

THE MARKET VALUE OF NON-FAMILY FIRMS: A STUDY ON OWNERSHIP CONCENTRATION, FINANCIAL POLICY, AND PROFITABILITY

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THE MARKET VALUE OF NON-FAMILY FIRMS: A STUDY ON OWNERSHIP CONCENTRATION, FINANCIAL POLICY, AND PROFITABILITY

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ABSTRACT

This study investigates the market valuation effect of ownership concentration, financial policy and profitability in a sample of 109 non-family over the period 2012 to 2019. Hence, we used balance panel data to investigate the market value and possible effect of the variables identified using the General Method of Moment (GMM) estimator. The results market value is dynamic in nature, implying that last year's market value significantly affects the current market value. Although the major shareholders are not family members, ownership concentration still has significant negative effects on market value. However, the financial decision show at leverage gives a positive and significant effect while investment and dividend policy seems to have a negative effect on market value, although the investment is insignificant. Lastly, profitability is positive and has significant effects. Lastly, profitability is positive and significant effects. This study concluded that ownership concentration, leverage and profitability have important factors affect market value. This study contributes to non-family firm's literature and provides new empirical findings and policy implications of regulators to enhance the market value.

JEL: G11, G30, G32

Keywords: ownership concentration, investment, leverage, dividend, profitability, market value.

1. INTRODUCTION

Most empirical studies of corporate finance have been discussed and developed in growing body of literature review in emerging market and developed market, definitely to supports the effect of various factors of firm value. The market value represents the value of the firm that generated by stock market, then the managers should be considerate to maximizing future return of stockholders to increase market capitalization, and definitely would enhance the firm market value. Hence, the market value is very important for investors to analyze investment opportunities, and it reflects the firm performance that can effect investor perceptions (Sudian, Wiksuana, 2018), which is the market value of can be measured by several indicators, e.i. Tobin's Q and market to book value (Ayuba, Bambale, Ibrahim, & Sulaiman, 2019; Muchtar, Ramadhani, Rasyimah, & Svamni, 2021).

Prior research on the value of family firm and non-family firm was discussed deeply in existing study (Abdallah & Ismail, 2017; Haider, Qayyum, & Zainudin, 2021; Koji, Adhikary, & Tram, 2020; Saidat, Iva, & Seaman, 2019a, 2019b) and others. Those studies provided the various findings of the relationship between ownership concentration and financial decisions, which is revealed that family-controlled firm are better than non-family firms at aligning the

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objectives of owners and managers. Other findings revealed that non-family firms are more likely to have zero debt when they faced financial constraints (Fardnia, Kooli, & Kumar, 2023). In other cases, the non-family firm used higher debt financing and low level of ownership concentration compared to family firm in Italian, (Mbanye, 2020). In particular, the studies on market value of non-family firm still debated and limited, and the interesting is the majority of Indonesian firm is owned by families. Both family and non-family firms have different characteristics, typically family firms is less reliant on formal knowledge, lower labor productivity and diminish the firm size (Andersson, Johansson, Karlsson, Lodefalk, & Poldahl, 2018). Thus, the focus of this study is to address the understanding of ownership concentration and financial policy e.i investment decision, capital structure, dividend policy and profitability in non-family firms, which is most of past study more focused on both family and non-family firms. Moreover, this study motivated by inconclusive empirical findings in past research on the relationship between concentration ownership, financial policy, profitability and market value. More specifically, we examine the implications of ownership concentrations, investment decision, financing decision, dividend policy and profitability in non-family owned firms.

In emerging market, ownership structure is more concentrated generally large firm to have large shareholders (Hamadi & Heinen, 2015; Peng & Jiang, 2010). When the ownership structure is concentrated, large shareholders tend to have more control on management (Mbanye, 2020) and also they have important role in takeovers the company in case the management do not acts on shareholders' interests, so that a monitor may avoiding the inefficiency in management that lead to improve market value (Shleifer & Vishny, 1986). Empirically, ownership concentration has positive effect on firm performance of non-family firms (Koji *et al.*, 2020; Mandaci & Gumus, 2010). In case of Indonesia, most companies has higher ownership concentration (Krisnaji, Wiratno, & Ashari, 2019). Indonesia knows as a country that has low level protection to investors compared to Malaysia and others (Claessens & Yurtoglu, 2013). The relationship between concentrate ownership and market value still unsolved. Such studies proposed by Wang and Shailer (2015), found the ownership concentration negatively affected firm performance, similar with current studies who found negative effect on both family and non-family firms (Halili, Saleh, & Zeitun, 2015; Saidat *et al.*, 2019b). The uniqueness of current issue is ownership concentration has U shape or non linier effect on firm value (Azoury, Azouri, Bouri, & Khalife, 2018; Villegas, Giráldez, Sánchez, & González, 2018).

In the other hand, financial policy play an important role in increase the market value, which are the managers should be have a good decision on investment and financing and also firm should pay dividend or not. In early our study also reported the values of Tobin's Q of Indonesian non-financial firm is about 1.0147 indicates that firms has higher market value over the period (Darmasanti, Fauzias, Wahyuddin, Arifai, & Ahmar, 2018), suggested that leverage and dividend policy see to have positive impact on market performance. The related prior research in Indonesia for family and non-family firms suggested that non family firm outperform family companies in term of effectiveness in utilized firm profitability, the value of profitability of family firm are lower than non-family firms (Singapurwoko, 2013). Other study reported that the firm value of non-family firms has the average of 3.125, are higher than family firm was 2.317 (Sumarsono, 2014).

Managers are the one policy maker for firms to get some finance sources to finance their investment. There are three major sources to finance investment; internal funds, external financing

and issuing new equity (Myers & Majluf, 1984; Parker, 2010). However, debt financing has consequences, if managers finance an investment by external funds, they should pay the cost of interest. However, if they choose internal funds by hold dividend payment, the managers tend to waste those funds for their personal interest. Another issue for the firm is over-investment problem with firm higher free cash flow. While the firm has excess free cash flow, the managers tend to waste internal funds to finance unprofitable projects (Michael C Jensen, 1986; R. M. Stulz, 1990). Our empirical studies found that Indonesia non-financial firms have an over-investment problem, where investment has a negative and significant effect on market performance, indicating that firm over-investment leads to decreased market performance (Agha, 2016; Darmawati *et al.*, 2018).

Leverage also plays an important role in financial decisions, whether used debt or equity would influence the firm value. The agency theory posits that the interests of managers and shareholders, due to maximization of firm value, are not perfectly aligned, the agency cost of equity occurs when firms have separate ownership and control of the companies, therefore managers tend to maximize their own benefit rather than enhance the firm value (M. C Jensen & Meckling, 1976). Most of family and non-family firms have a higher level of debt with the maximum value of 2.13% (Sumarsono, 2014). This implies that Indonesia non-family firms have a higher debt ratio than family firms (Mulyani, Singh, & Mishra, 2016; Ntoug, Santos de Oliveira, Sousa, Pimentel, & Bastos, 2019). According to trade-off theory suggested that firm with higher debt ratio tends to increase firm value due to tax advantage. Some studies argue that debt is a substitute that monitors and forces managers to work in line with shareholders' interest (Mbanyele, 2020). However, there is a negative effect of leverage on market performance of family and non-family firms in Jordan.

Additionally, with regard to dividend policy, it is related to financing decision, which managers should decide when the firm should be paying dividend or holding it to finance new investment with internal funds. Despite theories and empirical evidence that have been presented by many researchers, dividend policy issues are still the most debated upon and unresolved in finance literature. Baker and Wells (2012) concluded that the important factors that influence managers paying dividend are the stability of earnings and the level of current and expected future earnings. Additionally, these firms are normally dominated by families, in which family-owned firms pay lower dividends (Rajverma, Misra, Mohapatra, & Chandra, 2019), but then the professionalization of family firms pay higher dividends to their shareholders, in which dividend used as a control mechanism of an effective governance system, such as non-family involvement in governance systems (Michiels, Uhlener, & Dekker, 2017). The current evidence posited that family firms distribute higher dividends compared to non-family firms in Bangladesh (Miah, 2022), thus there is a negative effect on dividend payout (Setiawan *et al.*, 2016).

Lastly, firms with higher profitability may increase the market value. Profitable firms have the ability to generate profit from their assets or equity. Profitability is commonly measured by return on assets (ROA) and return on equity (ROE). Moreover, Halili *et al.* (2015) reported that non-family firms have lower profitability compared to family firms, the difference of means was significant. Thus, the study also found the positive and significant effect of profitability on firm value (Thamrin, Syamsurijal, Sulastri, & Isnurhadi, 2018).

The aim of this study is to investigate the impact of ownership concentration, financial position, and profitability on the market value of non-family firms. Thus, based on panel data analysis, this study used the dynamic panel model with GMM first-difference estimator to estimate the model analysis. The dynamic model estimator is a more proper model to overcome the potential

sources of endogeneity problem (unobservable heterogeneity), and the GMM estimator is used to control the dynamic nature of the market value-ownership structure and financial decision relationship (Wintoki, Linck, & Netter, 2012; Rami Zeitun & Saleh, 2015). This paper is organized as follows. Section 2 discusses the literature review. Section 3 we discuss about research methodology. In section 4 reported finding and discussion and lastly, in section 5, conclusion and implication.

2. THEORETICAL FRAMEWORK AND EMPIRICAL STUDIES

2.1. Ownership Concentration and Market Value

The theoretical view of ownership structure is developed based on agency theory, which explain the behavior of related parties in the relationship between shareholders and managers (Blanco-Mazagatos, de Quevedo-Puente, Delgado-García, 2016). The agency problem arises when firms have shareholders group, these groups have incentive and ability to control and monitor the manager's activities. Usually, the agency problem increases when the firm have higher free cash flow but low firm growth (Michael C Jensen, 1986) . A firm with high ownership concentration will cause conflicts between majority and minority shareholders, and thus would be reducing the market value (Yasser & Al Mamun, 2015). The majority shareholders act on behalf their personal interests and it take over minority shareholders to maximize their own benefit (Saidat *et al.*, 2019b) . Thus, higher of ownership equity of firm could increase the costs that would be reducing the firm value. They are also found the average of concentrate ownership of non-family firm is higher than family firms.

Previous study documented that ownership concentration has negative effect on market value (Hu, Tam, & Tan, 2010). Moreover, (Peng & Jiang, 2010) also suggested ownership concentration could cause market value of non-family firm to be decline. Halili *et al.* (2015) found that high ownership concentration firm had low firm value in market capital. Taufil-Mohd, Md-Rus, and Musallam (2013) found that there was negative relationship between ownership concentrations. The empirical result of Saidat *et al.* (2019b) , stated that concentrate ownership have negative effect on market performance but insignificant. Thus, the first alternative hypothesis as follows:

H1: Ownership concentration has negative and significant impact of on market value of non-family firms.

2.2. Investment and Market Value

Several researchers have tried to come up with a better understanding on investment, and more specifically on fixed business investment, for instance, investment as a principal prominence in business cycle changeability and economic growth, where investment becomes imperative in the economic activity, because the assets are economic resources obtained and controlled by the firm (Omer *et al.*, 2020). Investment decision is the main factor in determined the market value, even though it is independent of financial structure in perfect capital market. (Saidat *et al.*, 2019b). E.F Fama and French (1999) developed a new approach to investigate the effect of investment and firm financing decision on firm value, and suggested that investment has positive information about future prospects. Past studies on investment decisions have been extensively discussed in relation to free cash flow and investment level, it is related to over and under-investment problem

(Moez & Amina, 2018; Zhang, Cao, Dickinson, & Kutun, 2016). The over-investment occurs when firms have excess internal funds, i.e. the free cash flow has a positive relation on investment, in which managers in firms with higher free cash flow might have the incentive to over-invest to maximize their personal interest, lead to reduced firm value (Michael C Jensen, 1986; R. Stulz, 1990).

Based on the agency cost explanations suggested that the managers have a tendency to wasteful internal fund when firm higher of free cash flow. Thus, debt plays an important role in reducing the over-investment in firm that has highest agency problems, although it is a fact that debt cannot eliminate excess capital expenditure (D'Mello & Miranda, 2010). Empirical studies found that optimal investment would increase firm value in Indonesia public firms (Fajaria, 2017; Muchtar, Nor, Albra, Arifai, & Ahmar, 2018; Thamrin *et al.*, 2018). It indicated that investment decision is important element in increasing firm value in Indonesia. Others study revealed that investment have positive impact on firm value (H. J. Chen & Lin, 2013; Hashmi, Mirza, & us Sehar, 2016). Therefore, this study posits alternative hypothesis as below:

H2: Investment has positive and significant impact on market value of non-family firms.

2.3. Financing Decision and Market Value

Capital structure theories are described clearly by the specific mix of debt and equity used by firms to finance their investment. The theory was first developed under irrelevant proposition (Modigliani & Miller, 1958), which suggested that firm financial decisions cannot leave any effect to the market value under certain conditions. The more specific issue under some conditions, in which the optimal capital structure can be completely debt financed due to the preferential right of debt relative to the equity in terms of tax (Hackbarth & Mauer, 2012; Haron, 2018). In terms of the optimal capital structure, the level of debt would increase with the liquid assets, tangible and firm size. According to trade-off theory revealed that optimal debt ratio causes by the trade off between the bankruptcy cost and the benefit of a debt tax shield (Schnabel, 1984; J. Scott, 1977), in which firms should maintain net operating income more than interest payment. Thus, leverage has positive relation on firm value, this mean firm prefers to use debt to financing their investment by raised leverage, even if would be increase the risk of bankruptcy. Additionally, in this cases, firms expected with higher debt and higher profitability rate could be reduced the possibility of bankruptcy, thus lead to increase firm value.

Several prior study of capital structure in family and non-family firm have been discussed intensely, such study by Haider *et al.* (2021) an analysis of leverage of family and non-family firms in East Asian Economie. The average of leverage of non-family firm are lower than family firm, but the specific leverage adjustment of short term debt and long term debt are insignificant differences between family and non-family firms. Others study by Fardnia *et al.* (2023), suggested that family firms are more likely prefer to zero leverage compared to non-family firms to maintain financial flexibility for future investment. Accordingly, several past empirical studies by (Shahzad, Ali, Ahmad, & Ali, 2015) found that leverage have positive effect on firm value. Similarly, Tarek (2019) and Alabri, Ananthri, and Ahmed (2021) who found that leverage have positive relation to firm value. Thus, the hypothesis in this study is below:

H3: Leverage has positive and significant impact on market value of non-family firms.

2.4. Dividend Policy and Market Value

The debate on theoretical principles underlying dividend policy in the literature has basically focused on the irrelevance or relevance of dividend policy to the value of firm. In irrelevance, the theory proposed that in the perfect capital market, the future market value remains unaffected by the current dividend. The Bird-in-hand theory suggested that outside shareholders prefer high dividend policy. The bird-in-hand assumption is based on the uncertainty toward future dividends, in which shareholders expect firms to pay cash dividend because of the fact that dividend is more certain than capital gain that might or might not appear if investors let firms hold its earnings.

The signaling hypothesis explains the preference for dividend over stock repurchase in terms of tax advantage. This means, changes in dividend have borderline information content only when the firm simultaneously exposes good news about earnings on dividend, where regular dividends signal an ongoing commitment to pay out cash (Michiels *et al.*, 2017; Wijk, 2013). Refer to the signaling hypothesis, suggested that managers are typically concerned with dividend stability and leads the market has a good response to a stable dividend policy. In addition, the value of the signal depends on the level of information asymmetries in the market. This implies that the information is important to expose whether the dividend signal should be sent, and its effect on prices as well as on firm value. Mulyani *et al.* (2016) suggested that non-family firms seems to have higher dividend payout than family firms with low dividend payout, this indicated that they used cash for firm operations. According to free cash flow hypothesis (Michael C Jensen, 1986), which views dividends as a tool of mitigating agency problems by reducing available cash that expropriated by managers. Deslandes, Fortin, and Landry (2016) also mentioned that family firm payout policy is differs from non-family firms.

Previous studies have examined the relationship between dividend policy and market value. When Firm paid dividend to the stockholders will make market believe more to the firm's performance, so that increasing market value (Rajverma Abhinav, 2019). The positive relation between dividend payout ratio and firm performance has proved (Darmawati *et al.*, 2018; Rajverma *et al.*, 2019). Others study found that increase in dividend payout lead to increase the share price, thus there is positive effect of dividend on firm's share value (Mokaya, Nyangara, & James, 2013). Hence, paying dividend also make long term effect on firm value (Abreu, 2016). So that, the hypothesis of relationship between dividend policy on market value is below:

H4: Dividend policy has positive and significant impact on market value of non-family firms.

2.5. Profitability and Market Value

Profitability is represent the ability of company prospect to generates the profit in the future from their investment effectively (Putu, Moeljadi, & Djazuli, 2014). Firm with higher profitability indicates that the company has good performance and has good prospects going forward. Profitability will encourage the market or investors to invest, thereby that increasing market value (Sabrin, Sarita, Takdir, & Sujono, 2016). Profits can change the perception of investors who were initially not interested in being interested in company shares. In general, profitability as a proxy of firm performance that represents the accounting-based performance, in which it is commonly measured by Return on Assets (ROA) and Return on Equity (ROE) or return on investment. These returns become the most preferred ratios used by many scholars in previous researches, where each ratio provides an insight on how a financial institution allows its

management to execute strategic decisions that can affect its structure and profitability. In this study, the ROA is used to measure accounting performance; it has been the predominant analytical tool to measure profitability. Commonly, most of past studies analyzing profitability used return on assets (Akbar, R₃₂nan, & Ormrod, 2013; Saeedi & Mahmoodi, 2011; Zabri, Ahmad, & Wah, 2016). Thus, ROA reflects the ability of managers in using the assets of the firm efficiently and effectively to generate profit, in which a lower rate of return on assets would reveal the inefficiency of the firm management. Return on assets also provides an indication of the capital intensity of a company, subjected to the industry that the company belongs. For example, the manufacturing sectors will produce relatively a lower return on assets as compared to service sectors. Despite that, a higher return on assets indicates that a company is able to use its assets effectively, to fulfill shareholders' interest.

Previous studies have been examined the impact of profitability on firm value, such studies conducted by Sabrin *et al.* (2016), the results found that profitability have positive effect on firm value. Thamrin, Syamsurijal, Sulastri, & Isnurhadi (2018) examined relationship between profitability and market value of Manufactre Firm in Indonesia and found that profitability has positive effect on market value. Another study have also found that profitability is a factor that determines corporate value (L.-J. Chen & Chen, 2011; Jihadi *et al.*, 2021). Similarly with other study, revealed that profitability also has a direct influence in increasing market value (Zuhroh, 2019). Study in Kenya Public Firm showed that profitability as a driving factor of firm value for small and large firms (K₃dongo, Mokoaleli-Mokoteli, & Maina, 2015). Based on the theories and previous studies above, hypothesis in this point is below:

H5: Profitability has positive and significant impact on market value of non-family firms.

3. RESEARCH METHODS

The research method were developed to examine the impact of ownership concentration, financial decision and profitability on market value of Indonesian non-family firm, this study using yearly financial data retrieved from Data Stream database. The data contains a total of 109 non-family companies listed on the Indonesian Stock Exchange (IDX) for the period 2012 to 2019. The panel data set by cross-section and time series data has an annual observation of over the 8 years period for each company, producing a balanced panel of 872 yearly observations for the data analysis. The selection of this period (2012-2019) is due to the reason of global financial crisis period (2008-2009) and the period of Covid-19 (2020-2021) has affected the most of Indonesian stock market, which is excluded in this study.

The research variables of this study are dependent variable and independent variables, and all these variables are numerical variables. Market value is as dependent variable and the independent variable are ownership concentration, financial decision and profitability. The financial decision itself consist of investment, capital structure and dividend policy. There are two control variable used in the study, i.e. firm size and firm age. Moreover, there are several approaches that can be used to measure the market value of firm, and one of the measures is Tobin's Q. Tobin's Q is the ratio of market value of equity plus the book value of the total debt divided by the book value of total asset (Norazlan Alias, Mohd. Isimi Yaacob, Ruzita Abdul Rahim, & Fauzias Mat Nor, 2016; Rami Zeitun & Saleh, 2015). The ownership concentration measures by the percentage of company share owned by majority shareholder (Badrul Muttakin, Khan, &

Subramaniam, 2014; Halili *et al.*, 2015). The investment variable used capital expenditure (CAPEX), which is calculated by current year fixed asset minus last year fixed asset divided by book value of total asset (Jiang *et al.* 2006). The leverage (LEV) measured by the ratio of total debt to total equity (TDTE). Dividend policy variable is proxy with dividend payout ratio (DPR) it is measured by dividend per share divided by earning per share. The profitability (PROF) used return on asset (ROA). ROA is measured by the percentage of net income to total assets. This study utilized firm size (SIZE) and firm age (AGE) as a control variable, in which SIZE represent the total assets of the firm and measured as the natural logarithm of total assets. Finally, firm Age (AGE) calculated as the number of years since its incorporation.

To achieve the objective of this study, to investigate the impact of ownership concentration, financial decision (INV, LEV and DPR) and PROF, the dynamic GMM first-difference estimator is employed in this study. The dynamic panel models describe the time path of the dependent variable in relation to its past values. The dynamic panel is more appropriate estimators to overcome the endogeneity problem rather than the static model estimation i.e. OLS, FEM, REM that provide biased estimates, due to the presence of the Lagged dependent variable among the explanatory variables (Wintoki *et al.*, 2012; Rami Zeitun & Saleh, 2015). The basic dynamic applied in this study is an auto-regressive panel data model (Baltagi, 2008), with the following general equation as follows:

$$Y_{it} = \delta_1 Y_{i,t-1} + \sum_{k=1}^K \beta_k \times X_{k,it} + u_{it} \dots\dots\dots (1)$$

where the dependent variable is TOBINS'Q and the independent variables are all defined variable. This model in fact represents a set of six additive multiple regressions of Y on Y(-1), C_OWNER, INV, LEV, DPR, PROF with a control variable SIZE and AGE. Thus, the empirical model of dynamic panel using the General Method of Moment (GMM) – first difference estimation method as follows:

$$TOBINS'Q_{it} = \beta_0 + \beta_1 TOBINS'Q_{it}(-1) + \delta_1 C_OWNER_{it} + \delta_2 INV_{it} + \delta_3 LEV_{it} + \delta_4 DPR_{it} + \delta_5 PROF_{it} + \delta_6 SIZE_{it} + \delta_7 AGE_{it} + \epsilon_{it} \dots\dots\dots (2)$$

where the β_1 is autoregressive coefficient, δ_1 to δ_7 are the coefficient parameters of each independent variables of *i-th* firm and at time *t-th*, and ϵ_i which are the cross-section error.

4. DATA ANALYSIS AND DISCUSSIONS

statistical results of the descriptive analysis for all research variables presented in Table 1. The market value of non-family firms in the range of 0.12 – 23 or on the average of market value is 1.96. The market value of firm more than 1, indicating that the market value is higher than the book value, in which the investors are very optimistic about the firm performance. The average of ownership concentration is about 57.29 percent, indicates that firms has high levels of ownership. Investment measures by capital expenditure seem to have low values with the average is around 1.48 percent and standard deviation of 134 percent. Nevertheless, leverage values is high, which the average of 142.79 percent and maximum leverage about 823 percent this indicates that most firm used more debt to financing their investment, however the ratio of capital expenditure scaled by total assets lower. Dividend payout ratio of non-family firm is about 16.97 percent, indicating that the total amount of dividend paid out to shareholders is lower which is

most of Indonesia firm not pay dividend regularly. Profitability proxy by ROA has an average value is 4.91 percent; Size and Age of the firms have values of 28.4134 and 35 years among the companies.

Table 1. Descriptive Statistics

Variable	Mean	Std Dev	Maximum	Minimum	Obs
TOBINS'Q	1.9685	2.5688	23.2857	0.1228	872
C_OWN	0.5729	0.2052	0.9909	0.2005	872
INV	0.0148	0.1525	1.3469	-2.4644	872
LEV	1.4279	5.2024	82.3754	-44.763	872
DPR	0.1697	0.6369	5.1452	-8.0342	872
PROF	0.0491	0.2138	3.5461	-1.2162	872
SIZE	28.4134	1.9792	33.3772	21.9268	872
AGE	35.5468	23.4326	161.0000	0.00000	872

Source: Processed data using Eviews, 2022

Notes: TOBINS'Q is the market value measured by market value of equity plus book value of total debt divided by book value of total asset, INV is investment, measured by capital expenditure, LEV is leverage measured total debt to total equity, DPR is dividend payout ratio, PROF is profitability measured by return on asset, SIZE is firm size measured by logarithm of total asset and AGE is the number of year firm incorporate.

Table 2. Correlation Matric

Variables	TOBINS_Q	C_OWN	INV	LEV	DPR	PROF	SIZE
C_OWN	0.138 (4.116)***	1					
INV	-0.120 (-3.565)***	0.059 (1.753)*	1				
LEV	-0.056 (-1.678)*	-0.057 (-1.686)*	0.029 -0.870	1			
DPR	0.131 (3.925)***	0.088 (2.630)***	0.021 -0.631	-0.031 (-0.918)	1		
PROF	0.432 (14.15)***	0.086 (2.546)**	-0.184 (-5.512)***	-0.065 (-1.927)*	0.126 (3.761)***	1	
SIZE	-0.057 (-1.691)*	0.122 (3.627)***	0.136 (4.062)***	0.078 (2.306)*	0.187 (5.613)***	-0.041 -1.220	1
AGE	0.110 (3.293)***	0.069 (2.044)**	0.001 -0.031	-0.051 (-1.500)	0.106 (3.132)***	0.119 (3.526)***	0.24 (7.42)***

Source: Processed data using Eviews, 2022

Notes: Robust standard error in parentheses *, ** *** significant at 10%, 5% and 1% level.

The analysis correlation between independent variables and dependent variables are presented in Table 2. The results show that ownership concentration (C_OWN), DPR, PROF and AGE have positive relation to the market value at 1 percent level of significance. In contrast, the INV, LEV and SIZE have negative and significantly correlated to the market value (TOBINS'Q) at 1 percent and 10 percent respectively.

The results of dynamic model of GMM-difference estimation are reported in Table 3. Two diagnostics tests should be conducted to know the most appropriate estimation in dynamic model, i.e. the specification test of valid instrument and serial correlation to test the first and second-order serial correlation (AR(1) and AR(2)). The results of Hansen J-statistic of over-identifying restriction has the p-values of 0.0835, indicating that the lagged model has valid instruments, or

overidentifying restrictions are valid, the instruments estimations are not correlated with the residuals. This mean the residual⁴³ as not affected by AR(2) (Arellano & Bond, 1991), in which the second order autocorrelation is insignificant with a p -value of 0.3672. The Arellano-Bond test for residual correlation found that there is no serial correlation in the first-difference disturbances.

The results⁷ of the impact of each explanatory variables on the market value in Table 3 show that the 1st lagged market value (TOBINS'S Q(-1)) has positive and significantly affected by TOBINS'Q at 1 percent level of significance. Indicating the market value is dynamic in nature, in which last year market value has³ significant impact on this year market value. Thus, the data support the lagged effect of market value. This finding is in line with the past study proposed by (Darmawati *et al.*, 2018; Rami Zeitun & Saleh, 2015).

Table 3. Estimation Results of GMM Difference on Market Value

Variable	Coefficient	T-statistic
TOBINS_Q(-1)	0.1823	11.8725***
C_OWNR	-2.8586	-6.9254***
INV	-0.2670	-1.0187
LEV	0.0086	2.1771**
DPR	-0.1072	-2.2567*
PROF	1.2585	5.9943***
SIZE	-0.7314	-8.0398***
AGE	0.0523	2.1404**
Arellano-Bond Test:		
AR(1) (p -value)		0.1483
AR(2) (p -value)		0.3672
Hansen J-test (p -value)		0.0835
Number of instruments		28
Observations		654

Source: Processed data using Eviews, 2022

Notes: Robust standard error in parentheses *, **, *** significant at 10%, 5% and 1% level.

$$TOBINS'Q_{it} = \beta_0 + \beta_1 TOBINS'Q_{it}(-1) + \delta_1 C_OWNR_{it} + \delta_2 INV_{it} + \delta_3 LEV_{it} + \delta_4 DPR_{it} + \delta_5 PROF_{it} + \delta_6 SIZE_{it} + \delta_7 AGE_{it} + \varepsilon_{it}$$

Table 3 shows that ownership concentration (C_OWNER) has negative and significant impact on market value at 1 percent with coefficient of -2.8586. This implies that increase the level of ownership concentration lead to decrease market value of non-family firm in Indonesia. Thus, the data support the hypothesis alternative H1. The negative coefficient suggests that controlling shareholders expropriate minority shareholder right under concentrate ownership structure, means that the higher of concentrate ownership of non-family firm would reduce the value of firm. This finding consistent with agency theory, so that the conflict between majority and minority shareholders exist in this study (E. F Fama & Jensen, 1983). This finding are in line with studies of Hu *et al.* (2010) and Saidat *et al.* (2019b) who revealed that ownership concentration negatively affect firm value. However, this results is contradicted with the study proposed by Rajverma *et al.* (2019) which is positive effect of concentrate ownership on market value. Moreover, Hegde, Seth, and Vishwanatha (2020) also stated that insignificant relation between stock market performance and ownership stakes.

Moreover, the finding of investment shows the negative impact on market value, but insignificant. The negative coefficient of investment measured by capital expenditure, suggests that firm with higher free cash flow and lower debt would create an overinvestment problem that might cause market value to decline, this means increase investment in fixed asset would to

decrease the market value caused by over-investment are occur in non-family owned firms but the results is insignificant. This finding contradicts with the expected hypothesis and theory of investment which suggested the positive relation of investment and firm value. Thus, the data do not support alternative hypothesis H2. This finding consistent with earlier study proposed by Agha (2016) and found that investment measures by Capex is negatively affect market performance. Rajverma *et al.* (2019) also found the negative and significant effect of investment on market to book value.

Furthermore, leverage has positive coefficient and significant impact on market value at 5 percent level of significance. Implies that increase the level of debt would be increases the market value of non-family firms. This finding consistent with theoretical expectation and support by trade-off theory, who revealed that the optimal debt ratio are determinants by trade between the cost of capital and cost of bankruptcy (J. H. Scott, Jr., 1976). Therefore, management should maintain the operating earning more than interest payment. In addition, the positive leverage also accepted the signaling effect (Ross, 1977), which means that market participants perceived that high firm leverage a positive signal to the market and in general Indonesia firms are considered proficient to bear a high level of debt in the capital structure. We should conclude that the data support the hypothesis alternative H3. This results are consistent with prior studies and Alabri *et al.* (2021) who found that leverage have positive and significant effect to firm value. Others study also supported (Ibhagui & Olokoyo, 2018; Olokoyo, 2013; Park & Jang, 2013; R. Zeitun & G.Tian, 2007). This finding contradict with study Thamrin *et al.* (2018), found that leverage has negatively affect TOBIN'Q of Indonesia listed firm. Saidat *et al.* (2019b) also found the negative effect of leverage on market value of full sample (both family and non-family firms).

In contrast results with theory expectation find that the dividend payout ratio (DPR) has negative impact on market value at 10 percent level. This finding does not consistent with expectation hypothesis, thus the data do not support the hypothesis alternative H4. Moreover, the negative coefficient of dividend per share suggests that the increase in the dividend per share leads to the decreasing market performance negatively. This implies that when the firm pays out more dividends, the consequence is that it would reduce the amount of available cash, even if the firms have or do not have available free cash flow, therefore, market performance decreases as of the result of the increase in the dividends pay out. This finding supports the agency theory of dividend, which suggests that dividend can play an important role to mitigate the effect of conflict due to the shareholders-managers relationship. Meanwhile, firms' payout high dividend would reduce available cash flow for managers' consumption (Michael C Jensen, 1986). However, conversely, firms need to finance additional investment opportunities to seek additional fund from equity capital and debt market, therefore it could affect the firm value due to the agency cost of monitoring firm activities (Agha, 2016). This study is in line with Khan *et al.* (2016) who found that the dividend policy has a negative impact on market performance, however, it is insignificant. However, this finding is contradict with Mokaya *et al.* (2013), Muchtar *et al.* (2018), the results revealed that dividend payout ratio positive and significantly affect market performance.

The results of profitability show positive impact and significantly on market value at 1 percent level of significance. This implies that firm has ability to generate profit from their capital assets, thus lead to increase the market value. This finding consistent with expected hypothesis and support by signaling theory, which revealed that increase the profitability of firm should sent the good signal to the market, thus the investors willing to invest at the firm. So that the data support

the alternative hypothesis H5, this finding is in line with past studies (Thamrin et al., 2018; Zuhroh, 2019) who found that profitability positively affect market value. ²³ Lastly, the results of control variables show that firm SIZE has negative impact on market value and statistically significant at 1 percent. Indicating that large firm would decrease market value. This finding contradicts with theory and expected hypothesis. However, firm AGE has positive and significantly affect market value at 5 percent. This implies that older companies have ability to manage well the operational of the firm and that firm more sustainable in future.

5. CONCLUSION, SUGGESTION, AND LIMITATION

The results of bivariate analysis ³ show that ownership concentration, dividend policy and profitability have positive and significant relation on market value. However, the investment and leverage have opposite way, shows the negative relationship with market value. Meanwhile, by applied the GMM first-difference estimation, the results show that ownership concentration has negative and significant ³⁴ impact on market value, this mean increase the ownership concentrations would lead to decrease the market value of the non-family firms. The financial decision results show that the investment and dividend policy seems to have negative impact on market value, but investment insignificant. The findings inconsistent with expected hypotheses and it is supported by agency theory, which is when firm over-invest and in the other hand pay out more dividend to shareholders would affect the market value decrease. This implies that firms sent the bad news to the market and definitely will effecting the investor's decision. Lastly, the leverage and profitability find the positive and significant impact on market value, meaning that firm with higher debt and return on asset also higher, then the market value increase significantly. This ¹⁷ finding is consistent with the expected hypotheses. The implication of results suggested that the agency conflict between the majority and minority shareholders exist in the study, under the concentrate ownership structure, controlling shareholders expropriate minority shareholders right.

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