



# The Effect of Management Ownership, Institutional Ownership, And Corporate Social Responsibility On Value Companies In Non Financial Companies Go Public On The Indonesia Stock Exchange

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## ABSTRACT

This study will investigate the influence of management ownership, institutional ownership, and corporate social responsibility to firm value. Firm value in this study as a proxy for the value of Tobin's Q. Collecting data using a purposive sampling method for non-financial companies listed in Indonesia Stock Exchange in 2011 until 2013. A total of 41 non-financial companies used as a sample. The method of analysis of this study used multiple regression. The results of this study indicate that the variable that affects the firm value is corporate social responsibility. While variables that did not affect the firm value is management ownership and institutional ownership.

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## 1. INTRODUCTION

The main goal of the company is to increase the value of the company. High company value can increase prosperity for shareholders, so that shareholders will invest their capital in the company (Haruman, 2008:17). One of the factors that influence the company's value is the ownership structure. Ownership structure is very important in determining the value of the company. Two aspects that need to be considered are: (1) the concentration of company ownership by outsiders (outsider ownership concentration), and (2) company ownership by management (management ownership).

In the process of maximizing the value of the company, there will be a conflict of interest between managers and shareholders (company owners) which is often called the agency problem. It is not uncommon for management, namely company managers, to have other goals and interests that conflict with the company's main goals and often ignore the interests of shareholders. This difference in interests between managers and shareholders results in a conflict commonly called agency conflict, this happens because the manager prioritizes personal interests, whereas shareholders do not like the personal interests of the manager because what the manager does will increase costs for the company, causing a decrease in profits. company and affect the stock price thereby lowering the value of the company (Jensen and Meckling,

Conflicts between managers and shareholders or what is often referred to as agency problems can be minimized by a supervisory mechanism that can align these interests so that

agency costs arise. There are several alternatives to reduce agency costs, including the ownership of shares by management and share ownership by institutions (Haruman, 2008:25). With managerial ownership of shares, it is expected that managers will act in accordance with the wishes of the principals because managers will be motivated to improve performance and later increase company value (Siallagan and Machfoedz, 2006:12). By increasing share ownership by management will align the position of managers with shareholders so that management will be motivated to increase the value of the company. The existence of management ownership will lead to an oversight of the policies that will be taken by the company's management.

Research by (Wahyudi and Pawestri 2006:18) found that managerial ownership has an influence on firm value. The relationship between managerial ownership and firm value is a non-monotonic relationship that arises because of the incentives owned by managers and they try to align their interests with outsider ownership by increasing their share ownership if the firm value increases. Meanwhile, the results of research from Haruman (2008) concluded that the managerial ownership variable has an influence with a negative relationship direction. This means that the higher the proportion of managerial ownership, the lower the market value. This decline in market value was caused by opportunistic actions taken by managerial shareholders. Although there are many studies on ownership structure, the results of these studies contradict each other. In fact, many research literatures have concluded a positive relationship between managerial ownership structure and the creation of firm value (Suranta and Midiantuty, 2003:17).

Another ownership structure is institutional ownership, which generally can act as a party that monitors the company. According to Faizal (2004), companies with large institutional ownership indicate their ability to monitor management. The greater the institutional ownership, the more efficient the utilization of company assets and is expected to act as a prevention against waste by management. Institutional ownership is the proportion of share ownership at the end of the year owned by institutions such as insurance, banks, or other institutions. (Tarjo, 2008:11). Institutional ownership has an important meaning in monitoring management. The existence of institutional ownership will encourage increased supervision that is more optimal.

The high ownership by the institution will increase the supervision of the company. This high supervision will minimize the level of fraud committed by the management which will reduce the value of the company. Institutional ownership has a positive effect on firm value at a low level of ownership. Meanwhile, according to Wening (2009), the greater the ownership by financial institutions, the greater the power of voice and encouragement to optimize firm value.

## **2. RESEARCH METHOD**

### **2.1 Analysis Method**

#### **a. Descriptive Statistics Test**

Descriptive statistics are used to describe the sample data profile which includes, among others, the mean, median, maximum, minimum, and standard deviation. The data studied are grouped into four namely Management Ownership, Institutional Ownership, Corporate Social Responsibility, and Company Value.

#### **b. Classic Assumption Test**

In this study, the classical assumption test is used. The classical assumption test aims to determine the accuracy of the model. Classical assumption tests that will be used in this study include:

- 1) Normality test. Normality test was conducted to determine whether in the regression model the dependent variable and the independent variable had a normal distribution or not. To avoid bias, the data used must be normally distributed. A good regression model is to have normal or close to normal data (Ghozali, 2009:142). If this assumption is violated, the statistical test becomes invalid for a small sample size. Normality testing in this study using the one sample Kolmogorov-Smirnov test and analysis of histogram graphs and PP plots. In the one sample Kolmogorov-Smirnov test, the variables have asymp. Sig (2-tailed) below the significant level of 0.05 means that these variables have an abnormal distribution

and vice versa (Ghozali, 2009:160).

- 2) Multicollinearity Test. The multicollinearity test aims to test whether there is a correlation between the independent variables in the regression model. A good regression model should not have a correlation between the independent variables. To detect the presence or absence of multicollinearity in the regression model, it can be seen from (1) the tolerance value and its opposite (2) Variance Inflation Factor (VIF). These two measures indicate the size of each independent variable when described by other independent variables. Tolerance measures the variability of the selected independent variable that is not explained by other independent variables. So a low tolerance value is the same as a high VIF value (because  $VIF = 1/Tolerance$ ). The cutoff value commonly used to indicate the presence of multicollinearity is the tolerance value 0.10 or equal to the VIF value 10.
- 3) Autocorrelation Test. The autocorrelation test aims to test whether the linear regression model has a correlation between the confounding error in period t and the confounding error in period t-1 (previous) (Ghozali, 2009:66). Autocorrelation test can be done by means of the Durbin-Watson test (DW test).

### 3. RESULTS AND DISCUSSIONS

#### 3.1 Descriptive statistics

The descriptive statistics of the data in this study are presented in the following table:

**Table 1.** Descriptive Statistics  
Descriptive Statistics

	N	Minimum	Maximum	mean	Std. Deviation	Variance
X1	198	2.20573	95.65	8.2392	17.83382	318,045
X2	198	.01205	96.30	48.5256	27.81845	773,866
X3	198	.2	1.0	.511	.2284	.052
Y	198	1.12	979.00	2.3428E2	288.50658	8.324E4
Valid N (listwise)	198					

Source: SPSS Data Processing Results

Based on table 1 above, the following are the results of descriptive statistics, namely:

- a. Management Ownership Variable (X1) has a minimum value of 2.205 and a maximum value of 95.65. With an average value of 8,239
- b. Institutional Ownership Variable (X2) has a minimum value of .0120 and a maximum value of 96.30. With an average value of 48.52.
- c. The Corporate Social Responsibility (X3) variable has a minimum value of 0.2 and a maximum value of 1.0. With an average value of 0.511.
- d. The Firm Value (Y) variable has a minimum value of 1.12 and a maximum value of 979.00. With an average value of 2,342

#### 3.2 Classical Assumption Test

##### a. Multicollinearity Test

**Table 2.** Multicollinearity Test

Model	Collinearity Statistics	
	Tolerance	VIF
1		
(Constant)		
X1	.905	1.105
X2	.910	1,099
X3	.993	1.007

Based on table 2 above, it shows that there is no independent variable that has a tolerance value of less than 0.1, which means there is no correlation between the independent variables. In addition, the results of the calculation of the Variance Inflation Factor (VIF) value also show the

same thing that none of the independent variables has a VIF value of more than 10. So, it can be concluded that there is no multicollinearity between the independent variables in this study.

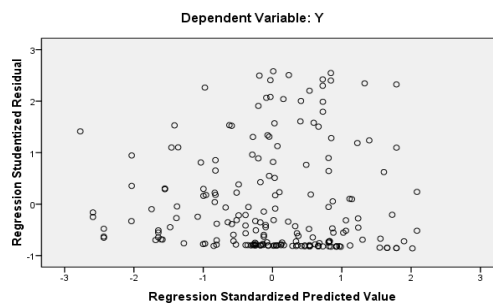
### b. Autocorrelation Test

**Table 3.** Autocorrelation Test Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.025a	.001	-.015	290.64061	1,941

Predictors: (Constant), X3, X2, X1  
Dependent Variable: Y

### c. Heteroscedasticity Test



**Figure 1.** Heteroscedasticity Graph

Based on Figure 1 above, there is no clear pattern, and the points spread above and below the number 0 on the Y axis, this indicates that there is no heteroscedasticity. Based on table 3 above, it shows the DW value of 1,941. Furthermore, this value will be compared with the table value with a significance level of 5%, the number of samples is 198 ( $n=198$ ) and the independent variable is 3 ( $k=3$ ). So from the Durbin Watson table, the lower limit value ( $dL$ ) is 1.736 and the upper limit ( $dU$ ) is 1.798. Because the DW value of 1.852 is greater than the upper limit ( $dU$ ) of 1.757 and less than  $4 - 1.736 = 2.264$  ( $4 - dU$ ), it can be concluded that there is no problem of positive or negative autocorrelation ( $dU < d < 4 - dU$ ) or ( $1.757 < 1.941 < 2,264$ ) or in other words there is no autocorrelation.

### d. Normality test

**Table 3.** Normality Test One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		198
Normal Parameters	mean	.000000
	Std. Deviation	2.88419120E2
Most Extreme Differences	Absolute	.198
	Positive	.198
	negative	-.196
Kolmogorov-Smirnov Z		2,780
asyp. Sig. (2-tailed)		.305

Based on table 3 above, it can be described that the Kolmograv-SmirnovZ (KS) is 2.780 and the significance is 0.305. This indicates that the data has been normally distributed because of its significance value or Asymp. Sig. (2-tailed) is greater than 0.05 i.e. 0.305 .

In addition to the Kolmograv-Smirnov test, the results of the normality test can also be seen in the histogram diagram and the Normal Probability Plot shown in the following figure:

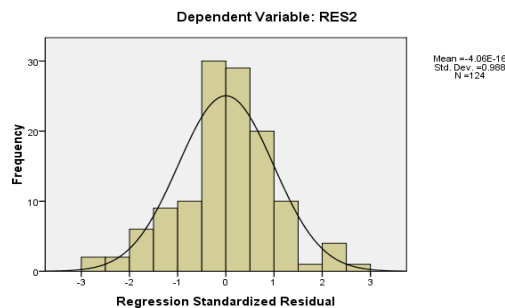


Figure 2. Histogram Graph

Based on Figure 2 above, it shows that the data distribution has a bell-shaped curve where the data distribution is neither skewed to the left nor skewed to the right. This indicates that the data has been normally distributed. This is also supported by the results of the normality test using a graph plot.

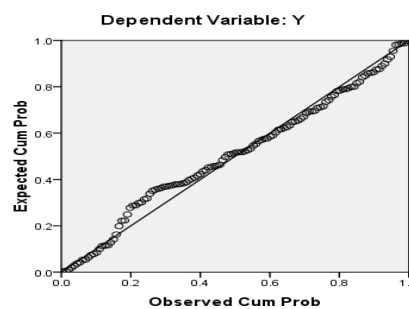


Figure 3. P-Plot Normal Graph

Based on Figure 3 above, the normal p-plot graph shows that the points spread around the diagonal line, and the distribution follows the direction of the diagonal line or the histogram graph shows a normal distribution pattern, so the regression model fulfills the assumption of normality.

### 3.3 Research Hypothesis Testing

This study analyzes the Effect of Management Ownership, Institutional Ownership, and Corporate Social Responsibility on Company Value in Go Public Non-Financial Companies on the Indonesia Stock Exchange as shown in the table below.

Table 4. Multiple Linear Analysis Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients Beta
		B	Std. Error	
1	(Constant)	241,612	66,279	
	X1	-.121	1.221	-.007
	X2	.129	.780	.012
	X3	-24.626	90,969	-.019

Based on table 4 above, the output results can be written in the multiple regression equation model as follows:  $Y = 241.612 - 0.121X1 - 0.129X2 - 24,626X3 + e$

The interpretation of the model:

- The constant ( $\alpha$ ) of 241,612 means that without considering the independent variables, the Firm Value (Y) will decrease by 241,612.

- b. Management Ownership Regression coefficient (X1) is -0.121 meaning that if other variables are considered constant, it will increase Firm Value (Y) by -0.121
- c. The regression coefficient for Institutional Ownership (X2) is 0.129, meaning that if other variables are held constant, it will reduce the Firm Value (Y) by 0.129.
- d. The regression coefficient of Corporate Social Responsibility (X3) is - 24,626, meaning that if other variables are considered constant, it will increase the Company Value (Y) by - 24,626.

From this equation, it shows that Management Ownership, Institutional Ownership, and Corporate Social Responsibility have a negative effect on Firm Value (Y).

#### a. Partial Significance Test (t Test)

**Table 5.** Partial Significance Test (t Test)  
Coefficientsa

	Model	t	Sig.
1	(Constant)	3.645	.000
	X1	-.099	.921
	X2	.165	.869
	X3	-.271	.787

Based on table 5 above, the partial test results (t test) are as follows:

The results of the partial test (t test) in the table above show Management Ownership (X1) has a positive and insignificant effect on Firm Value (Y). This can be seen from the significance value  $0.921 > 0.05$  and the t count value  $-0.099 < t$  table 1.972.

- 1) The results of the partial test (t test) in the table above show that Institutional Ownership (X2) has a positive and insignificant effect on Firm Value (Y). This can be seen from the significance value  $0.869 > 0.05$  and the t arithmetic value  $0.165 < t$  table 1.972.
- 2) The results of the partial test (t test) in the table above show that Corporate Social Responsibility (X3) has a positive and significant effect on Firm Value (Y). This can be seen from the significance value of  $0.787 > 0.05$  and the value of t count  $-0.271 < t$  table 1.972.

#### b. Simultaneous Significance Test (F Test)

**Table 6.** Simultaneous Significance Test (F Test)  
ANOVA<sup>b</sup>

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9939,703	3	3313.234	22,736	.990
	Residual	1.6397	194	84471,964		
	Total	1.6407	197			

Based on table 6 above, the results of the simultaneous test (F test) obtained the F table value of 2.651, so that the calculated F value and F table obtained indicate that the calculated F value  $> F$  table and the significance level  $< 0.05$  i.e.  $22.736 > 2.651$  and  $0.990 > 0.05$ . Thus  $H_0$  is rejected and  $H_a$  is accepted. So it can be concluded that Management Ownership, Institutional Ownership, and Corporate Social Responsibility simultaneously have a significant effect on Firm Value in Go Public Non-Financial Companies on the Indonesia Stock Exchange.

#### 4. CONCLUSION

Management Ownership (X1) has a positive and insignificant effect on Company Value (Y) Institutional Ownership (X2) has a positive and insignificant effect on Firm Value (Y).

Corporate Social Responsibility (X3) has a positive and significant effect on Company Value (Y) Simultaneously: Management, Institutional Ownership, and Corporate Social Responsibility simultaneously have a significant effect on firm value.

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