

## **ANALYSIS OF OWNERSHIP STRUCTURE INFLUENCE ON COMPANY VALUE IN THE PROPERTY AND REAL ESTATE INDUSTRY ON THE INDONESIA STOCK EXCHANGE**

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### **ABSTRACT**

This research aims at determining the influence of ownership structure on company value of property and real estate industry on the Indonesia Stock Exchange. This research was quantitative research using panel data regression analysis. The object of this research was property and real estate companies listed on Indonesia Stock Exchange in 2010-2019. The results indicate that the ownership structure consisting of managerial ownership, institutional ownership, and foreign ownership together have a significant influence on company value. Managerial ownership partially has no effect on company value. Partial institutional ownership has a significant negative influence on company value. Partial foreign ownership has no influence on company value.

**Keywords:** Managerial Ownership, Institutional Ownership, Foreign Ownership, Company Value.

### **INTRODUCTION**

Property and real estate companies currently illustrate that the property and real estate sector is a fairly growing business sector in Indonesia. This can be seen through the number of housing developments, shops, apartments, shopping centers, and offices. This development indicates that there is a sizable market for the property and real estate sector. This property and real estate businesses provide opportunities to further develop and earn large profits. Rapid infrastructure development also reflects the progress of a country's economic system. Along with the development of national development, especially infrastructure development which is quite large, will trigger growth in the property and real estate sector.

The rapid development of the business world will certainly lead to increasingly fierce business competition. This creates a competitive business environment, so that the management must be smarter to rack their brains to maintain the company's existence in the business world. This includes reviewing the management functions used by the company to survive and grow in the competition.

The structure of the company's share ownership greatly affects the continuity of the company which in turn has an influence on the performance and quality of the company to achieve the vision of a company which is to maximize the value of the company. This is because of the control owned by the shareholders. The ownership structure of large companies in the form of corporations on the stock exchange generally has separate organizational characteristics between owners and managers. The owner consists of shareholders while the manager consists of management appointed by the owner in carrying out company activities.

Jensen and Meckling (in Makhdalena 2016) define that agency relationship is a contract, where one or more people (principal) employs another person (agent) to perform a number of services and delegates the authority to make decisions to the agent. Agent and investor contracts can be referred to as agency. An agency relationship is said to have occurred when a contract between one or more persons, a principal, an agent, and another person to provide services in the interests of the principal, includes the delegation of decision-making power to the Belkaoi agent (in Kadek Apriada and Made Sadha Suardhiks, 2016). The main duties and responsibilities of agents and management are related to making decisions about the type of investment made, the method of project financing, forecasting and the most effective way of managing the resources owned, so as to be able to maximize the value of the company which is reflected in its share price in the capital market. While the owner of the company will supervise the manager through the board of commissioners.

In this research, the ownership structures were managerial ownership, institutional ownership, and foreign ownership which are believed to have a controlling and managing role in policy making in order to increase company value. The average data on the development of managerial ownership, institutional ownership, foreign ownership, and company value in the property and real estate industry in the period of 2010-2019 are as follows :

**TABLE 1**  
**Data on the average development of managerial ownership, institutional ownership, foreign ownership and firm value (Tobins'q) Property and real estate Industry on IDX in 2010-2019**

Year	Managerial Ownership (%)	Institutional Ownership (%)	Foreign Ownership (%)	Company Value
2010	0.005	0.424	0.298	1.27
2011	0.049	0.406	0.249	1.63
2012	0.054	0.390	0.255	1.64
2013	0.054	0.362	0.205	1.14
2014	0.061	0.354	0.212	1.46
2015	0.074	0.438	0.209	1.09
2016	0.060	0.452	0.328	1.07
2017	0.075	0.884	0.632	0.85
2018	0.080	0.884	0.580	0.75
2019	0.071	0.914	0.596	0.59

Source: *IDX Financial Report in 2010-2019, data processed*

From the table above, it can be seen that there are fluctuations in the average value of managerial ownership, institutional ownership, and foreign ownership followed by changes in company value. Based on the above phenomenon, the researcher is interested in raising a research topic entitled “Analysis of the Influence of Ownership Structure on Company Value in the Property and Real Estate Industry on the Indonesia Stock Exchange”.

## METHOD

### Type of the Research

This research can be classified as a type of causal research, where there is a relationship between two or more variables. A causal relationship is a causal relationship, where there are independent variables (variables that affect) and dependent (influenced) variables.

### **Population and Sample**

Population is a generalization area consisting of: objects/subjects that have certain qualities and characteristics determined by the researcher to be studied and then draw conclusions. The population in this research was 62 property and real estate companies listed on the Indonesia Stock Exchange.

Sample is part of the number and characteristics possessed by the population. The sample in this research was taken using purposive sampling technique, namely the technique of determining the sample with certain considerations so that there were 10 companies that met the research criteria.

Several criteria were applied to obtain the number of sample companies as follows:

1. Property and real estate companies listed on the Indonesia Stock Exchange (IDX) at least since 2010
2. Regularly publish annual financial reports from 2010-2019.
3. Have complete data regarding managerial ownership, institutional ownership, and foreign ownership in the 2010-2019 period.

### **Technique of Data Collection**

The data collection technique used database extraction, namely direct sampling. Database extraction is done by studying the records or financial information needed to test hypotheses and perform analysis.

### **Method of Analysis**

This research applied descriptive analysis methods to describe quantitatively the characteristics and developments of both independent and dependent variables for 10 years, namely the period of 2010 to 2019 through the use of panel data regression analysis tools with the help of the Eviews 9 application.

## **RESULT AND DISCUSSION**

### **Results**

In this research, panel data regression can be performed with three models, namely the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). Meanwhile, to determine which model is more suitable for this research, the Chow test and Hausman test were carried out. Based on the Chow test and Hausman test, it was found that the results of selecting the best model in accordance with this research was panel data regression using the Fixed Effect Model (FEM). The following are the results of the regression with the Fixed Effect Model (FEM).

**Table 2 The Results of Regression Model**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.140754	0.103888	1.354865	0.1790
KM?	1.145684	1.179837	0.971053	0.3342
KI?	-0.570995	0.258600	-2.208019	0.0299
KA?	-0.191235	0.318147	-0.601089	0.5493

*Source: Data processed from eviews 9*

The analysis of the regression equation above is as follows:

1. Based on the results of the regression equation above, a constant value of 0.140754 is obtained, which means that if the conditions of all independent variables (managerial ownership, institutional ownership, foreign ownership) are considered constant, then the resulting company value is 0.140754.
2. Based on the regression equation above, the managerial ownership variable (Km) has a regression coefficient of 1.145684. Assuming that other variables are constant, if the managerial ownership variable (Km) increases by one unit, the company value (Tq) will increase by 1.145684.
3. Based on the regression equation above, the institutional ownership variable (Ki) has a regression coefficient of -0.570995. Assuming that other variables are constant, if the institutional ownership variable (Ki) increases by one unit, the company value (Tq) will decrease by -0.570995.
4. Based on the regression equation above, the foreign ownership variable (Ka) has a regression coefficient of -0.191235. Assuming that other variables are constant, if the foreign ownership variable (Ka) increases by one unit, then the company value (Tq) will decrease by -0.191235.

### **F TEST (SIMULTANEOUS)**

Simultaneous test (F test) is used to determine whether all independent variables have an influence on the dependent variable. The criteria used are if the significance value of  $F < 0.05$  then the hypothesis is confirmed which states that all independent variables simultaneously and significantly affect the dependent variable. The results of the F test in this research can be seen in the following table :

**Table 3 The Results of F Test**

R-squared	0.568072	Mean dependent var	-0.174840
Adjusted R-squared	0.508496	S.D. dependent var	0.875617
S.E. of regression	0.613872	Akaike info criterion	1.982677
Sum squared resid	32.78498	Schwarz criterion	2.321350
Log likelihood	-86.13387	Hannan-Quinn criter.	2.119744
F-statistic	9.535204	Durbin-Watson stat	0.579838
Prob(F-statistic)	0.000000		

Source: Data processed from eviews 9

Based on the results of the F test in table 3, it can be seen from the probability value of 0.0000 which means it is smaller than the significance level of 0.05 so it can be said that managerial ownership (Km), institutional ownership (Ki), and foreign ownership (Ka) simultaneously have a significant influence on company value (Tq).

### T TEST (PARTIAL)

This test is conducted to determine whether each independent variable has a significant effect on the dependent variable. If the probability value is less than 0.05, the result is significant, which means that there is an influence of the independent variable individually on the dependent variable. T test results can be seen in the following table:

**Table 4 (T Test)**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.140754	0.103888	1.354865	0.1790
KM?	1.145684	1.179837	0.971053	0.3342
KI?	-0.570995	0.258600	-2.208019	0.0299
KA?	-0.191235	0.318147	-0.601089	0.5493

Source: Data processed from eviews 9

Based on table 4, the results of the T test in this research can be explained as follows:

1. Managerial Ownership (Km)  
The results of the regression analysis test show that the probability value is 0.3342, which means it is greater than 0.05, so it can be said that the Managerial Ownership variable (Km) does not have a significant influence individually on the Company Value (Tq).
2. Institutional Ownership (Ki)  
Untad The results of the regression analysis test show that the probability value is 0.0299, which means it is smaller than 0.05, so it can be said that the Institutional Ownership variable (Ki) has a significant influence individually on the Company Value (Tq).

### 3. Foreign Ownership (Ka)

The results of the regression analysis test show a probability value of 0.5493 which means it is greater than 0.05, so it can be said that the Foreign Ownership variable (Ka) does not have a significant influence individually on the Company Value (Tq).

## Discussions

### **The Influence of Managerial Ownership on Company Value**

Share ownership by management will lead to better control over the policies taken by management itself. Agency problems will arise if the manager does not have a majority share in the company, so managers tend to act to pursue their own interests and not maximize the value of the company.

The results of the research conducted indicate that managerial ownership has no significant influence on company value which can be seen from the coefficient of managerial ownership of 1.14568 with a significance of 0.3342. This condition can occur because the managerial ownership of the sample companies is constant every year and there are those that are not stable, namely decreasing and increasing. This can also occur due to the characteristics of public companies in Indonesia that on average have a relatively low proportion of managerial share ownership, so that there is no significant influence of managerial functions in reducing agency problems because low ownership allows the unification of shareholder interests and management interests cannot be realized.

### **The Influence of Institutional Ownership on Company Value**

Institutional Ownership is the proportion of shares owned by institutions. The more concentrated the ownership of a company's shares, the more effective the supervision carried out by the owners will be so that management will be careful working for the owners of capital. The results of this research indicate that institutional ownership has a negative influence on company value which can be seen from the institutional ownership coefficient value of -0.570995. This research is in line with the agency theory proposed by Jensen and Meckling (in Makhdalena 2016) which states that institutional ownership can influence and supervise management and managers in making decisions so as to minimize agency conflicts. However, in this research, institutional ownership has an average of 55.1% which is the majority share. The majority of institutional investors have a tendency to compromise or side with management to prioritize personal interests and ignore the interests of minority shareholders. This is a negative signal for outsiders because the alliance strategy between institutional investors and management tends to take company policies that are not optimal. This action can harm the company. As a result, investors will not be interested in investing their capital, the volume of stock trading will decrease, the stock price and the value of the company will also decrease.

### **The Influence of Foreign Ownership on Company Value**

Foreign ownership in companies is a party that is considered concerned with the disclosure of corporate social responsibility because it can be one way to upgrade companies technologically in developing countries through direct imports of new capital and new technology so as to generate positive signals for outsiders.

The results of this research indicate that foreign ownership has no significant influence on company value which can be seen from the coefficient of foreign ownership of  $-0.191235$  with a significance of  $0.5493$ . This happens because foreign investors may not be well received by the management and employees so that what happens is counterproductive. Foreign ownership is also considered to play a less role in strict supervision of governance mechanisms in running the company, this can be due to foreign investors being considered asymmetrical in information about the company's condition and foreign ownership is not the only factor that affects stock price movements.

## CONCLUSIONS

### Conclusions

1. In this research, it was found that managerial ownership with the lowest value was found in PT. Plaza Indonesia Realty (PLIN) in 2010 to 2014 was  $0.0001$  and the highest value was found in PT. Ristia Bintang Mahkota (RBMS) in 2014 was  $0.5688$  while the average managerial ownership variable was  $0.0588$ . Share ownership by the institution was found that the company with the lowest value was PT. Bumi Serpong in 2013 amounted to  $0.0060$  and the highest value was found in PT. Summarecon in 2018 was  $4,5764$  while the average institutional ownership variable was  $0.5513$ . Foreign ownership of shares with the lowest value is found in PT. Pakuwon in 2015 amounted to  $0.0001$  and the highest value is in PT. Summarecon in 2017 to 2019 was  $3,5002$  while the average foreign ownership variable was  $0.3569$ . The company value with the lowest value of  $0.0505$  is in PT. Summarecon in 2018 and the highest score of  $6.6567$  was found in PT. Agung Podomoro Land in 2011 while the average of company value variable is  $1.1431$ .
2. Simultaneously, the variables of managerial ownership, institutional ownership, and foreign ownership have a significant influence on company value in the property and real estate industry on the IDX.
3. Partially, managerial ownership has no significant influence on company value, institutional ownership has a significant negative influence on company value, and foreign ownership has no significant influence on company value in the property and real estate industry on the IDX.

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