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The Interaction of Capital Structure, Firm Size and Managerial Ownership on Firm Value: The Moderating Role of Institutional Ownership

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Abstract
This study investigates the effect of capital structure, firm size, and managerial ownership on firm value, with institutional ownership as a moderating variable. Using a quantitative approach, the study analyzed secondary data from companies listed on the Indonesia Stock Exchange (IDX) during 2018–2023. A total of 638 firm-year observations were selected through purposive sampling and analyzed using the SEM-PLS method. The findings show that capital structure does not significantly affect firm value, indicating that debt levels are not the main consideration for investors. Meanwhile, firm size and managerial ownership have a significant negative effect on firm value, suggesting that larger companies and higher managerial ownership may indicate inefficiency or managerial entrenchment. In addition, institutional ownership does not moderate the relationship between capital structure and managerial ownership on firm value. The study concludes that internal company factors play a more dominant role in determining firm value than external monitoring mechanisms.

Keywords: *Firm Value, Capital Structure, Firm Size, Managerial Ownership, Institutional Ownership, Corporate Governance.*

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INTRODUCTION

Enterprise value serves as a crucial indicator of a firm's ability to enhance shareholder wealth while also capturing investor expectations about the company's future prospects. In the empirical literature, enterprise value is often linked to financial performance, investment decisions, and market expectations regarding a company's profitability and risk (Dang et al., 2018; Nguyen & Nguyen, 2020) . From a corporate finance perspective, increasing firm value is a primary objective of management, as a high firm value can enhance investor confidence and facilitate the firm's access to funding sources (Hirdinis, 2019). Therefore, identifying the determinants of firm value has become an important topic in academic literature on corporate finance and *corporate* governance, particularly in relation to agency conflicts and their control mechanisms.

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Amid the continuing development of global financial markets and the growing complexity of the business landscape, studies on the factors influencing firm value have attracted increasing interest in corporate finance. This trend can be seen in the expanding number of empirical investigations focusing on internal company characteristics, including capital structure, profitability, firm size, and ownership, as key determinants of firm value (Nguyen et al., 2020; Vinh & Ellis, 2017). The globalisation of capital markets and the growing role of institutional investors have also highlighted the importance of research into ownership structure, as institutional and managerial ownership can influence firm value through monitoring mechanisms and the reduction of agency problems (Boubaker et al., 2018). Furthermore, prior studies suggest that firm-specific characteristics, including profitability, capital structure, and ownership, play an important role in shaping firm value, especially in developing countries (Dang et al., 2018) .

Capital structure describes the way a company organizes its sources of funds to finance its operations and investments, generally by combining debt and equity. According to trade-off theory, firms aim to achieve an optimal capital structure by balancing the benefits of debt, such as tax benefits, with its potential drawbacks, including the risk of financial distress. However, the pecking order theory indicate that companies prefer to use internally generated funds first, before seeking external financing through debt or the issuance of new equity. Earlier studies further reveal that the relationship between capital structure and firm value is not consistently direct or linear. In several cases, the association has been found to follow a non-linear pattern, including an inverted U-shape. Several findings suggest a non-linear, even inverted U-shaped, pattern, where a reasonable level of debt may help improve firm value. Some studies highlight a non-linear or even inverted U-shaped relationship, where a moderate use of debt can enhance firm value, while excessive reliance on debt may reduce it due to higher financial risk (Dao & Ta, 2020; Karaca et al., 2025). These findings suggest that capital structure decisions have complex implications for firm value.

In addition to capital structure, company size is also often regarded as a factor influencing firm value. In general, larger firms possess broader access to financing opportunities, are better positioned to benefit from economies of scale, and tend to enjoy a stronger reputation in capital markets. These conditions enable large companies to increase their value through operational

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efficiency and broader investment opportunities (Ho et al., 2018; Sudiyatno et al., 2020). However, some studies suggest that companies that are too large may face issues of organisational inefficiency, managerial complexity, and increased agency problems, which in turn have the potential to reduce firm value. These conflicting indicate that the influence of firm size on firm value remains a subject of debate in the empirical literature.

Based on agency theory, the potential conflict between managers and shareholders can be reduced when managers have ownership stakes in the company. This form of ownership may help bring managerial objectives closer to shareholders' interests, which can motivate management to strengthen firm performance and increase company value (Artantiwi & Hamidah, 2018; Ifada et al., 2021). Nevertheless, earlier research suggests that the correlation between managerial ownership and firm value is not necessarily linear. Some findings point to an inverted U-shaped pattern, indicating that a moderate level of managerial ownership may enhance firm value. However, once managerial ownership becomes excessively high, it may lead to different consequences. However, when managerial ownership becomes too large, it may create managerial entrenchment, allowing managers to exercise excessive control and prioritize their own interests over those of shareholders (Fabisik et al., 2021; Polwitoon & Tawatnuntachai, 2020; Yan et al., 2018) .

In addition to managerial ownership, institutional ownership is widely recognized as a significant component of corporate governance. Institutional investors, such as insurance companies and investment institutions, are generally considered to have stronger monitoring capacity than individual investors and investment institutions generally have stronger monitoring power than individual shareholders. Their involvement can improve managerial oversight, reduce agency conflicts, and ultimately support higher firm value. A number of studies further suggest that institutional ownership affects not only firm value directly but also serves as a moderating factor between corporate financial decisions and firm value (Ashrafi, 2019; Frahm et al., 2023). Therefore, institutional ownership may help strengthen the role of corporate governance in improving firm value.

For a developing country such as Indonesia, understanding the links among capital structure, firm size, ownership structure, and firm value has become an increasingly relevant area of study. Indonesia's evolving capital market and the growing number of companies listed on the

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Indonesia Stock Exchange (IDX) are creating an increasingly competitive environment for firms seeking to enhance their value in the eyes of investors. Furthermore, the characteristics of corporate governance in developing countries are often marked by concentrated ownership, high information asymmetry, and relatively weak external oversight mechanisms. These conditions make the role of ownership structure particularly managerial and institutional ownership increasingly important in influencing corporate financial decisions and firm value.

Although various studies have examined the determinants of firm value, previous research findings remain inconsistent. Some studies have found that capital structure, firm size and managerial ownership have a positive impact on firm value, whilst others have shown different or even insignificant results. In addition, earlier studies have generally focused on these variables separately and have mostly positioned institutional ownership as an independent variable. As a result, Research examining institutional ownership in its role as a moderator in the relationship among capital structure, firm size, managerial ownership, and firm value remains relatively scarce, particularly in companies listed on the Indonesia Stock Exchange.

This study remains important and relevant because earlier investigations into the influence of capital structure, firm size, and managerial ownership on firm value have produced inconsistent results. This suggests that the relationships between these variables require further examination. Furthermore, this study introduces institutional ownership as a moderating variable, which is expected to provide a deeper understanding, particularly in explaining these relationships through the lens of agency theory. In the topic of emerging markets such as Indonesia, which generally have a concentrated ownership structure, the role of oversight becomes crucial in driving an increase in firm value. By utilising data from the companies listed on the Indonesia Stock Exchange and taking into account the evolving economic conditions, this study not only tests the direct effects between variables but also examines how institutional ownership can strengthen or weaken these relationships.

In the Indonesian context, the role of institutional ownership as a monitoring mechanism can be observed in companies listed on the Indonesia Stock Exchange, such as PT Bank Central Asia Tbk and PT Telkom Indonesia Tbk, where strong institutional ownership and effective corporate governance practices contribute to maintaining transparency, controlling managerial opportunistic behaviour, and improving firm value. Several empirical studies in Indonesia also

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support this argument. Febrianti & Dewi (2019) found that institutional ownership as part of corporate governance mechanisms significantly influences firm value in LQ45 companies listed on the Indonesia Stock Exchange. Likewise, Santosa et al. reported that institutional ownership positively affects firm value because institutional investors perform a stronger monitoring function over management decisions, particularly under dynamic economic conditions. Therefore, institutional ownership can strengthen the relationship between ownership structure and firm value through more effective oversight and governance mechanisms. Therefore, this study is expected to provide more comprehensive empirical evidence, whilst making both theoretical and practical contributions to company management, investors, and relevant stakeholders in their efforts to enhance corporate value sustainably.

THEORETICAL FOUNDATIONS AND HYPOTHESIS FORMULATION

Capital structure describes how a company determines the composition of funding used to support its activities, particularly the balance between debt and equity. Trade-off theory said that an optimal capital structure is reached when a company evaluates the advantages of debt financing, such as tax benefits, alongside its potential costs, including the risk of financial distress. According to the perspective of Trade-off Theory, a company can achieve an optimal capital structure when it is able to balance the benefits of debt financing with the costs arising from it. The use of debt provides advantages in the form of tax savings (tax shield), which can enhance firm value; however, excessive debt also increases the risk of financial distress and bankruptcy costs. Therefore, companies need to determine an optimal level of debt so that the benefits of debt outweigh the associated costs, thereby maximizing firm value. This concept explains that the relationship between capital structure and firm value is not linear, but rather depends on the balance between the benefits and risks of debt (Kraus & Litzenberger, 1973; Myers, 1984). Empirical studies further indicate that optimal capital structure decisions can improve firm value through financing efficiency and the reduction of capital costs (Fama & French, 2002).

If managed properly, debt can help improve firm value by creating tax efficiencies and encouraging more disciplined managerial decision-making in the allocation of company resources. From the viewpoint of signalling theory, the use of debt may also send a favorable message to investors regarding the firm's future performance. A company that is prepared to assume debt can be seen as having confidence in its ability to generate enough cash flow to fulfill

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its financial commitments. Consequently, this signal may increase investor trust and ultimately contribute to higher firm value.

Previous empirical studies also confirm that capital structure plays a role in affecting firm value. For example Karaca et al. (2025) found that capital structure has a relationship with firm value that tends to be non-linear, whereby the use of debt at moderate levels can enhance firm value. Another study conducted by Bui et al. (2023) likewise indicates that debt usage may enhance firm value when it is managed effectively. Therefore, capital structure can be considered one of the important determinants of firm value.

H1: Capital structure influences firm value.

Company size is one of the indicators that the size of the company, typically measured by total assets, total revenue, or market capitalisation. Larger companies generally have a competitive advantage over smaller ones, such as greater access to funding sources, the ability to leverage economies of scale, and a better reputation in the capital markets.

According to signaling theor, the big companies can send positive signals to investors perceptions the company's stability and future prospects . Large companies typically have a lower level of risk compared to small companies and are therefore viewed as more trustworthy by investors. This situation can increase investor interest in investing their capital, which in turn can enhance the company's value. Previous empirical research has shown that company size influences firm value. Research conducted by Ho et al. (2018) found that larger companies are likely to have higher firm value because they are better able to utilise their resources. Another study by Sudiyatno et al. (2020) also indicates that firm size has a significant influence on firm value. However, some studies also suggest that excessively large firm size can lead to organisational inefficiencies as well as increased coordination costs and agency problems. Nevertheless, generally speaking, firm size is still regarded as one of the key factors influencing firm value.

H2: Company size influences company value.

Managerial ownership represents the shareholding portion held by a company's management, such as directors and executives. Agency theory said, this form of ownership may reduce conflicts of interest between managers and shareholders because managers also act as owners of the firm. When managers own company shares, they are generally more encouraged

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to align their goals with those of shareholders. This condition can drive them to improve company performance and, in turn, increase firm value. Furthermore, managerial ownership can also enhance management's commitment to running the company more efficiently, as managers act not only as managers but also as owners of the company. Consequently, managers will exercise greater caution when making decisions regarding investment, financing, and operational policies.

Empirical research indicates that managerial ownership influences firm value. Yan et al., (2018) reported that managerial ownership may improve firm value by lowering agency conflicts between managers and shareholders. Other research conducted by Polwitoon & Tawatnuntachai, (2020) also indicates that managerial ownership can serve as an effective corporate governance mechanism in enhancing firm value. However, some studies suggest that excessively a significant level of managerial ownership can lead to managerial entrenchment, a condition in which management holds too much power, enabling them to act opportunistically and disregard the interests of shareholders. Nevertheless, in general, managerial ownership is still regarded as a mechanism capable of enhancing corporate value.

H3: Managerial ownership influences firm value.

Institutional ownership represents the proportion of corporate shares held by institutions such as insurance companies, investment firms, and other financial entities. In corporate governance, institutional investors are often viewed as having greater monitoring power than individual shareholders. Their stronger oversight capacity allows them to play a more effective role in supervising management and corporate decision-making. From a corporate governance perspective, institutional investors exhibit stronger monitoring capabilities than individual shareholders. Agency theory posits that institutional ownership contributes to more effective supervision of management, thereby reducing agency conflicts. Institutional investors generally possess better resources, expertise, and information for overseeing company policies, including capital structure policies. Empirical research indicates that institutional ownership can strengthen the relationship between capital structure and firm value. Frahm et al. (2023) found that institutional investors can influence a company's financing policies, enabling the firm to achieve a more optimal capital structure. Another study conducted by Ashrafi, (2019) also indicated that institutional ownership may moderate the relationship between capital structure and firm

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performance. With stronger monitoring by institutional investors, companies are likely to be more prudent in using debt, allowing capital structure decisions to become more efficient and potentially contribute positively to firm value.

H4: Institutional ownership moderates the effect of capital structure on firm value.

Managerial ownership can reduce conflicts of interest between management and shareholders; however, under certain conditions, excessive managerial ownership can lead to management wielding too much power within the company. In such circumstances,investors of institutional can act as an external oversight mechanism capable of balancing management's power. Institutional investors possess the capacity to monitor management's actions, thereby helping to minimize the likelihood of opportunistic behaviour by management. Consequently, institutional ownership may improve the effectiveness of managerial ownership in enhancing firm value. Empirical research indicates that institutional ownership can strengthen corporate governance mechanisms and improve firm value through more efficient monitoring processes (Ashrafi, 2019; Frahm et al., 2023) .

H5: Institutional ownership moderates the effect of managerial ownership on firm value.

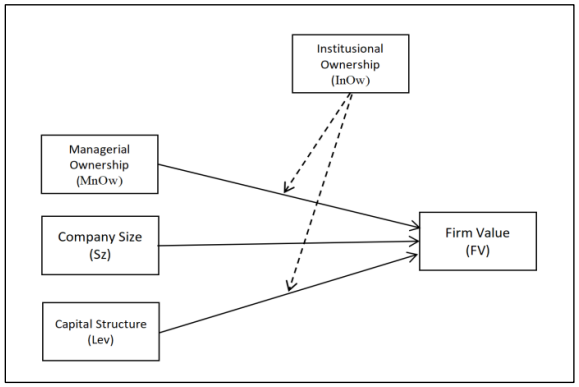

Figure 1. Conceptual Framework

METHOD

This study use a descriptive quantitative method to analyze the variables. The object of this research is firms publicly traded on the Indonesia Stock Exchange (IDX) during the 2018–2023 observation period. The study relies on secondary data derived from corporate financial statements accessed through the official IDX platform. To gather both empirical data and supporting theoretical references, the researcher applied documentation and literature review techniques.

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The population in this study consists of all companies listed on the Indonesia Stock Exchange (IDX) throughout 2018–2023. Sample selection was carried out through a purposive sampling technique, whereby firms were chosen based on specific criteria, in which firms were selected according to criteria that matched the aims of the study. The sample was drawn based on criteria aligned with the objectives of the research. These criteria covered firms listed on the IDX during the observation period and companies that consistently published annual reports, companies with complete data for the variables examined in this study, and companies with data that could be analyzed consistently for the full research period. Based on these criteria, 638 firm-year observations were obtained, with an average of approximately 128 observations per year.

In this research, the variables are grouped into three categories: independent, dependent, and moderating variables. The independent variables comprise capital structure (X1), firm size (X2), and managerial ownership (X3), while firm value (Y) serves as the dependent variable. Institutional ownership (Z) is included as the moderating variable. The research variables are summarized in Table 1:

Table 1 Variable Measurement

Variable	Code	Operational Definition	Measurement / Indicator	Scale	Sources
Firm Value	Y	Firm value represents how investors evaluate a company's market performance and future prospects, commonly reflected in its share price.	PBV = Market Price per Share / Book Value per Share	Ratio	(Indupurnahayu et al., 2023); (Nuryaman, 2021); (Bosek-Rak, 2022).
Capital Structure	X1	Capital structure describes the composition of a company's financing, particularly the balance between debt and equity.	Debt to Equity Ratio (DER) = Total Debt / Total Equity	Ratio	(Zavala & Salgado, 2019); (Hang et al., 2021).
Company Size	X2	Company size reflects the overall scale of a firm's operations, typically measured based on its total assets.	Size = Ln (Total Assets)	Ratio	(Hossain, 2021); (Abu Hussain et al., 2025).
Managerial Ownership	X3	Managerial ownership indicates the proportion of a company's shares held by its management, including directors and executives.	MO = (Shares owned by management / Total outstanding shares) × 100%	Ratio	(Alshareef, 2024); (Harmono et al., 2023).
Institutional Ownership	Z	Institutional ownership represents the shareholding portion owned by institutional investors such as banks, insurance companies, and investment firms.	IO = (Shares owned by institutions / Total outstanding shares) × 100%	Ratio	(Alshareef, 2024); (Abu Hussain et al., 2025).

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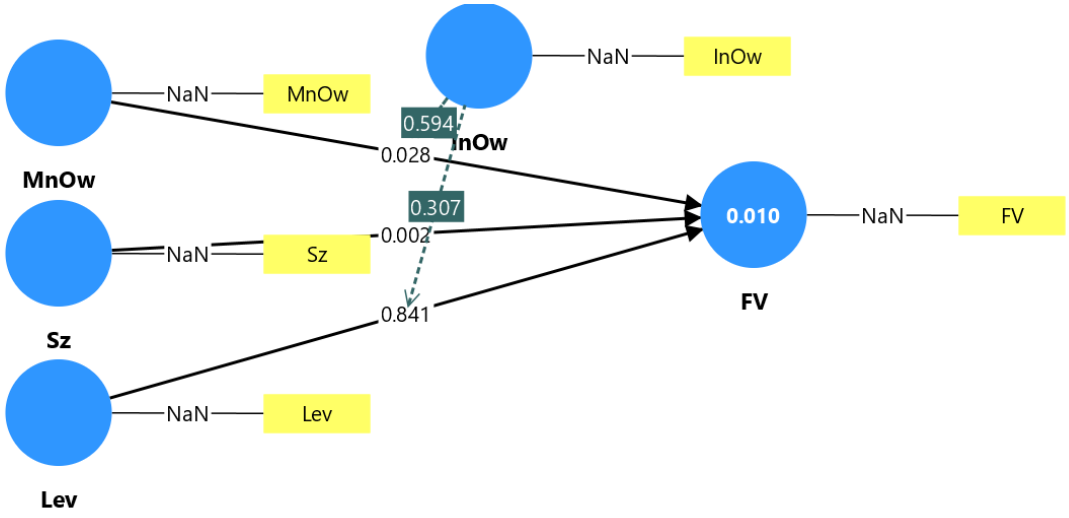
Source: Processed data, 2026

Data Analysis Method

The research data were processed through SEM-PLS technique, with the analysis conducted using SmartPLS version 3.2.9.



To examine the direct relationships interaction between variables, this study applied the structural model (Model 1). Meanwhile, the moderating effect was assessed through the interaction model (Model 2) using the Two-Stage Approach. In Model 1, the structural model was specifically employed to evaluate the effect of the independent variables to the dependent variable, as represented in the following equation (Ghozali, 2021):

$$\eta = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 Z + \varepsilon$$

Next, to examine the moderating effect of institutional ownership on the relationship between the independent and dependent variables, a moderation model (Model 2) was used as follows (Utomo & Simanungkalit, 2024):

$$\eta = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 Z + \beta_5 (x_1 Z) + \beta_6 (x_3 Z) + \varepsilon$$

RESULTS AND DISCUSSION

Descriptive Statistical Tests

Based on the findings of the descriptive statistics, it can be seen that each variable in the study has distinct characteristics. Institutional ownership (InOw) tends to be quite high, meaning that the majority of companies in the sample are dominated by institutional ownership, although there is also considerable variation between companies. Conversely, managerial ownership

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(MnOw) is relatively low; indeed, the majority of companies have no share ownership by management, although there are a few companies with very high values. Firm value (FV) shows a very wide range, with a considerable difference between the mean and the median, indicating the presence of extreme data or outliers. Meanwhile, firm size (Sz) and leverage (Lev) appear more stable due to the close proximity of the mean and median values and the relatively narrow data distribution.

Table 2. Descriptive Statistical Analysis

Name	Mean	Median	Minimum	Maximum	Standard deviation
InOw	58.892	69.280	0.000	92.500	30,026
MnOw	5,937	0.000	0.000	92,500	16,040
FV	3,655	1,253	-14,939	143,029	9,877
Sz	9,100	9,006	3,797	14,592	1,931
Lev	0.512	0.517	0.013	2,900	0.301

Source: Processed Data, 2026

Outer Model Test

The purpose of assessing the measurement model, or outer model, is to examine whether the constructs applied in the study are both valid and reliable. This process also involves testing for multicollinearity by using the Variance Inflation Factor (VIF). The results show that all exogenous and moderating variables have VIF values below 10, which suggests that multicollinearity does not pose a problem in the model.

Inner Model Testing

The structural model, or inner model, is evaluated to investigate and predict the relationships among exogenous and endogenous variables. This evaluation is carried out by referring to several decision criteria, as presented below:

Significance Test

The significance test is conducted to assess the effect of independent variables on the dependent variable, as well as to evaluate the moderating role in influencing these relationships. The level of significance is assessed using path coefficients obtained through the bootstrapping procedure. The findings of this analysis are presented in Table 3:

Tabel 3. P-Values Test

Variable	Original Sample	P-Values	Conclusion
Capital Structure (Lev) -> Firm Value (FV)	0.006	0.841	No effect
Managerial Ownership (MnOw) -> Firm Value (FV)	-0.044	0.028	Negative effect
Company Size (Sz) -> Firm Value (FV)	-0.089	0.002	Negative effect

Source: Processed Data, 2026

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In general, the results of this study indicate that not all the variables examined have an impact on firm value. Capital structure (Lev) was found to have no significant effect, as evidenced by a relatively high p-value (0.841). This suggests that the level of debt utilisation does not necessarily influence how the market values a firm. In other words, investors may not consider capital structure to be a primary factor in their decision-making. In contrast, managerial ownership (MnOw) does show a significant influence, albeit in a negative direction. This implies that the greater the shareholding held by management, the more the firm's value tends to decline. This may occur because management with greater power is potentially inclined to act in their own interests, which may not always align with those of shareholders. Furthermore, firm size (Sz) also has a significant and negative effect on firm value. This suggests that larger firms are not always valued more highly by investors. This may be because large firms face more complex challenges or are less efficient, thereby actually reducing the perceived value of the firm.

Moderation Test

This moderation analysis involves a variable that can strengthen or weaken the direct relationship between independent and dependent variables.The results of the moderation analysis are presented in Table 4 below:

Table 4. Moderation Test

Variable	Original Sample	P Values	Conclusion
Institutional Ownership x Capital Structure (InOw x Lev) -> Firm Value (FV)	0.030	0.307	No effect
Institutional Ownership × Managerial Ownership (InOw × MnOw) → Firm Value (FV)	-0.011	0.594	No effect

Source: Processed Data, 2026

The analysis revealed that institutional ownership did not function as a moderator in the association between the independent variables and firm value. This is evident from the interaction term between institutional ownership and capital structure (InOw × Lev), which produced a coefficient of 0.030 with a p-value of 0.307, showing that the relationship was not statistically significant. These results imply that the presence of institutional ownership does not substantially alter the impact of capital structure on firm value. A similar pattern is found in the interaction term involving institutional ownership and managerial ownership (InOw × MnOw) generated a coefficient of -0.011 and a p-value of 0.594. As the result is statistically insignificant, institutional ownership is not deemed to affect the relationship between managerial ownership

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and firm value. Taken together, the evidence implies that institutional ownership does not play a moderating role in this model. One possible explanation is that institutional investors in the sampled firms may not perform a sufficiently strong monitoring role to influence those relationships.

DISCUSSION OF RESEARCH FINDINGS

The Effect of Capital Structure on Firm Value

The empirical evidence shows that capital structure does not significantly affect firm value, leading to the rejection of the first hypothesis. This outcome is not in line with trade-off theory, which argues that firms can improve their value by utilizing debt to obtain tax benefits. Signalling theory suggests that debt can convey positive information to investors, and prior studies find that well-managed debt may increase firm value (Bui et al., 2023) .

However, the results of this study indicate that, in the context of companies in Indonesia, capital structure has not yet become a key factor considered by investors when evaluating companies. This is consistent with the research by (El-Ansary & Hamza, 2022) which states that the impact of financial policies on firm value is often influenced by other factors such as agency costs and financial flexibility. Furthermore, Munisi, (2017) also found that institutional characteristics and creditor protection influence the effectiveness of debt utilisation in increasing firm value. Moreover, the relationship between capital structure and firm value is not necessarily linear. Dao & Ta (2020) provide evidence that suboptimal debt usage is not significantly associated with firm value and may adversely affect it as financial risk increases. Therefore, the findings of this study support the view that the impact of capital structure is context-dependent and influenced by firm conditions, industry characteristics, and the market environment, particularly in developing countries.

The Effect of Firm Size on Firm Value

The study finds that firm size has a significant negative effect on firm value, so the second hypothesis is rejected. This result is inconsistent with signalling theory, which views large firms as a positive signal to investors, as well as the findings of Ho et al. (2018) and Sudiyatno et al. (2020) , which found a positive effect of firm size on firm value. However, these results are consistent with the studies by Yadav et al. (2021), which indicate that large firms do not necessarily have higher performance or value due to potential operational inefficiencies.

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Furthermore, Dang et al. (2018) emphasise that differences in firm size proxies can influence research outcomes, whilst Dussauge & Moatti (2018) explain that large firms tend to face higher organisational complexity and agency problems. Consequently, firm size is not always a positive indicator for investors, particularly if the firm is unable to manage resources efficiently. These results indicate that the influence of firm size on firm value is contextual and can be influenced by operational efficiency and the firm's internal characteristics.

The Effect of Managerial Ownership on Firm Value

The third hypothesis (H3) is supported in terms of the existence of an effect, but not in the direction expected. According to agency theory, managerial ownership is expected to align the interests of managers and shareholders, thereby enhancing firm value (Polwitoon & Tawatnuntachai, 2020; Yan et al., 2018) . However, the results of this study actually indicate a negative relationship, suggesting the presence of managerial entrenchment a condition where management holds excessive power, potentially leading to opportunistic behaviour. These findings are consistent with Polwitoon & Tawatnuntachai (2020) , which indicate that the relationship between managerial ownership and firm value is non-linear (inverted U-shaped), where higher levels of ownership may negatively affect firm value. Furthermore, Berga A et al. (2017) also indicated that the effect of managerial ownership largely depends on the quality of corporate governance.

Institutional Ownership Moderates the Effect of Capital Structure on Firm Value

The empirical results suggest that institutional ownership does not play a significant moderating role in the relationship between capital structure and firm value, so H4 is not supported. These findings are inconsistent with the research by (Frahm et al., 2023 and Ashrafi (2019) , which suggest that institutional investors can strengthen the relationship between financial policies and firm value through more effective monitoring mechanisms. In theory, institutional ownership is expected to improve the quality of oversight of capital structure policies so that companies can achieve an optimal level of debt. However, in this study, this role has not yet been found to be significant, indicating that the presence of institutional investors is not yet strong enough to influence corporate financing decisions, particularly in emerging markets. These findings are consistent with Syamsudin et al. (2020) , which shows that the moderating role of institutional ownership is not always significant, as well as Ashrafi, (2019) ,

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which emphasises that its influence is non-linear and depends on a specific level of ownership. Furthermore, Wang & Luo, (2024) assert that the effectiveness of institutional investors is heavily influenced by their characteristics, such as stability, type, and investment horizon.

Institutional Ownership Moderates the Effect of Managerial Ownership on Firm Value

The empirical results suggest that institutional ownership does not play a moderating role in the relationship between managerial ownership and firm value, so H5 is not supported. Theoretically, institutional ownership is expected to act as an external oversight mechanism capable of reducing managerial opportunistic behaviour and strengthening the relationship between managerial ownership and firm value (Ashrafi, 2019; Frahm et al., 2023) . However, the results of this study indicate that this role has not yet been effectively fulfilled. This may be attributed to the characteristics of emerging markets such as Indonesia, which still exhibit high levels of ownership concentration, information asymmetry, and weak external oversight mechanisms. These findings align with Daryaei & Fattahi (2020) , who demonstrated that the influence of institutional ownership on firm value is not always significant and tends to be non-linear. Furthermore, Guo & Platikanov (2019) the ability of institutional investors to provide effective oversight is influenced by the strength of corporate governance and the institutional environment.

CONCLUSIONS

The findings of this research show that the variables examined do not all contribute to firm value in the same way. Capital structure does not appear to play a significant role, indicating that the amount of debt used by a company is not always a major factor in investor assessment. In contrast, firm size shows a negative relationship with firm value, implying that a larger company does not automatically receive a higher market valuation, potentially because of greater complexity and lower efficiency. The results also reveal that managerial ownership negatively influences firm value. This may indicate that excessive ownership by management can create conditions where managerial interests become less aligned with those of shareholders. In addition, institutional ownership does not act as a moderating variable in the model. This means that institutional investors were not shown to strengthen or weaken the effect of the independent variables on firm value, suggesting that their monitoring role was not effective in the context of this study.

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This study has several limitations. First, the research only includes a limited number of variables, so it may not fully explain all factors affecting firm value. Other important aspects, such as profitability and firm growth, were not examined. Second, the study is restricted to companies listed on the IDX within a particular period. consequently, the results may not be directly generalisable to other contexts or countries. Thirdly, the use of proxies in measuring variables may also be a limitation, as they do not necessarily fully reflect actual conditions on the ground. Fourthly, this study has not tested the possibility of more complex relationships, such as non-linear relationships, even though the results obtained suggest such a possibility. Given these limitations, the following suggestions can be made for future research: Firstly, future research should incorporate additional variables to ensure the findings are more complete and comprehensive. Secondly, the scope of the research could be expanded, covering more sectors and longer time periods so the results better reflect broader conditions. Thirdly, the use of more in-depth analytical methods, such as non-linear models or other approaches, could also be considered to better capture the relationships between variables. Furthermore, future research could also utilise other moderating variables related to corporate governance. The results of this study are expected to provide useful guidance for managerial decision-making, particularly in managing ownership structure and company size to enhance corporate value.

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