company are an indication of its success. When evaluating a bank's success, financial results are the most important indicator. Starting with a review of assets, debt, liquidity, and other financial factors. Financial reports are key to understanding a bank's success or failure. Financial ratios can be determined from this data to evaluate the health of the bank. By using financial ratio analysis, bank administration can evaluate the effectiveness of various operational procedures. Businesses may benefit from using financial ratio analysis to evaluate banks. In this analysis, the Audit Committee is the first factor that influences financial results in accordance with Article 1 paragraph (1) POJK 55/2015.

There are several factors that can influence Financial Performance, including Institutional Ownership. According to (Widarjo, 2011), institutional ownership is a condition where institutions own shares in a company. These institutions can be government institutions, private institutions, domestic or foreign. According to (Widiastuti, 2020), institutional ownership is share ownership by external institutions. Institutional investors often become the majority owners in share ownership, because institutional investors have greater resources than other shareholders and are therefore considered capable of implementing good monitoring mechanisms. As controlling shareholders, institutional ownership will generally carry out a supervisory function in the company. Bushee (1998) in (Oktaviani et al., 2016) states that institutional ownership performs a supervisory function as a driver so that managers do not take opportunistic actions that can be detrimental to the company in the long term.

According to (Sitanggang, 2022) institutional ownership is external stockholders as shareholders in the form of institutions or other companies as investors in investee companies. Institutional ownership in a company becomes a supervisory agent that can control company performance. Institutional ownership has the ability to control management through an effective monitoring process. Based on agency theory which

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explains the relationship between shareholders and company managers, institutional ownership is considered capable of improving the supervisory function better because institutions are parties external to the company who are part of the stakeholders who always expect good performance from the company (Fadilah, 2019) . The results of research conducted (Sitanggang, 2022) state that institutional ownership has a positive and significant effect on performance.

Research conducted by (Dewi, 2017)states that institutional ownership variables have a positive and significant effect on company financial performance variables. Research by (Hermiyetti, 2017) showed that managerial ownership and institutional ownership had a positive and significant influence on the company's financial performance. Research by (Affes, 2013) showed that institutional ownership had a positive and significant influence on the company's financial performance. Research conducted by (Abbasi, 2012) concluded that institutional ownership has a positive effect on financial performance.

In line with the research above, research results (Nilayanti & Suaryana, 2019); (Pramudityo & Sofie, 2023); (Nurmayanti & Shanti, 2023) & (Ariansyah, 2023) show a positive relationship and a significant influence on financial performance. Different from previous research, this research adds the Intellectual Capital variable as a moderating variable which is believed to strengthen the influence of the Institutional Ownership variable on Financial Performance.

RESEARCH METHODS

Researchers believe that Institutional Ownership can have a positive relationship and a significant influence on a company's Financial Performance because more and more companies, government institutions, and so on as external parties owning shares in a company can increase the value of the company and ultimately have a good impact on Financial Performance (Berliana & Hesti, 2021). Therefore, this research aims to analyze the influence of institutional ownership on financial performance (Febriany, 2019). Different from a number of previous studies, this research adds the Intellectual Capital variable as a moderating variable (Hair, 2010). This research is quantitative research with an explanatory approach. The data used in this research is secondary data that researchers obtained from PT's financial reports. Gudang Garam is spread throughout Indonesia (Zulhaimi, 2015). These data were analyzed using the smart PLS 4.0 analysis tool.

Figure 1

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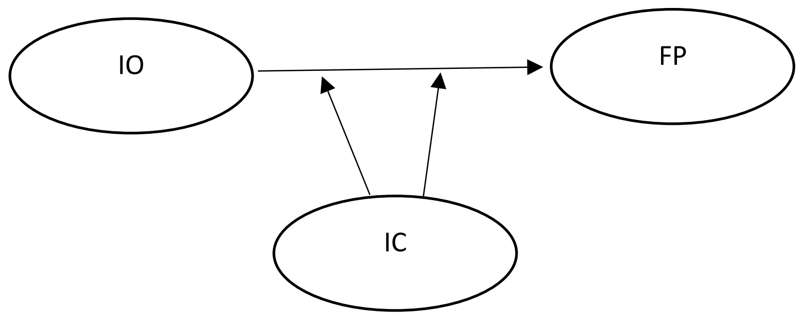
Model



Noted:
IO: Institutional Ownership
FP: Financial Performance
IC: Intellectual Capital
Hypothesis:
H1: The Influence Institutional Ownership on Financial Performance
H2: Intellectual Capital Can Moderates The Influence Institutional Ownership on Financial Performance

RESULT AND DISCUSSION
Validity Test

Researchers believe that institutional ownership can have a positive relationship and a significant influence on company performance. In line with the methodology the researcher explained above, the data used in this research is secondary data. Even though the secondary data used is usually valid, to ensure this the researchers still carry out validity tests with the following validity test results (Ghozali, 2016):

Table 2
Validity Test

Variable	Loading Factor	Noted
Institutional Ownership	0.831	Valid
Financial Performance	0.887	Valid
Intellectual Capital	0.931	Valid

Valid > 0.70

Realibility Test

The validity test results from the first, second and third rows show that the variables Institutional Ownership, Company Performance and Intellectual Capital have loading factor values above 0.70. Thus it can be concluded that the secondary data used in this research is valid. The next stage is to test the reliability of each variable by knowing the Compoiste Reliability and Crobach Alfa values with the following Reliability test results (Sarstedt et al., 2014):

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Table 3
Reliability Test

Variable	Cronbach Alfa	Composite Reliability
Institutional Ownership	0.895	0.844
Financial Performance	0.931	0.890
Intellectual Capital	0.945	0.915

Reliable > 0.70

Path Coefisien

The results of the second table and third table in this study show the secondary data of PT's annual financial report. Gudang Garam Indonesia, which consists of 3 components including Institutional Ownership, Financial Performance and Intellectual Capital, is valid. In line with this, the secondary data used is also reliable because the Cronbach Alpha and Composite Reliability values are above 0.70. The final stage is the Path Coefficient to determine the influence of the Dependent variable on the Independent variable with the following results:

Table 3
Path Coefisien

	Variable	P-Values	Noted
Direct Influence	IO->FP	0.042	Accepted
Indirect Influence	IC* IO->FP	0.005	Accepted

Significant Level: <0.05

Researchers believe that Institutional Ownership can have a positive relationship and a significant influence on a company's Financial Performance because more and more companies, government institutions, and so on as external parties owning shares in a company can increase the value of the company and ultimately have a good impact on Financial Performance. In line with the statement above, the results of the third table of first row path coefficients show that the Institutional Ownership variable has a positive relationship and a significant influence on the Financial Performance variable because the p-values are below the significance level of 0.042. These results are in line with research (Nilayanti & Suaryana, 2019); (Pramudityo & Sofie, 2023); (Nurmayanti & Shanti, 2023) & (Ariansyah, 2023). Apart from that, the Intellectual Capital variable can moderate the influence of the Institutional Ownership variable because the P-Values are also below the 0.05 significance level, namely 0.005. Thus the first and second hypotheses in this research can be accepted.

CONCLUSION

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