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Public Ownership and Institutional Ownership on Firm Value Through Financial Performance

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Abstract

This study intends to evaluate and determine the influence of public ownership and institutional ownership on company value by analyzing the financial performance of manufacturing companies listed on the Indonesia Stock Exchange in the Metal Subsector and similar industries (IDX) from 2019 to 2021. Determination of the sample using a purposive sampling technique to identify 14 companies using secondary data. To test the hypothesis, Eviews 12 was utilized to conduct a panel data analysis. The data analysis included descriptive statistics, normality tests, autocorrelation, heteroscedasticity, and determination coefficient (R Square). The results indicate that public and institutional ownership positive and statistically significant impact on financial performance. Public and institutional ownership has a favorable and significant effect on the value of a company. Financial Performance has a positive and substantial impact on the value of a company. Public and institutional ownership has a favorable and considerable effect on the value of a company as measured by its financial performance. We recommend to investors that, if they wish to invest, they get information as soon as possible so that there is no asymmetry of knowledge present when making investment selections. Firms should disclose information about their financial accounts so that investors may quickly acquire the required information and avoid losses for investors and the company itself. This study mainly utilizes metal subsector manufacturing companies; thus, it is hoped that future research will be able to incorporate companies from other industries.

Keywords: Public Ownership, Institutional Ownership, Firm Value, Financial Performance.

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Introduction

Firm value is the investor's perception of the success of managing the company, which is reflected in the company's stock price. The higher the stock price, the higher the company value; conversely, the lower the stock price, the lower the company value, or the company's performance is not good (Endraswati, 2012). Maximizing firm value is significant for a company because maximizing firm value means maximizing the company's main goals. Increasing the company's value is an achievement that is by the owners' wishes because by increasing the company's value, the owners' welfare will also increase (Triyono & Arifati, 2015). According to (Hariyanto & Lestari, 2016), company value is the company's selling value or growth value for shareholders; the company's value will be reflected in the market price of its shares. Firm value is a particular distribution function of the proportion of share ownership (Haryono et al., 2017). It is then emphasized that single ownership (Blockholder) strongly influences company value (Arifulsyah, 2016).

The metal and similar sub-sector industry are one of the sub-sectors of manufacturing companies in the primary and chemical industry sector; the metal and similar sub-sector industry are one of the manufacturing companies that is growing aggressively and achieving the third highest growth in 2018 based on data from the Ministry of Industry's industrial growth analysis, namely increased from 5.87% in 2017 to 8.11% in 2018 to be precise in the third quarter, the metal subsector industry is the only primary and chemical industry subsector whose growth is among the three highest in Indonesia, the first highest growth was achieved the rubber industry group recorded 12.34% followed by the textile and apparel industry group which grew by 10.17%. Rising world commodity prices such as Iron or Steel, Precious Base Metals, Nickel, and Aluminum are reasons for the increase in industrial production of base metals in 2018, especially Iron or Steel and Aluminum. This caused the export volume of Iron or Steel in 2018 to increase by 23.91% with an export value increasing of 69.26%, and aluminum export volume in 2018 increased by 30.38%, with an export value increasing of 44.23%. However, there was a growth contraction in the Metal Goods Industry; Computers, Electronic Goods, Optical and Electrical Equipment in the third quarter of 2020 was in line with the decline in the export volume of the Non-Mechanical Metal Goods Industry and its Equipment which was recorded at 12.20% (yoy), with the export value also decreasing by 1.31% (yoy). The decline in the export volume of the Non-Mechanical Metal Goods Industry and its Equipment, which amounted to 12.20%, was mainly due to a decrease in the export volume of Heavy Construction Commodities Ready to Install from Steel which fell by 46.1% (yoy), and also other Metal Goods commodities which decreased by 25.19% (yoy). The decline in the financial performance of some of these companies could occur due to unstable sales growth. (Source: https://kemenperin.go.id). Sales growth reflects changes in sales per year; stable and increasing sales indicate the success of the company's operations so that it can be used as a component to predict the development of the company's performance in the future.

Current company ownership has something in common in several countries; namely, there is a concentration of ownership, usually in the type of institutional ownership. Ownership is now more visible from an institution's share ownership mechanism. The theory of financial management has proven that share ownership influences company value. Not only that but research (Hariyanto & Lestari, 2016; Haryono et al., 2017) shows that ownership structure has a significant effect on firm value. In addition to stock returns, several studies have tried using proxies based on accounting calculations (accounting-based value) to measure firm value. The higher the insider's ownership, the higher the company's value, which is indicated by the higher value of Tobin's Q (Endraswati, 2012; Triyono & Arifati, 2015). However, after conducting a review primarily based on agency theory, it was found that there is a relationship between ownership and firm value.

Public shareholding (public shareholding) is the proportion of shareholding owned by the public or the community towards company shares. Based on agency theory, the majority shareholder can be able to minimize problems that may occur between shareholders and managers. Ownership of the company by outsiders has excellent power in influencing the company through the mass media in the form of criticism or comments, all of which are considered the voices of the public or society. The concentration of outside ownership creates influence from outsiders, thus changing the management of the company, which was initially running according to the company's wishes, to have limitations (Suardikha & Apriada, 2016). From this statement, it can be concluded that companies with a higher level of public ownership will tend to be timelier in submitting their financial reports. Ownership of company shares by the public indicates that the public has seen the potential for the company's profitability, so they are willing to invest in the company. Thus the company will continue to develop its business to increase its value as a competitive advantage so that people are eager to continue to invest in the company (Dian & Lidyah, 2014).

Several studies on institutional shareholders have found inconsistent results. Institutional shareholders tend to behave more actively in voting compared to other shareholders, even though they are in a position that does not have sufficient power in voting rights. This behavior is mainly caused by the fear of institutional shareholders of the possibility of taking over by other institutions (Damayanti & Suartana, 2014); this positively impacts firm value. Meanwhile, another study found otherwise. Whereas in making decisions, the dynamic behavior of institutional shareholders will be faced with the voting power possessed by insider shareholders or even more incredible, namely blockholders with sizable and significant ownership, then both insider owners and blockholders will carry out opportunistic behavior which will have a negative impact on the value companies (Pantow et al., 2015).

Stakeholder theory states that a company is not an entity that only operates for its own sake but must benefit all stakeholders (Januri & Kartika, 2021). Stakeholders are stakeholders, namely parties or groups, who have an interest, either directly or indirectly, in the existence or activities of the company, and therefore these groups influence and or are influenced by the company (Suranto & Walandouw, 2017). According to (Onasis & Robin, 2016), stakeholder theory is a group of people or individuals who are identified as able to influence company activities or can be affected by company activities.

Repi (2016) states that agent relationships arise when one or more individuals, called owners (principals), employ other individuals or organizations, called agents, to do work and then delegate decision-making authority to these agents. The theory in financial management states that the primary agency relationships are the relationships between stockholders and managers and managers and debtholders. Iswajuni (2018) states that it can be said that an agency relationship arises between two (or more) parties where one is appointed as an agent acting on behalf of or as a representative for another party (principal) who is a shareholder in the company. Agency theory is a concept that explains the contractual relationship between principals and agents. Principals are parties that give mandates to other parties, namely agents, to carry out all activities on behalf of principals in their capacity as decision-makers (Fadillah, 2017).

Legitimacy theory focuses on the interaction between companies and society. This theory states that organizations are part of society, so they must pay attention to the social norms of society because conformity with social norms can make companies more legitimate. According to Sekaredi (2011), legitimacy is essential for organizations, social norms and values emphasize boundaries, and reactions to these boundaries encourage the importance of analyzing organizational behavior concerning the environment.

Ozdemir (2020) states that ownership structure is fundamental in determining company value. Two aspects of ownership need to be considered: ownership by outsiders and by internal parties or company management. The concentration of outsider ownership can be measured by the percentage of the most significant shareholding held by outsiders (outsider ownership). The concentration of insider ownership can be measured by the percentage of the most considerable shareholding owned by insiders or company management (insider ownership). Ownership of the company by outsiders has excellent power in influencing the company through the mass media in the form of criticism or comments, all of which are considered the voices of the public or society. The concentration of outside ownership creates influence from outsiders, thus changing the management of the company, which was initially running according to the wishes of the company itself, to have limitations (Lin & Fu, 2017).

Institutional ownership is the proportion of share ownership by institutions, in this case, the founding institutions of the company, not institutional public shareholders, as measured by the percentage of total shares owned by internal institutional investors. This measurement refers to research (Chabachib et al., 2019); this variable is given the symbol (INST), namely the proportion of shares owned by institutions at the year's end, measured in %. This variable will describe the level of institutional ownership in the company. A high level of institutional ownership will lead to greater oversight by institutional investors to deter managers' opportunistic behavior.

Company performance is a formal effort carried out by the company to evaluate the efficiency and effectiveness of the activities carried out in a certain period. According to Guo (2019), the notion of financial performance is the determination of specific measures that can measure the success of an organization or company in generating profits. Meanwhile, according to IAI (2007), Financial Performance is a company's ability to manage and control its resources. From this understanding, it can be concluded that financial performance is a formal effort that has been carried out by a company that can measure the company's success in generating profits so that it can see the prospects, growth, and potential for good development of the company by relying on existing resources. A company can be said to be successful if it has achieved the standards and goals that have been set.

Maximizing firm value is significant for a company because maximizing firm value means maximizing the company's main goals. Increasing the company's value is an achievement of the owners' wishes because by expanding the company's worth, the owners' welfare will also increase (Hariyanto & Lestari, 2016). The research conducted (Dewi, 2019; Sukirni, 2012) concluded that the ownership structure (managerial ownership and institutional ownership) of shares has a negative and significant effect on company value. This gives the assumption that the reduced composition of managerial ownership and institutional ownership and increasing public ownership will affect the increase in firm value. This shows that companies in Indonesia need to enlarge the shared ownership structure to encourage company management to be more transparent. There is a desire to spread ownership so that certain family members do not control companies. In the current conditions, it is known that the proportion of share ownership of public companies in Indonesia is still relatively low, and it is also obtained that the company's performance as a form of implementation of good corporate governance is also still weak. Based on these two things, the large proportion of public shares positively affects company performance. This conclusion can also explain that the weak performance of companies and the low implementation of good corporate governance in Indonesia is partly caused by the public's weak ownership of shares by companies. This test emphasizes that the company's performance will be better if the proportion of shares owned by the public can be increased. The study's results (Arifulsyah, 2016) show that public ownership positively affects financial performance.

H_1: Public ownership has a positive effect on financial performance.

Based on agency theory, a company that separates its ownership structure into two, namely managerial ownership and institutional ownership, will be prone to conflict (Haryono et al., 2017). This conflict occurs because of deviant behavior by company managers. To reduce this deviant behavior, it is necessary to have supervision by outsiders of the company. Ownership of shares by institutions can reduce deviant behavior by managers by supervising them. Institutions usually control most shares because they have more significant resources than other shareholders, so their voting power over their shares can be more substantial in supervising and deciding on all activities by managers. This has a good impact on the company because everything can go according to the company's interests, and in the end, the company's performance will increase. Research conducted by (Fauzi & Musallam, 2015) shows that institutional ownership significantly positively affects company performance. This supports the statement that institutional ownership can improve company performance with its ability to oversee management policies that are not in line with the company's so that they run according to the company's interests.

H_2: Institutional ownership has a positive effect on financial performance.

Go-public companies listed on the Indonesia Stock Exchange (IDX) have proportionate share ownership by the public, meaning that all activities carried out by the company must be reported and known by the public as a shareholder. However, the level of share ownership has different portions from one another. The larger the shares owned by the public, the company must provide a more comprehensive disclosure of its social responsibility and try to disclose it as well as possible to get public support. Sriayu (2013) states that companies with high public ownership indicate that they can operate well and provide appropriate dividends to the community; companies with high public ownership tend to disclose more comprehensive information to the public, thereby increasing the value of the company.

H_3: Public ownership has a significant positive effect on firm value.

Institutional shareholders are usually in the form of entities such as banks, insurance, pension funds, mutual funds, and other institutions. Institutional ownership is the proportion of share ownership by institutional investors as measured by the percentage of the number of shares owned by institutional investors (Arifulsyah, 2016). Previous studies examined by previous researchers produced different conclusions with different variables, such as research conducted by (Suardikha & Apriada, 2016) researching that institutional share ownership has a positive effect on firm value. This means that the higher the institutional ownership, the stronger the external control over the company. Institutional ownership will encourage a more optimal increase in the supervision of the company's performance in achieving the company's goal of optimizing the value of the company. A high level of institutional ownership will lead to more significant supervisory efforts by institutional investors that can hinder managers' opportunistic behavior. The study results (Damayanti & Suartana, 2014; Dian & Lidyah, 2014; Sukirni, 2012) state that institutional ownership positively affects firm value because high ownership makes companies exercise control over the company.

H_4: Institutional ownership has a significant positive effect on firm value.

Financial performance is one factor that becomes a reference for investors in buying shares. For companies, improving financial performance is a must so that the company's shares remain attractive to investors. From the financial statements, financial ratios are then used to determine whether a company is running effectively and efficiently. ROA is a ratio that measures the level of company profitability. ROA measures the net profit obtained from the company's operations by using all of its wealth. The high or low ROA depends on the management of the company's assets. The benchmark level of investors in investing depends on the high or low value of the company, which describes the company's market value in increasing its attractiveness to investors. Measurement of company value can be done using Tobin's Q formula. An increasing share price indicates an increase in company value. Research conducted (Pantow et al., 2015) found that ROA positively affected firm value. (Januri & Kartika, 2021) States that the firm's earnings power assets determine the firm value. The positive effect of earnings power assets on firm value indicates that the higher the earnings power, the more efficient the asset turnover and the higher the profit margin obtained by the company, which impacts increasing firm value. (Suranto & Walandouw, 2017), also found that ROA has a positive effect on firm value. This shows that ROA is one of the factors that affect firm value.

H_5: Financial performance has a positive effect on firm value.

Public proprietorships may have more efficient information to meet their company's internal and external funding needs. This can encourage managers to be more concerned with the interests of their shareholders. Public Ownership is the percentage of share ownership owned by outsiders (outsider ownership), which is needed for internal and external funding whose sources of external funding are obtained from public (public) shares—the greater the ownership of public shares, the greater the control mechanism for managing behavior. The composition of public shareholders will facilitate monitoring, intervention, or some other disciplinary influence on managers, making managers act in the interests of shareholders. The composition of public shareholders will also affect the ownership of members of the company's board of directors and board of commissioners. In other words, the increase in public shareholding will accompany an increasing number of elected boards from outside, which will affect the company's performance. Firdausi & Purwandari (2022) found that public ownership significantly affects firm value. The greater the public ownership, the more the controlling shareholder cannot freely manage the company. This may result in a conflict of interest between the public and controlling shareholders. According to Sudana, (2016), public share ownership is several rights and obligations owned by investors on behalf of the public or the public. Investors also must monitor the activities of managers to ensure that all required information can be appropriately received so that income smoothing can be reduced and encourage an increase in company value. Research conducted by Rifqiyah, (2016) says that public ownership shares influence the company's financial performance. With the existence of public share ownership, at any time, the public can obtain data on the movement of increasing operational performance and financial performance in the company, and indirectly the company must be able to improve the performance of its company so that it is always an option for investors.

H_6: Public ownership has a positive effect on firm value through financial performance.

Institutional ownership is legal by other institutions, namely companies or other institutions. Share ownership by parties formed by the government, private, domestic, and foreign institutions. Institutional ownership is a tool used to reduce agency conflict. Institutional ownership can control the management through an effective monitoring process. With institutional supervision, it is possible to optimize management's performance monitoring to avoid misappropriation by management. So, the involvement of institutions with companies can affect improving better company performance. Previous studies examined by previous researchers produced different conclusions with different variables, such as those conducted by (Suardikha & Apriada, 2016), researching that institutional share ownership positively affects firm value. The study's results (Petta & Tarigan, 2017) found that institutional ownership positively affected financial performance. The greater the value of institutional ownership, the stronger the control over the company so that company owners can control management behavior that they act by company goals, ultimately increasing company value.

H_7: Institutional ownership has a positive effect on firm value through financial performance.

Research Design and Method

This type of research is quantitative research. The population in this study is a manufacturing company in the Metal Sub-Sector and the like listed on the Indonesia Stock Exchange (IDX) for the period 2019-2021, with as many as 16 companies. The sampling technique used in this study was purposive sampling, so 14 companies were selected. The sources of data used in this study are secondary data. The data collection method in this study uses documentation. Documentation is by collecting data that is already available or has been documented in the form of annual financial reports of manufacturing companies in the Metal Sub-Sector and the like listed on the Indonesia Stock Exchange (IDX). The statistical method used to test the hypothesis is to use panel data analysis with the help of Eviews 12 software; after all the data in this study is collected, then data analysis is carried out consisting of descriptive statistical analysis, normality test, autocorrelation test, heteroscedasticity test, test coefficient of determination (R Square), testing all hypotheses through direct testing and indirect testing.

Table 1. Operationalization of Variables and Measurements

Variable	Indicator	Reference
Public Ownership	$KP = \frac{\sum \text{public stock}}{\sum \text{outstanding shares}}$	(Arifulsyah, 2016; Julekhah & Rahmawati, 2019)
Institutional Ownership	$KI = \frac{\sum \text{Institutional Shares}}{\sum \text{outstanding shares}}$	(Damayanti & Suartana, 2014; Sukirni, 2012)
Financial Performance	$ROA = \frac{\text{Net Profit After Tax}}{\text{Total Aset}}$	(Arifulsyah, 2016; Suranto & Walandouw, 2017)
Firm Value	$PER = \frac{\text{Market price per share}}{\text{Earning per share}}$	(Januri & Kartika, 2021; Suranto & Walandouw, 2017)

Results and Discussion

Statistical Result

Based on the results of descriptive statistics obtained, as many as 42 observational data were derived from the multiplication between the research period, which is for three years from 2019-2021, with the number of sample companies as many as 14 manufacturing companies in the Metal and similar sub-sector. The test results can be seen in table 2.

Table 2. Descriptive Statistical Analysis

	N	Minimum	Maximum	Mean	Std.Deviation
Public Ownership	42	7.50	59.89	36.32	13.83223
Institutional Ownership	42	25.00	92.50	60.49	15.35754
Financial performance	42	.45	36.99	12.83	9.07234
Firm Value	42	5.01	61.47	23.42	11.82676
Valid N (listwise)	42				

Table 2 explains the results of descriptive statistics about the variables in this study, including the minimum value of Public Ownership is 7.5% and the maximum value is 59.89%. The average value of 36.3207 indicates that Public Ownership has quite a high effect. The standard deviation of Public Ownership is 13.83223. The minimum value of Institutional Ownership is 25%, and the maximum is 92.50%. The average value of 60.4998 indicates that

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Institutional Ownership has quite a high effect. The standard deviation of Institutional Ownership is 15.35754. The minimum value of Return on Assets (ROA) is 0.45%, and the maximum is 36.99%. The average value of 60.4998 indicates that the Return on Assets (ROA) has a reasonably high effect. The standard deviation of Return on Assets (ROA) is 9.07234. The minimum value of the Price Earning Ratio (PER) is 5.01, and the maximum value of the Price Earning Ratio (PER) is 61.47. The average value of 12.8383 indicates that the Price Earning Ratio (PER) has quite a high effect. The standard deviation of the Price Earning Ratio (PER) is 11.82676.

Furthermore, the normality test in this study used the Jarque-Bera (JB) test, with a significance level used α = 0.05. The test results are shown in Figure 1 below:

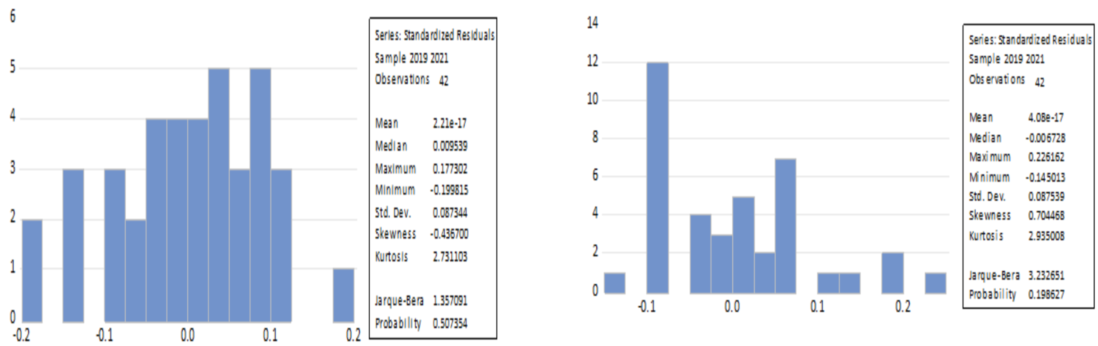

Figure 2. Normality Test

Source: Data processed by eviews, 2022

Based on Figure 1, the probability value for model 1 is 0.507354 > 0.05, and the probability value for model 2 is 0.198624 > 0.05. So, the data used in this study are normally distributed. The results of the autocorrelation test are seen from the Durbin-Watson Stat model 1 value of 1.499562. This value is the Durbin Watson (DW) value between -2 and +2, so it can be concluded that there is no autocorrelation symptom. Meanwhile, the results of the autocorrelation test were seen from the Durbin-Watson Stat model 2 value of 2.046140. This value is the Durbin Watson (DW) value between -2 and +2, so it can be concluded that there is no autocorrelation symptom.

Table 3. Multicollinearity Test Results

Info	Durbin-Watson stat
Model 1	1,499562
Model 2	2,046140

Source: Data processed by eviews, 2022

Table 4. Heteroscedasticity Test Results

Info	F. Statistics	Prob. F	Obs* R-Square	Prob. Chi-Square
Model 1	0,341456	0,201581	0,303564	0,264186
Model 2	0,303564	0,290915	0,314620	0,292913

Source: Data processed by eviews, 2022

Based on table 4, the results of the heteroscedasticity test with the Harvey test show a probability value of Chi-Square Obs*R-squared model 1 of 0.264186 > 0.05. So, it can be concluded that there is no heteroscedasticity problem in regression model 1. Meanwhile, based on the table above, the probability value of Chi-Square Obs*R-squared model 2 is 0.292913 > 0.05. So, it can be concluded that there is no heteroscedasticity problem in regression 2.

Table 5. Results of Coefficient of Determination Test Model 1

Info	R-Squared	Adj. R-Squared
Model 1	0,303564	0,317095
Model 2	0,317095	0,433697

Source: Data processed by eviews, 2022

Based on table 5, the Adjusted R-squared value is 0.303564 or 30.35%. This shows that the independent variables, including public ownership and institutional ownership, can explain the dependent variable: the financial performance of 30.35%. At the same time, the remaining 69.65% is influenced by other variables not included in this study. Furthermore, these amounts are used to find the coefficients of sub-model I (e1) with the formula e1 = √1 – 0.6965 = 0.550. The adjusted R-squared value is 0.478405 or 47.84%. This shows that the independent variables, including public ownership, institutional ownership, and financial performance, can explain the dependent variable: the firm value of 47.84%. At the same time, the remaining 52.16% is influenced by other variables not included in this study. Moreover, these amounts are used to find the coefficients of sub-model II (e2) with the formula e2 = √1 – 0.5216 = 0.6916. Furthermore, the path analysis in this study is divided into two models where the model analyzes the effect of public ownership and institutional ownership on financial performance. The following table will present the results of regression calculations and the significance of sub-models I and II.

Table 6. Equation T Test Results

Variable	Coefficient	Std.Error	t-Statistic	Prob.	Info
Public Ownership * Financial Performance	0.011976	2.9909	4.00153	0.0000	Signifikan
Institutional Ownership * Financial Performance	0.027337	3.2803	8.34026	0.0000	Signifikan
Public Ownership * Firm Value	0.700348	0.1686	4.15255	0.0000	Signifikan
Institutional Ownership * Firm Value	0.031097	0.0982	2.14968	0.0003	Signifikan
Financial Performance * Firm Value	0.080705	0.0256	3.14101	0.0002	Signifikan
Public Ownership * Financial Performance * Firm Value	0.5501	0.0816	2.553	0.001	Signifikan
Institutional Ownership * Financial Performance * Firm Value	0.6916	0.0178	2.216	0.002	Signifikan

Source: Data processed by eviews, 2022

The effect of public ownership on financial performance has a t count of 4.00153 and a t table value of 1.684, so t count > t table means that hypothesis 1 is accepted. The significance value of the public ownership variable is 0.0000, which is less than 0.05 (0.011976 > 0.05). This means that the public ownership variable has a positive and significant effect on financial performance; Then, the effect of institutional ownership on financial performance has a t count of 8.34026, a t table value of 1.684, so t count > t table means that hypothesis 2 is accepted. The significance value of the institutional ownership variable is 0.0000, which is less than 0.05 (0.0000 <0.05). This means that the institutional ownership variable has a positive and significant effect on financial performance; The effect of public ownership has a t count of 4.15255 with a t table value of 1.684, so t count > t table means that hypothesis 3 is accepted. The significance value of the public ownership variable is 0.0000, which is less than 0.05 (0.0000 <0.05). This means that the public ownership variable has a significant positive effect on firm value; The effect of institutional ownership has a t count of 2.14968 with a t table value of 1.684, so t count > t table means that Hypothesis 5 is accepted. The significance value of the institutional ownership variable is 0.0003, which is less than 0.05 (0.0003 <0.05). This means that the institutional ownership variable positively and significantly affects firm value.

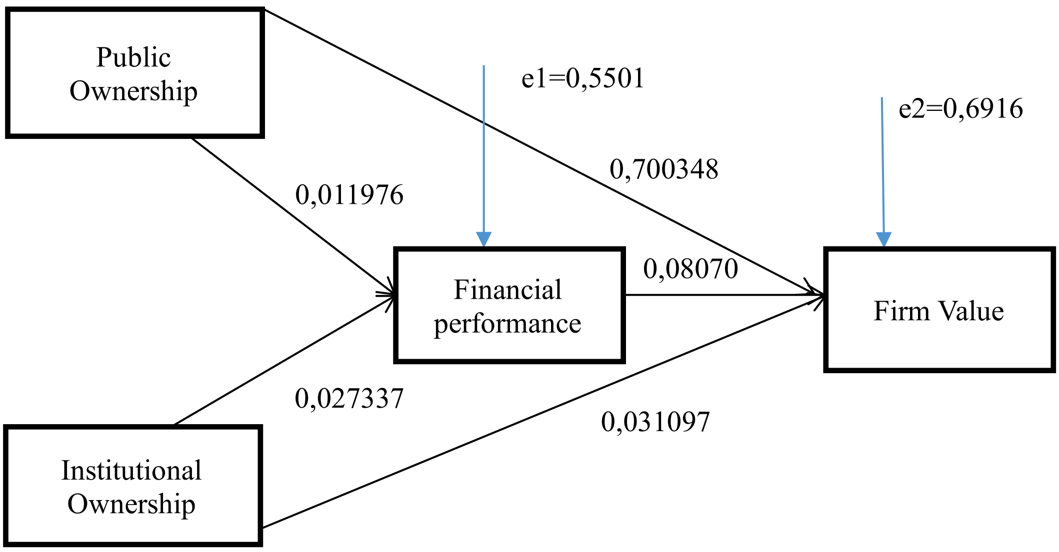

Figure 2. Path Diagram Sub Model
Source: Data processed by eviews, 2022

Testing the First Hypothesis (H1)

The first hypothesis states that there is a positive and significant influence between public ownership and financial performance. Table 6 shows that the public ownership variable has a significant level of 0.000, less than 0.05, and the t-statistic value > 1.684 (4.001 > 1.684). The parameter coefficient value of +0.011 indicates a positive influence on the dependent variable. This means that H1 is accepted so that it can be said that public ownership has a positive and significant effect on financial performance.

Testing the Second Hypothesis (H2)

The second hypothesis states a positive and significant influence between institutional ownership and financial performance. Table 6 shows that the institutional ownership variable has a significant level of 0.000, less than 0.05, and the t-statistic value > 1.684 (8,340 > 1.684). The parameter coefficient value of +0.027 indicates a positive influence on the dependent variable. This means that H2 is accepted so that it can be said that institutional ownership has a positive and significant effect on financial performance.

Testing the Third Hypothesis (H3)

The third hypothesis states that public ownership has a positive and significant effect on firm value. Table 6 shows that the public ownership variable has a significant level of 0.000, less than 0.05, and the t-statistic value > 1.684 (4.152 > 1.684). The parameter coefficient value is +0.700 indicating a positive influence on the dependent variable. This means that H3 is accepted so that it can be said that public ownership has a positive and significant effect on firm value.

Testing the Fourth Hypothesis (H4)

The fourth hypothesis states that there is a positive and significant influence between institutional ownership on firm value. Table 6 shows that the institutional ownership variable has a significant level of 0.003, less than 0.05, and the t-statistic value > 1.684 (2.149 > 1.684). The parameter coefficient value of +0.021 indicates a positive influence on the dependent variable. This means that H4 is accepted so that it can be said that institutional ownership has a positive and significant effect on firm value.

Testing the Fifth Hypothesis (H5)

The fifth hypothesis states that there is a positive and significant influence between financial performance and firm value. Table 5 shows that the financial performance variable has a significant level of 0.002, less than 0.05, and the t statistic value > 1.684 (3.141 > 1.684). The parameter coefficient value is +0.080 indicating a positive influence on the dependent variable. This means that H5 is accepted so that it can be said that financial performance has a positive and significant effect on firm value.

Testing the Sixth Hypothesis (H6)

The sixth hypothesis states that there is a positive and significant influence between public ownership on firm value through financial performance. Table 7 shows that the institutional ownership variable has a significant level of 0.001, less than 0.05, and the t-statistic value is> 1.684 (2.553 > 1.684). The parameter coefficient value is +0.550 indicating a positive influence on the dependent variable. This means that H6 is accepted so that it can be said that public ownership has a positive and significant effect on firm value through financial performance. This indicates that the financial performance variable is an intervening variable between public ownership and firm value.

Testing the Seventh Hypothesis (H7)

The seventh hypothesis states that there is a positive and significant influence between institutional ownership on firm value through financial performance. Table 7 shows that the institutional ownership variable has a significant level of 0.002, which is less than 0.05, and the value of the t statistic > is 1.684 (2,216 > 1.96). The parameter coefficient value is 0.691 indicating a positive influence on the dependent variable. This means that H7 is accepted so that it can be said that institutional ownership has a positive and significant effect on firm value through financial performance. This indicates that the financial performance variable is an intervening variable between institutional ownership and firm value.

Discussion

The hypothesis test results show that the public ownership variable has a positive and significant effect on financial performance. The greater the size of public ownership, the greater the financial performance. Vice versa, the smaller the size of public ownership, the lower the financial performance. This shows that companies in Indonesia need to enlarge the public ownership structure to encourage company management to be more transparent. There is a desire to spread ownership so that certain circles do not control companies. In the current condition, it is known that the proportion of share ownership of public companies in Indonesia is still relatively low, and it is also obtained that the company's performance as a form of implementation of good corporate governance is also still weak. This research is by agency theory. The existence of public investors can indicate a strong corporate governance mechanism that can be used to monitor company management. The influence of institutional investors on company management can be significant. It can be used to align management interests with shareholders (Fadillah, 2017), and Sekaredi (Sekaredi & Adiwibowo, 2011) state that to improve corporate governance, it is to ensure that companies have one or more significant shareholders. This research is in line with research conducted (Fauzi & Musallam, 2015) showing that public ownership significantly affects company performance. This supports the statement that public ownership can improve company performance with its ability to oversee management policies that are not in line with the company so that they run according to the company's interests.

Institutional ownership has a positive and significant effect on ROA. So that institutional ownership affects financial performance, meaning that institutional ownership can become a monitoring mechanism for management that influences financial performance. Institutional ownership is considered effective in monitoring managerial performance. This research is by agency theory which states that companies that separate their ownership structure into two, namely managerial ownership and institutional ownership, will be vulnerable to conflict (Sekaredi & Adiwibowo, 2011). This conflict occurs because of deviant behavior by company managers. To reduce this deviant behavior, it is necessary to have supervision by outsiders of the company. Ownership of shares by institutions can reduce deviant behavior by managers by supervising them. Institutions usually control most shares because they have more significant resources compared to other shareholders, so their voting power over the shares they own can be stronger in supervising and deciding on all activities carried out by managers. This has a good impact on the company because everything can go according to the company's interests, and in the end, the company's performance will increase. This is in line with research conducted (Fauzi & Musallam, 2015) showing that institutional ownership significantly affects company performance. This supports the statement that institutional ownership can improve company performance with its ability to oversee management policies that are not in line with the company so that they run according to the company's interests

. Public ownership has a positive and significant effect on company value. This means that public ownership partially positively influences the firm value variable. This shows that companies in Indonesia need to enlarge the public ownership structure to encourage company management to be more transparent. There is a desire to spread ownership so that certain family members do not control companies. In the current conditions, it is known that the proportion of share ownership of public companies in Indonesia is still relatively low, and it is also obtained that the company's performance as a form of implementation of good corporate governance is also still weak. This research is by agency theory. The existence of public investors can indicate a strong corporate governance mechanism that can be used to monitor company management. The influence of institutional investors on company management can be significant and can be used to align the interests of management with those of shareholders. (Sekaredi & Adiwibowo, 2011) states that to improve corporate governance is to ensure that the company has one or more significant shareholders.

Institutional ownership has a positive and significant effect on firm value. This means that the higher the institutional ownership, the stronger the external control over the company. The existence of institutional ownership will encourage an increase in more optimal monitoring of company performance in achieving company goals, namely optimizing company value. A high level of institutional ownership will lead to greater oversight efforts by institutional investors to deter managers' opportunistic behavior. This research is in line with research conducted by (Fadillah, 2017), examining that institutional share ownership has a positive effect on firm value. This research is also supported by research conducted (Damayanti & Suartana, 2014; Dian & Lidyah, 2014; Sukirni, 2012) which states that institutional ownership positively affects firm value because high ownership makes the company exercise control over the company.

Financial performance has a positive and significant effect on firm value. This means that the higher the financial performance, the higher the company's value. For companies, improving financial performance is necessary, so that company shares remain attractive to investors. From financial reports, financial ratios are then used to find out whether a company is running effectively and efficiently. The financial performance obtained by the company as measured by ROA, both low and tends to be high, will affect the company's value. ROA is a ratio that measures the level of company profitability. ROA measures the net profit obtained from the company's operations by using all its wealth. This study's results align with research conducted (Pantow et al., 2015) found that ROA has a positive effect on firm value.

Public ownership positively and significantly affects firm value through financial performance. The higher the public ownership, the higher the company's value through financial performance. The existence of public ownership encourages company management to be more transparent so that the company's management can be optimal and generate significant profits. So that investors are interested in investing in the company. This signal theory explains that existing information will provide a signal that can be interesting to give a positive reaction. Financial report information will provide a signal to investors and other interested parties in deciding. Financial report information becomes essential information in the process of making the right decision. The existence of public ownership encourages company management to be more transparent so that the company's management can be optimal and generate significant profits. So that it gives a good signal to investors to invest their capital in the company, which will increase its value of the company. This research is in line with research conducted by research (Onasis & Robin, 2016; Repi et al., 2016) found that ROA has a positive effect on firm value.

Institutional ownership positively and significantly affects firm value through financial performance. The higher the institutional ownership, the higher the company's value through financial performance. So that institutional ownership affects financial performance, meaning that institutional ownership can become a monitoring mechanism for management that influences financial performance. This means that investors are interested in investing in the company. This signal theory explains that existing information will provide a signal that can be interesting to give a positive reaction. Financial report information will provide a signal to investors and other interested parties in deciding. Financial report information becomes essential information in the process of making the right decision. Institutional ownership encourages company management to be more transparent so that company management can be optimal and generate significant profits. So that it gives a good signal to investors to invest their capital in the company, which will increase its value of the company. This research is in line with research conducted by Research (Fadillah, 2017) examining that institutional share ownership positively affects firm value.

Conclusions

This study concludes that public ownership positively and significantly affects financial performance. The higher the public ownership, the financial performance will increase. Institutional ownership has a positive and significant effect on financial performance. The higher the institutional ownership, the financial performance will increase. Public ownership has a positive and significant effect on firm value. The higher the public ownership, the firm value will increase. Institutional ownership has a positive and significant effect on firm value. The higher the institutional ownership, the firm value will increase. Public ownership positively and significantly affects firm value through financial performance. The higher the public ownership, the company's value will increase through financial performance. Institutional ownership positively and significantly affects firm value through financial performance. The higher the institutional ownership, the firm value will increase through financial performance.

If investors want to invest, try to get information as early as possible so that asymmetric information does not occur in making investment decisions. 2. For companies, it is better to disclose information about their financial reports so that investors can easily access the information needed and so as not to cause harm to investors and the company itself. 3. This study only uses manufacturing companies in the Metal Sub-Sector and the like. It is expected to be able to use companies with different sectors.

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