The Effect Of Stock Ownership Structure, Capital Structure, And Profitability To Firm Value In Manufacturing Company Sector In Indonesia Stock Exchange

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Abstrack: This study aims to examine the effect of institutional ownership, managerial ownership, capital structure and profitability of the firm value. The data used are secondary data in the form of financial statements of manufacturing companies listed on the Indonesia Stock Exchange in 2015 and 2016. Sampling method using purposive sampling so that obtained a sample of 73 of 144 companies. The analysis technique used is multiple regression. The results showed that institutional ownership was not significant to firm value. Managerial ownership has a positive and significant. Capital structure has a negative and significant. Profitability is not significant to firm value.

Keywords: Institutional Ownership, Managerial Ownership, Capital Structure, Profitability, Firm Value.

1 INTRODUCTION

The manufacturing industry recorded an investment value of US $ 21.6 billion during 2017 with 256 projects. Compared to other sectors, the processing industry became the largest contributor to the total value of investments into Indonesia worth US $ 42.6 billion or grew 23.7% over the previous year. I Gusti Putu Suryawirawan, Director General of International Industrial Access and Resilience Development (KPAII) of the Ministry of Industry (Kemenperin) said that the growth of manufacturing sector has increased significantly. This is derived from the increase in demand for products domestically and globally (Bisnis Indonesia, 2018). These manufactured products show strong competitiveness and high added value. Currently, the main export destination countries of Indonesia include China, the United States, Japan, India, and Singapore. The five countries that contribute greatly through investment in Indonesia during 2017, namely Japan that invested up to US $ 2.13 billion, followed by Singapore US $ 2.05 billion, China US $ 1.14 billion, South Korea US $ 0, 93 billion, and Switzerland US $ 0.32 billion (Bisnis Indonesia, 2018). Investors still choose to invest in manufacturing companies means that manufacturing companies have a good value in the eyes of investors. Every company must have a goal to increase the value of the company so that it can attract investors to invest as much as possible in the company.

The firm value is often associated with stock prices, where the higher the stock price, the firm's value and the shareholders' wealth will also increase (Moniaga, 2013). Stock prices are prices that occur in the stock market at a certain time determined by market participants and determined also by the demand and supply of shares in the capital market concerned. Stock prices can be affected by the law of demand and supply, where stock prices will tend to rise when a stock is over-demand and tends to decrease in case of excess supply (Sari, 2016). Therefore, shareholder value will increase if the value of the company also increases which is marked by high return of investment to shareholders (Hermuningsih, 2013). To achieve the company's objectives, the shareholders (principal) submit the responsibility of managing the company to the manager (agent). Managers are empowered by shareholders to make decisions to increase shareholder wealth (Arby, 2015). This often creates a conflict of interest known as agency theory. The agency relationship occurs when one or more individuals called principals hire individuals or other organizations, called agents to perform a number of services and delegate authority to make decisions to the agency (Brigham and Houston, 2011). The proportion of stock ownership controlled by management can affect company policy, this will certainly affect the way of the company. Managerial ownership will encourage management to improve company performance, because they also have a company. Increased corporate performance will increase the firm value (Wiranata, 2013).

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Table 1
List of Companies in Indonesia Stock Exchange Year 2015 – 2016

No		Sector	Tahun	
			2015	2016
		MAIN SECTOR		
	1	Agriculture	21	21
A	2	Mining	41	41
		MANUFACTURING SECTOR		
	1	Basic Industry and Chemistry	65	66
B	2	Various	41	41
	3	Industrial Goods and Consumption	37	37
		SERVICE SECTOR		
	1	Property and Realestate	63	64
C	2	Infrastructure, Utilities,	60	60
	3	Transportation	80	84
	4	Finance	114	125
		Trade, Service and Investment		
		Total	522	539

Source: *Indonesia Stock Exchange*

Based on the background of the problems described above, the issues to be discussed in this research are how the influence of institutional ownership, managerial ownership, capital structure, and profitability to firm value in manufacturing companies in Indonesia Stock Exchange Period 2015-2016. The purpose of this study is to determine the effect of institutional ownership, managerial ownership, capital structure, and profitability to the value of the company in manufacturing companies in Indonesia Stock Exchange Period 2015-2016. This research is expected to give an illustration to the investor about the importance of considering aspects related to company value by way of analyzing more deeply when the investor will do investment activity by looking at aspects of institutional ownership, managerial ownership, capital structure and profitability so that will reduce the risk of loss.

THEORITICAL REVIEW

The firm value

According to Sartono (2010) the firm value is the selling value of a company as a business that is operating. Excess value over the value of liquidation is the value of the management organization that runs the company. Corporate value indicators can be seen from the company's stock price in the market. Company value can be calculated by Tobin's Q analysis. Tobin's Q analysis is also known as Tobin's Q ratio. This ratio is a valuable concept because it shows the current financial market estimates of the return value of each dollar of future investment. Tobin's Q is calculated by the ratio of the market value of the company's stock plus the past debt compared to the total assets of the company. Core theory is the way monetary policy affects the economy through its influence on equity valuation. There are several theories related to corporate value decisions such as:

a. Agency Theory is a model used to explain the problems (conflict) between management and owners.
b. Signaling Theory is an action taken by the company to provide guidance for investors about how management views the prospects of the company. This signal is information about what has been done by the management to realize the desire of the owner.

Stock Ownership Structure

According to Wiranata (2013) share ownership structure is the proportion of share ownership of the company. The types of ownership in the shareholding structure are:

(1) Institutional ownership is the proportion of share ownership by institutional investors. Institutional investors are believed to have the ability to monitor management actions better than individual investors. Institutions as shareholders are considered capable of detecting errors.
(2) Managerial ownership
Ownership management is the proportion of shareholders from the management who actively participate in corporate decision making by directors and commissioners.

Capital Structure

The capital structure according to Weston and Copeland (1996) is a permanent financing consisting of long-term debt, preferred stock, and shareholder capital. Capital structure becomes a very important problem for the company because good bad capital structure will be able to affect company's financial condition which in the end will also affect to firm value. Meanwhile, according to Harjito (2011) capital structure is a comparison or balance of long-term funding of the company shown by comparison of long-term debt to own capital.

Profitability

Profitability is the ability to generate profits (profit) over a certain period by using assets or capital, both capital as a whole and own capital. Profitability is the end result of a number of company management policies and decisions. Profitability is the company's ability to generate profits and measure the level of operational efficiency and efficiency in using its possessions (Brigham and Houston, 2011).

2 RESEARCH METHODS

The type of data used in this study is quantitative data, namely financial statements and annual reports of manufacturing companies in 2015 - 2016. According to the source, the data used is external secondary data, ie data that is not directly obtained from the source, but obtained in the form so collected , processed, and published by other parties outside the company concerned. The data used in this research are company publications in the form of financial report, annual report and company performance summary sample during observation period.

Table 2
Sample Selection Process Research

No	Criteria	Total
1	Manufacturing companies listed on the Indonesia Stock Exchange from 2015-2016	144
2	Manufacturing companies that do not present annual audited financial statements as of December 31 from 2015-2016	(8)
3	Manufacturing companies that do not have institutional share ownership data from 2015-2016	(10)
4	Manufacturing companies that do not have managerial share ownership data from 2015-2016	(53)
Final Samples		73
Years of Observation		2
Total Observation		146

Source: *Indonesia Stock Exchang*

Based on the process of selecting the sample research above, obtained 73 companies that meet the criteria to be sampled in this study. Methods of data collection is done by studying the documentation done by collecting secondary data related to the variables required for this research data through the website of the Indonesia Stock Exchange is www.idx.co.id and the company's official website.

ANALYSIS METHOD
Data analysis used in this study is multiple linear regression with the help of Statistical Package for Social Science (SPSS) program. Multiple regression analysis to know or increase the independent variable (x1, x2, x3, x4) to free variable (y) both together and partially.

$$Q = b_0 + b_1 KI + b_2 KM + b_3 DER + b_4 ROE + e$$

Information:
Q = company value
b_0 = constants
b_1, b_2, b_3, b_4 = regression coefficients
e = nuisance variable
KI = institutional ownership
KM = managerial ownership
DER = capital structure
ROE = profitability

3 RESULT AND ANALYSIS

Descriptive Statistics Analysis
The descriptive statistics of this research variable are summarized in Table 3.

Table 3
Descriptive Statistics Analysis

	N	Min	Max	Mean	Std. Deviation
KI	146	0.01	0.91	0.4059	0.25331
KM	146	0.01	0.88	0.1787	0.22469
DER	146	-1.68	9.44	1.2788	1.57522
ROE	146	-0.86	8.19	0.1782	0.79521
TOBIN'S Q	146	-0,22	6,38	1,4613	1,51177

Source: *data processed*

The average value of institutional ownership (KI) of 146 samples of 0.4059 is greater than the standard deviation of 0.25331, which means that the institutional ownership variable (KI) indicates good results (no data irregularities). The average value of managerial ownership (KM) shows a high data deviation, because the standard deviation value is higher than the average. Where the average managerial ownership (KM) during the observation period 2015-2016 amounted to 0.1787 with a standard deviation of 0.22469. This shows that the standard deviation value is greater than the average managerial ownership (KM) which indicates that managerial variable ownership (KM) data indicates poor results. This is because the standard deviation reflecting the deviation from the variable data is quite high because it is larger than the average value. The average value of the capital structure (DER) shows slightly higher data aberrations, as the standard deviation value is higher than the average value. Where the average capital structure (DER) during the observation period of 1.2788 is smaller than the standard deviation of 1.57522. These results indicate that the standard deviation value is greater than the average capital structure (DER) indicating that there is deviation from the variable data. The average value of profitability (ROE) of 146 samples of 0.1782 is smaller than the standard deviation of 0.79521 data which means that variable profitability data (ROE) indicates unfavorable results (data irregularities). The value of profitability with a maximum value of 819.00% and a minimum value of -86.00%, this indicates that the average sample companies have profitability of 17.82%.

Normality Test Analysis
Normality test aims to test whether in the regression model, the intruder or residual variable has a normal distribution or not (Gzohali, 2016). So the normality test is not done on each variable but on the residual value. A good regression model is to have normal or near-normal data distribution. The test results in this study is the result of testing the independent variable to the dependent variable. Test results can be seen in the table below:

Table 4
One Sample Kolmogorov-Smirnov Test

Variabel	K – S	Sig.	Ket
KI	1,540	0,089	Normal
KM	2,979	0,125	Normal
DER	2,828	0,096	Normal
ROE	4,674	0,159	Normal
TOBIN'S Q	2,815	0,103	Normal

Source: *data processed*

Based on the above output it is known that the value of institutional ownership (KI), managerial ownership (KM), capital structure (DER), profitability (ROE) and corporate value (Tobin's Q) are more than 0.05. Thus it can be concluded that all data variables are normally distributed or in other words residual normally distributed.

Classical Test Analysis
The classical assumption test is performed to find out some deviations that occur in the data used for the research. This is so that the regression model is BLUE (Best Linear Unbiased Estimated) so that the calculation result can be

interpreted efficiently and accurately.

a. Multicolinearity Test Analysis

Multicollinearity test aims to test whether in the regression model found a high or perfect correlation between independent variables (Ghozali, 2016).

Table 5

Test of Multicollinearity to Tobin's Q

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	KI	0,892	1,121
	KM	0,894	1,119
	DER	0,961	1,041
	ROE	0,979	1,022

Source: *data processed*

The results of the VIF test in Table 5 show that the four independent variables do not occur multicolinearity because the VIF value <10 and tolerance> 0.1. It is seen that tolerance values for institutional ownership (KI) variables, managerial ownership (KM), capital structure (DER) and profitability (ROE). The tolerance values of all variables> 0.1 and the variance inflation factor (VIF) are all variables below 10. Thus the four independent variables of institutional ownership (KI), managerial ownership (KM), capital structure (DER) and profitability (ROE) can be used to predict the firm's value (Tobin's Q) during the observation period.

b. Heteroskedasticity Test Analysis

A good regression model is Homoscedasticity / not Heteroscedasticity. In this study detect the presence or absence of heteroskedastisitas by looking at Graph Plot between the predicted value of dependent variable (ZPRED) with residualnya SRESID.

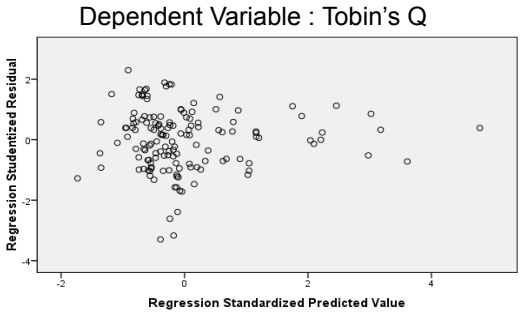

Figure 1

Graph Scatterplot Heteroscedasticity Test

In Figure 1, the scatterplot graph shows that the spots are randomly distributed and spread either above or below zero (0) on the Y axis, do not gather in one place, and do not form a certain pattern so it can be concluded that there is no heteroscedasticity in the regression model in meaning that all of these variables indicate that independent variables can be used to predict the company's value (Tobin's Q) on manufacturing companies over the period 2015-2016. Heteroscedasticity Test with Glejser Test aims to test whether in the regression model there is a variant inequality of the residual one observation to another observation. Regression model is good then there is no heteroscedasticity. If the value of significance is greater than 0.05 then no heteroscedasticity occurs.

Table 6

Test Glejser to Tobins' Q

Model		T	Sig.
1	(Constant)	5,540	0,000
	KI	-0,073	0,942
	KM	3,502	0,105
	DER	0,197	0,844
	ROE	-1,886	0,061

Source: *data processed*

Based on the above output it is known that the significance value of the four independent variables, namely institutional ownership (KI), managerial ownership (KM), capital structure (DER), and profitability (ROE) more than 0.05. Thus it can be concluded that there is no problem of heteroskedastisitas on regression model.

c. Autocorrelation Analysis

The autocorrelation deviation in this study was tested with Durbin-Watson (DW-test). Regression results with significant level of 0.05 with a number of independent variables 4 lots of data (n = 146). The results of the autocorrelation test can be seen in table 7 as follows.

Table 7

Test Durbin Watson ROE, KI, DER and KM to Tobin's Q

Model	R	R Square	Adjusted R Square	Std. Error of the Estemate	Durbin-Watson
1	0,357[a]	0,128	0,103	1,05316741	1,631

Source: *data processed*

Based on the Durbin-Watson test of 1.631 it can be concluded that Durbin Watson (DW) test can not reject H0 which states that there is positive autocorrelation in the model.

Multiple Regression Analysis

In this research hypothesis test used include; partial test (t-test), and test of coefficient of determination (R^2). Multiple linear regression model in this research is shown as follows:

Tobin's Q = b_0 + b_1 KI + b_2 KM + b_3 DER + b_4 ROE + e

a. Simultaneous Significance Test (Test Statistic F)

Based on SPSS output results, it appears that the effect of four independent variables are institutional ownership (KI), managerial ownership (KM), capital structure (DER), profitability (ROE) on firm value (Tobin's Q) as shown in table 8 as following.

Table 8
Anova Regression Result ROE, KI, DER and KM To Tobin's Q

Model		F	Sig.
1	Regression	5,162	0,001[a]
	Residual		
	Total		

Source: *data processed*

From the test results of F test in table 8. above is the independent variables simultaneously affect the dependent variable if the value of F-count is greater than the F-table value, or significance value less than 0.05. From the above analysis it can be seen that the F-count value is 5.162 or greater than the F-table value (2.43) with significance level of 0.001 or less than 0.05. Therefore, it can be concluded that simultaneously, institutional ownership (KI), managerial ownership (KM), capital structure (DER), profitability (ROE) have significant effect on firm value variable (Tobin's Q).

b. Individual Parameter Significant Test (Test Statistic t)
Based on SPSS output result, it can be seen that partially the four independent variables to the firm value as shown in table 9 as follows.

Table 9
Parameter Coefficient Test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-0,498	0,194		-2,558	0,012
	KI	0,343	0,387	0,074	0,886	0,377
	KM	2,575	0,606	0,354	4,252	0,000
	DER	-0,050	0,058	-0,069	-0,865	0,389
	ROE	0,061	0,075	0,065	0,817	0,415

Source: *data processed*

Based on the results of multiple linear regression analysis, the linear equation formed is:

Tobin's Q = -0.498 + 0.343KI + 2,575KM - 0.050DER + 0.061ROE

From multiple linear regression equation above can be analyzed constant equal to -0,498 states that if independent variable is considered constant, then company value (Tobin's Q) equal to -0,498. The calculation results obtained t value of 0.886 and significant value of 0.377, hence the hypothesis H_1a rejected this means there is no influence between institutional ownership variable (KI) to change the variable of company value (Tobin's Q). The value of t arithmetic is 4.252 and the significant value is 0.000, hence hypothesis H_1b accepted this means there is influence between managerial ownership variable (KM) to change variable of company value (Q). The change of managerial ownership variable (KM) has a regression coefficient value of 2.575. The coefficient is marked positive, meaning that any 1% increase in managerial ownership (KM) ratio will result in a 2.575% increase in the company's value of Tobin's Q (with other independent variables constant). Result of calculation of test partially obtained by value of t count equal to -0,865 and significant value equal to 0,389, hence hypothesis H_2 accepted this mean there is influence between variable of capital structure (DER) to change variable of company value (Q). The change of capital structure variable (DER) has the value of regression coefficient of (-0,050) shows that the regression coefficient value (-0,050) with the negative direction can be interpreted that capital structure has negative influence to company value, or in other words when capital structure shows increase then the value of the company will decrease. The value of t arithmetic of 0.817 and significant value of 0.415, H_3 hypothesis is rejected this means there is no influence between the variable profitability (ROE) to changes in corporate value variable (Tobin's Q).

c. Coefficient of Determination (R^2)
The coefficient of determination test is used to test the goodness-fit of the regression model. Based on SPSS output output of adjusted R^2 value can be seen in table 10 as follows:

Table 10
Model Summary Results Regression ROE, KI, DER and KM to Tobin's Q

Model	R	R Square	Adjusted R Square	Std. Error of the Estemate	Durbin-Watson
1	0,357[a]	0,128	0,103	1,05316741	1,631

Source: *data processed*

Based on these results, R^2 is obtained that is 0.103 or equal to 10.3% which means the influence of independent variables that are institutional ownership (KI), managerial ownership (KM), capital structure (DER), profitability (ROE) to the dependent variable is firm value (Tobin's Q) is only 0.103 or equal to 10.3%. While the remaining value of 0.897 or equal to 89.7% is explained by other variables not included in this study.

4 CONCLUSION

Institutional ownership (KI) has no effect on Firm Value (Tobin's Q) is incompatible with agency theory. Managerial ownership (KM) has a positive and significant influence on the Firm Value (Tobin's Q) according to the agency theory that the share ownership structure is able to influence the way the company ultimately affects the company's performance in achieving the company's goal of maximizing firm value. This is due to the control owned by the shareholders. Increased performance will increase the firm value. The Capital Structure (DER) has a negative effect on

the Firm's Value (Tobin's Q) is not in accordance with the pecking order theory which states the fund's needs are determined by the investment requirement. Profitability (ROE) does not affect the Firm Value (Tobin's Q) is not in accordance with the signaling theory that states the higher the ability to earn profits, the greater the expected return of investors, thus making the firm value to be better.

SUGGESTION

Based on these conclusions, it is expected that manufacturing companies should still pay attention to the level of debt use, although the use of debt provides benefits but because the addition / increase in the amount of foreign capital or long-term debt is too excessive than the amount of capital alone will increase the risk of the company, namely increased opportunities bankruptcy so it can lower the firm value. Companies that are sampled in this study are only manufacturing companies listed on the Indonesia Stock Exchange. Therefore, in order to provide a broader and better generalization power, it is expected to involve the entire industrial sector. In addition, the model in this study only uses the variable of Share Ownership, Capital Structure, Profitability and Firm Value. It is expected that future research can internalize other relevant variables in determining firm value.

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