

## **Abstract**

*The main purpose of this research is to test empirically the financial policy role in mediating the effect of ownership structure to firm value of non-financial firms that go public on the Indonesia Stock Exchange. Specifically this research is to test empirically the effect of ownership structure to financial policy and firm value, and the impact of each financial policy to firm value.*

*The objects of this study were all non-financial firms that go public on the Indonesia Stock Exchange with the observation period of 2004-2007. Based on the purposive sampling method, from 237 non-financial firms listed on the Indonesia Stock Exchange, only 26 companies that have institutional ownership and distribute dividends respectively, so only 26 samples or 104 data in this study. To examine the relationship of each variable and hypothesis testing are used structural equation model (SEM) by means of partial least square analysis (PLS)*

*The findings of this study is the structure of ownership is significantly positive influence on investment decisions and firm value, negative effect on financing decisions, but did not significantly effect on dividend policy. Investment decisions are significantly positive influence on financing decisions and firm value, but not significant effect on dividend policy. Dividend policy is significantly positive influence on financing decisions and firm value. Financing decisions are significantly positive effect on firm value. Sobel test results provide evidence that investment decisions and financing decisions have role in mediating the relationship between ownership structure to firm value, while on the contrary dividend policy are not proven in mediating the relationship between ownership structure to firm value. Of the 14 hypothesis proposed in this study, 11 hypothesis are accepted, whereas the other three hypothesis are not accepted.*

**Key words :** *Institutional Ownership, Public Ownership, Financial Policy, Financing Decisions, Investment Decisions, Dividend Policy, Firm Value, Tobin's Q, Agency Theory, Assets Growth*