



The Effect of Ownership Structure on Firm Value With Debt Policy As Intervening Variable (Study on LQ45 Companies on the Indonesian Stock Exchange)

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Abstract

This study aims to determine and analyze the effect of ownership structure and debt policy on firm value. Effect of ownership structure on firm value with debt policy as an intervening variable. The population in this study were LQ45 companies in the form of financial reports downloaded from www.idx.co.id, namely 45 companies. then the companies studied were lq45 companies as many as 27 companies. The analytical method used is path analysis. The results of this study indicate that ownership structure affects firm value. Furthermore, ownership structure influences firm value with debt policy as an intervening variable. ownership structure does not affect debt policy. Debt policy does not affect the value of the company.

Keywords: Ownership Structure, Corporate Value, and Debt Policy

I. Introduction

The capital market is an activity concerned with public offerings and securities trading, public companies relating to the securities they issue, as well as securities-related institutions and professions. The capital market has an important role in the country's economy, because the capital market is a means of business funding / and a means for companies to obtain funds from investors [1].

The stock exchange is the current capital market in Indonesia, namely the Indonesia Stock Exchange (IDX). There are various types of indexes in the Indonesia Stock Exchange. The index is one of the guidelines for investors to invest in the capital market, especially stocks. The LQ45 index is one type of index on the IDX. The LQ45 index consists of 45 issuers with high liquidity, which were selected through several selection criteria. Not all issuers can be included in the LQ45 index, because the LQ45 index uses 45 selected stocks based on stock trading liquidity and is adjusted every 6 months. Thus the stocks contained in the index will always change [2].

Stocks included in the LQ45 stock index category are based on several considerations, the first of which is that stocks included in the LQ45 stock index category are stocks that have a high level of liquidity. Second, the stocks that are the object of research are stocks that are included in the LQ45 stock index during

the study period so that it can be ascertained that these stocks have a high rating compared to other members of the stock and are assumed to be stocks that investors are always looking for. capital market players, especially investors.

The main goal of companies that have gone public is to increase the prosperity of owners or shareholders through increasing company value [3]. Company value is important because it can describe the state of the company. With a good company value, potential investors will view the company favorably because a high company value reflects good company performance. In addition, the Company's value can describe the prospects and expectations for the ability to increase the Company's wealth in the future.

The main goal of the company according to the theory of the firm is to maximize the wealth or value of the firm (Salvatore, 2008). Maximizing the value of the company is very important for a company, because maximizing the value of the company also means maximizing the prosperity of shareholders which is the main goal of the company.

The current rapid development of the Indonesia Stock Exchange cannot be separated from the role of investors who make transactions on the Indonesia Stock Exchange. It is interesting for researchers to research company performance before an investor decides to invest his funds in the capital market (by buying shares traded on the stock exchange). the information obtained is correct.

The phenomenon that is happening at this time is that the Indonesia Stock Exchange (IDX) released a new list of stocks that fall into the most liquid category for the period February to July 2018. In the statement issued by the IDX, it can be seen that four stocks must be eliminated from LQ45, such as PT Astra Agro Lestari Tbk (AALI), PT PP London Sumatra Indonesia Tbk (LSIP), PT PP Properti Tbk (PPRO), and PT Summarecon Agung Tbk (SMRA). The space was filled withdika Energy Tbk (INDY), PT Chandra Asri Petrochemical Tbk (TPIA), PT Trada Alam Minera Tbk (TRAM), and PT Waskita Beton Precast Tbk (WSBP). At the close of trading (25/1/2018) the four stocks turned green simultaneously. (Warta Ekonomi.co.id, 2018)

Firm value is the price paid by prospective buyers if the company is to be sold. Firm value is reflected in a stable stock price, which in the long run has increased, the higher the stock price, the higher the firm value where the company owner wants a high firm value as well. Firm value is indicated by price book value (PBV) which is important in describing the performance of a company and can influence the pteranodons of potential investors. Financial managers are required to be able to carry out their duties in managing finances correctly and as efficiently as possible to increase company value through achieving better pebyce [4].

According to agency theory, Agencyrelationship between shareholders as principals and management as agents. Management is a party contracted by shareholders to work in the interests of shareholders. Because they are elected, the management must be accountable for all their work to the shareholders. Jensen and Meckling define the agency relationship as agent relationship as a contingency under which one or more principal persons engage another person (the engage to perform some service for them which involves delegating some decision-making authority to the agent. If both parties have the same goal of maximizing the value of the company, then it is believed that the agent will act in a way that is by the intestinal.

The proportion of managerial shares in the company indicates that there is a common interest between the owners and managers of the company. This common interest will motivate managers to improve their performance so that it will have an impact on the better company's financial performance [5]. The research [6] results in the hip have a positive and significant effect on the company's financial performance.

Factors that affect the value of the company, which in turn is the debt policy. Debt policy is a policy carried out by a company to fund its operations using financial debt or what is commonly called financial leverage [7]. Companies with the use of higher debt levels will be able to increase their earnings per share which will ultimately increase the company's stock price, which means increasing the value of the company.

Debt policy is one of the funding tools which is a contractual claim on the company's cash flow (not a function of its operating performance). This identifies

that in a debt claim it means that the creditor is entitled to cash flow after the company has fulfilled all other obligations. Debt policy is often measured by the debt-equity ratio. The debt debt-equity is the total debt (both short-term and long-term deshort-terms by total assets (both current assets and fixed assets).

This has happened to several LQ45 companies on the Indonesia Stock Exchange, such as the phenomenon of increasing the Debt to Equity Ratio. In 2015, the Debt to Equity Ratio of PT Indofood Sukses Makmur Tbk, which had a Debt to Equity Ratio of 108% in 2014, became 113% in 2015. The same problem occurred with PT Tiga Pilar Sejahtera Food Tbk, which had a Debt to Equity Ratio of 105% in 2014 to 128% in 2015. The company's average Debt to Equity Ratio is more than 50%, which means more than 50% of the capital comes from debt. The e large enough composition of debt compared to capital causes the company to have to make interest payments on the debt itself which causes reduced income and the risk that the company is unable to pay debts and it is relatively difficult to ask for additional credit for financing. (idx.co.id, 2018)

According to Miller and Modigliani's theory, debt policy will also be related to firm value. Taking into account taxes, the company value or share price will be determined by its capital structure [8]. The higher the proportion of debt, the higher the stock price, but at some point, the increase in debt will, reduce the value of the company because the benefits derived from using debt are smaller than the costs incurred. Research [9] influences debt policy on firm value.

Based on the descriptions and gaps that have been stated, in this study, the researcher examines "The Influences of Ownership Structure on Firm Value with Debt Policy as an Intervening Variable (Study on LQ45 Companies on the Indonesia Stock Exchange).

II. THEORETICAL FRAMEWORK

The value of the company

Firm value is an investor's perception of the company, which is often associated with stock prices. High stock prices make the company value also high. The main objective of the company according to the theory of the firm is to maximize the wealth or value of the firm (value of the firm). Maximizing the value of the company is very important for a company, because maximizing the value of the company also means maximizingprosperityerity of shareholders which is the main goal of the company [3].

Company value is the price that prospective buyers are willing to pay if the company is sold [10]. And firm value is the market value of outstanding company debt and equity securities. Firm value is an investor's perception of the company's level of success which is often associated with stock prices [11]. High stock prices make the company value also high. The high corporate value will mThe high the

market believes not only in the company's current performance but also in the company's prospects in the future.

The value of the company, which is formed through indicators of the stock market value, is strongly influenced by investment opportunities. Investment spending provides a positive signal about the company's growth in the future, thus increasing stock prices as an indicator of company value (signaling theory) [12].

The relationship between market price and book value per share can also be used as an alternative approach to determining the value of a share, because theoretically, the market value of a share must reflect its book value. The value of the company can be reflected in the value of its shares [13]. If the stock value is high, it can be said that the value of the company is also good. Because the main goal of the company is to increase its value of the company through increasing the prosperity of the owner or shareholders.

Company value can be measured by Price to Book Value (PBV), which is the ratio between stock price and book value per share. If the company's stock price is high, it can be concluded that the company's value is also good, because a company is said to have good value if the company's performance is good, which is reflected in its stock price [14].

The Price Book Value (PBV) ratio was chosen because it can provide guidance regarding what investors think about the company's past performance and prospects. Price values provide another indication of how investors view the company. Companies with relatively high returns on equity usually sell shares several times their book value, compared to companies with low returns. To calculate the Price to Book Value (PBV), we must first calculate the book value per share. The book value per share is the total common stock equity divided by the number of outstanding common shares [15].

From the description above, it can be concluded that company value is the company's selling value or added value for shareholders, as seen from the comparison between share price and book value per share to obtain an objective measure of value by the public and orientation towards company survival.

Ownership Structure

The ownership structure is the type of institution or company that holds the largest share in a company. Ownership structure will have different motivations in monitoring the company and its management and board of directors. The ownership structure is believed to have the ability to influence the running of the company which in turn can affect the company's performance [12]. Agency problems can be reduced by having an ownership structure. The ownership structure is a mechanism to reduce conflict between management and shareholders [5].

Managerial ownership and institutional ownership are two corporate governance mechanisms that can control agency problems [5].

The proportion of total managerial ownership in a company can indicate that there is a common interest between management and shareholders. Meanwhile, institutional shareholders have more expertise than individual investors, especially the majority institutional shareholders or above 5%. Large institutional shareholders are assumed to have a long-term investment orientation. Institutional ownership generally acts as a party that monitors the company [5].

In modern companies, corporate ownership is usually very dispersed. The day-to-day operations of the company are run by managers who usually do not have a large share of ownership. In theory, managers are agents or representatives of owners. But in reality, they control the company. Thus, conflicts of interest between owners may occur. This is called an "agency problem", namely the divergence of interests that arises between the owner and the agent [16].

The ownership structure is very important in determining the value of the company. Two aspects to consider are (1) outsider ownership concentration and (2) manager ownership. Owners of companies from outsiders are different from managers because it is unlikely that owners from outsiders are involved in the company's daily business affairs [16]. The share ownership structure is divided into 2, namely institutional ownership and management ownership in the company.

From the several opinions above, it can be concluded that the ownership structure is in the form of individual investors, the government, and private institutions. The ownership structure is divided into several categories. Specifically, the ownership structure category includes ownership by domestic institutions, foreign institutions, government, employees, and domestic individuals.

Debt policy

The company's debt policy is a policy taken by management to obtain funds from third parties to finance the company's operational activities. Funding decisions by management will affect company research which is reflected in stock prices. Therefore, one of the tasks of financial management is to determine a funding policy that maximizes the stock price which is a reflection of a company's value [17].

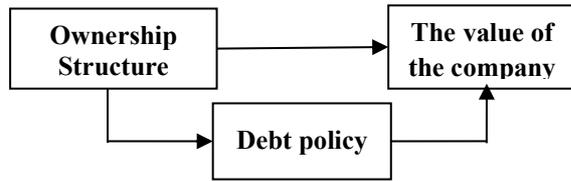
Debt policy relates to management's decision to increase or decrease the proportion of long-term debt and equity used in financing the company's operations [18].

Debt policy is a very important decision in the company. Where the debt policy is one part of the company's funding policy. Debt policy is a policy taken by management to obtain financing for the company so that it can be used to finance the company's operational activities [19].

From the above opinion, it can be concluded that debt policy is a policy taken by management to

obtain funds to tom third parties to finance the company's operational activities.

Research Framework



Hypothesis

Based on the framework above, the hypothesis can be formulated as follows:

1. Ownership structure influences debt policy
2. Ownership structure affects the value of the company
3. Debt Policy affects the value of the company
4. Ownership structure influences firm value with debt policy as an intervening variable

III. RESEARCH METHODS

Research sites

This research was conducted using financial data of LQ45 companies listed on the Indonesia Stock Exchange (IDX) for the 2013-2016 period.

Population and Sample

A population is a complete group of entities which can be in the form of people, events, or objects that have certain characteristics, which are within an area and meet certain requirements related to research problems” [20]. The population used in this study were LQ45 companies in the form of financial reports downloaded from www.idx.co.id, namely 45 companies. So the companies studied in lq45 companies were 27 companies.

Data Types and Sources

The data used in this study is a secondary data type. Secondary data is data collected indirectly from the source. Secondary data has usually been collected by data collection agencies and published to the data user community.

Data were obtained from the Indonesia Stock Exchange using several media, both electronic and written media, in the form of the website www.idx.co.id, as well as monthly, quarterly and annual reports issued by the Indonesia Stock Exchange. The periodization of research data which covers annual period data from 2013 to 2016, as well as the Indonesia Stock Exchange is seen as sufficiently representative of the extent to which the influence of the independent variables has on the dependent variable.

Method of collecting data

In this study, the data source used was secondary data obtained using documentation, where the data obtained was not obtained directly from the object under study. In this research, the data were

obtained through the websites www.idx.co.id, www.finance.yahoo.com, www.duniainvestasi.com, and literature related to the problem under [21].

Data analysis method

The analytical method used is path analysis. Path analysis is an extended regression model that is used to test the alignment of the correlation matrix with two or more causal models compared by researchers. The model is depicted in the form of circles and arrows where single arrows indicate causes [21].

IV. RESEARCH RESULT

Path Analysis

Hypothesis testing was carried out in this study using path analysis. The variables studied are Managerial Ownership Structure (X1), debt policy (Y1), and firm value (Y2).

Structural Equation 1

Individually Significant Test (t-test)

Individual tests are used to determine the effect of the ownership structure variable (X1) and on debt policy (Y1). The results of the t-test statistical analysis can be seen in table 3 below:

Table 3
Structural Equation Test Results 1

Model	Standardized Coefficients	t	Sig.
	Sig.		
1 Ln_Struktur Kepemilikan		1.130	.261
	-.032	-.326	.745

a. Dependent Variable: Ln_DER

Source: Processed Data, 2018

Effect of Ownership Structure on Debt Policy

The results of this study show that there is a significant influence between ownership structure and debt policy. This is evidenced by the path coefficient value of -0.032 and the calculated t value of -0.326 < from the t table of 1.982 and the large significance value of 0.05 (a = 5%), namely 0.745 > 0.05. It can be interpreted that the ownership structure has no significant effect on debt policy. So these results state that the ownership structure influences the rejected debt policy.

Structural Equation 2

Individually Significant Test (t-test)

Individual tests are used to determine the effect of the ownership structure variable (X1) on firm value (Y2). The results of the t-test statistical analysis can be seen in table 5 below:

Table.4
Structural Equation Test Results 2

Coefficients

Model	Standardized Coefficients	t	Sig.
	Beta		
1 (Constant)		-.584	.560
Ln_Struktur Kepemilikan	-.217	-3.166	.002

a. Dependent Variable: LnPBV
Source: Processed Data, 2018

Effect of Ownership Structure on Firm Value

The results of this study show that there is a significant influence between ownership structure and firm value. This is evidenced by the path coefficient value of -0.217 and the calculated t value of -3.166 > from the t table of 1.982 and a significance value of less than 0.05 (a = 5%), namely 0.002 < 0.05. It can be interpreted that the Ownership Structure has a positive and significant effect on Firm Value. So these results state that the ownership structure affects acceptable firm value.

Structural Equation 3

Individually Significant Test (t-test)

Structural Equation 3 $Y_2 = \rho_{1y3}X_1 + \rho_{2y3}Y_1 + \rho_{\epsilon 1}$ is calculated by regressing between the variable Ownership Structure (X1) and debt policy (Y1) with firm value (Y2) so that it will get individual influence and the coefficient of determination (R^2).

Table.5
Structural Equation Test Results 3
Coefficients

Model	Standardized Coefficients	t	Sig.
	Beta		
(Constant)		3.713	.000
1 Ln_Struktur Kepemilikan	-.388	-4.462	.000
Ln_DER	-.153	-1.770	.080

a. Dependent Variable: LnPBV
Source: Processed Data, 2018

Effect of Ownership Structure on Firm Value

The results of this study show that there is a significant influence between ownership structure and firm value. This is evidenced by the path coefficient value of -0.388 and the calculated t value of -4.462 > from the t table of 1.982 and a significance value of less than 0.05 (a = 5%), namely 0.000 < 0.05. It can be interpreted that the ownership structure has a positive and significant effect on firm value. So these results state that the ownership structure affects firm value is acceptable.

The Influence of Debt Policy on Firm Value

This study shows that there is a significant influence between debt policy on firm value. This is evidenced by the path coefficient value of -0.153 and the t-count value of -1.770 < from the t-table of 1.982 and a large significance value of 0.05 (a = 5%), namely 0.080 > 0.05. It can be interpreted that the debt policy has no positive or significant effect on firm value. So these results suggest that debt policy affects firm value is rejected.

After each independent variable data is obtained, path analysis is carried out. The calculation process uses regression with standardized data.

Table 6 Path Efficiency Variables

Testing Between Variables	Direct Influence	Total Influence	Sig
X1 → Y2	-0.032	-0.032	0.745
X1 → Y3	-0.217	-0.217 + -0.156 = -0.373 -0.217 + -0.010 = -0.227	0.002
Y2 → Y3	0.304	0.304	0.000

Source: Processed Data, 2018

Table 7
Indirect Influence Between Variables

Testing Between Variables	Indirect Influence
X1 → Y1 → Y2	-0.010

Source: Processed Data, 2018

Effect of Ownership Structure on Firm Value through Debt Policy

From the results of the Sobel test, it shows t count = -2.615 > from t table = 1.982, and a significance of 0.003 < 0.05, so it can be concluded that there is a negative effect between capital structure on firm value and profitability as an intervening variable.

Koefisien Determinasi (R^2)

The R^2 value is a measure used to assess how well a model used can explain the dependent variable. If R^2 has a value of 0 then it is said that there is no variation in the dependent variable explained by this relationship, and if R^2 has a value of 1 then it is said that the variation in the dependent variable can be fully explained by the model used. Thus R^2 is between 0 and 1. For regression with more than 2 independent variables, adjusted R^2 is used as the coefficient of determination.

Table 2 Test Results for the Coefficient of Determination

Model Summary			
Model	R	R Square	Adjusted R Square
1	.748 ^a	.560	.543

a. Predictors: (Constant), Ln_DER, Ln_Struktur Kepemilikan,

b. Dependent Variable: LnPBV

Source: Processed Data, 2018

From Table 4.6 above, it can be seen that the R square (R^2) is 0.543. This means that the contribution of the model to explain the structural relationship of the variables studied is 54.3% and the remaining 45.7% is explained by other variables not present in the research model. this.

V. CONCLUSIONS AND SUGGESTIONS

Conclusions

From the results of this study, we can see that ownership structure has no effect on debt policy. This shows that management has no control in determining debt because most of it is controlled by the majority owner. The percentage of managerial ownership in this study is still low when compared to the percentage of share ownership owned by other groups. The reason for managerial ownership does not affect debt policy is indicated by the low percentage of managerial share ownership.

The ownership structure influences the firm value. This shows that the better the ownership structure will increase the value of the company.

Meanwhile, debt policy has no effect on firm value. In this study, DER has no effect, on the grounds that funding decisions are negative, because debt that is too high in the capital structure will have an impact on a lack of public trust in the company. Assuming that if the company generates profits, the main priority is paying debts rather than paying dividends for the prosperity of shareholders, so that the value of the company will decrease

The results of the study show that ownership structure influences firm value with debt policy as an intervening variable. This means that debt policy mediates the effect of ownership structure on firm value.

Suggestion

Based on the conclusion, the company must increase managerial ownership in the company, because considering the level of good managerial ownership is still low.

The company should pay attention to the Ownership Structure in its efforts to increase the company's debt policy and corporate value.

Investors should not only use one source to determine investment choices, but other sources related to investing in companies such as company funding decisions. This can make it easier for investors to determine the right investment choice

For future researchers, they should take a longer research period and in stable economic conditions so that the obtained data can really be used as a representative sample, besides that it is also necessary to add research variables or conduct research in other LQ45.

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