

The Effect Of State Ownership On Firm Value And Its Implications In The Indonesian Capital Market

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This research examines how government ownership (GOVi) affects firm value (PBV) among state-owned enterprises traded on the Indonesia Stock Exchange throughout the period from the first quarter of 2020 to the first quarter of 2021. To enhance the robustness of the model, firm size and firm growth are incorporated as control variables. The research employs secondary data obtained from publicly available financial reports published by the IDX. Using purposive sampling, twelve state-owned firms were selected as the final sample. The analysis was conducted using panel data linear regression through Eviews software. The findings indicate that government ownership (GOVi) exerts a positive and statistically significant influence on firm value (PBV). Conversely, firm size shows no measurable effect on firm value, and firm growth likewise demonstrates no significant association with PBV.

Keywords: State Ownership, Firm Value (PBV), Firm Size, Firm Growth

Fokus penelitian ini adalah untuk mengevaluasi bagaimana kepemilikan negara (GOVi) memengaruhi nilai perusahaan (PBV) pada perusahaan BUMN yang terdaftar di BEI dalam rentang waktu Triwulan I 2020 sampai dengan Triwulan I 2021. Variabel ukuran perusahaan (size) serta pertumbuhan perusahaan (growth) berperan sebagai variabel variabel kontrol untuk memperkuat model analisis. Data dalam penelitian ini bersumber dari laporan keuangan yang dipublikasikan oleh BEI dan diklasifikasikan sebagai data sekunder. Dari keseluruhan BUMN yang tercatat, sebanyak 12 perusahaan ditetapkan sebagai sampel menggunakan teknik purposive sampling. Pengolahan datanya dilakukan melalui analisis regresi linier dengan model data panel menggunakan software Eviews. Hasil penelitian menunjukkan bahwa kepemilikan pemerintah (GOVi) berpengaruh positif dan signifikan terhadap nilai perusahaan (PBV). Sebaliknya, ukuran perusahaan (size) tidak menunjukkan pengaruh terhadap nilai perusahaan, dan pertumbuhan perusahaan (growth) juga tidak memberikan pengaruh yang signifikan terhadap PBV.

Kata Kunci: Kepemilikan Pemerintah, Nilai Perusahaan (PBV), Ukuran Perusahaan, Pertumbuhan Perusahaan.

INTRODUCTION

In general, state-owned enterprises (SOEs) possess certain advantages over privately owned firms because a substantial portion of their capital is provided by the government. This funding structure reduces the external financing pressures typically faced by private companies. Moreover, many SOEs operate in strategic sectors such as water supply, electricity, and telecommunications-industries that directly serve essential public needs. Their presence in these sectors often grants them quasi-monopolistic positions, resulting in a large customer base and relatively low competitive pressure. Such conditions may lead SOEs to feel less compelled to consistently improve their performance.

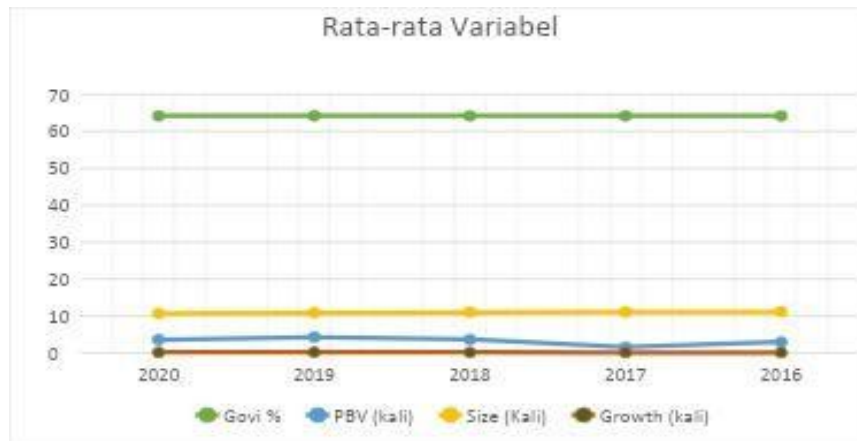
However, these advantages may also generate negative consequences. Oversight of SOE performance often weakens, allowing various issues to arise within several companies. According to agency theory proposed by Jensen and Meckling (1976), the separation between ownership and managerial control can trigger conflicts of interest. Divergent objectives between managers as agents and shareholders as principals create opportunities for agency problems and information asymmetry, a condition in which management holds greater access to information than the shareholders.

Table 1.1 Summary of Average Research Variables for SOEs in 2016-2020

Variabel	Tahun				
	2020	2019	2018	2017	2016
Govi	64,2	64,2	64,2	64,2	64,2
PBV (kali)	2,95	1,57	3,65	4,30	3,62
Size (Kali)	11,17	11,12	11,04	10,88	10,7
Growth (kali)	0,09	0,10	0,18	0,21	0,20

Source: Data processed from the company financial reports (2021)*

Figure 1.1 Average Values of Key Research Variables for SOEs, 2016–2020



Source: Data processed from the company financial reports (2021)*

There are 20 state-owned enterprises (SOEs) listed as issuers on the Indonesia Stock Exchange (IDX). Based on the financial statements of these entities, the average values of government ownership (GOVi), firm value (PBV), firm size, and firm growth during the 2016–2020 period exhibit certain patterns, as presented in Table 1.1. Government ownership remains relatively stable at around 64.2%, which aligns with the mandate of Law No. 19 of 2003 requiring the state to maintain at least 51% share ownership in state-owned enterprises.

The firm value, measured using the Price to Book Value (PBV) indicator, displays considerable volatility, particularly in 2020 when the Covid-19 outbreak began to exert widespread effects following its declaration as a global pandemic by the WHO. The firm growth variable also shows fluctuations over the period, while firm size demonstrates a consistent upward trend each year. This phenomenon is noteworthy, as the pandemic weakened the performance of several SOEs, yet their size continued to expand. Such conditions raise questions regarding how sensitive the size variable is to periods of economic crisis.

Meanwhile, prior research presents inconsistent findings regarding the effect of government ownership on firm value or corporate performance. Several studies, including those by Kubo & Phan (2019), Winarni & Suryono (2010), Diharja & Rossieta (2012), and Hersugondo (2018) report a positive influence. In contrast, investigations conducted by Musallam (2020), Martínez-García et al. (2021), and Angela et al. (2019) document a negative relationship. These divergent outcomes highlight a research gap that warrants deeper examination.

Previous studies examining government ownership and corporate performance generally did not incorporate adequate control variables to minimize potential bias, and many were conducted under normal economic conditions prior to the pandemic. The Covid-19 crisis introduced new dynamics that may influence ownership structures, managerial quality, and the overall value of SOEs. Therefore, the study titled “**THE EFFECT OF STATE OWNERSHIP ON FIRM VALUE AND ITS IMPLICATIONS IN THE INDONESIAN CAPITAL MARKET**” is considered essential to reassess the relationship between state ownership and the value of government-owned firms namely state-owned enterprises (SOEs)-listed on the Indonesia Stock Exchange (IDX) during the crisis period spanning the first quarter of 2020 to the first quarter of 2021.

Angela et al. (2019) argue that weak government oversight may adversely affect corporate performance due to conflicts of interest within state-owned enterprises, particularly when political objectives take precedence over financial goals. On the other hand, government ownership can also offer several advantages, such as regulatory ease, access to funding, and various preferential treatments. However, risks including corruption, abuse of authority, and rent-seeking practices may undermine firm value. Based on these considerations, the following hypothesis is proposed:

H1: *State ownership has a negative effect on firm value*

Firm size is often considered capable of enhancing firm value because larger companies generally attract greater investor interest and have easier access to capital markets (Novari & Lestari, 2016). Numerous prior studies have identified a positive relationship between firm size and firm value. Therefore, the following hypothesis is formulated:

H2: *Firm size has an effect on firm value*

According to signalling theory, increased investment spending on fixed assets conveys a positive signal regarding the firm’s future growth potential, which in turn can lead to higher firm value. Several previous studies (Taufik & Eka, 2010; Dipanala & Sampurno, 2018; Angela et al., 2019; Hutabarat et al., 2021) have documented a positive association between firm growth and firm value. Based on this reasoning, the following hypothesis is proposed:

H3: *Firm growth has an effect on firm value*

RESEARCH METHODOLOGY

Research Type

This study focuses on state-owned enterprises (SOEs) listed on the Indonesia Stock Exchange (IDX) during the observation period from the first quarter of 2020 to the first quarter of 2021. The analysis relies entirely on secondary data obtained from official IDX publications. The scope of the research is limited to examining how government ownership, firm size, and firm growth influence firm value within the context of Indonesian state-owned companies.

Data Collection Methods

This study employs quantitative data, consisting of numerical information that can be converted into measurable values. The data used are secondary data, sourced from publicly available documents published by the Indonesia Stock Exchange (IDX). Data collection was conducted through documentation techniques, involving the retrieval of financial statements and other relevant information from the IDX website and related data platforms.

Population and Sample

The population of this study consists of all 20 state-owned enterprises (SOEs) listed on the Indonesia Stock Exchange (IDX) during the research period. The sample was selected using a purposive sampling technique, which involves choosing companies based on specific criteria aligned with the research objectives. Based on these criteria, 12 SOEs met the requirements and were included as the final research sample.

Data Analysis Method

The study employs several analytical procedures, including descriptive statistical analysis, classical assumption testing (specifically the multicollinearity test), panel data linear regression analysis, and hypothesis testing, which consists of the t-test, F-test, and the coefficient of determination (R^2).

RESULTS AND DISCUSSION

Descriptive Statistical Analysis

Descriptive statistics were employed to present the essential characteristics of the research data. This analysis reports the minimum, maximum, mean, and standard deviation values for all variables examined. A total of 60 observations were analyzed, derived from 12 state-owned enterprises (SOEs) observed over five periods, spanning from the first quarter of 2020 to the first quarter of 2021.

Table 1. Descriptive Statistics

	PBV	GOV _i	SIZE	GROWTH
Mean	2.443667	67.01867	29.30150	-6.67E-05
Maximum	20.79000	90.50000	32.02000	0.150000
Minimum	0.340000	51.00000	21.80000	-0.13
Std. Dev.	4.230160	12.52548	3.317479	0.054775
Jumlah Sampel	60	60	60	60

Source: Data processed with E-Views 9.

Panel Data Regression Test Analysis

The results of the model selection tests including the Chow test, the Hausman test, and the Lagrange Multiplier test indicate the most appropriate model to be used as follows:

Table 2. Panel Data Regression Test Results

Variabel	Prediksi	Koefisien	t-statistik	Sig	Ket.
C		-5.932378	-2.262356	0.0276	
GOV _i	Negatif	0.062805	3.706853	0.0005	Ditolak
Size	-	0.068117	0.974896	0.3338	-
Growth	-	0.518068	0.542750	0.5895	-
R-squared	0.189843				
F-statistik	4.374135				
Sig(Fstatistik)	0.007762				

Source: Data processed with E-Views 9.

Based on the estimation results obtained from the Random Effect Model presented in Table 3, the following regression equation

is generated. This equation illustrates the relationship between the dependent variable, Firm Value (PBV), and the independent variable, State Ownership, as well as the control variables, Firm Size and Firm Growth:

$$Y = -5.932378 + 0.062805 GOV_{i,t} + 0.068117 Size_{i,t} + 0.518068 Growth_{i,t} + e$$

Variable Descriptions:

Y	= Represents the dependent variable, firm value, observed for firm i at time period t
$GOV_{i,t}$	= Denotes the proportion of shares owned by the government for firm i in period t .
$Size_{i,t}$	= Refers to the firm size variable, measured for firm i during time period t .
$Growth_{i,t}$	= Indicates the firm growth variable, observed for firm i at time period t .
e	= Represents the error term in the regression equation, capturing unexplained variations related to the state ownership variable and other factors.
α_0	= The constant (intercept) term generated in the regression
$\alpha_1, \alpha_2, \alpha_3$	= The estimated coefficients for the variables government ownership, firm size, and firm growth, respectively.

F-Test

Referring to the regression results, the calculated F-statistic of 4.374135 exceeds the critical F-table value of 2.77 at the 5% significance level. The p-value of 0.007762 further indicates that the independent variables, together with the control variables, jointly exert a significant influence on firm value. This implies that the overall regression model is statistically appropriate and can be considered valid.

T-Test

Using a significance level of $\alpha = 0.05$ and a t-table value based on the degrees of freedom $(n - k - 1) = (60 - 3 - 1)$, the critical value obtained is 2.00324. Referring to Table 3, the effect of each variable can be interpreted as follows:

a. Government Ownership (State Ownership)

The t-statistic value of 3.706853 exceeds the t-table threshold of 2.00324, accompanied by a p-value of 0.0005. These results confirm that state ownership has a statistically significant effect on firm value (PBV).

b. Firm Size

Firm size, serving as a control variable, shows a significance value of 0.3338, which is greater than the 0.05 significance level. Its t-statistic of 0.974896 also falls below the critical value of 2.00324. Therefore, it can be concluded that firm size does not exert a significant influence on firm value.

c. Firm Growth

Firm growth as a control variable records a significance value of 0.5895, which is higher than 0.05, and a t-statistic of 0.542750, which lies below the critical threshold of 2.00324. Consequently, the null hypothesis is accepted, indicating that firm growth does not have a significant effect on firm value (PBV).

Coefficient of Determination (R²)

The R-square value of 0.189843 indicates that approximately 18.98% of the variation in firm value can be explained by the variables $GOV_{i,t}$, firm size, and firm growth. The remaining 81.02% is influenced by other factors not included in the model, such as profitability, capital structure, liquidity levels, and broader macroeconomic conditions.

DISCUSSION

The Effect of State Ownership on Firm Value (PBV)

The findings show that a higher proportion of government ownership has a significant positive effect on firm value. A larger state shareholding positions the government to play a strategic role in reducing agency conflicts, strengthening monitoring mechanisms, and aligning managerial decisions with shareholder objectives. These results are consistent with the studies of Kubo & Phan (2019), Brahmana et al. (2019), and Hersugondo (2018), and are further supported by other prior research that identifies a positive association between state ownership and firm value.

The Effect of Firm Size as a Control Variable on Firm Value

Firm size is found to have no significant effect on firm value. This suggests that although larger firms possess substantial asset

bases, such scale does not automatically translate into higher firm value. Investors appear to refrain from using firm size as a primary indicator in assessing future prospects. This result aligns with the findings of Sumarauw et al. (2015) and Meidiawati & Mildawati (2016), who similarly reported an insignificant relationship between firm size and firm value.

The Effect of Firm Growth as a Control Variable on Firm Value

Firm growth also shows no significant influence on PBV. Growing firms typically allocate considerable resources to expansion activities, which may not be immediately interpreted by investors as a positive signal in the short term. This outcome is consistent with research by Indriawati et al. (2018), Akhmadi & Ariadini (2018), and Anggara et al. (2019), all of which document an insignificant relationship between asset growth and firm value.

CONCLUSION

The results of this study indicate that government ownership (State Ownership) exerts a positive and significant influence on firm value (PBV) among state-owned enterprises (SOEs) during the period from the first quarter of 2020 to the first quarter of 2021. An increase in the government's shareholding strengthens firm value by enabling more effective ownership control, thereby reducing agency conflicts. In contrast, firm size (Size) and firm growth (Growth) are found to have no significant impact on firm value. Neither the magnitude of a firm's assets nor the growth in those assets appears to shape market perceptions, particularly during periods of economic uncertainty such as the pandemic.

These findings imply that investors should consider the composition of government ownership as a key factor in their investment decisions, alongside assessments of corporate stability and governance quality. For policymakers, the results provide important insights for evaluating and adjusting the ownership structure of SOEs to sustain firm value amid evolving economic conditions.

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