

ABSTRACT

This study aims to empirically analyze the impact of capital structure, investment efficiency, and free cash flow on firm value, as well as to examine the role of institutional ownership as a moderating variable within the manufacturing sector in the ASEAN region. The study integrates three primary theoretical frameworks Agency Theory, Signaling Theory, and Trade-off Theory to construct a comprehensive conceptual framework. Capital structure decisions and investment allocations are viewed as credible signals regarding a firm's future prospects, while the management of free cash flow and institutional ownership serve to mitigate agency conflicts between management and shareholders. This research addresses an empirical gap concerning capital allocation efficiency and the effectiveness of institutional oversight in developing ASEAN nations.

A quantitative research approach was employed using balanced panel data obtained from the Bloomberg Terminal. The sample comprises 317 manufacturing firms across five ASEAN countries (Indonesia, Malaysia, Thailand, Singapore, and Vietnam) for the 2020–2024 period (1,585 firm-year observations), selected via purposive sampling. Firm value is measured using the Tobin's Q ratio. Independent variables include capital structure (Debt-to-Equity Ratio/DER), investment efficiency (based on the Biddle et al., 2009 model), and free cash flow. Institutional ownership is positioned as a moderating variable, alongside control variables for firm size, Return on Assets (ROA), and firm age. Analysis was conducted using Moderated Regression Analysis (MRA) based on a Fixed Effects Model (FEM) with White robust standard errors.

The analysis results indicate that capital structure and investment efficiency have a positive and significant impact on firm value, supporting Trade-off Theory and Signaling Theory. Conversely, free cash flow does not exhibit a significant direct effect. Moderation testing reveals that institutional ownership acts as a "pure moderation" that significantly dampens the positive influence of capital structure and investment efficiency on firm value. This indicates that institutional investors in the ASEAN region exercise an oversight role that tends to be conservative and prioritizes risk mitigation. The increase in the value of ASEAN manufacturing firms is driven by optimal capital structure and investment allocation, with institutional oversight serving as a risk constraint.

Keywords: Capital Structure, Investment Efficiency, Free Cash Flow, Firm Value, Institutional Ownership.