JASF | Journal of Accounting and Strategic Finance
Vol.7 No.2 Desember2024, pp. 235 - 251

ISSN 2614-6649 (online)
http://jasf.upnjatim.ac.id

Revealing Corporate Value: The Role of Investment Decisions, Debt Policy, and Ownership Structure

Ida Ayu Sri Brahmayanti*
Department of Management, Faculty of Economics and Business, Universitas 17 Agustus 1945 Surabaya, Jl. Semolowaru No. 45, Surabaya, Jawa Timur, Indonesia
*brahmayanti@untag-sby.ac.id

DOI: https://doi.org/10.33005/jasf.v7i2.493

Received: *November 14, 2024.* ***Revised:*** *December 10, 2024.* ***Accepted:*** *December 15, 2024*

Abstract

This study examines how investment decisions, debt strategies, and ownership structures influence corporate value, specifically targeting manufacturing companies listed on the Indonesia Stock Exchange from 2019 to 2021. Using a quantitative approach and Partial Least Squares (PLS), the research integrates these critical factors into a comprehensive framework. The findings indicate that asset growth significantly impacts corporate value, highlighting the importance of effective investment strategies, while debt expansion positively influences firm value. However, managerial ownership does not exhibit a strong direct relationship with asset growth, equity expansion, or debt policies. Furthermore, this study highlights the significant role of institutional investors in strengthening corporate governance and reducing agency conflicts. Drawing on recent findings, it underscores the importance of intellectual capital and cash reserves in boosting financial performance and market valuation. The effective management of intellectual capital components—namely human, structural, and relational capital—serves as a bridge between financial performance and market valuation, while strategic cash reserves reflect financial stability and potential for growth. By synthesizing investment, financing, and ownership decisions, this study offers a novel perspective and practical implications for firms navigating post-pandemic economic recovery, emphasizing the synergy of financial strategies in optimizing corporate value and enhancing shareholder wealth.

Keywords: *Company Value, Investment Decisions, Debt Policy, Ownership Structure, Intellectual Capital, Institusional Investors*

How to cite (APA 7th style)
Brahmayanti, I, A, S. (2024). Revealing Corporate Value: The Role of Investment Decisions, Debt Policy, and Ownership Structure. *JASF – Journal of Accounting and Strategic Finance, 7* (2), 235-251.

*Correspondence: Brahmayanti Ida Ayu Sri, brahmayanti@untag-sby.ac.id.

This is an open-access article. **JASF: Journal of Accounting and Strategic Finance** is licensed under the Creative Commons Attribution 4.0 International License.

INTRODUCTION

Increasing company value for shareholders is one of its main objectives. High company value can be a sign of how happy the shareholders are. According to Sukrini (2012), financial management functions can be applied to maximize organizational value. A single financial decision can influence subsequent decisions and impact the company's overall value. Financial management within the company is a key internal factor that determines its worth in the eyes of shareholders. The entire success of a business is greatly influenced by the decisions made by financial management. Financial managers make these decisions in an effort to achieve company goals. Understanding the function and impact of various factors, such as business ownership, debt policy, and investment choices, is one of the most important parts of company valuation. These three factors work together to create an overarching framework for determining the value of an economic unit. It is expected that making the right investment choices will benefit both investors and businesses. Positive growth provides a favorable opportunity for investors as the investment may provide the best returns in the future. This implies that the company has investment prospects if it experiences positive growth. As a result, recognize various investment options. Managers work harder to take advantage of investment opportunities to maximize shareholder wealth.

Financial decisions are the subject of crucial financial management choices. The type and amount of finance for business investment is referred to as funding decisions. The company's debt policy determines how much debt financing will be used. External parties view an increase in debt as a sign of the company's capability to meet future obligations or as an indication of low business risk, prompting a positive market response (Afzal & Rohman, 2012). As stated by Wahidawati (2002), managerial ownership refers to shareholders within the management team, particularly directors and commissioners, who play an active role in making business decisions. This type of ownership is measured by calculating the proportion of shares held by management, which is determined by dividing the number of shares owned by management by the total number of outstanding shares. Management's active involvement in the company can enhance performance, as their sense of ownership aligns their interests with the organization's goal of increasing its value.

Table 1. Company Value in Manufacturing Companies Listed on the Indonesia Stock Exchange (IDX) Period of 2019-2021

No	Company Name	EPS			PER			PBV		
		2019	2020	2021	2019	2020	2021	2019	2020	2021
1	**AMFG**	-305	-993	734	-11,25	-2,72	6,05	0,44	0,4	0,59
2	**ARNA**	29,41	44,35	64,79	14,82	15,33	12,35	2,72	3,83	3,73
3	**CAKK**	1,72	0,12	10,14	40,7	433,33	9,66	0,38	0,28	0,49
4	**KIAS**	-31,84	-3,64	-0,41	-2,01	-13,74	-121,95	1,06	0,88	0,88
5	**KOIN**	-19,01	41,92	-28,38	-5,79	2,41	-5,64	1,25	0,78	1,6
6	**CCSI**	0,06	0,03	0,04	4.300,00	8.066,67	17.000,00	0,79	0,71	2,24
7	**SCCO**	1.533	1.157	689	5,98	9,08	15,09	0,6	0,66	0,49
8	**JECC**	678,01	78,6	-312	9,11	71,25	-19,39	1,23	1,15	1,31
9	**KBLI**	104,3	-14	23	5,03	-27,43	12,17	0,88	0,65	0,46
10	**KBLM**	34,51	5,86	-11,61	8,81	36,86	-19,47	0,4	0,29	0,21
11	**MLPL**	-59	-54	14	-1,44	-1,31	26,43	0,24	0,26	1,2
12	**ASII**	536	399	499	12,92	15,1	11,42	1,5	1,25	1,07
13	**BHIT**	7,45	2,24	8,71	8,59	29,46	6,43	0,15	0,15	0,13
14	**BNBR**	447,16	-487,26	33,55	0,11	-0,1	1,49	0,44	0,72	0,8
15	**EMTK**	-268,8	37,08	96,06	-20,74	377,56	23,74	25,65	63,73	4,15
16	**AMIN**	29,96	9,47	-52,88	10,35	27,03	-3,59	1,62	1,32	1,45
17	**APII**	24	28	18	7	5,5	12,22	0,6	0,5	0,65
18	**ARKA**	1,47	-15,3	1,72	1.408,16	-3,59	31,4	33,89	1,2	1,14
19	**ASGR**	186,06	35,42	64,72	5,08	22,59	12,75	0,78	0,69	0,68
20	**INTA**	-132	-256	-123	-3,48	-0,74	-0,55	-6,3	-0,51	-0,13
21	**JTPE**	98,1	42,04	53,42	9,99	24,02	19,75	2,25	2,25	1,98
22	**KONI**	18	0,33	31	6,72	306,06	5,16	1,12	0,24	0,38
23	**LION**	2	-18	-8	234	-19,22	-42,75	0,52	0,41	0,4
24	**MDRN**	-11,33	-27,22	16,62	-4,41	-1,84	3,01	-1,16	-0,71	-0,93
25	**MFMI**	176	24	33	3,3	31,67	29,39	1,85	5,04	6,39
26	**MUA**	98,49	41,67	489,06	7,61	13,32	4,52	0,39	0,27	0,86
27	**SOSS**	29,64	25,35	36,75	13,56	15,31	10,34	1,99	1,71	1,37
28	**SPTO**	77,29	42,59	72,97	10,8	13,74	8,77	1,33	0,81	0,84
29	**TFAS**	12,89	3,91	16,07	13,81	46,04	318,92	1,94	1,9	43,57
30	**TIRA**	2,13	4,02	-5,77	120,19	64,68	-76,6	0,9	0,94	1,57
31	**VOKS**	50,11	0,67	-50,73	6,23	352,24	-3,55	1,17	0,88	0,83

Source: Indonesia Stock Exchange (2019)

Table 2. Company Ownership in Manufacturing Companies Listed on the Indonesia Stock Exchange

(IDX) Period of 2019-2021

No	Company Name	managerial ownership			institutional ownership		
		2019	2020	2021	2019	2020	2021
1	**AMFG**	0%	0%	0%	86%	86%	86%
2	**ARNA**	37%	38%	38%	14%	14%	14%
3	**CAKK**	45%	45%	45%	30%	30%	30%
4	**KIAS**	0%	0%	0%	94%	94%	94%
5	**KOIN**	0%	0%	0%	91%	91%	91%
6	**CCSI**	0%	0%	0%	80%	60%	60%
7	**SCCO**	0%	0%	0%	75%	75%	75%
8	**JECC**	0%	0%	0%	90%	90%	90%
9	**KBLI**	0%	0%	0%	50%	49%	49%
10	**KBLM**	0%	0%	0%	82%	82%	82%
11	**MLPL**	0%	0%	0%	78%	78%	55%
12	**ASII**	0%	0%	0%	50%	50%	50%
13	**BHIT**	4%	4%	3%	51%	48%	38%
14	**BNBR**	0%	0%	0%	60%	54%	25%
15	**EMTK**	43%	44%	40%	28%	28%	24%
16	**AMIN**	4%	4%	4%	58%	58%	58%
17	**APII**	6%	6%	6%	72%	72%	72%
18	**ARKA**	0%	0%	0%	75%	75%	69%
19	**ASGR**	0%	0%	0%	77%	77%	77%
20	**INTA**	27%	27%	27%	31%	26%	28%
21	**JTPE**	7%	7%	7%	66%	66%	66%
22	**KONI**	6%	6%	27%	72%	72%	39%
23	**LION**	0%	0%	0%	58%	58%	58%
24	**MDRN**	35%	35%	35%	34%	35%	35%
25	**MFMI**	0%	0%	0%	92%	92%	99%
26	**MUA**	0%	0%	0%	67%	67%	67%
27	**SOSS**	0%	0%	0%	76%	76%	76%
28	**SPTO**	0%	0%	0%	60%	60%	60%
29	**TFAS**	0%	0%	0%	83%	88%	83%
30	**TIRA**	0%	0%	0%	90%	90%	90%
31	**VOKS**	6%	0%	0%	40%	40%	40%

Source: Indonesia Stock Exchange (2019)

The value of manufacturing companies from 2019 to 2021 is shown in Table 1. Based on the EPS, PER, and PBV in the table above, the enterprise value is anticipated to decrease between 2019 and 2021. This decline is due to the economic slowdown during the Covid-19 pandemic. The decrease

in firm value also impacts the future welfare of its shareholders. Moreover, a managerial ownership level below 5% suggests that management is unable to maximize shareholder returns due to the lack of share ownership by management. Therefore, this study has a high urgency to assess the determinants of firm value in terms of investment decisions, debt policy and corporate ownership structure. As the business paradigm shifts toward a greater emphasis on sustainability, Environmental, Social, and Governance (ESG) reports have gained significance in evaluating a company's social and environmental impacts. Indrawati et al., (2023) highlighted that materiality analysis within ESG reports positively affects market performance, offering a strategic framework for risk management and enhancing market value. Furthermore, Wijaya (2022) demonstrated that effective cash holding management contributes to increasing firm value, though the impact of dividend payments on firm value remains a topic of ongoing academic discussion.

In the realm of ownership structure, Oyedokun et al., (2020) emphasize that institutional and foreign ownership contribute significantly to enhancing firm value by strengthening managerial oversight. Supporting this, Hermawan et al., (2021) demonstrated that intellectual capital influences both financial performance and market value, particularly within the banking industry in Indonesia and Malaysia.

THEORETICAL FRAMEWORK AND HYPOTHESIS

Company Finance

Capital structure, accounting, organizational investment decisions, and sources of financing are the main topics of corporate finance, a subfield of finance. Corporate finance typically aims to enhance shareholder value by implementing various strategies, including short-term and long-term financial planning. Corporate finance operations range from capital investment to taxes. Corporate Finance arises from the need for financial reporting and accountability within a company. Moreover, as a profitable business entity, the company faces various problems and needs important decisions to keep the business running smoothly. These problems include how much cash the company has, what funds the company must raise, where the company's funds come from, where the funds that enter the company will be directed for the survival and profitability of the company, and what investment instruments provide benefits for the company. This problem always occurs in companies.

Agency Theory

Because people behave in their own best interests, agency theory holds that shareholders prioritize the company's financial performance, which is reflected in the dividends they get. Simultaneously, management seeks satisfaction through favorable working conditions and substantial salaries. The need to prioritize raising profits (dividends) for shareholders limits managers' (agents') incentives and advantages, which leads to conflict between management and shareholders. A management strategy that uses signal incentives based on the value and performance of the company can encourage capital market participants to purchase the company's shares and send favorable signals about the profitability of the investment. The greater the participation of capital market players, the more the company's share price or overall value is influenced, resulting in increased capital market activity volume. An agency relationship, according to Jensen and Meckling (1976), is a contract founded on one or more principles wherein the agent renders services to the principal in a manner that

grants the agent the authority to make decisions. According to agency theory, managers are tasked with maximizing shareholder returns while owners (shareholders) directly own shares.

When multiple interests clash, the tendency for selfishness will lead to agency problems (Jensen, 1986; Villalonga and Amit, 2005; Harrison and Wicks, 2013; Harijono, 2014; D'Ewart, 2015). Mediation problems also occur between shareholders, who own the company, and managers, who run the company. This often happens in companies where the majority of shares are publicly owned, especially in Indonesia, and can lead to agency problems between majority and minority owners. Agency theory was created to solve problems that arise in the interaction between principals (shareholders or business owners) and agents (management and staff). This can be achieved in several ways, including: a) strengthening managerial interests that are aligned with shareholder interests; b) using ownership institutions as monitoring agents; c) increasing funding through debt; d) implementing dividend policies to reduce agency costs; (e) increasing the level of risk in decision making and increasing shareholder wealth; g) implementing incentive policies for managers in the form of managerial compensation, direct shareholder intervention, or the threat of takeover; h) utilizing agreements with creditors or other forms of cooperation; and i) managers understanding their role as managers (Ahmad and Septriani, 2008).

Signaling Theory

Signaling Theory highlights how important company information is when deciding which investments to make. According to Morris (1987), the problem of market information asymmetry can be overcome by giving access to more information to management than other company stakeholders. When investors make decisions regarding their investments, published information provides signals to them. It is expected that market participants will react and accept information that has positive value, or good news (Spance, 1973). Management is more likely to divulge intellectual property to third parties in an effort to increase firm value and generate future financial rewards. Annual financial reports are a type of information that businesses can release to provide insights or alerts to external stakeholders. These reports may also include non-financial and non-accounting data. Key information that is deemed significant for both internal and external stakeholders should be transparently disclosed in the annual report. Investors require such information to evaluate the risk levels of various companies, enabling them to diversify their investment portfolios in alignment with their risk tolerance. To attract investors and encourage them to purchase shares, a company must present its financial statements transparently and with integrity.

Ownership Structure

According to Wahyudi and Pawestri (2006), ownership structure refers to the type of organization or business that owns the majority of business shares. The ownership structure may consist of private entities, government, or individual investors. There are various divisions within the ownership structure. Ownership structure categories specifically include ownership by domestic institutions, foreign institutions, governments, employees, and domestic communities. The board of directors, management, and ownership structure each have distinct motivations for supervision. The ownership structure can influence operations, potentially affecting overall business performance. The ownership structure can reduce agency problems. One way to reduce friction between shareholders and

management is through ownership structure (Faisal, 2005). In information disclosure in the capital market, the ownership structure mechanism is viewed by the information imbalance method as a means to reduce the knowledge gap between insiders and outsiders. Uhlaner et al. (2007) asserts that the ownership structure clearly shows the owner's commitment to save the company. Numerous scholars contend that ownership structure may influence how a corporation is run, which in turn influences how successfully the organization accomplishes its objectives, including raising the company's worth (Wahyu and Pawesti, 2006). The ownership structure of a company, as reflected by its debt and equity instruments, is directly tied to how well corporate governance is implemented. This makes it possible to examine the ownership structure closely in the case of agency issues.

Managerial Share Ownership

According to Shleifer & Vishny (1986), there is an economic incentive to monitor large shareholdings. Theoretically, managers may act more opportunistically when they have little management ownership. It is believed that managers who own company shares can reconcile possible conflicts of interest between shareholders and parties outside management, thereby eliminating agency problems (Jensen & Meckling, 1976). Managerial share ownership may be calculated as the percentage of common shares held by managers who actively engage in corporate decision-making.

Institutional Shareholding

The existence of institutional ownership is one element that may have an impact on a business' success. The presence of institutional ownership can promote more comprehensive and efficient management performance oversight. One source of power that may either improve or worsen managerial performance is share ownership. A financial institution is more likely to have voting rights and be encouraged to oversee management the more ownership it has.

Investment Decision

Martono and Harjito (2010) define investment as the allocation of a company's capital into assets with the expectation of future profits. Understanding the complete amount of assets required by the business is the first step in making an investment; if the right amount of assets is used, the investment will be successful and increase the value of the company. Capital investment is a key consideration in investment decisions. When deciding whether to fund an investment project, consideration should be given to the risks and anticipated returns (Hasnawati, 2005). The signaling hypothesis states that investment initiatives increase stock prices, which is a measure of firm value, by sending good signals about the firm's future growth potential. Pawestri and Wahyudi (2006). However, Uri Ben-Zion (1984) asserts that investment plans and research and development initiatives effect the market value of the company.

Debt Policy

Debt policy refers to the company's financial strategy that involves outside finance sources. Since debt is a major component of the capital structure, choices over debt policy are strongly related to the capital structure's overall makeup. A company is deemed dangerous if its capital structure includes a lot of debt; on the other hand, if it has little or no debt, it is deemed incapable of using more

outside funding that could enhance the efficiency of its operations (Brigham and Houston, 2001).

A typical measure of debt policy is the Debt Equity Ratio (DER), which shows the percentage of total long-term debt to equity. Higher debt dependence and a better capacity to fulfill financial commitments are indicated by a lower DER (Indahningrum and Handayaani, 2009). Frequent usage of debt, however, raises the company's risk and can cause stock prices to drop even while it boosts the projected return. The ideal capital structure is one that balances the expected return and the related risk in order to optimize stock prices or company value (Brigham and Houston, 2001).

Good Corporate Governance

The structure used to monitor and control a company organization is known as corporate governance, according to the Organization for Economic Co-operation and Development (OECD). It describes how different stakeholders, including the board of directors, executives, shareholders, and other parties concerned, will be allocated rights and obligations. In addition, corporate governance establishes the guidelines and processes for internal decision-making, offers a framework for establishing corporate goals, creates plans to reach those goals, and tracks overall performance. The company's management is one of the systems that arranges and governs a firm. Thus, the management structure outlines the responsibilities and rights of managers, administrators, shareholders, and other stakeholders. In addition, the management structure outlines the guidelines and processes for formulating policies and making decisions. It enables proper planning and execution of corporate objectives and monitoring of performance. Good corporate governance, or GCG, is the term for best practices that successful companies often follow. GCG is a collection of tools, structures, and systems that provide control and accountability, which can enhance business performance (Tim BPKP, 2003). Corporate business procedures, rules of the game, process frameworks, and guiding concepts are all included in GCG practices.

Because a company's vision, mission, and strategy are well defined, corporate ethics and values are in place to ensure that all employees adhere to them, and corporate policies are designed to prevent inappropriate and appropriate interests, a company with good governance practices can add value to its shareholders. Corporate risks, including third-party risks, are effectively controlled through a risk management system (Price Waterhouse Coopers, 2000). The six principles of corporate governance systems, as stated by the OECD (2004), are a transparent and efficient corporate governance framework that a) protects the rights and interests of shareholders; c) ensures equitable treatment of minority and majority shareholders; d) ensures the role of shareholders in the management of the company; e) ensures openness and transparency for shareholders; and f) ensures accountability of the Board and Government.

Company Value

Firm value, according to Yuliana (2021), is the amount a prospective buyer is willing to pay for the company in the event that it is sold. Akbar (2020) explains that firm value reflects the condition of a business as a result of its operational processes over time, from its establishment to the present. In essence, firm value represents the total selling price of the company. According to Harmono (2009), public opinion affects a company's worth, and this is mirrored in its stock price, which is determined by the interaction of supply and demand in the capital market. Similarly, Husnan (2004) highlights that

the capital market activities of companies issuing shares and the prices of those shares traded on the stock exchange serve as key indicators of firm value. Ayuba (2019) asserts that firm value indicates its capacity to optimize shareholder wealth. Since firm value indicates an organization's efforts to achieve its main objectives, maximizing firm value is very important. Firm value also shows how effectively the company manages the resources owned by its investors. Firm value increases when more investors buy its shares. According to Christiawan (2007), several concepts of firm value can be used to explain the market value, intrinsic value, book value, liquidity value, and inherent worth of the business.

Research Hypothesis

The company's increased asset growth shows that it is performing well and developing, which is a favorable indication for investors to raise their investment in the business. The correlation between ownership and asset growth has been experimentally demonstrated by Afendi (2018) and Maftukhah (2013).

H1: Ownership is significantly affected by asset growth.

Growth of assets might affect a company's worth. Since high growth signifies progress, it is anticipated to boost the company's development both inside and outside. Investors anticipate a strong return on their investment since they believe that a company's growth indicates its potential for profitability. Asset expansion is a key factor in increasing business value, as demonstrated by the empirical relationships between ownership and asset growth established by Sukma (2021), Husna and Satria (2019), Priliyastuti & Stella (2017), and Sulistyono et al. (2020). The second hypothesis is:

H2: Firm value is significantly affected by asset growth.

According to Lestari (2014), external funding can be employed to maintain the company's cash flow or in situations where internal finances are insufficient. Funds acquired from creditors and shareholders are examples of external funding sources that originate from outside the business. One type of outside finance that businesses employ to satisfy their funding demands is debt (Surya & Rahayuningsih, 2012). When it comes to the company's interests, including the use of debt to fund its operations, shareholders will have faith in the managers of the business. The better the corporation uses debt to finance its operations, the more the interests of its shareholders are served. The thirth hypothesis is:

H3: Ownership is significantly influenced by debt growth.

The necessity of financial reporting and responsibility inside an organization gives rise to corporate finance. Furthermore, as a successful corporation, the firm must make critical decisions to maintain its operations and deal with a variety of issues. These issues include the company's cash flow, the dollars it needs to raise, and the source of its funding. Debt is an instrument that is greatly impacted by shifts in the company's worth, claim Rustendi and Jimmi (2008). To boost the company's worth, managers often take on a particular amount of debt. Debt expansion has an impact on business value, according to studies by Altan and Ferhat (2011), Sukirni (2012), and Ogbulu and Francis (2012). The fourth hypothesis is:

H4: Firm value is significantly influenced by debt growth.

Debt policy refers to the company's financial strategy that involves outside finance sources. Since debt is a major component of the capital structure, choices over debt policy are strongly related to the capital structure's overall makeup. A firm is seen risky if its capital structure includes a lot of debt; on the other hand, if it has little or no debt, it is thought to be unable to use more outside funding that may enhance the effectiveness of its operations (Brigham & Houston, 2001). Since they are also shareholders, managers are motivated to enhance the company's success when they own shares. As a result, managers often make the best use of debt. This suggests that the company's policies, especially its debt rules, are influenced by the ownership structure. Therefore, whether to raise money through a rights issue or debt, managerial ownership can have an impact. According to Hidayat (2013) research, ownership and debt policy are connected. The fifth hypothesis is:
H5: Ownership is significantly influenced by equity growth.

The Debt Equity Ratio (DER), representing the proportion of total long-term debt to equity, is commonly used as an indicator of debt policy. A lower DER reflects a higher reliance on debt and a stronger ability to meet financial obligations (Indahningrum & Handayani, 2009). However, frequent use of debt increases the company's risk, which, while raising the expected return, can lead to a decline in stock prices. To maximize stock prices or firm value, the optimal capital structure is one that maintains a balance between the anticipated return and the associated risk (Brigham & Houston, 2001). Therefore, any company experiences in value will grow if there is consistent improvement in its operational activities. Empirically evidence from Kautsar & Kusumaningrum (2016) shows that equity growth affected the firm value. The sixth hypothesis is:
H6: Firm value is significantly influenced by equity growth.

Melinda & Wardhani (2020) asserts that the ownership structure clearly shows the owner's commitment to save the company. Ownership structure has an impact on how the business is run, which in turn has an impact on how successfully the firm accomplishes its objectives, including raising the company's value (Wahyu & Pawesti, 2006). The ownership structure of a company, as reflected by its debt and equity instruments, is directly tied to how well corporate governance is implemented. This allows the ownership structure to be scrutinized in the event of agency problems. Moreover, Ayuba (2019) asserts that firm value indicates its capacity to optimize shareholder wealth. Since firm value indicates an organization's efforts to achieve its main objectives, maximizing firm value is very important. Firm value also shows how effectively the company manages the resources owned by its investors. Empirically evidence from Haryono et al., (2017) shows that ownership structure affected the firm value. The seventh hypothesis is:
H7: Firm value is significantly influenced by ownership.

This study is innovative since it considers ownership structure, debt policy, and investment choices as the primary determinants of corporate value. By examining how the three components interact together to produce a comprehensive framework for increasing company value, this study adds to the body of knowledge. Furthermore, this study sheds light on the dynamics of financial choices in the context of economic difficulties following the epidemic.

RESEARCH METHOD

Using a quantitative and correlational methodology, this study examines the effects of independent factors (asset growth, debt, and equity), moderating variables (strong corporate governance), and intervening variables (ownership) on the dependent variable (firm value). Purposive sampling was used to identify 31 manufacturing businesses that were listed on the Indonesia Stock Exchange between 2019 and 2021 for the study sample. The Partial Least Squares (PLS) approach will be used to evaluate the secondary data gathered for the study.

Variables and Indicators

Table 3. Research Variables and Indicators

Variables		Indicators
Free Variable	Total Asset Growth (X1)	Total Asset Growth
	Total Debt Growth (X2)	Total Debt Growth
	Equity Growth (X3)	Equity Growth
Intervening Variable	Ownership (Z1)	Foreign Ownership
		Managerial Ownership
Dependent Variable	Company Value (Y)	Earnings Per Share (Eps)
		PRICE BOOK VALUE (PBV)
		PRICE EARNINGS RASIO (PER)

Source: Researcher Data Processing (2024)

RESULTS AND DISCUSSION

Result

Hypothesis Test

T-Statistics and P-Values were analyzed in order to evaluate the hypothesis in this study. If the P-Values are less than 0.05, the hypothesis is considered true. The following are the outcomes of the hypothesis test:

Conceptual Framework

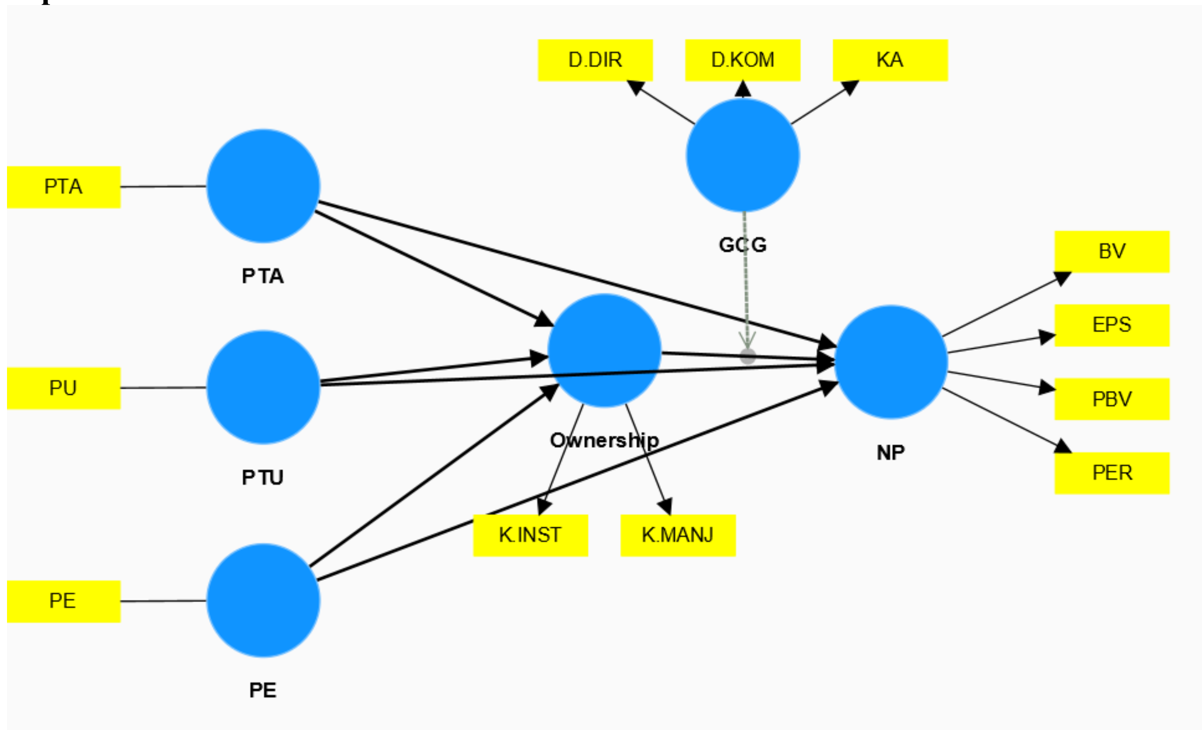

Figure 1. Conceptual Framework
Source: Researcher Data Processing (2024)

Table 4. Hypothesis Testing

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Ownership -> NP	-0,397	-0,391	0,076	5,221	0,000
PE -> NP	-0,055	-0,047	0,094	0,587	0,558
PE -> Ownership	0,176	0,164	0,118	1,489	0,137
PTA -> NP	0,465	0,442	0,136	3,425	0,001
PTA -> Ownership	-0,056	-0,103	0,250	0,226	0,821
PTU -> NP	-0,281	-0,282	0,111	2,530	0,012
PTU -> Ownership	-0,026	0,020	0,218	0,120	0,905

Source: Data Processed by Researchers (2024)

Discussion

Ownership is not significantly affected by asset growth

For the relationship between asset growth and ownership, Table 4 displays a T-statistic of 0.0226 (<1.96), a P-value of 0.821 (>α=5%), and a coefficient of -0.056 (below zero). Thus, it may be concluded that asset expansion has little bearing on ownership. This result disproves the first hypothesis, according to which ownership is impacted by asset growth. Asset growth may affect the company's need to apply for additional financing. If the increase in assets is accompanied by additional financing, such as the issuance of new shares or additional debt, then this may affect the ownership structure. Major shareholders or controlling shareholders have significant influence in determining the company's financial strategy. If asset growth requires additional financing, major shareholders can decide which financing route to take, which can affect the ownership structure. They can also maintain or even increase their ownership by purchasing additional shares to support business expansion.

Firm value is significantly affected by asset growth.

With a positive coefficient of 0.465, a P-value of 0.001 (<α=5%), and a T-statistic of 3.425 (>1.96), Table 4 shows that asset expansion has a substantial impact on company value. These results confirm the second hypothesis, which posits that asset expansion impacts firm value (H2 accepted). Supporting studies by Husna and Satria (2019), Priliyastuti and Stella (2017), as well as Sulistyono et al. (2020), highlight that asset growth plays a crucial role in enhancing firm value. This is because it signals to shareholders that the company has promising future prospects, thereby encouraging their investment. The company's worth rises in tandem with an increase in shareholder interest in investing.

Ownership is not significantly affected by debt expansion.

The data in Table 4 indicates that the impact of debt increase on ownership is defined by a negative coefficient of -0.026, a T-statistic of 0.120 (<1.96), and a P-value of 0.905 (>α=5%). These findings suggest that ownership is not much impacted by debt expansion. Based on this information, the third hypothesis—that debt accumulation influences ownership—is disproved. The need for companies to seek new sources of funding to support operations or growth is reflected in an increase in debt. However, the choice to use debt as a funding source should not directly affect the ownership structure of the business, especially if the debt is not backed by company shares or has the potential to be converted into equity. A key factor in determining a company's debt policy is its major or controlling shareholders. Determining the debt's form and duration, as well as whether to take on more debt, is mostly up to the ultimate or controlling shareholder. However, rather than a shift in ownership structure, this choice may be motivated by financial requirements and risk management considerations.

Firm value is significantly affected by debt growth.

The information in Table 4 shows that a T-statistic of 2.530 (>1.96) and a P-value of 0.012 (<α=5%)

indicate that higher debt has an impact on company value, and a negative coefficient of -0.281. This indicates that an expansion in corporate debt significantly influences firm value. These findings support the second hypothesis, which asserts that debt growth affects firm value (H3 is accepted). Research by Altan and Ferhat (2011) indicates that debt policies have a substantial impact on firm value. Long-term debt is a crucial factor in shaping and determining firm value as it can influence stock prices. However, consistent use of debt increases the company's risk, which, while potentially boosting projected earnings, can also negatively impact stock prices. To optimize stock prices or firm value, the ideal capital structure is one that achieves a balance between risk and anticipated returns.

Ownership is not significantly affected by equity growth.
Table 4 presents data showing that the effect of equity increase on ownership is defined by a T-statistic of 0.587 (<1.96), a P-value of 0.558 (>α=5%), and a coefficient value of -0.055 (negative). Thus, it can be said that ownership is not significantly affected by an increase in equity. The fifth hypothesis, which states that ownership is not affected by equity expansion, is rejected based on this data. Existing shareholders may become diluted if equity expansion is supported by the issuance of new shares or other forms of new capital. In addition, a sizable increase in share capital may attract outsiders, such as competitors or investors, who wish to acquire the business. The ownership structure of the business may be impacted if the purchase materially changes the number of shares or the makeup of the board of directors.

Firm value is not significantly affected by equity growth.
According to the data in Table 4, the effect of equity growth on company value has a coefficient of -0.055 (negative), a T-statistic of 0.587 (<1.96), and a P-value of 0.558 (>α=5%). This indicates that equity expansion has little impact on firm value. Consequently, the sixth hypothesis, which posits that equity growth influences firm value, is not supported by the findings. The study by kusumaningrum (2016), which suggests that return on equity (ROE) significantly affects firm value, with higher ROE correlating to increased firm value, is not corroborated by this evidence. These results imply that the business has not effectively leveraged its equity to generate profits. Additionally, the challenging economic conditions during the pandemic have influenced the growth of corporate equity.

Firm value is significantly influenced by ownership.
According to Table 4's data, a P-value of 0.00 (<α=5%), a T-statistic of 5.221 (>1.96), and a negative coefficient of -0.397 all demonstrate how debt increase affects business value. These results demonstrate that a rise in corporate debt has a major effect on company value. As a result, the seventh hypothesis—which states that ownership affects business value—is validated. This finding is in line with that of Haryono et al. (2017), who discovered that institutional investors' holding of shares has a major impact on company value by improving shareholder welfare and facilitating efficient management performance monitoring.

CONCLUSION

The following conclusions were drawn from the research findings: ownership is a key factor in determining business value, debt growth also has a substantial impact on firm value, and asset growth has a big impact on firm value. The three independent variables—asset growth, debt growth, and equity growth—do not, however, significantly affect ownership. Furthermore, the value of the company is not significantly impacted by equity increase. Recommendations that can be given to future researchers include adding managerial policy variables (internal factors) and global market conditions (macroeconomic factors). The scope of study can also be expanded by making comparisons between countries, as ownership structure, debt policy, and investment decisions may vary significantly between developing and developed countries.

The company's main goal is to increase its value in order to improve shareholder welfare and boost net income. A company's value is represented by its share price. When making capital market investments, investors consider internal and external elements that can support their choices. Good ownership and corporate governance, which control business operations concerning asset growth, debt, and equity as well as other variables unrelated to the research problem that also affect the calculation of firm value, shape the maximization of firm value.

List of Abbreviation

Environmental, Social, and Governance (ESG), Organization for Economic Co-operation and Development (OECD), Good Corporate Governance (GCG), Debt Equity Ratio (DER), Price Book Value (PBV) and Price Earnings Rasio (PER).

Author's Contribution

The article likely examines how strategic investment decisions likes capital allocation to projects, mergers and acquisitions, R&D investments directly impact the valuation of a corporation.

Author's Information

Ida Ayu Sri Brahmayanti is a Lecturer at Universitas 17 Agustus 1945, Surabaya. Her research focuses on investment management, management accounting, social entrepreneurship, and business performance.

REFERENCES

Altan, M., & Arkan, F. (2011). Relationship between firm value and financial structure: A study on firms in ISE industrial index. Journal of Business & Economic Research, 9(9), 61-66. https://doi.org/10.19030/jber.v9i9.5636

Armerin, F. (2024). A Comment on "The effectiveness of carbon pricing: The role of diversification in a firm's investment decision". Energy Economics, 107487.https://doi.org/10.1016/j.eneco.2024.107487

Che Hassan, N., Abdul-Rahman, A., Ab. Hamid, S. N., & Mohd Amin, S. I. (2024). What factors affecting investment decision? The moderating role of fintech self-efficacy. Plos one, 19(4), e0299004. https://doi.org/10.1371/journal.pone.0299004

Harrison, J. S., & Wicks, A. C. (2013). Stakeholder Theory, Value, and Firm Performance. Business Ethics Quarterly, 23(1), 97-124.https://doi.org/10.5840/beq20132314

Haryono, S. A., Fitriany, F., & Fatima, E. (2017). Pengaruh struktur modal dan struktur kepemilikan terhadap nilai perusahaan. Jurnal Akuntansi dan Keuangan Indonesia, 14(2), Article 1. https://doi.org/10.21002/jaki.2017.07

Astakoni, I. M. P., & Wardita, I. W. (2020). Keputusan Investasi, Leverage, Profitabilitas, dan Ukuran Perusahaan Sebagai Faktor Penentu Nilai Perusahaan Manufaktur. WACANA EKONOMI (Jurnal Ekonomi, Bisnis dan Akuntansi), 19(1), 10-23.https://doi.org/10.22225/we.19.1.1576.10-23

Hermawan, S., Hanun, N. R., Nirwana, N. Q. S., & Candrawati, C. I. (2021). Intellectual Capital, Market Value, and Financial Performance: Indonesia and Malaysia's Banking Companies. Journal of Accounting and Strategic Finance, 4(2), 135-151. https://doi.org/10.33005/jasf.v4i2.142

Husna, A., & Satria, I. (2019). Effects of Return on Asset, Debt to Asset Ratio, Current Ratio, Firm Size, and Dividend Payout Ratio on Firm Value. International Journal of Economics and Financial Issues, 9(5), 50 https://doi.org/10.32479/ijefi.8595

Indrawati, A., Ruliana, T., Yudhyani, E., & Nurfitriani, N. (2023). Environmental, social, governance report, and materiality analysis effect on financial and market performance. Journal of Accounting and Strategic Finance, 6(1), 71-89.https://doi.org/10.33005/jasf.v6i1.392

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. Journal of Financial Economics, 3(4), 305-360. https://doi.org/10.1016/0304-405X(76)90026-X

Kautsar, A., & Kusumaningrum, T. M. (2016). Analisis pengaruh good corporate governance terhadap nilai perusahaan yang dimediasi struktur modal pada perusahaan pertambangan yang terdaftar di BEI 2009-2012. Journal of Research in Economics and Management, 15(1), 59-75. https://doi.org/10.17970/jrem.15.150105.ID

Melinda, A., & Wardhani, R. (2020). The effect of environmental, social, governance, and controversies on firms' value: Evidence from Asia. In Advanced Issues in the Economics of Emerging Markets, 27, 147-173.https://doi.org/10.1108/S1571-038620200000027011

Morris, R. D. (1987). Signalling, agency theory and accounting policy choice. Accounting and Business Research, 18(69), 47-56.https://doi.org/10.1080/00014788.1987.9729347

OECD. (2004). OECD Principles of Corporate Governance 2004. Organisation for Economic Co-operation and Development.https://doi.org/10.1787/dcr-2003-en.

Oyedokun, G. E., Isah, S., & Awotomilusi, N. S. (2020). Ownership Structure and Firm Value of Quoted Consumers Goods Firms in Nigeria. Journal of Accounting and Strategic Finance, 3(2), 214-228.https://doi.org/10.33005/jasf.v3i2.65

Shleifer, A., & Vishny, R. W. (1986). Large Shareholders and Corporate Control. *Journal of*

Political Economy, 94(3), 461–488. https://doi.org/10.1086/261385
Spence, M. (1973). Job Market Signaling. *The Quarterly Journal of Economics*, 87(3), 355–374. https://doi.org/10.2307/1882010
Sulistyono, S., Novia, L., & Tanjung, S. M. P. (2020). Pengaruh modal kerja, return on assets (ROA) terhadap nilai perusahaan pada perusahaan farmasi di Bursa Efek Indonesia. Jurnal Manajemen Kewirausahaan, 17(1), 37. https://doi.org/10.33370/jmk.v17i1.370
Uhlaner, L. M., Floren, R. H., & Geerlings, J. R. (2007). Owner Commitment and Relational Governance in the Privately-Held Firm: An Empirical Study. Small Business Economics, 29(3), 275-293.https://doi.org/10.1007/s11187-006-9009-y
Villalonga, B., & Amit, R. (2005). How do family ownership, control and management affect firm value? Journal of Financial Economics, 80(2), 385-417.https://doi.org/10.1016/j.jfineco.2004.12.005
Asnawi, A., Ibrahim, R., & Saputra, M. (2019). Pengaruh Kepemilikan Manajerial, Kepemilikan Institusional Dan Kebijakan Hutang Terhadap Nilai Perusahaan (Studi Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia). Jurnal Perspektif Ekonomi Darussalam (Darussalam Journal of Economic Perspec, 5(1), 70-83. https://doi.org/10.24815/jped.v5i1.14089
Wahyudi, U., & Pawestri, H. P. (2006). Implikasi struktur kepemilikan terhadap nilai perusahaan: Dengan keputusan keuangan sebagai variabel intervening. Simposium Nasional Akuntansi 9, 1-25. Padang.https://doi.org/10.30829/hf.v9i2.13074
Wijaya, H. (2022). Cash holdings, dividend payout, and corporate value: The role of institutional investors. Journal of Accounting and Strategic Finance, 5(2), 302-315. https://doi.org/10.33005/jasf.v5i2.307