

Ownership Structure, Firm Value and Mediating Effect of Firm Performance

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Abstract: This study aims to examine and analyze the mediating effect of firm performance on ownership structure on firm value. The independent variables are ownership concentration and managerial ownership. The dependent variable is firm value, while the mediating variable is firm performance. The research sample is mining sector companies listed on the IDX in 2016-2018. Data analysis uses Eviews 10. The results show that ownership concentration positively affects company performance, while the opposite results are found in managerial ownership. Then, direct managerial ownership and firm performance positively affect firm value, while ownership concentration does not affect firm value. Firm performance mediates the relationship between ownership concentration and firm value, but firm performance fails to mediate the relationship between managerial ownership and firm value.

Keywords: Ownership Concentration, Managerial Ownership, Company Performance, Firm Value.

Abstract: This study aims to examine and analyze mediating effect of firm's performance on the influence of intellectual capital and ownership structure on firm's value. The independent variables are ownership concentration and managerial ownership. The dependent variable is the firm's value, while the mediating variable is the firm's performance. The sample used was mining sector companies listed on the Indonesia Stock Exchange in 2016-2018. Data analysis using Eviews10. The results showed that the concentration of ownership had a positive effect on company performance while managerial ownership had no effect. Then directly managerial ownership and firm's performance have a positive effect on firm value, while ownership concentration has no effect on firm value. Firm performance mediates the relationship between concentration of ownership and firm value, but firm performance fails to mediate the relationship between managerial ownership and firm value.

Keyword: Ownership Concentration, Managerial Ownership, Firms's Performance, Firm's Value.

INTRODUCTION

In general, the company's main objective is to prosper the owners and shareholders by increasing the value of the company (Iswajuni, Manasikana, & Soetedjo, 2018). Firm value describes a value that investors are willing to pay (Prasetyorini & Fitri, 2013). Investors tend to invest in companies that have high and stable company value. Companies with high value have good performance and have guaranteed business continuity in the future. This business's continuity is essential for investors because they want a stable return that tends to increase. Investors always value a company based on its share price. The higher the company's stock price, the more investors will give a higher assessment. Besides, company value is also a comparison tool for investors to invest or invest. According to BPKM, during 2015-2018, investment realization reached IDR 2,572.3 trillion, which means that it exceeded the target of IDR 2,558.10 trillion. The Investment Coordinating Board (BKPM) is a non-departmental government agency in Indonesia tasked with formulating government policies in the investment sector, both domestic and foreign.

The investment consists of two types: Domestic Investment (PMDN) and Foreign Investment (PMA). PMDN occurs when domestic investors use their domestic capital to invest in the Republic of Indonesia's territory. Conversely, PMA is the investment by foreign investors using foreign capital or capital that results from a combination with domestic investors. Realization of PMDN and PMA investment in Indonesia during 2016-2018 has increased, namely in 2016 amounting to IDR 612.8 trillion, 2017 amounting to IDR 692.8 trillion, and in 2018 amounting to IDR 721.3 trillion. The most massive increase in investment was in the mining sector compared to other sectors listed on the IDX. According to article 5 (1) Capital Market Law, investors or investors may carry out three activities, namely 1) Taking shares of shares at the time of the establishment of a PT, 2) Buying shares, 3) Taking other methods according to the law. It means that the increase in investment is due to investors' interest in buying shares in mining sector companies because they consider mining sector shares to be of high value so that they will provide returns in line with their expectations.

However, in recent years there have been problems in the mining sector. For example, in 2016, the OJK (Financial Services Authority) found a quasi-transaction in PT Sekawan Intipratama Tbk (SIAP). Pseudo-transactions are transactions that do not cause a change in ownership but only give the impression of being active in the market to lure ordinary investors. It can be detrimental to investors because actively traded stocks are usually shares of companies getting a fair assessment from the market. Investors who are still ordinary tend to buy shares in the pseudo transaction because he thinks the company is good. The quasi-transaction case resulted in PT Sekawan Intipratama delisting from the IDX in 2019. This case caused the CEO of PT Sekawan Intipratama Tbk (SIAP), Suluhuddin Noor, and two other directors to resign. Besides, this case also cost investors Rp. 400 billion. This resignation news resulted in a potential negative from the market. It is evident from the significant decline in share prices with the SIAP code. Finally, this company was delisted from the Indonesia Stock Exchange (IDX) on June 17, 2019.

This case should reduce the value of the mining sector company because of the concerns felt by investors about internal control and company management performance. The pseudo-transaction indicates that the company's elements are not running well, causing something to break the rules. However, based on the data collected, the company's value

has increased after the case. It is certainly interesting because the trend in corporate value has an unusual trend. The following is data on the average value of the mining sector companies during the study period:

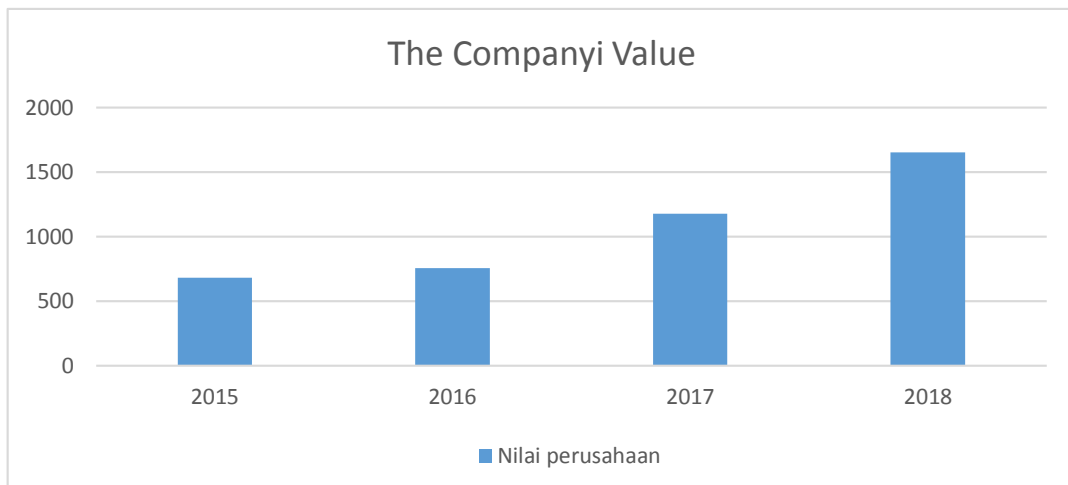


Figure 1. The company value for the period 2015-2018

Various factors influence the value of the company. However, in this study, the researcher will test whether the ownership structure can affect firm value directly or through financial performance. Ownership structure in this study measures by two proxies, namely ownership concentration, and managerial ownership. Ownership concentration shares are concentrated in a few individuals with ownership of more than 5%. When the shares of a company are concentrated, the shareholder group will force the company to work optimally to achieve the company's performance targets. In turn, it will affect the company's value, which reflects the stock price. Several previous studies on ownership concentration have given mixed results; for example, the findings of a significant positive relationship with firm value (Mertzanis, Basuony, & Mohamed, 2019; Shao, 2019). These findings indicate that many concentrated shareholders will reduce the agency costs incurred by the principal to oversee company management.

Meanwhile, the results of research conducted by Saona & Martin (2016) show negative results. It is due to the increase in ownership concentration, which causes an increase in the power and control of the majority shareholder and decreases in monitoring by other shareholders. It means most shareholders exercise a monopoly of power against other shareowners who have a small percentage of ownership. It will reduce the company's performance and value.

Managerial ownership is the number of shares owned by company managers. Generally, companies will provide opportunities for managers to own a certain percentage of shares so that these managers are more enthusiastic about working because what they do while running the company will have consequences that will directly impact it. Research on managerial ownership of firm value has found mixed results. (Benson, Chen, James, & Park, 2020) Benson et al. (2020) and Florackis et al. (2020) found significant positive results on the relationship between the number of shares owned by managers and firm value. The

researcher's argument states that the higher the managerial ownership, the less agency conflict because the manager now has two positions: a shareholder (principal) and manager (agent). It means that the interests of the agent and the principal in this managerial ownership will be aligned. However, different results were found by Shao (2019). According to these researchers, the more significant the proportion of shares owned by the manager, the lower its value. It is because managers tend to take advantage of their position to maximize their profits, regardless of company profits, which should be their primary focus.

Li et al. (2015) found that concentrated share ownership has a positive effect on company performance. According to agency theory, concentrated shareholders can effectively monitor the management of the company's operations, reduce agency costs and information problems, and consequently improve company performance. The results of this study are supported by Jiang & Kim (2015). According to these researchers, high managerial ownership is useful for integrating the manager's interests (agent) with the investor (principal) and improving company performance. Meanwhile, Jaya (2015) examined the relationship between company performance and firm value. The results showed that the profitability ratio significantly influenced that firm value. The profitability ratio in this study represents a measure of the company's overall performance. Besides, company performance in most of the countries studied influences the company's success.

This research is the development of research conducted by Shao (2019). However, in this study, there is a mediating variable, namely company performance. The existence of this mediating variable is expected to be able to resolve inconsistent previous research findings. This study also focuses on the mediating effect of company performance as a connecting variable between ownership structure and company value. Therefore, in this study, two measurements will be carried out for company performance variables to see whether the mediation effect will be consistent in the future.

THEORETICAL REVIEW

Agency Theory. Jensen & Meckling (1976) defines an agency relationship as a contract that involves one or more people (principal) with other parties (agent) to do something according to the principal's wishes. This contract includes the delegation of authority in making decisions from shareholders to the company. If the shareholder (principal) and company (agent) try to maximize their respective profits, it concludes that the agent will not always carry out the principal's wishes. Therefore, generally, the principal will pay for the supervision of the agent. The supervision fee is called the agency fee. The supervision referred to by Jensen and Meckling (1976) is the binding of agents, a systematic review of management requirements, financial audits, and specific restrictions on management decisions. In addition to supervision fees, costs included in agency costs are bonding costs and residual loss costs.

When applied in the context of a company, the concept of principal and agent means the principal is the shareholder or other stakeholder, while the agent is the internal party of the company where stakeholders invest or delegate authority. According to Eisenhardt (1989), who reviewed agency theory stated that agency theory uses three basic assumptions of human nature, namely: 1) Prioritizing personal interests, 2) Humans do not know what will happen in the future, 3) Tend to reject the existence of risk. Based on the assumption of essential human nature, managers tend to do something for themselves, and eventually,

agency conflicts will arise. However, according to Jensen and Meckling (1976), increasing management ownership will reduce agency cost because the proportion of ownership will affect the company's management policies. This ownership will further reduce the interest gap between agent and principal. If management has a high proportion of ownership, management will have a direct impact and the consequences that will occur.

Agency theory underlies the relationship between ownership structure and firm performance, and firm value. The larger the shares, which concentrate on a few individuals, will cause these shareholders to have control or power to force the company to run optimally, both in operational, investment, and other corporate activities. It is because the company has a dependency on these concentrated shareholders. The manager who also owns shares in a company will maximize all his abilities and powers such as investment decisions, funding decisions, and so on to achieve the best company performance. If the company's performance has been able to meet the shareholders' expectations, they consider that the company's share price deserves a high value.

Conceptual framework. The ownership structure in this study uses two types of ownership, namely managerial ownership and ownership concentration. Agency theory explains that management as an agent should have the goal of prospering shareholders as principal. However, in practice, there is a tendency that management will prosper itself. Management will take advantage of the information asymmetry between the company and shareholders for personal gain because this information asymmetry causes management to have more knowledge about the company's actual condition than stakeholders. The existence of some shares owned by managers is considered as one solution to overcome this problem. That way, now management, apart from acting as an agent, also acts as a principal. It means that they will create accurate alignment between shareholders and the company.

Agency theory also explains that there are costs incurred by agency conflicts, among others, which are commonly referred to as monitoring costs. This supervision's cost arises due to several reasons, including the reduction in information and manipulation of company data by management. Several shares that are concentrated on several individuals will increase the level of supervision that these shareholders exercise over the company. Thus, the cost of supervision reduces so that the company value will increase.

This study seeks to test whether the company's performance can be a link (mediation) on the relationship between ownership structure and firm value. Company performance describes the company's internal achievements in contrast to company value, which is an achievement that is assessed by external parties. If a company's ownership structure is maximal, then logically, this will affect the company's performance. The alignment of goals caused by managerial ownership will allow management to present real information. If the information is useful, management will get incentives, whereas management can take necessary evaluation actions if the opposite is true. The high level of supervision due to the full number of shares will cause management to work even more challenging because otherwise, they will have the opportunity to be replaced by someone else at the General Meeting of Shareholders (GMS). Thus the company's performance will also improve. Then, shareholders in assessing a company tend to look at the company's performance first rather than other elements such as Corporate Social Responsibility (CSR) or internal control. It is because shareholders do not all understand the ins and outs of the company, they will use an easier way to assess the company, namely looking at the company's performance, which

is usually measured by Return On Asset (ROA) or Return On Equity (ROE). These two ratios illustrate the profit that a company can create with its assets and capital resources. Generally, shareholders will be more concerned with the company's ability to create profits. This ability will be in line with the possibility of the company distributing its dividends. If the company cannot create profits according to the expectations of shareholders, the possibility of dividend distribution in that period will be little, and vice versa.

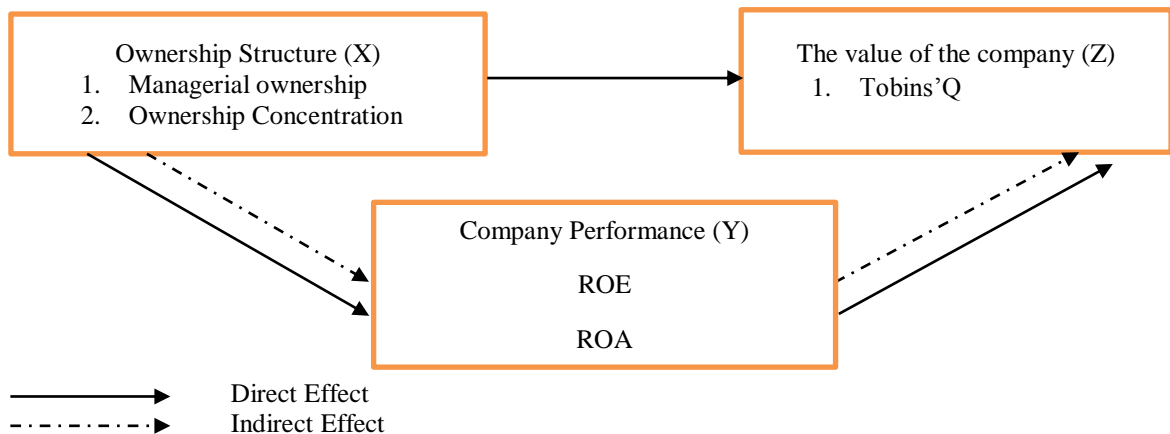


Figure 2. Conceptual Framework

Hypothesis Development

Ownership Structure and Company Performance. Management in a company divided into three levels, namely upper-level management, middle-level management, and executive management. According to the predetermined strategic plans and operational plans, this management is in charge of carrying out all existing activities in the company. Also, managers can own a certain percentage of the company's shares. The goals of managers owning company shares include, 1) Managerial share ownership will increase company growth so that the opportunities for managers to be promoted and receive incentives will also increase, 2) high growth will provide safe conditions for managerial positions. Based on these objectives, managers tend to be more active in the interests of shareholders (themselves) so that owners will impact company performance. Kumar & Singh (2013) found that the greater the percentage of share ownership by managers, the higher its performance.

The number of shares that are concentrated in a few individuals will cause these shareholders to have the power to intervene in the company because their number of shares is so large that the company depends on them. To fulfill the interests of shareholders, the company will work optimally to increase its performance. Also, the concentration of ownership will increase supervision of management. Such supervision will prevent management from misbehaving. Mertzanis, Basuony & Mohamed (2019) found that ownership concentration positively affects company performance.

H1a: Ownership concentration has a significant positive effect on company performance.

H1b: Managerial Ownership has a significant positive effect on Company Performance.

Ownership Structure and Company Value. The performance in question is a description of whether the company is running effectively and efficiently. The profitability ratio measures the company's performance in this study. Profitability ratios help users of financial statements determine the company's ability to generate profits through its operational activities. If profitability increases, the company's performance considers suitable, meaning that the company's value in investors' eyes will also increase. The company value is the benchmark for investment so that investors will be attracted to the company's good performance. Also, a high profitability ratio will increase the possibility for the company to pay dividends. It can attract investors because they consider the company to have a high value (Dewi & Widagdo, 2013). Nuryaman (2015) found that company performance has a positive effect on firm value.

H3: Company performance has a positive effect on firm value.

Ownership Structure, Company Performance, and Company Value. Managers who own shares in a company will act in their interests. As a shareholder, he wants a high return to realize his wish. As a manager, he will work optimally so that peak performance will achieve. When the company's performance is maximum, the company's value also maximizes.

The ability of shareholders to concentrate on influencing company policy's direction will cause the company's performance to increase. These shareholders want a high return, so they will influence the managers to fulfill their wishes. High company performance will make investors give more assessment of the share price.

H4a: Company performance mediates the relationship between Ownership Concentration and Firm Value.

H4b: Company performance mediates the relationship between Managerial Ownership and Firm Value.

METHODOLOGY

In this study, multiple linear regression analysis uses to test the hypothesis and determine the direction of the relationship between the variable ownership structure, firm performance, and firm value. This type of research is quantitative research. Secondary data uses in this study. Data is from financial and annual reports obtained from the Indonesia Stock Exchange website: www.idx.co.id. This research population is mining sector companies listed on the Indonesia Stock Exchange from 2016-2018.

The samples were selected based on the following criteria:

1. Companies that provide complete data during the research year,
2. Companies that publish financial and annual reports on www.idx.co.id or on the company's website

After selecting the population with the above criteria, the final sample used in this study was 138 observational data. This study uses one independent variable, namely the ownership structure. The ownership structure measures by two types of measurement,

namely ownership concentration and managerial ownership. Ownership concentration is the number of share ownership > 5% owned by only a few individuals. Ownership concentration measures by measurements made by Shao (2019), namely:

$$\text{Ownership concentration} = \text{Total share ownership} > 5\%$$

Managerial ownership is the percentage of common stock ownership owned by company managers. Managerial ownership is measured using measurements that refer to Shao's (2019) research:

$$\text{Managerial ownership} = \% \text{ share ownership by managers in the capital structure}$$

Firm value is the value that shareholders provide to the company. The basis for this assessment is the performance or achievements achieved by the company. Firm value is measured using measurements that refer to Shao's (2019) research:

$$\text{Tobins'Q} = (\text{MVE} + \text{DEBT}) / \text{BVTA}$$

This study also uses a mediating variable, namely company performance. Company performance is the actual condition that the company has after they have worked for a certain period by utilizing their capabilities. Company performance also illustrates the efficiency and effectiveness of utilizing company resources. This variable is also significant for the company to evaluate its operating activities during the current period. For investors, the company's performance is an indicator of its success in achieving the desired targets and the company's ability to create prosperity for investors.

Company performance is also often associated with the term profitability. Therefore, many measurements use to define company performance. The more measurements used, it expects that the company's profitability will be more clearly known to users of financial statements (Yuniati, Raharjo, & Oemar, 2016). Mertzanis, Basuony, and Mohamed (2019) measure company performance with the following ratios:

$$\begin{aligned} \text{ROE} &= \text{Net profit after tax} / \text{total equity} \\ \text{ROA} &= \text{net profit after tax} / \text{total assets} \end{aligned}$$

The data analysis technique begins with descriptive statistics to provide an overview of ownership concentration, managerial ownership, company performance, and firm value. Furthermore, hypothesis testing carries out using multiple regression analysis with Eviews10, then finally, a single test carries out to test the indirect relationship. The regression models used for H1a and H1b are:

$$\text{FPit} = \alpha + \beta_1 \text{OCit} + \beta_2 \text{MOit} + \epsilon \dots \dots \dots (1)$$

The regression models for H2a, H2b and H3 are:

$$\text{FVit} = \alpha + \beta_1 \text{OCit} + \beta_2 \text{MOit} + \beta_3 \text{FPit} + \epsilon \dots \dots \dots (2)$$

The regression models for H4a and H4b are:

$$FV_{it} = \alpha + \beta_1 OC_{it} + \beta_2 MO_{it} + \beta_3 FP_{it} + \beta_4 OC * FP_{it} + \beta_5 MO * FP_{it} + \epsilon \dots \dots (3)$$

Information:

FP = Company performance

FV = Firm value

OC = concentration of ownership

MO = Managerial ownership

THE RESULT OF STATISTICAL TESTS

Descriptive Statistical Analysis. The following are the results of descriptive statistical analysis showing the minimum value, maximum value, average value, and standard deviation values:

Table 1. Descriptive Statistics of Research Variables
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
FV	138	-3.670000	51.480000	2.61116605	5.368790037
ROA	138	-45.670000	122.410000	3.98212180	15.288022456
ROE	138	-77.870000	84.770000	6.27507246	23.188569524
OC	138	13.260000	100.000000	64.79681884	22.582977887
MO	138	.000000	100.000000	6.79375362	13.581396320

Based on table 1, the total sample used in this study was 138 observational data. The company value variable (FV) has a maximum value of 51.48 from PT Alfa Energi Investama Tbk in 2018, while the minimum value of -3.67 comes from PT Apexindo Pratama Duta Tbk. The firm value variable's average value is 2.61116605, which is lower than the standard deviation value, which is 5.368790037. It means that the value of the companies in the entire sample has high data variations.

The company performance variable as measured by ROA has a maximum value of 122.41 from PT Resources Alam Indonesia Tbk in 2017, while the minimum value of -45.67 comes from PT Cakra Mineral Tbk in 2017. This figure shows the company's ability to create profits through company assets. The average ROA value is 3.98212180, which is smaller than the standard deviation value, 15.288022456. It means that the ROA value of the entire sample has high data variations. It means that the ROA value of the entire sample has high data variations.

As measured by ROE, company performance has a maximum value of 84.77 from PT Bumi Resources Tbk in 2017, while the minimum value of -77.87 comes from PT Barajaya Internasional Tbk in 2017. This figure shows the company's ability to create profits through capital from internal and external sources. The average ROE value is 6.27507246, which is smaller than 23.188569524. It means that the ROE value of the entire sample has high data variations.

Ownership concentration (OC) has a maximum value of 100 and a minimum value of 13.26. It means that there are several companies whose shares are concentrated 100% and

13.26% in a few individuals. The average value of ownership concentration is 64.79681884, which is greater than the standard deviation value of 22.582977887. It means that the value of ownership concentration has low data variations.

Managerial ownership (MO) has a maximum value of 100 and a minimum value of 0. It means that the manager owns the entire sample of companies, 100% of the shares, and the manager does not own some companies' shares. The average value of managerial ownership is 6.79375362, lower than the standard deviation value of 13.581396320. It means that the value of managerial ownership has high data variations.

Multicollinearity Test. Table 2 contains the results of the Multicollinearity test. This test conducts to determine whether there is a correlation between the independent variables or not. If the correlation coefficient value is smaller than 0.8, it concludes that there is no Multicollinearity problem. The following are the results of the Multicollinearity test:

Table 2. Multicollinearity Test Result

	ROE	ROA	OC	MO
ROE	1	0.471057	0.180448	0.056721
ROA	0.471057	1	0.161986	0.046990
OC	0.180448	0.161988	1	0.108936
MO	0.056721	0.046990	0.108936	1

Based on table 2, no correlation coefficient value is more than 0.8. So it can be concluded that there is no multicollinearity problem in the regression model, or there is no correlation between the independent variables.

Estimated Model Selection. Tests conducted with Eviews have three-panel data regression models, namely Common effect, Fixed effect, and Random effect. Of the three models, one of the most appropriate models must be chosen to interpret the analysis results. Tests carried out to choose the most appropriate models are Chow's Test and Hausman Test. The following are the results of model testing using these two methods:

Table 3. Chow Test and Hausman Test

Effect Test	Statistic	d f	Probability
Model Regresi			
Chow test			
Cross-section Chi-square	140.836735	45	0.0000
Model Mediasi			
Chow test			
Cross-section Chi-Square	147.096330	45	0.0000
Hausman test			
Cross-section random	84.017424	6	0.0000

Based on table 3 above, the Chow test shows the results of the Chi-square cross-section of 0.0000, which is smaller than 0.05. It means that the fixed effect model is better than the ordinary effect model. The test continued with the Hausman test. The test results showed that the random cross-section value was 0.0000, less than 0.05. It means that the fixed effect model is better than the random effect model. The test results with both methods yield the same results. The conclusion is that the most appropriate model for the interpretation of results is the fixed effect model. The same result was found in the mediation model.

Panel data regression result. The fixed effect model of the panel data regression analysis used in H1a and H1b is:

$$FP_{it} = 2.266733 + 0.149404OC_{it} + 0.011241MO_{it} + \epsilon \dots \dots \dots (4)$$

Information:

- FP = Company Performance
- OC = Ownership Concentration
- MO = Managerial Ownership

Based on the above equation, there is a constant value of 2.266733, which means that when the concentration of ownership and managerial ownership is 0 or constant, its performance will increase by 2.266733. The regression coefficient of the ownership concentration variable (OC) of 0.149404 means that the company's performance will increase by 0.149404 when managerial ownership is 0 or fixed. The results are the same for the managerial ownership (MO) variable. The managerial ownership regression coefficient of 0.011241 means that the company's performance will increase by 0.011241 when the ownership concentration variable is 0 or constant.

Hypothesis Test Result

Table 4. Regression Testing Result (H1a and H1b)

Variable	Coefficient	Std. Error	t-Statistic	Probability
C	2.266733	1.488824	1.522499	0.1303
OC	0.149404	0.031926	4.679710	0.0000
MO	0.011241	0.021173	0.530914	0.5964

The fixed effect model of the panel data regression analysis used in H2a, H2b and H3 are:

$$FV_{it} = 2.039829 - 0.006842OC_{it} + 0.148461MO_{it} + 0.003166FP_{it} + \epsilon \dots \dots \dots (5)$$

Information:

- FV = Firm Value
- FP = Company Performance
- OC = Ownership Concentration
- MO = Managerial Ownership

Based on the above equation, there is a constant value of 2.039829, which means that when the concentration of ownership, managerial ownership, and company performance is 0 or fixed, the firm value will increase by 2.039829. The regression coefficient of the ownership concentration variable (OC) of -0.0068420 means that the firm's value will decrease by 0.0068420 when managerial ownership is 0 or constant. The results are the same for managerial ownership (MO) and firm performance (FP) variables. The managerial ownership regression coefficient of 0.148461 means that the firm's value will increase by 0.148461 when the ownership concentration variable is 0 or fixed. Finally, the company performance regression coefficient is 0.003166, which means that the firm's value will increase by 0.003166 when the company performance variable is 0 or fixed.

Table 5. Panel Data Regression Test Results (H2a, H2b and H3)

Variable	Coefficient	Std. Error	t-Statistic	Probability
C	2.039829	1.493409	1.365888	0.1743
MO	0.148461	0.032149	4.617935	0.0000
OC	-0.006842	0.021165	-0.323288	0.7470
ROE	0.003166	0.021420	0.147804	0.0088
R-Squared	0.139206			
Adjusted R-Squared	0.113121			
Prob.(F-statistic)	0.000515			

Based on table 5, the Adjusted R-Squared shows a value of 0.113121 or 11.31%. It means that the variable firm value is explained by the variable concentration of ownership, managerial ownership, and company performance by 11.31%. In contrast, the remaining 88.69% explained by other variables outside the research. The F test results with a significance value of 5% indicate that the Prob. value (F-statistic) is 0.000515, which is smaller than 0.05. So it can be concluded that the concentration of ownership, managerial ownership, and company performance can simultaneously affect firm value.

Sobel test. The Sobel test is used to test the indirect effect of the independent variables (OC and MO) on the dependent variable (Firm Value). The variable used as the mediating variable is the company's performance as measured by ROA and ROE. The Sobel test requires the calculation of the Z score with the following formula:

$$S_{ab} = \sqrt{a^2 SE_b^2 + b^2 SE_a^2} \text{ and } Z = \frac{ab}{S_{ab}}$$

Information:

- a: The regression coefficient of the independent variable on mediation
- b: The regression coefficient of the mediating variable on the dependent variable
- SEa: Standard error of estimation of the effect of the independent variable on the mediating variable
- SEb: Standard error of estimation of the effect of the mediating variable on the dependent variable
- Z: Indirect effect of the independent and dependent variables

The result of the Z Score value for the OC variable is 2.015572, while for the MO variable is 1.749622.

DISCUSSION

Table 4 shows that the ownership concentration variable has a significance value of 0.0000, which is smaller than 0.05. It means that H1a is accepted; namely, ownership concentration has a positive effect on company performance. These results support the results of research conducted by Li et al. (2015). Li et al. (2015) explain that concentrated ownership will increase the supervision level exercised by shareholders to the company. It causes company board members, both commissioners, and directors, to maximize their company's role to increase the company's performance. In this study, the average concentration of ownership was 64.79%. This substantial percentage indicates that shareholders' power will be more significant to influence the direction of company policy. This study's results contradict research conducted by Detthamrong, Chancharat, and Vithessonthi (2017), which found no relationship between ownership concentration and company performance.

Based on this research, managerial ownership and firm performance affect firm value (H2b and H3 accepted). These results obtained the significance value of the two variables. Based on table 5, the managerial ownership variable has a significance value of 0.0000 while the company performance is 0.0088, which is smaller than 0.05. Research data shows that when the percentage of managerial ownership and company performance is high or has increased, this follows an increase in firm value and vice versa. The results of this study are supported by research conducted by Wang et al. (2014). Wang et al. (2014) stated that managers and directors could buy or sell the shares they own according to company value. Besides, this study also found that when investors evaluate a company's stock price, they will look at the company's performance first because investors perceive that the company's performance is an achievement of the target agreed upon between the agent and principal.

The statistical tests result show that H1b is rejected, which means that managerial ownership does not affect company performance. Based on descriptive statistics, it shows that the average percentage of managerial ownership is deficient, namely 6.79%. This low percentage proved unable to improve company performance because company managers did not view their material. Of course, it will be different if the percentage of manager ownership is substantial. The work ethic of the managers will increase. This result is supported by research conducted by Jaya (2015). The statistical results also show that H2a is rejected, which means that ownership concentration does not affect firm value. It shows that although 64.79% of the shares have been concentrated, they cannot influence investors' judgment directly. Ciftci et al (2019) stated that the larger the concentrated stock, the better company performance will be, but this does not necessarily affect investors' assessment of the company's stock price.

Testing the mediation effect using the Sobel test shows that the Z score for the OC variable is 2.015572, while the MO variable is 1.749622. The Zscore OC value is more significant than 1.96, which means that it is proven that company performance mediates the relationship between ownership concentration and firm value (H3a accepted). Directly, ownership concentration does not affect firm value. It means that the company's performance will be a link between the two variables. The descriptive statistics show that

the concentration of ownership has a high average value of 64.79%. The high concentration of ownership causes the company's management to be more motivated to achieve targets and maximize shareholder prosperity. If the company succeeds in achieving these goals, it can be stated that the company has performed optimally, then investors will give a high assessment of the company's stock price. The mediating effect of company performance is very stable. When measuring the company's performance variable replaced with ROA, it still produces the same results. However, different results were found on the relationship between managerial ownership and firm value. The value of Zscore MO is less than 1.96, meaning that company performance cannot mediate the relationship between managerial ownership and firm value. (H3b rejected). It is presumably because managerial ownership has no effect on firm performance but directly affects firm value. So managerial ownership does not need a mediating variable.

CONCLUSIONS

This study examines the effect of ownership structure on firm value and the mediating effect of company performance on the relationship between these two variables. The analysis results show that managerial ownership directly has a positive effect on firm value, while ownership concentration does not affect firm value. Company performance is only able to mediate the relationship between ownership concentration and firm value. It means that indirectly the concentration of ownership affects firm value.

This study contributes to providing insight into the mediating effects of firm performance. It is because the company performance variable is one of the benchmarks for investors to evaluate a company. This study has limitations, namely measuring ownership structure with only two proxies, namely managerial ownership and ownership concentration. There are various measurements related to ownership structure, for example, institutional ownership and government ownership. Future studies can provide additional types of measurement of ownership structure so that research results are more robust and more accurate.

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