

ABSTRACT

This study aims to analyze the effect of main bank power (MBP) on three main aspects of corporate finance, namely bank loan ratio (BLR), investment expenditures (IE), and firm performance (FP), with an ownership structure approach during the COVID-19 pandemic. This study offers an over-investment hypothesis which states that banks as dominant shareholders can encourage companies to carry out excessive financing and investment in order to maintain the stability of bank interest income. This study uses non-financial company data from seven selected industry sectors listed on the Indonesia Stock Exchange (IDX) in the 2020–2022 period.

Data processing uses the method used is multiple linear regression with the Ordinary Least Squares (OLS) approach and the robustness model to test the stability of the t-statistic. This finding strengthens the over-investment hypothesis and the dark side of the firm–bank relationship, where the interests of banks as dominant creditors can create distortions in corporate financial decisions. The implications of this study are relevant for corporate stakeholders and regulators to evaluate the impact of ownership structure on the quality of governance and the sustainability of corporate performance in crisis situations.

Keywords:

Main bank power, ownership structure, bank loan ratio, investment expenditures, firm performance, over-investment hypothesis