The Mediation Effect of Market Performance on the Effect of Capital Intensity Ratio, Inventory Intensity Ratio, Managerial Ownership, and Institutional Ownership on Tax Aggressiveness

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Abstract

This study aims to analyze the mediating effect of Market Performance on the influence of Capital Intensity Ratio, Inventory Intensity Ratio, and Ownership Structure on Tax Aggressiveness Study on Manufacturing Companies Listed on the Indonesia Stock Exchange (ISE) for the period 2015-2019. The population used in this study is all companies listed on the ISE, and the sample used in this study is manufacturing companies listed on the ISE from 2015 to 2019. The testing method used in this study is Path Analysis. Based on the results of the tests carried out using SPSS, the results show that there is an effect of Capital Intensity Ratio, Inventory Intensity Ratio, Managerial Ownership, and Institutional Ownership on Tax Aggressiveness mediated by Market Performance, but overall the magnitude of the direct influence test of Capital Intensity Ratio, Inventory Intensity Ratio, Managerial Ownership, and Institutional Ownership on Tax Aggressiveness is greater than if using the Market Performance variable as a mediating variable.

Keywords: capital intensity ratio, inventory intensity ratio, ownership structure, tax aggressiveness, market performance

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1. INTRODUCTION

Taxes paid by individuals and companies are the largest revenue for the state to meet the needs of state expenditures and finance the development of the state. They are indirectly useful for the welfare of Indonesian society. However, the tax, the largest income for the state, becomes one of the burdens for the company and individuals and makes the company's net profit smaller.

In order to make the companies not feel that the taxes paid by companies are a burden that must always be avoided and motivate companies to work harder, the

government provides solutions for companies by providing incentives to reduce the corporate tax expense that must be paid by companies as stipulated in Law no. 36 of 2008 concerning Income Tax. In addition, during the 2020 Pandemic, the government also provided various tax incentives for companies that companies can utilize.

Because taxes have the nature of forcing taxpayers to obey paying taxes, it causes many companies in Indonesia to practice tax resistance. Tax resistance always pursued by companies can be in the form of active tax resistance or passive tax resistance. Tax resistance carried out by companies can use tax planning by management or active tax resistance. The company's management makes strategies to avoid taxes, often called tax aggressiveness.

The tax aggressiveness strategy is one of the indicators used by the fiscus as a tax collector to see the taxpayer's efforts to avoid tax. Tax aggressiveness can be done through two methods that are very popular in Indonesia, namely by using tax evasion or tax avoidance (Frank et al., 2009). Companies that carry out tax aggressiveness strategies are not solely sourced from taxpayers' disobedience to tax laws but can also be carried out from activities whose purpose is to make savings by taking advantage of various loopholes in the tax law (Ridha, 2014).

There are some ways of tax aggressiveness actions to reduce the tax expense borne by the company. They conduct and disclose various activities involving investing in inventory (inventory intensity ratio) and fixed assets (capital intensity ratio), bad corporate governance through ownership structure, and market performance within the company.

In the payment and reporting process carried out by taxpayers, companies as taxpayers can take their actions to reduce the amount of tax paid by companies in accordance with tax laws. Reducing the amount of corporate tax as a corporate taxpayer can be done in various ways. One way the company can do this is by dividing the proportion of fixed assets owned by the company. The distribution of the proportion of fixed assets owned by the company is measured using the capital intensity ratio. Companies with large fixed assets will have a tax expense that tends to be lower because the company will benefit from the depreciation expense of fixed assets that must be borne by the company (Noor and Sabli, 2012).

The amount of inventory or inventory intensity ratio owned by the company can also be used to reduce the amount of taxes that must be paid. This matter can occur due to expenses for the company due to the high amount of inventory piling up in the company's warehouse (Herjanto, 2007). All costs that arise within the company due to a high inventory value can reduce the amount of profit so that the taxes paid will also tend to be lower. This strategy is carried out by the company with the assumption that the company is investing in inventory to get benefits and increase profits in the coming period. The inventory intensity ratio can be measured by comparing the cost of goods sold with the average inventory owned by the company (Andhari & Sukartha, 2017). Even though the company's expense is high because of the inventory accumulated in the warehouse, the manager will try to minimize the additional burden so as not to reduce the company's profit. But on the other hand, managers will maximize the additional costs that the company has to bear to reduce the tax expense the company pays.

Tax aggressiveness can also be done through the existing ownership structure within the company. The company's ownership structure generally consists of institutional and managerial ownership. According to Ali et al. (2008), when a company has a lot of managerial ownership, managers within the company tend to reduce their efforts to maximize the value of the company and the incentive to manipulate profits, including increasing the amount of profit and reducing the tax expense. Institutional ownership will also influence the company to be more active in efforts to increase the amount of profit after tax so that shareholders will focus more on short-term company performance, which can encourage managers to make decisions to increase short-term profits (Khurana and Moser, 2009). With more intense supervision of institutional ownership and managerial ownership, the company will be more careful in determining strategies related to tax expense reduction and tax aggressiveness strategies.

Market performance is one of the measuring tools used by companies to assess the achievements that the company has obtained from various marketing and sales process activities, as a whole from a company, organization, and management in a company where management will always try to increase the amounts of sales during the accounting period. The goal is to increase company profits so that the targets set by management in the company can be achieved and even exceeded. The market performance can be seen from increased demand for shares. It shows that a company's performance is improving because, generally, the company's long-term return on investment or stock returns is the easiest measure for investors to assess the market performance of a company. Oktorina and Hutagaol (2008) proved that companies that allegedly tend to manipulate real activities through cash flows from operating activities owned by companies tend to have higher market performance than companies suspected of not manipulating real activities through operating cash flows. This study continues the research conducted by Desi (2018), where capital intensity significantly affects tax aggressiveness and market performance. Moderation is not able to strengthen the influence of capital intensity on tax aggressiveness. Still, this research is equipped with other variables that can affect tax aggressiveness and replace the market performance variable as the moderating variable to be a mediating variable that has never been studied by other researchers. Based on the description above, the researcher wants to conduct a study with the title "The Mediation Effect of Market Performance on the Effect of Capital Intensity Ratio, Inventory Intensity Ratio, Managerial Ownership and Institutional Ownership on Tax Aggressive Studies in Manufacturing Companies Listed on the Indonesia Stock Exchange for the period of 2015-2019".

2. LITERATURE REVIEW

2.1 The Effect of Capital Intensity Ratio on Tax Aggressiveness mediated by Market Performance

The company's management always strives to make itself superior to other companies by having a competitive advantage. The company can be said to have a competitive advantage if it is able to use its resources, especially human resources, efficiently and effectively. In addition to being superior to other companies, the competitive advantage also has an impact on increasing market perception due to the existence of a direct influence on market performance in the value of the

company, which will be better. The increasing market perception of a company will provide better value for the company, and the market recapitulation ratio will also increase. The company's market performance can improve well if intellectual property in the form of Human Resources Management Owned by the company is managed properly. Chen et al. (2020) stated a positive relationship exists between Capital Intensity and the company's market value.

According to Winanto and Widayat (2013), the regulation of tax planning in companies can cause a decrease in market performance. This happens when managers have the opportunity to shrink accounting profit statements and incentives to reduce corporate income tax liabilities by shrinking taxable income. The company's managers are trying to cover up the tax planning it does for shareholders. According to research by Hanlon and Slemrod (2012), tax aggressiveness can increase or decrease a company's share value. If tax aggressiveness is seen as an effort to carry out tax planning and tax efficiency, then the effect is positive on market performance in a company's value. However, if tax aggressiveness is considered a non-compliance measure, it will increase the company's risk of reducing its market performance. Hanlon and Slemrod's research in Winanto and Widayat (2013) examined how the market reacted to news about tax avoidance engagement. From the test results, it was found that the announcement of news related to the company's involvement in efforts to make tax avoidance, the average investor will undo his intention to make investments so that the company's stock price decreases.

The company's management should be more careful in deciding how to acquire the company's fixed assets because there is a positive relationship between the capital intensity ratio and tax aggressiveness. Research conducted by Cai and Qiao (2009) states that tax law advises companies to use the asset depreciation method to reduce the cost of depreciation of assets before tax. Because if many of the fixed assets owned by the company come from rental activities, then the taxes borne by the company will become even greater (Sari, 2013). Capital intensity also shows how much capital the company spends to generate revenue from sales. Market Performance, Capital Intensity, and Tax Aggressiveness have a direct and significant relationship. Based on the description above, the following hypothesis can be formulated:

H1: Market Performance Significantly Mediates the Effect of Capital Intensity on Tax Aggressiveness

2.2 The Effect of Inventory Intensity Ratio on Tax Aggressiveness mediated by Market Performance

The inventory intensity describes how the company invests its wealth in the inventory. The magnitude of the inventory intensity can cause additional costs incurred by the company, including storage costs and costs arising from damage to inventory in the warehouse (Herjanto, 2017). SAK No. 14 regulates the costs incurred in holding large inventory to be excluded from the cost of inventory and is recognized as a cost in the period in which the cost is incurred. The addition of the cost of storing large inventory in the warehouse will decrease the company's profit. The management of a lot of inventory in a company shows that the assets owned by the company are also large, so it will attract many investors and improve the company's

market performance. In agency theory, even though the company's burden is high due to inventory accumulating in the warehouse, the manager will try to minimize these additional costs so that the company's profits do not decrease even more. But on the other hand, the manager will maximize the additional costs the company has to bear to reduce the tax burden paid by the company. If the company's profit decreases, it will lead to a decrease in the taxes paid by the company. With the aim of minimizing tax payments, the company will seek to carry out acts of tax aggressiveness. To reduce tax aggressiveness in the company, the company's management must be able to increase the Company's Intensity ratio while maintaining the company's Market Performance. Based on this, there will be a relationship between the company's market performance, inventory intensity ratio, and corporate tax aggressiveness. Based on the description above, the following hypothesis can be formulated:

H2: Market Performance Significantly Mediates The Effect of Inventory Intensity Ratio on Tax Aggressiveness

2.3 The Effect of Managerial Ownership on Tax Aggressiveness mediated by Market Performance

Managerial ownership is a situation where the manager owns shares of a company or, in other words, the manager as a company shareholder. Good company performance with low capital costs will encourage investors to invest in the company. With so many investors in the company, Market Performance will also increase and be of high value. According to Ali et al. (2018), when managerial ownership in a company is high, managers in the company will tend to reduce or even ignore aggressive strategies to maximize the value of the company and incentives to manipulate the amount of profit, including increasing profits and reducing tax burdens. With good management of Managerial Ownership will be able to improve the company's Market Performance by attracting many Investors so that the company's management will strive to minimize the company's Tax Aggressiveness actions. Based on the description above, the following hypothesis can be formulated:

H3: Market Performance Significantly Mediates the Effect of Managerial Ownership on Tax Aggressiveness

2.4 The Effect of Institutional Ownership on Tax Aggressiveness mediated by Market Performance

The company's management must be continuously monitored to not run the company for personal interests to increase profit. Company monitoring can be carried out by institutional ownership because the existence of ownership by institutions will encourage more optimal supervision within the company. Monitoring carried out by institutions that own shares of the company will certainly be able to guarantee prosperity for shareholders. The institutional ownership role as a means of supervision can be done through investment in other institutions, which is quite large in the capital market. The greater the ownership by financial institutions, the greater the power of voice and drive to optimize company performance. Companies that implement institutional ownership with large shareholdings can easily pressure

managers to always focus on the company's performance and not work for their personal interests. This will improve the company's market performance. The company makes decisions that will increase the wealth of shareholders. The greater the proportion of shares owned by a company, the management supervision will also increase. This makes shareholders will try their best to direct the company to minimize its tax burden. Based on the description above, the following hypotheses can be formulated:

H4: Market Performance Significantly Mediates the Effect of Institutional Ownership on Tax Aggressiveness

3. METHODOLOGY

3.1 Research Type

This study uses a quantitative approach with a causal explanatory type of research that aims to determine the causal relationship between Capital Intensity Ratio, Inventory Intensity Ratio, Managerial Ownership, and Institutional Ownership on Tax Aggressiveness with Market Performance as a mediating variable.

3.2 Population and Sample

The population in this study is all companies listed on the ISE. The sampling technique used in this study is the purposive sampling method, namely the method of determining the sample based on certain criteria to provide maximum information (Suliyanto, 2014). The sample used in this study is Manufacturing Companies that are listed on the ISE in the period of 2015-2019, which amounted to 51 companies with a total of 255 observations that match the criteria.

3.3 Data Types and Sources

The data used in this study is secondary and pool data, consisting of a balance sheet, income statement, and cash flow statement for the period of 2015-2019. The data source for the annual financial statements is obtained from the ISE (www.idx.co.id) for the period of 2015-2019.

3.4 Operationalization of Research Variables

The independent variables in this study are CIR (Capital Intensity Ratio), IRR (Inventory Intensity Ratio), MO (Managerial Ownership), and IO (Institutional Ownership). The capital intensity ratio is the amount of company capital invested in the company's fixed assets which is usually measured using the ratio of fixed assets divided by sales (DeFond and Hung, 2010). According to Sartono (2012), the capital intensity ratio is the ratio between fixed assets, such as factory equipment, machinery, and various properties, to sales. The formula can measure the Capital Intensity Ratio (CIR):

$$\boldsymbol{CIR = \frac{Total\ Fixed\ Assets}{Sales} x100\%}$$

The second independent variable used in this study is the Inventory Intensity Ratio. The company's inventory is part of the company's current assets, which are used to meet the company's demand and operations in the long term (Andhari &

Sukartha, 2017). Companies with high inventory levels will be more aggressive towards the level of the tax burden, so management will carry out cost efficiency so that the net profit obtained by the company increases so that the formula can measure the Inventory Intensity Ratio (IIR):

$$IIR = \frac{Total\ Inventory}{Total\ Asset} x100\%$$

The third independent variable used in this study is managerial ownership, which shows the percentage of share ownership owned by management consisting of directors and the board of commissioners in a company. According to Sudarma (2013), Managerial Ownership (MO) can be measured by the formula:

$$MO = \frac{Shares\ Owned\ by\ Management}{Total\ Shares} x100\%$$

The fourth independent variable used in this study is institutional ownership, which is the number of company shares owned by another institution or institution. According to Sudarma (2013), Institutional Ownership (IO) can be measured by the formula:

$$IO = \frac{Shares\ Owned\ by\ Institutions}{Total\ Shares} x100\%$$

The dependent variable used in this study is Tax Aggressiveness. According to Hlaing (2012), tax aggressiveness is defined as the tax planning activities of all companies involved in reducing the effective tax rate. Tax aggressiveness can be measured using the Effective tax rate (ETR) by the formula:

$$ETR = \frac{Income\ Tax\ Expense}{Income\ Before\ Tax}$$

The mediating variable used in this study is Market Performance**,** where market performance refers to the **market's** assessment of the **company's** performance as reflected in the value of a company based on the calculation of the stock market price multiplied by the number of shares outstanding. According to Sartono (2012)**,** to calculate market performance, **Tobin's** Q method developed by James Tobin (1969) can be used**,** and its size is q ratio with the formula:

$$MP = \frac{MVE + Debt}{Total\ Asset}$$

3.5 Data Analysis Technique

The data analysis technique used in this study is path analysis. According to Ghozali (2012), path analysis is an extension of multiple linear regression analysis, or path analysis is the use of regression analysis to estimate causality between predetermined variables. Through path analysis, it can be seen the magnitude of the influence of each variable, either directly or indirectly.

4. RESULT AND DISCUSSION

4.1 Descriptive Research Results

In this study, the sample taken for research was 51 manufacturing companies listed on the Indonesia Stock Exchange for the period of 2015 - 2019 that met the criteria and considerations made by the researcher. Based on the test results, the following are descriptive statistics of each variable for each hypothesis:

Table 1. Description of Research Variables

Descriptive Statistics					
	N	Min	Max	Mean	Std. Deviation
CIR	255	0.050	2.478	0.39162	0.331068
IIR	255	0.011	0.596	0.20451	0.118778
MO	255	0.000	0.380	0.04827	0.100683
IO	255	0.013	5.098	0.77022	0.416377
MP	255	0.304	12.962	1.94000	1.684881
TA	255	0.000	0.576	0.24805	0.080034

Source: Data Processing (2022)

Based on the observations made on 51 companies for five years with a total of 255 observations, the researcher obtained a data distribution showing that the mean value of the Capital Intensity variable is greater than the standard deviation. It indicates that the deviation is small, so the variation in the data is low. It means the data are more similar so that the mean value can represent the data used. The mean value of the Inventory Intensity Ratio variable is greater than the standard deviation, which indicates that the deviation is small so that the variation in the data is low. It means that the data is more similar, so the mean value can represent the data used. The managerial ownership variable's mean value shows a result smaller than the standard deviation value. It indicates that the deviation is relatively high, and the variation of the data is quite high because the data is increasing diversely so that the mean value becomes a poor representation of the data. The mean value of the institutional ownership variable is greater than the standard deviation, indicating that the deviation is small, so the variation in the data is low. It means that the data are more similar so that the mean value can represent the data used. The mean value of the market performance variable is greater than the standard deviation, indicating that the deviation is small, so the variation in the data is low. It means that the data are more similar so that the mean value can represent the data used. The mean value of the tax aggressiveness variable is greater than the standard deviation, which indicates that the deviation is small, so the variation in the data is low. It means the data is getting more similar so that the mean value can represent the data used.

4.2 Classical Assumption Test Results

The following are the results of the Classical Assumption Tests used by researchers in testing 51 Manufacturing companies listed on the ISE in the period 2015 – 2019:

Table 2. Classical Assumption Test Results

Variable	Normality	Multicollinearity		Heteroskedasticity	Autocorrelation
		VIF	Tolerance		
CIR		0.815	1.227	0.080	
IIR		0.802	1.247	0.540	
MO	0.560	0.918	1.089	0.078	0.650
IO		0.936	1.069	0.094	
MP		0.970	1.031	0.200	

Source: Data Processing (2022)

Table 2 above shows that all Independent and Dependent variables in this study have passed the Classical assumption test consisting of the Normality Test, Multicollinearity Test, Heteroskedasticity Test, and Autocorrelation Test.

4.3 Hypothesis Testing Results

Hypothesis testing in this study uses path analysis. Path analysis is a technique to analyze the causal relationship that occurs in multiple regression if the independent variable affects the dependent variable not only directly but also indirectly. In this study, the researcher wanted to know if the influence of the independent variables affected the dependent variable directly or indirectly with the mediating variable. There is an Influence of CIR (Capital Intensity Ratio) on TA (Tax Aggressiveness) Mediated by MP (Market Performance).

Table 3. Hypotheses Result Test

Variables	Sig.	*Standardized Coef. Beta*
Multiple (CIR, IIR, MO, IO & MP → TA)		
CIR	0.000	0.245
IIR	0.000	0.237
MO	0.018	0.084
IO	0.022	0.144
MP	0.034	0.03
Simple (CIR, IIR, MO dan IO → MP)		
CIR	0.030	0.065
IIR	0.048	0.043
MO	0.026	0.117
IO	0.011	0.100

Source: Data Processing (2022)

Based on Table 6 above, it can be seen that the significant value of CIR on Tax Aggressiveness is 0.000 < 5%, so it can be interpreted that there is an effect of the CIR on Tax Aggressiveness of 0.245 while the significant value of MP on TA is 0.034 < 5% so that it can be interpreted that there is an effect of MP variable on TA of 0.03 while the Sig. value of the CIR on MP is 0.030, so it can be interpreted that there is an effect of CIR on MP of 0.065. Based on the test results, it can be seen that the direct effect of CIR on TA is 0.245, while the effect of CIR on TA mediated by MP is (0.065 x 0.03) 0.00195.

Hypothesis Testing Results 2: There is an Influence of Inventory Intensity Ratio on Tax Aggressiveness mediated by Market Performance

Based on Table 3 above, it can be seen that the significant value of Inventory Intensity Ratio on Tax Aggressiveness is 0.000 < 5%, so it can be interpreted that there is an effect of Inventory Intensity Ratio on Tax Aggressiveness of 0.237 while the significant value of Market Performance on Tax Aggressiveness is 0.034 < 5%, so it can be interpreted that there is an effect of Market Performance on Tax Aggressiveness of 0.03 while the significant value of Inventory Intensity Ratio on Market Performance is 0.048, so it can be interpreted that there is an effect of Inventory Intensity Ratio on Market Performance of 0.043.

Based on the test results, it can be seen that the direct effect of Inventory Intensity ratio on Tax Aggressiveness is 0.237, while the effect of Inventory Intensity Ratio on Tax Aggressiveness mediated by market performance is (0.043 x 0.03) 0.00129.

Hypothesis Testing Results 3: There is an Effect of Managerial Ownership on Tax Aggressiveness mediated by Market Performance

Based on Table 3 above, it can be seen that the significant value of Managerial Ownership on Tax Aggressiveness is 0.018 < 5%, so it can be interpreted that there is an effect of Managerial Ownership on Tax Aggressiveness of 0.084, while the Sig. value of Market Performance on Tax Aggressiveness is 0.034 < 5%, so it can be interpreted that there is an effect of Market Performance on Tax Aggressiveness of 0.03 while the Sig. value of Managerial Ownership on Market Performance is 0.026, so it can be interpreted that there is an effect of Managerial Ownership on Market Performance of 0.117.

Based on the test results, it can be seen that the direct effect of Managerial Ownership on Tax Aggressiveness is 0.084, while the effect of Managerial Ownership on Tax Aggressiveness mediated by market performance is (0.117 x 0.03) 0.00351.

Hypothesis Testing Results 4: There is an Effect of Institutional Ownership on Tax Aggressiveness mediated by Market Performance

Based on Table 3 above, it can be seen that the significant value of Institutional Ownership on Tax Aggressiveness is 0.022 < 5%, so it can be interpreted that there

is an effect of the Institutional Ownership variable on Tax Aggressiveness of 0.144 while the significant value of Market Performance on Tax Aggressiveness is 0.034 < 5%, so it can be interpreted that there is an effect of Market Performance on Tax Aggressiveness of 0.03 while the significant value of Institutional Ownership on Market Performance is 0.011 so it can be interpreted that there is an effect of Institutional Ownership on Market Performance of 0.100.

The test results show that the direct effect of institutional ownership on tax aggressiveness is 0.144, while the effect of institutional ownership on tax aggressiveness mediated by market performance is (0.100 x 0.03) 0.003.

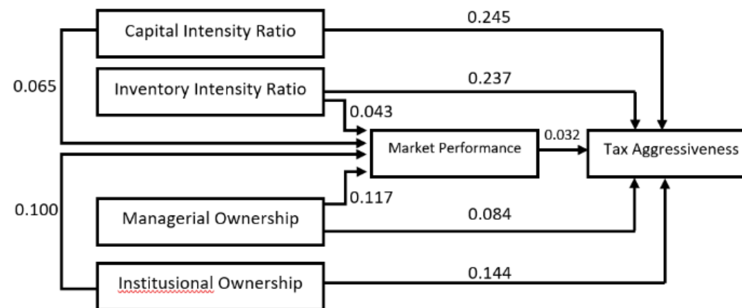

Image 1. Path Analysis Test Results

5. CONCLUSION

Primarily based on the result of the studies and analyses done by researchers, it can be concluded that marketplace performance can mediate the effect of Capital intensity Ratio, inventory depth Ratio, Managerial ownership, and Institutional possession on Tax Aggressiveness. The direct effect of Capital depth Ratio, stock depth Ratio, Managerial ownership, and Institutional ownership on Tax Aggressiveness is more than via market performance as a mediation variable.

This happens because tax aggressiveness may be interpreted as tax planning activities of all corporations concerned to lessen effective tax rates that allow you to reduce the corporation's tax burden. Tax aggressiveness may be completed through companies in numerous approaches, but the maximum not unusual way executed through agencies is through decreasing earnings and not spotting cutting-edge profits. Still, the cognizance is identified in the future so that the earnings mentioned by the organization in the modern-day period are smaller than they need to be. In addition, tax avoidance can also be done by recognizing personal expenses as a company operating cost to reduce profits. Meanwhile, market performance can be defined as intellectual property that the company manages efficiently and effectively to increase the market assessment of the company's market value. Companies can use this to improve market performance.

In practice, if the business enterprise desires to carry out tax aggressiveness activities by means of reducing the effective tax charge, it does no longer require intellectual property that is controlled efficaciously through the business enterprise to be able to increase market appreciation of the company's market price to improve market performance. Because if the organization chooses to boom market appreciation of the company's market price, the employer will now not be capable of

making movements that may lessen market valuation by decreasing the level of tax effectiveness known as tax aggressiveness.

Suppose the company wants to perform tax aggressiveness activities by reducing the effective tax rate. In that case, the organization can do it at once by improving the Capital Intensity Ratio, specifically in investment activities carried out by companies associated with investments in fixed assets (capital intensity). The capital intensity ratio can show the level of efficiency of the company using its assets to generate sales. Almost all fixed assets are depreciated, and depreciation expenses can reduce the amount of tax paid by the company.

In addition to improving the Capital Intensity Ratio, companies that take corporate tax aggressiveness actions can take Inventory Intensity Ratio actions by showing the company's effectiveness and efficiency in regulating its inventory investment, which is reflected in the number of times the inventory is rotated during a certain period.

In addition to the Capital Intensity Ratio and Inventory Intensity Ratio, the act of tax aggressiveness to reduce the effective tax rate that a company can do with managerial ownership and institutional ownership of a company in which managerial ownership in a company occurs at a time when conditions within the company indicate that managers in the company own and control a number of shares in the company. In contrast to managerial ownership, ownership of companies and institutions occurs when the shares of companies owned by other institutions are not individuals, such as investment companies, insurance companies, banks, or other private companies. With the institution's ownership, shareholders in the company can optimize management performance by monitoring all decisions taken by the company's management acting as managers.

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