The Effect of Institutional Ownership and Company Size on Financial Performance
(Study on Banking Companies Listed on the Indonesian Stock Exchange Period 2017-2019)

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ABSTRACT

This study aims to examine the effect of institutional ownership and firm size on financial performance. The low financial performance of banks is thought to be caused by a lack of institutional ownership and the small size of the company. The sample of this research is banking companies listed on the IDX (Indonesia Stock Exchange) for the period 2017-2019. The research method used is explanatory research, the data source uses secondary data. The number of samples used was 23 companies which were taken through purposive sampling. This research analysis method using multiple regression. The results of this study indicate that partially institutional ownership has a positive and significant effect on financial performance, and company size has a positive and significant effect on financial performance.

Keywords
Institutional, ownership, company size, financial performance

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Introduction

A company financial performance is a way to measure the success of the company's internal financial functions. A good company performance measurement standard begins with investors' trust in the company, and the funds they invest in are in a safe state and are expected to provide good returns. Therefore, financial reports are often used as the basis for evaluating company performance. Financial reports can measure the company's successful operations in a certain period of time.

Return on assets (ROA) is a measure of company performance by obtaining returns on many assets owned by the company. ROA measures operational performance and indicates the extent of asset use. ROA is also used to see the level of efficiency of the company's operations as a whole. The higher this ratio, the better a company is. An increase in ROA means that the company's profitability increases, so that there is an increase in the profitability enjoyed by shareholders.

Reporting from https://kontan.id (2011), the ability of banks in Indonesia to generate profits has begun to slack off. This is reflected in the Return On Assets (ROA) per September 2019 which was recorded at the level of 2.48%. This position decreased from the previous period which was 2.50%. This phenomenon requires attention because ROA can measure the company's management effectiveness. The poor performance of the company has resulted in investors having to reevaluate to make decisions in investing in stocks in that sector.

In order to monitor management to produce good financial performance, institutional ownership plays an important role in promoting better supervision. Emphasizes institutional ownership as a supervisory agent by investing heavily in capital markets. The greater the percentage of shares held by the institution, the more effective it will be overseeing, because it can control the manager's opportunistic behavior. Then, institutional ownership will encourage managers to demonstrate good financial performance in front of shareholders

According to Nuraina (2012), Institutional ownership can be interpreted as the percentage of issued shares owned by institutions other than the company at the end of the year. Companies

referred to by Nuraina are banks, insurance, investment, pension funds, etc. Institutional ownership is a tool that can be used to reduce institutional conflicts. Institutional ownership has the ability to effectively control management through the monitoring process.

The company's financial performance is also affected by the company's size. Financial performance of a company is affected by the company's size that measured from its assets. It is very common that investors turn to bigger companies when they invest. The reason is to minimize the investment risk of investors, because the larger the company, the smaller the risk of bankruptcy.

A large company size shows that the company can have good control and has a positive effect, namely the company can develop so that the company is able to face competition. According to Wahyuningsih (2017), company size is the scale or value in which a company can be classified as large or small based on total assets, sales and market capitalization. These three indicators can be used to determine the size of the company because they represent how big the company is. Large companies tend to be diversified compared to smaller companies. So that, the company is not vulnerable to the risk of bankruptcy and uses more debt than smaller companies.

The aim of this research is to determine institutional ownership is a great significance in monitoring and management, and institutional ownership can encourage the addition of more optimal supervision, thereby improving company performance. In addition, the size of a company is also an important indicator for evaluating a company's financial status. The size of a large company will have a relatively high growth rate, so it is also expected to obtain good performance from financial.

On the basis of determining the above research questions, the following questions can be raised, which will become the focus of research:

1. How does institutional ownership affect the financial performance of banking companies that listed to the Indonesia Stock Exchange (BEI) amid 2017-2019?
2. How does the company size affect the financial performance to banking companies listed on the Indonesian Stock Exchange (BEI) from 2017 to 2019?
3. How does financial performance of banking companies that listed to the Indonesian Stock Exchange (BEI) amid 2017-2019 affected by the company ownership and size?

Literature Review

Financial Performance

Good performance from financial is the goal that companies always hope to achieve. According to Prasadja Ricardianto (2018), financial performance is the description of the achievement of policies to achieve organizational goals derived from the company's financial statements.

In this study, author chose return on assets (ROA) to measure financial performance. The reason is because banks are required to use the ROA ratio to measure their profitability in accordance with BI Regulation No. 6/10 / PBI / 2004 concerning the assessment system for the soundness of commercial banks as stipulated in Article 4 paragraph (4) in the assessment of bank health. Therefore, ROA is more representative in measuring the financial performance of a bank, the greater the ROA indicates that the company's performance is getting better because the rate of return (return) will be even greater.

Institutional Ownership

Institutional ownership is of great significance in supervision and management, because institutional ownership will encourage the addition of more optimal supervision. According to Topowijaya (2015), institutional ownership refers to the percentage of shares owned by an institution in order to conduct more in depth supervision and thereby limit speculation by managers.

In this study, the measurement of institutional ownership is the percentage total number of shares owned by the institution to the total number of outstanding shares. The greater the ownership of a financial institution, the greater the power to speak and optimize company performance.

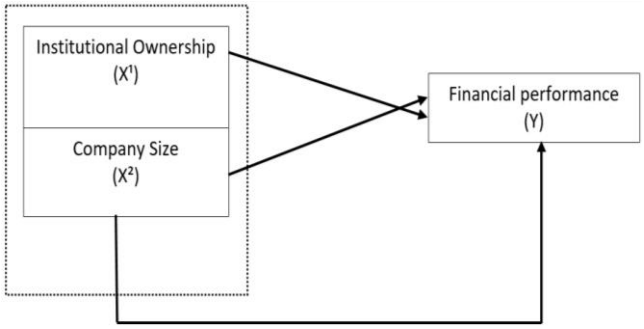
Company Size

A company can be classified based on total assets and sales. Both of these indicators can be used to determine the size of the company because they can represent how big is the company. According to Wahyuningsih (2017), company size is the value at which a company can be classified in size based on total assets, sales and market value. The bigger the asset, the more capital invested, this will lead to more sales and the bigger the company will be known by the public.

In this study, company size can be expressed total assets owned by the company. The determination of company size in this study is based on the company's total assets, because total assets are considered more stable and can also reflect the company size. the ratio of the company can be seen from the business area of operation. The company is larger, usually it will have its own strength in dealing with business problems and the company's capability to acquire profits will be high.

Framework

The framework is formed to view the outcome of the independent variable, Institutional Ownership and Company Size the dependent variable, namely financial performance as shown below.



Research Hypothesis

Hypothesis 1: Institutional ownership has an outcome on the performance of financial

Hypothesis 2: Company size have effect to financial performance

Hypothesis 3: Company's ownership and size have an effect to financial performance

Methodology

Types and Sources of Research Data

Type of research conducted that is, namely using explanatory research with a quantitative approach. Explanatory research is used to determine and explain the influence from company ownership and company size on financial performance. Sources of research data using secondary data obtained on the website the companies concerned, as well as from the Indonesian Capital Market Directory (ICMD) namely regarding financial reports, annual reports, and other information from banking companies for 2017-2019.

Population and Research Sample

The representative from this research is banking companies who are listed to Indonesian Stock Exchange (BEI) amid 2017-2019, consisting of 44 companies. Selection of sample adopted by the purposive sampling method. The sample selection criteria are: (1) companies listed on the IDX, (2) conducting acquisition activities in the period 2017-2019, (3) companies including manufacturing and other industries other than banking companies and other financial institutions, (4) available financial statements 2 years before and 4 years after the acquisition activity with the period ending 31 December, and (5) the company had positive profitability during the observed year. Based on these considerations, total amount of samples in this research is 23 companies.

Operational Definition of Variables

The operational variables used in the study are as follows:

Variable	Measurement	Scale
Institutional Ownership (X_1)	$INTS = \frac{Jumlah\ saham\ yang\ di\ miliki\ oleh\ institusional}{Total\ keseluruhan\ Saham} x\ 100\%$	Ratio

Company Size (X_2)	*Size* = LN (Total Asset)	Ratio
Financial performance (Y)	ROA = x100% $\frac{earning\ after\ interest\ and\ tax}{total\ assets}$	Ratio

Classic Assumption Test

This test is carried out to test the quality of the data so that it can avoid estimating bias. This classic assumption test uses three tests namely the normality test, multicollinearity test, and heteroscedasticity test. The program to be used in data processing is the Eviews 9 program to simplify the process of obtaining a comprehensive picture.

Multiple Linear Regression Test

In this study, there is more than one independent variable so that the influence between these independent variables can be characterized using multiple linear regression analysis. According to Sugiyono (2018) states that multiple regression analysis is an analytical tool to shelter changes the value of variables. The objective of analysis using multiple linear regression is to determine the influence between variable X1 (institutional ownership), X2 (company size), and Y (financial performance).

Coefficient of Determination Test

The objective using the coefficient of determination is to see the measureet from independent variable in this study is institutional ownership (X1) and company size (X2) contributes to the dependent variable, viz financial performance (Y). The coefficient of determination (r square) lies between 0% and 100%. If r2 = 0, then the model does not explain the contribution of variable X to variable Y. The fit of the model is said to be better if r2 is closer to 100.

Hypothesis Test

In this study, the authors conducted hypothesis testing to establish the effect of variable X on variable Y. The test was carried out based on each hypothesis. Partial hypothesis testing is using the t test. If probability t<0.05, Then, the independent variable will have a significant impact on the dependent variable. Otherwise if probability t > 0.05, Therefore, the independent variable has no significant effect on the dependent variable. The simultaneous hypothesis testing is using the F test. If probability F<0.05, Then, the independent variable will have a significant impact on the dependent variable. Otherwise, if probability F> 0.05, therefore the independent variable has no significant effect on the dependent variable.

Results and Discussion

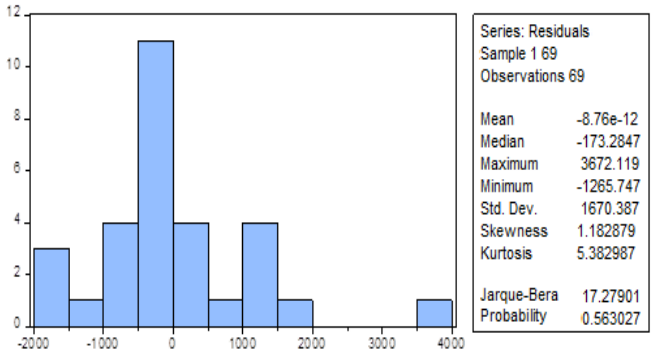
Research Results

The following is a list of banking companies that meet the criteria and are the samples in the study:

No.	Bank Name	Code	No.	Bank Name	Code
1	PT Bank Central Asia Tbk	BBCA	13	PT Bank Sinar Mas Tbk	BSIM
2	PT Bank Bukopin Tbk	BBKP	14	PT Bank BTPN Tbk	BTPN
3	PT Bank Negara Indonesia Persero Tbk	BBNI	15	PT Bank BTPS Tbk	BTPS
4	PT Bank Rakyat Indonesia Persero Tbk	BBRI	16	PT Bank Victoria Internasional Tbk	BVIC
5	PT Bank Tabungan Negara Persero Tbk	BBTN	17	PT Bank Artha Graha Internasional Tbk	INPC
6	PT Bank Danamon Tbk	BDMN	18	PT Bank Mayapada Tbk	MAYA
7	PT Bank QNB Indonesia Tbk	BKSW	19	PT Bank Mega Tbk	MEGA
8	PT Bank Mandiri Persero Tbk	BMRI	20	PT Bank OCBC NISP Tbk	NISP
9	PT Bank Bumi Arta Tbk	BNBA	21	PT Bank Nobu Tbk	NOBU
10	PT Bank CIMB Niaga Tbk	BNGA	22	PT Bank Panin Syariah Tbk	PNBS
11	PT Bank Maybank Indonesia Tbk	BNII	23	PT Bank Woori Saudara Indonesia Tbk	SDRA
12	PT Bank Permata Tbk	BNLI			

Classical Assumption Test Results

The results of normality testing using Jarque Bera show that value probability i.e. 0.563027. This value is greater than 0.05, so it can be explained that the model used in this study does not have residuals or confounding factors or is normally distributed, so data normality is assumed to have been fulfilled.



Furthermore, the multicollinearity test results showed that no VIF values were found that were below 1 and above 10 (1> 1.384157 <10). So that, the model in this study does not have a multicollinearity problem. The meaning there was no multicollinearity symptom between the two independent variables.

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.543211	42.43460	NA
X1	0.025104	37.46824	1.384157
X2	0.032459	25.31154	1.384157

The results of heteroscedasticity testing using the Breusch Pagan Godfrey indicates that the probability value of F is greater than 0.05 (0.4530> 0.05). So that, it indicates that the model in this test does not have a heteroscedasticity problem.

Heteroscedasticity Test: Breusch Pagan Godfrey			
F-statistic	0.776532	Prob. F (2.17)	0.4530
Obs. R-squared	2.370750	Prob. Chi-Square (2)	0.5615
Scaled explained SS	3,487458	Prob. Chi-Square (2)	0.5679

Multiple Linear Regression Test Results

In this test, the common effect was chosen as the technique the most appropriate in estimating the panel data parameters. The following is a table of the results of regression testing with techniques *common effect*:

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.473918	1.226139	1.542135	0.0013
X1	9.257124	1.673065	1.267351	0.0060
X2	6.354189	1.442093	1.893956	0.0027

Based on the table above, the estimation results for the regression model are obtained as follows:

ROA = 4.473918 + 9.257124X1 + 6.354189X2

Information:

ROA = Financial Performance
X1 = Institutional Ownership
X2 = Company Size

Based on these results it can be interpreted that:

Coefficient institutional ownership (X1) of 9.257124 is positive, indicating that there is more institutional ownership, it will increase the

financial performance (Y) of 9,257124 with the assumption that other variables are fixed.

Coefficient company size (X2) of 6.354189 is positive, implying that the larger the size of the company, the higher the financial performance (Y) of 6.354189, assuming the other variables are fixed.

Results of Determination Coefficient Test

Based on the panel data model with the common effect, it can be identified that the coefficient of determination is as follows:

R-squared	0.540539	Mean dependent var.	1236,133
Adjusted R squared	0.302509	SD dependent var.	1650,438
SE of regression	162,2184	Akaike info criterion	12,51742
Sum squared resid.	524834.5	Schwarz criterion	12.61863
Log likelihood	102.1870	Hannan Quinn criter.	12,41560
F-statistic	92.61807	Durbin Watson stat.	1.561303
Prob. (F-statistic)	0.000000		

Based on this, it is acknowledged that the determination coefficient (R-squared) is 0.540539, which means that simultaneously the ability institutional ownership and company size as an independent variable able to explain financial performance as the dependent variable at 54.05%.

The remaining 45.95% is explained by other factors outside the analyzed model.

Hypothesis Testing Results

Following are the results of partial hypothesis testing (t test) with the common effect model:

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.473918	1.226139	1.542135	0.0013
X1	9.257124	1.673065	1.267351	0.0060
X2	6.354189	1.442093	1.893956	0.0027

In the table above indicates that the value probability t The institutional ownership variable is 0.0060 which means it is smaller than the significance level of 0.05 (0.0060 <0.05). Thus, it is stated that Ho rejected, H1 accepted. So, possible concluded such company ownership has a positive and noteworthy effect on financial performance.

According to the above table also can be seen value probability t the company size variable is 0.0027, which means it is less than the significance level 0.05 (0.0027 <0.05). Thus, it is stated that Ho rejected, H_2 accepted. So, it can be presumed the company size has a positive and noteworthy effect on financial performance.

The following are the results of simultaneous hypothesis testing (F test) with the common effect model:

R-squared	0.540539	Mean dependent var.	1236,133
Adjusted R-squared	0.302509	SD dependent var.	1650,438
SE of regression	162,2184	Akaike info criterion	12,51742
Sum squared resid.	524834.5	Schwarz criterion	12.61863
Log likelihood	102.1870	Hannan Quinn criter.	12,41560
F-statistic	92.61807	Durbin Watson stat.	1.561303
Prob. (F-statistic)	0.000000		

In the table above indicates that the value probability F variable, namely 0.000000 which means less than the significance level 0.05 (0.000000 <0.05). Thus, it is stated that Ho

rejected, H_3 accepted. So, it can be presumed that institutional ownership and size of a company together have a positive and noteworthy effect on financial performance.

The Influence of Institutional Ownership on Financial Performance

The outcome shows there is a positive and noteworthy influence between institutional ownership (X1) on financial performance. Based on the calculation results obtained score probability t which is smaller than the significance level (0.0060 <0.05). This imply that Ho denied and H1 is approved. Based on this calculation, the regression coefficient results were also obtained at 9.257124 which shows the greater the institutional ownership, the better the financial performance.

This study shows results that are in line with Wahyuningsih (2017) which explains that institutional ownership is a factor that can influence financial performance. A high level of institutional ownership will lead to greater supervision efforts by institutional parties so that it can prevent behavior that is detrimental to the company. The stronger the ownership of financial institutions, the greater the right to speak and the motivation to optimize the value of the enterprise. Institutional ownership will encourage managers to show good financial performance in front of shareholders.

Effect of Company Size on Financial Performance

The outcome shows there is a positive and noteworthy influence between company size (X_2) on financial performance. Based on this calculation results obtained score probability t which is smaller than the significance level (0.0027 <0.05). This imply that Ho denied and H2 is approved. Based on this calculation outcome, the regression coefficient results are also obtained 6.354189 which shows that the larger the company size, the increase financial performance.

This study shows results that are in line with Wufron (2017) which explains that company size is a factor that can affect financial performance. The bigger the size of the company will have its own strength in dealing with business problems, And the company's capability to acquire high profits because it is supported by large assets that make the company's obstacles can be overcome. The larger the company size, the smaller the risk of bankruptcy this way the company's performance will improve.

The Impact of Company Ownership and Size to Financial Performance

The results show that both institutional ownership (X1) and company size (X2) have a positive and noteworthy impact to performance of financial. Based on this calculation outcome obtained the value of the coefficient of determination which means that together the ability institutional ownership and company size as an independent variable able to explain financial performance as the dependent variable at 54.05%. The remaining 45.95% is interpreted by other external factors of analysed model.

This research shows results that are in line with the research of Fiandri and Muid (2017) which explains that institutional ownership and company size have an impact on the performance of financial. It consists from the framework of thinking that institutional ownership and company size are factors that affect financial performance.

Conclusion

Conclusion

According to the tests carried out, the results obtained:

1. Company ownership has a positive and noteworthy effect for the performance of the company's financial. It implies the better the company ownership, the better its financial performance.
2. The company size has a positive and noteworthy effect to performance of the company's financial. It implies that the bigger the company size, the better its financial performance.
3. Company ownership and size have positive and noteworthy effect for the performance of the company's financial. It consists with the framework of thinking that institutional ownership and company size are factors that affect financial performance.

Recommendations

In this study, researchers suggest that companies can improve its financial performance. One way that can be done is by:

1. Increase institutional ownership in order to produce more intensive supervision efforts. Because a high level of institutional ownership will lead to greater supervision efforts by institutional parties so that it can hinder behavior that is detrimental to the company.
2. Increase company size in terms of entire assets. Because the company is large, it will cause more sales and the bigger the company will be known by the public.
3. As for further research, it is expected to use a wider research sample and a longer period of time, so that the number of observations is greater and more accurate. Researchers also suggest that further research should add more independent variables that are more influential or can contribute to the company's financial performance by collaborating with more theories.

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