

Financial Performance Small Versus Large Listed Companies in Indonesia

by Sri Hasnawati

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DR. SRI HASNAWATI, SE, ME.,

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**FACULTY OF ECONOMICS AND BUSINESS
UNIVERSITY OF LAMPUNG, INDONESIA**

sri.hasnawati@FEB.unila.ac.id

sri.hasna2015@gmail.com

Abstract

This study aims to continue the results of previous studies on the Indonesia Stock Exchange, which large companies provide greater returns than small companies. This is in contrast to previous research results in several countries and world stock markets. Based on these findings, the question arises, Is a large company that produces a larger return compared with a small company supported by good financial performance as well? The study was conducted using the same data and period with the previous research. The selected sample of 60 companies is separated into small companies and large companies during 2013-2015. The results found that large companies generally had better financial performance and lower financial risk than small companies. In addition to financial performance, the good performance of large companies is also due to the balanced composition of ownership structure.

Keywords: *Small Companies, Larges Companies, Financial Performace, ownership structure*

1. Background

The phenomenon that attracts investment in some countries shows that Small Companies is a company that generally generates higher average returns than firms with large capitalization (Fama & French, 1995). In February 2015, the Wall Street Journal recorded the Russell 2000 stock index, that small companies had risen over the previous three months rather than major corporate stocks. In addition, American investors showed renewed interest in small-company stocks as it is expected that small-company stocks will grow in line with economic growth. In the fourth quarter of 2014, large-cap stocks declined due to the strengthening of the US dollar, falling oil prices and declining revenues of major banks. Lower oil prices, making low-income US consumers increasing purchasing power, which in turn benefits small companies. Investopedia <http://www.investopedia.com/ask/answers/022515/average-return-small-cap-companies-better-large-cap-companies.asp#ixzz4JGdX5riQ>.

This opinion is reinforced by the results of the research of stock research, found that the performance of portfolio investment in small capital stock for every \$ 1 invested over 30 years (1975-2005) resulted in higher performance than medium and large capital stocks portfolio in generating returns or minimize risk. According to Switzer (2012), because of small firms able to absorb the higher workforce underlying the concept of entrepreneurship and innovation, it makes them gain support from the government and not vulnerable (small) to government intervention than large companies.

In February 2015, small-company stocks are expected to remain strong at least until interest rates rise. On the other hand, higher interest rates tend to make investors feel uncertain about the stock market and therefore make small stocks risky because those shares are more difficult to trade. Tudor et al (2014), conducts stock portfolio research on the average Bucharest Stock Exchange return per month small cap Portfolio 2.10% is larger than Large cap portfolio which is

1.35% and higher than the market portfolio of 0.56%. SME is an important part of the economy and smaller failures are more associated with an inadequate capital structure. The study of the relationship between capital structure and small performance in developing countries has been widely practiced. Abor (2005) in Africa looks at the impact of capital structure on profitability. Mirie & Edwin (2015) conducted a study by examining the relationship between capital structure and financial performance of the small company. However, none of these studies found a link between capital structure and small firm performance associated with financial crisis situations and macroeconomic factors.

Fama and French (1995) in their studies found that firm size relates to companies' profits. Furthermore, it is said that the size of the company significantly influences the return. Small-company stocks have a lower earnings trend than big-company stocks. However, different opinions say that large-cap companies have larger annual returns from small-cap firms, these results have led to a long debate and whether these differences are only temporary or will occur in the long term. The results of a study by Hasnawati (2016) on the performance of the company's stock portfolio small and large on the IDX, yielding conclusions contrary to some previous research. It is said the return portfolio of small companies is lower than the return portfolio of large companies. Likewise with the risks. The risk of a small company's portfolio is higher than that of large companies. The findings are supported by previous research by Switzer (2010), which small companies in the US are at great risk to default on the economic situation that also impacts investment on R&D and Innovation.

There are many ways to assess company performance and goals. One goal for investors is to make investment decisions to generate profits as expected. Sagemworks, a company that conducts financial and banking research, recently conducted a financial statement analysis of private companies. This study tried to use small companies as the sample, which shows early empirical evidence that the effect of firm size, has a tendency that stocks of small companies have higher performance and return than shares of large companies Banz (1981).

Based on literature review, facts and previous findings, this research will be continued with the question of why the small company portfolio return on the Indonesia Stock Exchange generates a smaller return compared to large companies? And why is the investment risk in small companies higher than large companies? Is the financial performance of small and large companies can determine the amount of return and risk that will be obtained by investors? Based on the question then the problem of this research is: How is the financial performance of small companies and large companies listed on the Indonesia Stock Exchange in 2013 - 2015.

2. Literature review

Some studies define small companies in different ways. Dermott & D'Auria, 2014 grouping small companies refer to Fama & French, 1995 by looking at the value of the company's stock capitalization. Small and large companies by both are differentiated based on the median market value of NYSE stocks. But the definition of a company with small and large capitalization has changed with the development of time. In general, large-cap stocks are said to be large

companies while small-cap stocks are regarded as small companies. Stocks with large capitalization in the 1980s can be categorized as large companies but by 2015 it is categorized as a small company in accordance with the provisions and environmental changes that occur.

The results of previous research on the performance of small companies and large companies have concluded that during the period 1965-1980 the performance of small companies was better than large companies (Dwyer & Lynn, 1989). Performance criteria used in the research is the market value of the price earnings ratio and growth.

Company performance is one of the important variables, not only for the company but also for investors. Performance shows the company's management capability in managing its capital. According to Morse et al, 1996 the company's performance measurements are grouped into two, namely non-financial performance and financial performance. Measurement of non-financial performance is generally presented not in units of money. While the financial performance can be assessed by using three approaches, namely accounting profit approach, using ROA and ROE (Bodie, Kane, Marcus 2015); cash flow approach; and an economic value-added approach often referred to as EVA. Leverage, liquidity, and cash flow are performance indicators in the financial structure of an organization and the ability of the organization to pay its obligations in a timely manner.

According to Karanja, 2014, financial performance is a subjective measure of how well a company can use the company's assets in managing the business and operationalize to generate revenue. Meanwhile, according to (Baxter, 2007) emphasizes the aspect of performance itself, evaluation and steps to be done on the resulting performance. Financial performance is an indication of financial health over a given period of time for a company and can be used to compare with similar companies in the same industry to make decisions on how to improve the prevailing situation or maintain the desired position.

Karanja, 2014 recommends that small companies should use the greater equity in operational financing and companies should ensure adequate current assets for them to maintain their liquidity. Duchesneau and Gartner, 1990; Smith, Bracker, and Miner, 1987 suggested the steps of financial policy focused on improving financial performance are profit, return on investment (ROI), and sales, return on equity (ROE). Richard 2000; Chong, 2008 writes theories on measuring the performance of small and medium-sized enterprises for the short and long term. Key measures of financial performance used are turnover, profitability, growth, ROI, sales.

Leverage can be defined as the extent to which the operating assets are financed with debt to equity (Penman, 2001). The bigger a company has the leverage, the greater the risk of bankruptcy in bad times, and vice versa, the greater the profits in the good times, for capital providers. Brush, Bromiley, & Hendrickx (2009), found that the strategic options available to managers may be limited in companies that are heavily leveraged due to the inability to raise additional capital debt or by being forced to use more expensive equity capital. Karanja, 2014, found that capital structure has a significant impact on financial performance (ROA) of small and medium enterprises in Kiambu. Therefore, small companies in Kiambu have a larger proportion of debt than equity shares in the capital structure. However, in the case of private small businesses, the decision to finance

with debt and not equity can be driven by needs rather than options, since small firms do not have equal capital access, especially equity capital, which can be done by larger public companies. Small companies cannot issue bonds or public equity or even commercial paper because of the size and cost of high issuance. As a result, small companies tend to rely heavily on debt in the form of bank financing and trade credit. Asymmetric or incomplete information between borrowers and lenders is also a potential financing issue for small private companies as noted by Ang (1992) and Weinberg (1994).

Small companies, because of their tendency to rely on debt capital, are also very vulnerable to financial turmoil and financial failures. The failure rate is usually in the range of 50 to 75 percent (Bates & Nucci, 1989; Cochran, 1981), making it difficult for small companies to raise external capital from either debt or equity providers. Due to the lack of publicly available information and higher failure risks, monitoring costs are relatively higher for suppliers of capital to smaller firms than firms dealing with larger and well-established firms. Thus, capital may not be available for small companies or may be available only at relatively high interest rates. Often, lenders try to reduce the risk of lending to small companies by demanding personal guarantees or guarantees. Since there is often a fine line that separates business finances from the business owner's finances in the case of the small company, such requirements tend to increase the risks faced by small business owners and employers, and limit their flexibility.

Titman and Wessels (1988) and Dwyer and Lynn (1989) found that smaller firms use more debt, especially short-term debt, than large companies. They concluded that smaller companies rely more on bank financing to avoid the relatively high transaction costs associated with debt and equity issued. Their empirical findings are confirmed in subsequent research by Osteryoung et al. (1997) where private firms are small compared to large public companies on the basis of 13 selected financial ratios. The study by Carter and Van Auken (1990) and Van Auken and Holman (1995) found that small companies on average have lower cash rates, higher debt, and higher long-term debt. They concluded that small companies could use higher levels of debt to compensate for their more limited access to equity capital. This strategy, of course, reduces liquidity and increases risk, although it may potentially provide tax benefits on the payment of deductible interest.

Liquidity refers to a company's ability to fulfill its financial obligations in a timely manner. In essence, assets owned by liquid companies if they are fast and cheap can be converted to cash (Brealey, et al., 2001). the critical performance problem relative to liquidity is whether the organization has or is developing a fairly accessible capital to continue operating. Thus, liquidity measures are one aspect of the overall organizational performance dimension. Liquidity can be measured both in absolute terms and in percentages. An example of the absolute size of an organization's liquidity is working capital or an excess of current assets over current liabilities. Another absolute measure of liquidity is the size of the hose, which represents the length of time an organization can continue to operate using liquid assets, without making any further sales.

The dividend policy for the company will have an effect on the use of corporate debt. Rozeff, 1982 says that dividend payments are part of the company's monitoring. Companies tend

to pay bigger dividends if insiders have lower stock proportions. Therefore, the company will withhold dividend payments if the insider's shares are more numerous. Dividends are a yield for investors. The higher the dividend the higher the resulting return. High-growth firms generally pay low dividends and vice versa. However, company policies may differ when considering the agency conflict issues and signaling theory in order to increase the value of the company Jensen & Mackling, 1976.

Al-Malkawi (2007) found that larger companies tend to pay more dividends because larger companies have easier access to external financing and do not rely on internal capital. Moreover, they are politically more sensitive and therefore prefer to reduce political costs by distributing dividends. In addition, larger companies tend to pay more dividends to reduce agency costs as they tend to face high agency costs due to ownership dispersion, increased complexity and inability of shareholders to closely monitor company activity. Moreover, due to weak controls in monitoring management at large enterprises, large dividend payments increase the need for external financing, which in turn leads to increased monitoring of large companies by creditors. Uwuigbei et al, 2012.

The ownership structure has an important role in corporate financial decisions. Some studies have found that the ownership structure has a relationship with the risks and earnings that the company generates. The ownership structure in general by the company is managed in an effort to reduce the agency conflict within the company. Managerial ownership is the shareholders who also as managers in the company of the management who actively participate in decision making in a company concerned. Managers in this case play an important role because managers implement planning, organizing, directing, supervision and decision makers. Managerial ownership (insider) can equalize the interests of insiders with external parties and will reduce the role of debt as a mechanism to minimize agency cost. The higher insider ownership will have a prudent effect in using debt and avoiding opportunistic behavior. Why is that? Because they will share the consequences of their actions so tend to use low debt (Faisal, 2000; Pure & Adriana, 2007). According to Masdupi, 2005 that insiders with greater ownership in the company will have greater desire to minimize the risk of capital structure, and have an interest to ensure the survival of the company. Furthermore, existing institutional ownership in the company can reduce the company's debt policy in order to minimize the total agency costs (Masdupi, 2005). According to Murni & Andriana, 2007 institutional ownership has greater authority than other group shareholders to tend to choose risky projects in the hope of obtaining high profit (high risk project).

Monitoring by managerial shareholders and nonmanagerial shareholders is ambivalent, depending on the voting power between the two parties. If the proportion of managerial shares is smaller than nonmanagerial shareholders, then monitoring by both parties reinforces each other. If the managerial shareholders otherwise can do the defense because, in addition to having a greater voting power, they also control superior information from other parties. The size of the managerial shareholder's ability to monitor depends on how much of the ownership interest is owned by the management. According to Bathala, Moon, and Rao (1994), the most effective

institutional stakeholder group can monitor and influence management policies, as these groups have formal and budgetary mechanisms and are consistent.

In general, managerial ownership occurs in small companies rather than large companies (Imanta and Satwiko, 2011). In addition, Wahidahwati (2002) argues that the larger the company, the less managerial ownership. The situation occurs when there are provisions that limit the ability of managers to acquire company shares. Furthermore, Mansor et al. (2013) found that smaller firms had a tendency to engage in income smoothing activities because their actions would not be controlled. According to Kazemian and Zuraidah (2015), an increase in managerial ownership shows that managerial ownership is less significant in larger companies than small companies. Large companies are different about the application of corporate governance mechanisms rather than medium-sized organizations. This is because agency conflicts are higher in large organizations. Therefore, managerial ownership becomes less involved in the control of large companies. However, according to Kouki & Guizani (2009), and Kumar (2006) observed in their study that managerial ownership appears to have a significant and significant effect on dividend

payouts.
https://www.researchgate.net/publication/312020659_The_Interaction_Effect_of_Institutional_Ownership_and_Firm_Size_on_the_Relationship_between_Manual_Ownership_and_Earnings_Management [accessed Jun 7, 2017].

Price Earning Ratio (PER) is also a measure to determine how the market assigns value or price to a company's stock. The desire of investors to conduct stock analysis through financial ratios such as Price Earning Ratio (PER), due to the desire of investors or potential investors will be a reasonable return (return) of a stock investment. PER reflects investors' valuation of future earnings (Simamora, 2000: 531). Or in other words PER is used by investors to predict the company's ability to generate future profits. Investors can consider this ratio to sort out which stocks will benefit substantially in the future. Companies with a high growth rate opportunity usually have a high PER, and vice versa companies with low growth have a small or low PER. PER has no meaning if the company has very low profits (abnormal) or even negative. In these circumstances PER company will be so high (abnormal) or even negative. A high PER does not necessarily reflect good performance, because high PER may be due to the company's average earnings growth. High PER shows good prospects for stock prices, but the higher the risks. A low PER can also mean high corporate profits and high dividend potential as well. According to Husnan (2005) fundamentally this ratio is considered by investors in choosing a stock because companies that have a high PER value indicate a high market value of the stock, so the stock will be in demand by investors and this will ultimately have an impact on price increases the opposite share if the company has a low PER indicates a low market value so that it will have an impact on the stock price decline. The larger PER of a stock then it is stated that the share is more expensive to the earnings per share. Stocks with a small PER for investors will be better, because the stock has a low price.

Medium-sized companies were the most profitable during the period 2000 to 2009. In this period found the average profitability following the reversed U-shaped curve. In companies with

large sizes, the first stage of ROA will increase, then reach the plateau, and then decline. This pattern persists throughout the period the company exists. Companies with the highest ROA are relatively small companies. Company with 5 to less than 20 employees. ROA For these firms it is just under 7% in 2000 and 8% in 2009. All company sizes, except the 500 or so employees class saw an increase in ROA over that period. The biggest increase experienced by companies with employees 50 to less than 100. In 2009, companies with 500 or more employees, showed a lower rate of return than in 2000 (Lafrance, 2012).

⁶ 3. Research methodology

This study uses the basic theory of financial management to deepen the financial performance of the company. The financial performance analyzed is limited to a group of small companies and large companies listed on the Indonesia Stock Exchange. Some important indicators of financial performance will be analyzed in relation to previous research results that the return and risk of small companies is smaller than in large companies. Where these findings contrast with the results of other studies conducted previously in several countries and world stock exchanges.

Data

Research data is secondary data and scale ratio taken from Indonesia Stock Exchange during 2013-2015. Observation will be done on financial performance indicator for small companies and large companies group. Companies of small companies and large companies are determined based on stock capitalization value (Tudor et al, 2014) companies in BEI. Of the total listed shares in December of 2015, 513 companies (IDX Fact Book, 2015) selected 50 shares with the largest capitalization as large companies and 50 stocks with the lowest capitalization were grouped into small companies' stocks. The market capitalization value was determined on the basis of the number of outstanding shares multiplied by the closing price end of 2015.

In this study the authors use financial performance measurement tool consisting of Dividend, Earning per share, liquidity ratio, leverage, profitability and market performance is Price Earning Ratio. In addition to financial performance and market performance this study also sees the company's ownership structure whether it has different characteristics that impact on the return and risk of small and large group companies.

Research Stages

Research begins by determining the size of the company with reference to the market capitalization of the company, to determine the small and large company. With using the equation:

$$\text{Value of Capitalization} = \text{Number of shares outstanding} \times \text{closing price of shares}$$

Furthermore, calculate the financial ratios used as research indicators. The results of calculation and tabulation of data will be processed by using descriptive statistics. Descriptive

Statistics results will be analyzed in accordance with the group of companies. Hypothesis testing will use statistical test of the parametric or nonparametric test according to its data characteristic.

4. Analysis and Discussion

4.1. Descriptive Analysis

This study uses data as of December 31, 2015 obtained 525 companies. Then, determined sample research company. Based on market capitalization, we selected 50 companies with the highest capitalization as large companies and 50 companies with the lowest capitalization as small companies. The 100 selected companies to be grouped into large companies and small companies, due to the extreme amount of data, so obtained 27 small companies and 33 large companies as samples, Roscoe (1975); Now (2006). Using existing data, the financial ratios and other information related to the company's policies to improve the company's performance are dividend, EPS, current ratio, leverage, ROE, PER, and institutional ownership structure, managers and public. The results of descriptive statistical analysis of financial performance during the year 2012 - 2014 are listed in tables 1 and 2.

In general, the financial performance of large companies is better than small companies. Large companies pay an average dividend of Rp 163.25 per year with the highest value of Rp 900. While the average small company per year is only Rp 0.1605 with the largest dividend of Rp 4. Profitability measured by using ROE, large companies on average during the period of research is 28.53% which is greater than small companies that is equal to 25%. This profitability will have an impact on EPS. The size of EPS depends on the number of outstanding shares and the resulting earnings. The higher the EPS the better. EPS of large companies is higher than small companies Rp 496.93 > Rp 22.11. Leverage of large companies is smaller than small companies and the level of liquidity of small companies is bigger than large companies 5.88% > 2.31%. Public ownership of large companies has a higher percentage than small companies. While smaller firms are dominated by institutional ownership.

4.2. Discussion

Based on the results of descriptive statistics, small companies have larger debts than large companies. This finding is in line with the results of empirical research of Titman and Wessels (1988); Dwyer and Lynn (1989); Bates & Nucci, 1989; Cochran, 1981). When associated with previous findings Hasnawati (2016), that small companies have lower returns and higher risks. The findings can be explained by performance analysis viewed from the leverage side. So small companies have a higher financial risk. In a situation of high debt, a recession will risk a faster bankruptcy compared to companies that have low debt.

Table 1. Descriptive Statistics LARGES COMPANY

	N	Min	Max	Mean		Std. Deviation	Variance
	Stat	Statistic	Statistic	Statistic	Std. Error	Statistic	Statistic
DIV	33	.00	900.00	163.25	42.55	244.44	59755.40
EPS	33	-239.00	2399.00	496.93	113.18	650.17	422729.4
CR	33	.26	11.44	2.31	.40113	2.30	5.310
LEV	33	.14	.70	.49	.02403	.138	.019
ROE	33	-29.59	203.46	28.53	6.87	39.51	1561.46
PER	33	-181.95	58.95	15.39	6.43	36.98	1367.77
INST	33	22.48	98.18	57.76	3.21	18.45	340.51
MGR	33	.00	92.00	6.25	3.59	20.66	426.97
PUBLIK	33	1.82	77.52	38.36	3.19	18.35	336.94
Valid N (listwise)	33						

Table 2. Descriptive Statistics SMALL COMPANY

	N	Min	Max	Mean		Std. Dev	Var
	Stat	Stat	Stat	Stat	Std. Error	Stat	Stat
DIV	27	.00	4.00	.16	.148	.770	.593
EPS	27	-75.67	117.67	22.11	7.95	41.31	1706.84
CR	27	.01	43.99	5.88	2.12	11.055	122.23
LEV	27	.01	5.74	.70	.211	1.098	1.20
ROE	27	-39.89	20.45	.25	2.65	13.82	191.01
PER	27	-9.16	89.86	15.74	4.018	20.87	435.95
INST	27	.00	94.92	69.25	4.29	22.29	497.13
MGR	27	.00	57.16	7.50	2.72	14.13	199.92
PUBLIK	27	5.08	53.64	23.26	2.77	14.44	208.57
Valid N (listwise)	27						

Small companies liquidity is higher than large companies, the high liquidity of small companies can result in the achievement of profit generated because there are idle funds that are not able to generate income. This is seen in the profitability of small companies lower than large companies. Although the average profitability of small and large companies produces values above the average interest rate of investment banking credit of 12% per year

(<https://www.bps.go.id/linkTableDinamis/view/id/1062>). Small companies provide higher leverage funds can be caused by the effort to obtain external funds for the interests of liquidity is more difficult than large companies. It can also be caused by lower growth than large companies. While investors in the capital market more interest in companies that have high future growth in order to give high returns. As the result, a company with high liquidity are not necessarily in demand by investors. Resulting in stock transactions have low liquidity, so the stock price tends to stagnate.

Earning Per Share (EPS) of small companies is much lower than large company EPS Rp 22.11 > Rp 496, 93. From this side, Large companies are better at managing the company so that it can give higher earnings to shareholders. Although the profitability ratios do not stand out the difference, nominally large companies are better than small ones. As a result of EPS, the value is resulted in Price Earning Ratio (PER) with value respectively 15.74 times for small company and 15.39 times for the large company. Maximum large companies have the highest PER value of 89.86 times, while small companies 58.95 times. Based on these results can be said large companies have more growth opportunities than small companies. High PER does not mean to have good performance, because high PER can be caused by the average of company's profit growth. In addition, high PER shows good prospects for stock prices, but the higher the risk.

The return has two components namely the difference between the selling price and the purchase price or often called the capital gain and income yield. Income yield may be in the form of interest, bond coupon, stock dividend and others depending on the investment instrument. The study found that small companies during the study period (3 years) on average paid dividends of Rp 0.16 and the highest of Rp 4. Only 11% of the sample companies paid dividends, 89% did not pay cash dividends. While large companies on average pay a dividend of Rp 163.25 highest of Rp 900. This finding is in line with Al-Malkawi (2007) stating that large companies have a higher tendency to pay cash dividends because the financing opportunities are greater than the external source of on using internal sources. In addition, the distribution of large dividends as apolitical reasons to reduce agency problems. Generally, large companies spend high agency costs due to the dispersion of the company's ownership structure. When associated with Hasnawati's research, 2017 that small companies generate smaller returns. One reason is that small companies generally do not pay dividends to shareholders while large companies pay

bigger dividends. Where the dividend is part of the return expected by the shareholders and becomes one of the indicators in making the expectation of growth and price in the future.

Reviewed by the ownership structure, both groups of companies are dominated by institutional ownership, the second is public ownership and the third is managerial ownership. But larger small companies are owned by the institutional compared to large companies 69.25> 57.76. And the public ownership of large companies is higher than that of small companies 38.36> 23.26. Reviewed by the managerial ownership, smaller companies are bigger than large companies. This is in line with (Imanta, 2011 and Wahidahwati (2002). This is due to higher agency conflicts in large companies. The ownership structure of both large and small companies in this study is more concentrated in institutional ownership. This is a phenomenon commonly found in the emerging market of La Porta and Silanez, 1999. Why, as in developing countries, the degree of protection to investors is still low, so investors have concerns about the possibility of investment returns that are different from those expected, resulting in greater ownership at the company both individually and institutionally Institutionally it would be more profitable because tax treatments in Indonesia are more favorable to institutional investors on the dividends they receive.<https://pustakaakuntansiku.wordpress.com/2009/08/18/konsentrasi-kepemilikan-ukuran-perusahaan-dan-mekanisme-corporate-governance-terhadap-manajemen-laba/>

5. Conclusion

Based on the results of statistical analysis and the previous discussion can be concluded that large companies generally have better financial performance compared with small companies. Some of the performance indicators that investors will be interested in when investing are, the company provides a high level of profitability that can be seen from the profitability ratio and EPS. Since dividends are an indicator that determines future companies value, high dividends are considered as a signal of better growth prospects in the future. In addition to these indicators of risk as well as one of the indicators that determine the investment. Higher debt can mean high financial risk. The results of this study indicate that small companies have greater financial risk than large companies. When viewed from the ownership structure of large and small companies have more similar dispersal structures. In general, ownership is more concentrated in large groups, where the group can control the company more effectively and encourage management to act in the interests of shareholders. According Musnadi (2006) concentrated ownership can

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have a positive impact on the company's financial performance. Moreover, concentrated ownership can be used as a tool to reduce agency problems (Hubert & Langhe, 2002).

6. Suggestions

Based on the findings of this study, the suggestions for investors: When conducting the selection of investment instruments in the stock market, the financial performance becomes important to note. From the results of this study and earlier can be said that the companies/stocks that have a high return is a company that has a good financial performance and a low investment risk.

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