



THE EFFECT OF MANAGERIAL OWNERSHIP AND INSTITUTIONAL OWNERSHIP ON THE VALUE OF MANUFACTURING COMPANIES

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ABSTRACT

The value of the company that is formed can affect the investment received by a company. This study aims to examine the effect of the independent variables, namely managerial Ownership and Institutional Ownership, on firm value. This research will use a quantitative approach based on a sample of manufacturing companies listed on the Indonesia Stock Exchange from 2001 to 2014 totaling 110 companies, using the purposive sampling method. Meanwhile, the data analysis technique used for the examiners of this research is a statistical test using multiple linear regression. The study results show that the managerial ownership variable does not affect firm value, while the institutional ownership variable significantly affects substantial value.

INTRODUCTION

The purpose of establishing the company is to get maximum profit, prosper, increase prosperity for shareholders/investors, and maximize company value. Firm value can also be concluded as the perception given by investors to the company's performance. Good company performance can be seen from the company's stock price. If a company has a high stock price, it will increase the value of a company in the eyes of investors. This can increase investors' confidence regarding good company performance and profitable company opportunities in the future. Firm value can be maximized by carrying out the financial policy function, where decisions from these policies will influence other financial policies, which will result in firm value (Sukirni, 2012). What is meant by financial policies are Managerial Ownership, Institutional Ownership, Board of Commissioners Size, Debt Policy, Dividend Policy, Company Size, and Profitability.

Often the dividend policy made by the company creates a conflict between the manager and the investor. This happens because of differences in interests between investors and managerial parties. The main focus of company managers is to optimize company profits so that the cash obtained by the company will be reinvested to increase company profits in the future. As for investors, the primary purpose of investing in companies is to ensure their welfare. Therefore, shareholders will tend to prefer to distribute company cash as dividends. This can cause agency conflict between the manager and the investor (Tarjo and Hartono, 2003). Shareholders will find it challenging to monitor due to disputes that arise in the company so that managers can use company assets for personal interests rather than increasing the prosperity of shareholders. According to research conducted by Moh'd et al. (1998), Hardiningsih and Sofianingsih (2011) revealed that institutional Ownership could reduce the possibility of agency conflict.

LITERATURE REVIEW

Firm Theory

The company can be interpreted as an alternative system of market mechanisms to be more efficient when in a non-market environment. Company theory is a collection of economic theories that explain the company's behavior, structure, existence, and relationship with the market. Traditionally, the firm theory is a branch of microeconomics that studies the provision of goods by agents for profit maximization.

Managerial Ownership

Managerial Ownership can be said to be a situation where the company's manager is also a shareholder because he owns company shares. The existence of share ownership by managerial parties will be interesting if associated with agency theory Christiawan & Tarigan, (2007). This will minimize agency conflicts if the manager has shared Ownership in the company. Managers who own shares in the company where he works will try hard not to go bankrupt. Managers will suffer losses if the business goes bankrupt. He will lose his incentive as a manager and yield the return of even the invested capital, Sulistiono (2010).

Institutional Ownership

Institutional Ownership is a company whose shares are owned by an institution or institution such as a bank, insurance, and Ownership of other institutional institutions such as investment companies, Tarjo (2008). Institutional Ownership is significant because it is considered to optimize monitoring of managerial performance. Such tracking will certainly make investors more confident in investing their capital in a company. The greater the mode and resources supported by investors, the greater the pressure on institutional Ownership as a supervisory agent.

DISCUSSION

Descriptive Statistics Test

The following describes research data variables from company data listed on the BEI as many as 110 companies as sample data. Descriptive statistics aim that the data that will be used to measure Firm Value (Y), as well as Managerial Ownership (X1) and Institutional Ownership (X2) variables, have a clear picture. An explanation of descriptive statistical data can be seen in the following table.

Table 1.1
Descriptive Statistics Test Results
2001–2014

<i>Variable</i>	<i>Observed</i>	<i>Mean</i>	<i>Med</i>	<i>Max</i>	<i>Min</i>	<i>Std. Dev.</i>	<i>Skew Ness</i>	<i>Kurtosis</i>
<i>NIPER</i>	1540	176.6053	83.00000	28250.00	-1714300	1071.222	8.746713	366.9771
<i>KEMAN</i>	1540	0.444805	0.000000	1.000000	0.000000	0.497106	0.222137	1.049345
<i>KEINS</i>	1540	92.82405	66.23000	8099.000	-43.41	442.6232	15.65132	256.6349

Source: processed data

As seen from the table above, the Company Value variable obtained a minimum amount of 1714300, a maximum of 2850 and a mean of 176.6053. The standard deviation of the Firm Value variable has a value greater than the mean, which is 0.497106. This shows that the firm value variable in the 110 selected companies can be said to be a heterogeneous variable.

The managerial Ownership variable has a minimum amount of 0.000000, a maximum of 1.0000000, and a mean of 0.444805. The standard deviation of the Managerial Ownership variable has a value greater than the mean, which is 0.497106 . This shows that the firm value variable in the 110 selected companies can be heterogeneous.

The institutional Ownership variable has a minimum number of -43.41, a maximum of 8099,000, and a mean of 92.82405. The standard deviation of the Institutional Ownership variable has a value greater than the mean, which is 442,6232 . This shows that the firm value variable in the 110 selected companies can be said to be a heterogeneous variable.

Multicollinearity Test

A multicollinearity test is carried out to test whether there is a correlation between the independent variables in the regression model. In addition to testing whether there is a correlation between independent variables, the multicollinearity test is also used to determine the linear relationship between independent variables in the regression model, which is a deviation from the classical assumption of multicollinearity. The condition that must be met in the regression model is the absence of multicollinearity. The results of the multicollinearity test can be seen in the following table:

Table 1.2
Correlation Matrix Test Results Between Independent Variables

	Y	X1	X2
Y	1.000000	-0.020180	0.237006
X1	-0.020180	1.000000	-0.011114
X2	0.237006	-0.011114	1.000000

Source: processed data

Based on the table above, the correlation of the three variables is not more than 0.90. This shows that the correlation of the three independent variables is not too significant, or it can be assumed that there is no linear relationship between the three variables.

Heteroscedasticity Test

The heteroscedasticity test aims to determine whether there is an inequality of variance from the residuals in the regression model for all observations. The absence of heteroscedasticity symptoms is a requirement that must be met in the regression model. In this study, the heteroscedasticity test was used with the Glejser test. The following results of the Glejser test can be seen in the following table:

Table1.3
Glejser test

Variabel	Koefisien	Std. Error	<i>t-Statistik</i>	Prob
C	-348,1181	241,0507	-1,444169	0,1489
KEPMAN (X1)	-55,08730	52,22367	-1,054834	0,2917
KEPINS (X2)	-0,015521	0,057997	-0,267621	0,7890

Source: processed data

As seen from Table 1.3, it can be concluded that the variable data X1 and X2 are not heteroscedastic, or the data is homoscedastic. This is because the probability value of the variables X1 and X2 > 0.05.

Autocorrelation Test

The purpose of the autocorrelation test is to test the correlation of the confounding error in period t with the error of the previous confounding error in the t period in linear regression. The Durbin-Watson test will be used to test the autocorrelation in this study. The results of the autocorrelation test can be seen in the table below:

Table 1.4.
Autocorrelation Test Using Durbin-Watson

Variabel	Koefisien	Std. Error	t-Statistik	Prob
C	-557,7019	252,5583	-2,208211	0,0274
KEPMAN (X1)	14,95397	54,71679	0,273298	0,7847
KEPINS (X2)	0,004226	0,060766	0,069553	0,9446

Source: processed data

Based on the table above, the total Durbin-Watson calculation is 1.8897. This value will be compared with the Durbin-Watson value using a significant value of 0.5 with a sample size of more than 200, namely $n = 1523$. The number of independent variables is 2 variables. So it will be obtained du of 1.841 and dl of 1.697. The conclusion from the calculation using the autocorrelation test is that H_0 has no positive and negative autocorrelation, so the linear regression model is correct.

Based on the results of each of the trials above, the study was declared eligible to test the hypothesis.

Hypothesis Test

Hypothesis testing will be carried out simultaneously and partially. The test will use Fixed Effect and Random Effect regression models. Before deciding which regression model to use, the first step is to perform the F test statistic. If it is significant, then the hypothesis test will be carried out using fixed-effect regression, but if the results are not significant, the test will use a random effect.

F Uji Test Statistics

The results of the F test statistics can be seen in the following table

Table 1.4
 F Uji Test Statistics

Effects Test	Statistik	d.f.	Prob
Cross-section F	5,047183	(79,280)	0,0000
Cross-section Chi-square	329,379996	79	0,0000

Source: processed data

The value of Fount based on the table above is 0.5047 with a probability of Fount of 0.000, which means H0 is accepted while H1 is rejected. This is because Fount is greater than Fable = 359. At the same time, the probability value of Fount is smaller than the value of the chi-square probability of 5%. From these calculations, the model used is the Random Effect Model.

Random Effect Model

The random effect model test results can be seen in the following table.

Table 1.5
 Estimation results of regression test with Random Effect Model

Variabel	Koefisien	Std. Error	t-Statistik	Prob
C	-1,740151	0,618250	-2,814642	0,0052
X3	-0,080832	0,067358	-1,200030	0,2309
X4	-0,169122	0,040890	-4,136020	0,0000

Source: processed data

The information based on table 1.5 above is the value of Fount of 62.4191 and the probability of 0.000; the meaning is that H0 is rejected and H1 is accepted because of Fcount > Ftable (17792). So based on the calculation of the random effect model, the X1 and X2 variables have a significant effect on the Y variable.

After testing the hypothesis simultaneously, the hypothesis test will be carried out partially. The following are the results of the partial hypothesis testing on the variables.

Table 1.6
 Hypothesis Test Results

Hipotesis	Koefisien Regresi	t-hitung	t-tabel	Proba-bilitas	Kesimpulan (t hitung > t table atau -t hitung < -t table)	Result
X1→Y	-0.080832	-1.200030	1.9664	0.2309	Tidak Signifikan	Ditolak
X2 →Y	-0.169122	-4.136020	1.9664	0.0000	Signifikan	Diterima

Source: Processed Data

Description :

1. Variable X1 has a count value of -0.1200 with a P-value of 0.9704 which is declared to have no significant effect on variable Y. This is because counts $X1 < t_{table} = 1.9664$, besides that the P-value $X1 < 0.05$.
2. Variable X2 has a count value of -4.1360 with a P-value of 0.9704 which is declared to have a significant effect on variable Y. This is because counts $X2 > t_{table} = 1.9664$, besides that the P-value $X2 < 0.05$.

CONCLUSION

From the hypothesis test above, it can be concluded that managerial Ownership has no significant effect on firm value in manufacturing companies. The results of this study are not following Jensen's (1993) statement, which states that the higher the ownership value of insiders, the higher the value of a company.

Based on the results of the study, Institutional Ownership is stated to have a significant influence on firm value in manufacturing companies. The statement that institutional Ownership affects firm value follows the view that institutional Ownership can increase oversight of managerial performance so that it will positively impact the assessment of shareholders or investors.

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