European Journal of Business and Management www.iiste.org
ISSN 2222-1905 (Paper) ISSN 2222-2839 (Online)
Vol.10, No.25, 2018

EFFECT OF MANAGERIAL OWNERSHIP AND PROFITABILITY ON FIRM VALUE (Empirical Study on Food and Beverage Industrial Sector Company 2012 to 2015)

Panji Putranto
Email:panji.putranto@mercubuana.ac.id

Elan Kurniawan

Abstract
The purpose of this study is to obtain empirical evidence about effect of Managerial Ownership and Profitability on Firm value Partially Against Company Value, Population in this research is the financial statements of companies Food and Beverage Industrial sector from 2012 to 2015, while the type of data and analysis used is quantitative data by using judgment sampling method or purposive sampling as sample determination. Data analysis using multiple linear regression. Furthermore, to answer the existing hypothesis with partial test (t), the authors use computer aids through SPSS program version 21. The results of this study is managerial ownership has a positive and significant impact on value and profitability negatively significant effect on firm value.
Keywords: Managerial Ownership, Profitability, dan Firm value.

Introduction

The corporate in carrying out its business activities always improve its business excellence by increasing firm value. In the implementation of such business, the corporate can conduct business development as well as reducing the economies of scale of business. The purpose of reducing economies of scale here is to reduce the attitude of ambition in creating maximum profit in various ways both of which can have a positive or negative effect even though the achievement of an optimal firm value is one of the company's goals, it can be created through the implementation of the financial management function because by making a decision finance, will certainly have an effect on other financial decisions.

Firm value can be assessed by earning its profits, but can only be seen when the profit quality is low, the company can make mistakes in decision making and consequently firm value will go down. In addition, firm value can be seen in the market price of its shares because the factor of the corporate is whether or not interest by investors is through the stock price. Errors in the decision can affect not only the stakeholders but also from the shareholders of the corporate itself, so it is necessary to take preventive and accurate measures to reduce the actions and adverse effects of the mistakes of financial decision-making.

According to Brigham & Houston (2006: 26-31) in Reny and Denies (2012) managers are empowered by shareholders to make decisions, which creates potential conflicts of interest known as agency theory, . GCG emerges and evolves from the theory of this agency. This conflict of interest stems from the lack of interest between the shareholder and managerial so it is expected that the higher the managerial ownership, the management will try as much as possible to work for the interest of shareholders. This is because the management will also benefit when the company makes a profit.

A corporate to be able to carry out its operational activities must be in a favorable state. The size of the profitability of the company will affect firm value. Companies that have a high level of profitability will be interested in shares by stakeholders consisting of creditors, suppliers and investors. The higher the level of profitability achieved by the corporate, the higher firm value, so as to increase firm value, it should also increase the company's performance. In research Umi et al (2012) profitability has a significant positive effect on firm value because high profits will provide an indication of good corporate prospects that can trigger investors to increase share demand. Profitability of a company can be calculated using the formula Return on Assets (ROA) obtained from the company's annual financial statements. The relationship between these variables has been tested by previous researchers with different or inconsistent results. The results of previous research showing such inconsistencies can be summarized into the research gap table which can be presented as follows:

Table 1: ***Research Gap from Previous Research***

Variable		Effect	Research
Dependent	Independent		
Firm value	Managerial Ownership	Positive is not significant	Setya Aditama Dany (2013)
		Positive significant	Sri and Pancawati (2010)
		Negative significant	Made, Bagus and Rahyuda (2016)
Firm value	Profitability	Positive significant	Umi et al (2012)
		Negative is not significant	Suteja and Manihuruk (2009)
		Positive is not significant	Moniaga Fernandes (2013)

Source: Setya Aditama Danny (2013), Sri and Pancawati (2010), Made, Bagus and Rahyuda (2016), Sri and Wirajaya (2013), Suteja and Manihuruk (2009), and Moniaga Fernandes (2013)

In this research, the researchers tested the Food and Beverage Industrial Sector company listed on the Indonesia Stock Exchange (IDX), because the industry is increasingly tight competition and based on the above table there are inconsistencies of research results so that the title "The Influence of Managerial Ownership and Profitability to Firm value Empirical on Food and Beverage Industrial Sector Company Period 2012 to 2015) ".

Literature Review

Managerial Share Ownership

Ownership management is the proportion of shareholders of management who actively participate in corporate decision making by directors and commissioners (Diyah and Widanar, 2009). The greater the ownership of shares on the managerial side, then the managerial will work more proactive in realizing the interests of shareholders and ultimately will increase trust, then firm value will also rise.

Managerial ownership is expressed through a number of ownership shares owned by management and the board of commissioners divided by the total shares of the company. Systematically the calculation is formulated as follows (Masdupi, 2005):

$$\text{Managerial Ownership (MO)} = \frac{\text{Share ownership of the Board of Directors} + \text{Management} + \text{Commissioner}}{\text{Total of shares outstanding}}$$

Profitability

A profitability measure is an assessment of profitability on total assets, by comparing earnings after tax to average total assets.

The higher level of Return on Assets (ROA) will give effect to stock sales volume, that is, the high of Return on Assets (ROA) will effect investor interest in making the investment so that it will affect the volume of the company's stock sales and vice versa. So the calculation of ROA (Moniaga F: 2013) a company can be calculated by using the formula:

$$\textit{Return on Asset (ROA)} = \frac{\text{Earnings after Tax}}{\text{Total Assets}} \times 100\%$$

Firm value

Firm value is the investor's perception of the company's success rate in managing the resources. For companies that issue shares in the capital market, the stock price traded on the stock exchange is an indicator of firm value. Fama (1978) states the value of the company will be reflected from the market price of its shares.

Firm value in this study is measured by price book value (PBV). The ratio of share price book value of the company or PBV, shows the level of the company's ability to create relative value to the amount of capital invested. The higher PBV means the market believes the company's prospects. In this study, this formula is used to calculate the value of the company. According to Sartono and Agus (2007) PBV is formulated as follows:

$$PBV = \frac{\text{Market price per share}}{\text{Book price per share}}$$

Hypothesis Development

Managerial Ownership Associate to Firm value

Being a corporate manager and shareholder of the company will make maximum effort in increasing corporte value, because thus the value of his wealth as a shareholder will increase as well. Consistent with research conducted by Sri and Pancawati (2010) found that managerial ownership variables proved to affect firm value. By considering the above description can be formulated the first hypothesis is managerial ownership has a significant positive effect on firm value.

Profitability Associate to Firm value

High profitability reflects the company's ability to generate high returns for shareholders. The greater earnings, the greater the company's ability to pay dividends, and this has resulted in increased firm value. With a high profitability ratio owned by a company will attract investors to invest in the company. Research results of Umi at al (2012) that profitability have positive significant effect to firm value hence based on result of previous research is second hypothesis holder is managerial ownership have significant effect on firm value.

Research Method

Types and Sources of Data

The type of data used in this research is secondary data. Secondary data in this research is financial statements that have been processed into a report that can easily be understood by the readers because the financial statements are already a financial information published by the IDX in its website that is www.idx.co.id and Indonesian Capital Market Directory (ICMD). In addition, data collection is also done through literature study that is by reading and studying the various references of relevant books in accordance with those discussed in the space of this study.

Population and Sample

The population is a number or group of individuals who have at least the same nature (Sutrisno, 2000). The population in this study is the financial statements of food and beverage industry companies listing on the Indonesia Stock Exchange. Data time series with the research period for four years from 2012 to 2015.

Table 2. Population Information

No	Code	Corporate
1	ADES	PT. Akasha Wira International Tbk
2	AISA	PT. Tiga Pilar Sejahtera Food Tbk
3	CEKA	PT. Wilmar Cahaya Indonesia Tbk
4	DLTA	PT. Delta Djakarta Tbk
5	ICBP	PT. Indofood CBP Sukses Makmur Tbk
6	INDF	PT. Indofood Sukses Makmur Tbk
7	MLBI	PT. Multi Bintang Indonesia Tbk
8	MYOR	PT. Mayora Indah Tbk
9	ROTI	PT. Nippon Indosari Corpindo Tbk
10	SKBM	PT. Sekar Bumi Tbk
11	STTP	PT. Siantar Top Tbk
12	ULTJ	PT. Ultrajaya Milk Industry & Trading Co. Tbk
13	ALTO	PT. Tri Bayan Tirta Tbk
14	PSDN	PT. Prashida Aneka Niaga Tbk
15	SKLT	PT. Sekar Laut Tbk

Source: www.idx.co.id

In this study the authors use judgment sampling or purposive sampling method as the determination of the sample. Samples taken in accordance with the desired population criteria with certain criteria and do not do generalization (Sugiono, 2007: 122), while the data desired by researchers are:

1. The data are always there every year during the research
2. Having managerial ownership during the research period on the company's shareholding structure.

Data Analysis Method

Multiple linear regression analysis is used to obtain an overview of the effect of independent variables on the dependent variable and aims to estimate and / or predict the average population or the mean value of the dependent variable based on the value of the known independent variable (Ghozali, 2013).

Research Results

A. Descriptive Statistics Data Analysis

This research is sourced from secondary data of annual report period 2012-2015 Indonesian Stock Exchange. The Descriptive Statistics based on the minimum, maximum, mean (average) and standard deviation (δ) of each research variable can be seen in the following table:

Table Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
MO	60	,10	,73	,2035	,11773
Profitabiity	60	,08	,97	,3477	,21835
FV	60	1,14	3,57	1,8905	,46729
Valid N (listwise)	60				

B. Data Analysis Method Result

Testing multiple linear regression to determine the effect of independent variables on independent variables Managerial Ownership and Profitability to the dependent variable firm value as in the table below are:

Table Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,783	,143		12,502	,000
	MO	1,030	,512	,259	2,009	,049
	Profitability	-,295	,276	-,138	-1,067	,291

Based on the above table it can be formulated regression equation as follows:

PBV = 1,783 + 1,030 KM – 0,295 ROA + e

The regression equation has the following meanings:

1. Constant is 1.783 means that if MO and ROA value is 0, then Firm Value (FV) is 1.783.
2. Regression coefficient of Managerial Ownership (MO) is 1.030 means that if MO has increased 1 unit, then FV will increase is 1.030.
3. Regression coefficient of Profitability is -0.295 means if ROA increased 1 unit, then FV will increase is -0.295.

C. Clasik Assumption Test

1. Normality Test Results

Normality test in this study using Kolmogorov-Smirnov nonparametric statistical test (K-S) test, the results in the table below:

Table One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		60
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	,44949676
Most Extreme Differences	Absolute	,101
	Positive	,101
	Negative	-,050
Test Statistic		,101
Asymp. Sig. (2-tailed)		,200[c,d]

a. Test distribution is Normal.

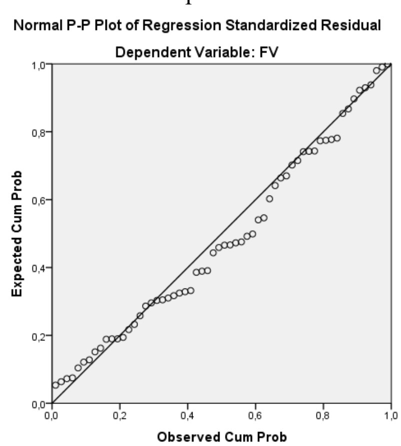
b. Calculated from data.

Based on the output of SPSS the value of Test Statistic is 0.101 with a significant probability of 0.200. Asymp Value. Sig. (2-tailed) well above $\alpha = 0.05$ this means that the data of Price to Book Value, Managerial Ownership and Profitability are normally distributed and the model is feasible to use because the data satisfies the normality requirement.

2. Multicolinearity Test Results

Normality testing can use the standardized P-P plot of regression graph as shown in Graph below:

Graph P-P Plot



In the graph shown the data points are located following the diagonal line so that the data can be declared normal distributed.

o be more convincing the data is normally distributed also equipped with VIF test the boundary value used to indicate the presence of multicolinearity is the tolerance value> 0.10 and the VIF value <10. The multicollinearity test results are obtained as in the table as follows:

Table Variance Inflation Factor (VIF)

Model		Collinearity Statistics		
		B	Tolerance	VIF
1	(Constant)	1,783		
	MO	1,030	,974	1,027
	Frofit	-,295	,974	1,027

In the table, tolerance value can be concluded that the regression model in this study does not occur multicolinearity so that the regression model is suitable to be used as the basis for testing.

3. Autocorrelation Test Results

Autocorrelation arises because consecutive observations over time are related to each other. This is because residuals are not free from one other observation. The following table results of the autocorrelation test as follows:

Table Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,273[a]	,075	,062	,45731	2,006

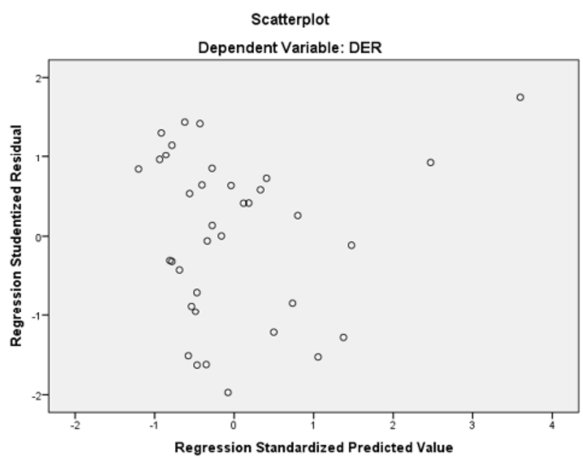
a. Predictors: (Constant), Profit, MO
b. Dependent Variable: FV

Based on the results of autocorrelation test in the above table is autocorrelation test result with durbin Watson value is 2.006 then DW value compared with the value of dU and 4-dU contained in Durbin Watson table. The DU value is taken from the DW table with n amounting to 60 and K is 3 Then from the table we get the dU = 1,689 d = 2,006 and 4 - dU = 4 - 1,689 = 2,311 because the value of du <d <4 - du or 1,689 <2,006 < 2,311 it can be concluded there is no autocorrelation both positive and negative, from the results can be interpreted that the data involved variables do not contain autocorrelation, then this regression model is feasible to be used for hypothesis test.

4. Heteroscedasticity Test Results

A good regression model is homoscedasticity or does not occur heteroscedasticity, below the content of the heteroscedasticity figure:

Figure Scatterplot



Scatterplot scattered above shows that the formed points do not form a particular pattern and spread randomly above and below the Y axis. It can be concluded that the graph of the dependent and independent variable does not occur heteroscedasticity.

D. Hypothesis Test Results

1. t Test Result (Parsial test)

Test t aims to determine the effect of independent variables individually on the dependent variable. The following table is t test result:

Table Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1,783	,143		12,502	,000
	MO	1,030	,512	,259	2,009	,049
	Profit	-,295	,276	-,138	-1,067	,291

Based on SPSS output results partial test tables in the regression analysis can be summed up as follows:

1. Managerial Ownership variable partially significant effect on firm value, because t count> t table (2,009> 2,002) so that H1 accepted.
2. Profitability Variables partially no significant negative effect on firm value, because t count<t table (-1.067 <2.002) So that H2 not accepted.

2. Determination Coefficient Test Results (R^2)

The value used is R square because the independent variables used in this study are non-random and purposive sampling although more than two variables as in the following table:

Table Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,273[a]	,075	,062	,45731	2,006

a. Predictors: (Constant), Profit, MO
b. Dependent Variable: FV

From the results of multiple regression processing is known that the value of correlation coefficient (R2) is 0.075 means the relationship between independent variables have a relatively strong relationship because it is above 0.05. This means that the independent variables are able to explain the variation of the dependent variable, which is 7.5% and the remaining 92.5% is influenced by other factors outside the research model, while the Error of the Estimate standard is 0.45731 shows the model the regression equation is appropriate to predict the dependent variable.

E. Discussion

To answer the hypothesis, research results on relationship of managerial ownership and profitability to firm value can be described in the points as follows:

1. Managerial Ownership Associate to Firm Value

This managerial ownership brings a fresh breeze to the business continuity of the company because stakeholders other than earning a salary can also enjoy the profit, if the company is profitable so that they will be more persistent and serious to run the business both in making a careful and precise decision or in making the breakthroughs positive in dealing with business dynamics.

One of the right managerial policies is corporate social activities in the form of Good Corporate Governance (GCG) activities that can lift firm value is very positive in the eyes of the community but it can succeed if there is a wholehearted sincere intention to share in implementing the GCG so that people can really feel the benefits.

Various business breakthroughs are done because with this managerial ownership can multiply the morale of the stakeholders who have percentage of shares of the company where they work it can be illustrated on the results of t test in this study which shows a positive t value of 2.009 with a significance value of 0.049 < 0.05 it can be stated that the results of this study is managerial ownership has a positive and significant effect on firm value.

2. Profitability Associate to Firm Value

In this research, profitability using Return on Asset, the higher profitability achieved by the company, the higher the value of the asset, so to increase firm value must improve its performance. Low profitability shows the prospect is not good so that the selling price can be below the nominal value. Expected good stock returns investors saw by company name first, then field what effort and look company's trade record and then to be sure to learn figure-by-figure financial statements. Further analyzed profitability from year-to-year whether the trend continues to rise or vice versa if the trend rises the selling price of the stock will sell above the nominal value. But otherwise it will be sold below its nominal value.

Firm's value will be lifted by profitability showed an increasing trend year after year. But besides profitability can also lower the value of the company. This can occur due to the increasing profitability of companies will improve operations. So the costs incurred from this activity will also increase. This increase in costs will result in the company drawing up more costs, resulting in inadequate stock returns for investors, will have a negative effect or may hurt firm value. This can be illustrated on t test results in this study which showed a negative t count value is -1.067 with a significance value of 0.291. So it can be stated that the results of this study is profitability has a negative and insignificant effect on firm value.

Conclution and Suggesion

Conclution

Based on the results of the research analysis can be concluded as follows:

1. Managerial ownership has a positive and significant effect on firm value so that H1 is accepted. If the managerial ranks share the company's shares then the performance dedicated to the company will be multiplied by the outpouring and the totality of their professionalism will be explored so that in turn will lift firm value.
2. Profitability has no significant negative effect on firm value, so H2 not accepted. Profitability will increase the concentration of funds used for corporate operations, as with increasing profitability, firms will be interested to continue to increase profits that increase operational capital costs. besides, if the policy is not taken properly then this policy will disrupt the balance of costs for other posts, for example for the return of investors cut to finance such operations.

Suggesion

Based on analysis results of discussion and some conclusions, it can be submitted suggestions as follows:

1. In future research need to add fundamental and other economic variable as independent variable, because it is possible other variable not included in this research have a strong effect to firm value.
2. Add the study period longer so that the results would be more generalizable and to expand research and to produce better analysis.

Bibliography

Agung, Satmoko dan Sudarman. 2011. *Impact of Personal Taxes on Corporate Dividend Policy and Capital Structure Decisions*, Finance Management. *Financial Management Association*. 19 (2), pp. 21-31.

Belkaoui, Ahmed R. 2007. *Accounting Theory*. Buku 2. Jakarta: Salemba Empat.

Brigham, Eugene F., dan Houston, F. Joel. 2001. *Financial management. Eighth Edition.* Jakarta: Erlangga.

Cristiawan dan Tarigan. 2007. *Managerial Ownership, Performance Debt Policy, Corporate Value. Journal of Accounting and Finance,* Vol.9, NO. 1, 1-8.

Diyah, Pujiati, dan Widanar, Erman. 2009. Influence To Company Value: Financial Decision as Intervening Variable. Journal of Business Economics and Venture Accounting, Vol. 12. No. 1, 71-86.

Eli, Safrida. 2008. Influence of Capital Structure and Corporate Growth on Corporate Value at Manufacturing Company in Jakarta Stock Exchange. Publications Thesis. University of Northern Sumatra. Medan

Erni, Masdupi. 2005. Analysis of the Impact of Ownership Structure on Debt Policy in Controlling Agency Conflict, Journal of Economics and Business of Indonesia, Vol. 20, No. 1, Januari, pp 57-69.

Fama, E.F.Effect 1978. of Thea Firm's Investment the Welfare of its *American* Security *Economic Review* 68 : Holders June. 272-284.

Harjito, Martono. 2010. Financial management. Ekonesia FE UII Campus Condong Catur Depok Sleman Yogyakarta.

Horne, Van C. James dan Wachomics, John. 2005. *Principles of Financial Management*. Jakarta: Salemba Empat.

Houston dan Brigham. 2006. *Principles of Financial Management*. Jakarta: Salemba Empat.

Horngren, Foster, Datar. 2000. *Cost Accounting a Managerial Emphasis*. Prentice – Hall Inc. New Jersey. USA.

http://widhiarso.staff.ugm.ac.id. 2011. *Adjusted_r_squared_spss/comment-page-3/.* faculty of Psychology UGM Yogyakarta.

Husnan Suad and Enny, Pudjiastuti. 2004. *Fundamentals of Financial Management. 4th Ed*. Yogyakarta: UPP AMP YKPM.

Ikatan Akuntan Indonesia. 2009. *Statement of Financial Accounting Standards*. Jakarta: Salemba Empat.

Imam, Ghozali. 2013. *Application of multivariate analysis with SPSS program.* Diponegoro University Press.

Isrina, Damayanti. 2006. Influence Analysis of Free Cash Flow And Share Ownership Structure To Debt Policy In Manufacturing Companies In Indonesia. Essay UII

Kusumastuti, Sari, Supatmi, and Sastra, Perdana. 2005. The Influence of Board Diversity on Corporate Values in a Corporate Governance Perspective. Journal and Finance. Vol 9. No.2 November. 2007 pp 88-98.

Kusumastuti, Yani Sri. *The Degree of Banking Industry Competition in Indonesia After the Economic Crisis. 2008. Indonesian Business and Finance Journal*. Vol.23, No.1, 29-42.

Made, Bagus and Rahyuda, 2016. The influence of managerial ownership and firm growth on firm value on manufacturing companies in Indonesia stock exchange (capital structure as moderating variable), ISSN: 2337-3067 E-Journal of Economics and Business Universitas Udayana 5.1 (2016) : 143-172.

Masdupi, Erni. 2005. Analysis of the Impact of Ownership Structure on Debt Policy in Controlling Agency Conflict, Journal of Economics and Business of Indonesia, Vol 20, No. 1, Januari, pp 57-69

Moniaga Fernandes 2013. Capital structure, profitability and cost structure to the value of ceramic, porcelain and glass industry enterprises period 2007 - 2011, EMBA Journal 433 Vol.1 No.4 December 2013, pp. 433-442 ISSN 2303-1174

Petronila T.A and Mukhlasin. 2003. The Influence of Profitability of Companies on The Timeliness of Financial Reporting With Audit Opinion as Moderating Variables, Journal of Economics And Business PP. 17-26 pp. 1-32.

Rachmawati, Andri and Triatmoko, Hanung. 2007. Analysis of Factors Affecting the Company's Profit and Values Quality. Presented at the National Symposium on Accounting (SNA) X Makasar.

Sartono, Agus. 2007. *Financial Management: Theory and Applications*, BPFE UGM, Yogyakarta.

Setya Danny Aditama, 2013. Influence of management ownership, institutional ownership, Leverage and corporate social responsibility disclosure to company value At manufacturing company in Indonesia stock exchange, Journal of UMS.

Subchan, Sudarman. 2011. Influence of Capital Structure, Dividend Policy and Performance to Company Value. Journal of Economics-Management-Accounting. Vol 18, No. 30

Sri Ayu MD and Wirajaya Ari, 2013. Effect of capital structure, profitability and firm size on firm value. Journal of Udayana University.

Sri, Sofyaningsih and Pancawati, Hardiningsih. 2010. *Ownership Structure, Dividend Policy, Debt Policy and Corporate Values. University of Stikubank.*

Sujoko, 2007. Influence of Stock Ownership Structure, Leverage, Internal Factor and External Factor to Company Value. Journal of Management and Entrepreneurship Vol. 9 no. 1, Christian Pera Surabaya University.

Sugiyono. 2007. Educational Research Methods. Bandung: Alfabeta.

Suteja Jaja and Manihuruk, 2009. The influence of capital structure, capital ownership, and external factors on the determination of corporate value, Pasundan University Bandung. Trikonomika Volume 8, No. 2, December 2009, pp. 78–89 ISSN 1411-514X.

Suwardjono. 2005. *Accounting Theory: Financial Reporting Engineering (III Edition)*. Yogyakarta: BPFE.

Umi, Mardiyati, Ahmad, Gatot Nazir, and Ria, Putri. 2012. Influence of Dividend Policy, Debt Policy and Profitability to Value of Manufacturing Company Listed on Indonesia Stock Exchange (IDX) Period 2005-2010. Journal of Indonesian Science Management Research (JRMSI) vol. 3, No. 1, 2012.

Intiyas, Utami. 2004. *Practice Studies of Accounting Engineering Revealed Through Mass Media. Dian Economics*. UKSW. Salatiga.

Wein, Permanasari I. 2010. Effects of Management Ownership, Institutional Ownership and Corporate Social Responsibility Against Company Value Journal of Economics and Business. Diponegoro University 22, 21-28.

www.idx.co.id.