THE EFFECT OF OWNERSHIP STRUCTURE ON FIRM VALUE WITH INVESTMENT DECISION AS INTERVENING VARIABLE (EMPIRICAL STUDY OF THE LISTED COMPANIES IN INDONESIA STOCK EXCHANGE PERIOD 2008-2014)

Indah Sulisty Rini¹, Sutrisno T², Nurkholis³

¹,²,³ Faculty of Economics and Business, University of Brawijaya
Email: ¹talktoindah@gmail.com

Abstract
This study aimed to examine the effect of ownership structure on firm value with investment decision as an intervening variable. The ownership structure proxied by managerial ownership structure and institutional ownership structure. The investment decision proxied by Market to Book Value of Assets. The firm value proxied by Price to Book Value. Population in this study are all companies listed on the Indonesian Stock Exchange (IDX) in the period 2008-2014. Selection of the sample in this study based on purposive sampling method. Based on these criteria there are 99 companies each year that requirements in the study. This study used multiple linear regression and path analysis. The results showed that managerial ownership and institutional ownership has no effect on investment decision, while the investment decision effect on firm value, managerial ownership has a negative effect on firm value, and institutional ownership has no effect on firm value. The investment decision is not a variable that mediates the relationship between the ownership structures with firm value. These findings reinforce previous research that reveals ownership concentration because there has not been a clear separation between ownership structure with the control of the company companies listed on the Indonesian Stock Exchange (IDX).

Keywords: Managerial Ownership Structure, Institutional Ownership Structure, Investment Decision, and Firm Value

1. INTRODUCTION
The firm value of the company that listed on the Indonesian Stock Exchange (IDX) can be measured by the market price of company shares at a certain period. The increase in the stock price of a company on the stock exchange is a form of confidence and investor optimism on the growth of the company in the future, that consider will give benefit for principals. In 2008-2014 Indonesia had increased value stock price index (IHSG) since rocked by a severe financial crisis in 1998. The increase value of IHSG is evidence of an increase in firm value, one of which is caused by their investment decision (Haruman, 2008) and the performance of the company's assets (Iturriaga and Sanz, 2001). Firm value is the price of a stock that has been circulating in the market share that to be paid by investors to have a company (Jusriani, 2013). Firm value of the company is particular interest because it is a reflection of the company's prospects in the future (Mardiyati et al., 2012) that the situation could be changed depend on internal factors (inside the company) and external factors (fundamentals economic and political situation of a country). Internally the company's ownership structure can affect firm value of the company because of transmission effect on investment decisions (Jensen and Meckling, 1976).

Internally, the relationship between ownership structure on investment decision and ownership structure of the companies affected by agency theory, whereas the relationship between investment decision through the firm value is affected by signaling theory. Agency theory explains the relationship contract between the principal with his agent that can lead to conflict agency because of the large amount of excess cash flow that could affect investment decisions and firm value, so the principal wants to make an investment that is risky to expect a high rate of return, but the management select investment with low risk to protect his position (Crutchley and Hansen, 1989 and Fama, 1978). Signaling theory explains the influence of information from investment decision in the
form of investment expenditure could give a positive signal about the company that continues to grow, thus increasing the firm value in the future (Jama'an, 2008).

Increasing the company’s firm value can not be separated from their influence investment decision that have been determined by management and the majority of other principal, as expressed by Haruman (2008) that the ownership structure has an influence on investment decision and firm value of the company. The influence of the management and shareholder on investment decision and the firm value of the company is not separated from the agency problem. Agency problem happened when the proportion of managerial ownership over the shares of the company less than a hundred percent, so that managers act to pursue their own interest (Jensen and Meckling, 1976). Assuming as an opportunist, management can use the excess cash flow and asymmetry information for something that is not productive and able to do things that could disserve the principal (Eisenhardt, 1989), one example is the case of manipulation of the company's net profit that was done by the management of PT Kimia Farma Tbk. in 2001.

This study aims to examine the empirical relationship between the structure of managerial ownership and institutional ownership structure on firm value through investment decision in public companies listed on the Indonesian Stock Exchange 2008-2014 period as an ongoing process that is influenced by the agency theory and the signaling theory. Similar research has been conducted in Europe, the America, and in Indonesia, but the results were inconsistent. Haruman (2008) concluded that the managerial and institutional ownership structure affects investment decision and investment decision affect the value of the company. According Iturriaga and Sanz (2001) firm value of the company and the investment decision are determined by managerial ownership. But according to Wahyudi and Pawestri (2006) managerial ownership structure affects investment decision, but ultimately does not affect the firm value of the company. Besides that Cho (1998) disclose that managerial ownership structure influence investment decision then influence the firm value.

2. THEORY REVIEW AND HYPOTHESIS

Jensen and Meckling (1976) and Stulz (1988) revealed that firm value of the company influenced the company's ownership structure. While Mc Connell and Muscarella (1985) states that the investment decision also effect on firm value of the company. The empirical relationship between firm value, ownership structure, and investment decision reinforced the opinion of Jensen and Meckling (1976) revealed that the company's ownership structure affect the firm value because of the effect from investment decision. The empirical relationship between ownership structure and investment decision and ownership structure with firm value influenced by the agency theory that developed by economists Jensen and Meckling (1976) and Eisenhardt (1989). Agency theory formed by the employment contract relationship between agent and principal with delegation of authority in decision making at the company. The relationship between investment decision with firm value is affected by signalling theory that explains the behaviour of individual or organization that have different access to information of the company (Connelly et al., 2011).

2.1. Hypothesis

Agency theory influence the investment decision of companies when there is asymmetry of information and the divergence of interest between management ownership structure and institutional ownership structure that influenced by ownership rights and control rights are concentrated. The managerial ownership interest to reduce the likelihood of risky decision that could threaten his position in the company so that investment decision are taken are considered less than optimal, while institutional ownership structure was expecting their optimal investment decision result are optimal.

Different interest and asymmetry information between managerial ownership structure with institutional ownership structure could create agency conflict and agency cost. Agency cost associated with cost to monitoring management performance, bonding cost that used to guarantee mechanism to ensure the management will act appropriate in principal interest, and residual cost to drive management for appropriate act for principal interest. There are several alternatives to reduce agency cost, first agency cost can be reduced if company monitored by bank, which is categorized as
institutional ownership structure (Ang et al., 2000). Second, with the addition of managerial ownership percentage (Jensen and Meckling, 1976). Third, the family majority ownership in the company who have stronger controls for the interest of the principal and agent, and have better control of management than public ownership (Hadiprajitno and Basuki, 2013).

Cho (1998) concluded that managerial ownership influences investment. Iturriaga and Sanz (2001) supports Cho (1998) that managerial ownership influences investment decision. Wahyudi and Pawestri (2006) and Haruman (2008) concluded the same thing that the managerial ownership structure influence on investment decision. Contrast with the study disclosed above, Pujiati and Widanar (2009) revealed that the ownership structure has no effect on investment decision. Based on the explanation of the relationship between managerial ownership structure with investment decision, so in this study developed the following hypotheses:

\[ H_1 = \text{managerial ownership structure has effect on investment decision.} \]

Besides proxied by managerial ownership structure, the ownership structure of the company also proxied by institutional ownership structure. The relationship between ownership structure with investment decision also supported by a statement from Iturriaga and Sanz (2001), which revealed that the investment is one of the best ways to create firm value through the ownership structure. Haruman (2008) revealed that institutional ownership has negative effect on investment decision. Wahyudi and Pawestri (2006); and Pujiati and Widanar (2009) reveals different matter, that the institutional ownership structure has no effect on investment decision. Based on the explanation of the relationship between institutional ownership structure with investment decision above, so in this study can be formulated the following hypotheses:

\[ H_2 = \text{Institutional ownership structure has effect on investment decision.} \]

Investment decision are combined with benefit investment opportunities and the existing assets and their choice of investment projects in the future with a positive net present value, can form an investment opportunity that may affect the value of the company (Myers, 1977). In this study, investment decision used proxy Investment Opportunity Set (IOS). In the relation of the agency theory, investment decision of the management is a form of information that can be used principal as profitable commodity that may affect firm value of the company. This investment decision can be a positive signal to principal and market about the company’s condition. There are several previous studies that examined the relationship between investment decision with firm value, that is Haruman (2008), Fama (1978) and Cho (1998) suggests that investment decision affects on firm value. Hasnawati (2005); Wijaya and Wibawa (2010); Fenandar and Raharja (2012); Afzal and Rohman (2012); Rizqia et al. (2013); and Ananta et al. (2014) revealed that the investment decision has positive effect on firm value. However Wahyudi and Pawestri (2006) has different research result from studies described above, that investment decision has not affect the firm value.

Previous studies mentioned above use different proxy for measuring investment decision. In this study, investment decision measured by a proxy Market to Book Asset Ratio (MVA / BVA). The reason for using this proxy is based on Adam and Goyal (2003), which is research about proxy IOS (Market to Book Asset Ratio, Market to Book Equity, Earnings Price, and Capital Expenditure) that the most appropriate and contain sufficient information to quantify the investment opportunity. From these studies it is known that Market to Book Asset Ratio (MVA / BVA) has strong correlation with enough information to make the measurement of investment opportunities. Based on the explanation of the relationship between investment decision with firm value above, so in this study developed the following hypotheses:

\[ H_3 = \text{Investment decision has effect on firm value.} \]

There are several thing that must be considered in the ownership structure of the company, the small amount of ownership structure may have a tendency to maximize the firm value of the company, concentrated ownership provides incentives for the majority shareholder to participate actively in the company activities, the owner identity who sets the priority social goal, and maximization of shareholder value which is sometimes tend to follow political goal rather than company goal (Haruman, 2008). Claessens et al. (2000) found that the ownership structure concentrated in Asia consisting of non-controlling shareholders (minority ownership) and the controlling shareholders (majority ownership).
Concentration ownership may cause the interests of the majority shareholders more priority than the interests of the minority. Iturriaga and Sanz (2012) also revealed that the ownership structure in the company always more concentrated in the majority ownership that has the ability to monitor the company. Different with Iturriaga and Sanz (2012), Band (1992) reveals that concentration ownership has small effect on firm value. Different thing also expressed by Villalonga and Armit (2006) which states that the structure of family ownership will create firm value when the company’s founder still active as a CEO or as the head of the CEO recruited by the company.

Iturriaga and Sanz (2001), Rizqia et al. (2013), and Cho (1998) concluded that managerial ownership affect the firm value, but is also found that ownership structure can also be affected by the investment. Haruman (2008) concluded that managerial ownership has negative effect on firm value. Unlike Haruman’s (2008) which shows the different direction of the relationship, Abukosim et al. (2014) concluded that managerial ownership does not have positive impact on firm value, even Ananta et al. (2014) also disclose that managerial ownership has no effect on firm value. Based on the explanation of the relationship between managerial ownership structure with firm value above, so in this study developed the following hypotheses:

\[ H_0 = \text{Managerial ownership has effect on firm value.} \]

Abukosim et al. (2014) concluded that institutional ownership has positive and significant impact on firm value and prove that the increase in the company’s institutional ownership structures has effect for the rising institutional capacity to monitor management to work with optimum performance so can enhance firm value. Institutional ownership represent larger resource which is used to optimize control of the management performance and be able to anticipated the management decision that incompatible with the interest of the company owner (Abukosim et al., 2014). Opinion of Abukosim et al. (2014) also supported by Haruman (2008) which states that the structure of institutional ownership in large numbers (majority) can improve management monitoring to work more effectively and efficiently, in addition if will be a takeover, it can increase the firm value. Different with Abukosim et al. (2014) and Haruman (2008), Wahyudi and Pawestri (2006) and Nuraina (2012) reveals that the institutional ownership has no effect on firm value. Based on the relationship explanation between institutional ownership structure with the firm value above, so in this study developed the following hypotheses:

\[ H_5 = \text{Institutional ownership structure has effect on firm value.} \]

Investment decision can be transmission mechanism between the ownership structure and firm value (Jensen and Meckling, 1976). Agency theory has affect of the relationship between ownership structure with firm value through investment decision, when there is difference of interest between principal and agent for their duties segregation in the company that may cause agency conflict so can inhibit the aim to maximize firm value through the investment decision that made by agent. The previous study examining the relationship between managerial ownership and institutional ownership structure on firm value through investment decision which is Haruman (2008) and Cho (1998) reveals that managerial ownership has effect on investment decision and investment decision has effect on firm value. Fama (1978) also revealed that the firm value determined by the investment decision, in addition Iturriaga and Sanz (2001) reveals that investment also relates with firm value and ownership structure. Wijaya and Wibawa (2010) found empirical evidence that investment decision has positive effect on firm value. In addition there are several studies that support investment decision has effect on firm value include Cho (1998); Wijaya (2010); Fenandar and Raharja (2012); Afzal and Rohman (2012); Rizqia et al. (2013); Solikan et al. (2013); Ananta et al. (2014).

Previous studies show the relationship between managerial ownership and institutional ownership with investment decision, then the relationship between investment decision on firm value. It is possible that there is an indirect relationship between the structure of managerial ownership and institutional ownership structure with firm value through investment decision. This was confirmed by the opinion of some economist that Jensen and Meckling (1976) and Stulz (1988) firm value effected by the company’s ownership structure. While Mc Connell and Muscarella (1985) found that the investment decision also affect the firm value. The relationship between firm value, ownership
structure, and investment decision are getting stronger because of Jensen and Meckling (1976) revealed that the company's ownership structure affect the firm value of the company because of the effect from investment decision. Based on the explanation of the relationship between managerial ownership and institutional ownership structure on firm value through investment decision so the hypothesis formulated in this study as follows:

\[ H_0 = \text{The ownership structure has effect on the firm value of the company through investment decision.} \]

3. RESEARCH METHODOLOGY

3.1. Population Sample

Population in this study are companies that listed in Indonesia Stock Exchange in 2008-2014. This study using purposive sampling method, there are criteria required: (1) Having complete set of financial statements in the period 2008-2014; (2) Using rupiah currency as unit of currency in the financial statements; (3) Not included in the company owned by the government of the Republic of Indonesia, because of differences in the structure of government ownership form and differences in purpose company owned by the government when compared with companies in general (Diyanty, 2010); (4) Has positive equity and positive net income during period 2008-2014, because company with negative equity and negative income (Rahmat et al., 2009) are the trait of companies that experiencing financial distress (company not in good condition or experiencing a crisis that could lead bankruptcy), in addition to their current balance and equity as a negative denominator has no meaning in financial ratio.

3.2. Research Variable and Measurement

The dependent variable of this study is the firm value of the company represented by the measuring instrument Price to Book Value (PBV). Price to Book Value is a proxy for comparing the stock market price and the book value per share of the company. Researcher choose to use PBV proxy because this ratio focus on investor stock that represented by the management ownership structure and institutional ownership structure. The higher value of PBV can be interpreted as a lack of confidence of investors’ shares for the company’s future prospects.

\[ PBV = \frac{\text{Market Value per Share}}{\text{Book value per Share}} \quad (1) \]

Independent variables that used in this study is managerial ownership and institutional ownership. Managerial ownership in Indonesia owned by member or chairman of the board of directors at the company. Indonesia use two-board system to run the company, so that the reins of leadership and strategic decisions made by the board of directors while the board of commissioners’ act as advisor and supervisor of the decisions and performance of the company. Managerial ownership is a proportion of shareholders from management who actively participate in corporate decision (Haruman, 2008). Proxy managerial ownership structure expressed by the formula:

\[ \text{MNGR} = \frac{\text{Managerial Ownership Share}}{\text{Total Common Share}} \quad (2) \]

Institutional ownership is the proportion of the company's shares owned by certain institutions, in the form of insurance companies, banks, investment companies and other holdings such as individual ownership (block holders), unless the subsidiary companies and other institutions that have a special relationship. Blockholders meant him the individual who own shares of a company of which the percentage is greater than five percent of the total shares outstanding. Institutional ownership could be one of the solution to reduce the effects of the agency conflict between principal and agent are bounding to an employment contract (Jensen and Meckling, 1976).

\[ \text{INST} = \frac{\text{Institutional Ownership Share + Blockholder Share}}{\text{Total Common Share}} \quad (3) \]

Intervening variable in this study was measured using the investment decision and is represented by a proxy IOS that measuring instrument Market to Book Value of Asset Ratio (MVA / BVA). This ratio indicates that the company’s growth prospects reflected in firm value of the company to increase the value of its assets.

\[ \text{MVA} = \frac{(\text{The Number of Shares Outstanding x Closing Price}) + (\text{Total Asset - Total Equity})}{\text{Total Asset \text{BVA}}} \quad (4) \]
3.3. Research Variable and Measurement

In this study used multiple linear regression analysis, with analysis model:

\[
MVA/BVA = a_1 + p_1 MGT + p_2 INST + e_1
\]

\[
PBV = a_2 + p_3 MVA/BVA + p_4 MGT + p_5 INST + e_2
\]

Description:

- \(p_1\) MGT = The regression coefficient between x1 (Managerial Ownership) with x3 (Market to Book Value of Asset Ratio)
- \(p_2\) INST = The regression coefficient between x2 (Institutional Ownership) with x3 (Market to Book Value of Asset Ratio)
- \(p_3\) MVA/BVA = The regression coefficient value between x3 (Market to Book Value of Asset Ratio) with y (Price Book Value)
- \(p_4\) MGT = The regression coefficient between x1 (Struktur Kepemilkan Manajemen) with y (Price Book Value)
- \(p_5\) INST = The regression coefficient between x2 (Struktur Kepemilkan Institusional) with y (Price Book Value)
- \(a_1\) = The constant in the equation 1
- \(a_2\) = The constant in the equation 2
- \(e_1\) = The Residual value in equation 1
- \(e_2\) = The Residual values in equation 2

4. RESULTS

In the period 2008-2014 there were 517 companies listed on the Indonesian Stock Exchange (BEI). Sample of this study consists of various types of public enterprise sectors include manufacturing, agriculture, and finance, it is different from previous studies are only limited to the company’s manufacturing and non-financial only. But from 517 companies, that meet the criteria for purposive sampling in this study as many as 99 companies sampled in this study.

4.1. Descriptive Statistic

Descriptive statistical analysis in this study are presented in Table 1:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Max</th>
<th>Min</th>
<th>Rata Rata</th>
<th>Standar Deviasi</th>
<th>Skewness</th>
</tr>
</thead>
<tbody>
<tr>
<td>MGT</td>
<td>-1,370</td>
<td>-5,756</td>
<td>-2,897</td>
<td>1,185</td>
<td>-0,008</td>
</tr>
<tr>
<td>INST</td>
<td>-0,270</td>
<td>-2,800</td>
<td>-1,215</td>
<td>0,558</td>
<td>-0,513</td>
</tr>
<tr>
<td>MVA/BVA</td>
<td>0,740</td>
<td>-0,350</td>
<td>0,126</td>
<td>0,221</td>
<td>0,873</td>
</tr>
<tr>
<td>PBV</td>
<td>2,320</td>
<td>-0,170</td>
<td>0,873</td>
<td>0,651</td>
<td>0,438</td>
</tr>
</tbody>
</table>

Table 1 reveals that the proxy variables with managerial ownership has standard deviation that is greater than the others. This condition indicates large variation between -1,370 the maximum value and -5,756 minimum value during the observation period. The value of skewness of -0,608 of managerial ownership variable whose value is close to zero indicates that the data from this study are normally distributed.

The average value of institutional ownership is -1,215 while standard deviation in 0,558 indicates relatively small variation between the values of institutional ownership at this period of observation. The maximum value of investment decision variable on these observation is 0,740, while the minimum value - 0,350; when compared to other variable in these observation seen the value of the standard deviation 0,221 relatively small so that the range of values between variables are not too extreme.

The value of skewness is 0,873 indicates that the investment decision variable perfectly distributed. The average value of firm value that observed as the sample in this study is 0,873; while the standard deviation is 0,651; indicating that the minimum gap between each of the variable is 2,320 the maximum value and -0,170 the minimum value.

4.2. Classic Assumption Tests

a. Normality Test

In this study author used Kolomogorov-Smirnov method for normality test, this method could reduce subjectivity incidence in interpreting normality test graph. The significance of probability residual for each equation valued 0,588 and 0,880 were > 0,05; it can be concluded that the data on each of the
equation that used in this study were normally distributed and fit in this study.

b. Multicollinearity Test

Multicollinearity test result showed the value of TOLERANCE and VIF for each variable in each equation valued below the prescribed limit, with TOLERANCE ≤ 0.10; or equal to the value of VIF ≥ 10, so can be concluded that the data in this study free from multicollinearity problem.

c. Heteroskedasticity Test

Heteroskedasticity test in this study using glejser test to reduce the possibility of subjectivity in distribution of view from scatterplot graph. Based on glejser test result known that the significance of each variable in equation 1 and equation 2 > 0.05; so it can be concluded that there is no heteroskedasticity on each variable in the equation.

d. Autocorrelation Test

Autocorrelation test used in this study to calculate the value of Durbin-Watson. The Durbin-Watson value and the assumption used to prove that there is no autocorrelation with du < d < 4 - du compared with Durbin-Watson table with alpha 5%, and sample of 99 companies with two independent variables (k = 2) in equation 1 and three independent variables (k = 3) in equation 2. With k = 2 in equation 1 obtained assuming 1.714 < 1.758 < 2.286; so we can conclude that is no autocorrelation problem. While in equation 2 with k = 3 is obtained assuming 1.736 < 1.766 < 2.234, with the value can be known that there was no trouble autocorrelation in equation 2.

4.3. Hypothesis Testing

Hypothesis testing starts from testing of Goodness of Fit model equations, the equations used in this study are:

\[ \text{MVA/BVA} = -0.004 - 0.033\text{MGT} + 0.014\text{INST} + e_1 \]  
\[ \text{PBV} = 0.298 + 1.616\text{MVA/BVA} - 0.164\text{MGT} + 0.069\text{INST} + e_2 \]

Tabel 2. The Result of The Hypothesis Testing Equation 1

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Coefficient</th>
<th>t-statistic</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constanta</td>
<td>-0.004</td>
<td>-0.053</td>
<td>0.958</td>
</tr>
</tbody>
</table>

R-Square = 0.039  
Adj. R² = -0.019  
F-stat = 0.676  
Sig. F = 0.516  
Source: Synthesized Secondary Data

Tabel 3. The Result of the Hypothesis Testing Equation 2

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Coefficient</th>
<th>t-statistic</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constanta</td>
<td>0.298</td>
<td>1.467</td>
<td>0.152</td>
</tr>
<tr>
<td>MVA/BVA</td>
<td>1.616</td>
<td>3.829</td>
<td>0.001</td>
</tr>
<tr>
<td>MGT</td>
<td>-0.164</td>
<td>-2.235</td>
<td>0.033</td>
</tr>
<tr>
<td>INST</td>
<td>0.069</td>
<td>0.478</td>
<td>0.636</td>
</tr>
</tbody>
</table>

R-Square = 0.436  
Adj. R² = 0.383  
F-stat = 8.248  
Sig. F = 0.000  
Source: Synthesized Secondary Data

In the equation 2 in table 3 with the R-square 0.436 and F value 8.248 with 0.000 significance revealed that the ownership management, institutional ownership, and investment decisions has the ability to explain firm value of the company on 43.6% while the rest 56.4% explained by other factors that not included in the regression equation. In the equation 2 consistent with empirical evidence and fit with Goodness of Fit model at the significance level that less than 0.000. The significant value of the t-statistic management ownership, institutional ownership, and investment decision in the equation 2 worth 0.033; 0.636; and 0.001. Based on these result it can be concluded that the management
ownership and investment decision significantly has effect on firm value.

Based on table 2 and table 3 above known that the R-square value of each equation is 0.039 and 0.436. The coefficient of determination total can be calculated as follows:

\[ R^2_{e1} = 1 - 0.039 = 0.961 \]
\[ R^2_{e2} = 1 - 0.436 = 0.564 \]
\[ R^2_m = 1 - (0.961 \times 0.564) = 0.4579 \text{ or } 45.79\% \]

R²;m calculation result indicated the diversity of data that can be explained by the model of the path is equal to 45.79% or the information contained in the data 45.79% can be explained by the model. While the diversity of the remaining 54.21% explained by other variables (which are not in the model).

### a. Hypothesis 1 Testing

The result of testing first hypothesis (H1) and second hypothesis (H2) does not support the idea of Cho (1998) which revealed the ownership structure influence on investment decision. The conclusion that no influence between management ownership structure and institutional ownership with investment decision is also seen from the path coefficient in regression analysis, valued -0.033 with significance level of 0.278 and 0.014 with a significance level of 0.814. The increase or decrease of management ownership structure and institutional ownership structure in Indonesia does not affect the investment decision in companies that listed on the Indonesia Stock Exchange, due to management ownership structure and institutional ownership structure perform its role and support each other to maximize the firm value. Based on first hypothesis testing can conclude that the management ownership has no effect on investment decision. Not all investors want high investment, because they want the personal interests fulfilled rather than the interests of the company (Haruman, 2008). The finding in this study indicate that the agency theory that developed by Jensen and Meckling (1976) do not apply in Indonesia that had developing economy, in addition the difference sector as sample can be one of the factor that led to the result of the studies done differently.

The number of management ownership structure is relatively small (0.68%) in Indonesia on the period of observation; when compared to the managerial ownership an average of all companies listed in the United State, that’s amount maximum of twenty percent (Holderness, 2003) because of the investment decision effect that made by management had not much effect on their prosperity, so when management made investment decision not use excessive influence. The average of institutional ownership structure in this observation period is 10.72%; larger than management ownership structure on the same observation period. Concentration of ownership leading to greater chances of asymmetry information. So to improve the management performance within making investment decision needed incentive (Aggarwal and Samwick, 1999) and compensation (Baber et al., 1996).

### b. Hypothesis 2 Testing

Institutional ownership structure has no effect on investment decision, the results of testing the second hypotheses is appropriate and consistent with research conducted by Wahyudi and Pawestri (2006); and Pujiati and Widanar (2009). Wahyudi and Pawestri (2006) revealed that institutional ownership does not control the performance of the company, while according Pujiati and Widanar (2009) institutional ownership control of management performance. Institutional ownership in Indonesia had been investing in short term (Siagian and Rahardian, 2007), which resulted institutional ownership only doing supervision on the investment decision taken by management and does not affect the investment decision of company. In addition to invest in short-term, there is another motive of institutional ownership when invest in the company for emphasis in capital gain and dividend.

### c. Hypothesis 3 Testing

Investment decision has positive significant effect on firm value. Path coefficient show the relationship between investment decision with firm value is 1.616 with significance 0.001. Based on these results it can be concluded that the investment decision significantly affect firm value, so any form asset growth by investment decision made by managerial can increase the value of the company. When company investing in the company’s assets could be one positive signal to investors that the company is healthy and growing to maximize the firm value.
Company with high level of investment can be perceived as good news for investor, because their expectation of an increase in company's growth in the future (Haruman, 2008). The effect between investment decision with firm value has been revealed in several previous studies with a sample of companies on several sectors in Indonesia with different period, but has same conclusion, so the result of this study can be generalized both theoretically and empirically have proof.

d. Hypothesis 4 Testing

Management ownership has negatively effect on firm value. This conclusion based on the value of path coefficient between the direct influence of the management ownership with firm value in -0.164 with significance 0.033. The path coefficient of regression means that when management ownership increase, firm value of the company decrease. The decline in firm value occur due to opportunistic action that can be done by management to fulfill their personal interest. Opportunistic action of management can be minimized if company increased institutional ownership and public ownership (minority), so it can be encourage management to be more transparent and more responsible in improving the performance of the company to maximize the firm value. Otoritas Jasa Keuangan (2014) in Corporate Governance Roadmap has set the mechanism how to treat public ownership that have voting rights at the Shareholders General Meeting, so management can not simply override the rights and interests of the public ownership structure. The negative effect of management ownership with firm value indicates that there has been no separation between ownership and control in public companies that listed on the Indonesia Stock Exchange. Principals assume that management is extension of the benefit from concentration ownership of the company, so that in any decision making to increase firm value of the company is regarded as a reflection of the benefit decision from concentration ownership.

The results of this study indicate that the agency theory by Jensen and Meckling (1976) that applicable in advanced economy countries, have different effects on the listed companies on the Indonesia Stock Exchange with characteristics of a developing country with different economic circumstances. Jensen and Meckling (1976) revealed that the increase on management ownership can align interest between management and principal expected to have positive effect on increasing firm value, but with the concentration level of ownership in Indonesia public companies, was an increase in management ownership has negatively effect on firm value.

e. Hypothesis 5 Testing

The result of fifth hypothesis testing revealed that there is no effect between institutional ownership with firm value, this is evidenced by the significant value of the t-statistic 0.636 and the value of path coefficient in direct influence between institutional ownership structure and firm value 0.069. The findings of this study can be interpreted that institutional ownership is not one of the factors that affect firm value of public companies in Indonesia. The average of institutional ownership on the observation period 2008-2014 is 10.72%; lagger than the percentage of management ownership structure in the same period of observation, did not contribute to efforts in maximizing firm value conducted by management. Institutional ownership may increase firm value when it is supported by other factor not mentioned in the study. The finding of this study are consistent with research conducted by Wahyudi and Pawestri (2006), which revealed that institutional ownership structure does not control company performance, but institutional ownership serves as supervisor function for management performance. Difference result of this study can be caused due to the different sector companies sampled in the study and the difference in the period of research which could lead to different.

f. Hypothesis 6 Testing

Based on the results of regression analysis on each of equation known that the coefficient path from each path that connect managerial ownership and institutional ownership with investment decision and firm value, it can be concluded that investment decision is not an intervening variable in the relationship between the managerial ownership and institutional ownership on firm value. Calculation of the indirect effect due to the effect of intervening variable was not done in this study, because only found one path that have significant effect on the
relationship between the management ownership and institutional ownership to firm value through investment decision, that path connect between investment decision to firm value. With the only one path that has effect the concept of indirect effect between independent variables and the dependent variable through intervening variables are not accepted. These findings do not support the idea Jensen and Meckling (1976), which revealed that the company's ownership structure affect firm value because of the effect of investment decision. With the difference in the study period, the number of samples of companies, sectors of different companies, and different measurement tools, produce the same findings that the investment decision is not an intervening variable relationship between managerial and institutional ownership structure on firm value.

5. CLOSING

5.1. Conclusion

This study aimed to test the effect of management ownership and institutional ownership in firm value with investment decision as intervening variable. The study was conducted during the period 2008-2014 with sample of companies listed on the Indonesia Stock Exchange.

The results of this study showed that there is empirical evidence that managerial and institutional ownership structure has no effect on investment decision. The finding in this study indicate that the agency theory developed by Jensen and Meckling (1976) in the developed countries not applicable on the condition of Indonesia companies that have different characteristics. The number of managerial ownership structure causes investment decision taken by management is form representation of majority ownership decision, while the institutional ownership has monitoring function of management performance. Investment decision has positive influence on firm value, this conclusion indicates that the investment decision is one of important factor to enhance shareholder value. Companies that have high investing rated positively by the market as form of hope for growth in the future. Managerial ownership has negatively effect on firm value, the result can be interpreted with increasing managerial ownership, the value of the company will be decrease. This is may be due to opportunistic action assumed attached to the management. Forms of opportunistic action may include the fulfill of personal interest before the interest of the company.

The result of the testing in fifth hypotheses states institutional ownership does not affect firm value. Institutional ownership only perform as monitoring function to management performance, in addition institutional investor more interested getting dividend or profit on the investment made in given period without regard the growth of firm value in coming period. Investment decision is not an intervening variable thats strengthen indirect effect on the relationship between the managerial ownership and institutional ownership structure on firm value. This conclusion made because there is only one path associated significant and shows the effect on relationship between investment decision with firm value.

5.2. Limitations and Suggestions

Researcher realize that there are limitations in completing this study. First, in disclosure of the ownership structure. The ownership structure in Indonesia is concentrated, which consists of the concentration of family ownership, an affiliation institution, government, and moreover, whereas researcher only revealed two types of ownership structure are managerial ownership and institutional ownership, because their information about families ownership structure lacking from financial statements and different form of government ownership structure in company. Second, data is not normal, so when do screening should be eliminated as much as 18 companies including outlier data types. As a result, the study lost a lot of information that can reveal phenomena that occur on the Stock Exchange on the relationship between ownership structure on firm value through investment decision. Thirdly, there are companies that do not have complete set of financial statement during the observation period in 2008-2014, thereby reducing the number of samples in this study.

Based on the limitations above, there are some suggestion provided researcher for further studies. First is expected to consider any other ownership structure is the ownership structure of families and the influence of related party transaction in the affiliate company to firm value. The findings in this study reinforce the listed company to apply the rules of roadmap
GCG from the OJK to comply or explain approach that has become common practice in the international community as effort to establish good corporate governance. Second, future studies should consider including internal factors that impact the relationship between ownership structure with the company’s value and investment decisions. Third, further studies may consider the use of the latest study period in order to get the results more convincing.

6. REFERENCE


