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Influence of Foreign Ownership, Ownership Concentrated, and Environmental Disclosure to Firm Value

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Abstract

This study aims to examine the effect of foreign ownership on firm value, the influence of ownership concentrated on firm value, the influence of the environmental disclosure on firm value. The population used in this study is a manufacturing company listed on the Indonesia Stock Exchange in 2014-2017. Samples were determined by using purposive sampling method and obtained sample of 13 companies with a total of 134 observations. Data analysis was done by multiple regression analysis using SPSS program. The results of the research indicate that: 1) foreign ownership influences on firm value, 2) ownership concentrated influences on firm value, 3) environmental disclosure influences on firm value.

Introduction

Companies are required to increase competitiveness in both domestic and international markets in order to maintain the viability of their business in this increasingly competitive era of globalization. The main objective of the company is to make a profit, increase the value of the company and prosper the company owner by maximizing the value of the company as seen from the price of its shares. Company value is the selling value of a company as a business that is operating. Company value is considered important because it reflects the performance of the company so that it can influence the perceptions of investors towards the company.

Increasing stock prices affects the company's value to the maximum so that it provides prosperity for shareholders when the stock price is high. According to Tandelilin (2010: 183) who stated that stock valuation consists of 3 types of values, namely book value, market value and intrinsic value of shares. If the value of a stock is higher than the intrinsic value, the stock is classified as expensive (overvalued) and investors will choose to sell the stock. Conversely, if the stock market value is below the intrinsic value, the stock is pushed cheaply (undervalued) and investors will choose to buy the stock. Stock prices as an indicator of company value are an assessment of the quality of the company's environmental and social performance. Companies that have good environmental and social performance will be responded positively by investors through increasing stock prices. Whereas if the company has poor environmental and social performance, then there will be doubts from investors so that there will be a negative response which can lead to a decline in stock prices.

The first factor predicted that can affect the value of the company is foreign ownership. According to research conducted by Azri Mareta (2017), it states that foreign ownership affects the value of the company. But it is not in line with the research conducted by Selvy Widya (2017) which shows the results that foreign ownership does not affect the value of the company.

The second factor is the concentration of ownership. According to research conducted by Risky Hasan (2016), it states that ownership concentration affects the value of the company.

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However it is not in line with the research conducted by Zahedi (2015) which shows that the concentration of ownership does not affect the value of the company.

The third factor is environmental accounting. According to research conducted by Rudi (2016), it states that environmental accounting affects the value of the company. However, it is not in line with the research conducted by Azizah (2011) which shows that environmental accounting does not affect the value of the company.

The fourth factor is environmental disclosure. According to research conducted by Dwi Yanti (2016), it states that environmental accounting affects the value of the company. However, it is not in line with the research conducted by Anis (2015) which shows that environmental disclosure does not affect the value of the company.

Literatur Review and Hypotheses Development

Agency Theory

This theory describes the separation of corporate control which has an impact on the emergence of relations between agents and principals (Michael C. Jensen and William H. Meckling, 1976). Multinational companies have the ability to increase stock prices higher compared to national companies. This is because investors are more selective in having companies with foreign ownership that are considered more ready and able to manage their funds and can provide investors with profits. From this explanation it can be concluded that foreign ownership affects the value of the company.

H1: Foreign ownership affects the value of the company

High ownership concentration will be ineffective in maximizing company value. This can be happened because if ownership is concentrated in one party / owner will allow high interest to occur. From this explanation it can be concluded that the concentration of ownership affects the value of the company (Riski, 2016).

H2: The concentration of ownership affects the value of the company

Environmental disclosure provides information about what the company has done to fulfill the wishes of stakeholders. After that there is an investor reaction that can increase the value of the company. The availability of information about the environment is the company's efforts to maintain trust-based relationships with stakeholders (OECD, 2004). From this explanation it can be concluded that environmental disclosure has an effect on the value of the company.

H3: Environmental Disclosures affect the value of the company

Methodology

The population in this study were all manufacturing companies listed on the Indonesia Stock Exchange in 2014-2017. Sampling was used as the technique of determining the sample in this study. This research was carried out for 4 periods, so the total number of samples was 52. The method of data collection that was used is documentation method of manufacturing financial statements listed on the IDX.

Data Analysis Method

Data analysis method was used is multiple linear regression analysis with the following formula:

$$Y = a + b1X1 + b2\ X2 + b3X3 + +e$$

Information:

Y = Firm value,
a = Constant,
X1 = Foreign ownership,
X2 = Concentration of ownership,
X3 = Enviromental Disclosure
b1-b3 = Regression coefficient,
e = Error

Measurement of Variables

Dependent Variable (Y)

The dependent variable in this study is the firm value, measured using the Tobin's Q ratio (Smither et.al, 2007). In this study Tobin's Q is calculated using the following formula:

$$Q = \frac{EMV + D}{TA}$$

Information:
Q = Company value,
EMV = Market Value,
D = Book value of total debt,
TA = Book value of total assets

Independent Variable (X)

1. Foreign Ownership (X1)

Foreign ownership in this study is measured using the following formula by Aldila et.al, 2014:

$$Foreign\ Ownership = \frac{Amount\ of\ Foreign\ Ownership\ of\ Shares}{Amount\ of\ circular\ shares}\ x\ 100\%$$

2. Ownership Concentration (X2)

Ownership concentration in this study is measured using the following formula by Golshan et.al 2012:

$$Ownership\ concentration = \frac{Amount\ of\ Foreign\ Ownership\ of\ Shares}{Amount\ of\ circular\ shares}\ x\ 100\%$$

3. Environmental Disclosures (X4)

Environmental accounting in this study was measured using Global Reporting Initiative (GRI) version 4 with the following by Amal, 2011:

$$Enviromental\ Disclosure = \frac{Amount\ of\ Items\ Disclosed\ by\ the\ Company}{Amount\ of\ GRI\ Disclosure\ Items}$$

Result

Descriptive Statistics

The result of data processing for research data description can be seen in table 1.

Table 1. Descriptive Statistics (N=52)

	Company Value	Foreign Ownership	Ownership Concentration	Environmental Disclosure
Minimum	0.727	.0005	.0531	..0220
Maximum	.6870	7.2877	5.7284	.0989
Mean	.341751	.469763	.706868	.052527
Std. Deviation	.1736517	1.0043452	.7523992	.0221716

Based on the results of the descriptive statistical test of 52 company samples, it shows that:

The company value has an average of 0.341751, the minimum value is 0.0727, the maximum value is 0.6870 with a standard deviation of 0.1736517. Foreign ownership is measured by comparing the number of shares held by foreigners to the number of circular shares. It has an average of 0.469763, the minimum value is 0.0005, the maximum value is 7.2877 with a standard deviation of 1.0043452. The concentration of ownership is measured by comparing the number of the largest share ownership to the number of circular shares. It has an average of 0.706868, the minimum value is 0.0531, the maximum value is 5.7284 with a standard deviation of 0.7523992. Environmental disclosure is measured by comparing the number of items disclosed by the company to the number of GRI disclosure items. Liquidity is measured by the current asset ratio. It has an average of 0.052527, the minimum value is 0.0220, the maximum value is 0.0989 with standard deviation of 0.0221716.

Results of Multiple Regression Analysis

Table 2. Results of Multiple Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	.257	.056		.4587	.000
Foreign Ownership	.124	.042	.716	2.913	.005
Ownership Concentration	-.200	.057	-.868	-3.496	.001
Environmental Disclosure	2.227	.981	.284	2.269	.028

Based on the results of the table above, it can be seen that the Multiple Regression Model equation is as follows:

$$Y = 0.257 + 0.124X1 - 0.200X2 + 2.227X4 + e$$

The results of the first hypothesis testing indicate that the significance value is smaller than profitability, namely (0.000 <0.05), which means that foreign ownership affects the value of the company so that **H1 is accepted**. This indicates that the involvement of foreign ownership can increase the value of the company because foreign investors consider the company they choose to be a company that has a ownership structure that is conducive to managing problems, has good protection against outside parties so that it will affect the value of the company. The finding of this study support previous results of Savitri (2018), Selvi (2017).

The results of the second hypothesis testing indicate that the significance value is smaller than profitability, that is (0.001 <0.05) which means that ownership concentration affects the firm's value so that **H2 is accepted**. This indicates that a high concentration of ownership will increase the value of the company by reducing the problem of agency between capital owners and managers. The finding of this study support previous results of Ramadhani (2014).

The results of the fourth hypothesis testing indicate that the significance value is smaller than profitability (0.019 <0.05), which means that environmental disclosure affects the value of the company so that **H3 is accepted**. This indicates that companies that disclose a lot of information about the environment, the higher investor confidence in the company that can increase the value of the company. The finding of this study support previous results of Dwi (2016).

Discussion and Suggestion

Discussion

Foreign ownership affects the value of the company. Foreign investors consider that the invested company has a ownership structure that is conducive to managing problems and has good protection against outsiders. The concentration of ownership affects the value of the company. Most of the company's decisions are held by majority shareholders, so that there are gaps between minority shareholders and majority shareholders. Environmental disclosure affects the value of the company. The more environmental information disclosed by the company, the trust-based relationship will be better.

Suggestion

Based on the results of the study as well as matters related to the limitations of this study, the researcher realized that this study was not yet perfect and could be given suggestions that further research should be able to select populations and research samples from other sectors, such as financial service companies and non-manufacturing companies also adding variables that have an effect on company value as intervening or moderating variables, such as good corporate governance and corporate social responsibility can be used as moderating variables.

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