

THE EFFECT OF OWNERSHIP STRUCTURE AND LEVERAGE ON FIRM VALUE (CASE STUDY ON BANKING COMPANIES LISTED IN INDONESIA STOCK EXCHANGE IN 2014-2018)

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Abstrak

Tujuan utama semua perusahaan adalah untuk meningkatkan nilai perusahaan. Nilai perusahaan yang tinggi adalah keinginan para pemilik perusahaan. Penelitian ini bertujuan untuk menguji pengaruh struktur kepemilikan dan leverage terhadap nilai perusahaan perbankan yang terdaftar di Bursa Efek Indonesia (BEI) tahun 2014-2018. Variabel independen dalam penelitian ini adalah kepemilikan manajerial, kepemilikan institusi, kepemilikan asing, dan leverage, sedangkan variabel dependen adalah nilai perusahaan yang diukur oleh Tobin's Q. Pengumpulan data yang digunakan dalam penelitian ini adalah data sekunder yang diambil dari laporan tahunan dan laporan keuangan perusahaan perbankan yang terdaftar di Bursa Efek Indonesia (BEI) tahun 2014-2018. Penelitian ini menggunakan purposive sampling dengan sampel 9 perusahaan. Penelitian ini menggunakan analisis regresi data panel dengan model random effect. Tingkat signifikansi yang digunakan dalam penelitian ini adalah 5% atau 0.05.

Hasil penelitian ini menunjukkan bahwa kepemilikan manajerial, kepemilikan institusi, kepemilikan asing, dan leverage secara simultan mempengaruhi nilai perusahaan. Berdasarkan uji parsial, kepemilikan asing dan leverage berpengaruh negatif terhadap nilai perusahaan, sedangkan kepemilikan manajerial dan kepemilikan institusi tidak berpengaruh signifikan terhadap nilai perusahaan.

Kata Kunci: Kepemilikan Manajerial, Kepemilikan Institusi, Kepemilikan Asing, Leverage, Nilai Perusahaan

Abstract

The main goal of all companies is to increase firm value. High firm value is the desire of the owners of the company. This study aims to examine the effect of ownership structure and leverage on firm value of banking companies listed in Indonesia Stock Exchange (IDX) in 2014-2018. The independent variables in this study are managerial ownership, institutional ownership, foreign ownership, and leverage, while the dependent variable is firm value measured by Tobin's Q. Data collection used in this study is secondary data taken from annual and financial report of banking companies that were listed on the Indonesia Stock Exchange (IDX) in 2014-2018. This study using a purposive sample with a sample of 9 companies. The research used panel data regression analysis with the random-effect model. The significance level used in this study is 5% or 0.05.

The result of this study shows that managerial ownership, institutional ownership, foreign ownership, and leverage simultaneously affect the firm value. Based on the partial test, foreign ownership and leverage have a negative impact on firm value, while managerial ownership and institutional ownership has no significant effect on firm value.

Keyword: Managerial Ownership, Institutional Ownership, Foreign Ownership, Leverage, Firm Value

1. INTRODUCTION

In 2014 the Indonesia Stock Exchange (BEI) issued a decision of the directors of the Indonesia Stock Exchange (BEI) No. Kep-00001 / BEI / 01-2014 which contained "changes to regulation number 1A concerning stock listings and equity securities other than shares issued by companies those listed include a free float of at least 50 million shares and at least 7, 5% of the total number of shares in paid-up capital, the number of shareholders of at least 300 shareholders who have securities accounts in exchange members" [7]. Banking industry is the object of research by the authors because the banking industry in Indonesia has shown positive performance in sustainable growth. The banking industry is in high demand by foreign investors because it generates large profits.

According to the Financial Services Authority (OJK), in 2018 the second quarter stated that in general banking conditions were relatively reasonable given the growth of each banking sector such as commercial banks, Islamic banks, and rural credit banks. The Financial Services Authority (OJK) noted that the performance of commercial banks in the second quarter of 2018 was relatively reasonable given the growth in assets, credit, and third-party funds (DPK) of commercial banks, which each recorded an increase of 8.91%, 11.2%, and 6.98%.

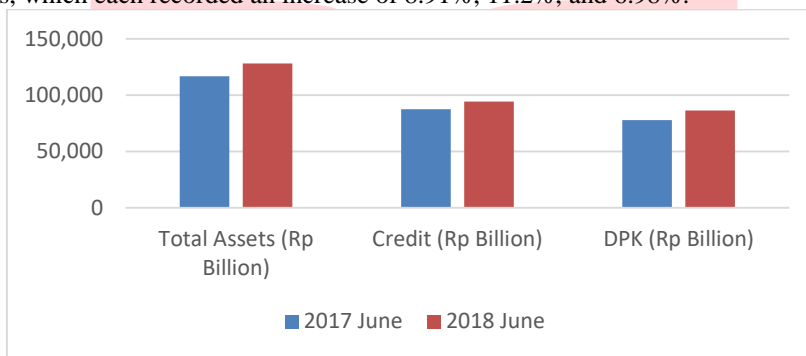


Figure 1. 1 Commercial Bank Performance in 2017-2018

Source: Data Processed from www.ojk.go.id (2019)

Likewise with the sharia sector, the Financial Services Authority (OJK) noted that the performance of Islamic banks in the second quarter of 2018 was generally more reliable, as seen from the increase in Asset, financing and Third Party Fund (DPK) growth which was recorded to increase by 14.54%, 11, 20%, and 12.98%.

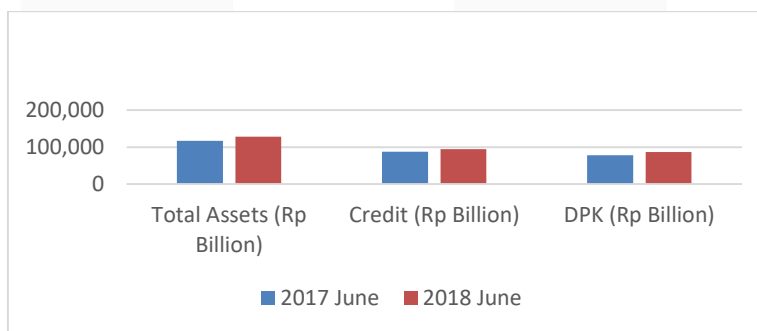


Figure 1. 2 Islamic Bank Performance in 2017-2018

Source: Data Processed from www.ojk.go.id (2019)

Meanwhile, the Rural Bank (BPR) also recorded growth in assets, credit, and Third Party Funds (DPK), which each recorded an increase of 9.74%, 7.88%, and 10.85%.

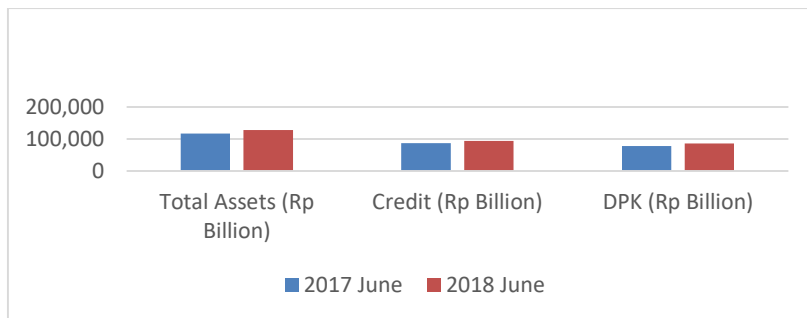


Figure 1. 3 Rural Bank Performance in 2017-2018

Source: Data Processed from www.ojk.go.id (2019)

The company’s financial performance has a positive effect on the firm value. The higher the quality of its financial performance, the better the firm value. The profitability level becomes a good signal for an investor to the prospects of the company so that it can increase the firm value [3].

High firm value is in great demand by investors. The higher the firm value, the greater the shareholders' profits. This is because the increasing demand for shares causes the firm value to increase, but to increase the firm value, not only its equity value must be considered. However, many factors must be considered, such as debt, or preferred stock [6].

The indicator carried out to measure the firm in this study is the Tobin’s Q ratio. Tobin’s Q Ratio is a ratio that compares the ratio of stock market value to the book value of the company's equity (Sudana, 2011). A low Tobin’s Q value (between 0 and 1) indicates that the firm's asset replacement costs are greater than the firm's value. This indicates that the market judges that the company is not good. Whereas, if the firm value is high (more than 1, the company produces a higher rate of return compared to that issued by asset costs [2].

Based on the background that has been described above and from previous research which shows that there are differences in the results of the study, so it is interesting for researchers to reprocess this research to be able to find answers to the questions that arise. This encourages researchers to conduct research where the variables used can affect the value of the company. Researchers are interested in taking the title: **Effect of Ownership Structure and Leverage on Firm Value (the study of banking companies listed on the Indonesia Stock Exchange (IDX) for the 2014-2018).**

2. LITERATURE REVIEW

2.1 Literature Review

2.1.1 Firm Value

Firm value is the level of success of the company in managing the company in the eyes of investors. The indicator of company value is the price of shares traded by companies that issue stock market shares on the stock exchange [9]. In this study, the value of the company is proxy by Tobin’s Q. Tobin’s Q measures the relationship between the market value of the company shares with the cost of replacing company resources. According to Sudana [10], the formula used to search for Tobin’s Q is as follows:

$$Q = \frac{(EMV + D)}{(EBV + D)} \tag{1}$$

Note:

- Q = Firm Value
- EMV = Equity Market Value
- EBV = Equity book value
- D = Book value of Total Debt

2.1.2 Managerial Ownership

Managerial ownership is the proportion of management shareholders who actively participate in corporate decision making by directors and commissioners. The greater managerial ownership, the better managerial performance in realizing the interests of shareholders that will make the value of the company rise (Diyah and Winar, 2009) in [9].

According to [2], managerial ownership is calculated using the following formula:

$$\text{Managerial Ownership} = \frac{\text{Managerial Number}}{\text{Number of Outstanding Shares}} \times 100\% \quad (2)$$

2.1.3 Institutional Ownership

Institutional ownership is share ownership by the government, financial institutions, legal entities, and other institutions. The ownership structure of public companies in Indonesia is very concentrated in institutions. The institution in question is the owner of a public company in the form of an institution; the owner is open in the name of a private individual [8].

According to [2], institutional ownership is calculated using the following formula:

$$\text{Institutional Ownership} = \frac{\text{Number of Domestic Institutional Shares}}{\text{Number of Outstanding Shares}} \times 100\% \quad (3)$$

2.1.4 Foreign Ownership

Foreign ownership is the ownership of shares owned by multinational companies. Foreign ownership in a company is a party that is concerned with the disclosure of corporate social responsibility. Foreign ownership is part of the ownership structure that will affect the firm value, the various roles played by foreign individual investors and shareholders of foreign companies affect the performance of the company [1].

According to [2], foreign ownership can be calculated using the formula:

$$\text{Foreign Ownership} = \frac{\text{Number of Foreign Institutional Shares}}{\text{Number of Outstanding Shares}} \times 100\% \quad (4)$$

2.1.5 Leverage

According to [5], leverage is how companies use debt to finance the company's operations. The use of debt to fund company assets is expected to increase profits to be gained rather than by using a limited amount of their capital.

According to [2], leverage can be calculated by:

$$DER = \frac{\text{Total Liabilities}}{\text{Total Equity}} \quad (5)$$

2.2 Theoretical Framework

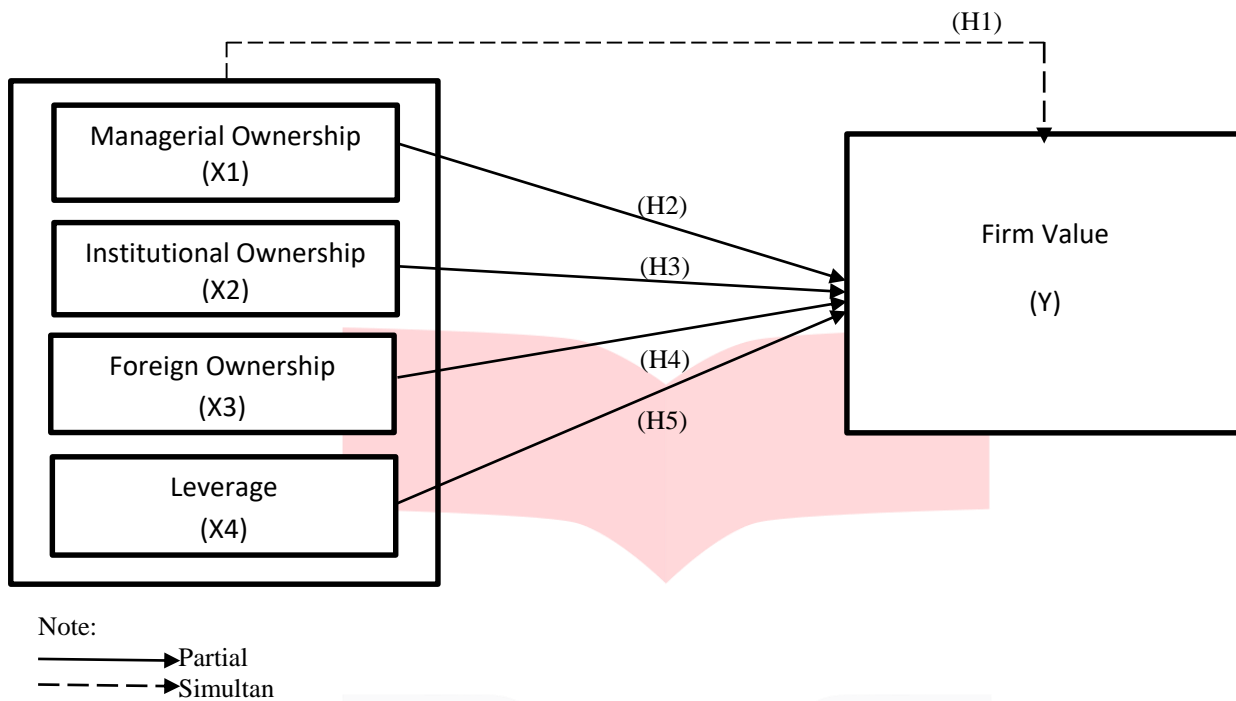


Figure 2.1 Research Framework

Source: Data Processed by the author (2019)

From the research framework, it can be seen that the independent variable are Managerial Ownership, Institutional Ownership, Foreign Ownership, and Leverage. The dependent variable in this study is Firm Value. This study aims to determine the effect of independent variable on the dependent variable simultaneously and partially.

Therefore, the hypotheses are aims as temporary answer of the research question, the hypotheses are:

H₁: Managerial ownership, institutional ownership, foreign ownership, and leverage simultaneously influence the firm value

H₂: Managerial ownership has a significant effect on firm value

H₃: Institutional ownership has a significant effect on firm value

H₄: Foreign ownership has a significant effect on firm value

H₅: Leverage has a significant effect on firm value.

2.3 Research Methodology

The data was collected through Indonesia Stock Exchange. The data collected from 9 banking companies listed in Indonesia Stock Exchange (IDX) period 2014-2018. In this research, the data gathered from the site of Indonesia Stock Exchange (www.idx.com). E-views 9 software was used in the analysis. This study is using quantitative research using statistical method from analysis from the data collection. In this research carried out with descriptive research. The investigation type of this research is causal research. The reason is because the researcher will examine the influence of managerial ownership, institutional ownership, foreign ownership, and leverage on firm value. In this research, the author has no interference without intervening the data in the environment of the organization. The unit analysis of this research is banking company listed in Indonesia Stock Exchange for period 2014 to 2018. The time horizon of this research is cross sectional. Panel data regression model is a statistical tool that examine the cross section and time series in the research. This method of analysis expects to provide the right conclusion with this study. The data panel regression analysis used in this research is:

$$Y_{it} = \alpha + X_{1it}\beta_1 + X_{2it}\beta_2 + X_{3it}\beta_3 + X_{4it}\beta_4 + e$$

Note:

- Y_{it} = Firm Value
- α = Intercept coefficient which is a scale
- $\beta_1 - \beta_4$ = Slope coefficient
- X_{1it} = Managerial Ownership
- X_{2it} = Institutional Ownership
- X_{3it} = Foreign Ownership
- X_{4it} = leverage
- e = Disturbance Factor

3. Result

3.1 Descriptive Statistics

In this research presented a study in descriptive analysis that aims to explain descriptively each variable. Explanation in descriptive analysis in the form of mean, median, maximum, minimum, standard deviation, and number of observations. Descriptive analysis is expected to be able to explain descriptively about dependent variable used in this research. According to table 3.1, it shows that the average of Tobin's Q is 1.038000 and for the independent variable managerial ownership has an average 1.622311, institutional ownership 52.40967, foreign ownership 18.53660, and leverage 7.642091.

Table 3.1 Descriptive Statistic

	Tobin's Q	MO	IO	FO	LEV
Mean	1.038000	1.622311	52.40967	18.53660	7.642091
Maximum	1.520000	12.35400	71.41700	77.38100	18.20750
Minimum	0.890000	0.000000	1.000000	0.000000	2.917400
Std. Dev	0.120635	3.812503	21.24800	23.86282	3.387723
Observations	45	45	45	45	45
Cross Section	9	9	9	9	9

Source: Data processed by the author (2019)

3.2 Panel Data Regression

Selection of panel data regression model in this research based on the result of chow test and hausman test. The result is random effect model has the best fit to this study.

Table 3.2 Panel Data Regression

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.437289	0.145822	9.856459	0.0000
MO	-0.009403	0.005357	-1.755229	0.0869
IO	-0.003388	0.002126	-1.593260	0.1190
FO	-0.003934	0.001848	-2.128546	0.0395
LEV	-0.017479	0.006344	-2.755336	0.0088

Source: Data processed by the author (2019)

Based on the table 3.2 above, the researcher formulated a panel data regression model equation that explained the effect analysis of Managerial Ownership (MO), Institutional Ownership (IO), Foreign Ownership (FO), and Leverage (LEV) on Firm Value (Tobin's Q) banking companies listed in Indonesia Stock Exchange period 2014-2018 namely:

$$\text{Firm Value} = 1.437289 - 0.009403\text{MO} - 0.003388\text{IO} - 0.003934\text{FO} - 0.017479\text{LEV} + e$$

3.2.1 Simultaneous Influence Test (F-test)

The F-test (simultaneous) is done to test whether the independent variable (X) simultaneously has a significant effect on the dependent variable (Y). If the value of Prob (F - Statistic) $\geq 0,05$ (5% significance level) then H_0 is accepted which means that all independent variables simultaneously do not significantly influence the dependent variable. But if the value of Prob (F - statistic) $< 0,05$ then H_0 is rejected which means all independent variables simultaneously have a significant effect on the dependent variable.

Table 3.3 Simultaneous Influence Test (F-test) table

Weighted Statistics			
R-squared	0.288587	Mean dependent var	0.318098
Adjusted R-squared	0.217446	S.D. dependent var	0.089037
S.E. of regression	0.078764	Sum squared resid	0.248151
F-statistic	4.056532	Durbin-Watson stat	1.419805
Prob(F-statistic)	0.007467		
Unweighted Statistics			
R-squared	-0.017682	Mean dependent var	1.038000
Sum squared resid	0.651642	Durbin-Watson stat	0.540673

Source: Data processed by the author (2019)

Based on table 3.3, it is obtained that the probability value of the F statistic is 0.007467. This explains that the value is < 0.05 then H_0 is rejected or managerial ownership, institutional ownership, foreign ownership, and leverage simultaneously affect the firm value of banking companies listed on the Indonesia Stock Exchange in 2014-2018.

3.2.2 Analysis Coefficient of Determination

Based on table 4.7, it can be seen that the determination coefficient adjusted (R^2) is 0.217446, or 21.74%. This means that the firm value is explained by managerial ownership, institutional ownership, foreign ownership, and leverage of 21.74%. While the remaining 78.26% is explained by variables outside the study.

3.2.3 Partial Influence (T-test)

T-test (partial) is done to determine the significant or insignificant influence of one independent variable (X) partially on the dependent variable (Y). Partial testing in this research uses a significance level of 5% or 0.05.

Based on table 3.2, it can be concluded that:

1. Managerial ownership variables have a coefficient value of -0.009403 with a probability value of 0.0869 > 0.05 , then H_0 is accepted, or managerial ownership partially does not have a significant effect on the firm value of banking companies listed on the Indonesia Stock Exchange in 2014-2018.
2. Institutional ownership variables have a coefficient value of -0.003388 with a probability value of 0.1190 > 0.05 , then H_0 is accepted or institutional ownership partially does not have a significant effect on the firm value of banking companies listed on the Indonesia Stock Exchange in 2014-2018.
3. Foreign ownership variables have a coefficient value of -0.003934 with a probability value of 0.0395 < 0.05 , then H_0 is rejected, or foreign ownership has a significant influence partially with a negative direction towards the firm value of banking companies listed on the Indonesia Stock Exchange in 2014-2018.
4. The leverage variable has a coefficient value of -0.017479 with a probability value of 0.0088 < 0.05 , then H_0 is rejected, or leverage has a significant influence partially with a negative direction towards the firm value of banking companies listed on the Indonesia Stock Exchange in 2014-2018.

4. Discussion

4.1 Effect of Managerial Ownership on Firm Value

Based on research conducted, managerial ownership has a probability value of $0.0869 > 0.05$ then H_0 is accepted or managerial ownership does not have a significant effect on the firm value. The regression coefficient on managerial ownership is -0.009403 , which has a negative value indicating a negative relationship between managerial ownership and firm value. The results of this study support the research conducted by [2], in his research which examined the influence of ownership structure and leverage on firm value says that managerial ownership does not affect firm value and is contrary to research conducted by [1], in his research examining managerial ownership, institutional ownership, foreign ownership and concentrated ownership of firm value says that managerial ownership variables negatively affect firm value.

4.2 Effect of Institutional Ownership on Firm Value

Based on research that has been carried out, institutional ownership has a probability value of $0.1190 > 0.05$, then H_0 is accepted or institutional ownership does not have a significant influence on the firm value of banking companies listed on the Indonesia Stock Exchange 2014-2018. The institutional ownership regression coefficient is -0.003388 , which has a negative value indicating a negative relationship between institutional ownership and firm value. The results of this study support the research conducted by [2], in his research that examined the influence of ownership structure and leverage on firm value which states that institutional ownership does not have a significant effect on firm value and is contrary to research conducted by [1], in his research that examined managerial ownership, institutional ownership, foreign ownership and concentrated ownership of firm value which states that institutional ownership variables have a positive influence on firm value.

4.3 Effect of Foreign Ownership of Firm Value

Based on the results, foreign ownership has a probability value of $0.0395 < 0.05$, then H_0 is rejected, or foreign ownership has an influence on the firm value of banking companies listed on the Indonesia Stock Exchange in 2014-2018. The foreign ownership regression coefficient is -0.003934 , which has a negative value indicating that foreign institutional ownership has a negative influence on the value of banking companies listed on the Indonesia Stock Exchange in 2014-2018. The results of this study support the research conducted by [2], in their research that examined the influence of ownership structure and leverage on firm value which states that foreign ownership has a significant influence on firm value and is strengthened by [1], in his research that examined managerial ownership, institutional ownership, foreign ownership and concentrated ownership of firm value which states that foreign ownership variables have an influence on firm value.

4.4 Effect of Leverage on Firm Value

Based on the results, leverage has a probability value of $0.0088 < 0.05$, then H_0 is rejected, or leverage affects the firm value of banking companies listed on the Indonesia Stock Exchange in 2014-2018. The leverage regression coefficient is -0.017479 , which has a negative value indicating that leverage has a negative effect on the firm value of banking companies listed on the Indonesia Stock Exchange in 2014-2018. This result is not in accordance with the research conducted by [2], in his research that examined the influence of ownership structure and leverage on firm value which stated that leverage positive effect on firm value. This shows that the high and low leverage cannot affect the firm value, because in carrying out operational activities, the company uses funding sources from within and outside the company. The greater leverage shows the more operational activities of companies financed by debt. High leverage is also not good for companies because companies bear large capital costs so that the profits earned will be used up to pay the capital costs [4]

5. Conclusion

This study aims to determine the effect of ownership structure and leverage on firm value of banking companies listed on the Indonesia Stock Exchange in 2014-2018 which consisted of managerial ownership, institutional ownership, foreign ownership, and leverage variables. The samples of this research is 9 companies with 5 years so that there were 45 research sample units. Based on the results using the panel data regression model that has been done, some conclusions are managerial ownership, institutional ownership, foreign ownership, and leverage simultaneously influence the firm value of banking companies listed on the Indonesia Stock Exchange in 2014-2018. Managerial ownership partially does not affect the firm value of banking companies listed on the Indonesia Stock Exchange in 2014-2018. Institutional ownership partially does not affect the firm value of banking companies listed on the Indonesia Stock Exchange in 2014-2018. Foreign ownership partially has a negative and significant influence on the firm value of companies listed on the Indonesia Stock Exchange in 2014-2018. Leverage partially has a negative and significant influence on the firm value of companies listed on the Indonesia Stock Exchange in 2014-2108.

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