THE INFLUENCE OF OWNERSHIP STRUCTURE TO FIRM'S VALUE: *ANALYST FOLLOWING* AND INVESTOR PROTECTION AS MODERATING VARIABLE

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Abstract

The research related to correlations between the structure ownership with the firm's value is a discussion about corporate governance which is still has contradictory conclusion and mixed result. It's indicates open question that need emperical evidence. The influence concentrated Ownersjp to firm's still brought conflict of interest so role of analyst following can be stated as an alternative of corporate governance mechanism (Lang et al. 2004). The objective of this research are to examine interacting effect between concentrated ownership with analyst following and interacting effect between concentrated ownership with investor protection toward firm's value in five Asian companies. Asia is chosen because it has unique characteristic, that is ownership structure in Asia more concentrated on their families board of governance is weak (Choi, 2003),

The data is obtained from Bloomberg and OSIRIS database for the periode 2011-2013 in five Asian Countries (China, Korea selatan, Malaysia, Taiwan dan Thailand). The sample which is used in this research is consisting of 6.500 firm year observations; 4600 firm year observations are categorized in low investor protection and 1.900 firm year observations are categorized in high investor protection. Multiple Regression analysis is used to test hypotheses.

The results show that concentrated ownership effected positively and significant to firm's value.The interacting effect between concetrated ownership to analyst following to firm's value is positive but did not significant.On the other hand, this research shows that concentrated ownership will influence firm's value at level of investor protection in a country is low.

Keywords: concentrated ownership, Analyst following, investor protection,and firm's value.

1. Introduction

The relationship of ownership structure and firm performance is an important area of study in the broader field of Corporate Governance. Researchers have focused mainly on managers and major shareholders ownership. This research explored the relationship of ownership structure to firm's value which bring out the conflict of interests of managers and owners of the firm and get involved other role of external parties to reduce asymentry information between them.

Some earlier research results show contradictory relationship conclusion. Agrawal (1996), Shleifer and Vishny (1986) stated that concentrated ownership positive effect to firm's performance. Wahla *et al*. (2012) using samples of 61 non-financial companies that are listed in Karachi Stock Exchange to examine the influence of the concentrated ownership structure effects to firm's value. The result showed that the impact of concentrated ownership to firm's value is positive but did not significant, while managerial ownership associated negatively to firm's value.

These positive effects can be explained that the majority owner or *blockholders* has the ability to monitor the company's operational to achieve shareholders' interests themself. Demsetz and Lehn (1985) provides evidence that concentrated ownership associated positive to a potential monitoring activities by the owner. If concentrated ownership is higher thus control the majority shareholder will also be higher, so that the firm's value will also increase (Smith, 1996).

Other research provides evidence in contrast, Hingley (1970), Fama (1983), and Pedersen (1999) explained that influence of concentrated ownership to the firm's performance is negative. Lins (2003) was using samples 1.433 companies in emerging capital market in 18 countries. The results stated that management ownership concentrated (*management blockholders)* have an negative effect to a firm's value.

Chen (2012) describes negative effect is due to the possibility that the majority shareholder controlling has a strong motivation to make a transaction that "it is unfair" shifting company resources to improve the their own prosperity (La Porta, 2000). Asymmetric Information approach is one way to reduce asymetry information disclosure in the capital market between internal and external (Wahla *et al*.,2012). The role can be done by *analyst following.*

Jensen and Meckling (1976) argued that analysts financial can play a role in reducing costs agency that have arisen because of separation ownership and controlling. Analysts have a role through two mechanism that is as independent monitor and as an information intermediatary (Cheng and Subramayam, 2008). Analysts as monitor, they can monitor manager's activities and publish it. The second analysts role is as an intermediary corporate information. Analysts can balance information between internal and eksternal parties to reduce the risk asymmetry information.

Analysts had potential to improve quality of information, so that it was able to reduce uncertainty, reduce the risk information asymmetry (Easley and O'Hara, 2004) and is expected to be able to improve market value. McConnell and Servaes (1990) documented empirical evidence that *analyst following* has a positive effect to firm's value.

Lang *et al.*(2004) said that if the most monitoring activities done by family or management (*largest blockholders*), affecting on lower number of *analyst following*. Analysts are likely less interested to follow a poor firm level corporate governance, such as the concentrated ownership. This relation is much more strengthened if the company domiciled in a country with law legal protection to investor, so the role of analysts more effective in countries that the developed capital market and investor protection is stronger.

This research will examine interaction between *analyst following* with concentrated ownership structure and how it's interaction influence to firm's value. .*Analyst following* has a positive influence toward firm's value. When companies was concentrated ownership but *analyst following* still analyzing the company, so it will be a positive influence to the firm's value as it provides additional benefit *(incremental benefit*) to investors and affecting their decisions.

Concentrated ownership has consequency the minority shareholder occured. Minority investor needs to be protected higher (Boubaker and Labegorre, 2008). Minority investor protection to be weaker if investor's ability to monitor the manager also weak. The role analysts as monitor and intermediatary information can provide protection mainly information protection so that the information gap between minority shareholder and mayority shareholdes will reduce, indicates that analyst play role will be increase, especially in countries with low investor protection (Lang and Lundholm,1996).

This research have several defferences to Lang *et al*. (2004) and Chang *et al.* (2000) are: (1) samples selection is the companies in five countries in Asia and number of samples each country is larger so that is expected to be more closely reflect a country, (2) Generally, the capital market in the Asian countries is emerging market so environmental information is different to those in developed capital market; (3) observation for three years from 2011-2013 to examine the variability of *analyst following*, while Lang *et al*. (2004), the observation is only for one year in 1996.

Analysts have more incentives to play role as an active to function as a supervisor independent can only examined in the *common law country* with strong investor protection (Barniv *et al*.,2005). Associated with the statement above, the research questions is how the analysts play a role in the country *code law* with lower investor protection and a little obstacle for the insider for shifting wealth to their own prosperity. Another motivation of thie research is based on the best researcher's knowledge is few literature that discussed the relationship between firm's value with *analyst following* in the differences regimes of good corporate governance and law enforcement.

Based on the background explanation above, so this research specifically aimed to: (1) examine how the ownership concentrated influence to firm's value, (2) examine interaction between *analyst following* and concentrated ownership structure to the firm's value. The purpose of this research is focus on analysts who are interested in analyzing a company even though it's has a concentrated ownership structure, and how this interaction influence toward firm's value. (3) examine interaction effect between concentrated ownership and investor protection to firm's value, whether the relationship depends on the environment protection investor.

The contribution of this research is over three important points are: (1) provides empirical evidence and more understanding related to mechanism corporate governance at the company level and country level of particularly how interaction between concentrated ownership structure and *analyst following* to influence the firm's value, (2) examine role of company internal governance at emerging capital market in the Asian region which needed quality improvement and obtain benefits from the role of *analyst following* and capital market evaluation, (3) The Companies in Asia are chosen as sample because most companies in Asia have concentrated ownership structure, *board governance* is weak and has potential to increase the agency problem, which poor corporate governance, and tend to be as a country with low investor protection so that needs a new recommendations involved good corporate governance mechanism to improve *Corporate Governance* [1] (La Porta et al., 1998) .

This research consists of 5 parts. Part 1 in this research concists of introduction, objective and contribution. Part 2 in this research contains about theoretical foundation and hypothesis development. Part 3 described about

[1] Corporate Governance is measured in ownership which concentrated on family supervision or management, Lang et al. (2004).

the research design, which consists of the sample selection, operational definition variables and statistical tests which is used. Part 4 explained about results and part 5 provides conclusion and the limitations of this research

1. Literature and The Hypothesis Development

a. Agency Theory

Agency theory presented by Jensen and Meckling (1976) stated that *governance relationship* perception as the contract between s*harehoder*'s (*principal*) with *directors (agents*). Correlations between both parties, it is assumed that both parties is *utility maximizer* so that enough argued if an agent does not always acted in the best interests (*best interest*) to *principal*.

According to the agency theory, the mechanism quality good corporate governance a company was supposed to mitigate any cost related agencies relationship between owners of capital or substantial shareholders with their agents. The quality of corporate governance is one of the keys that determine the firm’s value (Lang *et al.,* 2003), *cost of capital (* Bowen *et al. ,* 2006), market liquidity (Roulstone, 2003).

2.2 Teori *Stewardship*

Stewardship theory presented by Donaldson dan Davis (1989, 1991). *Stewardship theory* is definies situation in which managers are not motivated by individual goal but rather are swhose motivates are aligned with objective of their principal. Managers as agent which their activites or company operational to achieve organization goal, which accelerate the principal interest. *Stewardship theory* is bulit psychological factors that human can be trusted, responsibility, high integrity to organization. *Stewardship theory* stated that management as a trusted parties and do the best to achieve the organizational goal by increasing the firm's value.

2.3 *Corporate Governance Theory* (CGT)

CGT conveyed as basis theory for researches to discuss the structure of ownership relations between the owner and agent. Corporate Governance in general can be interpreted a mechanism to protect investors as a outsider parties from insider might ignore their interests.

Definition corporate governance according to Giilian (2006) were classified into two groups namely *internal corporate governance* and *external corporate governance*. Gillian divided *internal corporate governance* to be 5 basic categories, namely: 1) *The Board of Directors* (such as the role, the structure and incentives)[2], 2) *Managerial Incentives*, 3) *Capital Structure, 4) Bylaw and Charter Provisions*, and 5) *Internal Control System. Corporate* G*overnance.* This research focuses on identify *board of directors* as measured by the structure ownership.

Claessens *et al.* (2000) explained that most companies in East Asia's ownership structure under the supervision and concentrated control is located in the current majority shareholders. Companies in the Asian countries have internal governance is poor as *board independence* is weak and the committee have relatively less complete. Most countries in Asia in have weak legal system and investor protection is also weak called *code law*. Most of East Asian countries involve into group category *code law* as of China and South

[2] *Incentives* can be measured by type ownership and composition director

Korea and while of Taiwan, Malaysia, and Thailand, including state *common law* with strong investor protection.

b. Correlations the concentrated ownership structure with firm's value.

Research results related to relations between concentrated ownership structure with the firm's value is still contradict conclusion. The result about this correlations is not well-established *(conclusive),* e.i. there are two conclusion a contradictory, therefore more empirical evidence are needed. Several number of studies earlier proposed there is no monotonously correlation of ownership structure with the firm's performances (Morck *et al*., 1988). Berle and means (1932) is the first who examining the relationship between the structure ownership with the firm's perfomance. Research results said that there is a reverse (*inverse correlation*) between spread ownership structure and firm,s value. Demsetz and Lehn (1985) stated that on the contrary that ownership structure which more spread out in a systematic, can maximize firm's value.

Ownership that is increasingly concentrated can increase monitoring function by shareholder. If a company owned by a small parties, so it can create a controlling function to increase managerial accountability (Coffee 1991). Shleifer and Vishny (1986) also stated same opinion, structure of ownership which is more concentrated can improve the shareholders' ability to monitor and influence management in a more precise in their efforts to protect activities to guarantee the return of their investment. The higher share ownership, control the majority shareholder also will be more increase, so that the firm's value will also increase (Smith, 1996).

The relationship between ownership structure and the firm's value is still the central issue that requires empirical evidence so this research will be more motivated to continue examining how concentrated ownership structure effected to firm's values which companies sample are five countries in Asia. Based on these logical reason, the first hypothesis in this research is as follows:

H1 : The concentrated ownership structure has a positive influence toward the firm's value

c. Correlations between the concentrated owernership structure, *analyst following* with firm's value

Fan and Wong (2002) and Willekens *et al*., (2005) said that several number of reasons why quality of good corporate governance affected to *analyst following* : 1) The company which publish more information (*disclosure)* both consolidated financial and non-financial report is a good corporate governance, as well as declining costs for analysts when exploring and collecting information. Analysts are more likely to follow those firm characteristics for analyzed; 2) company that has good corporate governance mechanism will be able to directly monitoring manager activities, involved their interest (*managers* and *shareholders*) because of the separation ownership, thus reducing the agency problem; 3) analysts preferred to follow company that has a good governance mechanism because they likely less effort must be done, because analysts have a perception that managers work better.

Lang *et al*. (2004) stated that *analyst following* related positively to firm's value, especially the company with potential incentives to withold or manipulate information, such as concentrated ownership structure and having *a poor corporate governance (*Yu, 2009). Lang and Lundholm (1996) stated that by role *analyst following* can increase the investors' knowledge, reduces the risk asymmetric information and reduce cost of capital. Based on above explaination indicate that the role analysts as independent monitor will be more valuable when investors get more benefit *(incremental benefit)* that have an impact on the firm's value.

Researcher's hope interaction coefficient will be positive, which has the sense will strengthen correlation between the ownership concentrated with firm's value. Based on the argument above, the second hypothesis in this research is as follows:

H_2 : The concentrated ownership structure has a positive effect on the firm's value will be more stronger if the firm's is followed by more *analyst following.*

d. **Correlations between the concentrated ownership structure, investors protection and firm's value.**

Corporate governance mechanism can be classified into two categories, with related each other, namely: (1) external mechanism at the country level of (*country-specific governance mechanisms*) as investor protection, based on the *rule of law* and market for corporate control; (2) internal mechanism (*firm-specific mechanisms*) such as *ownership structure*, *managerial incentive provision,* and auditor choice. This research examines how the correlation between two groups corporate governance mechanism including concentrated ownership structure on firm's level with investor protection on country level [3] (Chang *et al*., 2000).

Hope (2002) stated that concentrated ownership is tends to occur in the country with low investor protection. Internal parties also has a tendency to influence information and transaction, for example transaction related to internal (*insider trading)* that is unrestricted, it will be less consider about minority shareholder protection. La Porta (1998, 2008). Investor protection is one of the good corporate governance external mechanism at a country level.

This research complements the existing literature by focusing on correlation between concentrated ownership toward firm's value, whether this relationship is influenced by environmental protection investors of country domicile. The third hypothesis is based on *Stewardship theory* which bulit on psychological factors that human can be trusted, responsibility, high integrity to organization. *Stewardship theory* stated that management as a trusted parties and do the best to achieve the organizational goal by increasing the firm's value.

[3]Fan and Wong (2002) stated that ownership which concentrated associated with low *earnings-returncorrelation* in East Asia.

Concentrated ownership of shares tend to be occur in the country with low investor protection. So we hope coefficient interaction between them will be positive in the ountry with low investor protection. Based on the argument above the third hypothesis in this research is as follows:

H_3 : Concentrated ownership structure positive influence toward the firm's value will increase stronger if the company domiciled in low investor protection.

2. Research Method

3.1 Data and Samples

This research uses *Bloomberg and* Osiris database as data source acquisition of financial data company. Type of data that is used in this research is secondary data. This research uses *Bloomberg* and *Bvd Osiris* database. The use database was chosen because of the limitations of other databases access. In earlier observations are planned in 2011-2013, this year was chosen because it is in the latest update data, and hoped the company in Asian countries has improve their data. Samples in this research is manufacturing companies that are in Asia that consists of China, South Korea, Malaysia, Taiwan and Thailand.

3.2 Variables Measurements

3.2.1. Firm's value

The firm's value a projected with *Tobin's Q.*

Tobin's Q calculated in such a way: (*Market Cap + Liabilities + Preferred Equity + Minority Interest) / Total Assets.*

3.2.2. Concentrated Ownership Structure

The concentrated ownership calculated by which proportion number of shares owned by three biggest shareholders in a company (Demsetz and Lehn, 1985).

3.2.3.Analyts Following

Analyst following is defined as number of analysts' that published forecasting the company annual report.

3.2.4.Investor Protection

Investor Protection is measured with the investor protection index that issued by World Economic Forum-WEF, namely *Global Competitive Index* (GCI)[4]. There are five dimensions for measuring the investors protection level in each country, that are board independence, enforcement of securities laws, protection of minority shareholder rights, enforcement of accounting and auditing standards, and judicial independence (Houqe *et al.* , 2008).

3.2.5 Controls Variable

Controls variable that used is: SIZE which signs is expected to be positive, XLIST which is expected to be positive , CAPEX[5] positive

[4] Investors protection value each country, from the website *World Economic Forum* (http://www.weforum.org/reports) .

[5]CAPEX/ASSETS As a proxy for career potential investment. Other Proxy that developed LLSV (2002) is *annual growh of sales* for the past several years before. But for the market that the capital market is growing it is difficult to obtain data. *Sales growth* associated with positive *Capex/ assets* ratio (lins, 2003)

associated with the firm's value. Other controls variables according to McConnell and Sarvaes, (1995) is LEVERAGE negative. Control variables associated with *analyst following* based on Lang and Lundholm, (1996) is EARNING SURPRISES associated negative to firm' value.

3.3 Statistical Test Instrument

Statistical instrument test that used in this research is *Multiple Regression*. The following similarities regression analysis to test hypothesis one:

$$\text{Tobin's Q} = a_0 + a_1 OWNCON_{it} + a_2 SIZE_{it} + a_3 XLIST_{it} + a_4 LEVERAGE_{it} + a_5 CAPEX_{it} + a_6\ EASURP_{it} + \varepsilon$$

The following similarities regression analysis to test hypothesis two and three

$$\text{Tobin's Q} = a_0 + a_1 OWNCON_{it} + a_2 ANFOLL_{it} + a_3 INVP_{it} + a_4 OWNCON*ANFOLL + a_5 OWNCON*INVP + a_6 SIZE_{it} + a_7 XLIST_{it} + a_8 LEVERAGE_{it} + a_9\ CAPEX_{it} + a_{10}\ EASURP_{it} + \varepsilon$$

Note:

ANFOLL = number of analysts that provide forecasts of annual report of company i in years t, which is listed on the Bloomberg data base.

OWNCON = The proportion of a shareholder was owned by three biggest shareholders in a corporate i in years t (La Porta,1998).

INVP = Number of five dimensions measurements of investor protection, published by the world economic forum.

SIZE = Natural logarithm total assets of companies i in years t.

XLIST = *Dummy variable*1 if the company listing at the U.S. Market and reconciliation consolidated financial according to U.S. GAAP, 0 if not, at the company i in years t.

LEV = Total debt ratio on total assets i in years t.

CAPEX = The ratio modal on total assets of companies i in years t.

EASURP = The obsolut value, the difference net per sheet share this year with net per sheet share a year before divided shares in firm's share price i in years t.

ε = *standard eror.*

3.4 Robustness

The research related to correlations between the structure ownership with the firm's performances divided into 2 type, e.i. : linear and non linear. Pedersen and Thomsen (1999) testing by using assumption that there is a linear correlations between structure tenure on the performance of the company concentrated, on the contrary Morck *et al.*,(1988) and McConnell and Servaes, (1990) uses a model testing on the assumption that non-linear shows that there is non linear correlations between managerial ownership and company's performance. Testing model using non-linear assumptions which is called the *inversed U-shaped relation* or *bell-shaped relation.* Linear non-linier correlation between concentrated ownership toward firm's value performancewill be discussed in terms of impact *alignment* and *entrenchment effect.*

Jensen and Meckling (1976) divided agencies costs over 2 types: type I and type II. Type I happened because there is a separation between the owner and company managers and the owner not active play role managing the company. Agent have the opportunity to do not always acted on the shareholders best interests which is called *managerial opportunism.* Type II happened when the owners so dominant and a predator for owners are a minority. Concentrated ownership creating *owner opportunism* when a great deal of controlling over transaction and can act more profitable to their own interest (Morck *et al.* ,1988). Type II is called *entrenchment effect.*

The research will examine at what level precent of concentrated ownership, *entrenchment effect* is likely to be happen. Fama and Jensen (1983) said that if managerial ownership reached more than 50 %, then there is full of control to be happpen. This research will test various levels to change of ownership concentrated effect to change of Tobin's Q. Samples were divided into three groups samples in accordance with the research result of Morck *et al.* (1988). Based on the *alignmen*t argument, the higher ownership so concentrated will improve the company's performance (Jensen and Meckling, 1976) while the argument *entrenchment* said ownership concentrared is higher will impact on decreasing the company's performance (Morck *et al.* ,1988).

4. *Data* Analysis and Discussion

The Data obtained from the *Bloomberg* and *Bvd Osiris* database by observation from the year 2011-2013. Table 4.1 illustrates sample that used in this research, the manufacture of the five countries in Asia, consisting of China, Japan, South Korea, Malaysia, Thailand and Taiwan. Number of observation of the China that is 2,997 or 42.2 % of the total data, the South Korea as many as 1,801 or 25.4 % of the total data, Taiwan as many as 1,337 or 18.8 %, Malaysia as many as 773 or 10.9 % and observation that at least, the Thailand as many as 192 companies, or 2.7 % of the total observations in this research.

Table 4.1. Selected Sample Based on the country

Country Name	Years Observations 2011	2012	2013	Number of observation *(Firm year observation)* Each Country	%.
China	975	1,115	. 907	2,997	42.2
South Korea	606	592	603	1,801	25.4
Taiwan	466	449	422	1.337	18.8
Malaysia	263	260	250	773	10.9
Thailand	68	59	65	192	2.7
Total	2,378	2,475	2,247	7,100	100

4.1 Descriptive Statistics

Descriptive Statistics can be used to see the spreading data to the its center value (*mean*). One of the indicator to disseminate data can be seen in the standards deviation. The lower standard deviation value indicates that the data are likely to have a close to the average from the data. Table 4.2 show descriptive statistics that the value of all the variables that use in this research as follows:

Table 4.2. Descriptive Statistics

Variable	*Min*	*Max*	*Mean*	*Median*	*Std.Dev*
Tobin'Q	0.2625	3.7106	1.2019	1.1323	0.4140
OWNCON	0.16	99.63	46.2476	46.5100	19.855
ANFOLL	0	47	2.64	1.00	5.554
INVP	19	26.30	22.2559	21.300	2.3494
SIZE_LN	1.8573	12.8311	6.5653	6.5869	1.9049
LEV	0.0075	1.5613	0.4317	0.4360	0.198
CAPEX	-1.977	-0.000	-0.073	-0.031	1.672
EASURP	0.0001	32.955	0.5621	0.1557	1.8843
XLIST	0	1	0.000	0.000	0.52
Number of observation			7,100		

4.2 Hyphotesis Testing

4.2.1 Influence Concentrated Ownership to Firm's Value

Before doing regression analysis for the test the hypothesis two, researchers test assumption classic.[6] Based on assumption classic tests that has been done, and result in the recapitulation show all classic assumption requirements fulfilled. The test result shows that regression model did not have multikolinieritas, normalitas, heteroskedastisitas and autokorelasi symptoms.

The first hypothesis (H_1) stated that the concentrated ownership structures have positive influence toward the firm's value. This hypothesis

[6] Normality test done with test Kolmogorov Smirnov and *normal probability plots of standardized residual Asymp. Sig. (2-tailed*) of 0.086 which means more than 0.05. Multikolinearity test for independent variables test a correlation between as measured by *Variance Inflanattion factor (* VIF).The VIF for all the variables there is nothing more than 10. Heteroskedastisitas test using tests *Glejser values with Prob. Chi-Square* of 1,000. Autokorelation test to ensure that there was no correlation between variables using tests Durbin-Watson.The *Durbin-Watson* (DW) is 1.976

means if company has ownership structure more concentrared effecting to firm's value more increase.

Table 4.3 Regression Analysis Result
The Relation between firm's concentrated ownership to firm's value

Independent variables	*Expected Sign*	*Coefficient (P-value)*
Constant		*0.612*
OWNCON	+	*0.001*
		*(0.000)**
SIZE_LN	+	*0.108*
		*(0.000)**
LEV	-	*-0.621*
		*(0.000)**
CAPEX[7]	-	*-0.748*
		*(0.000) **
EASURP	-	*-0.024*
		*(0.000)**
XLIST[8]	+	*-0.580*
		*(0.000) **
R^2		*0.421*
Adjusted R^2		*0.421*
Number of observation		*6,500*

* Significantly to level 1%

** Significantly to level 5%

[7]McConnell and Muscarella (1985) said that the increasing capital expenditure positively responded to investors to raise share value, but La Porta, et al. (2002),Shleifer and Vishney (1997) said that environmental governance in the country that is growing for the conditions in different countries who went up. Claessens, Djankov, and Lang also reported that the company in developing country dominated by ownership which concentrated/ so there assets which concentrated conglomeration that leads to the agency that was (Berger and Ofek 1995).resource allocation is not efficient (asset allocation for survival) had the effect of slowing down corporate value (Jensen and Meckling (1976) and Mansi and Reeb (2002)).
CAPEX positive influence to volatile share price (Coles, 2004). This was show risk the share price it is uncertain. If it is related to share value and risk share price was to bring down the share. The Capital expenditure negative reflect investment policy does not get a positive signal for investors, because investment policy is long term policy and investors were first have to prove impact investment policy.
[8] Based on test result, that all the variables showed signs (*sign*) that unless Xlist. Directions that it is inappropriate to this is because samples companies had only a few are listed in *newyork Sock Exchange.*

Test result shows that the structure ownership concentrated significantly affect positively to the firm's value, p-value 0.00<0.01. Based on the result analysis of the hypothesis provides an emperical evidence that mean hypothesis one (H_1) in this research is supported.

If ownership structure more concentrated, it can increase monitoring function a company. It means shares owned by a small parties can create a control function to increase managerial accountability (Coffee 1991).

Shleifer and Vishny (1986) also have the same argument that share which is owned by large ownership and control the majority shareholder also will be higher, so that the firm's value will also increase (Smith, 1996).

4.2.2 Interaction between Concentrated Ownership Structure with *Analyst Following*

Hypothesis two states that the relationship between the concentrated ownership structure with firm's value more increase stronger if the company followed by more *analyst following*. If the company has high concentrated ownership structure and analysts is still follow and analyze this company, will be effect to higher firm's value.Coefficient regression of interaction between concentrated ownership structure and *analyst following* (OWNCON*ANFOLL) is expected to positive and significant.

Tabel 4.4 Result Analysis Regression
Interaction between Concentrated Ownership with *Analyst Following*

Independent variables	*Expected Sign*	*Coefficient (P-value)*
Constant		*1.074*
OWNCON	+	*0.001*

Independent variables	Expected Sign	Coefficient (P-value)
		*(0.000)**
ANFOLL	+	*0.006* *(0.000)**
INVP	+	*-0.016* *(0.000) **
SIZE_LN	+	*0.100* *(0.000) **
LEV	-	*-0.645* *(0.000) **
CAPEX	-	*-0.748* *(0.000*)*
EASURP	-	*-0.035* *(0.000) **
XLIST[9]	+	*-0.628* *(0.000) **
*OWNCON*ANFOLL*	+	*0.00001* *(0.700)*
R^2		*0.400*
Adjusted R^2		*0.399*
Number of observation		*7100*

* Significantly to level 1%
** Significantly to level 5%

The table 4.4 shows that interaction between ownership is concentrated with *analyst following* a positive but not significant. Coefficient interaction between concentrated ownership and *analyst following* is *Sig. (2-tailed*) = 0.700 >0.05.

Test result was not in accordance with the hypothesis two raised. Test result shows that this interaction between *concentrated ownership* and *following* positive but did not significant affect on the firm's value This was a full-fledged *analyst following* give positive impact for the company even

[9]All the variables showed as ecpected sign unless Xlist. Directions that it is inappropriate to this is because samples companies had only a few are listed in *newyork Sock Exchange.*

though it does not significantly. Mouseli (2009) testing listed companies on the *London Stock Exchange* said that the quality of corporate governance and the number of *analyst following* not have significant impact to raise firm's value.

4.2.3 Interaction Between Concentrated Ownership Structure with Investors Protection

Hypothesis three stated that the correlation between concentrated ownership structure with firm's value is stronger if the company domiciled in the country with low investors protection. The hypothesis three testing will be done in a interaction variables between concentrated ownership structure and investor protection (OWNCON*INVP).

After the testing is done, it turns out that there is a serious multikolinieritas symptoms that happen in interaction benween ownership concentrated variables and investor protection (OWNCON*INVP).

Mutikolinieritas problem is solved by deviding samples to two (*split samples*). *Split samples* will be done based on the amount conservation value investors each country. The distribution samples to samples with the category "Investors Protection high" and "Investors Protection Low" will be done in a way to find the median.

Split samples will be done based on the amount conservation value investors each country. The distribution samples is done in a way to find the median value for investor protection. The median variable as investor protection is 22.00. Samples which has a value investor protection ≤

22.00 categorized samples with low investor protection and samples which has value of investor protection > 22.00, was categorized as samples with high investor protection. The next testing is the hypothesis three. Table 4.5 showing a test result for the hypothesis three.

Table 4.5 . Multiple regression analysis result-*Split samples*

Variabel Independen	*Expected Sign*	Perlindungan Investor Rendah Koefisien *(P-Value)*	Perlindungan Investor Tinggi Koefisien *(P-Value)*
OWNCON	+	0,021 (0,000)*	-0,008 (0,163)
ANFOLL	+	0,016 (0,000)*	0,021 (0,000)*
INVP	+	0,172 (0,000)*	-0,058 (0,000)*
SIZE_LN	+	0,007 (0,124)	0,008 (0,110)
LEV	-	-0,493 (0,000)*	-0,091 (0,007)*
CAPEX	-	-0,548 (0,000)*	-0,464 (0,000)*
EASURP	-	-0,019 (0,000)*	-0,070 (0,000)*
XLIST	+	-0,503 (0,000)*	-0,520 (0,000)*
*OWNCON*INVP*	+	0,001 (0,000)*	0,000 (0,149)
R^2		0,646	0,550
Adjusted R^2		0,416	0,303
Jumlah Observasi		4.650	1.900

* Significantly to level 1%
** Significantly to level 5%

The interaction coefficient regression variables (OWNCON*INVP) in *split sampl*e of investor protection low is positive and significant, on the other hand in *split samples* of investor protection high was positive and not significant. This positive coefficient significant shows that the company with more concentrated ownership would increase the firm's value if company domiciled in countries with low investor protection.

Table 4.5 shows that the coefficient for concentrated on ownership variable category samples investor protection low of 0.001 and *Asymp. sig*. 0.000 < 0.05. This means ownership significantly affect concentrated positive firm's value to the company that domicile on the country with low investor protection. The coefficient value for concentrated ownership variable on category high investor protection samples is 0.000 and *Asymp sig*. 0,149 >0,05. Concentrated ownership structure has positively effect but not significant. Based on test result so it can be declared that if company's ownership structure more concentrated will effect increasing firm's value to the company that domicile in the country with low investor protection. These result provides empirical evidence that the hypothesis three supported.

5. Robustness

Previous study result related the impact of concentrated ownership structure to firm's value showed a differ result. Morck *et al.*,(1988) and McConnell and Servaes, (1990) using non-linear assumptions which is called the *inversed U-shaped relation* or *bell-shaped relation. The* relationship between concentrated ownership toward firm's value can be observed in terms of impact *alignment* and *entrenchment effect.* Based on the argument above this research will examine the non linier correlation between concentrated ownership structure and firm's value according to results of Morck *et al.*(1988). Regression analysis test for the third group can be seen in the table 4.6 as follows:

Table 4.6 Regression test Samples groups Share ownership

Independent Variable	*Expected Sign*	Ownership Group Share 0-20%	Ownership Group Share > 20-65%	Group Ownership Share > 65%
		Coefficient (P-Value)	*Coefficient (P-Value)*	*Coefficient (P-Value)*
Constant		*1.555*	0.959	1.374
		*(0.000) **	(0.000) *	(0.000) *
OWNCON	+	*0.002*	0.002	-0.001
		(0.268)	(0.000) *	(0.652)
INVP	+	*-0.003*	-0.003	-0.021
		*(0.000) **	(0.000) *	(0.000) *
SIZE_LN	+	*0.043*	0.043	0.109
		(0.000) *	(0.000*)	(0.000) *
LEV	-	*-0.339*	-0.339	-0.870
		(0.000) *	(0.000) *	(0.000) *
CAPEX	-	*-1.356*	-1.356	-0.622
		(0.000) *	(0.000) *	(0.000) *
EASURP	-	*-0.046*	-0.046	-0.032
		(0.002) *	(0.002) *	(0.000) *
XLIST10	+	*-0.715*	-0.715	
		(0.000) *	(0.000) *	
R2		*0.411*	0.392	*0.387*
It said R2		*0.405*	0.391	*0.384*
Number of observation		*805*	4954	*1,341*

* Significantly to level 1%
** Significantly to level 5%

Based on test result ownership group share started 0-20 %, concentrated ownership have positive coefficient to firm's values with *Asymp sig*. 0.268 > 0.005 that means the concentrated ownership effecting to increase firm's value but did not significant.

[10]All the variables showed signs (sign) that unless Xlist. Directions that it is inappropriate to this is because samples companies had only a few are listed in *newyork Sock Exchange.*

Regression test analysis for the second group shows that ownership concentrated structure coefficient is positive and *Asymp.sig*.= 0.000 <0.005 ownership that means concentrated ownership impact to the firm's value significantly. If we compare the result both of these two groups, if ownership of shares 0-20% did not significantly affect to firm's value, but if ownership of shares more than 20-65% significantly affect to firm's value. Result test of group ownership about 20-65% provides evidence that *alignmen*t *effect* tends to occur. This is in accordance with the arguments *alignment* that states that if ownership is more concentrated. so it will improve the company's performance (Jensen and Meckling, 1976).

The regression analysis result of third group stated if the ownership of shares more than 65% indicate that concentrated ownership coefficient is negative as the *Asymp.sig*. 0.652 > 0.005 . This result means if ownership structure is more concentrated will effect decreasing firm's value but did not significantly.

Fama and Jensen (1983) stated that if managerial ownership reached more than 50 % , The controlling of owner shares tend to take any action that opportunities to their own interests. The result shows that concentrated ownership reach over 65% tends to *entrenchment effect* occured, according to the results that was done by Morck *et al.* (1988).

5. Conclusion

The First purpose of this research whether concentrated ownership structure has positive effects to the firm's value. The empirical result provides that if ownership structure more concentrated effects to firm's value will be higher. If ownership is more concentrated can improve the ability of shareholders to monitor and influence manager in a more precise in their efforts to protect activities and hopely they will achieve return of invesment (Shleifer dan Vishney, 1986)

The second purpose of this research is to examine whether interaction between concentrated ownership with *analyst following* have positive effects to firm's value. Even if the ownership stucture is concentrated. but *analyst following* is still analyzing the company, it will bring a positive effect to the firm's value because it give more investors belief in decision making process. The empirical result provides evidence that the interaction between ownership concentrated and *analyst following* have positive effect on firm's value but not significant. Lang *et al.* (2004) stated that the analysts were likely less interested to follow a company with internal governance mechanism was not so well (*poor firm level corporate governance*), such as the concentrated ownership.

The third purpose of the research is to examine whether interaction between concentrated ownership to investors protection have positive effect to firm's value depend on level of investor protection in country. The empirical result provides evidence that interaction between concentrated ownership to investors protection is positive effects to firm's value in countries with low investor protection In contrast interaction with them have positive effect to firm's value, but did not significant to the company which is domicile in the countries with high investor protection.

The result indicate that analyst following should work more effective in the country with low investor protection because investor need their information and recommendation. Role of analysts potential to improve quality of information, so that it was able to reduce uncertainty, reduce the risk information asymmetry (Easley and O'Hara, 2004).

Robustness test to examine the impact of ownership concentrated structure to firm'svalue on behalf of the *alignment* and *entrenchment effect. The result* provides empirical evidence that if the ownership of shares concentrated reach 20%, it wil effect to firm's value but not significant. *Alignment effect* tends to occur in ownership of shares more than 20 to 65 percent.

If share ownership concentrated more than 65 %, firm's value will be decrease. It means *Entrenchment effect* tends to occur. Fama and Jensen (1983) said that if managerial ownership reaches more than 50 %, there will be full of owner controlling and monitoring tend to take any action that opportunities to their own interests. This findings is consistent with Morck *et al.* (1988).

6. Limitations and suggestions

This research has a number of limitations related to variables research that are used. The first Limitation is the measurement investor protection score. The score is publised by World *Economic Forum* that will have a same score investor protection for the all companies samples in one country in that period, because investor protection is the density country level.

In order to obtain the better research, further research can use different score of investor protection. Investor protection can be measured by using four different dimensions are projected with *disclosure requirement* (DR), *liability standard* (LS), *anti director right* (ADR), and *public enforcement* (PE) that was presented by La Porta et al. (1998, 2006).

The Second limitation of this research is the measurement of concentrated ownership structure as a proxy of *corporate governance*. Further research is recommended to use the dimensions *corporate governance* using *Index Corporate Governance* based on *Credit Lyonnais Securities Asia* (CSLA), Klapper and Love(2004) and Durnev and Kim(2005).

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