Management Science Research Journal
MSR JOURNAL

MSR Journal, Vol 1 issue2 2022 *ISSN : 2828-4216*

The Significance of Debt Policy as a reinforcement factor in the Effect of Managerial Ownership and Profitability Toward Company Value

Akhmadi[1)]
Universitas Sultan Ageng Tirtayasa
akhmadi@untirta.ac.id

Siti Epa Hardiyanti[2)*]
Universitas Sultan Ageng Tirtayasa
siti.epa.hardiyanti@untirta.ac.id

Abstract

The research aims to determine whether there are effects between managerial ownership and profitability on company value, by using debt policy as intervening variable. The type of research used descriptive and associative research. The research population was manufacturing companies listed in Indonesia Stock Exchange (IDX) period of 2011-2015 as many as 80 companies.

By using purposive sampling method, 25 companies as sample were obtained. The data used secondary data. Data analysis used classical assumption test, path analysis and partial test (t-test), using SPSS (Statistics Product and Service Solution) 17 for windows. The results indicate that there are no effects of managerial ownership on company value, there are positive and significant effects of profitability on company value, there are no effects of debt policy on company value, there are positive and significant effects of managerial ownership on debt policy, there are negative but not significant effects of profitability on debt policy, there are no effect of managerial ownership on company value with Debt Policy mediated, there are negative effects of profitability on company value with Debt Policy mediated.

Keywords: Managerial Ownership, Profitability, Debt Policy, Company Value

Management Science Research Journal
MSR JOURNAL
MSR Journal, Vol 1 issue2 2022 *ISSN : 2828-4216*

INTRODUCTION

A long time ago in Indonesia on period 2011 – 2013 years, The Indonesia Stock Exchange (IDX) has removed sixteen companies from stock exchange and seven of them are manufacturing companies. Persuade of stock exchange regulations Number I-1 regarding Delisting and Delisting of Shares on the IDX under Condition number III.3.II, it is stated that IDX deletes the listing of shares of listed companies if the listed company experiences at least one condition or event, which significantly negatively affects the business continuity of listed companies as listed companies.

There are obstacles that make problems in the manufacturing sector can affect the value of the company. Barriers to infrastructure growth, infrastructure problems are a long-term obstacle for companies that are very influential in the manufacturing sector. If there is good infrastructure, the business of manufacturing companies can reach even more remotes area. A company can be valued and interpreted as a price that potential investors are willing to pay if a company is to be sold (Sunyoto and Sam'ani, 2013). The establishment of a company has a clear goal, the first goal is to achieve maximum profits, the second goal is to prosper shareholders, and the third goal is to maximize the value of the company reflected in its share price. The three goals of the company are not much different, only the emphasis to be achieved by each company is different from one another (Nofrita, 2013). According to Sudana (2011: 8), maximizing the value of a company is considered more appropriate as a corporate goal because it maximizes the present value of all profits to be received by shareholders in the future.

A fluctuation of stock prices in the capital market is an interesting phenomenon because it is related to the issue of the fluctuation value of the company itself. The global economic crisis in 2008 had an impact on the Indonesian capital market, so a lot of domestic investors were crowded to realizing their shares. This condition directly affects the value of the company because the value of the company itself if observed through the prosperity of shareholders can be measured through the company's stock price in the capital market, so that a lot of companies experience a decline in profits to losses, then resulting in Termination of Employment (FLE). In addition, the impact of the company's value is reduced investor confidence, threatened capital and investor sustainability, disruption of funds needed for investment, disruption of investor capital and bankruptcy. A lot of factors can affect the fluctuation of the company's value, one of which is managerial ownership. Based on agency theory, there is a conflict between managers and shareholders.

This can be seen from the empirical data of financial statements on the Indonesia Stock Exchange regarding the development of the average value of the company, as follows:

Graph 1. The Company Value Development in Manufacturing Companies Period 2010 – 2015

Source: http://www.idx.co.id (a processed data)

Based on graph 1. An average of the company value development in Manufacturing Companies that listed on The Indonesia Stock Exchange (IDX) period 2010 – 2015 has increased from 4.08206 in 2010 to 4.4564 in 2011, then increased to 6.30236 in 2012, but has decreased in 2013 and 2014 namely 5.52855 and 2.11061. The value of the company, which increased in succession from 2010 to 2012, is a good signal for manufacturing companies, but the decline in 2013 and 2014 is the impact of the lack of infrastructure growth.

Considerably factors can affect the fluctuation of a company's value, first is managerial ownership. Based on agency theory, there is a conflict between managers and shareholders that becomes agency cost. According to Jensen and Meckling (1976) that one way to reduce agency cost is by the increasing shares of the ownership management. If the company has a big managerial ownership more than 5% (>5%) it indicates to equalize the position of the manager with the shareholders, so as to act according to the wishes of the shareholders. The big supervision by the manager will prevent using debt not to overdo which can cause bankruptcy, thus affecting the value of the company. The second factor of profitability, according to Donaldson (1961) in pecking order theory explains why profitable companies generally borrow small amounts of debt, because they require little external financing. In accordance with this theory, the investment will be financed with internal funds first (retained earnings), then followed by external funds in the form of new debt issuance and finally issuance of new equity, thereby affecting the value of the company. The third factor, namely the use of debt in companies can be used to measure the value of the company because of the high debt causes the company's value to decrease.

Empirically research on the effect of profitability on company value has been done by some researchers before, but still makes a difference. Research conducted by Putu, et.al (2014), states that profitability has a positive effect on company value. The results of this study are supported by research by Chen and Chen (2011), that profitability has a significantly positive influence on company value. In accordance with the research of Wahyuni, et.al (2013), Mahendra, et.al (2012), Nurhayati (2013), Badjuri (2012), the results of his research stated that profitability had a positive and significant effect on company value. That is caused by high profitability as an increase in the value of the company. The results of this research contradict the research conducted by Herawati (2013), stating that profitability has a negative and significant effect on company value. That is because an increase in profitability will make profits increased, but not necessarily the value of the company also increases.

The results of previous studies indicate that there are still inconsistent research results. This is believed because there are other variables that influence the effect of managerial ownership and profitability on firm value.

Some previous research relates to the relationship of managerial ownership, profitability and corporate value with debt policy. Empirically research on the influence of debt policy on corporate value has been widely carried out by previous researchers. Research conducted by Ikaprasetyawati and Herlina (2013), states that the financing decision does not influence the value of the firm. The results of this study are supported by research by Wulandari and Sutrisno (2013), stating that debt policy has a negative and significant effect on firm value. Research by Wardani and Hermuningsih (2011), Sofyaningsih and Hardiningsih (2011) stated that debt policy has a negative effect on firm value.

Research on the effect of managerial ownership on debt policy, in research Susilawati, et.al (2012), Wulandari and Sutrisno (2013), states that managerial ownership has a negative

and significant effect on debt policy. The results of this study are supported by research Sibagariang (2013) and Yuniarti (2013), that managerial ownership has a negative effect on debt policy. In this case, the percentage of managerial ownership in the company is so small that it cannot determine the debt policy. The results of the study contradict the research conducted by Stevanus, (2018), stating that Based on the results show that managerial ownership has a positive and significant effect on debt policy.

Research on the effect of profitability on debt policy, the research Yeniate and Destriana (2010), Susilawati, et.al (2012) Ikbal, et.al (2011), states that profitability has a negative and significant effect on debt policy. The results of this study are supported by Sunyoto and Sam'ani (2013), that profitability has a negative effect on debt policy.

Based on the explanation above, this research adds an intervening variable, namely debt policy, to test whether it is true that debt policy will be an intermediary for managerial ownership and profitability in increasing company value.

LITERATUR REVIEW

Agency Theory

Agency Theory (Agency Theory), this theory be delivered by Jensen and Meckling (1976) in Hanafi, (2004: 365), in this case, the agency relationship is a contract between one person or more (principal) who employs others (agents) to provide a service and then delegate decision making authority to the agent. According to this approach, funding policies are structured in such a way as to reduce conflicts between various interest groups.

Pecking Order Theory

Pecking Order Theory, this theory was first introduced by Donaldson (1961) in Fahmi, (2014: 193-194), while the naming of pecking order theory was conducted by Myers (1984), companies prefer the use of funding from internal capital, namely funds sourced from cash flow, retained earnings and depreciation. The pecking order theory is a policy adopted by a company to seek additional funds by selling its assets, such as selling buildings, land, equipment, and other assets including retained earnings.

Trade-Off Theory

The Exchange Of Theory (Trade-off Theory) is another name for balancing theory. The concept of trade-off theory balances the benefits and costs of using debt in a capital structure (Brigham et al, 1999). This theory was introduced by Modigliani and Miler (1958). MM proves that because interest on debt can be deducted in tax calculations, the value of the company continues to increase in line with the increasing amount of debt used (Margaretha, 2014: 316). Therefore, the value will reach a maximum value if all is financed with debt.

Company Value

Company value is the investor's perception of the company's success rate which is often associated with stock prices (Sujoko and Soebiantoro, 2007) followed by (Hidayat, 2013). The value of the company is the price that prospective buyers are willing to pay if the company is sold. The goal that must be achieved by financial managers is not to maximize profits but to maximize the prosperity of shareholders through maximizing the value of the company (Sartono, 2001: 8).

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The company's value can basically be measured through several measuring instruments such as PBV, Tobin's Q, EPS, PER, BVS. But in this research using one of them, namely, PBV (Price to Book Value). This ratio can be used widely in various analyzes of world securities. The advantage of PBV is it can give a signal to investors whether the shares invested in the company are too high or not if the company is assumed to be bankrupt all of a sudden.

PBV (Price to Book Value) is the market ratio used to measure the performance of the stock market price to the book value. Book value is an accounting term that indicates a portion of a company owned by a shareholder. Ordinary shareholders will receive a book value of money from each share if the company's assets are sold and after first paying off all of its debts.

The company's value formula is as follows, Fahmi (2014: 84):

$$PBV = (MarketPricepershare)/(Book\ Value\ per\ share)$$

Managerial Ownership

Managerial ownership is the percentage of share ownership by management that actively participates in corporate decision making such as directors and commissioners (Gusti, 2013). Managerial ownership shows the percentage of ordinary shares owned by management who are actively involved in corporate decision making.

Moreover, with the ownership of shares by the insiders, the insiders will also benefit directly from the decisions that have been made. Besides, managers will also be more careful in determining the company's debt because they will benefit directly from the decisions that have been made and will suffer losses as a consequence of wrong decisions.

The managerial ownership formula is as follows, Masdupi (2012: 5):

$$INSDR = \frac{(Amount\ of\ Shares\ Owned\ by\ Directors\ and\ Commissioners)}{(Amount\ of\ outstanding\ shares)}$$

The number of managerial shares is the number of ordinary shares owned by the company's directors and commissioners who allocate a portion of their welfare to the company. While the number of shares outstanding is shares outstanding in the community that reflect ownership of the company.

Profitability

Profitability is the company's ability to generate profits in the future and an indicator of the success of the company's operations (Kusumawati,2005) continued by (Analisa, 2011). Profitability ratio measures the company's ability to generate profits by using company-owned resources, such as assets, capital or company sales (Sudana, 2011: 22).

This ratio is very useful to compare between two or more companies that have different capital structures or to compare the same company for two different periods, because then the earning power of a company will be known. The profitability formula is as follows, Sudana (2011: 22):

$$ROA = (Earning\ After\ Tax)/(Total\ Assets)$$

Positive Return On Assets shows that the total assets used for the company's operations are able to provide profits for the company. Conversely, a negative Return On Assets shows that the total assets used by the company get a loss.

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Debt Policy

Debt policy is a company policy about how far a company uses funding from debt (Wulandari and Sutrisno, 2013). One of the causes of agency conflict between managers and shareholders is caused by funding decisions.

Debt policy can basically be measured through several measurement tools such as DER, DTA, CFC, FCC, long-term Debt total capitalization, times interest earned, cash flow adequacy. But in this research using one of them, namely, DER (Debt to Equity Ratio). DER is a debt policy decision that refers to a company's choice of debt and equity composition.

The advantage of DER is being able to describe the risk of the portion of the debt level and the level of equity owned by the company. By using the DER measurement, it can be seen the amount of collateral available to creditors. Debt policy formula are as follows, Sartono (2001: 121):

$$DER = (Total\ of\ Debt)/(Total\ of\ Owner's\ Equity)$$

Low Debt to Equity Ratio can reduce the risk of bankruptcy and financial difficulties. High Debt to Equity Ratio shows the composition of the total debt that is increasing so that the company's burden on outsiders (creditors) will be even greater. Debt to Equity Ratio of more than 50% means that debt is greater than own capital so that companies can use a greater proportion of debt. For companies, the amount of debt should not exceed their own capital so that the fixed burden is not too high. The best ratio if the amount of capital is greater than the amount of debt or at least the same amount.

Hypothesis

The Effect of Managerial Ownership on Company Value

Agency Theory (Agency Theory), by Jensen and Meckling (1976) in (Vintila and Gherghina, 2014), managers with high managerial ownership tend to have information about a company's financial performance better so that increase the value of the company because the manager's interests are not only in the interests of the contract but also in ownership. Empirically this statement is supported by Ikbal, et.al (2011), which proves that insider ownership has a positive and significant effect on firm value. This result is also relevant to the research of Sofyaningsih and Hardiningsih (2011), Vintila and Stefan (2014), that managerial ownership is proven to influence the value of the company. Similar results were also stated by Ikaprasetyawati and Herlina (2013), and Wulandari and Sutrisno (2013), which proves that the managerial ownership directly influences the value of the firm.

Based on the description above, the research hypothesis 1 was formulated, namely:

H_1: Managerial ownership has a positive effect on company value

The Effect of Profitability on Company Value

Modigliani and Miller (1958) in Wulandari and Sutrisno (2013), revealed that the value of a company is determined by the company's earnings power assets. The positive effect of earnings power assets on company value shows that the higher of the earnings power more efficient the velocity of assets and the higher the profit margin obtained by the company so that it has an impact on increasing the value of the company. Empirically the relationship of profitability to company value has been examined by research by Chen and Chen (2011), that profitability has a significantly positive influence on firm value. This research is supported by Putu, et.al (2014), stating that profitability has a positive effect on firm value. These results are

in accordance with the research of Wahyuni, et.al (2013), Mahendra, et.al (2012), Nurhayati (2013), Badjuri (2012), Deitiana, (2016), Gangil, et.al (2018), Akinyi , et.al (2015), Salimah and Hassan (2015), Fairus, et.al (2018), the results of his study stated that profitability had a positive and significant effect on company value. This is due to the high profitability indicating the more efficient of the company's asset turnover and the higher the company's profit margin that increases the value of the company.

Based on the description above, the research hypothesis 2 is formulated, namely:

H_2: Profitability has a positive effect on company value

The Effect of Debt Policy on Company Value

The trade-off theory evaluates funding alternatives based on considerations of tax savings, the cost of financial difficulties, and agency costs (Sudana, 2011: 153). This theory also explains if the target capital structure has been reached until each additional debt will reduce the value of the company.

Empirically the relationship of debt policy to company value has been investigated by Wulandari and Sutrisno (2013), which proves that debt policy has a negative and significant effect on company value. This result is also relevant to the study of Wardani and Hermuningsih (2011), Sofyaningsih and Hardiningsih (2011), that debt policy is proven to affect the value of the company. This explains that if the position of the capital structure is above the optimal point, each additional debt will decrease in value because the company and excessive use of debt can bring the company closer to bankruptcy.

Based on the description above, the research hypothesis is formulated:

H_3: Debt Policy has a negative effect on company value

The Effect of Managerial Ownership on Debt Policy

Agency theory, Jensen and Meckling (1976) in Susilawati (2012). If managerial ownership and debt policy act to change each other in the agency problem monitoring mechanism, then a causal relationship will emerge negatively. This means that the manager's big role as a shareholder in making decisions will be more careful in using debt.

Empirically the relationship of managerial ownership to debt policy has been investigated by Sibagariang (2013) and Yuniarti (2013), which proves that managerial ownership has a negative effect on debt policy. In this case the percentage of managerial ownership in the company is so small that it cannot determine the debt policy.

Based on the description above, the research hypothesis is formulated:

H_4: Managerial Ownership has a negative effect on Debt Policy

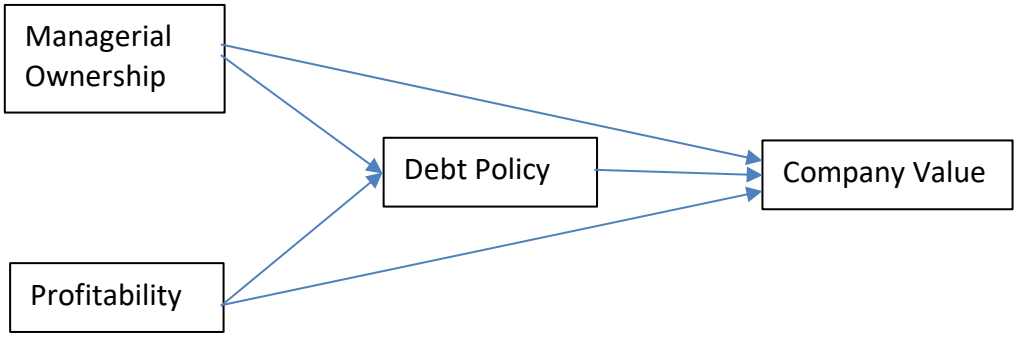
The Effect of Profitability on Debt Policy

The pecking order theory explains why profitable companies generally borrow small amounts of debt, because they require little external financing. So, the level of debt at a profitable company will be even lower. Thus, there is a negative relationship between profitability and debt policy. Empirically the relationship of profitability to debt policy has been investigated by Yeniate and Destriana (2010), that profitability has a negative and significant effect on debt policy. The results of this study are supported by Ikbal, et.al. (2011) and Bringham et al. (1999) that companies with high returns on investment are relatively smaller using debt. High rates of return make it possible to finance most of the funding needs

through internal sources of funds sourced from cash flow, retained earnings and depreciation. Based on the description above, the research hypothesis is formulated:

H_5: Profitability has a negative effect on Debt Policy

Figure 1. Research Framework



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RESEARCH METHOD

Object of research

The object of research in this research is manufacturing companies listing on the Indonesia Stock Exchange in 2011-2015.

Population and Sample

The population used in this study is Manufacturing Companies that are listed on the Indonesia Stock Exchange (IDX) in 2011-2015, with a total of 141 companies consisting of several industrial sectors. (www.idx.co.id). While the research sample of 16 manufacturing companies determined by purposive sampling technique.

Data collection technique

The data used in this research are secondary data (secondary sources), namely time series data in the form of financial reports (annual report) such as balance sheet, income statement as well as capital stock reports of manufacturing companies in 2011-2015. The data referred to came from http://www.idx.co.id, Indonesian Capital Market Directory (ICMD) and http://www.sahamok.com.

Operational Research Variables

Company value as the dependent variable in proxy with the growth of company value (PBV) is measured by Market Price per Share and Book Value per Share, Fahmi (2014: 84). Managerial ownership as an independent variable, proxied by insiders (INSDR), namely the number of shares owned by directors and commissioners with the number of outstanding shares, Masdupi (2012: 5). Profitability as an independent variable, proxied by return on assets (ROA) is the ratio between earnings after interest and taxes and total assets, Sudana (2011: 22). While the debt service as an intervening variable, is proxy by debt to equity ratio (DER), that is total debt with total own capital, Sartono (2001: 121).

Data analysis method

Descriptive statistics

Descriptive statistics use frequency parameters to get the mean, median, maximum, minimum, and standard error values. Meanwhile, to test the effect of variables used the SPSS 21.0 program, the calculations for each research variable were first performed.

Inferential Statistics

Classic assumption test

For the regression model to be used for estimation, it must meet classical assumptions. The classical assumptions that are considered important to be tested are (1) Normality Test, (2) Multicollinearity Test, (3) Heteroscedasticity Test, (4) Linearity Test and (5) Autocorrelation Test. So that the regression model can be used for estimation and unbiased (Best Linear Unbias Estimator / BLUE).

Path Analysis

To test the effect of intervening variables used the path analysis method. Path analysis is an extension of multiple linear regression analysis or path analysis is the use of regression analysis to estimate the causality relationship between variables that have been predetermined

based on theory (Ghozali, 2011: 249). The mediation hypothesis testing, according to Ghozali (2011), can be done with a procedure developed by Sobel (1982) and known as the Sobel test (Sobel test). Sobel test is done by testing the strength of the indirect effect of the independent variable (X) to the dependent variable (Y) through the intervening variable (Z). The variable Z is referred to as a mediator or intervening if equation X significantly affects Y, equation X significantly affects Z, and equation Z significantly affects Y by controlling X. The effect of mediation which is demonstrated by path analysis is tested with the Sobel Test with the following formula, Ghozali (2011: 255):

$$Sp2p3 = \sqrt{p32.Sp22 + p22.Sp32 + Sp22.Sp32}$$

Annotation:
p2 : Direct Effect Xi on intervening variable
p3 : Direct Effect of intervening variable on dependent variable
Sp2 : Standar Error Xi on intervening variable
Sp3 : Standar Error intervening on dependent variable

Moreover, to test the indirect significance effect need to calculate of t-coefficient p2p3 by the formulate as the following:

$$t = \frac{p2p3}{Sp2p3}$$

RESULT AND DISCUSSION

Classic assumption test

Normality test

The normality test aims to test whether the regression model, confounding or residual variables have a normal distribution.

Table 1
Result of Normality test of *kolmogorov-smirnov*
Kolmogorov-Smirnov Test

Keterangan		Unstandardized Residual
N		32
Normal Parameters[a,,b]	Mean	.0000000
	Std. Deviation	.59888938
Most Extreme Differences	Absolute	.125
	Positive	.125
	Negative	-.121
Kolmogorov-Smirnov Z		.708
Asymp. Sig. (2-tailed)		.698

Source: Output Result by SPSS 17

Based on the Kolmogorov-Smirnov test in the above table, the value of the Kolmogorov-Smirnov value shows the significance (Asymp Sig. 2-tailed) from the normality test data is 0.698 or 69.8%, this means that the residual data is normally distributed because the significance is above 0. .05 or 5%. Thus the provisions of normal distribution data have been met.

Multicollinearity Test

Multicollinearity test aims to test whether the regression model found a fairly strong correlation between independent variables (independent) or not (Ghozali,2016: 103). If the tolerance value ≥ 0.10 and the VIF value ≤ 10, it can be concluded that is not multicollinearity between the independent variables in the regression model.

Table 2
Multicollinearity Result Test

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	LN_INSDR_X1	.664	1.505
	LN_ROA_X2	.751	1.332
	LN_DER_Z	.691	1.448

a. Dependent Variable: LN_PBV_Y

Based on the multicollinearity test on the table above, it can be seen that the results of the calculation of Tolerance values in the table above indicate that the independent variable has a Tolerance value> 0.10, 0.664 (LN_INSDR), 0.751 (LN_ROA), 0.691 (LN_DER) > 0.10 and VIF value < 10 namely 1,505 (LN_INSDR), 1,332 (LN_ROA), 1,448 (LN_DER) <10 thus this model does not occur multicollinearity between independent variables in the regression model (Table 2).

Heteroskedasticity Test

Heteroscedasticity test aims to test whether in the regression model there is a difference between the variance of the residuals of one observation to another (Ghozali, 2011: 139). If the variance from one observational residual to another observer is fixed, then it is called homoscedasticity and if different is called heteroscedasticity. A good regression model is a homoscedasticity or heteroscedasticity does not occur.

Table 3
The Result of Heterokedastisitas test by *Park test*
Coefficients[a]

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Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.925	.631		-1.467	.173
	LN_INSDR_X1	-.323	2.093	-.042	-.154	.880
	LN_ROA_X2	-.070	.203	-.103	-.344	.738
	LN_DER_Z	.367	.205	.513	1.788	.104

a. Dependent Variable: LN_RES2

Based on the Heterokedasticity test, the table shows that the INSDR variable is statistically significant the significance value > 0.05 is equal to 0.880 > 0.05. So it can be said to be free from heteroscedasticity indications, the ROA variable is statistically significant of the significance value > 0.05 is equal to 0.738 > 0.05. That it can be said to be free from heteroscedasticity indications and the DER variable is statistically significant > 0.05 which is 0.104 > 0.05 so it can be said to be free from heteroscedasticity indications (Table 3).

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AutoCorrelation Test

This research aims to test whether in the linear regression model there is a correlation between the error of the intruder in a period t with the error of the intruder in the period t-1 (previous) which usually occurs due to using time series data.

The autoCorrelation test is performed by calculating Durbin Watson (DW). The result of the autocorrelation testing in this research model, the following results are obtained:

Table 4
The Result of AutoCorrelation Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.470[a]	.221	.137	.63969	1.975

a. Predictors: (Constant), LN_DER, LN_ROA, LN_INSDR
b. Dependent Variable: LN_PBV

Based on table 4, Sub-structure Autocorrelation 2 Durbin-Watson value = 1.975 and the value of the DW table with a significance of 5% obtained dU = 1.688. Therefore the value of dU (1,688) is less than the value of DW (1,975) and the value of DW (1,975) is less than the value of 4-dU (4 -1,688 = 2,312). Therefore dU <d <4- dU or 1,688 <1,975 <2,312. It can be concluded that we cannot reject H0 which states that there is no positive or negative autocorrelation, so it can be concluded that there is no autocorrelation (table 4).

Linearity Test

Linearity test is used to see whether the model specifications used are correct or not, and whether the function used in an empirical study should be linear, quadratic or cubic (Ghozali, 2011: 166).

Table 5
The Result of Linearity Test
Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.188	.220		9.217	.000
	INSDR (X1)	.210	.306	.035	1.114	.025
	ROA (X2)	.005	.006	.043	2.331	.000
	Z	.172	.010	.892	1.020	.801

a. Dependent Variable: PBV (Y)

Based on the table can be seen the results of linearity testing that the variable $Z_1 \leq$ t-table of 1.020 <2.060 with Sig. $Z_1 > \alpha$ (0.05) of 0.801> 0.05 indicates that the regression model is linear. So that it can be used in this study (table 5).

Path Analysis
Substructural test – 1

Table 6

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The Result of Regression Model
Substructural – 1
Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.553	.406		1.362	.184
	LN_INSDR	2.674	1.080	.419	2.475	.019
	LN_ROA	-.260	.185	-.239	-1.411	.169

a. Dependent Variable: LN_DER

To calculate of Equation (ε) in structure 1 was obtained from the R square value is determined as follows:

Table 7
The Result of Model Summary
Substructural – 1
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.563[a]	.317	.270	1.33704

a. Predictors: (Constant), LN_ROA, LN_INSDR

Based on the table above was obtained R Square 0.317. A path value was obtained 0.948. Therefore, a value of (ε_1) path coefficient variable profitability to debt policy of 0.948. So the substructural pathway equation-1 is as follows:

$LNZ = \beta_0\, 0{,}553. + LN2{,}674X_1 - LN0{,}260X_2 + 0{,}948 + \varepsilon$

Based on the analysis of path substructure 1, the path coefficient value (PZX_1) is 2.674, meaning that every 1% increase in managerial ownership will be followed by an increase in debt policy of -0.2674%. The path coefficient (PZX_2) is -0.260, meaning that every 1% decrease in profitability will be followed by a decrease in debt policy of -0.260% (table 6).

Substructural test – 2

Table 8
The Result of Regression Model
Substructural – 2
Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.470	.200		-2.346	.026
	LN_INSDR	.690	.569	.246	1.213	.235
	LN_ROA	.225	.091	.469	2.464	.020
	LN_DER	.120	.089	.273	1.353	.187

a. Dependent Variable: LN_PBV

To calculate of Equation (ε) in structure 2 was obtained from the R square value is determined as follows:

Table 9
The Result of Model Summary
Substructural – 2

Management Science Research Journal
MSR JOURNAL
MSR Journal, Vol 1 issue2 2022 *ISSN : 2828-4216*

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.470[a]	.221	.137	.63969

a. Predictors: (Constant), LN_DER, LN_ROA, LN_INSDR

Based on the table above was obtained R Square 0.221. A path value was obtained 0.948. Therefore, a value of (ε_1) path coefficient variable profitability to debt policy of 0.975. So the substructural pathway equation-2 is as follows:

$$LNY = \beta_0 -0,470 + LN0,690X_1 + LN0,225X_2 + 0,120Z + 0,975 + \varepsilon$$

Based on the analysis of path substructure 2, the path coefficient value (PYX_1) is 0.690, meaning that every 1% increase in managerial ownership will be followed by an increase in company value of 69.0%. The path coefficient (PYX_2) is 0.225, meaning that every 1% increase in profitability will be followed by an increase in company value of 22.50%. The path coefficient (PYZ) is 0.120, meaning that each 1% increase in debt policy will be followed by an increase in the value of the company by 12.0% (table 8).

The magnitude of direct and indirect effects can be seen from the following equation:

1. The effect of Managerial Ownership on Company Value
   Direct effect : 0.690
   Indirect effect : 2.674 x 0.120 = 0.321
   Total effects : 0.690 + 0.321 = 1.011
   From the results of the calculation, it can be concluded that a direct effect of managerial ownership on the value of the company because the results of the multiplication of indirect effects are smaller than direct effects, namely 0.321 < 0.690, with a total effect is 1.011. Based on the calculation of direct effect and indirect effect, shows that the Debt Policy is not able to mediate the effect of managerial ownership on the company value.
2. The Effect of Profitability on Company Value
   Direct effect : 0.225
   Indirect effect : -0.260 x 0.120 = -0.031
   Total effects : 0.225 + (-0.031) = 0.194
   From the results of the calculation, it can be concluded that a direct effect of managerial ownership on the value of the company because the results of the multiplication of indirect effects are smaller than direct effects, namely -0.321 < 0.225, with a total effect is 0.194. Based on the calculation of direct effect and indirect effect, shows that the Debt Policy is not able to mediate the effect of profitability on the company value.

Sobel Test

The Mediation of Debt Policy on The effect of Managerial Ownership on Company Value

The result of path analysis to test of Managerial ownership on company value through debt policy by a Sobel test Ghozali, 2011:255).

Table 10
Indirect Effect Analysis
Substructural – 1

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.553	.406		1.362	.184
	LN_INSDR	2.674	1.080	.419	2.475	.019

	LN_ROA	-.260	.185	-.239	-1.411	.169

a. Dependent Variable: LN_DER

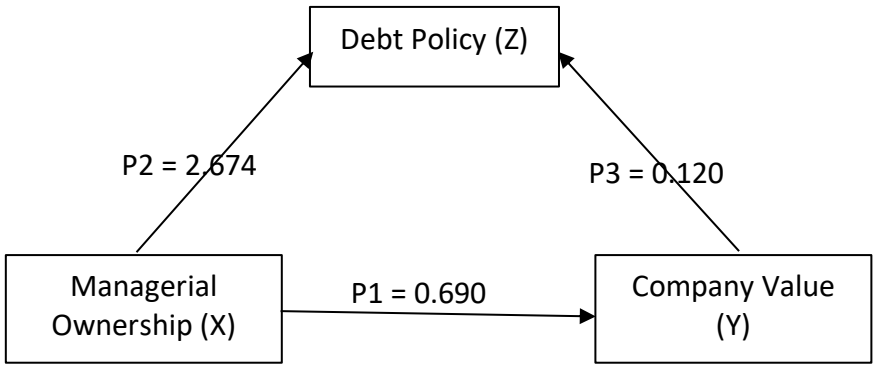
Table 11
Direct Effect Analysis
Substructural – 2
Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.470	.200		-2.346	.026
	LN_INSDR	.690	.569	.246	1.213	.235
	LN_ROA	.225	.091	.469	2.464	.020
	LN_DER	.120	.089	.273	1.353	.187

a. Dependent Variable: LN_PBV

Indirect effect model, namely the effect of managerial ownership on company value through by debt policy as following:

Path Analysis 1
Indirect Effect X_1 □ Y



Mediation effect that shows by path analysis with Sobel-test obtained the formulate as below:

$$Sp2p3 = \sqrt{p32.Sp22 + p22.Sp32 + Sp22.Sp32}$$
$$Sp2p3 = \sqrt{(0.1202).(1.0802) + (2.6742).(0.0892) + (1.0802).(0.0892)}$$
$$Sp2p3 = \sqrt{(0.014) + (7.150).(0.08) + (1.166).(0.0082)}$$
$$Sp2p3 = \sqrt{0.083}$$
$$Sp2p3 = 0.288$$

Based on Sp2p3 obtained the calculate of t-statistic of mediation effect on the formulate as below:

$$t = \frac{p2p3}{Sp2p3}$$

$$t = \frac{0.321}{0.288}$$

$$t = 1.116$$

The results of testing the influence of managerial ownership on company value mediated by the Debt Policy shows the t-test results obtained 1.116 and t-table 1.96 (1.116 <1.96), then the alternative hypothesis (Ha) is rejected and accepts the null hypothesis (H_0) meaning it does not there is an influence of managerial ownership on the value of the company mediated by the Debt Policy.

RESULT AND DISCUSSION

The Effect of Managerial Ownership on Company Value

The test results show there is no influence of managerial ownership on the value of the company in the Manufacturing Company Period 2011-2015 which is listed on the Indonesia Stock Exchange, does not support the hypothesis proposed (rejected). The result not accordance with the Agency Theory (Agency Theory), by Jensen and Meckling (1976), there is a conflict between the manager (agent) and the shareholder (principal) so there is agency cost. Badjuri's study (2012), revealed by Jensen and Meckling (1976) that one way to reduce agency cost is to increase share ownership by management. This will force managers to take the risk as a consequence if they make a mistake in the decision. However, these results are consistent with Ni Putu Wida P. D and I Wayan Suartana's research (2014). The results of this study attempt to explain that increasing the amount of managerial ownership is not able to reduce agency conflicts arising from agency relationships. A large amount of managerial ownership is not able to align the interests of management and shareholders, so the company's goals in achieving high company value cannot be achieved. Managers have interests that they tend to fulfil compared to achieving overall company goals.

The Effect of Profitability on Company Value

The test results show there is a positive and significant effect on the profitability on the value of the company in the Manufacturing Company Period 2011-2015 which is listed on the Indonesia Stock Exchange. These results support the hypothesis proposed (accepted). This result is consistent with the signalling theory which states that a good quality company will intentionally give a signal to the market until the market is expected to be able to differentiate between good and bad quality companies. For this signal to be effective, it must be able to be captured by the market and be perceived well, and not easily imitated by poor quality companies (Megginson, 1987). These results are also consistent with research conducted by Junadi, et al (2015), which states that profitability affects firm value. This result implies that companies with favourable prospects will try to avoid selling shares and seeking every new capital needed by other means, including the use of debt that exceeds the normal target capital structure. Companies with unfavourable prospects will tend to sell their shares, which means finding new investors to share losses. Announcement of issuance of shares by a company is generally a signal that management views the company's prospects as bleak. If a company offers the sale of new shares, more often than usual, then the share price will decrease because issuing new shares means giving negative signals which can then suppress the stock price even though the company's prospects are bright.

The Effect of Debt Policy on Company Value

The test results show that there is no effect of debt policy on the value of the company in the Manufacturing Company Period of 2011-2015 which is listed on the Indonesia Stock Exchange. This result does not support the hypothesis proposed (rejected). The results of this study are not in accordance with the Exchange Theory (Trade-Off Theory) Brigham et al, (1999) evaluating alternative funding based on consideration of tax savings, financial hardship costs, and agency costs (Sudana, 2011: 153). This theory also explains that if the target capital structure has been reached, each additional debt will reduce the value of the company. However, these results are consistent with research conducted by Sofyaningsih and Hardiningsih, et al (2011), which states that debt policy does not affect firm value. High and low debt to equity ratio, does not have implications for the high or low value of the company. The absence of influence of debt policy with the value of the company indicates that the cost of debt and the cost of equity are relatively equivalent and each has advantages and disadvantages. The implication of the results of this study is that companies tend to increase their debt ratio to an optimal point until the debt ratio can have an impact on increasing the company's value.

The Effect of Managerial Ownership on Debt Policy

The test results show that there is a positive and significant effect of managerial ownership on the debt policy in Manufacturing Companies for the period of 2011-2015 which is listed on the Indonesia Stock Exchange. This result does not support the hypothesis proposed (rejected). The results of this study are not in accordance with Agency theory, Jensen and Meckling (1976). Agency theory, Jensen and Meckling (1976) in Susilawati (2012). If managerial ownership and debt policy act to change each other in the agency problem monitoring mechanism, then a causal relationship will emerge negatively. That is a large role by managers as shareholders in making decisions will be more careful in using debt. The results of this study indicate that managerial ownership can align the position of managers with shareholders so that they act in accordance with the wishes of shareholders. Practical implications, investors can make the structure of company ownership as an investment consideration. Debt policies can be used to reduce agency conflicts, but the level of debt must be considered because the benefits of creditor control will be reduced because of new conflicts between shareholders and creditors. So that high debt can reduce company performance. Thus the debt policy can be considered by investors as investment considerations.

The Effect of Profitability on Debt Policy

The test results show that there is an insignificant negative effect on the profitability on debt policy in the Manufacturing Company Period 2011- 2015 which was listed on the IDX. These results support the hypothesis proposed (accepted). This result is consistent with the pecking order theory that explains why profitable companies generally borrow small amounts of debt because they require little external financing, the level of debt to profitable companies will thus the lower so there is a negative relationship between profitability and debt policy. This result is consistent with research conducted by Yeniate and Destriana (2010), that profitability has a negative and significant effect on debt policy. The research results are in accordance with Ikbal, et.al. (2011) and Bringham et al. (1999) that companies with high rates of return on investment use relatively small debt. High rates of return make it possible to finance most funding needs through internal funding sources. The company's dream is to reduce the debt ratio so that shareholders can maintain share control over the company with limited investment or funds

deposited by the owner, to provide a safety margin, even though there are consequences of the company's risk mostly on the owner (investor). Besides, there is the potential for reduced tax benefit due to reduced debt ratio.

The Effect of Managerial Ownership on Company Value by mediation of Debt Policy

The test results show that there is no effect of managerial ownership on company value by mediating the Debt Policy. The results of the study are not in accordance with Agency theory, Jensen and Mackling (1976) in (Vintila and Gherghina,2014), that managers with high managerial ownership tend to have information about a company's financial performance better so that it can increase the value of the company because the manager's interests are not only in the interests of the contract but also in ownership. The results of the study are also not in accordance with Ikbal, et al (2011) which states that the relationship between insider ownership and corporate value is a non-monotonic relationship. Non-monotonic relationships arise because of the incentives that managers have, and they try to align interests with outsider ownership by increasing their share ownership if the value of the company increases. The results are also irrelevant to Agency theory, Jensen and Meckling (1976) in Susilawati (2012), that if managerial ownership and debt policy act to change each other in the agency problem monitoring mechanism, then a negative causal relationship arises. The implication is the higher managerial ownership, the lower the debt policy used by the company so that it can reduce the value of the company. In accordance with the trade-off theory in Sundana (2011), if the target capital structure has been reached, any additional debt will reduce the value of the company. The results of research that prove that debt policy as an intervening variable are not able to mediate, because by including debt policy variables actually reduce the value of the company. The results give the implication that the company directors who are also owners of the company tend to increase their influence to reduce the company's debt ratio, to increase the value of the company.

The Effect of Profitability on Company Value by mediation of Debt Policy

The test results show that there is a negative effect on the profitability on the company value by mediating the Debt Policy on Manufacturing Companies for the period of 2011-2015 which is listed on the Indonesia Stock Exchange. These results are in accordance with Modigliani and Miller (1958) in Wulandari and Sutrisno (2013), revealing that the value of a company is determined by the company's earnings power assets. The positive effect of earnings power assets on firm value shows that the higher of the earnings power the more efficient of the velocity of assets and the higher the profit margin obtained by the company so that it has an impact on increasing the value of the company. The results are also in accordance with Trade-off theory, in Margaretha (2014), explaining that because debt interest can be deducted in tax calculations, the value of the company increases continuously in line with the increasing amount of debt used. Therefore, the value will reach a maximum value if all is financed with debt. The results are also in accordance with Ikbal, et al (2011) who found that of the four fundamental factors analyzed only profitability had a significant positive relationship with the PBV ratio. Also supported by the results of research Bathala et al. (1994) found that profitability had a positive effect on company value. The implication is the higher the profitability of the company, the company will prefer to fund the company using internal capital. the higher profitability, the lower debt policy used by the company so as to reduce the value of the company. Debt policy as an intervening variable is not able to mediate because includes the debt policy variable it will reduce the value of the company. The implication of

this result is that company management tends to continue to improve its profitability ability to reduce the debt ratio so as to increase the value of the company.

CONCLUSION

1. Managerial ownership does not have an effect on the company value in Manufacturing Companies listed on the Indonesia Stock Exchange in the 2011-2015 period.
2. Profitability has a positive and significant effect on company value in Manufacturing Companies listed on the Indonesia Stock Exchange in the 2011-2015 Period.
3. Debt policy does not have an effect on the company value in manufacturing companies listed on the Indonesia Stock Exchange in the period 2011-2015.
4. Managerial ownership has a positive and significant effect on debt policy on Manufacturing Companies listed on the Indonesia Stock Exchange in the 2011-2015 Period.
5. Profitability has a negative and insignificant effect on the debt policy of Manufacturing Companies listed on the Indonesia Stock Exchange in the 2011-2015 period.
6. Managerial ownership has no effect on the company value by mediating the Debt Policy to manufacturing companies listed on the Indonesia Stock Exchange in the 2011-2015 period.
7. Profitability has a negative effect on the company value by mediating the Debt Policy for manufacturing companies listed on the Indonesia Stock Exchange in the period of 2011-2015.

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