Article Type: Research Paper

THE INFLUENCE OF INSTITUTIONAL OWNERSHIP ON CORPORATE VALUES WITH DEBT EQUITY RATIO AND AND PROFITABILITY AS INTERVENING VARIABLES

Syifa Alifia*, Fauji Sanusi

ABSTRACT

This study aims to Determine the Effect of Institutional Ownership (INST) on Corporate Values proxied by Tobin's Q with Debt Equity Ratio (DER) and Profitability as proxied by Return on Assets (ROA) as intervening variables in the mining sector companies in the 2011-2017 period. The number of samples in this study is 6 companies, with a purposive sampling method. The data analysis technique in this study is multiple linear regression. The results of this study state that (1) Institutional Ownership does not effect on Tobins'Q; (2) Institutional Ownership does not affect Debt Equity Ratio; (3) Debt Equity Ratio does not effect on Tobins'Q; (4) Institutional Ownership has a significant positive effect on Return on Assets; (5) Return on Assets has a significant positive effect on Tobin's Q. (6) The Debt Equity Ratio is not able to mediate the relationship between Institutional Ownership of Tobin's Q; and (7) Return on Assets can mediate the relationship between Institutional Ownership of Tobin's Q but is not significant.

KEYWORDS: DER, Corporate Value, Institutional Ownership, Profitability.

ABSTRAK

Penelitian ini bertujuan untuk Menentukan Pengaruh Kepemilikan Institusional (INST) terhadap Nilai-Nilai Perusahaan yang diproksi oleh Q Tobin dengan Debt Equity Ratio (DER) dan Profitabilitas sebagaimana diproses oleh Return on Asset (ROA) sebagai variabel intervening dalam perusahaan sektor pertambangan di Periode 2011-2017. Jumlah sampel dalam penelitian ini adalah 6 perusahaan, dengan metode purposive sampling. Teknik analisis data dalam penelitian ini adalah regresi linier berganda. Hasil penelitian ini menyatakan bahwa (1) Kepemilikan Institusional tidak berpengaruh pada Tobins’Q; (2) Kepemilikan Institusional tidak mempengaruhi Rasio Ekuitas Utang; (3) Rasio Ekuitas Utang tidak berpengaruh terhadap Tobins’Q; (4) Kepemilikan Institusional memiliki pengaruh positif signifikan terhadap Pengembalian Aset; (5) Pengembalian Aset memiliki efek positif signifikan pada Q Tobin. (6) Rasio Hutang Ekuitas tidak dapat memediiasi hubungan antara Kepemilikan Institusional Tobin’s Q; dan (7) Pengembalian Aset dapat memediiasi hubungan antara Kepemilikan Institusional Tobin’s Q tetapi tidak signifikan.

KATA KUNCI: Kepemilikan Institusional, Nilai Perusahaan, Profitabilitas dan Rasio Ekuitas Utang.

© 2021 jaa. all rights reserved
http://ejournal.umm.ac.id/index.php/jaa
INTRODUCTION

The rise of competitive business actors facing competition in the era of the global market which is experiencing a transition in market conditions, enthusiastic about creating goods and services and trying to improve performance in developing their business. Entering the era of globalization can be interpreted as entering the era of free trade, where every business actor is required to design the right strategy to maintain his business in the global market.

The management of the company is inseparable from the implementation of the financial management function, where the management of the company is intended to prosper the shareholders. One effort to create shareholder prosperity is to maximize the company's market value.

The manager as the party who is given the authority to manage the company's resources in making decisions is often not in line with the shareholders. Then this can trigger agency conflict of agency problems in the company. Conflict within the company will cause agency costs or agency of cost and is considered bad by the public, especially investors because it will cause a decline in the company's image, and result in low levels of investor trust in the intern parties. If investor confidence in the company decreases, investors can easily sell their shares in the market and withdraw their investment.

Company value is the company's performance which is described from the stock price as a result of demand and supply in the capital market. This formed stock price reflects the public's assessment of performance (Harmono, 2011). This study uses Tobin's Q ratio to assess company performance. According to Margaretha (2011) the Tobin's Q ratio can be calculated by the market value of total assets divided by the cost of replacements.

The structure of company ownership can reduce conflicts between managers and shareholders, thereby affecting company performance. Puttermann (1993) in (Hasnawati & Sawir, 2015). Institutional ownership and managerial ownership come into one's vision right of ownership structure. This study uses institutional ownership as an indicator. The role of the existence of institutions in the company can turn on the controlling function so that the manager will act less for personal interests in managing company resources.

Owners institutional effective in monitoring the company's performance, as the manager demanded effective and efficient in managing the company. With effective and efficient management the company's performance will also increase, which will affect the increase in stock prices as a measure of company value. Research by Harjati et al., (2018), Handayani (2018), Santoso (2017), and Wida & Suartana (2014) proved that institutional ownership has a positive and significant influence on firm value. But this is contrary to the research of Radithya (2017), Rahma (2014), and Harivanto et al., (2015) which shows that institutional ownership has a significant negative effect on firm value. Other research shows that institutional ownership does no influence on firm value (Dewi & Sanica, 2017), (Dewi & Nugrahanti, 2014) and (Sadia & Sujana, 2017).

The results of the study cause gaps, there may be other variables that affect these two variables. The conflict between shareholders and managers can reduce by the use of debt. Jansen and Meckling (1976) in Syadeli (2013). With the use of debt, the manager will be required to improve the performance company's financial performance because the manager would be in danger of losing their jobs if the decision taken careless and risky for
the company. Profitability became ratio another in this study in order to determine the influence to the ownership of institutional on the value of the company. Where the effective supervision carried out by the institution can minimize their manipulation of financial statements, so that later the manager will seek to maximize its performance and will affect the company's profits. Effective supervision will pressure managers to work effectively and efficiently. If managers have acted effectively and efficiently, it is expected that company resources can be managed well and the company can achieve maximum profits.

LITERATURE REVIEW AND DEVELOPMENT OF HYPOTHESES

Agency Theory

Agency Theory was proposed by Michael C. Jensen and William H. Meckling (1976). According to Eisenhardt (1989) in Harmono, (2011: 3), Agency theory illustrates the different interests between agents and principals. In this case, the shareholder (principal) who delegates the work to another party is the manager (agent). Where the investor is a party that is given authority by investors over the management of company assets as well as decision makers related to the company's activities. Investors expect the decisions taken by these managers will run by with the company's shared goal of maximizing the value of the company. But in reality, to achieve the company's goals are often not realized properly. Shareholders have limited control in controlling company activities. So this is prone to misuse of funds committed by management.

Signaling Theory

In signaling theory, it assumes that companies with high debt use can be interpreted that the company is confident of future expectations. With this signal, investors are expected to translate that the company has good prospects.

The value of the company

According to Harmono (2011), the value of the company is a reflection of the company's performance which is described from the price of shares formed due to demand and supply in the capital market which is the people's evaluation of stock performance. The company's value in this study is projected by Tobin's Q. Tobin's ratio can be a financial indicator based on other historical accounting performance because it reflects market expectations so that it is free from the possibility of manipulation by the company management (Sadia et al., 2018).

**H1:** Institutional Ownership has a significant positive effect on Tobin's Q

Institutional Ownership

Institutional ownership is part of the ownership of shares belonging to institutions, such as insurance, banks or other institutions (Tarjo, 2008) in Harjadi et al., (2018). Institutional ownership is the percentage of ownership of stocks that are owned by institutions, governments, companies, and others (Badar et al., 2021). Institutional ownership can affect the behavior of management because high debt policies make the company supervised by debtholders (Rahmawati et al., 2021). Institutional ownership is measured by the number of institutional shares compared to the number of outstanding shares.

**H2:** Institutional Ownership has a significant positive effect on Debt Equity Ratio

Debt Equity ratio
Debt Equity ratio is one of the solvency/leverage ratio. This ratio measures the ability of a company’s assets that are financed by debt that is used to assess debt with equity. Debt equity ratio is calculated by comparing all debt, including current debt and all equity (Kasmir, 2010: 112).

**H1:** Debt Equity has a significant positive effect on Tobin's Q

**Profitability**

According to Sartono (2010) profitability is the company's ability to generate profits from sales, total assets or own capital. Profitability is projected with Return on Assets. Return on Assets is a ratio to measure the ability to generate net income against total assets. The higher the ROA illustrate the efficiency and effectiveness of management asset the better.

**H2:** Institutional ownership has a significant positive effect on Return on Assets

**H3:** Return on Assets has a significant positive effect on Tobin’s

**METHOD**

The research population is mining sector companies listed on the IDX. This study uses secondary data from ICMD financial reports and Annual reports on the website www.idx.co.id and www.sahamok.com. Data analysis method used is path analysis. Data is taken using purposive sampling method, criteria: 1) Mining companies listed on the IDX; 2) Mining companies that issue annual financial reports and annual reports related to INST, ROA, DER and TOBINSQ variables; 3) Mining sector companies that publish a positive Return on Assets value.

**RESULTS AND DISCUSSION**

**Hypothesis testing**

**Test substructure 1**

Substructure 1 test is tested by regression equation 1. Equation regression 1 tests institutional ownership of the debt equity ratio. The results of regression equation 1 include the t test analysis:

| Model   | Unstandardized Coefficients | Standardized Coefficients | T  | Sig. |
|---------|-----------------------------|---------------------------|----|------|
|         | B   | Std. Error | Beta |   |   |
| 1       |     | , 304      | ,   | , | 526 |
|         | 195 | , 136      | ,   | , | 125 |

**Table 1. Regression Equation 1**

Test Hypotheses this substructure 1 aims for the know influence of ownership institutional against the debt equity ratio. It can be concluded that institutional ownership does no effect on the debt-equity ratio. This is because investors do not play a role in funding decisions. This means that the institutions in the mining company more fully submit external funding policies to company managers who are considered more adept at analyzing the condition of the company so that in determining funding decisions for the company's operational
activities, the institution believes in managers who will consider all risks of using the debt itself. This supports previous research by Astuti (2014), Syadeli (2013) and Abdurrahman et al., (2019) which states that institutional ownership does no effect on debt.

Substructure Test 2

Substructure test 2 with regression equation 2. Equation regression 2 tests institutional ownership of Return on Assets. The results of regression equation 2 include the test analysis:

| Coefficients * | Model | Unstandardized Coefficients | Standardized Coefficients | T | Sig. |
|----------------|-------|-----------------------------|---------------------------|---|------|
|                |       | B                           | Std. Error                | Beta |       |
| 1 (Constant)   |       | -1,730                      | 1,383                     | 1,868 | 0.069|
| Lag_Ln_INST    |       | 2,164                       | 884                       | 365 | 2,446 | 0.019|

Hypothesis Testing substructure 2 aims to know the influence of ownership institutional against Return on Assets. The conclusion is that Institutional ownership has a partial positive effect on Return on assets. This means that ownership of the institution can turn on the controlling function of the company's management actions. The running of the controlling function carried out by the institution can encourage the company's management performance so that it affects the increase in corporate profits. A high level of supervision can minimize the shortcomings by management in managing company resources. Management will try to maximize profits to maintain its position. In line with the opinion of Chandradewi & Sedana (2016), Petta & Tarigan (2017), and Tahir et al., (2015) institutional ownership has a significant effect on return on assets.

Substructure Test 3

Test substructure 3 with the regression equation 3. 3 test of institutional ownership, debt equity ratio, and return on assets to n use values company. The results of regression equation 3 include the t test analysis:

| Coefficients * | Model | Unstandardized Coefficients | Standardized Coefficients | T | Sig. |
|----------------|-------|-----------------------------|---------------------------|---|------|
|                |       | B                           | Std. Error                | Beta |       |
| 1 (Constant)   |       | -3,278                      | 1,755                     | 1,868 | 0.069|
| Lag_Ln_INST    |       | 2,164                       | 884                       | 365 | 2,446 | 0.019|
| Lag_Ln_DER     |       | 2,000                       | 173                       | 1,157 | 0.254|
| Lag_Ln_ROA     |       | 389                         | 113                       | 567 | 3,449 | 0.001|

Hypothesis Testing substructure 3 is to find out the effect of Institutional ownership, debt-equity ratio and ROA on firm value. The conclusion is proprietary institutional no effect on firm value. If we look at the average sample size of the share ownership of mining company
institutions for 7 years is more than 60%. For this reason, institutional shareholders are institutions with large capital compared to the company's management. Institutional investors have large voting rights in favor of management. It is also described in agency theory shareholding majority usually be manager of the company or appoint managers choose, within the company can take the policy only beneficial owner of a majority stake and clicking interests of the owner of a minority stake (Sugiarto, 2009: 57). The results of this study were supported by Dewi & Sanica (2017), Dewi & Nugrahanti (2014), Sadia & Sujana (2017).

Regression test results showed that the Debt equity. The conclusion is the debt equity ratio does no effect on the value of the company. High and low levels of debt used by the company has no effect in increasing the value of the company. When viewed from the sample data mining companies have a debt that is still low, namely under 1, only in 2012 the debt equity ratio above 1 is 1.24. This means that mining sector companies have a greater proportion of capital than the level of debt, the level of debt has no effect on increasing the value of the company. For this reason, mining companies tend to use their capital in investing compared to debt. This is in line with research by Lebelaha & Saerang (2016), Syardiana et al., (2015), Ayem & Nugroho (2016).

Regression test results showed that the ROA coefficient. Regression test gives significant results. The conclusion is ROA significant positive effect on firm value. On study indicate that mining companies can take advantage of the assets properly and using company resources with the right target, so that these efforts can create profits to the welfare of the owners of capital. In under with the signaling theory which indicates that profitability can be a signal of management as a prospect of good performance that can increase company value. The profit rate earned the in company into information that must be communicated to investors so to attract more investors to invest company mining. This result is supported by Rahmadani & Rahayu (2017), Handayani et al., (2018), Wati & Asandimitra (2017), Ningrum & Asandimitra (2017). Based on path analysis, debt equity ratio can not mediate the relationship between ownership institutional with the value of the company. So that the Debt Equity Ratio is not able to mediate between institutional ownership of Tobin's Q and is insignificant. Supported by Sadia & Sujana (2017).

Based on the results of the Path analysis test it can be seen that ROA can mediate the ownership of the institute with company value. So ROA is able to mediate the influence between institutional ownership on Tobin's Q and it is not significant.

A high level of institutional investors can contribute in overseeing management performance, so that it can prevent opportunistic behavior from managers and encourage managers to work effectively and efficiently. This result is supported by Santoso (2017).

CONCLUSION

Based on the results of the analysis test and the previous discussion it can be concluded as follows: (1) Institutional ownership does no effect on firm value. (2) Institutional ownership does no effect on Debt equity ratio (3) Debt equity ratio does no effect on firm value. (4) Institutional ownership has a significant positive effect on ROA. (5) ROA has a positive and significant effect on firm value. (6) Debt equity ratio is not able to mediate the relationship of institutional ownership of corporate value. (7) ROA can mediate the relationship between institutional ownership and firm value.
REFERENCES

Abdurrahman, Zuda Andri. Erinos N.R, dan Taqwa Salma. 2019. Pengaruh Kepemilikan Institusional, Likuiditas, dan Pertumuhan Perusahaan terhadap Kebijakan Hutang. Jurnal Eksplorasi Akuntansi Universitas Negeri Padang. Vol. 2 No 1. Hal 589-604. ISSN: 2656-3649

Astuti, Leni. 2014. Analisis Pengaruh Profitabilitas, Kebijakan Deviden, Kebijakan Hutang, dan Kepemilikan Manajerial terhadap Nilai Perusahaan. Universitas Muhammadiyah Jakarta.

Ayem, Sari dan Nugroho, Ragil. 2016. Pengaruh Profitabilitas, Struktur Modal, Kebijakan Deviden, dan Keputusan Investasi terhadap Nilai Perusahaan. Jurnal Akuntansi Vol 4 No 1.

Badar, Farel Kawakibi, Mienati Somya Lasmana, Bani Alkausar. 2021. Corporate Governance and Tax Aggressiveness: Agency Theory Relationship. Jurnal Reviu Akuntansi dan Keuangan, vol. 11, no. 1.

Dewi, Kadek Ria Citra danSanica, I Gede. 2017. Pengaruh Kepemilikan Institusional, Kepemilikan Manajerial, dan Pengungkapan Corporate Social Responsibility terhadap Nilai Perusahaan Pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia. Jurnal Ilmiah Akuntansi dan Bisnis.Volume 2, No 1. ISSN : 2528-1216

Dewi, Laurensia Chintia dan Nugrahanti, Yeterina Widi. 2014. Pengaruh Struktur Kepemilikan dan Dewan Komisaris Independen terhadap Nilai Perusahaan pada Perusahaan Industri Barang Konsumsi. Volume 18 No 1. Hal 64-80.

Handayani Ida Ayu Ria Paramita, Ariyanto Dodik, Rasmini Ni Ketut, dan Widanaputra Anak Agung Gde Putu. 2018. The Effect of Profitability, Institutional Ownership on the Value of the Company with Dividend Policy as a Meditation. International Journal of Sciences: Basic and Applied Research. ISSN 2307-4531

Harjadi, Dikdik dan Fajarwati Nanda. 2018. PengaruhKepemilikanInstitusional dan Leverage terhadapNilai Perusahaan. Volume 10, No. 2

Harmono, 2011. Manajemen Keuangan Berbasis Balanced Scorecard, Pendekatan Teori, Kasus dan Riset Bisnis Edisi 2. Jakarta: Bumi Aksara

Hariyanto, Marina Suzuki dan Lestari Putu Vivi. 2015. Pengaruh Struktur Kepemilikan, IOS, dan ROE terhadap Nilai Perusahaan Pada Perusahaan Food and Beverage. Vol. 4 No 4. ISSN : 2302- 8912

Hasnawati, Sri dan Sawir Agnes. 2015. Keputusan Keuangan, Ukuran Perusahaan Struktur Kepemilikan dan Nilai Perusahaan Publik Indonesia. Jurnal Manajemen dan Kewirausahaan. Vol. 17 No 1 65-75. ISSN: 2338-8234

Kasmir, 2010. PengantarManajemenKeuangan. Jakarta: PrenadaDenia Group

Margaretha, Farah 2011. Manajemen Keuangan untuk Manajer Non keuangan. Jakarta: Erlangga

Ningrum, Ulfia Nindy dan Asandimitra Nadia. 2017. Pengaruh Kinerja Keuangan, Struktur Modal dan Ukuran Perusahaan terhadap Nilai Perusahaan dengan GCG dan CSR sebagai Variabel Moderating pada Perusahaan Peringkat Pertama Ara, Isra Dan
Alifia, & Samusi. The Influence Of...

Peringkat Emas Proper yang Listing Di BEI Periode 2011-2015. Jurnal Ilmu Manajemen. Volume 5, No 3

Petta, Brigitta Clarabella dan Tarigan, Josua. 2017. Pengaruh Kepemilikan Institusional terhadap Kinerja Keuangan Melalui Struktur Modal Sebagai Variabel Intervening Pada Perusahaan Manufaktur Yang Terdaftar Dalam Bursa Efek Indonesia. Jurnal Akuntansi Bisnis. Vol. 5 No 2.

Rahma, Alfiarti. 2014. Pengaruh Kepemilikan Manajerial, Kepemilikan Institusional dan Ukuran Perusahaan terhadap Keputusan Pendanaan dan Nilai Perusahaan Studi Kasus Pada Perusahaan Manufaktur Yang Terdaftar di BEI Periode 2009-2012. Jurnal Bisnis Strategi. Vol 23 No 2

Rahmadani, Fitra Dewi dan Rahayu, Sri Mangesti. 2017. Pengaruh Good Corporate Governance (g CG), Profitabilitas dan Leverage terhadap Nilai Perusahaan. Jurnal Administrasi Bisnis. Volume 52, No. 1

Rahmawati, Lia Soraya dan Nurul Aisyah Rahmawati. 2021. Determinan Of The Amount Of Related Of Amount Of Related Party Transaktion: Tax Expense And Institutional Ownership. Jurnal Reviu Akuntansi dan Keuangan, vol 11no 1

Sadia, Ni Made dwi Safitri dan Sujiyana I Ketut. 2017. Openpahar Kepemilikan Institutusional, Manajerial, Free Cash Flow Pada Nilai Perusahaan dengan Variabel Intervening Kebijakan Utang. E-Jurnal Akutansi Universitas Udayana. Vol 19 No 1 479-507. ISSN: 2302-8556

Santoso, Agus. 2017. Pengaruh Good Corporate Governance terhadap Nilai Perusahaan dengan Kinerja Keuangan sebagai Variabel Intervening. Prosiding Seminar Nasional dan Call For Paper Ekonomi dan Bisnis (SNAPER-EBIS 2017). Hal 67-77. ISBN : 978-602-5617-01-0

Sartono, Agus. 2010. Manajemen Keuangan Teori dan Aplikasi Edisi 4. Yogyakarta: BPFE-Yogyakarta

Sugiarto, 2009. Struktur Modal, Struktur Kepemilikan perusahaan, Permasalahan Keagenan & Informasi Asimetri. Yogyakarta: Graha Ilmu

Syadeli, Moh. 2013. Struktur Kepemilikan, Profitabilitas dan Ukuran Perusahaan terhadap Kebijakan Hutang Perusahaan Pemanufakturan di Bursa Efek Indonesia. Jurnal Manajemen dan Akuntansi. Volume 2, No. 2

Syardiana, Gita. Rodoni, Ahmad dan Putri, Zuwesty Eka. 2015. Pengaruh Investment Opportunity Set, Struktur Modal, Pertumbuhan Perusahaan, dan Return on Assets terhadap Nilai Perusahaan. Volume 8 No 1 Hal 39-46. P-ISSN 1979-858X

Tahir Safdar Husein, Saleem Muhammad, Arshad Humaira. 2015. Institutional Ownership and Corporate Value: Evidence From Karachi Stock Exchange (Kse) 30-Index Pakistan. Government College University Faisalabad, Pakistan. Volume VI, No 1;(41-49)

Wati, Lutviana dan Asandimitra, Nadia. 2017. Pengaruh Good Corporate Governance terhadap Nilai Perusahaan dengan Variabel Intervening Kinerja Keuangan Pendahuluan (studi pada sektor industry barang konsumsi). Jurnal Ilmu Manajemen. Volume 5, No 3
Wida, Putu Ni dan Suartana I Wayan. 2014. Pengaruh Kepemilikan Manajerial dan Kepemilikan Institusional pada Nilai Perusahaan. E-Jurnal Akuntansi Universitas Udayana. Volume 9, No 3; (575-590). ISSN: 2302-8556