

CAPITAL STRUCTURE, FIRM SIZE AND PROFITABILITY INFLUENCE ON COMPANY VALUE WITH MANAGERIAL OWNERSHIP AS MODERATION VARIABLES

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ABSTRACT

The results of this study look for the relationship between the influence of managerial ownership as a moderating variable between the independent variables, namely capital structure, firm size and profitability on the dependent variable, namely firm value. Population in manufacturing companies listed on the IDX in 2015-2020. The method of selecting the sample by purposive sampling is 65 companies and the number of observations is 390 units of observation. This study uses panel data regression analysis. In the goodness of fit analysis test the results have an effect together and the t parameter test results that have a positive effect on firm value are capital structure and profitability. While that has a negative effect on the value of the company is the size of the company. The existence of a moderating variable, namely managerial ownership in the relationship between capital structure and firm value has a positive effect, firm size has no effect on firm value and profitability has a negative effect on firm value.

Keywords

Capital Structure, Firm Size, Profitability, Managerial Ownership, Firm Value

INTRODUCTION

Firm value is an investor's assessment of the stock price of a company. The higher the value of the stock price, the higher the company value. Investors to invest in shares are interested in companies where the company's performance is high to add value to the company (Ayu & Sumadi, 2019).

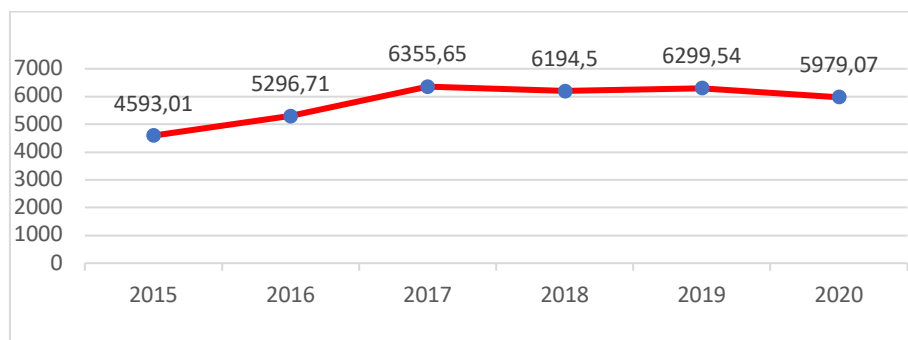


Figure 1. Development of IDX Registered JCI for the 2015 - 2020 period

Source: Data processed from the 2020 Statistics Center Report

Figure 1 explains that the development has decreased. This decrease will result in the value of manufacturing companies decreasing so that investors and lenders do not invest in the company. Of course, it will have an impact on hampered production turnover so that the company will experience bankruptcy. The emergence of a conflict of interest called the agency problem between the first agent or called management and the principal or called the owner of the company in the process of maximizing the value of the company. The management is contrary to the company's main goal, namely increasing the value of the company and prioritizing the welfare of the company owner because their own interests take precedence. This behavior will result in additional costs for the company. Agency conflicts can be reduced if a supervisory mechanism is implemented by aligning conflicts of interest. Because of this, agency costs arise or are called agency costs. The value of agency costs can be minimized by the management owning shares of the company (Dewi & Abundanti, 2019).

According to the Ministry of Industry, manufacturing companies are an important sub-sector in the National GDP during the 2014–2019 period, contributing an average of 20% to the National GDP. The growth of the manufacturing sector according to BPS data from 2015-2018 is below 5% of National GDP growth. This contradicts the growth target and economic structure of the 2015-2019 Medium Term Development Plan (RPJM) with an average growth of 7.4%. On the other hand, the Performance Report of the Ministry of Industry realized the investment value for the 2015 - semester I 2019 period increased and managed to record an investment value of Rp. 1173.5 trillion. The increase in the realized value of the investment will result in an increase in the company's profit. Increased company value will affect stock prices and investors will want to invest their investment in trusted companies. The impact of this will affect the increase in a country's economy and national income. Seeing the importance of firm value and the many influencing factors including the following: capital structure, firm size, profitability and managerial ownership.

Capital structure is related to corporate debt, many companies do not use large amounts of debt. The higher the amount of debt will make the company go bankrupt. Companies with a small amount of debt, the risk of bankruptcy is low. Investors are interested in investing in stocks and the high demand for shares will make the company's value high as well (Hanafi et al, 2016:309). Research result Kusumawati & Rosady (2018), Dahar et al., (2019), and Sudiyatno et al., (2020) that capital structure has a significant and positive effect on firm value. Furthermore, according to Mayangsari (2018), Elisabet & Mulyani (2019) and Kusumastuti et al., (2019) capital structure has no effect on company value.

Firm size is based on the calculation of the total assets the company has. The size of the company means the number of assets is large. Opportunities for large companies to obtain funding come from internal and external sources due to easy access to the capital market (Ardiana & Chabachib, 2018). Based on research findings from Tondok et al (2019), Sudiyatno et al (2020) and Shaleh & Kurniasih (2021) states that firm size has a significant and positive effect on firm value. Based on the findings of Astuti et al (2019), Dahar et al (2019) and Surjandari et al (2019) states that the size of the company has no effect on the value of the company.

Profitability in the company as the ability to earn profit from the sale of the company, total assets and own capital. The better the profitability growth, of course, the profit will increase and the price value of the shares will increase. So that the condition of the company that will come in the eyes of investors will be assessed as getting better (Sartono, 2016). Based on research findings from Dahar et al (2019), Setyawati (2019) and Sudiyatno et al (2020) stated that profitability has a significant and positive influence on company value. Based on research findings from Dama & Tulung (2017), Astuti et al (2019) and Shaleh & Kurniasih (2021) stated that profitability has no effect on company value.

Firm value can be influenced in addition to fundamental factors, namely technical factors that can affect stock returns. Ayako & Wamalwa (2015) mention that these technical factors as intangible asset variables. One of the technical factors that investors consider when investing is the company's shareholding structure. According to Sartono (2012) that managerial ownership is management which has a number of shares of all share capital in the company. In practice, there is still an agency conflict between the first party, namely management and the second party, namely the shareholders. The emergence of agency conflicts due to the lack of a share of the total share ownership of managers of 100%. So that the first party will tend to prioritize personal interests rather than being oriented towards the company's main goals (Kusumastuti et al 2019).

Framework For Thinking and Hypotheses

a) Effect of capital structure on firm value

Hanafi (2016) states that in the trade-off theory regarding capital structure, there are actually several things that prevent companies from using a lot of debt. One of the most important things is the higher the debt, the higher the bankruptcy rate of the company. According to Atmaja (2008: 259) states that a good capital structure for a company is able to balance the benefits of using debt with agency and bankruptcy costs. In this way each additional debt increases the value of the company. Previous studies that support the establishment of the first hypothesis in this study are: Kusumawati & Rosady (2018), Dahar et al (2019), Tondok et al (2019) and Sudiyatno et al (2020) concluded that capital structure has a significant and positive effect on firm value.

H1 = Capital structure has a positive effect on firm value

b) Effect of firm size on firm value

The size of the company according to Dewi and Wirajaya (2013) explains that the larger the size of a company, the easier it is to obtain funding sources both internal and external. Increasing the source of funds will increase the company's operations and the value of the stock price will increase. The increase in the company's stock price indicates an increase in the value of the company. Previous research that supports the establishment of the second hypothesis in this study, namely Ariesanti & Soegiarto (2018), Tondok et al (2019), Sudiyatno et al., (2020) obtained the results of firm size having a significant and positive effect on firm value. The second hypothesis that can be made based on this description is:

H2 = Firm size has a positive effect on firm value.

c) Effect of profitability on firm value

Increasing profits is quite high and stable, indicating better prospects for the company and providing good information to investors (Munawir, 2010: 5). Indirectly increase the demand for company shares and the value of the company will increase. Previous studies that support the determination of the third hypothesis in this study are: Dahar et al (2019), Puspita & Hermuningsih (2019) and Sudiyatno et al (2020) obtained profitability results that have a positive and significant effect on company value. The third hypothesis that can be made based on this description is:

H3 = Profitability has a positive effect on firm value.

d) The capital structure which is moderated by managerial ownership has an effect on firm value

Kusumastuti et al., (2019) states that increasing the amount of certain debt for companies against their own capital is used to obtain company funding and monitor responsibility and control from management to carry out operations in accordance with the interests of the company. So that the management has a role as a shareholder and always tries to maximize the value of the company. In addition, management will work optimally using this debt to improve company performance so that shareholder welfare increases. Previous studies that support building the fourth hypothesis in this study are Pratama and Wirawati (2016), Phitaloka & Kartika (2018) and Kusumawati & Rosady (2018) which states that managerial ownership is able to moderate the effect of capital structure on firm value. The fourth hypothesis that can be built based on this description is:

H4 = Capital structure moderated by managerial ownership has a positive effect on firm value.

e) Firm size moderated by managerial ownership has an effect on firm value

Agency conflict within the company is triggered by the separation of the management function and the ownership function within the company. This managerial ownership can align the interests of management and shareholders (Jensen and Meckling, 1976). The management is responsible for managing the company's assets from shareholder ownership to company operations and obtaining company returns. The larger the firm size, the greater the assets used to increase returns and the firm's value will increase. So that the size of the company greatly affects the value of the company. The fifth hypothesis that can be built based on this description is:

H5 = Firm size moderated by managerial ownership has a positive effect on firm value.

f) Profitability, which is moderated by managerial ownership, has an effect on firm value

The higher managerial ownership in the company is expected to increase the value of the company, where the management will try as much as possible for the interests of the shareholders. This is because the management as a shareholder will also get big profits so that the return received is getting bigger. When a company earns large profits it will provide positive signal information to investors and investors will be interested in buying company shares which will increase share prices in the market. So that managerial ownership will affect the relationship between profitability to increase firm value. Research conducted by Pratama and Wirawati (2016), Astuti et al., (2018), Kusumawati & Rosady (2018), and Sari & Andayani (2020) which states that managerial ownership is able to moderate the effect of profitability on firm value. As for the sixth hypothesis that can be built based on this description is:
 H6= Profitability moderated by managerial ownership has a positive effect on firm value.

METHODS

A. Data source

Research is a type of causal research whose purpose is to find out the relationship between several variables. This research data collection method is a documentation study. The data used in this study are the financial reports of manufacturing companies and the annual reports of manufacturing companies for 2015-2020. The data is obtained from various literature such as books, research journals, articles and download sites on the internet viz www.idx.co.id.

B. Population and Sample

The data used in this research is secondary data. The sampling technique used purposive sampling method obtained a total sample of 65 manufacturing companies, so that the total number of observations in this study amounted to 390 units of observation.

Table 1. Criteria for Research Objects

No	Description	Company Number
	Manufacturing sector companies listed consistently on the IDX are listed in 2015-2020.	132
	Manufacturing companies that do not publish complete financial statement data for the period ended 31 December 2015- 2020.	(4)
	Manufacturing companies that experienced losses from 2015 – 2020.	(63)
	The number of companies that meet the requirements to be the research sample	65
	Research year	6
	Number of research observations	390

C. Operational Definitions and Variable Measurements

1. Dependent Variable

a) The value of the company

Firm value is the level of success of the company's performance which is reflected in the stock price indicators on the market. Firm value can be measured by Tobin's Q. According Astuti et al., (2019) Tobin's Q is the sum of the market value of the stock and the total value of debt compared to the total value of assets.

2. Independent Variables (Independent)

a) Capital Structure (X1)

The capital structure is a comparison of the company's total debt to the company's total equity in manufacturing companies for the 2015–2019 period. According to Kusumawati & Rosady (2018) that capital structure can be measured by financial ratios, namely the Debt to Equity Ratio (DER).

b) Firm size (X2)

Firm size shows the size of a company based on the assets owned (Fajar et al., 2018). Firm size can be measured by the total assets owned by the company 2015–2020.

c) Profitability (X3)

Profitability is a company's ability to generate profits on its share capital. According to Pasaribu et al., (2016) Profitability can be measured using return on equity (ROE), which is the rate of return on the equity of the company owner.

3. Moderation Variable

a) Managerial ownership

Moderating variables are variables that influence either strengthening or weakening the relationship between the independent and dependent variables (Sugiyono, 2018). According to Pasaribu et al., (2016) that the unit of measurement of managerial ownership is measured by the number of managerial and board of commissioners shares divided by the number of outstanding shares,

Table 2. Operational Variables

Research variable	Variable Indicator Formula	Measurement Scale
Mark Company (Y)	Tobin's Q = $\frac{\text{Total Market Value} + \text{Total Liabilitas}}{\text{Total Aset}}$	Ratio
Capital Structure (X1)	DER = $\frac{\text{Total Liabilitas}}{\text{Total Ekuitas}} \times 100\%$	Ratio
Firm size (X2)	Firm size = Ln total assets	Ratio
Profitability (X3)	ROE = $x100\% \frac{\text{Laba setelah pajak}}{\text{Total Ekuitas}}$	Ratio
Managerial ownership (Z)	Kep. Managerial = $x100\% \frac{\text{Kep Saham Manajerial} + \text{Komisaris}}{\text{Jumlah saham yang beredar}}$	Ratio

4. Analysis Method

The analytical method uses panel data regression analysis (pooled data) due to the use of time series and cross section data. The tools for managing data in this study were Microsoft Excel and Eviews 9 software. The study used two equation models, namely the first equation model before being moderated and the second equation model after moderation.

RESULTS

A. Descriptive Statistical Analysis

Table 3. Descriptive Statistical Analysis

	CS	FS	PROF	MO	FV
Means	89.88162	28.96497	14.07600	5.727897	1.751795
Maximum	502.2800	33.49000	145.0900	72.18000	14.31000
Minimum	0.350000	25.75000	0.04000	0.000000	0.270000
std. Dev.	75.69112	1.690911	19.96115	13.45902	1.904074
Observations	390	390	390	390	390

Source : Output E-Views version 9

Number of samples (N). The number of observations of manufacturing companies listed on the IDX for 6 years was 390 units of observation consisting of capital structure (CS), firm size (FS), profitability (Prof), managerial ownership (MO) and firm value (FV).

Firm size has a minimum value of 25.75000 (equivalent: Rp. 152,319,404,731) owned by and a maximum value of 33.49000 (equivalent: Rp. 351,958,000,000,000) with a mean or average value of 28.96497 (equivalent: Rp. 3,800,969,212,144) while the standard deviation value is 1.690911.

Profitability has a minimum value of 0.04000 and a maximum value of 145.0900 with a mean or average value of 14.07600 and a standard deviation value of 19.96115. This means that on average the sample companies were able to earn a net profit of 14.07 percent of the company's total revenue in one period.

Managerial ownership has a minimum value of 0.000000 and a maximum value of 72.18000. With a mean or average value of 5.727897 and a standard deviation value of 13.45902. This means that the average managerial share ownership in the company is 5.72 percent of the company's outstanding shares. **The value of the company** has a minimum value of 0.270000 owned and a maximum value of 14.31000 owned. With a mean or average value of 14.07600 and a standard deviation value of 19.96115. This shows that the company's value is greater than the recorded asset value. If the Tobin's Q value is more than one then the company generates a higher rate of return than that issued by the cost of assets.

B. Model Selection Test

The results of the panel data regression from the processed data show that model estimation, namely the Common Effect Model, Fixed Effect Model and Random Effect to obtain a suitable model of the 3 models, can be carried out with the following Chow, Hausman and Lagrange Multiplier Tests:

1. Chow test

Table 4. Chow test

Effect Test	Statistics	df	Prob.
Model equation 1			
Cross-section F	22.490462	(64,321)	0.0000
Chi-square cross-sections	663.721223	64	0.0000
Model equation 2			
Cross-section F	22.378633	(64,319)	0.0000
Chi-square cross-sections	664.124766	64	0.0000

Source: Processing results of Eviews 9

Table 4 shows that the Chow test is the probability value *Chi-square cross-sections* as big 0.0000 or less than 0.05. These results conclude that the model equation model 1 and model 2 equation that was chosen is the Fixed Effect Model.

2. Hausman test

Table 5 Hausman Test

Test Summary	Chi-Sq. Statistics	Chi-Sq. df	Prob.
Model equation 1			
Random cross-sections	52.404875	4	0.0000
Model equation 2			
Random cross-sections	55.139349	6	0.0000

Source: Processing results of Eviews 9

Table 5 shows that the probability value *Random cross-sections* model 1 equation and model 2 equation is 0.0000 or less than 0.05. These results confirm that the best model is the fixed effect model, so there is no need to do the Lagrange Multiplier test.

3. Classic assumption test

The classic assumption test is carried out at a minimum Multicollinearity and Heteroscedasticity tests for the requirements to meet the BLUE assumption (Best Linear Unbiased Estimation) in panel data regression (Ekananda, 2016).

4. Multicollinearity

Table 6. Multicollinearity Test

	FV	CS	FS	PROF	MO
FV	1.000000	0.224260	0.145410	0.678207	-0.084919
CS	0.224260	1.000000	0.167038	0.018053	-0.100053
FS	0.145410	0.167038	1.000000	0.191474	-0.098871
PROF	0.678207	0.018053	0.191474	1.000000	-0.068943
MO	-0.084919	-0.100053	-0.098871	-0.068943	1.000000

Source : Output E-views version 9

Based on table 6 it appears that the correlation coefficient between variables is <0.90. So it can be concluded that there are no symptoms of multicollinearity between the independent variables.

5. Heteroscedasticity

The Common Effect and Fixed effect panel data regression models are suspected to be affected by the heteroscedasticity problem considering the underlying assumption is Ordinary Least Square (OLS), where this does not occur in the Random Effect model which is based on the Generalized Least Square assumption. Therefore, if the selected model selection is a Common Effect or Fixed Effect model, then to avoid the problem of heteroscedasticity, you are welcome to give weight to the selected model as shown in table 7 below:

Table 7. Model Weighted Fixed Effects

Weight Statistics	
R-squared	0.948802
Adjusted R-squared	0.937568
F-Statistics	84.45329
Prob(F-Statistic)	0.000000

Source : Output E-views version 9

To analyze whether the selected Fixed Effect model is affected by heteroscedasticity or not, it must be compared to the Fixed Effect model without weights or given weights by comparing 3 parameters as shown in table 8 below:

Table 8. Comparison of Fixed Effect Models without weights and with weights

Parameter	Unweighted Fixed Effect Model	Weighted Fixed Effects Model
t-Statistic Probability	1 variable <0.05	1 variable <0.05
R-Squared	0.911145/0.891647	0.948802/0.937568
F-Statistics Probability	0.00000	0.00000

Source : Output E-views version 9

Based on the comparison of the two models, there is a significant difference in the R-Squared results. It can be seen that the fixed effect model with better weight than without weight, so that the Fixed Effect model with weights is the final model chosen as shown in table 9. So, it can be concluded that after the method of adding weights on these data, the regression model meets the assumption of homoscedasticity (Sanusi et al., 2018).

C. Panel Data Regression

Model Equation 1 : (Before inputing the moderating variable)

$$\text{Firm Value (FV)} = 112.1401 + 0.022975 (\text{CS}) - 3.588439 (\text{FS}) + 2.174894 (\text{Prof}) + \varepsilon$$

Model 2 Equation:(After inputing the moderating variable)

$$\text{Firm Value (FV)} = 113.5885 + 0.011721 (\text{CS}) - 3.552135 (\text{FS}) + 1.735260 (\text{Prof}) + 0.001018 (\text{MO*CS}) - 0.003771 (\text{MO*FS}) - 0.063099 (\text{MO*Prof}) + \varepsilon$$

Table 9. Summary of Model Equation Test Summary Results

Information	Model Equation 1			Model Equation 2		
	coefficient	t-Statistics	Prob.	coefficient	t-Statistics	Prob
C	112.1401	2.667582	0.0080	113.5885	7.301464	0.0000
CS	0.022975	2.022240	0.0440	0.011721	1.929610	0.0545
FS	-3.588439	-2.462510	0.0143	-3.552135	-6.629536	0.0000
PROF	2.174894	6.033935	0.0000	1.735260	5.717238	0.0000
MO*CS				0.001018	4.901661	0.0000
MO*FS				-0.003771	-1.918371	0.0560
MO*PROF				-0.063099	-2.253213	0.0249
R-squared	0.909109			0.948802		
adjusted						
R-squared	0.890197			0.937568		
F-statistics	48.07011			84.45329		
Prob						
(F-statistics)	0.000000			0.000000		

Source: E-views data processing 9

The coefficient constant value of model 1 equation is 112.1401 indicating that the magnitude of the influence of the independent variables: capital structure (CS), firm size (FS) and profitability (Prof) on the dependent variable: firm value (FV) with managerial ownership (MO) as a moderating variable. While the constant value of the model 2 equation is 113.5885 indicating the magnitude of the influence of the independent variables: capital structure (CS), firm size (FS) and profitability (Prof) on the dependent variable: firm value (FS) with managerial ownership (MO) as a moderating variable. The increase in the constant coefficient indicates that the influence of managerial ownership is a moderating variable.

The coefficient value for the CS model 1 equation is 0.022975 and the model 2 equation is 113.5885. The positive sign indicates that the capital structure variable has a unidirectional (positive) relationship with firm value. This means that if the capital structure increases (rises), then the value of the company will also increase (rise). The increase in the CS coefficient indicates that there is managerial ownership in the company for the capital structure will increase thereby affecting the value of the company.

The coefficient value for the FS model 1 equation is -3.588439 and the model 2 equation is -3.552135. The negative sign indicates that the firm size variable has an opposite (negative) relationship with firm value. This means that if the size of the company increases (rises), then the value of the company has no effect. The decrease in the FS coefficient indicates that the existence of managerial ownership in a company of firm size does not affect the value of the company.

The Prof coefficient value for the model 1 equation is 2.174894 and the model 2 equation is 2.1748941.735260. The positive sign indicates that the profitability variable has a unidirectional (positive) relationship with firm value. This means that if profitability increases (rises), then the value of the company will also increase (rise). The decrease in the Prof coefficient indicates that managerial ownership in the company for profitability will decrease so that the effect on firm value also decreases.

The coefficient value for the MO*CS interaction is 0.001018. The positive sign indicates that the managerial ownership variable has a unidirectional (positive) relationship with firm value. This means that the level of moderating variable strengthens managerial ownership between the effect of capital structure on firm value.

The coefficient value for the MO*FS interaction is -0.003771. The negative sign indicates that the managerial ownership variable has an opposite (negative) relationship with firm value. This means that the level of moderating variable weakens managerial ownership between the effect of firm size on firm value.

The coefficient value for the MO*Prof interaction is -0.063099. The negative sign indicates that the managerial ownership variable has an opposite (negative) relationship with firm value. This means that the level of moderating variable weakens managerial ownership between the effect of profitability on firm value.

D. Hypothesis Testing

1. Coefficient of Determination (Adjusted R-Squared)

Based on table 9 the coefficient of determination for the regression model is 0.909109, this means that the independent variable can explain the dependent variable by 90.91%. While the remaining 9.09% is explained by variables other than those in this study.

The Adjusted R-Squared value is 0.937568 in table 10 meaning that all independent and moderating variables are able to explain the dependent variable as much as 93.75%. While the remaining 6.25% is explained by variables other than those in this study.

Based on the R2 value of the model 1 equation to the model 2 equation, it has increased, from the initial value of only 90.91%. rose to 93.75% (+2.84%). Thus explaining that managerial ownership is able to moderate the influence of capital structure, firm size and profitability on firm value.

2. Goodness of Fit test

Based on table 10 it is known that the probability value (F-statistic) calculated for the equation of model 1 and model 2 is 0.00000. Because the calculated probability (F-statistic) is smaller than alpha ($0.00000 < 0.05$), it can be concluded that the model used in this study is feasible to use. So that the regression model 1 can be used to predict firm value or the independent variables used (capital structure, firm size and profitability) have a simultaneous effect on firm value. And then the second regression model can be used to predict firm value or independent variables and the moderating variable used by each of these regression models simultaneously affects firm value.

3. Parameter Test t

First Hypothesis Testing (H1)

The t-statistic value of 2.022240 has a positive effect. Thus, it can be concluded that the first hypothesis which states that the capital structure variable (CS) has a positive effect on firm value (FV) is proven or (H1 is accepted).

Second Hypothesis Testing (H2)

The t-statistic value of -2.462510 has a negative effect. Thus, it can be concluded that the second hypothesis which states that the variable firm size (FS) has a negative effect on firm value (FV) is proven or (H2 is accepted).

Third Hypothesis Testing (H3)

The t-statistic value of 6.033935 has a positive effect. Thus, it can be concluded that the third hypothesis which states the profitability variable (Prof) has a positive effect on firm value (FV) is proven or (H2 is accepted).

Fourth Hypothesis Testing (H4)

The t-statistic value is 4.901661 with a probability level value of $0.000 < 0.05$. This means that managerial ownership (MO) is able to moderate the positive effect of capital structure (CS) on firm value (FV), so that the fourth hypothesis proposed is accepted.

Fifth Hypothesis Testing (H5)

The t-statistic value is -1.918371 with a probability level value of $0.0560 > 0.05$. This means that managerial ownership (MO) is not able to moderate the negative effect of firm size (FS) on firm value (FV), so the fourth hypothesis proposed is rejected.

Testing the Sixth Hypothesis (H6)

The t-statistic value is -2.25321 with a probability level value of $0.0249 < 0.05$. This means that managerial ownership (MO) is able to moderate the negative effect of profitability (Prof) on firm value (FV), so that the fourth hypothesis proposed is accepted.

Table 10. Summary of Hypothesis Test Results

hypothesis	t-Statistics	probability	Influence	Results
H1	2.022240	0.0440	Positive	Accepted
H2	-2.462510	0.0143	Negative	Accepted
H3	6.033935	0.0000	Positive	Accepted
H4	4.901661	0.0000	Positive	Accepted
H5	1.918371	0.0560	Positive	Rejected
H6	-2.25321	0.0249	Negative	Accepted

Source : Output E-views version 9

DISCUSSION

A. Effect of capital structure on firm value

Capital structure is one of the mechanisms that affect firm value. When viewed from the value of t-statistics, the effect is positive, which means that the higher the capital structure, the higher the firm value. Thus, the capital structure can be a mechanism to increase firm value. This result means that it is in line with the existing hypothesis. Study Lubis et al., (2017), Kusumawati & Rosady (2018), Dahar et al., (2019), Sudiyatno et al., (2020) shows the same results as this study, namely capital structure has a positive effect on firm value. According to the pecking order theory, large companies prefer internal funds rather than taking on debt. Companies that take on debt for funding want an optimal capital structure, which is able to maximize company value while minimizing costs (Ariesanti, RA & Soegiarto, D., 2018).

B. Effect of firm size on firm value

When viewed from the value of t-statistics, the effect is negative, which means that the increase - decrease in the size of the company does not affect the value of the company. The size of the company is measured by measuring the amount of total assets owned by the value of total assets. According to the asymmetric information theory, funding from total assets can be used for company operations. If total assets play a large role, the company will easily gain sympathy in the capital market, so the size of the company will not affect the value of the company (Dahar et al., 2019). Most stock investors do not really pay attention to the size of the company, but rather pay attention to the company's ability in terms of capital structure and generate profits. Thus, firm size becomes a mechanism for increasing firm value. This result means that it is in line with the existing hypothesis. Study Astuti et al., (2019), Dahar et al. (2019) and Surjandari et al., (2019) shows the same thing as this study, namely firm size has a negative effect on firm value.

C. Effect of profitability on firm value

Profitability is one of the mechanisms that can increase the value of the company. When viewed from the value of the t-statistics, the effect is positive, which means that the higher the profitability, the higher the firm value. Profitability is measured by ROE, which is a ratio that shows the rate of return earned by shareholders on investment. The higher the ROE indicates that the higher the rate of return on the investment made. According to the pecking order theory theory, companies with large profit levels have greater internal funding sources, encouraging companies to use these funds to meet their needs to finance corporate investments so that the level of use of debt or external funding is relatively small and can minimize the risk of bankruptcy and debt costs incurred. Thus, profitability can be a mechanism to increase firm value. This result means that it is in line with the existing hypothesis. Study Dahar. et al., (2019), Setyawati (2019), and Sudiyatno et al., (2020) shows the same thing as this study, namely profitability has a positive effect on firm value.

D. The capital structure which is moderated by managerial ownership has an effect on firm value

The results of the interaction between the variables of capital structure and managerial ownership have positive regression t-statistic values, which means that managerial ownership has a unidirectional (positive) relationship with firm value. According to agency theory, the use of debt is expected to reduce agency conflicts within the company. The addition of debt in the capital structure will reduce the portion

of the use of shares thereby reducing the agency costs of equity. With the existence of debt, the company has the obligation to pay interest and loan principal periodically. This situation will force managers to have two roles at once, namely as an agent and as a principal, so that there is a unification of interests between shareholders and management. So it can be concluded that the level of moderating variable strengthens managerial ownership between the effect of capital structure on firm value. This result means that it is in line with the existing hypothesis. Primary and Wirawati Research (2016), Phitaloka & Kartika (2018) and Kusumawati & Rosady (2018) which states that managerial ownership is able to moderate the effect of capital structure on firm value.

E. Firm size moderated by managerial ownership has an effect on firm value

The result of the interaction between firm size and managerial ownership has a negative regression t-statistic value, which means that managerial ownership has an opposite (negative) relationship with firm value. Managerial ownership is not able to moderate the effect of capital structure on firm value. This result means that it is not in line with the existing hypothesis. Study Nugroho et al., (2019) and Astuti et al., (2018) which states that managerial ownership is not able to moderate the effect of firm size on firm value. Share ownership owned by management will not be able to increase the size of the company to the value of the company. This is because share ownership is part of the development of ownership without being accompanied by an increase in the value of the company's assets (Astuti et al., 2018).

F. Profitability, which is moderated by managerial ownership, has an effect on firm value

The result of the interaction between the profitability variable and managerial ownership has a negative regression t-statistical value, which means that it shows that the managerial ownership variable has a unidirectional (negative) relationship with the value of the company. Agency theory states that the existence of information asymmetry and the difference in the purpose of interests between managers who attach importance to their personal interests rather than the goals of the principal. The existence of this conflict has an impact on the company to bear agency costs. With agency costs, the company is charged additional expenses. Of course, it will reduce the company's profitability, so that falling profits will affect the value of the company. So it can be concluded that managerial ownership is able to moderate the influence of profitability on the value of the company. According to Komalasari & Nor (2014) that companies in Indonesia for the most part of the top leadership of the company are still held by family members. This shows that ownership of shares by family members will reduce the level of investor confidence, resulting in doubts about the ability and experience of family members to manage the company. The announcement of the selection of family members to become the leader of the company, then as a result, the stock price will fall. This is due to the negative market reaction to the selection of the company's chairman. This is in accordance with the results of research from Catherine & Septiani (2017) and Arum & Darsono (2020). This result means that it is not in line with the existing hypothesis. Research by Pratama and Wirawati (2016), Astuti et al., (2018), Kusumawati & Rosady (2018), and Sari & Andayani (2020) which states that managerial ownership is able to moderate the influence of profitability on company value.

CONCLUSION

1. Capital structure has a positive influence on firm value.
2. Firm size has a negative influence on firm value.
3. Profitability has a positive influence on firm value.
4. Managerial ownership has the ability to moderate the positive relationship between capital structure and firm value.
5. Managerial ownership does not have the ability to moderate between firm size and firm value.
6. Managerial ownership has the ability to moderate the negative relationship between profitability and firm value.

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