

# Analysis of Macro Fundamental and Micro Fundamental Effect on Ownership Structure, Auditor Opinion and Value of the Firm in State-Owned Enterprises Companies in Indonesia Stock Exchange

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**Keywords:** Macro Fundamentals, Micro Fundamentals, Ownership Structure, Auditor Opinion, Value of the Firm.

**Abstract:** The State-Owned Enterprise is a company that was unique and in demand by the public because the stock price and value of the firm was high enough to give investor confidence in buying shares. High value of the firm made researchers keen to test and analyze the causal relationships that affect fundamental value of the firm in the form of micro and macro fundamentals of the ownership structure, financial performance, as well as the value of the company of the State Owned Enterprises listed on the Indonesia Stock Exchange. The research population was in 20 state-owned enterprises listed on the Indonesia Stock Exchange. This research method uses purposive sampling with 12 companies in 2010 - 2015. Data of analysis techniques in this study using Partial Least Square consists of Inner model, Outer model and Weight relations. The test results show that all hypothesis tested are influential. This includes micro fundamentals influencing auditor opinion (H2) and ownership structure (H4) and ownership structure (H7) and auditor opinion (H8) affecting the value of the state-owned enterprise.

## 1 INTRODUCTION

State-Owned Enterprises (SOEs) are companies established by the government for the welfare of the Indonesian people and the SOE attracts the attention of researchers where all leadership policies are always related to the Ministerial Decree (SKM) so that the managerial activities of SOEs become independent. This lack of independence reduces the provision of information on its activities to investors.

Researchers are interested in observing SOEs that are prospective for investors compared to private companies, especially regarding the share prices of SOEs and Joint Stock Price Indexes in the capital market experience fluctuations in accordance with the country's economic conditions and government decisions that provide sentiment for the stock market. In addition to fluctuating stock prices, decisions taken by management are always related to government instructions through ministerial decrees including in giving opinions by public accounting office regarding the company's operational activities.

Share prices as a representation of the value of the firm are determined by internal and external factors of the company. Internal and external factors of the company are fundamental factors that are often used as a basis for investors in the capital market to make investment decisions (Pater et al., 2014). In addition to fundamental factors, technical factors are also important factors that can affect stock prices that are technical and psychological.

Established companies including SOEs have the goal of optimizing the value of the firm which is reflected to the welfare of the owner. If the higher value is reflected in the stock market price, it gives prosperity to the owner (Fama, 1978; McConnell and Muscarela, 1985). Unification of the interests of shareholders, debt holders, and management which in fact are parties who have an interest in the company's objectives often causes problems (agency problems) or conflicts of interest known as agency theory (Jensen and Meckling, 1976).

Some researchers believe that the ownership structure can influence the course of the company which ultimately affects the company's performance in achieving the company's goals, namely

maximizing the value of the company (Khlif, 2015, Farooque et al., 2010; Masulis, 1983).

Increasing the value of the firm is a goal for the welfare of shareholders for the company's financial performance in managing the organization's operations effectively and efficiently for decision making. The maximum value of the firm is derived from the ownership structure and auditor opinion of the accounting firm which states that a company is based on macro and microeconomic fundamentals.

In this research model, researchers conducted research by discussing empirically about how much influence the macro fundamentals and micro fundamentals, the structure of shared ownership and the auditor's opinion of a public accounting firm in the value of SOEs.

## 2 LITERATURE REVIEW

### 2.1 Agency Theory

Jensen and Meckling (1976) stated that owner as an authority (principal) and management as the recipient of authority (agent) have different interests in the employment relationship. The interests of each party will try to increase profits for themselves. The owner wants the maximum return of investment as soon as possible, while management wants its interests to be accommodated as much as possible for its performance.

Conflicts of interest between agents and principals in achieving prosperity can occur from the existence of information asymmetry. This information asymmetry occurs when managers have relatively more and faster internal information than external parties. This condition gives managers the opportunity to manipulate financial reporting in an effort to maximize their prosperity (Cheng et al., 2012; Wasiuzzaman, 2015).

### 2.2 Macro Fundamental

Macro fundamental factors originating from outside the company can be in the form of economic, environmental, political, legal, social, cultural, security, education, and other factors that cannot be controlled by the company, but the influence is very large for change. This study discusses macroeconomic conditions that are of serious concern for analysts and capital market players in deciding to invest by looking at the movements of inflation, interest rates, exchange rates, and

economic growth (Claude et al., 1996; Eduardus, 1997).

### 2.3 Micro Fundamental

The fundamental micro factor comes from within the company and is controlling and used in the development of the company in the future. The development of this company, management requires several policies, namely investment decisions, funding decisions and dividend policies that can facilitate the company's operational activities.

### 2.4 Ownership Structure

The ownership structure is the percentage of the company's shareholding which can reflect the distribution of power and its influence on the company's operational activities. Ownership structure can be seen from the agency approach and asymmetric information approach. Agency approach, ownership structure is a mechanism to reduce conflicts of interest between managers and shareholders. The asymmetric information approach views the ownership structure mechanism as a way to reduce information imbalances between insiders and outsiders through information disclosure in the capital market.

The researcher uses all ownership structure factors as indicators, namely managerial share ownership, institutional share ownership, public share ownership, government share ownership and foreign share ownership in determining the influence of company value.

### 2.5 Auditor Opinion

The auditor's opinion is part of the audit report provided by the auditor through the audit stage. The auditor's report (Boynton and Raymon, 2005) is a formal tool used by auditors in communicating financial reports to interested parties, namely the owner of the company and investors.

Communication of financial statements by auditors concerning the implementation of management in daily activities is in accordance with Indonesian accounting standards that have been established, organizational structure including division of tasks and operational activities that lead to the company's vision and mission.

Type of auditor opinion, namely: (1) Unqualified opinion, (2) Unqualified opinion with explanatory language; (3) Reasonable opinions with qualified opinions; (4) Opinion is not fair (Adverse Opinion)

and (5) Opinion does not provide opinions (Disclaimer of opinion).

An audit report related to going concern is called a going concern opinion, which is used to provide an initial warning to shareholders in order to avoid making wrong decisions. This decree is regulated in PSA 29 paragraph 11 which states that great doubt in the ability of business units to going concern and the auditor must add an explanation paragraph in the audit report even though it does not affect unqualified opinions.

Going concern audit opinion is an opinion that shows significant uncertainty over the company's ability to continue the business and must be stated explicitly by giving code 1 and code 0 if the auditor does not doubt the company's ability to continue the business. Giving opinions to KAP (Public Accounting Firm) has a good reputation for conducting a quality audit process that is independent and objective by issuing modified opinions on companies that experience financial distress. KAP affiliates that are used and trusted by SOEs are known as the big four, namely Pricewaterhouse Coopers KAP, Deloitte Touche Tohmatsu, Ernst Young Global and KPMG International.

Researchers use the going concern opinion audit indicator, big four KAP, Return on Assets (ROA) and Return on Equity (ROE).

### 2.6 The Value of the Firm

The book value in the financial statements is a limitation of measuring company value and used in investment. Investors use the perception based on stock prices, the higher the stock price will make the value of the firm become high or vice versa. The main purpose of the company (Sirmon et al., 2007) is to maximize the value of the firm that has a broader meaning, not only to maximize the company's profits but by considering the effect of time on the value of money, considering various risks to the company's revenue stream and the quality of cash flow is expected to be received in the future.

The value of the firm as a stock market value (Bowman and Ambrosini, 2007; Luo, 2013) that can provide maximum shareholder prosperity if the company's stock price increases. Firm value is an important concept for investors, because it is an indicator for the market to assess the company as a whole (Wang et al., 2009; Bokpin, 2013; Joshi and Hanssen, 2010). Or it can be said that the company's

value is the price paid by prospective buyers if the company is sold.

In this study, the researchers used Earning per Share (EPS), Price Book Value (PBV), Tobin's Q and Price Earnings Ratio (PER) indicators.

## 3 RESEARCH HYPOTHESIS

The research hypothesis can be done as follows: (1) Macro fundamentals have a significant effect on ownership structure, (2) Micro fundamentals have a significant effect on auditor opinion, (3) Macro fundamentals have a significant effect on auditor opinion, (4) Micro fundamentals have a significant effect on ownership structure, (5) Macro fundamentals have a significant effect on company value, (6) Micro fundamentals have a significant effect on company value, (7) Ownership structure has a significant effect on company value (8) Auditor opinion has a significant effect on company value and (9) Ownership structure has a significant effect on auditor opinion

## 4 RESEARCH METHODS

### 4.1 Research Sample

The sampling technique uses a purposive sampling method with 12 of the 20 state-owned enterprises listed on the Indonesia Stock Exchange with observations from 2010 - 2015.

### 4.2 Variables and Indicators

The variables and indicators used in this study are:

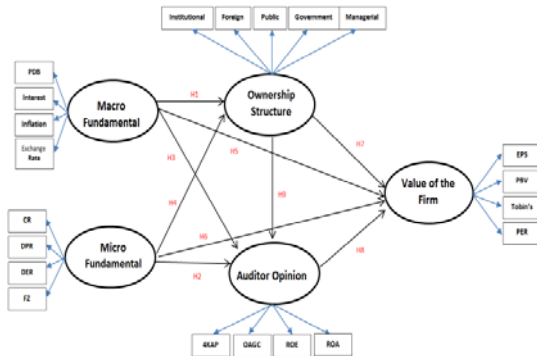
Table 1: Variables, Notation and Research Indicators.

	Variable	Notation	Indicator
Dependent Variable	Macro Fundamental (X <sub>1</sub> )	X <sub>1,1</sub>	Product Domestic Bruto (PDB)
		X <sub>1,2</sub>	Interest
		X <sub>1,3</sub>	Inflation
		X <sub>1,4</sub>	Exchange Rate
	Micro Fundamental (X <sub>2</sub> )	X <sub>2,1</sub>	Current Ratio (CR)
		X <sub>2,2</sub>	Dividend Payout Ratio (DPR)
		X <sub>2,3</sub>	Dividend Equity Ratio (DER)
		X <sub>2,4</sub>	Firm Size (FZ)
Intervening Variable	Ownership Structure (Z <sub>1</sub> )	Z <sub>1,1</sub>	Institutional
		Z <sub>1,2</sub>	Foreign
		Z <sub>1,3</sub>	Public
		Z <sub>1,4</sub>	Government
		Z <sub>1,5</sub>	Managerial
	Audit Opinion (Z <sub>2</sub> )	Z <sub>2,1</sub>	Four Public Accounting Firm (4KAP)
		Z <sub>2,2</sub>	Audit Opinion Going Concern (OAGC)
		Z <sub>2,3</sub>	Return on Equity (ROE)
		Z <sub>2,4</sub>	Return on Asset (ROA)
Dependent Variable	Value of the Firm (Y <sub>1</sub> )	Y <sub>1,1</sub>	Earnings per Share (EPS)
		Y <sub>1,2</sub>	Price Book Value (PBV)
		Y <sub>1,3</sub>	Tobin's Q
		Y <sub>1,4</sub>	Price Earnings Ratio (PER)

Source: data processed

### 4.3 Conceptual Frameworks

The relationship between research variables can be described as follows:



Source: Data processed

Figure 1: Framework for Research and Indicators.

## 5 RESULTS AND DISCUSSION

### 5.1 Research Model Testing

This study uses the loading factor limit by reflecting indicators based on the relationship between each score item with a construct score with a measurement scale that is considered sufficient at the loading value of 0.5 so that the measurement scale that does not meet the requirements is dropping.

Inner model test results can be shown with the following picture:

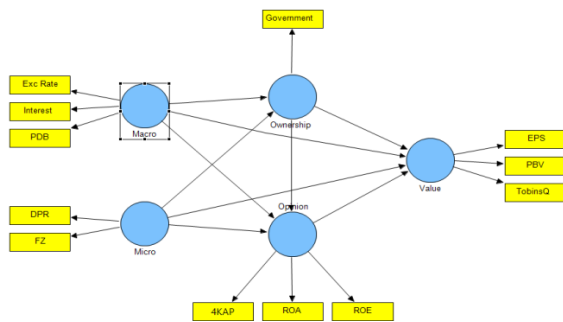


Figure 2: Test Results of the Structural Model (inner model).

Statistical testing in the relationship between variables required a significance level of 95% ( $\alpha = 0.05$ ) and the t-table value was 1.96 to accept the alternative hypothesis. The results of the overall hypothesis testing can be seen in the following table.

Table 2: PLS Analysis Test Results.

Ha	Variables Relations	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (O/STERR)	Significant
H1	Macro -> Ownership	0.033713	0.027943	0.112089	0.112089	0.300771	Not Significant
H2	Micro -> Opinion	0.602180	0.618152	0.102825	0.102825	5.856374	Significant
H3	Macro -> Opinion	-0.162964	-0.183702	0.125478	0.125478	1.298744	Not Significant
H4	Micro -> Ownership	-0.392837	-0.396740	0.091293	0.091293	4.303041	Significant
H5	Macro -> Value	-0.015633	0.018842	0.108458	0.108458	0.144141	Not Significant
H6	Micro -> Value	-0.034494	-0.070881	0.132858	0.132858	0.259633	Not Significant
H7	Ownership -> Value	-0.406097	-0.408393	0.088222	0.088222	4.603098	Significant
H8	Opinion -> Value	0.611204	0.659229	0.126941	0.126941	4.814879	Significant
H9	Ownership -> Opinion	0.163271	0.147851	0.100607	0.100607	1.622862	Not significant

Source: Data processed

### 5.2 Discussion

Hypothesis verification results and relationships between variables in SOEs listed on the Indonesia Stock Exchange with observations in 2010 - 2015 as follows:

From the analysis above, maximizing the value of the firm does not directly affect the macro and micro fundamentals, therefore it is necessary to have a connection in determining the maximum determination of the value of the company which is shown t-table below 1.96. The maximum value of the company is influenced by the ownership structure and audit opinion which is the trust for the shareholders, namely the investor indicated by the t-table 1.96.

Ownership structure is significantly influenced by micro fundamentals, but it is not significantly affected, which is shown significantly by macro fundamentals, even though the government has been regulating the economic conditions of the country, and the government owns most of the shares with t-statistics of 1.96. Audit opinion is significantly influenced by micro fundamentals where management plays a role in decision making and is not significantly influenced by macro fundamentals. And the ownership structure does not affect the auditor's opinion, the government's decision and action as the holder of ownership control will not destabilize the audit decision in giving an opinion as indicated by t-statistics below 1.96.

### 5.3 Theoretical Implications

The company's goal is to increase net income generated from operational activities including SOEs by optimizing the company's value and the welfare of shareholders. Share prices represent a company value. Internal factors and external factors of the company are often used as the basis for investors in the capital market in making investment decisions.

Maximizing company value is influenced by management controls that regulate the activities of companies in paying dividends for company profits. Determination of the value of the firm is influenced by the ownership structure and audit opinion factors as well as several other factors outside the object of research, so there needs to be more in-depth discussion.

#### 5.4 Managerial Implications

Policy implications in accordance with the priorities that can be given as input for management in state-owned enterprises are as follows: (1) Economic exposure does not affect the ownership structure and value of the company where the government as the holder of state control can determine policies and roles for SOEs in the welfare of the Indonesian people; (2) Economic exposure does not affect the value of the firm which is indicated by the risk in managing finances through the provision of audit opinions to increase the value of the firm and investment decisions; and (3) The value of the firm in the eyes of investors as consideration for the company's operational activities reflected on the financial statements for the future survival of the company and accountability of management performance as shown by the auditor's opinion on SOEs.

#### 5.5 Implications for Economics

The implication in the development of economics is to contribute to the study of corporate value that connects ownership structures, auditor opinions, and macro and micro fundamentals in economic decision making by management, government and investors; the value of the firm can meet the needs and welfare of investors, government and community welfare and the value of the firm determines the development of the Indonesian economy in accordance with the objectives of the established SOEs.

#### 5.6 Research Limits

This study has limitations in the usage of secondary data, not all state-owned enterprises are owned by the public, only a few companies are listed on the Indonesian stock exchange and managerial decisions are based on the finance minister's decree.

## 6 CONCLUSIONS AND SUGGESTIONS

### 6.1 Conclusion

Based on the formulation of the problem, the literature and data analysis that have been done previously, it can be concluded that not all hypothesis testing studies were accepted which showed a significant level of influence of 5% with t-table 1,960. The accepted hypotheses are that micro fundamentals affect auditor opinion (H2) and ownership structure, (H4) and ownership structure (H7) and auditor opinion (H8) affects the value of the state-owned enterprise. The rejected hypotheses are the macro fundamentals of ownership structure (H1) and auditor opinion (H3), micro fundamentals (H5) and micro fundamentals (H6) of the firm's value and ownership structure on auditor opinion (H9) as indicated by the t-table below 1.96.

#### 2.1. Suggestion

The suggestions that can be conveyed to the next researcher is that they can examine the continuity of the value of the company outside the State-Owned Enterprises company, which can use variables that are different from indicators regarding the value of the company, (3) use different variables that can affect the value of the company and (4) make reference given the limitations of research.

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