

DOES INSTITUTIONAL OWNERSHIP AFFECT THE VALUE RELEVANCE OF ACCOUNTING INFORMATION?

Rizka Indri Arfianti¹, Prima Apriwenni², Martha Ayerza Esra³, Elisabeth Vita Mutiarawati⁴, Brenda Aurellia⁵

^{1,2,3,4,5} Institut Bisnis dan Informatika Kwik Kian Gie

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ABSTRACT

The purpose of this study was to find out whether the value relevance of the fair value of assets and liabilities at levels 1 and 2 is higher than at level 3 and to find out whether institutional ownership increases the value relevance of the fair value of assets at level 1, level 2 and level 3. This research was conducted in banking companies listed on the Indonesia Stock Exchange for the 2018-2020 period, which was determined using the purposive sampling method so that 90 company sample data were selected. Using the panel data linear regression method, the results show that the fair value of level 3 assets is more relevant than levels 1 and 2, while the fair value of liabilities at levels 1 and 2 produces a higher relevance than level 3. This research shows that it is not proven that level 1 and 2 fair value information is more relevant than level 3 for investor decision making. In subsequent tests, institutional ownership is not proven to increase the relevance of the fair value of level 1, level 2 and level 3 assets.

E-mail:

rizka.indri@kwikkiangie.ac.id,
prima.apriwenni@kwikkiangie.ac.id,
martha.ayerza@kwikkiangie.ac.id,
elisabeth.vita@kwikkiangie.ac.id,
aurellia.brenda@gmail.com

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1. INTRODUCTION

Corona Virus Disease 2019 has had a broad impact on the financial reporting ecosystem in Indonesia. Covid-19 poses challenges for companies to produce relevant, reliable and timely financial information. Quality financial reports during this pandemic provide information to users regarding company operations in the face of current uncertainties and to understand company considerations in preparing financial information. Financial reports are a company medium for communicating the results of its performance to interested parties (Rustianingtyas, 2015). To be useful, financial statements must meet their fundamental qualitative characteristics, namely relevance and represent faithfully (complete, neutral, error-free) what they represent (faithful representation). Relevance refers to the ability of financial information to assist investors in making a difference in their investment decisions (IAS Plus, 2018). Relevant, reliable and timely financial information can be achieved by applying appropriate accounting standards. So to achieve this scope, international accounting standard setting boards such as the IASB and FASB establish the concept of fair value for measuring company assets or liabilities. The concept of fair value measurement in IFRS 13 was then adopted by the Indonesian Financial Accounting Standards Board (DSAK) into PSAK 68 concerning Fair Value Measurement.

PSAK 68 divides fair value measurements into three hierarchies. The first is level 1 fair value, that is, the observable input value of quoted prices in an active market for identical assets or liabilities accessible to the entity at the measurement date. The second level 2 fair value is the input value that can be observed indirectly from the quoted price of similar items in an active market, or identical items in an inactive market. The three fair value levels 3, that is, when there is no active market for identical and similar assets and liabilities, certain valuation techniques can be used to measure fair value, such as valuation models with the income approach and market approach (www.iaiglobal.or.id).

As a market-based measurement, measuring fair value amid uncertainty due to the Covid-19 pandemic can significantly influence an entity's judgment in preparing financial reports, particularly in terms of determining the fair value of financial instruments. Understanding this obstacle, on April 15 2020, the Financial Services Authority (OJK) took into account the press release of the Financial Accounting Standards Board of the Association of 33 Indonesian Accountants (DSAK IAI) dated April 4 2020 concerning

the Impact of the Covid-19 Pandemic on PSAK 68-Fair Value Measurement (www.iaiglobal.or.id), also issued a Guide to the Implementation of PSAK 68 for Banking during the Covid-19 Pandemic. The guidelines provided include delaying the assessment which refers to the mark to market (quoted price in an active market – Level 1) for 6 months. During the delay period, banks can use the quoted price on 31 March 2020 (www.ojk.go.id).

Fair value measurement is not a new concept, either in business decisions or in financial reports (Zyla, 2020), but its application has been a hot topic for the past two decades. Sympathizers argue that fair value accounting provides the most relevant information for investors (Hairston & Brooks, 2018) because it reflects the most recent and complete estimation of the value of assets or liabilities, so as to minimize the freedom to manipulate accounting numbers (Barth et al., 2008; Power, 2010). The opposite opinion considers that the use of fair value is responsible for the 2001 Enron case (Benston, 2006) and the 2008 global financial crisis (Krumwiede, 2008).

In its development, the topic of fair value is often accompanied by value relevance studies. Value relevance is defined as the informativeness of financial statements (Lam et al., 2013). Measurement with fair value will produce high relevance if the company can estimate fair value accurately and without discretion (Ryan, 2008). Despite the fact that fair value measurements are thought to provide investors with more relevant information, measuring fair value hierarchies provides an opening for opportunistic behavior of managers. The use of management discretion in measuring fair value (level 3) which is permitted under IFRS can be misused by opportunistic managers to make mistakes when preparing financial reports which can lead to less reliable representations (Bartov et al., 2007; Bowen et al., 2008; Dechow et al., 2010). When accounting standards focus on relevance at the expense of verification, it will be more difficult to ascertain whether financial information has been interpreted reliably.

The application of PSAK 68 concerning Fair Value Measurement in Indonesia was issued in 2013 and became effective on January 1, 2015, however, research on the relevance of the information value of the fair value hierarchy in Indonesia is still limited. In research conducted by Ramadhani dan Sebrina (2020) with banking company objects listed on the Indonesia Stock Exchange (IDX) in 2015-2018 it shows that the relevance of the information value of fair value levels 1 and 2 is not greater than fair value level 3. Research results This contradicts the majority of similar studies which state that the value relevance of level 1 and level 2 fair value information is greater than the value relevance of level 3 fair value information (Fortin et al., 2020; Goh et al., 2015; Siekkinen, 2016; Song et al., 2010). In subsequent tests, Ramadhani dan Sebrina (2020) state that institutional ownership does not have a significant positive effect on the value relevance of level 1, level 2 and level 3 fair value information. The test results also obtained contradictory results from previous research which stated that institutional ownership has a significant positive effect on the value relevance of fair value information (Song et al., 2010).

Institutional ownership is ownership of a number of company shares owned by an institution such as banks, investment companies and other institutional ownership (Siahaan, 2017). Institutional ownership is a monitoring mechanism in good corporate governance (GCG) that can suppress management's tendency to utilize discretion in level 3 fair value measurement. In its role as supervisor, institutional ownership is able to confront managers and directors who do not act in the interests of shareholders, and try to replace poor management (Connelly et al., 2010). Institutional shareholders also have greater expertise and resources to maintain their investment returns, thereby encouraging companies to provide accurate and relevant financial information (Velury & Jenkins, 2006; Yegon et al., 2014). For this reason, aspects of institutional ownership can theoretically impact the information value relevance of the fair value hierarchy. Institutional shareholders also have greater expertise and resources to maintain their investment returns, thereby encouraging companies to provide accurate and relevant financial information. Thus, the theoretical aspect of institutional ownership can have an impact on the relevance of the information value of the fair value hierarchy.

Value Relevance

Accounting numbers are considered value relevant if they have a predictable relationship to the market value of equity (Barth et al., 2001). Value relevance studies measure how much investors are willing to pay book value, so value relevance studies aim to investigate the level of confidence investors have in financial statements. Thus, value relevance can be considered as the informational quality of accounting numbers (Agostino et al., 2011; Cahan et al., 2009). Ohlson's (1995) model modified with additional variables can intuitively know whether a particular variable has an impact on the value relevance of each level of separate fair value assets. The significant coefficient for the interaction variable indicates that the additional variable has an effect on the value relevance of the specific level of fair value assets, where a

positive coefficient indicates a positive effect and a negative coefficient indicates a negative effect.

Fair Value Accounting

Accounting for fair value of assets and liabilities is regulated in IFRS 13. Fair value accounting is established by the International Accounting Standard Board (IASB) as the basis for measuring certain assets and liabilities. This measurement concept is contained in IFRS 13 which was later adopted by the Indonesian Financial Accounting Standards Board in PSAK 68. IFRS defines fair value as the price that would be received to sell an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at measurement date (exit price). When measuring fair value, entities use assumptions that market participants would use when pricing an asset or liability in current market conditions, including assumptions about risk. As a result, an entity's intention to hold assets or to settle or satisfy liabilities is irrelevant when measuring fair value (www.ifrs.org).

It is believed that there is a trade-off of relevance and reliability in financial reports due to the use of measurement methods, namely historical cost and fair value. In the past, the use of historical cost was considered to have advantages over other valuations because it was generally considered reliable. It is believed that there is a trade-off of relevance and reliability in financial reports due to the use of measurement methods, namely historical cost and fair value. In the past, the use of historical cost was considered to have advantages over other valuations because it was generally considered reliable.

Fair Value Hierarchy

PSAK 68 divides fair value disclosure into three input levels. The valuation technique used in measuring fair value in PSAK 68 is to maximize the use of relevant observable inputs and minimize the use of non-observable inputs. Fair value inputs are categorized into three levels of the fair value hierarchy (www.iaiglobal.or.id), namely:

1. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity has access to on the measurement date. 51
2. Level 2 inputs are inputs other than quoted prices included in level 1 that can be observed for an asset or liability, either directly or indirectly.
3. Level 3 inputs are unobservable inputs for assets or liabilities.

Institutional Ownership

Institutional ownership is an institution that has a great interest in company investment, including stock investment (Hsieh et al., 2018). According to Jensen & Meckling (1976) stated that institutional ownership has a very important role in minimizing agency conflicts that occur between managers and shareholders. Monitoring actions carried out by institutional investors can also encourage managers to focus more attention on company performance so as to reduce self-serving behavior. In carrying out its function as a supervisor, institutional investors are provided with several incentives to monitor financial reporting (Shleifer & W.Vishny, 1986). Institutional investors use financial statement information to assess their investments more thoroughly and proficiently than individual investors, thereby reducing agency costs related to information asymmetry (Dai, 2007).

Hypothesis Development

Previous research from Song et al. (2010), Goh et al. (2015), Siekkinen (2016) and Kolev (2019) note a decrease in the valuation of fair value assets and liabilities as they move down the fair value hierarchy. Kolev (2019) finds a higher coefficient for mark-to-market assets (level 1) while the coefficient for mark-to-model assets (levels 2 and 3) is consistently lower, but this difference is only statistically significant between level 1 and 3. Song et al. (2010) found that value relevance is greater when fair value is determined using level 1 or level 2 inputs compared to value relevance when using level 3 fair value. The fair value measurement mark-to-model is less used by investors in making investment decisions because it is considered to carry a large risk value. This statement is supported by Benston's research (2006) which suggests that the use of mark-to-market fair value is difficult to verify for reliability, thus providing opportunities for managers to act opportunistically by providing false and misleading information to investors and other users of financial statements. Riedl & Serafeim (2011) also added his opinion, that investors consider level 3 fair values to be less informative because they rely on management adjustments thereby increasing the risk of managerial manipulation and measurement errors, this is reflected in the low relevance of level 3 fair value information (mark-to-model) when compared to level 1 (mark-to-market). Based on the description above, the hypothesis can be made as follows.

H1: The value relevance of level 1 and level 2 assets and liabilities fair value information is greater than the level 3 level relevance of fair value information.

The measurement of the fair value of assets and liabilities based on a hierarchy creates opportunities for managers to behave opportunistically, especially in the use of level 3 (mark-to-market) fair value input (Benston, 2006). Overcoming this problem, Sakawa & Watanabel (2020) argue that institutional ownership is considered appropriate in carrying out the monitoring function thereby increasing the relevance and reliability of measuring the fair value hierarchy, especially at input level 3. Dai (2007) states that the institutional owner (investor) group has developed into active owners who use their influence to reduce inappropriate managerial discretion. This type of group has a history of frequently encountering managers and directors who do not act in the interests of shareholders, and are usually known to seek to replace management with poor performance (Connelly et al., 2010). In line with these results, the level of institutional ownership has a significant and positive influence on the value relevance of accounting information (Omran & Tahat, 2020). Velury & Jenkins (2006) argues that institutional investors have more ability to analyze financial statements better and identify deficiencies in financial reporting practices. So it can be concluded that institutional ownership can pressure management not to take opportunistic actions in using level 3 fair value. This conclusion is supported by the research of Boone dan White (2015) which states that institutional ownership affects the increase in external and internal monitoring. From a number of studies above, the hypothesis can be made as follows..

H2: institutional share ownership increases the value relevance of information on the fair value of assets level 1, level 2 and level 3.

2. METHODS

This research is included in the causative quantitative research. The object of this research is a banking company listed on the Indonesia Stock Exchange (IDX) in 2018-2020. The data source for this research comes from the sites www.idx.co.id and www.finance.yahoo.com. The population in this study are all banking companies listed on the stock exchange from 2018 to 2020. The sample selection method used is non-probability using purposive sampling. The sample selection criteria in this study were banking companies listed on the IDX and publishing consecutive annual financial reports from 2015-2018. From the criteria above, the number of samples that can be examined is 30 companies so that there are 90 total sample data. Tests were carried out using views, where classical assumption testing was carried out, panel regression model analysis (chow test, hausman test, and lagrange multiplier test).

The following are the variables used in the research and their measurements:

Model 1

Independent Variable

The independent variable in model 1 in this study is the measurement of the fair value of assets and liabilities at level 1, level 2, and level 3. The measurement of the fair value of liabilities is combined between levels 1 and 2, referring to previous studies (Goh et al., 2015; Song et al., 2010). So that the total independent variables in model 1 are 5, consisting of FVA1 (Fair Value of Level 1 Assets), FVA2 (Fair Value of Level 2 Assets), FVA3 (Fair Value of Level 3 Assets), FVL12 (Fair Value of Level 1 and 2 Liabilities), FVL3 (Fair Value of Level 3 Liabilities). Previous research (Ramadhani & Sebrina, 2020; Song et al., 2010) proxied fair value as follows:

1. The fair value of assets is measured using the sum of (a) investment securities, including trading securities, marketable securities and maturing securities; (b) derivative assets; (c) loans; (d) other assets, including other investments.
2. The fair value of the liability is measured using the amount of (a) the liability held for trading; (b) longterm liabilities; (c) derivative liabilities; (d) other liabilities including deposits.

Dependent Variable

The dependent variable for model 1 in this study is the stock price in the price model. Stock prices are considered capable of showing the response of investors in making investment decisions on accounting and non-accounting information (Barth et al., 2001). The share price used in this study is the closing share price on the day of publication of the financial statements. In this study, data on the day of publication of the financial statements was taken from the date of signature of the independent auditor's report listed on the financial statements following the research of Handoyo & Hasanah (2017).

To test the first hypothesis (H1), in model 1 a modified price Ohlson (1995) which was used in previous research by Goh et al. (2015) and Song et al. (2010). The book value of equity is divided into *non-*

fair values, fair values, and earnings.

$$Price_{it} = \beta_0 + \beta_1 NFVA_{it} + \beta_2 FVA1_{it} + \beta_3 FVA2_{it} + \beta_4 FVA3_{it} + \beta_5 NFVL_{it} + \beta_6 FVL12_{it} + \beta_7 FVL3_{it} + \beta_8 EPS_{it} + \varepsilon_{it} \quad (1)$$

Description:

- Price : The closing share price on the day of publication of the financial statements
- NFVA : Non-fair value of assets
- FVA1 : Fair value of level 1 assets
- FVA2 : Fair value of level 2 assets
- FVA3 : Fair value of level 3 assets
- NFVL : Non-fair value liabilities
- FVL12it : Fair value of liabilities level 1 and 2
- FVL3it : Fair value of liabilities level 3
- EPSit : Earnings per share of company i at the end of fiscal period t

Model 2

In the test model 2 the dependent and independent variables are the same as the test model 1, with the addition of 1 moderating variable. The moderating variable in model 2 in this study is institutional ownership. In model 2, institutional ownership is moderated by the independent variables FVA1 (Fair Value of Level 1 Assets), FVA2 (Fair Value of Level 2 Assets), FVA3 (Fair Value of Level 3 Assets). Moderation was not carried out on all independent variables because the amount of data was small on FVL12 (Fair Value of Level 1 and 2 Liabilities), FVL3 (Fair Value of Level 3 Liabilities), so there was concern that it would affect the calculation results. This refers to previous research by Song et al. (2010) which also only moderates the fair value of level 1, 2 and 3 assets.

According to Tarjo (2008) in Ramadhani & Sebrina (2020) the concentration of institutional ownership is company shares owned by institutions or institutions (insurance companies, pension funds, or other companies). As with previous research conducted by Ramadhani & Sebrina (2020), the formula for calculating the percentage of institutional ownership based on this research is as follows:

$$\text{Institutional Ownership} = \frac{\text{Number of institutional shares}}{\text{Number of shares outstanding}} \times 100\%$$

To test hypothesis 2, the institutional ownership interaction variable is included in the equation Song et al. (2010) tested the control mechanism only on fair value assets, because financial companies report substantially more fair value assets than fair value liabilities. The model used by Song et al. (2010) to test the effect of control mechanisms are as follows:

$$Price_{it} = \beta_0 + \beta_1 NFVA_{it} + \beta_2 FVA1_{it} + \beta_3 FVA2_{it} + \beta_4 FVA3_{it} + \beta_5 FVA1_{it} * KI_{it} + \beta_6 FVA2_{it} * KI_{it} + \beta_7 FVA3_{it} * KI_{it} + \beta_8 NFVL_{it} + \beta_9 FVL12_{it} + \beta_{10} FVL3_{it} + \beta_{13} EPS_{it} + \beta_{14} KI_{it} + s_{it} \quad (2)$$

Description:

- KI : Institutional Ownership

3. RESULTS AND DISCUSSION

Panel Regression Model Analysis

The panel data regression model can be identified through Chow test, Hausman test, and Lagrange Multiplier test.

1. Chow test

The Chow test is used to select the most appropriate approach to use between the fixed effect model and common effect model approaches.

Table 1 Chow Test

Model 1			Model 2		
Cross section Chi- Square	d.f.	Prob.	Cross section Chi- Square	d.f.	Prob.
106,160365	29	0,0000	21,02607	29	0,0000

Based on table 1, the Chow test results show that the cross section probability value is 0.0000 for both test models. So that accepting H0 and H1 is rejected or the model chosen for testing models 1 and 2 based on the results of the Chow test is the fixed effect model.

2. Hausman test

After obtaining the results of the random effect model testing for the two testing models, the Hausman test was then carried out to determine the most appropriate approach model to be used between the random effect model approach and the fixed effect model.

Table 2 Hausman Test

Test Summary	Model 1			Test Summary	Model 2		
	Chi-Sq. Statistik	Chi-Sq. d.f.	Prob.		Chi-Sq. Statistik	Chi-Sq. d.f.	Prob.
Cross section	7,734267	8	0,4598	Cross section	20,231991	12	0,0628
Random				Random			

Based on table 2, the Hausman test results for testing model 1 and model 2 show the prob value. random cross-section each of 0.4598 and 0.0628, then the probability value > 0.05. So the model chosen based on the results of the Hausman test is the random effect model for testing models 1 and 2.

3. Lagrange-Multiplier test

The Lagrange-Multiplier test functions to determine the best estimate, whether using random effects or not. This test was carried out to ascertain which model to use, the basis for this test was because the results of the Chow and Hausman tests were inconsistent. So to decide which model is the best, a Lagrange-Multiplier test is carried out (Tri & Prawoto, 2016:253).

Table 3 Lagrange-Multiplier Test

Model 1		Model 2	
Breusch-Pagan	18,74776	Breusch-Pagan	15,77989
Prob.	0,0000	Prob.	0,0001

Based on table 3 the results of the Lagrange-Multiplier test for testing model 1 and model 2 show the prob value. Breusch-Pagan respectively 0.000 and 0.0001, then the probability value < 0.05. So the model chosen based on the results of the Lagrange-Multiplier test is the random effect model for testing models 1 and 2.

Classic Assumption Test

1. Normality Test

Table 4 Normality Test

Chi-Square	Model 1		Chi-Square	Model 2	
	Jarque-Bera	Prob.		Jarque-Bera	Prob.
15,50731	12,60494	0,001832	21,02607	9,182338	0,010141

Based on table 4, the normality test in model 1 shows a significance value of 0.0018 or a sig.< value of 0.05. However, the JB value is 12.60494 < 15.50731 which is the chi-square value for d.f. 8 with a probability of 0.5. The d.f value is obtained from the number of variables-1.

In the model 2 normality test it shows a significant value of 0.0101 or a sig.< value of 0.05. However, the JB value is 9.1823 < 15.50731 which is the chi-square value for d.f. 12 with a probability of 0.5. The d.f value is obtained from the number of variables-1. So that the data in testing model 1 and model 2 in this study can be said to be normally distributed and suitable for use in statistics because they fulfill the normality test assumptions.

An additional opinion was put forward by Ajija et al. (2011:42) which states that a normality test is required when the number of observations is less than 30. If the number of observations exceeds 30, it is not necessary to carry out a normality test because the distribution of the sampling error term is close to normal. Thus it can be said that the data in this study are normally distributed, because > 30 observations (90 observations).

2. Multicollinearity Test

Table 5 Multicollinearity Test Model 1

	NFVA	FVA1	FVA2	FVA3	NFVL	FVL12	FVL3	EPS
NFVA	1,00							
FVA1	0,18	1,00						
FVA2	0,32	0,72	1,00					
FVA3	0,23	0,10	0,04	1,00				
NFVL	0,67	0,70	0,73	0,13	1,00			
FVL12	0,27	-0,04	0,21	0,65	-0,06	1,00		
FVL3	-0,17	-0,08	0,19	0,27	-0,20	0,14	1,00	
EPS	0,47	0,67	0,67	0,10	-0,78	-0,04	-0,17	1,00

Based on table 5, it can be seen that test model 1 shows a correlation value between independent variables <0.80. So it can be concluded that each measurement of the fair value hierarchy of assets and liabilities does not experience multicorrelation problems and further tests can be carried out.

Table 6 Multicollinearity Test Model 2

	NFVA	FVA1	FVA2	FVA3	NFVL	FVL12	FVL3	KI	FVA1_KI	FVA2_KI	FVA3_KI	EPS
NFVA	1,00											
FVA1	0,18	1,00										
FVA2	0,31	0,72	1,00									
FVA3	0,22	0,09	0,04	1,00								
NFVL	0,67	0,69	0,73	0,12	1,00							
FVL12	0,26	-0,04	0,20	0,64	-0,06	1,00						
FVL3	-0,16	-0,07	-0,18	0,27	-0,20	0,14	1,00					
KI	0,30	-0,01	-0,05	-0,02	0,06	-0,09	-0,19	1,00				
FVA1_KI	0,18	0,98	0,71	0,10	0,69	-0,04	-0,06	0,10	1,00			
FVA2_KI	0,30	0,71	0,99	0,01	0,72	0,17	-0,18	0,02	0,71	1,00		
FVA3_KI	-0,15	-0,04	-0,17	0,29	-0,17	0,15	0,97	-0,08	-0,02	-0,17	1,00	
EPS	0,47	0,66	0,66	0,09	0,77	-0,16	-0,16	0,10	0,66	0,67	-0,13	1,00

Based on table 6, it can be seen that the model testing model shows a correlation value between independent variables > 0.80. So it can be concluded that model 2 according to the correlation test has a multicollinearity problem. However, referring to Gujarati (2003: 363) in Ghozali (2020: 79) who said that when testing faces multicollinearity problems, this can be done (do nothing) because when researchers use OLS regression, multicollinearity problems are often encountered but try new techniques. and creative to deal with these problems will result in errors. Multicollinearity is not an OLS problem, but it is a data deficiency problem.

Previous research conducted by Ramadhani & Sebrina (2020) also faced the same multicollinearity problem. However, testing continues to the next stage.

3. Heteroscedasticity Test

Table 7 Heteroscedasticity Test

Variable	Model 1		Variabel	Model 2	
	Coefficient	Prob.		Coefficient	Prob.
C	0,9589	0,9088	C	0,3208	0,9772
NFVA	0,0904	0,3689	NFVA	0,0281	0,5312
FVA1	0,0088	0,9181	FVA1	0,0694	0,8465
FVA2	0,0834	0,4263	FVA2	-0,0373	0,8315
FVA3	-0,0841	0,4361	FVA3	0,0214	0,5022
NFVL	0,0043	0,9773	NFVL	-0,0237	0,6301
FVL12	-0,1916	0,1335	FVL12	-0,0408	0,3692
FVL3	0,0181	0,9321	FVL3	-0,0144	0,9766
EPS	0,2417	0,1814	KI	2,4911	0,8002
			FVA1_KI	-0,1208	0,7683
			FVA2_KI	0,0864	0,6525

FVA3_KI	-0,0924	0,8705
EPS	0,1329	0,2764

Based on Table 7 in model 1 and model 2, the probability value of each variable has a probability value of > 0.05. So it can be stated that the research model does not occur heteroscedasticity in each variable.

Test Model

Table 8 Panel Regression Results Model 1

Variable	Coefficient	t-Statistic	Prob.
C	4,382642	1,132543	0,2607
NFVA	0,344614	2,816374	0,0061
FVA1	0,232922	1,838019	0,0697
FVA2	0,297019	3,025435	0,0033
FVA3	0,425526	4,893918	0,0000
NFVL	-0,271323	-2,029214	0,0457
FVL12	-0,217960	-1,781086	0,0786
FVL3	-0,179245	-0,523644	0,6020
EPS	1,402374	4,434789	0,0000
Adjusted R-squared		0,628158	
F-statistic		19,79360	
Prob (F-Statistic)		0,000000	

The estimation results in table 8 show that the adjusted R2 value in model 1 is 0.628158. This indicates that the contribution of the independent variable to the dependent variable is 62.81% and 37.19% is determined by other variables not analyzed in this study.

Table 9 Panel Regression Results Model 2

Variable	Coefficient	t-Statistic	Prob.
C	23,30277	0,819031	0,4153
NFVA	0,352268	2,857165	0,0055
FVA1	-0,473325	-0,528769	0,5985
FVA2	1,026995	2,287368	0,0249
FVA3	0,413532	4,646217	0,0000
NFVL	-0,284379	-2,074382	0,0414
FVL12	-0,243935	-1,955448	0,0542
FVL3	-0,520635	-0,419182	0,6763
KI	-16,94496	-0,678970	0,4992
FVA1_KI	0,818114	0,799734	0,4263
FVA2_KI	-0,820749	-1,680476	0,0969
FVA3_KI	0,485580	0,349640	0,7176
EPS	1,448932	4,756619	0,0000
Adjusted R-squared		0,596303	
F-statistic		11,95521	
Prob (F-Statistic)		0,000000	

Based on table 9 it can be explained that model 2 has an adjusted R2 value of 0.596303 or 59.63% and 40.37% is determined by other variables not analyzed in this study. Based on Table 9 it is known that model 1 has a probability value (F-statistic) < 0.05 = 0.000000, so it can be concluded that the independent variables in the equation model together have a significant effect on the dependent variable. Prob value. The F-stat in model 2 is 0.000000 or prob (F-statistic) < 0.05, so it can be concluded that the independent variables in the equation model together have a significant effect on the dependent variable.

Model 1

In testing the value relevance of fair value information at level 1 and level 2 is greater than the value relevance of level 3 fair value information (model 1). The fair value coefficients for level 1 and 2 assets are

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0.232922 and 0.297019 with a prob value. t of 0.0697 and 0.0033. While the fair value coefficient of level 3 assets is 0.425526 with a prob value. t of 0.0000. The fair value coefficient for liabilities 1 and 2 is -0.271960 and the fair value coefficient for liabilities level 3 is -0.179245. Prob value. t on FVL12 is 0.0786 and the value is prob. t on FVL3 is 0.6020. From the value of the coefficient and prob. t we can conclude that the fair value of liabilities level 1, 2, and 3 has no relevance value because it has a negative coefficient value. Meanwhile, at the fair value of assets, the prob. t < 0.05 is only found in FVA2 and FVA3. So it can be concluded that hypothesis 1 in this study was rejected.

Table 10 Testing Result Table Model 1

Variable	Condition for Ha Accepted		Test Results	
	Sig.	Coef.	Sig.	Coef.
FVA1	≤ 0,05	> FVA 3	≥ 0,05	< FVA 3
FVA2	≤ 0,05	> FVA 3	≤ 0,05	< FVA 3
FVA3	≤ 0,05	< FVA 1&2	≤ 0,05	> FVA 1&2
FVL12	≤ 0,05	> FVL3	≥ 0,05	< FVL3
FVL3	≤ 0,05	< FVL12	≥ 0,05	> FVL12

Based on table 10, the condition for Ha to be accepted is the Sig value. each independent variable ≤ 0.05, but in the results of model 1 testing there are only 2 variables that have a Sig value. ≤ 0.05, namely FVA2 with Sig.0.0033 and FVA3 with a value of Sig.0.0000. In model 1, the condition for Ha to be accepted is the coef value. FVA1 and FVA2 > FVA 3 and FVL12 > FVL3, but in the test results of model 1 the value of coef. FVA (0.232922) and FVA2 (0.297019) < FVA 3 (0.425526) and FVL12 (-0.2179245) > FVL3 (-0.179245). So it can be concluded that testing model 1 does not meet the requirements for Ha accepted or hypothesis 1 in this study is rejected.

Model 2

In testing institutional share ownership has a significant positive effect on the value relevance of fair value information at level 1, level 2 and level 3 (model 2). The coefficient of FVA1_KI is 0.818114 and the value of Prob. t of 0.4263. The FVA2_KI coefficient value is -0.820749 and the prob value. t on FVA2_KI is 0.0969. The FVA3_KI coefficient value is 0.485580 and the prob value. t on FVA3_KI is 0.7276. From the statistical processing results above, the prob. t in the variables FVA1_KI, FVA2_KI, FVA3_KI is less than 5%.

The value of R^2_{adj} in model 2 is 0.596303 while in model 1 the value of R^2_{adj} is 0.628158. So it can be concluded that the presence of the moderating variable institutional ownership does not increase positively and significantly the relevance of the fair value hierarchy information value, so that hypothesis 2 is rejected.

Table 11 Testing Result Table Model 2

Variable	Condition for Ha Accepted		Test Results	
	Sig.	R^2_{adj}	Sig.	R^2_{adj}
FVA1	≥ FVA1_KI		≤ FVA1_KI	
FVA2	≥ FVA2_KI		≥ FVA2_KI	
FVA3	≥ FVA3_KI		≥ FVA3_KI	
FVA1_KI	≤FVA1	≥ R^2_{adj} Model 1	≥FVA1	≤ R^2_{adj} Model 1
FVA2_KI	≤FVA2		≤FVA2	
FVA3_KI	≤FVA3		≤FVA3	

Based on table 11, the condition for Ha accepted in model 2 testing is the Sig. on the variables FVA1_KI, FVA2_KI, FVA3_KI ≤ FVA1, FVA2, FVA3, but in testing model 2 the value of Sig. FVA1_KI (0.4263), FVA2_KI (0.0969), FVA3_KI (0.7176) ≥ FVA1 (0.5985), FVA2 (0.0259), FVA3 (0.0000). In model 2, the condition for Ha to be accepted is the value of R^2_{adj} Model 2 ≥ R^2_{adj} Model 1, but in testing model 2, the value of R^2_{adj} Model 2 (0.596303) ≤ R^2_{adj} Model 1 (0.628158). So it can be concluded that testing model 2 does not meet the requirements for Ha accepted or hypothesis 2 in this study is rejected.

Discussion

1. The value relevance of level 1 and level 2 fair value information hierarchy is greater than the level 3 level relevance of fair value information value.

The results of this study reject the first hypothesis H1, namely the relevance of the information value

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hierarchy of the fair value of assets and liabilities level 1 and 2 is not proven to be greater than the relevance of the information value of the fair value of level 3 assets and liabilities in banking companies listed on the IDX for the 2018-2020 period. These results were obtained from the results of testing model 1, which was tested using panel data regression with a *random effect model approach*.

The relevance of the fair value hierarchy information tested with the price model is seen from the adjusted R2 value. The test results show a fair value relevance of 62.81%. The coefficient value of the fair value of level 1 assets (FVA1) is 0.232922 with a significance value of $0.0697 > \alpha = 0.05$. This shows that FVA1 has positive information value relevance and is not significant. The FVA2 coefficient value is 0.297019 with a significance value of $0.0033 < \alpha = 0.05$. This result means that FVA2 has a significant positive information value relevance. The coefficient value of FVA3 is 0.425526 with a significance value of $0.0000 > \alpha = 0.05$ which means that FVA3 has a positive and significant information value relevance. The FVL12 coefficient is -0.271960 with a significance value of 0.0786 which means that FVL12 has a negative and insignificant value relevance. The FVL3 coefficient is 0.179245 with a significance value of 0.6020 which means that FVL3 has a negative value relevance and is not significant.

The statistical results show that the information on the fair value hierarchy of assets level 1, 2 and 3 has value relevance. Investors consider the information on the fair value hierarchy of assets 1, 2 and 3 to be quite relevant and reliable for making investment decisions. However, there are significant differences between each level of the asset fair value hierarchy. This study found that the value relevance to fair value levels 1 and 2 and is not greater than the value relevance to the fair value of level 3 assets. Furthermore, in testing the value relevance of information on the fair value hierarchy of liabilities levels 1, 2 and 3 shows a negative relevance value and not significant. This shows that investors do not use information on measuring the fair value of liabilities level 1, 2 and 3 for making investment decisions.

Ramadhani & Sebrina (2020) argues that the small value relevance of the mark-to-market fair value hierarchy information can be affected by market conditions that are less active, as evidenced by the fact that most of the financial assets of banking companies are valued using level 2 fair value and only a small proportion are valued through fair value levels 1 and 3. The results of Šodan's research (2019) also complement that fair value accounting has flaws, especially when applied to countries that have less liquid market conditions such as those found in developing countries. It is known that fair value accounting under IFRS is based on a developed economy perspective, its adoption and implementation in developing countries may not be feasible due to different market conditions. Research conducted by Zhang dan Qu (2015) also explains that developing market countries are not ready to fully adopt fair value accounting, especially when markets are inactive, disorganized, and when fair value inputs cannot be observed in the market. The process of adopting and implementing fair value accounting is a challenge for developing countries because these countries lack many of the elements required for an efficient capital market to adopt and apply fair value accounting (Peng & Bewley, 2010).

2. Institutional Share Ownership Increases the Information Value Relevance of the Fair Value Hierarchy of Assets Level 1, Level 2, dan Level 3.

Based on the results of statistical analysis in this study, it was found that the second hypothesis was rejected. This shows that institutional share ownership is not proven to increase fair value information at level 1, level 2, and level 3. Based on the results of statistical processing, the value of adjusted R2 in model 2 is 59.63%. The coefficient value of FVA1_KI is 0.8181 with a significance value of $0.4263 > 0.05$. These results indicate that IC is not proven to significantly increase the relevance of the information value of the fair value hierarchy. The coefficient value of FVA2_KI is 0.8207 with a significance value of $0.0969 > 0.05$. This shows that KI has a negative but not significant effect on the relevance of the information value hierarchy of the fair value assets level 2. The coefficient value of FVA3_KI is 0.4855 with a significance value of 0.7276. This shows that KI has a positive but not significant effect on the information value relevance of the fair value hierarchy of level 3 assets. From the description above it can be concluded that institutional ownership does not increase the information value relevance of the fair value hierarchy. Thus the H2 hypothesis is rejected.

One of the research backgrounds for hypothesis 2 is to see whether institutional ownership, which is an important part of the company's ownership structure, has a significant positive influence on the relevance of the information value relevance of the fair value hierarchy, especially when it relates to mark-to-model measurement or level 3 fair value. institutions with the monitoring function they carry out are believed to be able to suppress meaningless management discretion. This is proven by research (Dai, 2007).

Previous research by Ramadhani & Sebrina (2020) supports the results of this study by suggesting that institutional ownership has no significant positive effect on the relevance of the information value of

the fair value hierarchy. Dewi & Abundanti (2019) also found that institutional ownership has a negative effect on firm value. Institutional ownership which is the majority owner or blockholder investors who tend to side with management and act for personal gain so as not to strengthen the relevance of the information value of the fair value hierarchy. Institutional ownership that is too concentrated also creates new agency problems, including problems between the majority and minority investors. The monitoring function which was previously beneficial to individual investors because it can reduce information asymmetry and monitoring managers has become the opposite, institutional investors act for personal gain by keeping insider information for themselves and working with managers for personal gain (Thomsen, 2015).

4. CONCLUSION

Based on the results of the research conducted, it can be concluded that the fair value hierarchy of assets and liabilities is not significantly more informative than the fair value of assets and liabilities in the Level 3 hierarchy. Institutional shareholdings do not significantly increase the value relevance of the asset levels 1, 2 and 3 fair value hierarchy.

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