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The Financial Report Quality, Debt Maturity, and Foreign Ownership on Investment Efficiency Relationship

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ABSTRACT

This research aims to investigate the effect of financial report quality, debt maturity, and foreign ownership on investment efficiency. This research uses a quantitative method with the population of basic materials sector companies listed on the Indonesia Stock Exchange. The data analysis technique used in this research is multiple linear regression analysis. The results of this study indicate that simultaneously, the quality of financial statements, debt maturity, and foreign ownership do not affect investment efficiency. Partially, debt maturity affects investment efficiency. The quality of financial statements and foreign ownership does not affect investment efficiency. This study provides the main implication, namely the importance of improving the quality of corporate financial management so that investors know essential factors to evaluate investment potential. The financial statement quality ensures accurate information as a basis for making the right investment decisions. Debt to maturity affects liquidity risk and financial stability, and foreign ownership brings better governance practices and access to capital and technology, all of which contribute to improving investment efficiency.

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INTRODUCTION

Globalization has driven economic growth in Indonesia very rapidly (Darmawan & Roba'in, 2022). In this era, investment activities are a promising choice to increase economic development, both for individuals and companies (Rohma, 2023). Currently, interest in investment is increasing, with many investors choosing to own shares of companies listed on the Indonesia Stock Exchange (IDX). Companies make this investment with the aim of improving welfare and expanding their business operations (Chandra & Sari, 2022). Increasing the maximum production volume is one of the supporting factors in improving the condition of a business (Septiana & Ikhsan, 2019). However, mistakes in making investment decisions can have a negative impact on the company. The development of investment provides opportunities and challenges for companies in Indonesia. The success of the company is highly dependent on the policies or strategies formulated by managers. Therefore, managers need to have a deep and accurate understanding of information in order to choose the right strategy to achieve competitive advantage. This requires managers to choose the best and most effective investment decisions, but currently, many of them use the information for personal gain, which causes deviations in investment practices (Hardiyanti & Nurcholisah, 2023).

Every company certainly wants to have a good level of investment efficiency so that it can attract investors to invest in their company. Investment is the investment of money or capital in a company or project with the aim of making a profit. Investment efficiency is an effort in that the company expects not to experience deviations in the sense that the investment made by the company does not experience overinvestment or underinvestment. The condition of overinvestment is the point where the company is too excessive in investing. In contrast, the condition of underinvestment is the point where the company does not carry out all projects that can provide benefits to the company (Darmawan & Roba'in, 2022). Investment determination can be influenced by the company's situation, as reflected in the financial report. The quality of financial reports is a key factor for stakeholders because it is related to investment efficiency (Vitriani & Budiasih, 2019).

The quality of financial reporting refers to how accurately information about a company's performance is conveyed, especially in terms of cash flow, which provides users of financial reporting with an overview of the company's equity position (Widowati & Lasdi, 2021). The quality of financial reporting reflects the accuracy of financial reports in providing an accurate picture of the company's operational activities (Pranata & Fitriyah, 2020). Economic decisions depend on the high quality of financial reporting, which benefits both management and investors. The higher the quality of financial reporting, the more accurate the picture of the company's condition is, so that management investment decisions can be more efficient because information asymmetry is more minor (Fathmaningrum & Dewi, 2021). Research conducted by Akasumbawa & Haryono (2021) stated that the quality of financial reports has a positive effect on investment efficiency. The same results were also found in the study by Wijaya & Imelda (2022), which concludes that the quality of financial reports has a positive effect on investment efficiency. This shows that the higher the quality of financial reports will increase investment efficiency. The results of this study contradict the research conducted by Marsya & Dewi (2022) and Widowati & Lasdi (2021), which states that the quality of financial reports described by the size of operating cash flow in this study is considered unable to reflect the actual conditions of the contents of the financial reports.

In addition to the quality of financial reports, investment efficiency is also influenced by the selection of the proper debt maturity. Debt maturity is a strategy chosen by a company to choose the type of debt as a source of funding. This involves management decisions on whether to use short-term or long-term debt according to the company's values and needs. Short-term debt must be paid off in the near future, so the company must ensure the availability of resources and cash flow for payment Suaidah & Sebrina (2020). A short-maturity debt structure helps companies secure funds that can be allocated to investment projects. Short debt maturity encourages management to increase revenues in order to pay off debts on time. The shorter the debt maturity, the less likely the company is to experience underinvestment. A high level of short-term debt encourages management to make investments without deviating from a positive Net Present Value (NPV) (Fajriani et al., 2021).

Saputra & Wicaksono (2022) stated that debt maturity has a positive and significant effect on investment efficiency. The same results were also found in the study Marsya & Dewi (2022) and Akasumbawa & Haryono (2021), which conclude that debt maturity has a significant positive effect on investment efficiency. This shows that increasing the use of short-term debt can increase investment efficiency. Septiana & Ikhsan (2019) have different results, namely that debt maturity does not have a significant effect on investment efficiency. The use of short-term debt cannot increase investment efficiency because interest rates in Indonesia tend to be higher than interest rates abroad. The level of investment efficiency can also be seen through the foreign ownership variable in the company's financial statements. Foreign ownership is the percentage of a company's common stock owned by individuals, legal entities, or governments, either in whole or in parts originating from outside Indonesia. Foreign ownership refers to how much of a company's ownership is owned by foreign parties (Meitari & Astika, 2021). Foreign investors own shares in companies in Indonesia. Foreign ownership can reduce investment inefficiency by reducing information asymmetry. In general, foreign investors carry out more thorough supervision, provide effective monitoring, and enforce stricter discipline (Nathaniel & Butar, 2019). Therefore, the higher the proportion of foreign ownership in a company, the stricter the supervision imposed by foreign parties. This encourages managers to be more careful in choosing investments and improve company performance (Nathaniel & Butar, 2019).

Nathaniel & Butar (2019) shows that foreign ownership has a significant negative effect on investment efficiency. The same results were also found in research conducted by Tran (2020, which concluded that foreign ownership is negatively related to investment efficiency. This is because foreign investors may prefer safe business activities in response to uncertainty in the business environment, ineffective laws on corporate governance, and their information disadvantages. Different results were found in the study by Khasanah & Meilani (2023) and Sucipto & Setiany (2022), which state that foreign ownership does not affect investment efficiency. This is because foreign ownership has weaknesses and limited company information, so foreign investors cannot supervise investment decisions made by managers. This study is a development of previous studies that have been conducted, where this study re-tests the independent variables related to investment efficiency, namely the quality of financial reports, debt maturity, and foreign ownership because there are still inconsistent results on this variable. Hence, the researcher re-tests this variable in a different year and research object, and this is also in accordance with recommendations from previous studies.

This study chose basic materials sector companies listed on the Indonesia Stock Exchange as research objects because, based on data from the Investment Coordinating Board (BKPM) for 2020-2022, the most significant percentage of investment contributors by sector comes from the bare metal industry sector (Mutia, 2023). The basic materials sector is the first sector to have the best stock investment. Essential materials sector companies can be said to be one of the critical and promising sectors in a country because they are sectors of companies that provide raw goods needed by other sector companies. This is what makes the basic materials sector believed to be one of the promising investments (Valentino et al., 2023). In addition, the basic materials sector has also managed to record positive growth despite the uncertainty in global economic and political conditions and the global impact of the COVID-19 pandemic. The success in exports and investment makes the basic materials sector one of the significant investment achievements for Indonesia (Lie & Paranita, 2023). Therefore, researchers chose the basic materials sector as the object of research.

Based on the background and explanation of the inconsistency of results among previous researchers, the purpose of this study is to obtain empirical evidence of the effect of financial report quality, debt maturity, and foreign ownership on investment efficiency in essential materials companies listed on the Indonesia Stock Exchange in 2020-2022. This research is vital because investment efficiency is the key to long-term growth and corporate competitiveness. Good financial statement quality supports informed investment decisions. Debt maturity affects liquidity risk and financial stability, while foreign ownership can bring better governance and access to capital and technology. Therefore, this study aims to understand the influence of these three factors on the effectiveness of corporate investment decisions. According to agency theory, financial report quality, debt maturity, and foreign ownership play a role in reducing conflicts between shareholders and management, thereby increasing investment efficiency by reducing information asymmetry, controlling management behavior, and improving corporate governance. Thus, this study is expected to contribute to theory and practice because efficient investment will certainly provide benefits for issuers, the government, and investors.

LITERATURE REVIEW

Agency Theory

Agency theory is the theoretical basis underlying the company's business practices that have been used so far. According to Jensen & Meckling (1976, agency theory states that the separation between the owner (principal) and the manager (agent) of a company can cause agency problems. The agency problem in question is the occurrence of information asymmetry between the principal and the agent. Agency theory is a theory that involves two parties who have different interests in a company. These parties are managers and shareholders. Agency theory also discusses the problem of information asymmetry that occurs between the two parties (Rohma, 2022). In this condition, the party who feels disadvantaged is the shareholder because this party has less information about the company compared to the manager, who knows the ins and outs of the company. Managers must manage information by considering the actual conditions of the company to meet the needs of shareholders for the quality of information needed for decision-making, both to attract new investment and maintain existing investment. The quality of this information also acts as a monitoring tool for investors regarding management performance (Fajriani et al., 2021). Agency theory is the theory underlying this research, which explains the relationship between principal and agent to carry out certain activities for the benefit of the capital owner.

This agency theory is in line with the application of financial reporting quality and debt maturity, where appropriate contract design can balance the interests between principals and agents to prevent potential conflicts of interest. In addition to reducing information asymmetry, another way to overcome this agency problem is to maintain appropriate debt maturity. The shorter the debt period, the lower the likelihood of agency problems (Marsya & Dewi, 2022). Agency theory is also related to foreign ownership, where the presence of foreign ownership can reduce investment inefficiency by reducing information asymmetry. Foreign ownership tends to have a tighter monitoring process and provides more assertive discipline. Therefore, the higher the percentage of foreign ownership in a company, the tighter the supervision and monitoring carried out by foreign parties. This means that managers will be more careful in choosing investments, and the company's performance will increase (Nathaniel & Butar, 2019).

Hypotheses Development

Good quality financial reports can increase shareholder confidence in investing in the company. This is achieved through the presentation of clear and accurate information in the financial report, the company can maintain a positive relationship with shareholders (Vitriani & Budiasih, 2019). This increase in the quality of supervision can help companies make more efficient investment decisions (Fajriani et al., 2021). Quality financial reports reflect the level of transparency of information provided by the company to investors and the public. This strengthens the confidence of investors and potential investors that the company will achieve good performance. The availability of adequate capital shows the company's ability to make investments and overcome investment inefficiency conditions (Fajriani et al., 2021). The higher the quality of financial reporting, the more accurate the company information reflected in it. This facilitates the company's investment decision-making process by reducing information asymmetry (Vitriani & Budiasih, 2019). Septiana & Ikhsan (2019) and Houcine et al. (2021) found that the quality of financial reports has a positive effect on investment efficiency. This shows that the quality of financial reports can reduce information asymmetry and increase investment efficiency. The quality of well-prepared financial reporting will increase investment efficiency and reduce information asymmetry that will encourage overinvestment or underinvestment (Hardiyanti & Nurcholisah, 2023). Based on the description, the first hypothesis is:

H1: The quality of financial reports affects investment efficiency.

Information imbalance, known as information asymmetry, can be indicated by the preference for using short-term debt that is greater than long-term debt. Determining the term of debt or debt maturity can be an essential factor in creating efficient investment (Marsya & Dewi, 2022). This information plays an essential role in investors evaluating the company's default risk. Therefore, companies must consider debt maturity to avoid negative perceptions about their future (Nathaniel & Butar, 2019). The importance of debt maturity is because the use of short-term debt can cause information imbalances and increase agency costs between shareholders, creditors, and managers. Shorter debt maturities serve as a more effective managerial control tool because they often involve renegotiation, resulting in more interaction between lenders and borrowers (Nathaniel & Butar, 2019). Short-term liabilities increase creditor supervision of the company with the aim of ensuring the stability of the company's performance so that creditors can assess the company's ability to meet its debt obligations. Creditors can assess the company's eligibility to decide whether to continue or extend the loan contract. This encourages managers to choose efficient investments. The presence of short-term debt maintains the availability of the company's cash flow. With the funds from short-term debt, managers will not have difficulty in making investment decisions (Fajriani et al., 2021). Akasumbawa & Haryono (2021), Fajriani et al. (2021), and Marsya & Dewi (2022) states that debt maturity has a significant positive effect on investment efficiency. This shows that the use of more significant short-term debt can increase investment efficiency. Based on this description, the second hypothesis is:
H2: The debt maturity affects investment efficiency.

Agency theory emphasizes the potential for problems between shareholders and corporate management. Agency problems refer to the challenges faced by investors to ensure that their funds are managed well and not wasted (Rohma & Novitasari, 2023). To avoid this, investors seek to maintain control by implementing good corporate governance principles (Nathaniel & Butar, 2019). The application of good corporate governance principles often focuses on foreign ownership. Foreign ownership reflects how much of a company's shares are owned by foreign entities, one example of which is foreign investors who own shares in companies in Indonesia. Foreign ownership can reduce investment inefficiencies by reducing information asymmetry. This is due to tighter and more effective supervision from foreign parties, which brings higher discipline. Thus, the higher the percentage of foreign ownership in a company, the tighter the supervision carried out by foreign parties. This also encourages managers to make careful investment choices, which reflects an increase in company performance (Nathaniel & Butar, 2019).

Foreign ownership in a company shows the number of shares owned by foreign entities, either individuals or institutions. The presence of foreign parties in the company's ownership structure can encourage management to increase transparency in financial reporting. Better transparency can minimize the potential for errors in the presentation of financial statements (Meitari & Astika, 2021). Nathaniel & Butar (2019) found that foreign ownership has a significant negative effect on investment efficiency. The same results were also found in research conducted by Meitari & Astika (2021) shows that foreign ownership has a positive effect on the relationship between the quality of financial reports and investment efficiency. This indicates that the presence of foreign ownership in a company can improve the level of investment efficiency by improving the quality of information in financial reports through transparency and supervision. Based on this description, the third hypothesis is:
H3: Foreign ownership affects investment efficiency.

RESEARCH METHOD

This type of research is quantitative, research that uses statistical formulas that are adjusted to the title and formulation of the problem to calculate the numbers in order to analyze the data obtained (Sunyoto, 2013). This study was conducted by obtaining annual reports on the IDX website and each company. The population studied included 96 basic materials sector companies listed on the IDX during the 2020-2022 period. The sampling technique used in this study was purposive sampling, which refers to the criteria set by the researcher, namely 1) Basic materials sector companies listed on the Indonesia Stock Exchange in 2020-2022, 2) Basic materials sector companies that consecutively published financial reports during the 2020-2022 period, 3) Basic materials sector companies that have a percentage of foreign ownership. The details are presented in Table 1, and the operational variables are presented in Table 2.

The data in Table 1 a total of 78 research samples were collected from 96 companies over 3 years, according to the predetermined criteria. The information collection process was carried out using documentation from various sources as a secondary data collection method. Multiple linear regression analysis, descriptive statistical analysis, and a series of classical assumption tests (such as normality, multicollinearity, heteroscedasticity, and autocorrelation) and hypothesis tests (including coefficient of determination, F test, and t-test) were carried out using IBM SPSS Statistics 26 software.

RESULT AND DISCUSSION

The results of the descriptive statistical analysis carried out for each independent variable, and dependent variable in this study can be seen in Table 3. The normality test was carried out by detecting outlier data using the z-score, where the sample data is small (less than 80), then the standard score with a value of ≥ 2.5 is declared an outlier (Ghozali, 2018). After the outlier data was removed, the research sample was reduced to 72 samples. Then, the data from the questions will be transformed into a histogram graph for each variable. Investment efficiency is proxied by investment using LG_{10}(k-x) because the graph shows substantial negative skewness. The quality of financial statements is proxied by total accruals using SQRT (k-x) because the graph shows moderate negative skewness. Debt maturity is proxied by debt maturity using SQRT (x) because the graph shows moderate positive skewness. Foreign ownership is calculated by FO using Inverse or (1/x) because the graph shows severe positive skewness with an L shape. The results of the normality test are in Table 4.

The total research sample analyzed was 72 data, which can then be described to formulate the research results. A summary of descriptive statistics for the regression variables considered in the research model is presented in Table 3. Based on Table 3, the N value or number of variable data is 72 data. The closer the investment efficiency value is to the number 1, the more efficient the investment made. Based on the minimum and maximum values obtained, the investment efficiency in this research sample is 0.00 to 0.41. The standard deviation value for the variables of TA, StDebt, foreign ownership, and investment has a value that is smaller than the mean value, thus indicating homogeneous data.

Table 1. Purposive Sampling Process

Information	Amount
Basic materials sector companies listed on the Indonesia Stock Exchange	96
Basic materials sector companies that did not publish financial reports	(12)
Basic materials sector companies that do not have a percentage of foreign ownership	(58)
Observation for 3 years (2020-2022)	78

Source: Processed Data, 2024

Table 2. Operational Variables

Variables	Indicator	Measuring Scale
Investment Efficiency (Y) Source: (Marsya & Dewi, 2022)	$Investment_{i,t} = \beta_0 + \beta_1 SalesGrowth_{i,t-1} + \varepsilon_{i,t}$	Ratio
Financial Report Quality (X1) Source: (Putra & Damayanthi, 2019)	$Total\ Accruals\ (TA)_{i,t} = \alpha_0 + \alpha_1/ASSETS_{i,t-1} + \alpha_2 \Delta SALES_{i,t} + \alpha_3 PPE_{i,t} + \alpha_4 ROA_{i,t(or\ i,t-1)} + \varepsilon_{i,t}$	Ratio
Debt Maturity (X2) Source: (Fajriani et al., 2021)	Debt Maturity (StDebt) $= \frac{Short\ Term\ Debt}{Total\ Debt} \times 100\%$	Ratio
Foreign Ownership (X3) Source: (Nathaniel & Butar, 2019)	Foreign Ownership (FO) $= \frac{Number\ of\ Foreign\ Shares}{Total\ Shares\ Outstanding} \times 100\%$	Ratio

Source: Processed data, 2024

Table 3. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
TA	72	1.00000	1.60130	1.2214819	0.15123003
StDebt	72	0.16513	0.99308	0.7573790	0.21156236
FO	72	0.00310	14.28017	3.0354223	2.67399050
Investment	72	0.00000	0.41618	0.1874359	0.09775935

Source: Processed data, 2024

Table 4. Normality Test

Asymp. Sig. (2-tailed)	0.193c

Source: Processed data, 2024

Table 5. Multicollinearity Test

Model	Collinearity Statistics	
	Tolerance	VIF
TA	0.983	1,017
StDebt	0.980	1,020
FO	0.973	1,028

Source: Processed Data, 2024

Table 6. Heteroscedasticity Test

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
TA	-0.075	0.042	-0.209	-1,771	0.081
StDebt	0.033	0.030	0.127	1,076	0.286
FO	-0.003	0.002	-0.141	-1.188	0.239

Source: Processed data, 2024

Table 7. Autocorrelation Test

Model	Durbin-Watson
1	1,994

Source: Processed data, 2024

Based on Table 5, it can be seen that the tolerance value of all independent variables is not less than 0.10, and the calculation of the Variance Inflation Factor (VIF) value is not more than 10. So, it can be concluded that there is no multicollinearity between the independent variables. The heteroscedasticity test uses the Glejser test method. Based on Table 6, it can be seen that the Sig. The value of each variable is more significant than 0.05, namely 0.081 for the financial report quality variable, 0.286 for the debt maturity variable, and 0.239 for the foreign ownership variable. It can be concluded that the regression model in this study does not experience heteroscedasticity. Autocorrelation test using the Durbin-Watson test (DW test). Based on Table 7, the DW value is 1.994, where the table value uses a significance value of 0.05 (5%) with the number of studies/samples (n) of 72 and the number of independent variables (k) of 3 so that in the Durbin Watson table dL = 1.5323 and dU = 1.7054 are obtained. So, it can be concluded that in this study, there is no autocorrelation because the dU value <DW <4-dU (1.7054 <1.994 <2.2946).

The result in Table 8 shows that the Adjusted R Square value is obtained at 0.068, which means that the independent variables of financial report quality, debt maturity, and foreign ownership together affect the dependent variable of investment efficiency by 6.8%. The remaining 93.2% is influenced by other variables not included in this study. Meanwhile, in Table 9, the significance value is obtained at 0.051, which means that this significance is more significant than 0.05. This means that the independent variables between the variables of financial report quality, debt maturity, and foreign ownership together do not affect investment efficiency.

Furthermore, the findings of the multiple linear regression analysis and t-test can be seen in Table 10. The regression equation can be understood as follows based on the findings of the multiple linear regression analysis research, namely constant (α) =0.158, which shows that TA, StDebt, and FO are assumed to have a value of 0 (zero), then the level of investment efficiency is 0.158 units. The TA regression coefficient is 0.110, indicating that every addition (increase) of 1 unit of TA will increase investment efficiency by 0.110 units. The StDebt regression coefficient is -0.113, indicating that every addition (increase) of 1 unit of StDebt will decrease investment efficiency by 0.113 units. The FO regression coefficient is -0.006, indicating that every addition (increase) of 1 unit of FO will decrease investment efficiency by 0.006 units.

Table 8. Test of Determination Coefficient

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.327a	0.107	0.068	0.09439

Source: Processed data, 2024

Table 9. Goodness of Fit Test

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	0.073	3	0.024	2,721	0.051b
Residual	0.606	68	0.009		
Total	0.679	71			

Source: Processed data, 2024

Table 10. Hypotheses Testing

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	0.158	0.101		1,565	0.122
TA	0.110	0.075	0.170	1,469	0.147
StDebt	-0.113	0.053	-0.245	-2.115	0.038
FO	-0.006	0.004	-0.169	-1.458	0.149

Source: Processed data, 2024

Based on the results of the partial test findings (t-test) that can be found to test the hypothesis with a formulation based on data analysis, a TA significance value of 0.147 is obtained, which means that this significance is more significant than 0.05. This shows that TA(X1) partially does not have a significant effect on investment efficiency (Y), so it can be concluded that H1 is rejected. Based on data analysis, a StDebt significance value of 0.038 is obtained, which means that this significance is less than 0.05. This shows that partially, StDebt(X_2) has a significant effect on investment efficiency (Y), so it can be concluded that H2 is accepted. Based on data analysis, a FO significance value of 0.149 is obtained, which means that this significance is more significant than 0.05. This shows that partially, FO (X_3) does not have a significant effect on investment efficiency (Y), so it can be concluded that H3 is rejected.

Agency theory states that quality financial reporting will help reduce conflicts of interest between agents (management) and principals (shareholders) by providing more accurate and transparent information. Good financial reporting is expected to improve efficiency in resource allocation through more appropriate investment decision-making. The results of this study indicate that the quality of financial reporting does not have a partial effect on investment efficiency, indicating the limitations of agency theory in explaining all aspects of investment decision-making. Myers & Majluf (1984) state that information asymmetry may hinder optimal investment decision-making, but under certain conditions, mitigation through financial statements may not be effective enough. In this theory, high-quality financial statements should reduce information asymmetry between management and investors, thereby facilitating more efficient investment decision-making. However, the absence of a significant effect in this finding could be because investors may rely on other information, such as market analysis or industry outlook, which makes financial statement quality not a significant factor. In addition, in emerging markets such as Indonesia, investors may doubt the quality of financial statements due to issues such as financial statement manipulation or lack of enforcement of accounting standards.

Companies that have not thoroughly followed the applicable accounting standards can also cause the quality of financial reports not to affect investment efficiency. This can be due to the asymmetry of information, which results in limited information owned by shareholders and does not rule out the possibility of fraud committed on financial reports, so the financial reports presented cannot be relied on. Such financial reports can cause confusion and wrong investment decisions made by investors, which can also cause significant losses for investors.(Widowati & Lasdi, 2021). The results of this study are in line with the results of research conducted by Sitorus & Murwaningsari (2019) and Hariyanto et al. (2020), state that the quality of financial reports cannot affect the condition of the company's investment efficiency in the form of over/under-investment. This study shows that good-quality financial reports cannot improve the monitoring function for shareholders in overseeing investment decisions made by managers. However, these results contradict research conducted by Septiana & Ikhsan (2019) and Houcine et al. (2021), which state that the quality of financial reports has a positive effect on investment efficiency. This is because the quality of financial reports directly affects managers to be more accountable so that it can reduce information asymmetry and reduce the level of moral hazard in determining investment decisions.

One of the main problems often faced in agency theory is the conflict of interest between agents (management) and principals (shareholders). Management, who have more information about the internal conditions of the company, may tend to make investments that are more profitable for themselves, such as projects that enhance personal reputation or provide short-term incentives, but not necessarily profitable for shareholders in the long run. Shorter debt maturities act as a disciplinary mechanism that reduces agency costs by increasing scrutiny from creditors and placing pressure on management to ensure that they invest efficiently. Low debt maturity can reduce conflicts of interest and agency costs. Conflicts between agents and principals, in this case, investors and companies, can be reduced if financing is done more using short-term debt compared to long-term debt; supervision of debt will be better if the term is not too long. Such conditions can create investment efficiency because there is interaction between creditors and debtors related to debt value (Marsya & Dewi, 2022). Debt maturity is related to investment efficiency, so the use of short-term debt that is greater than its long-term debt will make the company carry out investment efficiency. This can be caused by the use of short-term debt, which will keep the investment that has been made by the company running. In contrast, short-term debt is used by the company as an alternative fund to support operational activities, such as purchasing raw materials, so that the company's production process is not hampered. So that the investment that has been made previously can continue to run and is able to increase income for the company. Saputra & Wicaksono (2022) states that debt maturity has a significant effect on investment efficiency. Debt maturity with low and controlled results will make investments run efficiently.

Foreign ownership in the context of agency theory is expected to help reduce agency costs by presenting more professional and informed shareholders, who are expected to reduce information asymmetry and supervise management more effectively. This theory assumes that with the presence of foreign shareholders, supervision of management will be tighter, and management will be more motivated to make efficient investment decisions that are in accordance with the interests of shareholders. The results of this study indicate that foreign ownership does not affect investment efficiency, indicating the limitations of agency theory in explaining this entire relationship. Myers & Majluf (1984) explain that reducing information asymmetry does not always succeed in improving investment efficiency if there is a dependence on external factors that shareholders cannot influence. In this theory, foreign ownership is considered capable of reducing information asymmetry through better reporting and governance practices. However, in the context of essential materials sector companies, the effect may not be significant as investment decisions are more influenced by sector-specific information, such as global commodity prices, which may not be fully known or controlled by foreign investors.

The total value of shares owned by foreign parties presented in the financial report has not been able to be a benchmark for companies to make efficient investments. Foreign ownership of shares has an essential meaning in management supervision because foreign ownership will reduce information asymmetry and will encourage more optimal management performance supervision. Foreign investors have a more effective monitoring function than individual investors (Sucipto & Setiany, 2022). The results of this study are in line with research by Khasanah & Meilani (2023) and Sucipto & Setiany (2022), which state that foreign ownership does not affect investment efficiency. Foreign ownership has shortcomings and limitations in accessing company information, so foreign investors are unable to monitor the investment decisions made by company management. However, the results of this study contradict research conducted by Nathaniel & Butar (2019) and Meitari & Astika (2021), which shows that foreign ownership affects investment efficiency. This indicates that the presence of foreign ownership in a company can improve the level of investment efficiency by improving the quality of information in financial reports through transparency and supervision.

CONCLUSIONS, LIMITATIONS, AND SUGGESTIONS

This study indicate that the quality of financial reports, debt maturity, and foreign ownership do not simultaneously affect investment efficiency. Furthermore, the quality of financial reports does not partially affect investment efficiency. This means that high-quality financial reports cannot reduce the asymmetry of information that occurs in a company, so the company is unable to make efficient investment decisions. Debt maturity has a partial effect on investment efficiency. This means that debt maturity is related to investment efficiency, so the use of short-term debt that is greater than long-term debt will increase the company's investment efficiency. Foreign ownership does not partially affect investment efficiency. This means that the total value of shares owned by foreign parties presented in the financial statements has not been able to be a benchmark for companies to make efficient investments. As a result, these variables contribute to creating a more efficient environment in investment decision-making that leads to more optimal resource allocation and better company performance. The limitations of this study are that it only includes 26 samples from 96 basic materials sector companies listed on the Indonesia Stock Exchange for the period 2020-2022 due to the purposive sampling method; namely, companies are not listed sequentially on the Indonesia Stock Exchange because the research was only conducted from 2020-2022, besides that this study uses the number of foreign shares as a proxy, where only a few companies have foreign shares. In addition, the results of this study may not be generalizable to other sectors, given that this sector has unique characteristics such as dependence on global commodity prices and economic cycles. Suggestions for further research include using other independent variables such as capital structure, dividend policy, board of directors composition, or company size, as well as expanding the sample and extending the observation period. For companies, it is recommended that good corporate governance be continued, especially in relation to the transparency of financial reports, debt management, and involvement of foreign investors. For investors, it is recommended that they be more active in supervision and involvement in strategic decision-making.

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