THE EFFECT OF FINANCIAL INSTITUTION OWNERSHIP ON FIRM VALUE

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Abstract

This research aims to examine the effect of financial institution ownership (bank institution and non-bank institution) on firm value and also whether there is a difference of the effect between financial institution ownership in form of bank institution and non-bank institution on firm value. Total observations are 270 listed firms on Indonesia Stock Exchange in 2012-2014, resulting to 809 observations. The result of this research shows that financial institution ownership in the form of bank institution has no influence on firm value while financial institution ownership in the form of non-bank institution has a positive influence on firm value. This research shows that the influence of financial institution ownership in form of non-bank institution is greater than influence of financial institution ownership in form of bank institution on firm value. Regulator of financial institution could create new rules to encourage investment by non-bank institutions in public companies for effective monitoring and increase firm value. This research reveals the effect on financial institution ownership in form of bank and non-bank institution rather than institutional ownership on firm value in Indonesia that has not been discussed by other researches.

Keywords: Financial Institution Ownership in form of Bank Institution, Financial Institution Ownership in form of Non-Bank Institution, Firm Value
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1. INTRODUCTION

The company was established with the aim to generate profit which could enhance firm value over the long term period. One of the factors that affect the firm value is ownership structure. A company that is owned by shareholders who are not from management but rather by shareholders from outside the company either comes from individuals and institutions can lead to differences in interests between shareholders from outside the company with the company's management. The difference of interests between shareholders (principal) and management (agent) can arise because management wanted to have the incentives to meet personal's goal and not because of the presence of shareholders (Vintila and Gherghina, 2014) and that management's actions can reduce the firm value because the management will improve his welfare whereas management is an extension of the principal to be able to improve the welfare of the principal through an increase in the firm value. Vintila and Gherghina (2014) also mention that one of the ways to improve controlling of management processes and performance with the company's corporate governance mechanisms, one of them is the ownership of financial institutions.

Organisation for Economic Co-Operation and Development (OECD) (2004) explains that as the shareholder of the company, institutional shareholders or institutional ownership, especially institutional collective investment and pension funds have a role to ensure that good corporate governance practices has been run by a company because institutional shareholders have a fiduciary responsibility to the capital invested in the company to the beneficial owner (other shareholders). Al-Najjar (2014) also states that the external factors that significantly influence corporate governance is the institutional shareholders. Reinhanzadeh et al. (2014) also noted that institutional shareholder is a professional shareholder and has a strong analytical capability in analyzing accounting data and also has the ability to use the information.

Ownership by institutional investors is an interesting issue to examine due to they are more sophisticated (Chan and Lakonishok, 1995), more informed traders (Utama and Cready, 1997) and also more important price-setters in capital markets (Walther, 1997). This characteristics differentiate them from non-institutional investors, and hence we expect that institutional investor will have larger impact on firm value compared to other investors. Among those institutional investors, institutional characteristics such as concentration of shareholdings is expected to induce higher monitoring incentives among some institutions relative to others (Ramalingegowda and Yu, 2012). Therefore it is important as well to examine the different type of institutional investors.

This research was conducted with reference to previous research that conducted by Vintila and Gherghina (2014) with a research period of 2007-2011 for public companies listed on the Bucharest Stock Exchange (BSE). That research concluded that ownership of financial institutions have a positive effect on firm value. Financial institutions are expected to provide benefits for the company and can increase the firm value with their active controlling by financial institutions (Vintila and Gherghina, 2014). Some other studies conducted by McConnell and Servaes (1990), Ullah et al. (2012), and Lins (2003) on the effect of the ownership of financial institutions or financial intermediaries on firm value is a positive relationship, i.e. financial institutions can perform its role as an active controller to resolve their interest differences between management and shareholders. While the study that conducted by Jennings (2002) got the result that pension funds and endowment is an effective controller, while banks, mutual funds, insurance companies and investment advisors is not effective controller so institutional ownership has a negative impact on the firm value.

This study distinguishes between ownership by financial institutions in the form of bank institutions and non-bank institution because of the difference between the regulatory body of financial institution. Previously, bank is supervised by Bank Indonesia prior to 2014 and financial institutions other than banks are supervised by the Badan Pengawas Pasar Modal dan Laporan Keuangan (Bapepam-LK) before 2013. Now, the monitoring is centrally done by the Otoritas Jada Keuangan (OJK) per 2014 together with supervision by Bank Indonesia for banking industry, hopefully it can make a difference to the actions that taken by financial institutions in form of bank and non-bank in managing their investments in order to enhance firm value. The reason that underlying this research period from 2012 to 2014 is to give an influence of the financial institution ownership to increase the firm value that have implemented corporate governance mechanisms and after their unified supervision by the OJK since 2011.

Based on the background that is described above, the research's problems were (1) is the financial institution ownership in the form of bank institution have an influence on the firm value?; (2) is the financial institution ownership in the form of non-bank institution have an influence on the firm value?; and (3) is there a difference between the effects of financial institution ownership in the form of bank institution and non-bank financial institution on the firm value?

The objective of this research is to provide empirical evidence about the influence of financial institution ownership in the form of bank institution on firm value, the effect of financial institution ownership in the form of non-bank institution on firm value, and the difference effect between financial institution ownership in the form of bank institution and financial institution ownership in the form of non-bank institution.

2. THEORITICAL REVIEW

2.1. Agency Theory

Jensen and Meckling (1976) introduced the term of agency relationship as a contract between one or more persons (principal) to another person (agent) who will perform services as part of the principal's interest and the principal also give the agent an authority to make a decision. If the two parties, principals and agents, have expectations to maximize their own interests then this will be the reason agents do not work for the best interests of the principal (Ullah et al., 2012). Agents are supposed to act in the principals' interest but sometimes they want to maximize their own utility or interest so that the principal must pay the controlling cost to border the agent's activities for acting in accordance with the principal's interest. It is called agency conflicts (Jensen and Meckling, 1976). Agency conflicts can arise in a number of conditions, one of them is when the manager (agent) does not have the overall ownership of the company, the company's ownership from outside parties as a result of the sale of shares by the manager, the manager and the outside owner of the company may have different interests and outside owners are going to control the activities that carried by managers (Jensen and Meckling, 1976). Nuraina (2012) also said the same thing about agency problems associated with the ownership of which there are two agency problems. The first agency problem arises if the ownership spread to individuals so that shareholders that cannot supervise and control the management individually so the management can take action in accordance with their own interests. The second agency problem is the majority shareholder who has control over the management and the company, and even become part of the management itself so that the majority shareholders may take action to maximize their interests but harm the minority interests.

Jensen and Meckling (1976) said that the principal will pay incentives or agency costs to any action that taken for the interests of principals and agents to maximize the welfare of the principal. The existence of this agency costs resulting in a reduction of shareholder's wealth and have side effects on company's performance (Karathanassis and Drakos, 2004). Principal has to pay controlling cost included in the agency cost to resolve the agency problem that occurred with the agent, but if the agency cost is minimal, its means optimal relationship between the principal and the agent will be achieved. Agency theory also predicts that when agency costs are lower, firm value will be higher (Manurung, Suhadak, and Nuzula, 2014). In addition to monitoring costs, bonding costs incurred by the agency to ensure agents do not commit acts which may be harm to the principal's interest and residual loss is a reduction of the benefit that received by the principal for the agent's deviation, all of these are the agency costs that result of the agency problem (Jensen and Meckling, 1976).

2.2. Information Asymmetry

Asymetric information occurs when buyers and sellers do not have access to the same information, the seller will have more information than the buyer (Kidwell et al., 2013). New information in the company will be reflected in stock market prices and it's available to all parties. This allows investors to take decisions according to the information available in public and one of the information is through the stock market price. Kidwell et al. (2013) also mentions that the asymmetry of information also occur within the company, the manager (agent) has more information about the company's operations than the owners or shareholders (principals) so that financial institutions are expected to give a major contributor to the production of information.

Gillan and Starks (2003) states that one of the causes of agency conflict because participants have imperfect information about actions, knowledge and preferences of the other participants. There are three problems that occur when principals have imperfect information, the first problem is the principal cannot control and observe all activities performed by the agent (Palazzo and Rethel, 2007). The second problem is the lack of information regarding the contractual environment known by the agent but are not known by the principal. The last problem is principals has lack of knowledge of the things that exist in the company for example the incentive structures that exist within the company, the agent did not fully disclose to the principal.

2.3. Firm Value

The firm value is as appreciation or award given by investors against a company which is reflected in the stock prices of companies in the capital market (Silveira and Barros, 2007). Appreciation means that stock price is above the book value per share, while depreciation occurs when stock price below book value per share (Nuraina, 2012). High stock market prices makes the firm value is also getting higher and ultimately increase confidence in the company's performance not only in the present but also the future prospects of the company (Hermuningsih, 2013).

2.4. Corporate Governance

Corporate governance is an important element in improving the efficiency and economic growth also improve investors' confidence. OECD (2004) defines corporate governance as a set of relationships between the company's management, the board of the company, shareholders and stakeholders. Corporate governance is also intended to provide the right incentives to the management and board that exist within the company to perform the actions and decision-making and have the same objectives with shareholders' interests. Corporate governance is also supposed to provide effective oversight of the company.

Mallin (2012) said that institutional ownership in this research are financial institutions as one of the tools of governance through the voting rights. It can be concluded that the existence of financial institutions have a role in creating good corporate governance in a company.

One of the principles in the OECD (2004) is the second principle that provides guidance on the rights owned by shareholders as well as the function of ownership in a company, one of which is ownership by institutional investors. Institutional investor's acting in a fiduciary capacity are expected to carry out effective oversight on the purchased investment company because institutional investors has responsibility for investments made to beneficial owners of funds used. This is why institutional investors will perform its functions and exercise its rights as a shareholder to exercise effective oversight of the company's management.

Research that conducted by Siagian, Siregar, and Rahadian (2013) explains that companies whose implement corporate governance so the manager will be required to disclose important information so that the asymmetric information between shareholders and managers can be minimized. In addition, implementing corporate governance can also reduce potential conflicts of interest between managers and shareholders, thereby increasing the firm value. Research that conducted by Mizuno (2014) also explained that institutional ownership in this study is in the form of bank and non-bank actively strengthen corporate governance for increasing firm value by providing voting rights at the general meeting of shareholders and some among the institutional investors are conducting a dialogue with companies invested (investee).

2.5. Financial Institution

The agency problem which occurs within a company can be significant, resulting in internal control became ineffective. When this condition occurs, it required a control from external parties (Schneider, 2000). Gillan and Straks (2003) mentions that in some countries, institutional investors become a dominant player in the financial markets because of the importance of external control mechanism that is increasing and affecting governance around the world that led to institutional investors as equity owners (shareholders).

Corporate governance is expected to create a healthy financial system in order to improve the company's performance and the performance of the economy as well as sustainable economic growth. Weak corporate governance practices are identified as one of the causes of the global financial crisis (Roadmap of Corporate Governance, 2014). Corporate governance is a system of laws, regulations and the factors that control the operations of a company (Gillan and Starks, 1998). One of the mechanisms of corporate governance is the role of financial institutions in a company (Gillan and Starks, 2003). Financial institutions who became the owner of a firm is the ownership type and governance that is unique as it has been mentioned by Gillan and Starks (2003) and Schneider (2000). Institutional ownership by financial institutions is expected to improve the regulatory process and company's performance (Vintila and Gherghina, 2014). Karathanassis and Drakos (2004) specifically mentions that the potential effects of share ownership interests not only related to the number of shares owned, but also related to the possibility of influencing the decision making process. Karathanassis and Drakos (2004) also mentioned that the ownership that can influence the decision-making process if the ownership are within company or come from internal such as directors or other top management while the ownership from outside the company cannot influence directly the decisions taken by the management. OECD (2004) also mentioned that the institutional ownership in this study is the financial institution, will use its right as a shareholder and effectively carry out the functions stake in the company which is invested by the financial institution.

Financial institutions meant by Vintila and Gherghina (2014) is a large organization, such as banks, insurance companies, retirement funds, hedge funds, investment advisors, and mutual funds that have large cash reserves that need to be invested. Meanwhile, according to Kidwell et al.

(2013), types of financial institutions are deposit-type institutions, such as banks; contractual savings institutions, such as insurance companies and pension funds; investment funds, such as mutual funds; and other financial institutions, such as finance companies. In addition, Jennings (2002) divides into several types of financial institutions, such as banks, insurance companies, mutual funds, investment advisors, pension funds and endowment. However, in Indonesia, based on the website of the Otoritas Jasa Keuangan (www.ojk.go.id) and Undang-Undang No. 21 Year 2011 about OJK, an institution or a financial services institution divided into two, banks and non-banks, such as insurance companies, pension funds, financial institutions and other financial institutions.

2.6. Hypothesis Development

Financial institutions in Indonesia is composed of two types of bank and non-bank based on Undang-Undang No. 21 Year 2011 about OJK. Financial institution in form of non-bank such as insurance companies, pension funds, financial institutions, and other financial institutions. Based on research conducted by Jennings (2002), ownership by financial institutions such as banks are ineffective controlling so it reduce the firm value. The conclusion reached by Jennings (2002) supported by the opinion expressed by Brickley, Lease, and Smith (1988) that the bank is a pressure-sensitive institutional investors who have or potentially have a business relationship to the company. This can lead to supervision carried out by banks are not effectively and efficiently as expected. The hypothesis expressed by Pound (1998) in McConnell and Servaes (1990) states that institutional ownership is a professional institutions including banks that have the ability to oversee management at a lower cost because of the symmetric information. However, when the institutional ownership including bank make collaboration with management because there is a mutually beneficial relationship, oversight that should be done by the bank no longer practiced. This is why the management will keep taking action and making decisions that benefit their personal interests rather than the welfare of the principal resulting decline in the firm value.

However in Indonesia, a bank institution closely monitored by Bank Indonesia and OJK as has been mentioned before that the monitoring for a bank institution are routine and if there are potential difficulties and its going concern is threatened so it will do intensive supervision and specific to the bank (www.ojk.go.id). This makes the bank institutions would take business decisions with more careful, especially for investment decisions. When a bank institutions invests in a company so the bank institutions will conduct strict supervision to the company in order to enhance firm value. Based on explanation above, the research hypotheses are constructed are as follows:

Ha1: Financial institution ownership in form of bank has positive effect on firm value.

Earlier it was mentioned that under the agency theory, institutional ownership is expected to reduce the conflict between shareholders and management to provide effective oversight and reduce agency costs so it can improve the performance of the company and increase shareholder wealth through increased firm value (Gillan and Starks, 2003). Research conducted by Jennings (2002) came to the conclusion that ownership by financial institutions in the form of non-bank institutions is an effective monitoring on the company and to enhance firm value. Research conducted by Brickley, Lease, and Smith (1988) explained that the non-bank financial institutions is pressure resistant institutions that are less susceptible to pressure from management and are less affected by potential conflicts of interest than any other institution that has a business relationship with the company.

In addition, non-bank institutions will monitor the decisions taken by the management actively and shareholders of non-bank institutions will also be more likely to use their right to vote on a proposal submitted by the management to increase the firm value but will reject a proposal that could potentially reduce the firm value. This makes pressure resistant institution will monitor effectively for the benefit of shareholders. Based on the explanation above, the research hypotheses are constructed are as follows:

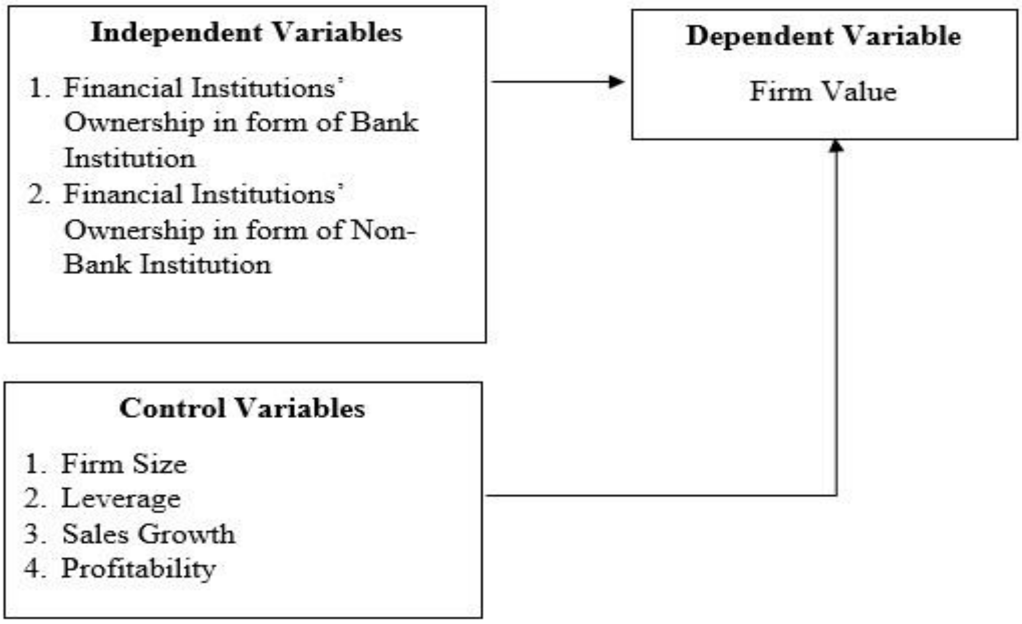
Ha2: Financial institution ownership in form of non-bank has positive effect on firm value.

Based on agency theory presented by Jensen and Meckling (1976) and previous studies conducted by Vintila and Gherghina (2014), McConnell and Servaes (1990), Lins (2003), Ullah et al. (2012), Gillan and Starks (2003), Nuraina (2012), Navisi and Naiker (2006), Reihanzadeh et al. (2014), and Thanatawee (2014) that financial institution ownership have a positive influence on the firm value, this is background of construction alternative hypothesis 1 and 2 above. But if you look at the Undang-Undang No. 21 Year 2011 about OJK and the OJK's website regarding bank monitoring system in Indonesia, it can be concluded that the monitoring that conducted by bank institutions more stringent than the monitoring that conducted by non-bank institutions. This is because bank institution is monitored by Bank Indonesia and OJK to ensure that the bank will not take incorrect strategic decisions that can harm the business continuity and consumers so that banks will be more careful in making investment decisions and that suspected bank will conduct more effective oversight of the company whose shares are purchased by the bank and increase the firm value so that the bank does not experience the strategic risk that could make the bank threatened to be suspend or will be stop the operation if the conditions of the banks did not improve. Based on the explanation above, the research hypothesis is constructed are:

Ha3: Financial institution ownership in form of bank have greater positive influence than financial institution ownership in form of non-bank on firm value.

The framework of this research can be described as follows:

Figure 1. Research Framework



3. RESEARCH METHOD

Financial institution ownership is divided into two types, bank institutions and non-bank institutions. The analysis of this research uses multiple regression analysis of panel data. The research model to test hypotheses 1, 2, and 3, that are the influence of financial institution ownership in form of bank institutions and non-bank institutions on firm value and to examine differences in the effect of financial institution ownership in form of bank institutions and non-bank institutions on firm value:

$$PBV_{it} = \beta_0 + \beta_1 Bank_{it} + \beta_2 NonBank_{it} + \beta_3 SIZE_{it} + \beta_4 LEV_{it} + \beta_5 GROWTH_{it} + \beta_6 PROFIT_{it} + \varepsilon_{it} \quad (1)$$

where:

PBV = Firm Value (price to book value ratio)

Bank = Percentage of financial institution ownership in form of Bank Institution

NonBank = Percentage of financial institution ownership in form of Non-Bank Institution

SIZE = Firm Size (logaritm natural of total assets)

LEV = Leverage (debts to total assets ratio)

GROWTH = Sales Growth (percentage of sales growth)

PROFIT = Profitability (return on equity ratio)

Firm value in this research is using a proxy that used by Nuraina (2012), Hermuningsih (2013), and Manurung, Suhadak, and Nuzula (2014), that's price to book value.

$$\text{Price to Book Value} = \frac{\text{Market Price per Share}}{\text{Book Value per Share}} \quad (2)$$

Based on research conducted by Vintila and Gherghina (2014), financial institution ownership both bank institutions and non-bank institutions is measured by the percentage of shares owned by financial institutions in the form of bank institutions and non-bank institutions to the overall company's outstanding shares.

This research has four control variables, they are firm size, leverage, sales growth and profitability. Based on research conducted by Hansen and Juniarti (2014), Chen and Chen (2011) and Nuraina (2012), firm size has a positive effect on firm value. Firm size is measured by the natural logarithm of the total assets owned by the company.

Leverage has a negative effect on the firm value according to research conducted by Chen and Chen (2011) and Manurung, Suhadak, and Nuzula (2012). Leverage is measured by comparing the total debt and total assets owned by the company.

Research conducted by Brush, Bromiley, and Hendrickx (2000) and Hansen and Junniarti (2014) that sales growth had a positive effect on firm value. The sales growth is measured by the number of sales for the year reduced by the amount of the previous year's sales and then divided by the number of previous year's sales.

Another factor that affects the firm value is profitability. Manurung, Suhadak, Nuzula (2014) and Chen and Chen (2011) got the results that profitability positively effect the firm value. This study uses the measurement of return on equity by comparing the net income by total equity held by the company.

4. RESULTS AND DISCUSSION

The number of samples in accordance with the criteria of sampling is 270 companies with as many as 809 observations. Table 1 shows the sample selection procedures are carried out.

Table 1. Sample Selection Procedure

Sample Criteria	Number of samples
Non-Finance and Non-Investment Companies that listed in Indonesia Stock Exchange in 2012-2014	1.038
Companies that do not publish financial report in Rupiah	(207)
Companies that do not have accounting period end on December 31	(12)
Companies that have no sales in a year	(9)
Total Data	810
Financial report is not listed on 2014	(1)
Total Sample	809

Descriptive statistics results shown in Table 2 below. It shows that the observation is owned by a financial institution such as a bank institution only at 10.07% or a total of 74 observations with an average ownership of 0.28% while the observations are owned by financial institutions in the form of non-bank institutions amounted to 48.58% or as much as 393 observations with the average ownership of 5.02%. This illustrates that monitoring by financial institutions in form of non-bank institutions are more effective than bank institutions because of greater ownership and the number of observations that are owned by non-bank institutions rather than bank institutions so that ownership by financial institutions in the form of non-bank institutions can increase the firm value rather than ownership by financial institutions in the form of bank institutions.

The results of descriptive statistics also showed that the average company has a stock market value per share amounted to 2.66 times the book value per share. This means that investors have a positive response to the company performance so that the stock market value is higher than the book value. The sample company is large company with a fairly low level of leverage. Company sampled almost the whole experience positive growth with profitability levels low enough so can decrease the firm value.

Table 2. Descriptive Statistics

Variables	Mean	Standard Deviation	Minimum Value	Maximum Value
PBV	2.663827	4.395877	-26.62774	32.56393
BANK	0.002752	0.017014	0.000000	0.132029
NON_BANK	0.050194	0.080931	0.000000	0.313980
SIZE (ln)	28.17585	1.736192	23.02692	33.35220
SIZE (Jutaan Rp)	6,462,559	17,322,447	4,011.59	233,138,000
LEV	0.252138	0.239303	0.000000	1.398753
GROWTH	0.159737	0.373045	-0.959300	1.895606
PROFIT	0.078590	0.339822	-2.495328	2.641464

4.1. Hypothesis Testing Results

Ownership by financial institutions such as banks, as measured by the percentage of ownership by financial institutions in the form of a bank have a positive effect on firm value (Ha1). The regression results are shown in Table 3 indicate that Ha1 rejected, so it can be concluded that there is no influence between ownership by financial institutions such as banks to the firm value. The results of this research are supported by research conducted by Mokhtari and Makerani (2013) who get the result that institutional ownership has no effect on firm value.

Table 3. Multiple Regression Results

Variable	Expected Sign	Coefficient	t-Statistic	Prob.
Constant		10.59424	1.618823	0.1061
BANK	+	5.047990	0.185563	0.4265
NON_BANK	+	8.048723	1.886472	0.0299*
SIZE	+	-0.304915	-1.303811	0.1929
LEV	-	1.218883	0.923951	0.3559
GROWTH	+	0.037336	0.110851	0.9118
PROFIT	+	-0.895385	-2.216915	0.0271*
R				0.867535
Adjusted R-Squared				0.624275
Prob(F-statistic)				0.000000

*Note: 809, with using winsorizing for outlier (3 times standard deviation from mean); PBV = price to book value ratio; BANK = percentage of financial institution ownership in form of Bank Institution; NON_BANK = percentage of financial institution ownership in form of Non-Bank Institution; SIZE = logarithm natural of total assets; LEV = debt to total assets ratio; GROWTH = percentage of sales; PROFIT = Return on Equity ratio; *significant value 5%*

The result of this research shows that institutional ownership in the form of bank does not has significant effect on firm value. This may be due to ownership by financial institutions such as banks do not have a significant ownership in company as shown in the descriptive statistics analysis. The average ownership by banks as financial institutions is only 0.28% in the company. This led financial institutions such as banks cannot conduct effective monitoring because it owned not significantly affect to the activities and decisions that made by managers to increase firm value.

Jennings (2002) reveals that financial institutions such as banks is not an effective supervisor in a company. This is because bank which is a pressure sensitive institution, owning shares of a company that have or the potential to have a business relationship and sometimes supporting the actions taken by management because of the pressure obtained from the management. In addition, the company is a key customer for the bank when the bank monitor the management, the management will not like it and pressing the bank so that the bank cannot conduct monitoring and cannot reduce conflicts of interest between management and the principal to be able to increase the firm value.

Ownership by non-bank financial institutions that is measured by the percentage of ownership by non-bank financial institutions is expected to have positive influence on the firm value (Ha2). Based on result test, Ha2 can not be rejected. The results of this research are supported by research conducted by Vintila and Gherghina (2014), McConnell and Servaes (1990), Lins (2003), Ullah et al. (2012), Gillan and Starks (2003) and Nuraina (2012) which states that institutional ownership has a positive effect on firm value.

This study provides evidence that institutional ownership in the form of non-bank institutions is an effective supervisor on the activities and decisions made by the management in order to enhance firm value. Percentage of ownership by financial institutions in the form of non-bank institutions increased, supervision is also more effective to reduce conflicts of interest between management and principals and it can make the firm value increases. Jennings (2002) also revealed that ownership by financial institutions other than banks is pressure insensitive institution which will not be affected by the pressure provided by management. Non-bank financial institutions, for example, is an investment company which is the beneficial owner of investment institution with the company. The investment company will conduct effective monitoring of the company because of the investment company has a responsibility to the beneficial owner on its investments. Effective monitoring can increase the firm value. Ownership by financial institutions in the form of non-bank average of 5.02% in a company, that ownership is greater than the ownership by financial institutions such as banks that's only 0.28% so it is likely non-bank institution have a greater influence on a company to be able to monitor the actions of management in order to align the interests management and shareholders and ensure actions taken by management are not harm to the company.

We conducted Wald test to examine whether there are differences in the effect of ownership by financial institutions in the form of bank institutions to non-bank institutions on firm value. Based on the coefficients in Table 3 the coefficient of ownership variables owned by financial institutions in the form of bank institution for 5.05 while coefficients owned by financial institutions in the form of non-bank institutions at 8.05, and the Wald Test shows that these 2 coefficients are statistically different. This suggests that the effect of ownership by financial institutions in the form of non-bank institutions is greater than the effect of ownership by financial institutions in the form of bank institutions so that the third hypothesis (Ha3) was rejected. This is because ownership by financial institutions in the form of bank institutions is smaller than the ownership by non-bank institutions so that banks are not focus on monitoring since ownership has not significant in the company and voting rights held by banks were not able to influence decisions made by management company. Meanwhile, non-bank financial institutions perform better supervision because of its voting rights can affect the decision to be taken by the management through the General Meeting of Shareholders so that it will increase the firm value.

Firm size has no effect on firm value. This result is not supported by Hansen and Junniarti (2014) and Nuraina (2012) but this result was supported by Chen and Chen (2011) which states that the company whether large or small does not give effect to the firm value if it has the same financial performance. This means investors will be viewed on the company's performance, not as large or small companies. Leverage has no influence on the firm value. The results of this research are not supported by research conducted by Hansen and Junniarti (2014), Vintila and Gherghina (2014), and Manurung, Suhadak, and Nuzula (2014). These results are based on a sample study with an average level of leverage that is owned by the company amounted to only 25.21%, so it can be said that the risk of bankruptcy which is owned by the company is not too big so it does not impact the firm value.

Sales growth has no effect on firm value. The results of this research was supported by the results of research Hansen and Junniarti (2014) which states that an increase or decrease the sales growth will not affect the firm value because the manager in a company will try to increase sales growth to get certain incentives such as bonuses or promotions, but not to enhance firm value. Profitability has negative effect on firm value. These results are supported by research conducted by Manurung, Suhadak, and Nuzula (2014) and Chen and Chen (2011). Profitability became one of the investors' assessment in considering the firm value, but investors do not just believe in the profitability achieved by the company because it could be improved profitability to obtain funds from outside the company or used to make a profitable investment managers but harm the interests of the principal.

5. CONCLUSION

Based on test results, we find that ownership by financial institutions in the form of a bank institution has no effect on firm value. This is because the condition of financial institutions in the form of bank institutions that invest in public company in Indonesia is still very small percentage of ownership with an average of only 0.28% and make the monitoring by the financial institution does not affect the firm value. Low ownership percentage also limit the control that can be carried out by financial institutions such as banks on the company and voting rights that are not significant to be able to increase the firm value. The results of this study are supported by Mokhtari and Makerani (2013) who find that institutional ownership has no effect on firm value. Research conducted by Jennings (2002) reveals that financial institutions such as banks is not an effective supervision in a company. This is because the bank which is a pressure sensitive institution, owning shares of a company with the potential to have a business relationship or a business relationship and sometimes supporting the actions taken by management because of the pressure obtained from the management.

Ownership by financial institutions in the form of non-bank institutions have a positive effect on firm value. This means greater ownership by financial institutions in the form of non-bank institutions will further enhance firm value. This proves that the ownership by financial institutions in the form of non-bank institutions are more effective monitoring than ownership by financial institutions in the form of a bank institution on the observations in this study, that's effective supervision on the activities and decisions made by the management in order to act in accordance with the interest of the principal and reduce agency costs incurred by the principal in order to enhance firm value. This study was supported by research conducted by Vintila and Gherghina (2014), McConnell and Servaes (1990), Lins (2003), Ullah et al. (2012), Gillan and Starks (2003) and Nuraina (2012) which states that institutional ownership has a positive effect on firm value. This is supported by Jennings (2002), which shows that ownership by financial institutions other than banks is pressure insensitive institution which will not be affected by the pressure provided by management. Non-bank financial institutions, for example, an investment company which is the beneficial owner of investment institution with the company. The investment company will conduct effective oversight of the company for the investment company has a responsibility to the beneficial owner on its investments.

Financial institution ownership in the form of non-bank institutions effects greater than the ownership by financial institutions in the form of bank institutions on firm value. This is because the sample used in this study that describes the conditions in Indonesia more owned by financial institutions in the form of non-bank than bank institutions so that monitoring by financial institutions in the form of non-bank more effective to reduce potential conflicts of interest between management and shareholders so as to further enhance the firm value.

There are several limitations of our study. First, we do not consider whether there are any different effect of foreign institutional investors and domestic institutional investors on firm value. Foreign institutional may have advantages over domestic investors in the form of more credibility and a stronger reputation than domestic investors (Huang and Shiu, 2009). We do not examine those investors separately because other studies suggest that foreign institutional investor commit to herding because they are unfamiliar with the target country (Chen et al., 2008) and also domestic investors may be have more knowledge than foreign investors about the local environment or domestic firms. However, this issue may be explored further in the future studies.

We also do not examine the representation in the board of directors or board of commissioners of institutional investors or financial institutions that have a low percentage of ownership in the company. Financial institutions that have representatives on the board may have a stronger incentive to monitor management and enhance shareholders value.

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