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The Role of Ownership Structure in Companies Listed on the Indonesia Stock Exchange: A Literature Review

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Abstract: *Companies that have issued their shares on the Indonesian stock exchange are companies whose shares can be traded. This creates an ownership structure within the company. The ownership structure certainly determines the company's goals and going concerns. This research method is a literature review with a qualitative approach. The results obtained include that the ownership structure has several important roles including: 1) supervision; 2) internal control; 3) tax avoidance; and 4) firm performance.*

INTRODUCTION

Financial statements is output of an accountant that reports the reality of economic situations of an entity. Two important party that become a goal are investor and creditor (Prihadi, 2019). Corporation that have been listed on Indonesia Stock Exchange have obligation to publish their financial statements on annual report (Peraturan Otoritas Jasa Keuangan Nomor 29/POJK/2016). Economic performance that can be show on the financial statements are an important information to become a reference to assess an entity's performance (Sari & Hidayat, 2022). In order to achieve a good performance, every entity needs to choice the right people to maintain their operational process. The excellence of an operational process could reflect a corporate governance of an entity. Corporate governance refers to the set of rules and incentives that management uses to direct and oversee the running of a company (Onasis & Robin, 2016).

Corporate governance is a term that could be used to describe the entities managing, controlling, and monitoring their activities for what it does to achieve the goal. Corporate governance has become focus of research in our time. For a variety of problems such as decrease in operating profits, decrease in net cash flow, or cessation of company operations can be associated with corporate governance in a company (Pargendler, 2016). Corporate governance includes various element, such as ownership institutional, independent audit committee, independent commissioner, managerial ownership, (Setiawan & Setiadi, 2020), audit quality (Priharta, 2017), and board of director (Hapsoro & Hartomo, 2016). Every company needs to emphasize the importance of implementing transparency, accountability, participation, and fairness or all of good corporate governance principles in carrying out their operational activities. Apart from that, the application of good governance principles and according to the rules can improve the performance of an organization and help in achieving organizational goals (Sofyani, Ali, & Septiari, 2020).

In recent years, due to the guidance of the government policy and related regulations, and the considerable transformation of industry structure from labour-intensive to high-tech, there has been a trend towards separation of ownership and control although the discrepancy still exists

(Kao, Hodgkinson, & Jaafar, 2018). Ownership structure is heavily concentrated in developing economies; mainly family-controlled firms are widespread around the world and engage a growing importance in the economic globe (Al-Najjar & Kirincarslan, 2016). Firm ownership dispersion could be an important component of financial performance for an entities (Paniagua, Rivelles, & Sapena, 2018). Ownership structure could be a key factor for every industry's success or failure (Javeed & Lefen, 2019).

Based on the previous description, structural ownership has an important role in determining the objectives and operational activities of the company. The company's financial performance is also something that cannot be separated from structural ownership. Therefore, the author is interested in reviewing by formulating the focus of the literature review research, namely "what roles does structural ownership have in companies listed on the IDX"?

THEORETICAL BACKGROUND

A. Stewardship theory

Under the stewardship theory, corporate elites are far from opportunistic behavior. Opportunistic behavior is not a good thing to have in an entity. Instead, they prioritize good performance. And this is also based on philosophical assumptions about human character, namely trustworthiness, responsibility, integrity, and honesty (Dolandson & Davis, 1989).

It views management as a trustworthy party with good intentions in the hope that organizational goals and common interests can be achieved. With such good intentions, employees are motivated and remain in an entity because of the ethics and morals that are maintained (Donaldson & Davis, 1991).

Stewardship theory emphasizes the company's interests above other interests by placing the company's interests as the primary interest. Smooth organizational collaboration maintains the company's opportunity to continue growing (Davis, et al, 1997).

B. Structural Ownership

Haryono et al (2017) said that the ownership structure of companies in Indonesia tends to be concentrated. This can be interpreted that the ownership structure is not evenly distributed. Such conditions can be called multiple large shareholder structures (MLSS). MLSS can occur either due to family ownership or a large investor buying a large number of shares. This makes the distribution of share ownership not evenly distributed to various parties.

MLSS can have a supervisory role against conflicts of interest. But MLSS can also have interests, namely prioritizing their own interests over the interests of other parties (Andarsari, 2021). Structural ownership is the arrangement and distribution of ownership in a particular organization or system. It often relates to how power, control, rules, goals, and responsibilities are allocated among different stakeholders or entities and managers as well.

METHOD

This study uses a qualitative approach with literature review type. Literature review is a research that critically reviews the knowledge, ideas, or findings contained in the body of academic-oriented literature, and formulates its theoretical and methodological contributions to a particular topic (Sembada, et al., 2022). Literature review could be used as a non numeric study to balancing and supporting the development of science with the aim to producing the latest research findings (Yam, 2024).

The process consist of searching and selecting relevant literature, it could be from journal articles, research reports, conferences, or other credible sources. The process carried out is by paying attention to relevant themes, namely structural ownership. Thus, a literature review helps researchers understand the latest developments in the field being studied and ensures that the research being conducted is within an appropriate scientific framework (Setiadarma, et al., 2024).

RESULTS AND DISCUSSION

Respondent Characteristics

In general, the ownership structure in a quantitative numerical study uses indicators of institutional ownership and managerial ownership. This is based on the corporate governance system in force in Indonesia to produce owners and managers as two separate things (Apriada & Suardikha, 2016; Nurmawan & Nuritomo, 2022; Saifi, 2019; Haryono et al., 2017).

In Indonesia, institutional shareholders also appear to dominate the share ownership structure of public companies. From the sample companies used in this study, the average insider holding data reached 20% of the total outstanding shares of the company. Insider holding is the portion of company share ownership by insiders (management) relative to the total outstanding shares of the company. The higher the portion of this type of ownership, the higher the company's ability to generate profits (Sugeng, 2009).

The structural role of ownership in companies listed on the IDX is as follows:

No.	Author (Year)	Structural Ownership Role
1.	Apriada & Suardikha (2016)	a. Structural ownership that proxied by institutional ownership and found that the higher of the ownership, the stronger the external supervision. b. Structural ownership that measured by institutional ownership founded that it could possibly encourage more optimal control of the entities.
2.	Nurmawan & Nuritomo (2022)	a. Structural ownership that measured by institutional ownership and managerial ownership have a negative effect on tax avoidance. It is because companies who owned by institutional and managerial shareholders tend to avoid tax avoidance that can pose a risk to their investment. In addition, the amount of ownership that is not too large compared to family ownership can also encourage low tax avoidance incentives. The resulting risk is also greater because institutional ownership is often related to investments in many companies so that it can affect their reputation. In managerial ownership, tax avoidance is avoided because the managerial knows exactly about the risks that may arise due to tax avoidance.
3.	Saifi (2019)	a. Structural ownership that measured by institutional ownership has a negative effect on Return On Equity (ROE). Some things that are considered to be the cause of this negative effect are due to institutional share ownership in property and real estate companies that are

		concentrated (concentration of ownership) so that it allows for an affiliate relationship between the owner, supervisor, and director of the company. This also occurs in the companies used as research samples, so it is better to improve the current conditions in order to implement corporate governance. b. Structural ownership as measured by institutional ownership also has a significant positive effect on company performance as measured using Return On Assets (ROA). Institutional ownership in a business entity will increase the supervision that will be carried out on the business entity. This is because an institution will maintain and supervise its investment well, because it has a great interest in its investment. Thus, there will be an increase in control over management policies, which will ultimately improve management performance. Based on the results of this study, the majority of sample companies are owned by institutional ownership. Increasing institutional ownership will improve financial performance as measured by ROA.
4.	Haryono, et al. (2017)	a. Structural ownership in the context of concentrated ownership, institutional investors may not have the power to supervise management that represents the owners because of the relatively small proportion of ownership held by institutional investors. However, family owners have a strong commitment to the long-term sustainability of the company. Likewise, institutional investors who have a preference for shareholder value will easily transfer their share ownership to another company if the manager, under pressure from the owners, makes decisions that have a negative impact on the company's performance. b. Structural ownership measured by institutional investors has a positive impact on company performance in the form of encouraging management to adopt strategies that maximize shareholder welfare. Concerns about institutional investors leaving their shareholdings in the company act as a discipline for management to always optimize company performance.
5.	Charisma & Dwimulyani (2019)	a. Structural ownership measured by managerial ownership has negative effect on tax avoidance. Share ownership by managers is expected to align the interests of agents and principles, so that managers will be more careful in making decisions by setting aside personal interests so that tax avoidance does not occur.

		b. Structural ownership measure by institutional ownership has negative effect on tax avoidance. Company ownership by institutions or blockholders will make it easier to supervise management compared to non-concentrated ownership. The principle can require management to focus on economic performance and tax aggressive actions can be minimized.
6.	Candradewi & Sedana (2016)	a. Structural ownership measured using managerial ownership has a positive effect on financial performance as measured by ROA. Managerial ownership is the proportion of shares owned by management (board of directors, directors and commissioners) who are actively involved in making company decisions. Share ownership owned by management is expected to be able to align differences in company decision making. If the manager is also the owner of the company, the company's goals will be achieved.

Based on the literature review that has been described in the table above, various roles are obtained from ownership structures, whether measured using institutional ownership or managerial ownership of the company. The presence of a concentrated ownership structure needs to support the company's goals to remain a going concern. Good management and the company's financial performance contained in the financial statements are two things that are closely related to each other. The role of structural ownership in the company includes:

1. Supervision.

   Structural ownership has an important role to support good supervision in a company. This is because the managerial party is also responsible if there is poor management. The consequences of poor management are things that will be borne by the managerial party as a party that can also own shares in the company (Apriarda & Suardikha, 2016; Haryono, et al., 2017).

2. Internal Control

   Structural ownership has an important role to implement internal control properly in a company. This is because the management also knows and has the authority to determine the company's goals. That way, the company's goals can be determined properly without burdening any party. Internal control can be done better (Apriarda & Suardikha, 2016; Haryono, et al., 2017).

3. Tax Avoidance

   Tax avoidance could be avoided if structural ownership is exist in a company. This is because companies owned by structural ownership tend to avoid tax avoidance that can endanger their investments. In Indonesia, tax avoidance is complicated and there are examinations carried out by related parties. In managerial ownership, tax avoidance is avoided because the managerial party knows for sure the risks that may arise due to tax avoidance (Nurmawan & Nuritomo, 2022; Charisma & Dwimulyani, 2019).

4. Firm Performance

   Company performance is a variable whose condition can be seen by calculating Return On Assets (ROA). In its calculation, return on assets can be obtained by dividing net income by total assets. The greater the percentage, the greater the company's profit contributes to the company's wealth. The ownership structure through concentrated institutional ownership has a role, namely to maintain the company's performance to the maximum as an effort to increase the company's profit (Saifi, 2019; Candradewi & Sedana, 2016).

CONCLUSION

Ownership structure either through managerial ownership or institutional ownership is important for the sustainability of the company. Concentrated ownership allows no parties to prioritize other things other than the company's goals, behave unethically, and violate various policies. So that it allows for increased company performance that can be seen in the company's financial statements. This study has highlighted several important roles of ownership structure, including: 1) supervision; 2) internal control; 3) tax avoidance; and 4) firm performance.

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