

An Effecting of Foreign Ownership Structure in Firm Value Towards Offshore Debt Financing in Manufacturing Firms

Gilbert Rely (IBI KKG) & Regina Jansen Arsiah (Trisakti University)

Abstract

To determine the effect of foreign ownership structure in firm value with offshore debt financing as a mediator variable for manufacturing firms which listed in Indonesia Stock Exchange (IDX) from 2014-2016 periods, there are some control variables that has affected firm value; debt level, profitability, liquidity, firm size, sales and firm age. Using an associative causal method and secondary data obtained from financial statements published. Sampling has done with purposive sampling method and some criterion given; apply a multiple linear regression tests. This research result that foreign ownership structure influence to firm value, foreign ownership structure effect on the tendency to use offshore debt financing, offshore debt financing affect the firm value. Offshore debt financing mediate the relationship between foreign ownership structure and firm value, profitability affects the firm value, liquidity has no effect to the firm value, firm size does not affect to firm value, sales growth does not affect to firm value and firm age does not affect firm value.

Keywords: firm value, foreign ownership structure, offshore debt financing, debt level, profitability, liquidity, firm size, sales growth, and firm age.

INTRODUCTION

The competition level among firms is increasing when to compete for improving firm performance, continues to increase sustainability. Firms are able to maintain continuing business and have lower risk may increase its value. Damodaran (2012) firm value is projected on cash flows present value to be earned in the future, the return and firm risk and revenues to be derived. To increase firm value is one of the management targets that must be achieved in addition to increase firm revenue (Abukosim et al., 2014). Present investors in Indonesia are coming from local and overseas, data from Indonesia Investment Coordinating Board (BKPM) indicating that foreign investment is yearly increasing.



Figure 1

Development of Investment Realization in Quarter II of 2017

From previous research, firms with foreign ownership structures have several advantages than domestic ones, some of firms profits for foreign ownership structures are not the only one in terms of funding investment but also from other non-financial aspects, such as; international technology, new markets & new industries (Gurunlu & Gursoy, 2010). Sulong & Mat (2008) explained that foreign ownership firms are better than corporate value, because it is able to provide capital injections, transfer expertise and technology, so that the firms may be more effective and efficient in carrying out of its operational activities. Phung et al., (2013) stated that foreign ownership firms are also tend to encourage for continuing to innovate one of research conduct and aim to improve firm's performance.

Al-Khouri et al., (2004) suggest more percentage of foreign ownership might increase firm value, this idea is consistent with Azzam et al., (2013) result that foreign ownership has a significant positive effect in ROA and ROE and refer to Abukosim et al., (2014) where a share of foreign ownership poses a positive effect for increase firm value, it may be concluded that foreign ownership may increase firm value by noted firm capital and knowledge. Multinational firms with foreign ownership are tending to have higher leverage rates than domestic firms (Gurunlu & Gursoy, 2010). Where a firm does not rely on internal cash flow and may be used to run the operational activities by external funding. Therefore, firms with foreign ownership have a bid on a wider loan that may cause the firm income to increase.

Zou & Xiao (2006) suggested that foreign ownership firms that tends to use debts as a monitoring channel to protect investments. Azzam et al., (2013) concluded that the level of foreign ownership has a positive significant to debts effects. Gurunlu & Gursoy (2010) explained that there is a significant relationship between foreign ownership with leverage level, therefore it may be concluded that the higher the foreign ownership, debts will increase when indicates that foreign ownership has wider access to obtain funding. One source of external

funding may be obtained a foreign funding or called offshore debts financing and the advantage has low cost, due to lower interest rate than prevailing interest in Indonesian banks with long loan longer tenor.

Firm value be influenced by cost of debts, low cost of debt may lead to increase the firm value (Damodaran, 2012). Reeb et al., (2001) shows that higher in foreign funding, the lower cost of debt owned by firm may increase firm value. Berger & Bonaccorsi (2006) stated that a high level of leverage will reduce agency cost where it may increase firm value. Therefore offshore debt financing has a low cost may cause a low debt cost and also where it may become an advantage for firm value. But not all firms may get offshore debt financing; only firms with access to international markets may obtain the funding. The presence of foreign ownership in firm's ownership structure causes to have access to international market to obtain offshore debt financing. A domestic firm ownership does not have a reputation for entering the international market to obtain offshore debt financing. Therefore, firms with foreign ownership may obtain offshore debt financing with a low debt cost that may increase firm value.

From the above explanation may be concluded that offshore debt financing may mediate relationship between foreign ownership increasing of firm value. In addition, offshore debt financing may also increase firm value as foreign funding may diversify the firm's financial risk. The main hypothesis in this study is offshore debt financing mediation effect in the relationship between foreign ownership and firm value where hypothesis is still rarely done research by previous researchers. Therefore, this study aims to obtain empirical evidence to determine whether offshore debt financing may mediate relationship between foreign ownership of firm value. Renewal of this research is located in offshore debt financing as mediator variable and using control variable in the form of debt level, liquidity, profitability, firm size, sales growth and firm's age which influence to firm value. In addition, significant level of this research directed to managerial recommendations to help management understand whether the optimal funding comes from local or abroad and what percentage of funding comes from abroad that may increase firm value and provide an idea of diversification risks in selected the optimal funding.

Research year from 2014 to 2016 due to economics condition is not sustained, 2014 inflation is high and economic development very low compared to previous year. Furthermore, in 2015, Indonesia's economic condition is still bad where the exchange rate against US Dollar is increasing and per 1 US\$ around Rp15.000, 00. Then in 2016 the economic conditions of Indonesia began to improve where inflation and exchange rates that occurred in Indonesia was decreased. This affect to market price of JCI which may give a negative signal to capital market and not only may that exchange rate also influence the firm decision in choosing foreign debt.

LITERATURE REVIEW

Stakeholders Theory

Stakeholders are parties that directly or indirectly affect firm operational activities. Stakeholder theory is organizational management theory, business ethics that considers morals and management values (Freeman, 1984). Jensen (2001), stakeholder's theory also explains that all decisions taken by management must be beneficial to stakeholders in improving firm value. Deegan (2004) concluded that the management must take a favorable decision for stakeholders. Therefore, stakeholder theory is a theory that explains the firm's goal to provide maximum benefit to stakeholders affecting the firm's operational activities.

Firm Value

Firm value may describe how important a firm from investor's views, Damodaran (2012) firm value is projected present value of cash flows to be gain in the future, return and firm risk project and revenues to be derived from project. Meanwhile, Fama (1978) firm value may be seen from stock price. The stock price is formed on the request and investors offer, so the stock price may be proxies from firm value. Maximizing firm value is the main goal of management in running a business unit not to maximize the profit gained, but rather how to increase firm value on an ongoing basis (Tasman & Aima, 2013: 20), theory of the firm to maximize the asset (Salvatore, 2005). Therefore, the higher firm value will be followed by the high prosperity of shareholders (Brigham & Gapensi, 1996).

Foreign Ownership Structure

Based on law no. 25/2007 concerning capital investment explains that foreign investment is an activity of investing to conduct a business in Indonesia conducted by foreign investors, whether using foreign capital completely or in association with domestic investors. Foreign investors are foreign individuals, foreign business entities, and/or foreign governments who invest in Indonesia territory.

Indonesia, foreign ownership may be categorized into two types namely shares ownership and addition of subsidiaries. The advantages of firms that have foreign ownership not only in terms of have investment funded but also in non-financial, such as; international technology, new markets and new industries (Gurunlu & Gursoy, 2010). Phuong et al., (2013) firms with foreign ownership also tends to encourage firms to continue innovate a conduct research and development with the aim to improve firm's performance.

Funding

In carrying out its business activities, the firm desperately needs a vast funding source. There are two types of

funding sources: internal funding and external funding. Efni et al., (2012: 130) explains the funding decision is divided into two sources: internal funding from within the Firm is retained earnings, while external financing comes from debt financing, equity financing and hybrid securities. To determine proper funding, management must choose funding at a low cost and easy earning terms. In determining the funding, management must make alternatives which are then analyzed to make funding decisions. Debt financing may come from domestic and abroad or often called offshore debt financing.

Multinational Capital Structure and Cost of Capital

The advantage of multinational over domestic firms is the source of funding both capital and debt may come from domestic as well as from abroad. However, overseas financing is subject to exchange rate risk. The exchange rate greatly affects foreign debt. Where foreign debt may increase by increasing of the exchange rate and vice versa, if the exchange rate weakens then foreign debt amount may decrease. The existence of a transaction exposure is to exchange rate (Madura, 2015). But this may be exploited by firms who are seeking profit from exchange rate changes.

The exchange rate may also diversify risks that will harm the firm, this occurs when the economic conditions of other countries are unrelated to economic conditions in Indonesian state. In addition to exchange rate differences, firm also utilizes different interest and taxes that may cause the low cost of foreign debt (Madura, 2015). Foreign debt may also lead to low cost of capital owned by firms (Madura & Fox, 2015). This is because the cost of debt from external debt tends to be lower than the cost of domestic debt which causes the cost of capital of multinational corporations may be lower than domestic firms.

Multinational firms also tend to pay more attention to the risk free interest rate in a country that will affect the cost of equity owned by firm. Because if the risk free in a country is greater than the cost of equity that the firm will give to investors of foreign investors then foreign investors will prefer investment in risk free asset where there is no risk on the investment (Madura & Fox, 2015). Therefore the cause of the difference in cost of capital between multinational corporations and domestic firms have wider access to finance with lower interest and tax rates than domestic financing which may lead to lower cost of debt and the threat to country risk and exchange rate changes which may cause firm risks will be higher than domestic that may lead to higher return rates for investors where cost of capital will also increase.

Offshore Debt Financing

Offshore debt financing tends to have a cheaper cost than domestic debt financing, because foreign interest rates are lower than prevailing interest rates in Indonesia. Funding from abroad has a lower cost than domestic ones, lower costs may cause the low level of debt owned by the firm. Thus, the low cost of loans issued by the firm may increase firm value. In addition, low cost of debt may also reduce the firm's financial risk. Offshore debt financing may also increase firm value as foreign funding may diversify the firm's financial risk. The financial risks come from currency frictions. Diversification of risk through foreign financing occurs when the currency exchange rate in a country increases, then the exchange rate of other countries will decrease and that may reduce the firm risk (Madura & Fox, 2015) or in other words, international diversification is done to reduce the risk when the economic conditions of other countries unrelated to the economic conditions.

Cost of Debt

Cost of debt rise when uses funds from creditors. Damodaran (2012) cost of debt is the total cost paid by firms on loans or debts owned where one affects the cost of interest rate. Cost of debt is also a factor that may increase firm value. Low debt cost may cause the cost of loans issued by firm. This may because the low cost of capital owned by the firm and may increase firm value. Prihadi (2013), the debt cost is determined by the prevailing interest rate, the risk level of corporate bankruptcy and the tax rate associated with the debt. The higher the prevailing interest rate then the debt cost of the firm also increases. In addition, corporate bankruptcy rates will increase the debt cost. The greater of debt cost owned by firm will lower firm value and may increase the risk.

Debt Rate

Weston & Copeland (1992) leverage is a measure to how big the firm, depends on the creditor in financing the firm's operational activities. This means that if the firm has a high leverage ratio then is very dependent on creditor loans in financing its operational activities. Then if the firm has a low leverage ratio then uses its own capital in financing its operational activities or asset financing. Firm performance is considered bad if it has high leverage. Firms that have a high leverage ratio then a risk because firm has more debt than its own capital and feared may not be able pay off debts. Therefore, firms with high leverage ratios are not very attractive to investors due to have a high investment risk.

Profitability

Generating profits as much as possible is one of the firm's goals, where profits may prosper the investors and may also be used to run the operational activities, with so much more profits, it will increase the welfare of investors where firm value may also increase. To measure the level of profit earned by the firm may be calculated with profitability ratios. Profitability may be seen from several types from operating profit, net profit, return on investment or asset and rate of return on owner's equity. Horne & Wachowicz (2013: 180) profitability

ratio is the ratio that connects profit with sales and investment. Brigham & Houston (2013: 148) one measure of the profitability ratio using the return on asset (earnings before interest and tax (EBIT) with total assets) and shows how much net profit a firm earns when measured from its asset value. The higher the ROA ratio the more profits are gained and better state of the firm when use the asset.

Liquidity

Horne & Wachowicz (2013), liquidity is used to measure a firm's ability to meet its short-term liabilities. This means that liquidity compares short-term liabilities with short-term (present) resources available to meet those liabilities. In other words, liquidity describes the ability of the firm to pay its obligations, especially when the obligation is due. So the firm is said to be liquid if the firm may meet its obligations at maturity with its assets. One type of liquidity ratio is current ratio (indicates the ability of a firm to pay its short-term liabilities using its current assets). (Horne & Wachowicz, 2013: 167), current ratio describes the extent to which short-term liabilities may be covered with current assets. The smaller current ratio owned by the firm then the firm is experiencing doubts in running its business activities but if this ratio is also very large it's not necessarily show the firm has a good performance because it could have no cash used as possible by the firm. Firms that have a small current ratio where the firm is said to be a non-liquid firm may lower firm value, because the non-liquid firm is unable to meet its obligations which will lead to increasingly accumulated debts, increasing interest and will reduce the interest of investors to invest in the firm.

Firm Size

Firm size describes the firm size and is seen from equity value, sales value or asset value owned by the firm (Riyanto, 2008: 313). Prabayanti et al., (2011), the greater the total value of assets the larger the size of the firm. Therefore, the firm size is measured from total assets the firm's owned. Firms that have larger assets tend to be considered stable firms which reduce the uncertainty that occurs in the firm. Firms that belong to large firms are usually better known by the public, which may facilitate the firm to obtain additional funds. Not only that with the assets owned firm may easily enter new markets or expand. In conclusion, large firms that have large assets may increase firm value.

Sales Growth

Brigham & Houston (2013), firms with relatively stable sales may be safer to get more loans compared to firms whose sales are unstable. This means that firms that have a sales growth that tends to increase describes the firm is able to run its business activities well. Increased sales will cause the firm's profits will also increase. The increase will also raise the amount of earnings per share held by investors. Therefore, the sales growth will also increase the investor's desires to invest so that the firm value will also increase.

Firm Age

Firm age explains how long the firm may survive and will become evidence that shows the firm may run its operations and compete with competitors. Yurlanto & Chariri (2003), firm the age illustrates that the firm is able to compete and take advantage of business opportunities owned in its operational activities. White et al., (2007) the age of the firm is calculated from the incorporated firm (based on the deed of incorporation) to the effective date of the Initial Public Offering (IPO). The longer the firm stands then the more investors believe in the firm because it is considered able to maintain continuity of operational activities (going concern). In addition, long-standing firms are considered able to generate optimal profit and have a smaller risk than the new firm. Therefore, investors are more confident to invest it and shows the longer life of the firm will increase firm value.

Development of Hypotheses

The Influence of Foreign Ownership Structure to Firm Value

Firms that have foreign ownership structures have advantages over domestic firms. Foreign ownership may help firms with knowledge and technology from abroad. Gurunlu & Gursoy (2010), foreign ownership not only brings capital for investment but also brings know-how, technology, new markets, new distribution channels, the ability to reach new capital markets and creditors. Phung et al., (2013), firms with foreign ownership also tends to encourage firms to continue to innovate one of them conduct research and development with the aim to improve firm performance. The advantages of foreign ownership may increase the firm's growth, improve efficiency in running the operational activities, and also may encourage firms to continue to innovate. These are some factors that may affect firm value. Therefore, the credibility with foreign ownership has the advantage that may increase firm value. Al-Khouri et al (2004), Azzam et al., (2013), Abukosim et al., (2014), Choi et al., (2012) & Setiawan (2006) stated that firms with foreign ownership has a significant influence in increasing of its value.

Based on the description then the first hypothesis is;

H1: The Foreign Ownership Structure Affects Firm Value.

The Influence of Foreign Ownership Structure against Trends Using Offshore Debt Financing

Firms with foreign ownership structures have advantages over domestic ownership only i.e. that foreign ownership has wider access to finance. Funding may be obtained from domestic or international. Firm with foreign ownership, has a good reputation and access to international markets to obtain international funding.

Therefore, firm has more funding sources compared to domestic firms. More funding sources may cause the firm's debt to increase as well. Zou & Xiao (2006) suggest that firms with foreign ownership tend to use debt as channel monitoring to protect their investments. Azzam et al., (2013), Gurunlu & Gursoy (2010), explained that there is a significant relationship between foreign ownership and leverage level and concluded that the higher the foreign ownership the debt will also increase which indicates that foreign ownership has wider access to obtain funding.

Then the second hypothesis is:

H2: The Foreign Ownership Structure Affects Tendency to Use Offshore Debt Financing. The Effect of Offshore Debt Financing Against Firm Value

One way to increase the firm value is to keep the cost of debt where is the cost that the firm must pay for the funds obtained from the creditor and affected by the prevailing interest rate. The lower the interest rate then the cost of debt will be lower or cheaper. Low interest rates may be obtained from offshore debt financing because interest rates prevailing abroad are lower than the prevailing interest rate in Indonesia. Therefore, offshore debt financing has a lower interest rate advantage that may reduce the cost of debt on the funding. Low cost of debt may increase firm value because the funds paid by the firm tend to be lower on the loan. Another advantage of overseas funding is diversifying risks that may increase corporate value (Reeb et al., 2001). Prihadi (2013), Reeb et al., (2001), and Berger & Bonaccorsi (2006) stated that firm value will increase if the cost of debt is low. It may be concluded that offshore debt financing that has a lower cost of debt may increase firm value.

In conclusion, the third hypothesis is;

H3: Offshore Debt Financing Affects Firms Value.

Offshore Debt Financing Mediating Relationship between Foreign Ownership Structure and Firm Values

Offshore debt financing has advantages over loans offered by domestic banks. One advantage that makes the firm choose offshore debt financing is the interest rate given lower than the interest rate provided by domestic banks. Lower cost of borrowing will cause the cost of debt owned by the firm. Low cost of debt will cause a low cost of capital that may cause the firm's value to increase. Therefore, one way to increase the value of a firm is to lower the cost of debt. To obtain offshore debt financing, firms must have access to international markets and foreign ownership of the capital structure may help to go international market. A foreign ownership has a good reputation and access to international markets to gain the offshore debt financing and has an important role for the firm to obtain it. It may be concluded that offshore debt financing has an effect to mediate the relationship between foreign ownership and firm value.

Based on the above explanation, the fourth hypothesis is;

H4: Offshore Debt Financing Mediates the Relationship between Foreign Ownership Structure and Firm Value.

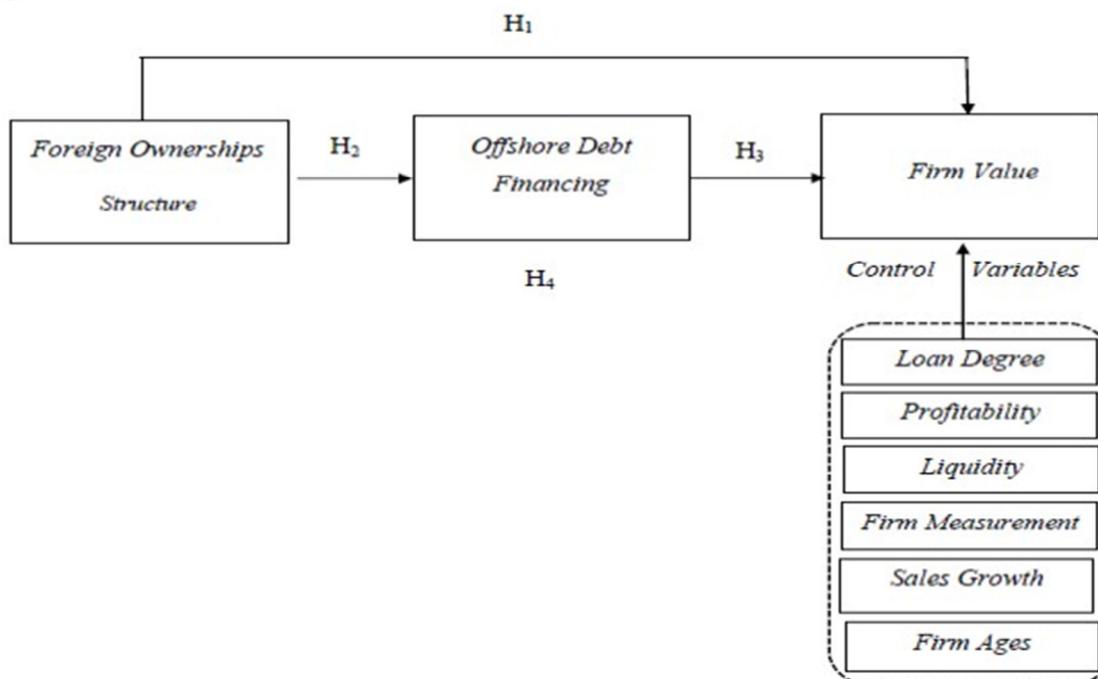


Figure 2 - Framework

RESEARCH METHODOLOGY

In this research use a secondary data, such as; annual report and audited financial statements for manufacturing firms which listed in Indonesia Stock Exchange (IDX) during 2014-2016 period, data obtained from IDX and using a closing stock prices obtained from securities website and sampling conducted with purposive sampling method. Purposive sampling is a sampling technique by setting certain criteria (Sekaran, 2011: 164) and sample selected by the following criteria;

1. Manufacturing firms listed in Indonesia Stock Exchange (IDX) during 2014-2016 periods.
2. Manufacturing firms published audited financial statements during 2014- 2016 period.
3. Manufacturing firms whose shares owned by multi parties (local & foreign firm)
4. Manufacturing firms that have offshore debt financing.

The research variables as follows;

Table 1 - Research Variables

No	Variable	Variable Type	Instrument	Indicator	Measurement scale
1	Firms Value	Dependent	Securities website & Financial Position	Results of Equity of Market Value Division and Book Value Equity.	Ratio Price Per Book Value
2	Foreign Ownership Structure	Independent	Financial Report	Results of Shared by Foreigner and Total Shares Issued.	Ratio of Foreign Ownership to Firm Structure
3	Offshore Debt Financing	Moderating	Financial Report	Results of Offshore Debt Financing and Total Assets.	Offshore Debt Financing Ratio to Total Assets
4	Debt Level	Control	Financial Report	Results of Total Debt division and Total Assets	Debt Ratio to Total Assets.
5	Profitability	Control	Income Statement and Statement of Financial Position	Result of Earnings Division before Interest and Tax (EBIT) and Total Assets.	Return on Assets Ratio.
6	Liquidity	Control	Financial Position Report	Results of Current Asset and Current Liabilities.	Current Ratio
7	Firm Size	Control	Financial Position Report	Natural Logarithm (ln) over Total Assets.	Ratio of Total Assets
8	Sales Increasing	Control	Income statement	Results of Sales Division difference to This Year reduced Sales Last Year and Total Sales Last Year.	Sales Increasing Ratio.
9	Firm Age	Control	Annual Report	Difference between IPO Year and Establishment Year.	Firm Age Ratio

RESEARCH RESULT & DISCUSSION

Table 2 - Statistic Descriptive

Variable	N	Min	Max	Mean	Std. Deviation
Firm Value	171	0,00	6,00	1,1406	1,09358
Foreign Ownership Structure	171	0,03	0,97	0,4064	0,24196
Offshore Debt Financing	171	0,01	0,96	0,3971	0,25765
Debt Level	171	0,09	0,89	0,5346	0,17025
Profitability	171	-0,13	0,37	0,0606	0,07846
Liquidity	171	0,05	6,91	1,6015	1,17134
Firm	171	18,94	38,17	29,4332	2,45212
Sales Increasing	171	-0,96	2,60	0,0158	0,31029
Firm Age	171	0,50	61,00	15,2018	10,98978

Firm value with the lowest value or minimum value is 0.00 which is owned by Atlas Resources in 2014-2016. Atlas Resources has a corporate value is 0.00; this indicates that the firm's market price is equal to the price of the book. The highest or maximum value is 6.00 is owned by Golden Energy Mines in 2016. This result

explains that in 2016, Golden Energy Mines has a corporate value is 6.00; it shows that the price the firm marketed higher by 6.00 times compared to the price of his book. The average or mean value of the firm is 1.1406. The average value is lower than the maximum value indicates that the average firm has a value of the sampled firms amounted to 1.1406, which means that the firm's market price is higher by 1.1406 times compared with the price.

Foreign ownership structure variable with the lowest value or minimum value is 0.03 which is owned by Arita Prima Indonesia in 2014-2016, Arita Prima Indonesia has a foreign ownership structure of 0.03; this indicates that the firm's shares of 3% are owned by foreign owners. Meanwhile, the highest value or maximum value is 0.97 owned by Golden Energy Mines. These results explain that Golden Energy Mines has a foreign ownership structure of 0.97, indicating that the firm's share of 97% is owned by foreign owners. The average or mean value of the foreign ownership structure is 0.4064. The lower average value of the maximum value indicates that the sample firm's average has a foreign ownership structure of 0.4046, which means that the average has a foreign ownership structure of 40.46%.

The offshore debt financing variable with the lowest or minimum value is 0.01 owned by Summarecon Agung in 2014-2016. These results explain that in 2014-2016, Summarecon Agung has total funding coming from overseas either in the form of notes payable or bonds to assets amounting to 1%. Meanwhile, the highest value or maximum value is 0.96 owned by Logindo Samudra Makmur 2014 and has total funding coming from overseas either in the form of payable notes or bonds against assets is 96%. The average or mean value of offshore debt financing is 0.3971. The lower average value indicates that the average have total funding coming from abroad either in the form of payable notes or bonds to assets is 39.71%.

The variable level of debt with the lowest value or minimum value is 0.09 owned by Tifico Fiber Indonesia 2015 has a debt rate of 9%. Meanwhile, the highest value or maximum value is 0.89 owned by Tirta Mahakam Resources 2014 has a debt rate of 89%. The average or mean value of the firm's debt is 0.5346. The lower average value indicates that the average firm has a debt rate is 53.46%.

The profitability variable with the lowest value or minimum value is -0.13 owned by Garuda Indonesia in 2014 has a profitability level of -13 %. Meanwhile, the highest value or maximum value is 0.37 owned by Cardig Aero Services 2014 has a profitability level is 37%. The average or mean value at the profitability level is 0.0606. The lower average value indicates that the average has a profitability level is 6.06%.

The liquidity variable with the lowest or minimum value is 0.05 which is owned by Benakat Integra 2016 has a liquidity level is 0.05. Meanwhile, the highest value or maximum value is 6.91 owned by Lippo Karawaci 2015 has liquidity level is 6.91. The average or mean value at the level of liquidity is 1.6015. The average value lower than maximum value, indicates that the average has a liquidity level is 1.6015.

Firm size variable with the lowest value or minimum value is 18.94 owned by Baramulti Sukses Sarana has the lowest value of firm that is equal to 18, 94. Meanwhile, the highest value or maximum value is 38.17 owned by Golden Energy Mines 2016 has the largest size of the Firm that is equal to 38.17. The average or mean value of firm size is 29, 4332. The lower average value indicates that the average of the sample firms has a firm size is 29.4332.

Variable sales increase with the lowest value or minimum value is -0.96 owned by Benakat Integra 2015 has experienced a decrease in sales of 0.96. Meanwhile, the highest value or maximum value is 2.60 owned by J Resources Asia Pacific 2014 has a sales increase is 2.60. The average or mean value of an increase in sales is 0.0158. A lower average value indicates that average has a sales increase is 0.0158.

The firm's age variable with the lowest value or minimum value is 0, 50 owned by Samindo Resources has a firm life for 5 months. Meanwhile, the highest value or maximum value is 61 which is owned by Garuda Indonesia is 61 years old. The average or mean value at the age of the firm is 15, 2008. The lower value indicates that the average has an age of 15, 2008.

Table 3 - Partial Test Results Model 1

Variable	Beta Coefficient	Sig. Value
<i>Constant</i>	0,301	0,729
FRGN	0,408	0,000
DEBT	-0,170	0,017
ROA	0,373	0,000
CR	-0,006	0,937
SIZE	0,012	0,849
GROWTH	-0,052	0,438
AGE	0,136	0,035

$$PBV = 0,301 + 0,408 \text{ FRGN} - 0,170 \text{ DEBTS} + 0,373 \text{ ROA} - 0,006 \text{ CR} + 0,012 \text{ SIZES} - 0,052 \text{ GROWTH} + 0,136 \text{ AGES} + e$$

The result of analysis in table 3 above shows that significance value is less than 0, 05 0.000, so this value is

less than 0, 05 (0,000 <0, 05) meaning Ha is accepted and Ho is rejected. This value explains that the foreign ownership structure affects the firm's value. The effect that the foreign ownership structure variable has on the firm's value is positive. This may be seen from the regression coefficient value of 0.408. This means that any increase in foreign ownership structure of one unit will raise the firm's value by 0.408. The results of this test are in accordance or in line with the results of research conducted by Azzam et al., (2013), Abukosim et al., (2014) & Choi et al., (2012) who found that firms with foreign ownership have a significant influence in the improvement of firm value.

Table 4 - Partial Test Results Model 2

Variable	Beta Coefficient	Sig. Value
Constant	0,521	0,000
FRGN	-0,286	0,000

$$\text{OSDF} = 0,521 - 0,286 \text{ FRGN} + e$$

The analysis result in table 4 above shows that significance value is smaller than 0.05 i.e. 0.000, so this value is less than 0.05 (0.000 <0, 05) which means Ha accepted and Ho rejected. This result explains that the foreign ownership structure affects the tendency to use offshore debt financing. The effect of foreign ownership structure variable on offshore debt financing is negative and may be seen from the value of the regression coefficient is -0.266. This means that any increase in foreign ownership structure of one unit will decrease offshore debt financing by 0.286. The results of this test are in accordance or in line with the results of research conducted by Azzam et al., (2013), Gurunlu & Gursoy (2010); Halim & Abdullah (2013) explain that there is a significant relationship between foreign ownership and leverage level.

Table 5 - Partial Test Results Model 3

Variable	Beta Coefficient	Sig. Value
Constant	1,105	0,235
OSDF	-0,305	0,000
DEBT	-0,182	0,015
ROA	0,357	0,000
CR	0,050	0,512
SIZE	0,048	0,480
GROWTH	-0,010	0,885
AGE	0,113	0,097

$$\text{PBV} = 1,105 - 0,305 \text{ OSDF} - 0,182 \text{ DEBTS} + 0,357 \text{ ROA} + 0,050 \text{ CR} + 0,048 \text{ SIZES} - 0,010 \text{ GROWTH} + 0,113 \text{ AGES} + e$$

The results of the analysis in Table 5 above show that the significance value is less than 0.05 i.e. 0.000, so this value is smaller than 0.05 (0.000 <0.05) which means Ha accepted and Ho is rejected and explains that offshore debt financing affects the firm's value. The effect of offshore debt financing variable on firm value is negative. This may be seen from the value of the regression coefficient of -0.305. This means that any increase of offshore debt financing of one unit will decrease the firm's value by 0.305. This test results are in accordance to research conducted by Premade (2013), Puthenpuraackal (2001), Reeb et al., (2001) and Berger & Bonaccorsi (2006) stating that offshore debt financing affects firm value.

Table 6 - Partial Test Results Model 4

Variable	Beta Coefficient	Sig. Value
Constant	0,736	0,393
FRGN	0,353	0,000
OSDF	-0,207	0,002
DEBT	-0,165	0,018
ROA	0,368	0,000
CR	0,045	0,522
SIZE	0,009	0,893
GROWTH	-0,061	0,353
AGE	0,123	0,052

$$\text{PBV} = 0,736 + 0,353 \text{ FRGN} - 0,207 \text{ OSDF} - 0,165 \text{ DEBTS} + 0,368 \text{ ROA} + 0,045 \text{ CR} + 0,009 \text{ SIZES} - 0,061 \text{ GROWTH} + 0,123 \text{ AGES} + e$$

To test offshore debt financing mediates the relationship between foreign ownership structure and firm value using the following test;

$$Sab = \sqrt{b^2 Sa^2 + a^2 Sb^2 + Sa^2 Sb^2}$$

Where:

a = coefficient of direct effect of foreign ownership structure to offshore debt financing (-0.305)

b = coefficient of direct effect offshore debt financing to firm value (-1.296)

Sa = standard error of coefficient a (0.078)

Sb = standard error of coefficient b (0.294)

$$Sab = \sqrt{(-1,296)^2(0,078)^2 + (-0,305)^2(0,294)^2 + (0,078)^2(0,294)^2}$$

$$Sab = \sqrt{0,010219 + 0,008041 + 0,000526}$$

$$Sab = 0,13706$$

To test the significance of indirect effect of independent variable to dependent variable, it is necessary to calculate the z value of abs coefficient with the following formula:

$$Z = \frac{ab}{\frac{Sab}{-0,305x-1,296}}$$

$$= \frac{0,13706}{2,883998}$$

The z value of 2.883998 is greater than 1.96 so that there is a significant direct and indirect influence of the foreign ownership structure on the firm's value, so that hypothesis 4 accepted offshore debt financing mediates the relationship between foreign ownership structure and firm value.

Control Variables

Table 7 - Partial Test Results Control Variables

Variable	Beta Coefficient	Sig. Value
DEBT	-0,165	0,018
ROA	0,368	0,000
CR	0,045	0,522
SIZE	0,009	0,893
GROWTH	-0,061	0,353
AGE	0,123	0,052

The result of analysis in table 7 above shows that the significance value of 0.018 is smaller than 0.05, so this value is smaller than 0.05 (0.018 < 0.05) which means Ha is accepted and Ho is rejected and explains that the debt level affects the firm's value. The effect the variable of debt rate in firm's value is negative and may be seen from the regression coefficient value of -0.165. This means that any increase of debt rate of one unit will decrease the firm's value by 0.165. A significant value of 0.000 is smaller than 0.05, so this value is less than 0.05 (0.000 < 0.05) which means Ha is accepted and Ho is rejected. This value explains that profitability affects the firm's value. Influence indicated variable profitability to firm value is positive and may be seen from the regression coefficient value of 0.368 and its means that each increase in profitability of one unit will increase the firm's value by 0.368.

A significant value of 0.522 is greater than 0.05, so this value is greater than 0.05 (0.522 > 0.05) which means Ho is accepted and Ha is rejected and explains that liquidity has no effect on firm value. The effect of the liquidity variable on the firm's value is positive and may be seen from the regression coefficient value of 0.045. This means that any increase in liquidity of one unit will increase the firm's value by 0.045. Significant value of 0.893 greater than 0.05, so this value is greater than 0.05 (0.893 > 0.05) which means Ho accepted and Ha rejected and explains that firm size has no effect on firm value. Influence indicated by firm size variable to firm value is positive and may be seen from the value of the regression coefficient of 0.009 and means that any increase in firm size of one unit will increase the firm's value by 0.009.

Significant value of 0.353 is greater than 0.05, so this value is greater than 0.05 (0.353 > 0.05) which means Ho accepted and Ha rejected. This value explains that the selling rate has no effect on firm value. The effect that the sales rate variable shows on the firm's value is negative. This may be seen from the regression coefficient value of -0.061. This means that any increase in sales rate of one unit will decrease the firm's value by 0,061. Significant value of 0.052 is greater than 0.05, so this value is greater than 0.05 (0.052 > 0.05) which means Ho accepted and Ha rejected and explains that the age of the firm does not affect firm value. Influence indicated variable age of firm to firm value is positive. This may be seen from the regression coefficient value of 0.123 and means that every increase of firm life of one unit will increase the firm value by 0.123.

CONCLUSION AND RECOMMENDATIONS

Conclusion

Firms with foreign ownership have a significant influence for increasing the firm value, the advantages for increase the firm's growth, improve efficiency in running the operational activities and encourage firms to continue to innovate. These are some factors that may affect firm value. Therefore, the credibility of the firm with foreign ownership has the advantage that may increase firm value. The value of a firm is an investor's perception of the firm, which is often associated with stock prices. High stock prices make the firm's value also high. A high price to stock value will make the market believe in firm prospects in the future. Multinational

firms have the ability to increase stock prices higher than the national firms, because investors are more selective in picking up firms with foreign ownerships that are considered more prepared and able to manage their funds.

The foreign ownership structure affects the tendency to use offshore debt financing and have advantages over domestic ownership only i.e. that foreign ownership has wider access to finance, with foreign ownership, firm has a good reputation and access to international markets to obtain funding. Therefore, firm has more funding sources compared to domestic firms and cause firm's debt to increase as well. The greater the share of foreign owned firms, the higher firm value will be, because that have foreign investors may give more confidence to the market and to prospective new investors, while also increasing the trust of creditors to lend their funds.

Offshore debt financing affects the firm's value, low interest rates may be obtained from offshore debt financing because interest rates prevailing abroad are lower than the prevailing interest rate in Indonesia. Therefore, offshore debt financing has a lower interest rate advantage that may reduce the cost of debt in funding. Low cost of debt may increase firm value because funds paid by the firm tend to be lower on the loan. Increased sources of debt funding may improve the firm performance so that the impact to firm value, because it may attract many investors who want to invest in the firm when it is considered profitable.

Offshore debt financing mediates the relationship between foreign ownership structure and firm value, advantages over loans offered by domestic banks makes to choose offshore debt financing is the interest rate given lower than the interest rate provided by domestic banks. Lower cost of borrowing will cause the cost of debt owned by the firm will also be low. Low cost of debt will cause a low cost of capital that may cause the firm's value to increase. Therefore, one way to increase the firm value is to lower the cost of debt. To obtain offshore debt financing, firms must have access to international markets, with foreign ownership of the firm capital structure may help firms to go to international market, since has a good reputation to access the international markets to gain offshore debt financing.

The level of debt affects firm value and the amount of debt owned by firm will affect firm value. The influence of debt levels in is negative and may be explained that the high debts owned by the firm may reduce firm value, because the high debt may make investors to think carefully in investing. Investors avoid losses from invested investments because of high debt, the risk of investing that have high debt levels is so great that it reduces investor interest and lowers firm value.

Profitability affects firm value and higher the profitability of the firm will affect firm value. The effect of profitability is positive and may be explained that the increasing profitability will increase firm value. Firms that are able to manage the firm's assets to increase sales, generate high net income may and improve firm value. The higher the profits obtained, will increase investor interest and may even attract investors interest in investing.

The size of the firm's liquidity will not affect the rise and fall of firm value, because investors do not pay attention and do not really question the level of the firm liquidity since it does not describe the profits to be gained. Investors are more focused on financial performance that generates enormous profits for investors. The size of a firm does not affect firm value obtained in the stock market and proves that both large firms and small firms alike have a great opportunity to attract investor's attention and increase firm value in the stock market. Small firms may be able to outperform large firms in increasing investor confidence. A rise in sales of a firm will not affect the size of the firm's value. A rise in sales of a firm does not affect investor's interest in investing shares and more focused in the smooth operation and generate profits so that the size of sales made by firm is not a big problem as long as the proceeds generate profits. Newly established firms and long-standing firms will not affect investor confidence in investing. Investors do not question the experience of a firm in investing as long as the firm is able to provide trust to investors and have a good performance.

Recommendations

Firms should pay attention to the share ownership structure; the foreign ownership structure may affect the firm's market value and should be able to increase foreign ownership. In addition, offshore debt financing may also affect the market value firm because foreign financing gives confidence to investors in investing, investors will feel safe in investing in firms that have foreign funding. For investors, it is advisable to consider the factors of ownership and foreign financing when investing, because foreign ownership has a strong control in monitoring the performance and a good performance so that it may bring huge profits.

In addition, foreign funding has very strong regulations and may make adhere to these regulations because firms still need foreign funding.

For the next researcher should found another variables and supposing it will do a similar research, because the value of coefficient of determination is still less than 50%, so that there are still more other variables that may affect the firm value that are not examined in this research. In addition where researchers may further plus more firm years with a more specific than one industry, so that the next research may provides different results.

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