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Managerial Ownership, Debt Policy, and Firm Value (Studies on Manufacturing Companies Listed on the IDX for the 2014-2018 Period)

Eluiz Yansirus Saniyah; Haral Azmi

Management of Administration, Faculty of Vocational, University of Technology Mataram, Indonesia

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Abstract

This study aims to examine the effect of Managerial Ownership and Debt Policy on Firm Value of manufacturing companies listed on the IDX. The number of samples was 10 companies listed on the IDX in the 2014-2018 period. Classical assumption tests include normality tests, multicollinearity tests, heteroscedasticity tests, and autocorrelation tests. The analyzed with regression panel. The results showed that Managerial Ownership and Debt Policy have a significant effect on Firm Value.

Keywords: *Managerial Ownership; Debt Policy; Firm Value*

Introduction

Firm value is the investor's assessment of the company as seen from its share price before investing (Harmono, 2009: 233). The stock price is a description of the assessment of a company seen from the total overall condition of both the financial and management of a company. Maximizing the value of the company can reflect the welfare of the company owner. Firm value can be measured by using the ratio between the market value of physical assets and the number of fees that must be paid by the company to replace the value of the asset's current condition called Tobin's Q.

Maximizing the wealth of capital owners can be interpreted as maximizing stock prices (Brigham & Houston, 2001). The optimal capital structure will be able to increase the stock market price which in turn will increase the value of a company. The value of a company is influenced by the strength of supply and demand for stock prices because the demand for shares is high, the stock price will rise and vice versa if more people are selling shares than buying, the stock price will fall.

The stock price in the market is always related to the company value which is influenced by the level of profitability. If the manager/management owns shares in the company, it will make the company well managed, then the company will incur small costs so that the profit generated will be large. The size of the profit obtained will affect the value of the firm (Kasmir, 2008).

The influence of managerial ownership or commonly called managerial ownership (MOWN) can be seen to what extent it is by using the calculation of the total shares owned by the directors. This is because managerial ownership of shares creates a common desire with the owners of capital so that the company's assessment becomes positive. A good opinion of a company makes the value of the company high. In research conducted by Rizqia et al., (2013) and Anita (2016), it is found that managerial share ownership affects firm value because majority share ownership determines the direction of company policy.

Another factor that affects the value of the company as seen from the stock price is the policy on the use of debt (debt to equity ratio), this is closely related to the costs incurred due to the use of debt and the benefits of using debt itself (Weston, 2008). The debt or leverage policy is seen as a means of controlling agency costs. The debt ratio is used as a comparison between debt and equity (Kasmir, 2012: 158). The increase in debt can also be used to control the use of free cash flow that is too high by the manager. The research of Mardiyanti et al., (2012) and Asrida (2018) proves that debt has a significant effect on firm value because debt reduces tax burden so that firm value increases.

Past research has had a variety of different results. Some results show significant or insignificant related to the theme of managerial ownership, debt policy agency costs and their implications for firm value.

Hypothesis Development

Dwita (2013) shows that managerial ownership harms firm value. The decline in company value was caused by opportunistic actions (prioritizing short-term profits at the expense of long-term profits) carried out by managerial shareholders. Managerial ownership wants a high income compared to the investment growth of the company so that if managerial ownership is high, the market will tend to react negatively which causes the firm's value to fall. In contrast to the research results of Anita et al., (2016), it shows that managerial ownership variables have an influence on company value with a positive relationship direction.

H1: The greater the managerial ownership, the higher the firm value

Sukirni (2012), Mardiyanti, et al., (2012), Rizqia et al., (2013) examined that the results of debt policy have a significant positive effect on firm value and Asrida (2015) with debt yields have a significant effect on firm value. This is because managers can do the best for the company by maximizing the value of the company for the attainment of the prosperity of the shareholders. Ghosh's (2008) research has different results, namely that debt policy harms firm value. The debt policy chosen by the manager takes on a project with a higher risk than the creditor's estimate. From the description above and the results of previous research.

H2: the higher the debt policy the higher the firm value

Methods

Based on the problems, objectives, and existing theories, this research is causality research that is, a causal relationship. The population to be studied in all manufacturing companies listed on the idx in 2014-2018. Data and information related to research data were obtained from the Indonesia Stock Exchange (idx) in the 2014-2018 period. Referring to the type of data to be researched and collected in this research, the data collection techniques used are documentation techniques through literature study and with the panel data method which is a combination of time-series data (one or more variables observed in a certain period of time) and cross-section (a unit of observation that is observed in one point in time). The data collection of this research is in the form of theoretical materials through www.idx.co.id, the website of each company, and the concepts obtained from the literature in the form of literature and articles or scientific journals that can support as material for research studies and as a basis for analyzing problems. Statistical analysis using panel Data Regression Analysis.

Results and Discussion

The calculation results can be seen in the table below,

Table 1. ToBIN'S Model Hypothesis Results

Variable	Coefficient	t-Statistic	Prob.	Information
MOWN	-0.673047	-3.254209	0.0026	accepted
DER	3.791662	5.494416	0.0000	accepted

Dependent Variable: TOBIN'S

Managerial ownership has a significant effect in a negative direction on firm value. The standardized beta coefficient shows that if other things are considered constant, an increase in managerial ownership will increase firm value. Thus, this situation requires companies that have a big responsibility to the public and the government to operate the company with high professionalism, so that this will increase the value of the company.

The results of this test are not following the findings in Rizqia et al., (2013) which shows that managerial ownership variables have an influence on firm value in a positive direction. In line with the findings and Anita et al., (2016) who also stated that managerial ownership has a significant effect on firm value. The more share ownership by managerial, can increase the value of the company to be higher, and vice versa, if the managerial ownership is little, it will have an impact on decreasing firm value.

Debt policy has a significant effect in a positive direction on firm value. The better the debt policy enforced by the company, the higher the company value will be. On the other hand, if the company is wrong in implementing a debt policy, it will have an impact on weakening the value of the company which will decrease further. A high corporate debt value can provide benefits for shareholders because debt shows that the company is experiencing growth so that the company value increases.

This study also found the same results as research by Sukirni (2012), Mardiyanti, et al., (2012), and Rizqia et al., (2013) which stated that debt policy has a significant positive effect on firm value. In line with Asrida (2015), which shows that debt policy has a significant effect on firm value. This positive influence is caused by managers who can do the best for the company by maximizing the value of the company to achieve the prosperity of the shareholders.

Conclusion

Based on the results of the research and discussion that has been done, several conclusions can be drawn, namely:

1) Managerial ownership has a negative and significant effect on firm value. This means that the higher the managerial ownership, it can have a very large impact on decreasing the value of the company, and vice versa.
2) Debt policy has a positive and significant effect on firm value. This means that the better the debt policy can increase the firm's value, on the contrary, the less good the debt policy, the lower the firm's value.

Recommendation

The following recommendation are:

1) Research shows that managerial ownership has a significant effect on firm value. Based on the research results, the effect of managerial ownership on firm value can be explained either directly or indirectly through agency costs. Therefore, shareholders must pay attention to this managerial ownership variable because it not only provides welfare to shareholders, increased managerial ownership can also be used by management to suppress the emergence of agency problems.

2) The next variable that affects firm value is debt policy so that investors can consider this factor as a measure in making investment decisions. This is because the debt policy variable can be used as an indication of the preferences of capital market players and investors need to pay attention when they want to become shareholders of these companies.

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