

## The effect of family control, firm size, firm growth on banking firm value

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### Abstract

*This study aims to empirically examine the effect of family control, firm size, and firm growth on firm value. This research is in explanatory form. The sample used is a banking sector firm listed on the IDX using a purposive sampling technique. The banking sector, especially private banking, has a large family control and tends to take smaller risks because it is passed down from generation to generation to maintain the long-term viability of the firm. The criteria used are as follows 1.) banking sector companies listed on the IDX for the 2017-2022 period. 2.) companies that publish complete reports for the period 2017-2022. The results of this study indicate that the family control variable has a significant positive effect on firm value. The family control variable is the differentiating variable in this study (Holly et al, 2022) by measuring the percentage of family ownership. Firm size variable has a significant positive effect on firm value. The firm growth variable has a significant negative effect on firm value.*

*Keywords: family controls, firm growth, firm size, the value of the firm*

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### INTRODUCTION

The performance of a firm is closely related to the management function of the firm itself. The success of a firm is an achievement made by the management. Thus the progress or failure of a firm depends on management's ability to manage the firm. The owner of the firm always wants to get the maximum profit with the smallest business risk. Given that the importance of the owner and management relationship, this relationship will affect the firm's performance.

Corporate value is used as a long-term goal of a firm. One of the firm's goals is to maximize share value. A high rate of return on investment for shareholders is a sign that shareholder value will increase. Firm size is defined as a firm scale that can be classified into the size of a firm based on total sales, total assets, and share value (Novari & Lestari, 2016). Investors use all of these factors for consideration in assessing the firm's future prospects (Suardika & Mustanda, 2017). (Husnan (2014) stated that firm value describes the condition of a firm. If the firm value is good, investors will also view it well, and vice versa.

Ownership structure becomes one of the important aspects in influencing the value of the firm, in this case is family ownership. Apart from aspects of family ownership, firm value can also be affected by firm growth, firm size, and leverage (Rudangga & Sudiarta, 2016). Research on the effect of family ownership on firm value and firm profitability yields mixed results. Several studies state that family ownership has a positive influence on firm value (Baek et al, 2004). This study uses family control variables as measured by the percentage of share ownership which is a differentiator from previous research. So that the results of data processing become more valid.

Firm size is considered capable of influencing the value of the firm. because the larger the size or scale of the firm will make it easier for the firm to obtain funding sources both internally and externally. The growth of a firm can also be seen from the profits generated by the firm itself (Meidiawati & Mildawati, 2016). To get increased firm value, the firm will usually provide a signal in the form of positive information for investors through the disclosure of financial reports that generate profits for the firm (Ayu & Suarja, 2017). Based on the background above, the formulation of the problem in this study is:

(1) Does family control have a positive effect on firm value?, (2) Does firm size have a positive impact on firm value?, (3) Does firm growth have a positive impact on firm value?.

## LITERATURE REVIEW

### Firm Theory (Theory of the firm)

Is an organization that organizes its resources to produce products/services that can be sold. Firm is an organization that organizes and combines all resources to produce products/services ready for sale. In the long run it will be profitable for owners and shareholders and provide benefits to society.

### The Effect of Family Control on Firm Value

*Family controls* trusted will always outperform the family firm. Because of the uniqueness that makes the owner concerned about the sustainability of the firm, the owner has the urge to always control the firm more effectively (Ismail & Mahfodz, 2010). The existence of this good spirit will make the firm have superior performance when compared to non-family companies. The firm's high profitability is due to the spirit of effective control that is realized through the firm's strategy (Sujoko & Soebiantoro, 2007). Family companies are considered to have long-term thinking for the survival of the firm which is implemented through decisions to take profitable long-term investments with returns that tend to be stable. Based on the description above, the hypothesis is drawn as follows.

H1: Family control has a positive effect on firm value

### Effect of Firm Size on Firm Value

Companies with a large size make investors pay great attention to the firm. This condition is because large companies tend to have better conditions. The larger the size of the firm makes it easier for companies to obtain funding sources both internal and external. Not only that, large companies also give signs that the firm is experiencing growth every year (Hirdinis, 2019). Previous research conducted by Pratama & Wiksuana (2016) showed the results that firm size has a significant effect and has a positive direction on firm value. Based on the description above, the hypothesis is drawn as follows.

H2: Firm size has a significant positive effect on firm value.

### Effect of Firm Growth on Firm Value

The firm's growth reflects whether the firm is developing or not (Suwardika & Mustanda, 2017). The firm's rapid growth requires large funds for investment. Therefore, the firm does not distribute dividends to shareholders from operating profit but is used to reinvest in the firm (Suwardika & Mustanda, 2017). Previous research conducted by Syardiana et al (2015) gave the result that the growth of a firm has a significant and positive influence on firm value. The firm's growth has a direct and positive effect on the firm's stock price, meaning that the firm's positive growth gets a positive response from investors so that stock prices can increase Utami, et al (2017). Based on the description above, the hypothesis is drawn as follows.

H3: Firm growth has a significant positive effect on firm value.

## RESEARCH METHODS

The type of method used in this study is a quantitative research method because the data used in this study are in the form of numbers that are analyzed using statistics (Sugiyono, 2012). This study uses quantitative data. the data used was obtained from financial reports listed on the IDX (Indonesian Stock Exchange) in the banking sector. And obtained through the website <https://www.idx.co.id> with a range of 2017-2021.

In this study the population and samples were taken from all companies with the banking sector listed on the IDX (Indonesian Stock Exchange). The sample was selected using a purposive sampling method where the sample was subject to certain criteria. The criteria for taking samples are as follows:

(1) Banking sector companies listed on the IDX during the 2017-2021 period. (2) Companies that publish complete annual financial reports for the period 2017-2021.

The number of companies that meet the criteria is 20 banking sector companies listed on the IDX. This research has a period of 5 years, starting from 2017 to 2021, resulting in a sample used in this study of 100 firm data.

## DATA ANALYSIS TECHNIQUE

### Normality test

The normality test in this study is presented in table 1. The results of the data test illustrate that the data can be normally distributed because the Sig value of 0.153 shows a result of more than 0.05.

**Table 1.** Normality Test Results

Kolmogorof-Smirnov Z	Sig.	Information
0.075	0.153	Normal Distributed

Source: Processed Data (2022)

### Classical Assumption Testing Results

#### Heteroscedasticity Test

The heteroscedasticity test in this study is presented in table 2. It is said to have experienced Heteroscedasticity if the sign shows a value above 0.05. family control and firm growth has a value below 0.05 so it is said to be experiencing Heteroscedasticity.

**Table 2.** Heteroscedasticity Test Results

Variable	Q	Sig.	Information
<i>Family Control</i>	5,725	0.531	Heteroscedasticity does not occur
Firm size	-1,353	0.331	Heteroscedasticity does not occur
Firm Growth	-2,503	0.986	Heteroscedasticity does not occur

Source: Processed Data (2022)

#### Multicollinearity Test

The multicollinearity test in this study is presented in table 3 which illustrates that there are no symptoms of multicollinearity. The data is said to be free from multicorreality if the VIF value is above 4.

**Table 4.** Multicollinearity Test

Variable	VIF	Information
<i>Family Control</i>	1045	Multicorreality
Firm size	1009	does not occur
Firm Growth	1038	

Source: Processed Data (2022)

#### Hypothesis test

##### Simultaneous Test (Test F)

The results of the F test are shown in table 5. The data shows that the sig level is 0.000. This figure indicates that the sig value is below 0.05 so it can be concluded that the model made is in accordance

with the theoretical specifications. Thus it means that family control, firm size, and firm growth simultaneously affect the value of the firm .

**Table 5.** F Test Results

Variable	F	Sig.
Relationship of Family Control, Firm size, Firm Growth to Firm value.	12610	0.000

Source: Processed Data (2022)

#### t test

The results of the t test are shown in table 6.

**Table 6.** Test Results t

Variable	Regression Coefficient	Sig.	Information
(Constant)	2,296	0.000	
<i>Family Control</i>	-.246	0.179	Rejected
Firm size	0.269	0.014	Received
Firm Growth	-.029	0.000	Rejected

Source: Processed Data (2022)

The results of the t test show that the family control variable has a negative effect on firm value. Thus, the hypothesis that family control has a positive effect on firm value is rejected.

The results of the t test show that firm size has a significant positive effect on firm value. So the hypothesis which says that firm size has a positive effect on firm value, is accepted

The results of the t test show that the effect of firm growth has a negative effect on firm value. So the hypothesis which says that the firm 's growth has a positive effect on firm value, is rejected

#### Coefficient of Determination ( $R^2$ )

Table 7 test results show an adjusted value of 26.0% so that the independent family control variable, firm size, firm growth are considered capable of explaining the dependent variable, namely firm value.  $R^2$

**Table 7.** Coefficient of Determination

Model	R	R Square	<i>Adjusted R Square</i>	<i>std. Error of the Estimate</i>
1	0.532 <sup>a</sup>	0.283	0.260	0.61732

Source: Processed Data (2022)

## RESULTS AND DISCUSSION

Family controls in this study is measured through the percentage of firm share ownership. In the control family, the T table value is -.246 and the sign value is 0.179. The significance value is above 5%, so it can be concluded that H1 is rejected. This research is in line with (Maquieira et al., 2011) which states that family control tends to have a negative influence because the decisions taken are usually based on personal interests and will have a negative impact on the firm 's prospects.

Firm size is measured by total assets. Larger assets will make it easier for companies to obtain funding. firm size obtained T table value of 0.269 and a sign value of 0.014. The significance value is below 5%, so it can be concluded that H2 is accepted. This research is in line with (Hirdinis, 2019) which states that the larger the firm size, the greater the firm value. This positive relationship arises because the size of a large firm is a sign that the firm is growing.

The growth of the firm referred to in this study is sales. The firm 's growth is measured through sales growth. Sales results do not fully reflect the firm 's condition, there are other factors that are more

dominant that affect the firm 's growth. In firm growth, the T table value is -.029 and the sign value is 0.000. it can be concluded that H3 is rejected. The results of hypothesis testing show a different direction. This is in line with (Meidiawati & Mildawati, 2016) which states that high firm growth will certainly require a lot of money so the firm does not focus on shareholder welfare.

## CONCLUSION

This study aims to empirically prove the influence *family controls*, firm size, firm growth to firm value. then it can be concluded as follows. *Family controls* has a negative influence on stock value. These results are consistent with Supriyanto's research (2015) which found that family ownership is negatively related to firm value. This is because high family ownership causes information asymmetry problems. And support the firm theory.

Firm size has a significant positive effect on firm value. These results are consistent with research by Dewi & Sudiarta (2017) who found that firm size has a positive effect on firm value. and supports firm theory. Firm growth has a negative influence on firm value. These results are consistent with the research of Ukriyawati & Dewi (2019) which states that firm growth has a negative effect on firm value. And support the firm theory.

This research has implications in order to increase the value of the firm, firm management needs to improve *family controls* and size of the firm and continue to strive to suppress the growth of the firm so that the value of the firm can increase. This study only uses 3 variables that do not fully reflect the condition of the firm. Suggestions given for future research should add other variables besides those in this study in order to find out other factors that affect firm value.

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