Shareholders and Firm Value for Manufacturing Companies Listed in Indonesia Stock Exchange

Muhammad Rifky Santoso [1*], Iskandar Muda [2]

[1] *Economics and Business Faculty, Universitas Sumatera Utara & Ministry of Finance, Republic of Indonesia, Medan, Indonesia*
[2] *Economics and Business Faculty, Universitas Sumatera Utara, Medan, Indonesia*

A R T I C L E   I N F O

A B S T R A C T

Domestic institutional shareholders and foreign shareholders differently influence firm value. Using panel data from the manufacturing company listed in the Indonesia Stock Exchange (IDX), from 2014 to 2017, and regression analysis, these types of shareholders have a positive and significant impact on the firm value with an inverted U-shaped. The influence of domestic institutional share-holders to the firm value is more significant than that of the foreign shareholder indicated by the coefficient value from the regression results. The best combination of shareholders to obtain the optimum firm value are the domestic institutional shareholder no more than 35.26 percent and the foreign shareholder no more than 47.61 percent. The greater share ownership will increase shareholder intervention and benefit the majority shareholder. Effective monitoring improvements are needed so that the majority of shareholder intervention can be reduced.

A B S T R A K

Pemegang saham institusi domestik dan pemegang saham asing secara berbeda mempengaruhi nilai perusahaan. Dengan menggunakan data panel dari perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia (BEI), data tahun 2014 hingga 2017, dan analisis regresi, tipe pemegang saham ini memiliki hubungan positif dan signifikan dengan nilai perusahaan dengan bentuk huruf U terbalik. Pengaruh pemegang saham institusi domestik terhadap nilai perusahaan lebih signifikan daripada pemegang saham asing yang ditunjukkan oleh nilai koefisien dari hasil regresi. Kombinasi pemegang saham terbaik untuk mendapatkan nilai perusahaan yang optimal adalah porsi pemegang saham institusional domestik tidak lebih dari 35,26 persen dan pemegang saham asing tidak lebih dari 47,61 persen. Kepemilikan saham yang lebih besar akan meningkatkan intervensi pemegang saham dan menguntungkan pemegang saham mayoritas. Perbaikan pemantauan yang efektif diperlukan agar interven-si pemegang saham mayoritas dapat dikurangi.

1. INTRODUCTION

Shareholders establish a firm to increase its wealth by enhancing firm value. The management appointed by the firm's shareholders has a crucial role in increasing the firm value (Brigham & Daves, 2007). The management and the shareholders have different interests in the firm, and this condition generates principal-agent theory. Thus, the shareholders have a critical requirement to increase the firm value by reducing the principal-agent problem.

The influence of the shareholders to the firm value is directly by their structure (He & Kyaw, 2018; Thanatawee, 2014). The reduction of firm value can increase with increasing share ownership (Wang, 2018). The concentrated share ownership can affect the firm value because some types of shareholders have different objectives (Du & Boateng, 2015; Song et al., 2015). The shareholder base has a negative influence on firm value (Yung & Jian, 2017). The shareholders with wide networks strongly and positively influence the firm value (Bajo et al., 2020).

The characteristics of domestic institutional shareholders and foreign shareholders are different from influencing the firm value. The domestic institutional shareholders can influence corporate

governance and finally, the firm value with effective monitoring: meanwhile, the foreign shareholder cannot effectively monitor corporate governance (Cahyaningtyas et al., 2017; Herlina, 2017; Thanatawee, 2014). However, another paper explains that it is the active shareholders that monitor firms well (Bajo et al., 2020). Previous researches show that the influences of the shareholders to the firm value are different. This paper studies the different effect of the domestic institutional shareholders and the foreign shareholders to the firm value for manufacturing company listed in Indonesia Stock Exchange (IDX).

The manufacturing industry is part of the manufacturing industry. Based on data from Bank Indonesia, the manufacturing industry contributes to the more significant portion of gross domestic product (GDP) in Indonesia, 21.28 percent in 2016, and 20.97 percent in 2017. This fact is a reason why this paper uses the company in the manufacturing industry as a sample. The manufacturing industry has a crucial effect on the Indonesia economy.

Using Tobin-Q to measure the firm value from the sample in this paper, the firm value fluctuated from 2014 to 2017. The firm values are described in Table 1.

Table 1. The Firm Value Description by Using Tobin-Q from Sample

	2014	2015	2016	2017
Mean	1,63	1,48	1,58	1,58
Median	1,11	0,99	0,99	0,96
Max	11,13	11,66	11,08	12,96
Minimum	0,27	0,28	0,30	0,36
Skewness	3,27	3,88	3,73	4,41
Std. Dev.	1,58	1,48	1,69	1,88

Table 1 describes that the firm values means are not consistent or fluctuated. It is decreasing by 9.20 percent in 2015, from 1.63 to 1.48. In 2016, the firm value was increasing by 6.77 percent (from 1.48 to 1.58). One of the reasons is the change of formal ownership because the tax amnesty policy is regulated in 2016 and 2017 in Indonesia. This tax amnesty policy affects the legal share ownership of the firm. Some owners register their shares as foreign shareholders. Because the tax amnesty policy gives incentive for register ownership of shareholders in the domestic, some of the owners change their formal share ownership from foreign shareholders to be domestic shareholders, as domestic institutional shareholders or individual domestic shareholders.

The shareholders influence the firm value, but this influence is not always linear. The relation between the shareholders with control in the company and the firm value is U-shaped (Lozano et al., 2016). To some extent, an increase in ownership will increase the value of the company, but after the optimal point the increase in ownership will reduce the company's profit and value. The shareholders with less involvement in the company management, such as non-family shareholders, have adverse a negative relation to the firm value.

This paper modifies from the previous researches relating to the shareholders and the firm value. This paper differentiates the shareholders be

the domestic institutional shareholder and the foreign shareholders that owned more than 5 percent shares issued. This paper also studies the particular threshold of ownership that changing the relation of each different shareholder, domestic institutional, and foreign shareholders to the firm value.

This paper finds that the relation between the shareholders, the domestic institutional, and the foreign shareholders and the firm value is positive and significant until a certain amount of ownership. This relation is inverted U-shaped. At a certain amount of share ownership or threshold, the relationship between the shareholder and the firm value becomes negative. The limit for the domestic institutional shareholders is smaller than that of the foreign shareholders. By comparing the amount of the shareholder's coefficient, the influence of the domestic institutional shareholder to the firm value is more significant than that of the foreign shareholders.

This paper contributes to the literature related to the relationship between shareholders and firm value. The differences in the definition of domestic institutional shareholders and foreign shareholders with previous researchers (such as Thanatawee, 2014; Bhat, 2017)), and the non-linear relationship between shareholders and firm value (such as Lozano et al., 2016) will enrich the literature. This paper explains that majority shareholders can

negatively influence the firm value because increased ownership will increase control and influence management policies that benefit the majority shareholders, as explained by Bona-Sánchez et al. (2017).

This paper suggests that the parties concerned with the firm value pay attention to the combination of share ownership between the domestic institutional shareholders and the foreign shareholders. The suitable combination of the shareholders' composition can generate the optimum firm value.

2. THEORETICAL FRAMEWORK AND HYPOTHESES

The agency theory emerges because of the cooperation of 2 parties with different behaviors. These behaviors arise from the agency problem. A contract is needed to explain the delegation of authority from the principal to the agent. This absolute authority can be used to make the company's right decision (Jensen & Meckling, 1976). To ensure the agent works for the principal's interests, the principal needs to monitor the agent. The shareholders, as a principal of the firm, can reduce agency problems. The large portion of ownership or the large shareholders can direct the firm to implement good corporate governance and finally affect the firm value (Lozano et al., 2016). Activities on the capital market carried out by large companies, such as buying or selling shares, can also affect the firm value (Shleifer & Vishny, 1986). The firm value is affected by the company's growth, investment, and profit not distributed as dividends (Kaldor, 1966; Setiawan & Pradana, 2020). If these three variables are permanent, the firm value can be influenced by the demand and supply mechanism of the shares in the capital market and corporate actions.

The firm value is measured by comparing two different values of the same asset. The first value is the market value, and the second value is the replacement cost. The market value is the numerator, and the replacement cost is as the denominator (Tobin & Brainard, 1976). The market value is using the securities value in the capital market. The replacement cost is difficult to know. For convenience, then the replacement cost is using the book value. This measuring is called Tobin-Q.

To achieve the company goal, the shareholders' wealth by the firm value, the agent, or management should apply the excellent business strategy influencing the finance decision and finally the firm value (Giriati, 2016). Thus, the shareholders have to make sure that the business strategy should affect the firm value. The shareholders' character determines the company behavior and the firm business strategy. The state shareholders have political goals rather than profit goals for the firm. The non-state shareholders are more inclined to the firm's performance and value (Song et al., 2015). The state shareholders want the firm's investments are increasing because of their political goals. Meanwhile, the non-state shareholders, especially the management shareholders, are decreasing investment financed from free cash flow (He & Kyaw, 2018). In this case, the management expects the incentive from the excess of the free cash flow. Another paper explains that the firm's value with the state shareholders will increase because it is easy to receive funds (Du & Boateng, 2015). The type of shareholder influences how the shareholders exercise effective control over the firm with the firm value as the ultimate goal (Lozano et al., 2016). The relation between the shareholders with sufficient monitoring and the firm value is U-shaped. The higher the control over the company to a certain amount, then the personal desire is smaller, and the firm value decreases.

The relation between insider ownership and firm value is positive. In this case, the firm value is calculated by the return on asset (ROA), return on equity (ROE), and excess return in the industry (Oswald & Jahera, Jr, 1991). The insider ownership positively affects the firm value measured by the price-earnings ratio (PER). When the share ownership by an insider is high, the low PER can increase (Houmes & Chira, 2015). For the firm's performance measured by Tobin-Q, the non-financial institution shareholders can improve the firm performance; meanwhile, the financial institution shareholders have adverse effects on the firm performance (Gugle et al., 2003). Ownership by the institutional shareholders has a different impact on firm performance. Stable share ownership by the institutional shareholders will have a positive impact on firm performance.

In contrast, unstable ownership (volatile) by the institutional shareholders will harm the firm performance (Jafarinejad et al., 2015). A stable means that there is no transfer of shares by the institutional shareholders within the first-quarter period. The higher the ownership by the institutional shareholders, the firm value will be higher.

The institutional shareholders can improve corporate governance in the company and finally can increase the firm value (Thanatawee, 2014). Corporate governance can be enhanced by

monitoring through access to technology and research (Shleifer & Vishny, 1986). Most of the domestic institutional shareholders in Indonesia are long term and not volatile. Therefore, domestic institutional shareholders have a positive effect on firm value. Previous researches distinguished the influence of state shareholders and institutional shareholders on the firm value. Previous researches also distinguished shareholders who are financial institutions and non-institutions. This study does not make a distinction between the characters of institutional shareholders. The meaning of domestic institutional shareholders in this paper is that all business entities registered in Indonesia, regardless of type and form of business. Therefore, the increasing ownership of the domestic institutional shareholders has a positive relation to the firm value. However, this positive relationship will change after pass a particular threshold.

Besides the domestic institutional shareholders, this paper studies the foreign shareholders (FS) and their relation to the firm value. Not much research, especially in Indonesia, has tried to link foreign shareholders' effect on the firm value. In Thailand, foreign shareholders cannot monitor how to improve corporate governance in the firm (Thanatawee, 2014). Therefore, the relation between the foreign shareholders to the firm value is weak. However, foreign shareholders take the firm's resources at the expense of the minority shareholders.

From the character of the sampling companies in this paper, foreign shareholders coming from international companies are majority and stable share ownership. There is also the fact that the owner of some international company is a domestic taxpayer, and the period is permanent. Due to the tax amnesty policy applied in 2016 and 2017 in Indonesia, some foreign shareholders, not many, change to the individual domestic shareholders. From this fact, some foreign ownership is long-term, which positively affects the company's value (Jafarinejad et al., 2015).

From several relationships between the shareholders and the firm value, the hypotheses of this study are:

H$_1$. The type of shareholders (the domestic institutional shareholders and foreign shareholders) influences the firm value differently.

H$_2$. Increasing the percentage of share ownership to a certain threshold changes relationship between the shareholders and the firm value.

3. RESEARCH METHOD

This paper is using comparative casual design to explain the relationship between a dependent variable and independent variables. The firm value is a dependent variable influenced by the domestic institutional shareholders and foreign shareholders as independent variables. This paper sample consists of various variations, such as the asset size, with a very large difference. For this reason, this paper uses control variables, namely, size and leverage.

The size of the company can affect getting the optimal economies of scale. On the other hand, the size can be a burden if it cannot get optimal asset returns (ROA). The large companies can quickly get contracts compared to smaller companies, and this can affect profits. This size condition can undoubtedly change the value of the company. Because each company has a different size, this paper uses the company's size as a control variable.

The amount of debt can influence the business strategy of the firm. The firms that can still add debt have the opportunity to increase investment, which affects the firm value. Besides adding investment, the new mortgage can be used to pay dividends, and the payment of the dividends can influence the firm value. Because each company has different leverage (the ratio of total debt to total asset), this paper uses leverage as a control variable.

Sampling in this paper is random sampling. After obtaining the number of samples using the Slovin formula, stratified sampling is taken based on the sub-sector manufacturing industry. There are three sub-sectors for the manufacturing industry in the IDX. The number of samples representing each of these sub-sectors is proportional to the population composition. The population and sampling are described in Table 2. The Slovin formula as follows:

$$n = \frac{N}{1+Ne^2}$$

n = Total Sampling
N = Total Population
e = error margin, 5%

Table 2. Total Population and Sample

No	Sub Business Sector	Population	Sample
1	Basic Industry and Chemicals	62	46
2	Miscellaneous Industry	38	28
3	Consumer Goods Industry	37	28
	Total	137	102

Source: IDX, 2019

The data year in this sample is from 2014 to 2017. With 102 the sampling companies, the total number of samples is 408 observations. The dependent variable is the firm value measured by Tobin-Q. The measurement of the dependent variable, the independent variables, and the control variables are explained in Table 3.

The regression equation is as follow:

$$TQ\_1_{it} = \beta_0 + \beta_1\ DIS_{it} + \beta_2\ FS_{it} + \beta_3\ Leverage_{it} + \beta_4\ Size_{it} + \varepsilon_{it} \qquad (1)$$

This paper analyzes the relationship between shareholders and the value of the company, and the change of this relationship if the share ownership reaches a specific threshold. Using this threshold, a quadratic is performed on the independent variables (Chia et al., 2020; Vintilă & Gherghina, 2013), and the equation is as follows:

$$TQ\_1_{it} = \beta_0 + \beta_1\ DIS_{it} + \beta_2\ (DIS_{it})^2 + \beta_3\ FS_{it} + \beta_4\ (FS_{it})^2 + \beta_5\ Leverage_{it} + \beta_6\ Size_{it} + \varepsilon_{it} \qquad (2)$$

Table 3. The Variable Measurements

Variable	Definition	Indicator
Dependent Variable:		
Tobin-Q (TQ_1)	Ratio to estimate firm value too high or too low	$\dfrac{Equity\ Market\ Value}{Equity\ Book\ Value}$ Assumption: Market value and the book value of liabilities are the same.
Independent Variable:		
Domestic Institution Shareholder (DIS)	Ratio to describe ownership by the domestic institutional shareholders.	$\dfrac{Domestic\ Institutional\ Shareholders}{Shares\ Issued}$ The domestic institutional shareholders include corporate, state, and cooperative. This paper does not distinguish the types of business shareholders.
Foreign Shareholder (FS)	Ratio to describe ownership by the foreign shareholders.	$\dfrac{Foreign\ Shareholders}{Shares\ issued}$ The foreign shareholders include corporate, individual, and investment companies.
Control Variable:		
Leverage	Total liabilities of the company compare to total assets.	$\dfrac{Total\ Liabilities}{Total\ Assets}$
Size	The total asset of the company	Ln (Total Asset)

4. DATA ANALYSIS AND DISCUSSION

This paper uses panel data and, with a large amount of data, 408 data. The data used is assumed to be normal because the data used are more than 30 data. The summary statistics of the variables in this paper are in Table 4.

Table 4. Summary of Statistics of Variables

	TQ_1	DIS	FS	LEVERAGE	SIZE
Mean	1.5676	0.3913	0.2989	0.1867	14.5960
Median	0.9905	0.4193	0.1607	0.1093	14.3260
Maximum	12.962	0.9818	0.9977	2.5910	19.5050
Minimum	0.2745	0.0000	0.0000	0.0002	11.5160
Std. Dev.	1.6655	0.3123	0.3233	0.2755	1.5641
Skewness	3.8955	0.0748	0.6105	5.5796	0.5960
Kurtosis	22.314	1.5595	1.9949	44.000	3.1066
Observations	408	408	408	408	408

From Table 4, it can be explained that the mean of TQ_1 is 1.57, and this value is greater than 1. This data il-lustrates that the average market value of a company's equity stock is higher than the book value of its equity. On average, the ownership of companies by the domestic institutional shareholders is more elevated than that of the foreign shareholders. It is described that the mean of share ownership by domestic institutions is 39.13 percent, and foreign institutions are 29.89 percent. The company's debt condition is, on average, 18.67 percent of its total assets. On average, most of the company's financing sources come from equity. Because of the significant variation in the company's assets being sampled, the company's size is calculated by a natural logarithm of the company's total assets. The mean size is not much different from the median of size. Covariance and correlation of the sample are described in Table 5. Table 5 explains a pretty high correlation between the domestic institution shareholders and the foreign shareholders, 0.7787. By using the rule of the thumb 0.800, this correlation is acceptable. The specific treatment to eliminate this correlation is needed in the data regression.

Chow and Hausman's tests are carried out to find the best model. The results of the Chow test are described in Table 6, and the results of the Hausman test are described in Table 7.

Table 5. Covariance and Correlation of Variables.

Correlation Covariance	TQ_1	DIS	FS	LEVERAGE	SIZE
TQ_1	2.7671				
	1.0000				
DIS	0.0743	0.0973			
	0.1433	1.0000			
FS	-0.0327	-0.0784	0.1043		
	-0.0609	-0.7787	1.0000		
LEVERAGE	-0.0072	-0.0010	0.0017	0.0757	
	-0.0158	-0.0113	0.0195	1.0000	
SIZE	0.4319	-0.0154	0.0032	0.0132	2.4404
	0.1662	-0.0316	0.0063	0.0307	1.0000

Table 6. Chow Test Result

Effects Test	Statistic	d.f.	Prob.
Cross-section F	17.1172	(101,302)	0.0000
Cross-section Chi-square	777.5561	101	0.0000

Table 7. Hausman Test Result

Test Summary	Chi-Sq.Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	9.8806	4	0.0425

Table 6 shows the Prob. values from the Cross-section F significance 0.001, and Table 7 shows the Prob. value from the Cross-section random significant 0.05. From the results of these two tests, the fit model is the Fixed Effect Model.

Because the sample from this study has more cross-section numbers (N = 102) than time (T = 4), there is a possibility of heteroscedasticity (Gujarati, 2003). Data in this sample have heteroskedasticity in cross-section and period data. When processing data using the E-Views program, the treatments are:
1. Selecting Cross-section weights that serve to ensure that the data to be processed is heteroscedasticity.
2. Selecting the White cross-section menu and covariance (no.d.f.correction) to reduce the heteroscedasticity effect.

The results of the data regression are described in Table 8. The results obtained in equation (3) in Table 8 show that DIS has a positive and significant relationship with the firm value measured by TQ_1.

Every increase in share ownership by the domestic institutional shareholders is 0.1, and then the firm value will increase by 0.0244 measured by TQ_1. However, it needs to be examined further, whether there is a turning point or not on increasing the number of shares by the domestic institutional shareholders to the firm value. The turning point calculation to find out this threshold is as in equation (3). When the domestic institutional shareholders have exceeded 35.26 percent, each new share ownership by the domestic institutional shareholders increase 0.1; the firm value will decrease by 0.0244.

$$TQ\_1 = 7.1095 - 1.3034 \, DIS + 1.8484 \, (DIS)^2 \qquad (3)$$

$$\frac{\partial TQ\_1}{\partial DIS} = -1.3034 + 2(1.8484) \, DIS$$

$$3.6968 \, DIS = 1.3034$$

$$DIS = 0.3526$$

$$DIS \approx 35.26 \text{ percent}$$

Table 8 Regressions' Results of Shareholders on Firm Value

Variable	Dependent Variable (TQ_1)	
Independent Variable:	**(3)**	**(4)**
Intercept	6.7339** (26.3709)	7.1095** (11.2913)
DIS	0.2438** (11.6162)	-1.3034* (-3.2328)
(DIS)^2		1.8484** (3.8041)
FS	0.1514** (12.903)	1.2273** (6.3856)
(FS)^2		-1.2889** (-6.6921)
Control Variable:		
LEVERAGE	0.2513** (6.2291)	0.2174** (4.4552)
SIZE	-0.3668** (-21.6015)	-0.3873** (-9.1660)
R-squared	0.9692	0.9710
Adjusted R-squared	0.9585	0.9607
F-statistic	90.6105**	93.9638**
Durbin-Watson stat	2.1570	2.0901

Notes: **$p < 0.001$; *$p < 0.01$. The t-statistics in parentheses

In equation (4) in Table 8, it is described that Foreign Shareholder has a positive and significant relationship with the firm value as measured by

TQ_1. Every increase in share ownership by the foreign shareholders is 0.1; the firm value will increase by 0.0151, measured by TQ_1. However, this

relationship is not always positive and significant. The turning point calculation to find out this threshold is as in equation (4). When the foreign shareholders' ownership exceeds 47.61 percent, each increase in the foreign shareholding of 0.1 will reduce the firm value by 0.0151.

$$TQ\_1 = 7.1095 + 1.2273\ FS - 1.2889\ (FS)^2 \qquad (4)$$

$$\frac{\partial TQ\_1}{\partial FS} = 1.2273 - 2(1.2889)\ FS$$

$$2.577836\ FS = 1.2273$$

$$FS = 0.4761$$

$$FS \approx 47.61\ percent$$

The domestic institutional shareholders and foreign shareholders alike affect the firm value positively and significantly. From the coefficient value in Table 8, the domestic institutional shareholders have a higher influence on the firm value than that of the foreign shareholders. The coefficient of the domestic institutional shareholders is 0.244, and the coefficient of the foreign shareholders is 0.151. It can be explained that domestic institutional shareholders are more dominant in determining the value of the company than that of the foreign shareholders. This result shows that the positive relationship between the domestic institutional shareholders is the similar as explained by Jafarinejad et al. (2015)) From observations of changes in share ownership in the sample, the majority of share ownership by the domestic institutional shareholders is stable. In resume, the first hypothesis in this paper is accepted.

This paper gives slightly different results from the research explained by Thanatawee (2014). The difference is the foreign shareholders who cannot influence the firm value because they cannot conduct effective monitoring (Thanatawee, 2014). For the case in Indonesia, there is a majority of the foreign shareholders (see Table 4) in some of the samples so that they can control and monitor effectively to the firm performance. From observations to sample, the foreign shareholders have a representative in the Board of Directors (BoD) of the firm. This is a strategy to reduce agency problems (Jensen & Meckling, 1976). Also, some of the foreign shareholders are companies that are majority-owned by domestic taxpayers. That is why the foreign shareholders have a positive and significant impact on the firm value.

The influence of the shareholders to the firm value is not linear, and it is similar to Lozano et al. (2016) explained before, but it is a different shape.

Lozano et al. (2016) state that the influence is U-shaped and this paper finds the inverted U-shaped for the influencing. For specific ownership, the shareholders influencing turn out from a positive to a negative relation. The more share ownership, the more control, and finally the shareholder can influence the firm strategy benefit to the majority shareholder, such as increasing related party transaction (Bona-Sánchez et al., 2017), and decreasing cash dividend by holding cash in the firm (Karpavicius & Yu, 2017; Li, Zhou, Yan, & Zhang, 2020). For the domestic institutional shareholders, this threshold is smaller than that of the foreign shareholders. The threshold of the domestic institutional shareholders is 35.26 percent, and the foreign shareholders are 47.61 percent. In the resume, the second hypothesis is accepted.

After passing the threshold, the more significant ownership of the domestic institutional shareholders, the firm value is not the primary purpose of the shareholders. These shareholders have other primary purposes than the firm value. The state shareholders are the domestic institutional shareholders in this paper and this one reason why the threshold exists. The state shareholders have other primary purposes besides the firm value, as stated by Song et al. (2015). The more share ownership, the shareholders have more control over the firm. The controlling shareholders can get more private benefits (Li et al., 2020) and monitor management (Crisóstomo et al., 2020) and finally can have a negative influence on the firm value.

After observing some of the samples in this paper, some conglomerates have some firms in this sample. These conglomerates use the foreign company to own the firm in this sample. The ownership of the conglomerates in the firm in this sample is more than 50 percent. Relating to the regression results in this paper, the foreign shareholders have a significant negative relation to the firm value after passing the threshold. This condition is an indication that the conglomerates have other primary mission than that of the firm value.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

The domestic institutional shareholders and the foreign shareholders positively relate the firm value before a particular threshold. After passing the threshold, the relation turns out to be negatively significant. The relationship of the domestic institutional shareholders is bigger than that of the foreign shareholders. This difference has explained

the value of the coefficient from the regression. The relation between the shareholders and the firm value is not linear but inverted U-shaped. The threshold of the domestic institutional shareholders is smaller than that of the foreign shareholders.

To obtain the firm's optimum value from the shareholders' composition, the investor interested in the firm can combine the shareholders' composition. Based on this paper's data, the optimum combination is the ownership of the domestic institutional shareholders not more than 35.26 percent and of the foreign shareholders not more than 47.61 percent. The share of domestic institutional shareholders in companies with the TALF code from 2014 to 2017 remained at 88.146 percent, while the share of foreign shareholders is 11.05 percent in 2014 and 11.28 percent in 2017. The firm value measured by Tobin Q declined, 1.886 in 2014, and 0.782 in 2017. This data explains that the share ownership by domestic institutions that exceeds a certain amount, in this paper, 35.26 percent, negatively affects the company's value.

This paper only uses data from the manufacturing industry listed in IDX, and data year is four years. This paper's results can be used as comparative data for making decisions, both for manufacturing companies and other companies related to tax amnesty policy applied in 2016 and 2017. It is also suggested to do more research with data from other industries and a long-term period. By adding more data, the analysis can be more profound and be more varied.

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