

The Effect of Ownership Structure on Firm Value with Profitability as a Moderating Variable

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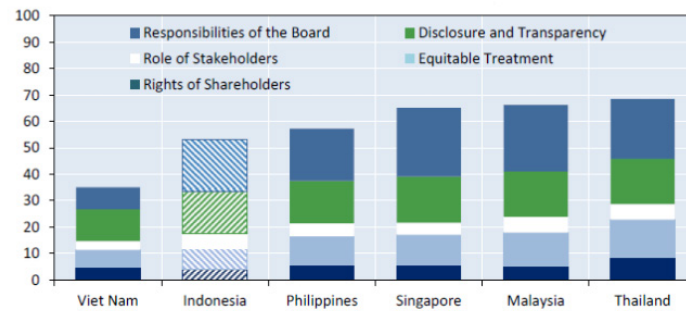
Abstract

This study aims to analyze the effect of the Ownership Structure on Firm Value which is moderated by profitability. The population is used by manufacturing companies listed on the Indonesia Stock Exchange during 2014-2018. The sample in this study amounted to 625 companies. The sampling technique using purposive sampling method. Data analysis techniques using Moderated Regression Analysis (MRA), F test, t-test and the coefficient of determination test (R²). The results of this study indicate that: 1) Foreign Institutional Ownership has a significant negative effect on firm value. 2) Domestic Institutional Ownership has a significant negative effect on firm value. 3) Public ownership does not significantly influence the value of the company. 4) Managerial Ownership has a negative and significant effect on the value of the company. 5) Profitability has a significant negative effect on company value, 6) Profitability can moderate between foreign institutional ownership to the value of the company, 7) Profitability can moderate between Domestic Institutional Ownership to firm value, 8) Profitability cannot moderate public ownership against company value, 9) Profitability cannot moderate between managerial ownership and firm value.

Keywords: Foreign Institutional Ownership, Domestic Institutional Ownership, Public Ownership, Managerial Ownership, Firm Profitability and Value

INTRODUCTION

The manufacturing industry has a favorable prospect for a country because it can generate foreign exchange which is the main source of funds for development and economic growth in Indonesia. But in reality the company does not always experience an increase in the value of the company, Indonesia is currently experiencing an economic growth that is slowing down compared to other neighboring countries. Particularly in the slow-growing manufacturing industry sector, the Indonesian economy is currently stagnating and must make the government have to make strategies to trigger the economy to be stable. This was proven in 2018, three economic sectors grew below the average economic growth, namely agriculture (3.91%), mining (2.61%) and manufacturing or manufacturing only (4.27%) in (Tamara, 2019). If observed the above sectors are the backbone of the economy with the largest contribution in contributing to economic growth. The current crisis in Indonesia is caused by a lack of trust by foreign investors who have suddenly started to pull their money out of Indonesia as they have done elsewhere in Asia (Hays, 2015). Meanwhile, the economic crisis that occurred not only due to macroeconomic aspects but also due to poor corporate governance, such as lack of accounting and accounting standards, financial audits have not been completed, capital markets are less structured, risks faced, and indifference to minority stock rights (Gosal, Pangemanan, & Tielung, 2018). This proves that good corporate governance plays an important role in the process of developing companies and the interests of shareholders because it affects the economies of developing countries. This is evidenced by the results of the Corporate Governance score diagram sourced from the ASEAN Corporate Governance Scorecard Country Reports and Assessments in 2015.



(Source: (Asian Development Bank, 2017)

Figure: 1.1 Diagram of Corporate Governance Score in 2013

Based on the data above, Indonesia has a lower corporate governance score than some other ASEAN countries. Indonesia is the second-lowest after Vietnam. To compete in the global market, Indonesia must maintain good corporate governance to maximize its corporate value. Certainly, the effective control of the ownership structure of large shareholders allows them to influence key decision making and influence company policy (Balla & Rose, 2014). Good corporate governance primarily focuses on the relationship between company managers, directors, and shareholders, to reduce potential agency problems in aligning the interests of management and shareholders (Rezaee, Z., & Riley, 2009). The above phenomenon shows that the manufacturing sector is experiencing a decline due to the unstable economy. The existence of several cases above proves the management of the company by management has not been done well. Management has an important role in maintaining and increasing the value of the company because in the knowledge they have information about the actual condition of the company so that it is expected to be able to manage the company according to the wishes of the company owner.

Foreign ownership is a condition where the shareholders of a company have foreign holders. Foreign ownership in the company will provide a better management system because foreign ownership will require management to make transparency in the form of financial reporting so that the supervision and control system will be more effective. Empirical evidence as a supporter of the research is the research of (Yasser & Mamun, 2017) whose findings say that foreign ownership variables have a significant impact on firm value in Pakistan to stimulate monitoring and the role of accountability in organizations. This is reinforced by the research of (Choi, Y & Park, 2019) in his research stating that increasing foreign ownership will have a positive impact on the value of the company because with high foreign ownership will improve performance better because of its specificity which leads to a reduction in agency costs and increased company performance. This research is in line with (Choi, Sul, & Min, 2012), (Ting, Kweh, Lean, & Ng, 2016), (Shrivastav & Kalsie, 2017), (Rely, Kkg, Jansen, & Trisakti, 2018) who found that ownership variables foreigners have a positive effect on the value of the company. While the results of another study (Phung, Duc.N., 2013) found that foreign ownership hurts company performance in emerging markets because it cannot play a monitoring role in corporate governance mechanisms. That is because foreign investors are considered asymmetries of information which makes the information not concentrated. So the impact resulting from the mechanism of good corporate governance will also affect the decline in the value of the company (Phung, D. N., & Hoang, 2013). Based on the description above, the hypothesis in this study is as follows:

H1: Foreign Institutional Ownership Influences Company Value.

Domestic ownership is a condition where the company's shareholders are domestic. According to (Jensen, Michael C. and Meckling, 1976) also in ownership of shares owned by people in the

company will motivate optimizing company performance so that a manager will act carefully in managing the company because what is done will have its consequences. Some of the results of research on corporate value are the results of (Thanatawee, 2014) University of Malaya. All rights reserved. Despite the crucial roles of institutional investors in corporate governance mechanisms, there is little empirical evidence regarding the impact of institutional ownership on firm value in Thailand. This paper examines the relationship between institutional shareholdings and firm value in a sample of 1,451 observations from 323 non-financial firms listed on the Stock Exchange of Thailand (SET stating that domestic ownership has a positive effect on firm value. While the conflicting results were found by (Ahmad, F.M.I., Kristanti F.T., dan Triyanto, 2017) revealed that domestic ownership has no effect and is not significant to firm value. This is because domestic institutional investors may not effectively monitor and discipline people in companies, such as CEOs, managers and controlling shareholders. Based on the description above, the hypothesis in this study is as follows:

H2: Domestic Institutional Ownership Influences Company Value.

Public Ownership is a percentage of share ownership of companies owned by the public or public investors. The greater the percentage of public ownership, the greater the encouragement to management to provide detailed information. On the other hand, management is required to perform good performance continuously because the company's bad condition will have a bad effect on investor confidence. In this case, the management will get a big pressure in the public sector. In the research (Rachmawati, N., dan Badjuri, 2018) said that there is a significant and positive influence on the value of Indonesian companies listed on the Indonesia Stock Exchange. the concentration of public ownership gives rise to effective monitoring of shareholders on the performance of company managers so that decisions taken to maximize the welfare of shareholders by managers are optimal. Whereas research (Horizons, E., Chowdhury, A., & Chowdhury, 2010) stated that there was no significant effect between public ownership and corporate value in Bangladesh. This finding is in line with research (Bashir, T, R. A, Butt. S, 2013) said there was no significant relationship between public ownership and company value. This is due to the small ownership of shares by the public because the release of shares by the company to the public is not solely to get funds but also to introduce the company to the public or as a promotional media to improve the image of the company to be better because go-public companies are required to implement good corporate governance in hopes of increasing the value of the company. Based on the description above, the hypothesis in this study is as follows:

H3: Public Ownership Influences Company Value.

Managerial ownership is the proportion of shareholders from management who actively participates in the corporate decision making of (Jensen, Michael C. and Meckling, 1976). This managerial ownership arises as an effort to minimize conflicts of interest between the principal and agent. (Jensen, Michael C. and Meckling, 1976) states that one of the efforts to harmonize various interests is by creating a monitoring mechanism by increasing managerial ownership. Some of the following research conducted by (Abdullah, Ali, & Haron, 2017) states that managerial ownership does not affect firm value. This is supported by (Putu Cita Ayu, 2019) revealed that there is a similar relationship that is an insignificant relationship between managerial ownership of company value. While the research of (Benson, Bradley W., 2008) which states that managerial ownership affects the value of the company. The greater managerial ownership can increase the value of the company. Because of the greater proportion of management share ownership in a company, management tends to try harder for the interests of shareholders who are none other than himself and discipline and control the management of the company. Based on the description above, the hypothesis in

this study is as follows:

H4: Managerial Ownership Influences Company Value.

Profitability is the company's ability to generate net income from activities carried out in an accounting period (Nurkhin, 2017). The higher the ability of a company to make a profit, the greater the return expected by investors, thus making the company better. Meanwhile, the research results of (Rizqia, Aisjah, Program, & Java, 2013) showed a significant relationship and had a positive effect between profitability on the value of manufacturing companies during 2006-2013. The higher the ability of a company to make a profit, the greater the return expected by investors, thus making the company better. Based on the description above, the hypothesis in this study is as follows:

H5: Profitability Influences Company Value.

Empirical evidence of the relationship between moderating roles and profitability that connects ownership structure to company value has been carried out including research from (Lubis, 2019) reveals that managerial ownership relationships have a positive and significant effect on firm value, institutional ownership has a positive and significant effect on value company. Thus profitability is not a moderating variable in the relationship of managerial ownership, institutional ownership of firm value. Meanwhile, profitability has a significant effect on company value. High profitability will affect the amount of company share ownership by management, so managers who have stock ownership will try to carry out their duties properly to increase the value of the company (Ramadhani, 2017). Other findings made by (Wulandari, N.,Mardani., 2018) show that managerial ownership has a negative and not significant effect on firm value after profitability is moderated to company value, while institutional ownership has a positive and not significant effect on firm value after profitability is moderated. The ownership structure will increasingly be able to play its role if the condition of the company can achieve good profits. Based on the description above, the hypothesis in this study is as follows:

H6: Profitability can moderate foreign institutional ownership of firm value.

H7: Profitability can moderate domestic institutional ownership of firm value.

H8: Profitability can moderate public ownership of company value.

H9: Profitability can moderate managerial ownership of firm value.

Thus, this will affect the value of a company. So that the framework formed in this study in the schematic drawings below.

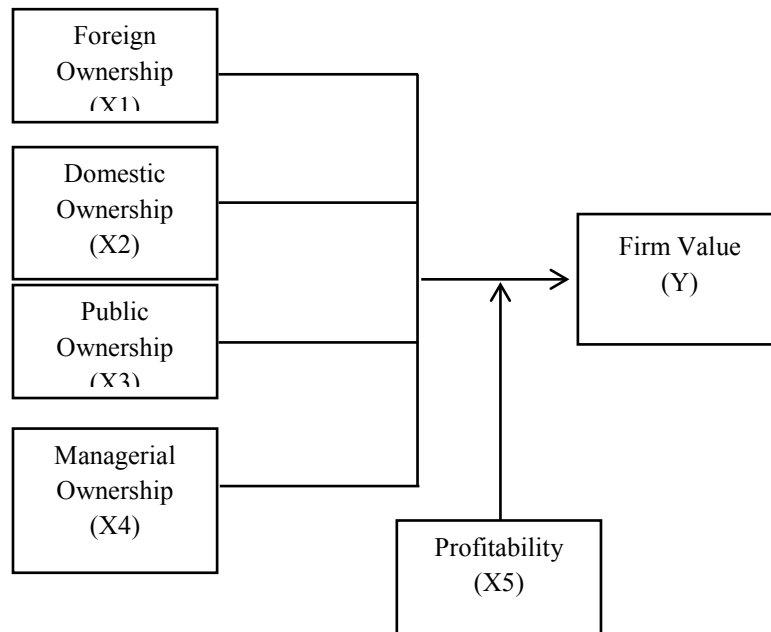


Figure 1.2 Model Moderated Analysis Firm Value

Based on the phenomena and research gap described above and the existence of previous research which is the background in this study and is supported by underlying theories and factors that influence the value of the company. Therefore, the researcher intends to examine the effect of foreign institutional ownership, domestic institutional ownership, public ownership and managerial ownership on the value of the company proxied by Tobins, Q and profitability as a moderating variable.

RESEARCH METHODS

Research Design

The data used is secondary meaning the data taken has been made by the party concerned in other words the researcher is only a user. In the use of ownership, structures include foreign ownership, domestic ownership, public ownership, and managerial ownership, as well as the value of the company that is illustrated by the percentage and profitability using return on equity owned by the company. The sampling technique using purposive sampling method. In the research that will be conducted on the data used on secondary data taken on the Indonesia Stock Exchange with the period 2014 to 2018 at random and take the characteristics and characteristics that have been made. The data used uses a data set which is a combination of cross-section and time series. Retrieval of data based on annual reports and recording of company values taken from the official website <http://www.idx.co.id/> Retrieval of data consists of quantitative so that the data to be issued is numeric scale data (value). The company sector studied was a publicly listed company listed on the Indonesia Stock Exchange in the manufacturing sector. The population of the company used 125 companies with 5 years so that the data used by 625 companies.

Table 2.1 Criteria for Decision Making

Ref	Sample
Total population of manufacturing companies in the 2014-2018 period a total of 125 (5x125)	625
Outlier data	(182)
Number of Manufacturing Company Data Samples	443

Source: Secondary Processed Data from the site www.idx.co.id 2014-2018

Definition of Operational Variables

Dependent Variable

Firm value is the market value of a company as a whole business that reflects the size of the economy. This is a collection of all securities holders who are ordinary and preferred shareholders, minority shareholders, debt holders, etc. In this study, the author shows the value of the company with Tobin's Q. According to (Rizqia et al., 2013) the value of the company proxy with the Tobin's Q value is given the symbol Q, calculated using the Tobin's Q ratio with the following formula:

$$Tobin's\ Q = \frac{(Market\ Value\ Equity + Book\ Value\ Equity)}{Book\ Value\ Asset}$$

Independent Variable

The independent variables in this study consisted of foreign ownership, domestic ownership, public ownership and managerial ownership that were available in the company's annual report. Foreign ownership is the proportion of shares owned by foreign companies in shareholders with foreign status (Choi, Y & Park, 2019). Domestic or domestic ownership is an ownership of company shares owned by institutions such as banks, insurance, etc. (Syamsudin, Imronudin, Utomo, Prakoso, & Praswati, 2017). Public ownership is a percentage of shares owned by public investors (Horizons, E., Chowdhury, A., & Chowdhury, 2010). While Managerial Ownership is the proportion of shareholders from managerial parties who actively participate in corporate decision making (Ruan, Wenjuan, Tian, Gary dan Ma, 2011).

Moderating Variable

Generating as much profit as possible is one of the goals of the company, where profits can prosper investors and can also be used to carry out operational activities, with far more profits, it will increase investor welfare where the company's value can also increase. To measure the level of profits obtained by the company can be calculated with the profitability ratio. Profitability in this study is Return On Equity (ROE) as a moderating variable. According to (Rohim, Muhammad, 2019) in measuring the value of a company's equity using the following formula:

$$Return\ On\ Equity = \frac{EAT}{Equity}$$

Data analysis method

This research uses descriptive statistical analysis techniques. Hypothesis testing is done by using multiple linear regression analysis, Moderated Regression Analysis (MRA), F test, t-test

and coefficient of determination test (R²). Before testing hypotheses, classic assumption tests are conducted which include the normality test, the multicollinearity test, the heteroscedasticity test, and the autocorrelation test.

RESULT

Table 3.1 Linear Regression Test Results Before Interaction / moderated by profitability

Variable	Coefficient β	Std. Error	t	Sig.
Foreign Ownership	-0,464	0,121	-0,686	0,000
Domestic Ownership	-0,368	0,118	-0,533	0,002
Public Ownership	-0,194	0,129	-0,142	0,132
Managerial Ownership	-0,451	0,112	-0,322	0,000
ROE	-0,048	0,027	-0,083	0,074
Constanta	0,725	0,119	6,095	0,276
R^2	0,278		F count	7,295
<i>R Square</i>	0,077		Probability F	0,000
<i>Adjusted R</i>	0,066			

Source: Secondary Processed Data from the Site www.idx.co.id 2014-2018

Table 3.2 Linear Regression Test Results After Interaction / moderated profitability

Variable	Coefficient β	Std. Error	t	Sig.
Foreign Ownership	-0,486	0,116	-4,197	0,000
Domestic Ownership	-0,362	0,113	-3,187	0,002
Public Ownership	-0,154	0,124	-1,241	0,215
Managerial Ownership	-0,477	0,109	-4,366	0,000
ROE	-1,209	0,527	-2,293	0,022
ROE*foreign	1,575	0,535	2,943	0,003
ROE*domestic	1,205	0,537	2,243	0,025
ROE*public	0,417	0,548	0,760	0,447
ROE*managerial	0,415	0,475	0,949	0,343
Constanta	0,725	0,114	6,264	0,000
R^2	0,436		F count	11,264
<i>R Square</i>	0,190		Probability F	0,000
<i>Adjusted R</i>	0,173			

Source: Secondary Processed Data from the Site www.idx.co.id 2014-2018

Effect of Foreign Institutional Ownership on Company Value

The results of the analysis of this study indicate that foreign ownership has a significant negative effect on firm value as evidenced by the results of t-value of foreign institutional ownership of -4,197 with a significance level of 0,000 less than 0.05. So according to the first hypothesis is accepted, meaning that the greater proportion of foreign institutional ownership can reduce the value of the company. That is because Indonesia is part of the countries in Asia so it is directly affected by the unstable political conditions for several countries around us in this region especially for several years

to approach the political year, so making investment decisions becomes more difficult; and thus will affect all economic conditions, and thus the performance of returning companies will be affected in one way or another. In developing countries, especially Indonesia, majority share ownership can control companies. This is because majority share ownership will be involved in management, have voting rights over policies issued by the company, and have the power to influence management in making decisions that only maximize their interests. Foreign investors also have strong characteristics in funding. Thus, foreign investors will often become market leaders because they can conduct large amounts of trade transactions (Chandra, 2010). In a research conducted by (Firth, M., P.M.Y, 2008), it was revealed that in China foreign ownership affects increasing agency costs which will hurt the value of the company. Therefore foreign ownership cannot play a monitoring role in corporate governance mechanisms so that foreign investors do not have the appropriate information data and cannot control the company, so foreign investors suffer from the asymmetry of information and foreign concentration that is not concentrated (Phung, Duc.N., 2013).

Effects of Domestic Institutional Ownership on Firm Value

The results of the analysis of this study indicate that domestic ownership has a significant negative effect on firm value as evidenced by the results of t-value of foreign institutional ownership of -3,187 with a significance level of 0.002 less than 0.05. So according to the second hypothesis is accepted, meaning that the greater proportion of domestic institutional ownership can reduce the value of the company. Large institutional ownership must make investors have more power to control the company's operations. But in reality, institutional ownership cannot limit the practice of income manipulation. This is because investors do not have the ability and opportunity to monitor management properly, investors only act as temporary owners who are more focused on the benefits to be gained. The existence of institutions reduces public trust in companies. The role of institutional ownership only wants the benefits rather than the growth of the company's value, so that managerial ownership cannot affect the value of the company (Kusumawati, And, & Setiawan, 2019). According to (Syamsudin et al., 2017) ownership of domestic institutions is the largest shareholder in the company so that it becomes one of the means in monitoring management. An increase in the percentage of domestic ownership will result in management performance being monitored optimally. With the supervision carried out, the management cannot manage the company freely in making decisions that result in the emergence of agency costs which of course will also affect the company's performance. This is coupled with the affiliation of domestic institutional investor relations to establish relationships with conglomerates as members in which this relationship has certain objectives that are beneficial to individuals. So that domestic investors' decisions are strongly influenced by controlling shareholders in conglomerates in an ownership structure (Choi, Y & Park, 2019). There are differences in interests that are not achieved because of constraints with regulations made by majority shares that cause the role of domestic ownership is not optimal and cannot and discipline people in the company, such as CEOs, managers and controlling shareholders in managing their companies (Ahmad, F.M.I., Kristanti F.T., dan Triyanto, 2017).

Effect of Public Ownership on Company Value

The results of the hypothesis indicate that public ownership has a negative effect which is not significant to the value of the company. The results of t-value of public ownership of -1,241 with a significance level of 0.215 so that the third hypothesis is rejected. This means that the proportion of public ownership does not affect the value of the company. Public ownership is considered to represent the voice of the community in the form of criticism of the performance produced by the

company. When the criticism that is built by the community is not good, it will harm the company so that investor confidence will diminish with the criticism. According to (Jensen, Michael C. and Meckling, 1976) states that public ownership will result in much better management of the company's system because of the company's oversight from more shareholders. However, in (Undang-Undang No.8 tahun 1995 tentang Pasar Modal Pasal 87 ayat 2, 1995) which regulates that each party has at least 5% ownership of the company's public shares. With this regulation, the structure of public ownership that is getting higher or lower will not put pressure on management to provide complete and transparent information promptly so that the density of financial reporting will influence the decisions taken. So that the pressure and through the criticism that is done does not reduce the value of the company. This is because public ownership cannot directly affect the value of a company because of the large proportion of shares of 5%. Public ownership can only affect the company's operations directly by overseeing the running of the company which can ultimately affect the company's performance. The small influence of share ownership by the public because the release of shares by a public company is not solely to get funds but also to introduce the company to the public or as a promotional medium to improve the image of the company to be better because go-public companies are required to implement good corporate governance in the hope that it will increase the value of the company (Horizons, E., Chowdhury, A., & Chowdhury, 2010).

Effect of Managerial Ownership on Company Value

The results of the hypothesis show that managerial ownership has a significant negative effect on firm value. The results of t-value foreign institutional ownership of -4,366 with a significance level of 0,000 so that the fourth hypothesis is accepted. This means that the greater proportion of managerial ownership can reduce the value of the company. This shows that basically management as an agent that is trusted by the shareholders or principals to manage the company to achieve the goal that is the welfare of the principal. However, agents do not always act following the wishes of the principal where agents tend to carry out opportunistic actions that can cause conflicts of interest and will cause agency conflicts or problems (Abdullah et al., 2017). Management sometimes wants high current income compared to the growth in investment value, so if the percentage of managerial ownership is large then the manager will take actions that can increase current income rather than focus on the value of investment growth, so as to reduce the value of the company and reduce investor interest in investing, because investors do not want current profits but investors are more likely to want future profits (Kusumawati et al., 2019). Thus increasing the proportion of managerial ownership will result in a negative influence between managerial ownership on company performance in companies listed on the Indonesia Stock Exchange. Thus the greater the percentage of share ownership by the management will reduce the value of the company. So investors will tend to avoid buying shares in companies whose shares are more owned by the management because they think that the possibility of management is more focused on increasing profits to be distributed as dividends rather than efforts to increase share prices (Badjuri,A., 2012).

Effect of Profitability on Company Value

The results of the hypothesis indicate that profitability has a significant negative effect on the value of the company. The results of t-value the profitability of -2,293 with a significance level of 0.022 so that the fifth hypothesis is accepted. This is following research conducted by (Hirdinis, 2019) found a profitability relationship that has a significant negative effect on firm value. The results of this study are consistent with previous research conducted by (Hamidah & Umnida, 2017) which says that corporate profitability negatively affects the value of the company. This

means that the greater the proportion of profitability can reduce the value of the company. This is because in Indonesia at this time there are still interventions in publishing financial statements in the interest of certain parties, causing an imbalance of accurate information that is owned by the company's management and company shareholders in the capital market. This imbalance of financial performance information including profitability gives a bad signal to investors regarding the company's financial performance.

The effect of foreign institutional ownership on firm value with profitability as a moderating variable.

The results of the hypothesis show that foreign institutional ownership of firm value with profitability as a moderating variable has a significant effect on firm value. The result of the t-value was 2.943 with a significance level of 0.003 so that the sixth hypothesis was accepted. This means that profitability as a moderating will strengthen the foreign ownership of the company's value. This means that the greater the profitability of a company the more it will push the information provided from management to foreign investors the more symmetrical the information will be. Due to the presence of profitability entering into symmetrical information, a relatively high proportion of foreign investor ownership in manufacturing companies listed on the Indonesia Stock Exchange will have a positive influence on company value. This corporate governance mechanism as a function to assure foreign parties will be given benefits on capital investment provided to companies or managers to ensure that the invested funds will not be used in projects that are not profitable for foreign parties and also how much to control the managers (Shleifer, 1997) In addition to implementing corporate mechanisms, foreign parties will be able to use qualified auditors to assess the reliability of the company's financial reporting management. So that the presence of foreign investors has the effect of controlling the ratio of profits to long-term capital invested which results in the greater interest of foreign investors to increase the value of the company (Rely et al., 2018). This shows that the existence of profitability becomes symmetrical information between shareholders and the company so that profitability can strengthen corporate decisions or policies that impact company performance.

Effect of domestic institutional ownership on firm value with profitability as a moderating variable.

The results of the hypothesis show that domestic institutional ownership of firm value with profitability as a moderating variable has a significant effect on firm value. The t-value results were 2,243 with a significance level of 0.025 so that the seventh hypothesis was accepted. This means that profitability as a moderating will strengthen domestic ownership against the value of the company. This means that the greater the profitability of a company the more it will push the information provided from management to domestic investors, the more symmetrical the information will be. In connection with the presence of profitability entered into one of the symmetrical information in regulating companies that result in relatively high domestic investor ownership in Indonesia Stock Exchange manufacturing companies will have a positive influence on firm value. Concerning profitability, in corporate settings where institutional share ownership is relatively high or has an influence on firm value, investors in institutions have the effect of increasing the ratio of earnings to long-term capital. This implies that large shareholders tend to take over company assets and that the presence of other large shareholders provides the greatest motivation for shareholders to have a good overall influence on the company's financial performance (Yasser & Mamun, 2017). So that large profitability can increase the value of the company.

Effect of public ownership on firm value with profitability as a moderating variable.

The results of the hypothesis show that public ownership of firm value with profitability as a moderating variable has a relationship that does not have a significant effect on company value. The result of the t-value was 0.760 with a significance level of 0.447 so the eighth hypothesis was rejected. This means that profitability as a moderating factor does not have a significant effect on firm value. The greater the profitability of the company, the public investment will not increasingly give a very large press in providing information to the public in complete and detailed. Because public investors do not control, supervise or manage the company directly, in providing information about the company, opportunistic behavior can be carried out by management to convince public investors that the company is in good condition in terms of the company's operational activities and its income from the profitability used. In this case, it means large profitability, the company is required to provide complete information to public investors. The information provided by the company to the public is not able to be verified by the management to carry out opportunistic interests or not by public investors because public investors do not participate in controlling, supervising, or managing directly so that it is possible to fulfill company information that is good for the public, management will controlling information. In connection with the presence of profitability into one of the symmetrical information in a company setting that results in public ownership believing that the company has a clear long-term profit prospect, but this effect will not affect the company's value. Because public ownership will only enter into the market structure but can only reduce the company's image, but if the return on capital rises investors to the public will have the view that the prospect of investment into the company will be profitable, but because of the large proportion of public ownership only 5% will not have a significant impact on the value of the company.

Effect of managerial ownership on firm value with profitability as a moderating variable.

The results of the hypothesis show that managerial ownership of firm value with profitability as a moderating variable has a relationship that does not have a significant effect on company value. The result of the t-value was 0.949 with a significance level of 0.343 so the ninth hypothesis was rejected. This shows that an increase in return on capital used will increase the value of the company when they return on capital used has not yet reached its optimal point. Many relevant studies show that the relationship between managers and shareholders has the potential to influence financial decision making, which in turn affects the value of the company (Miguel, 2004). This shows that a large amount of managerial ownership of the company's shares cannot affect the increase or decrease in the company's performance and of course it will also affect the company's value. Conflicts of interest between shareholders and management in the financial sector cannot be resolved properly through share ownership by management. This is reinforced by research (Ilmi, M., 2017) revealed that there is a conflict between shareholders and managers who can not make decisions following what he wants to increase profits. The use of profitability will not align the two parties, namely the interests of agents and principals, but will also increase the possibility of bankruptcy. However, because a large proportion of managerial ownership is still very small there will not be a significant impact on the value of the company. This is reinforced by the findings of (Wulandari, N., Mardani., 2018) revealing the presence of profitability as a moderating variable that ROE proves to have a negative and not significant effect on the managerial ownership relationship to firm value.

CONCLUSION

Based on the results of research on ownership structure of firm value with profitability as a moderating variable in manufacturing companies listed on the Indonesia Stock Exchange, it can

be concluded that institutional ownership is negatively and significantly related to the value of companies in manufacturing companies related to the Indonesia Stock Exchange, so that the H1 declared as institutional ownership is against the value of the company and is proven true. Domestic institutional ownership has a negative and significant effect on firm value in manufacturing companies listed on the Indonesia Stock Exchange, so H2 which states domestic ownership of company value and is proven true. Public ownership is not significant to the value of the company in manufacturing companies listed on the Indonesia Stock Exchange, so H3 which states public ownership of the value of the company is not proven true. Managerial ownership has a negative and significant effect on firm value in manufacturing companies listed on the Indonesia Stock Exchange, so H4 which states managerial ownership of company value and is proven true. Profitability has a negative and significant effect on the value of the company in manufacturing companies listed on the Indonesia Stock Exchange, so H5 which states profitability affects the value of the company and is proven true. Profitability can moderate between institutional ownership and firm value in manufacturing companies listed on the Indonesia Stock Exchange, so H6 which states institutional ownership of company value with profitability as a moderate variable and proven to be true. Profitability can moderate domestic institutional ownership of company value in manufacturing companies listed on the Indonesia Stock Exchange so that H7 determines domestic ownership of company value with profitability as a moderate variable and is proven true. Profitability cannot moderate between public ownership and company value in manufacturing companies listed on the Indonesia Stock Exchange, so H8 which states public ownership of company value with profitability as a moderate variable is not proven true. Profitability cannot moderate between managerial ownership of company value in manufacturing companies listed on the Indonesia Stock Exchange, so H9 which states managerial ownership of company value with profitability as a moderate variable is not proven to be true. The results also showed that profitability was proven to be able to strengthen the relationship of foreign institutional ownership and domestic ownership of firm value, but it was not proven to support public relations and managerial ownership of firm value. In this case, profitability can provide a positive signal that profitability provides significant information for institutional shareholders to continue investing.

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