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The Effect of Investment and Non-Monotonic of Managerial Ownership on Corporate Value

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ABSTRACT

The purpose of this study is to test the investment variable on corporate value. Next will examine the effect non-monotonic of managerial ownership on corporate value. The sample used in this study is a consumer goods industry sector company in the Indonesia Stock Exchange for 5 years (2012-2016). Data collection through time series and cross sectional. Sampling uses purposive sampling technique. The analytical tool used in this study is panel data regression. Based on the hausman test, the suitable approach in this study is random effect model (REM). The results of the research obtained indicate that the investment variable has a negative coefficient but is not significant for the corporate value variable. At the level of low managerial ownership is obtained positive and significant to the value of the company, while managerial ownership at a high level or managerial ownership squared shows a negative coefficient on corporate value but not significant. These results indicate that managerial ownership variables have a non-monotonic effect on corporate value.

Keywords: Investment, Managerial Ownership, Corporate Value, Agency Theory

INTRODUCTION

The value of the company can provide maximum shareholder prosperity if the stock price increases. The higher the share price of a company, the higher the prosperity of shareholders. Company value is an investor's perception of the company, which is often associated with stock prices. This is also a desire for company owners, because high corporate values indicate the prosperity of shareholders' prosperity is also high. firm value can be influenced by investments made by companies because of better business opportunities.

Investment is a commitment to a number of funds or other resources carried out at this time, with the aim of obtaining a number of future profits (Tandelilin, 2001). In Signaling theory, investment expenditure provides a positive signal about the company's growth in the future, so it can increase prices shares used as an indicator of company value. Investment decisions can be grouped into short-term investments such as investments into cash, short-term securities, accounts receivable, and long-term inventories and investments in the form of land, buildings, vehicles, machinery, production equipment, and other fixed assets. Investment activities carried out by the company will determine the profits that will be obtained by the company in the future. According to Wahyudi and Pawestri (2006), the value of a company formed through indicators of stock market value is strongly influenced by investment opportunities. Research conducted by Cho (1998); Davies et al. (2005); Sari (2013) and Yunitasari (2014) which states that investment has an influence on firm value. In contrast to the results found by Chen et al. (2006) and Achmad (2015) that investment does not affect the value of the company.

In addition, the manager's role is to maximize shareholder wealth. The appointment by shareholders to managers to manage the company, by Jensen and Meckling (1976) is referred to as the separation of decision-making functions. This form of separation of functions will lead to conflict between the owner of the company as principal and manager as the agent. Jensen and Meckling (1976) define agency relations as a contract between one or more (principals)

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who ask other people (agents) to carry out some activities or jobs for the interests of principals which include the partial transfer of authority to agents to make decisions.

The emergence of conflict will make it difficult for shareholders to monitor the company's management, so that the company's assets can be used for the benefit of the manager rather than maximizing the prosperity of shareholders. Company managers may not be to maximize shareholder prosperity but maximize their own prosperity. For example, managers might try to do something that consequently must be borne by shareholders, they might make short-term decisions that benefit themselves but harm shareholders (Crutchley and Hansen, 1989).

Compensation in the form of shares to insiders will overcome moral hazards because share ownership will change position to become owner-manager, so as to be able to harmonize the interests of managers and shareholders. The higher managerial ownership the greater the potential to increase the value of the company as a result of the creation of alignment of interests between insider and owner.

The compensation scheme in the form of shares suggested by Jensen and Meckling to reduce the internal agency conflict of the company was not able to effectively reduce agency costs. Morck et al. (1988), McConnell and Servaes (1990), and Hermalin and Weisbach (1991), Cui and Mak (2001), Davies et al. (2005), Ruan and Tian (2011), Marimuthu (2017) provide evidence of a significant non-linear relationship between managerial ownership and firm value. In detail, the value of the company increases by the management of equity holders at a certain level after entrenchment behavior becomes dominant towards the decline in firm value. Whereas Morck et al. (1988), and also Hermalin and Weisbach (1991) further documented changes in the relationship of firm value and managerial share ownership at a high level of equity capital ownership, McConnell and Servaes (1990) did not report such changes. Whereas Berke et al. (2017) find managerial ownership has a positive but not significant effect.

Based on the description above, I am interested in conducting research again on the grounds that the results of good research on investment in company values show inconsistent results. In addition, the researchers also tested the non-monotonic relationship of managerial ownership by using quadratic on company value with panel data analysis, because previous research used managerial ownership with cubic and piecewise.

LITERATURE REVIEW

Agency Theory

Agency theory began to develop starting with a study by Jensen and Meckling (1976) that refers to fulfilling the main objective of financial management, namely maximizing shareholder wealth. The shareholder as the owner of the company is called the principal. The maximization of principal wealth will be left to those who are considered professionals to manage the company. The professional in the company is referred to as management, which in agency theory is called an agent.

Separation between owners and those managing a company in a modern company has the potential for agency (conflict) problems (owner / outsider) with the manager (agent / insider) and between owners and money holders (debt / bondholders). This agency conflict will lead to inefficiencies in companies born from less than optimal decisions. Low efficiency, non-optimal decisions and other sacrifices that arise from the existence of conflict of interest by Jensen and Meckling (1976) are called agency costs. Jensen and Meckling (1976) concluded that agency costs like other boarding houses are real. Agency costs are influenced by how the proportion of ownership in the company will result in changes in the company's capital structure.

According to Watson and Head (2010) there are three important features that contribute to the presence of agency problems in a limited liability company as follows:

1. Differences in ownership and control, where the owner of the company (principal) does not manage but appoints an agent (manager) to run the company on behalf of the principal;
2. The purpose of the manager (agent) is different from the shareholders (principal). Human nature, managers tend to maximize their own wealth rather than shareholder wealth;
3. Information asymmetry that exists between agents and principals. Managers, as a consequence of running a day-to-day company, have access to management accounting data and financial statements, while shareholders only receive annual reports, which can be manipulated by management.

Firm Value

Company value is an investor's perception of the company, which is often associated with stock prices. High stock prices make the value of the company also high. A high corporate value will make the market believe not only in the company's current performance but also in the company's prospects in the future. Maximizing the value of the company is very important for a company, because maximizing the value of the company also means maximizing shareholder prosperity which is the company's main goal. According to Ross et al (2008) defining company value is the debt market value plus the equity market value or (V = B + S). Where V is the firm value, B is the market value of debt and S is the market value of equity.

Tobin’s Q is the most widely used assessment measure in corporate financial data. The name Tobin’s Q comes from James Tobin from Yale University after he won the Nobel prize. Morck et al. (1988); McConnell and Servaes (1990); Cho (1998); Ituriaga and Sanz (2001); Davies et al. (2005); Chen et al. (2006); Lumapow and Tumiwa (2017) use Tobin’s Q as a measurement of company value on the grounds that with Tobin’s Q it can be known the company's market value, which reflects the company's future profits such as current profits.

Managerial ownership

Agency problems can be controlled if managers have stock ownership in the company (Jensen and Meckling, 1976). With the ownership of shares, the manager will feel directly the consequences of the decisions taken so that it is impossible to act opportunistically again. Thus, company stock ownership is an incentive for managers in the company to improve company performance.

Increased managerial ownership can be used as a way to reduce agency conflict (Crutchley and Hansen, 1989; Jensen, Solberg and Zorn, 1992). Companies increase managerial ownership to align the position of managers with shareholders so that they act in accordance with shareholders. Whereas Bathala et al. (1994) states that managerial ownership will be used to reduce agency costs, because high share ownership will increase the risk of non-diversifiable, so managerial will be more careful in using debt. However, Morck et al. (1988); McConnel and Servaes (1990); Cho (1998); Itturiaga and Sanz (2001) found a turning point in a particular stage or stage, which indicates that the relationship is not always linear-positive.

Signaling Theory

Signaling theory states that good quality companies will deliberately signal to the market, thus the market is expected to be able to distinguish between good and bad quality companies. In order for the signal to be effective, it must be captured by the market and perceived well, and not easily imitated by companies that are of poor quality. According to signaling theory, management can use the opportunity for investment announcements to provide positive news (good news) or optimistic expectations to the public. Managers can convey their internal information to outsiders through financial decisions that are discretionary. Investment announcements are considered as a signal given by management that the company has good prospects in the future.

Thinking Framework and Hypothesis Formulation

Effect of Investment Decisions on Firm Value

Jensen and Meckling (1976) state that ownership structure influences corporate value through its influence on company investment. The higher managerial ownership means the higher the potential to align interests between managers and owners. Thus incentives in the form of share ownership are able to control the behavior of managers in carrying out their functions as owner-managers. Studies that investigate the effect of investment on firm value are included by McConnell and Muscarella (1985), and Chan et al. (1990). McConnell and Muscarella (1985) found that stock exchanges react positively to planning for increased capital expenditures and the stock exchange reacts negatively to the plan for reducing capital expenditure. Chan et al. (1990) reported a positive response in changes in stock prices towards increased investment.

The basis of value creation comes from a company idea that is considered a nexus of contracts between different shareholders and a conflict of interest that arises between

shareholders and managers in particular is relevant to establishing the company's market value (Jensen and Meckling, 1976). The separation between company ownership structures and monitoring creates incentives and mutual linkages between ownership structures and firm value through investment (Cho, 1998). In the initial stages, managers want incentives to benefit from using the burden of optimal investment policies. In the second stage, the level of investment that does not optimally affect the value of the company results in the company's value not being optimal.

Hypothesis 1: Investment has a positive effect on firm value

Effect of Managerial Ownership on Company Values

Jensen and Meckling (1976) formulated the relationship between firm value and managerial ownership. Especially for the extent to which corporate insiders are few and have the urge to use investments and financial decisions that are more profitable for them. The application of optimal projects and consumption will reduce the value of the company and therefore variations in the value of the company are directly related to shares by insider ownership. Jensen and Meckling (1976) have argued that the ownership structure influences the value of the company.

Although much research is still contradicting the ownership structure, Cho (1998) concludes that the ownership structure is an exogenous variable. This research tries to trace the relationship between ownership structure and other problems faced by the company. But Himmelberg et al., (1999) found the problem of endogeneity of the mechanism of relations between managers and owners. This is due to the role of managers who are very important in the alignment of mechanisms between managers and owners. The study conducted by Lee and Ryu (2003) regarding management ownership and company value using panel data analysis and concluded that management ownership affects the value of the company by following two ways: (1) the attitude of insiders to actively trade allows outsiders to exploit together with insiders thus reducing the value of the company. (2) The purchase of shares by an insider is a positive news signal to the value of the company that is believed to increase the value of the company.

Studies that represent corporate governance focus on the relationship between firm value and managerial capital ownership included by Morck et al. (1988) and McConnell and Servaes (1990). The causal relationship in this study is carried out from managerial ownership of firm value and their results show a non-linear relationship between managerial ownership and firm value. Mork et al. (1988) states that there is a positive relationship between managerial ownership and firm value (Tobin’s Q) at levels between 0% -5%, and negatively related to the level of 5% -25%. They say the hypothesis of concentration of interest will continue when managerial ownership is less than 5% and greater than 25%. At the level of managerial ownership greater than 5% -25% the negative relationship between managerial ownership and company value is explained through entrenchment hypothesis. At the level of managerial ownership between 5% -25% of the private benefits obtained by managers exceed the expenses incurred due to losses from decisions that do not maximize the value of the company.

In contrast to research conducted by Cui and Mak (2001) in companies that have high R & D have different characteristics such as information asymmetry and high growth opportunities, different board structures and differences in ownership structure. They found that tobin’s Q initially declined with managerial ownership, then increased, then declined again, and finally increased again a form W relationship. The form of their study findings shows the importance of industry influence in the relationship between managerial ownership and firm value. Furthermore, the piecewise analysis states that the best form of function illustrated the relationship between managerial ownership and Q indicates that initially decreased as the ownership increase from 0% -10%, increased between 10% and 30%, and decreased again between 30% and 50%, and Other increases in Q are above 50% ownership. While the results of the research from Sort and Keasey (1999) that the relationship between company performance and managerial ownership is in cubic form. For the regression of RSE and VAL coefficient on the DIR, DIR^2 and DIR^3 variables all are statistically significant at the 5% confidence level of the sign that it is expected that the coefficient on the DIR and DIR^3 variables is positive, while the DIR^2 variable is negative.

The research conducted by Davies et al. (2005) state that the initial attributes of entrenchment, which results in a decrease in the value of the company to increase the level of

managerial share ownership. They propose a new structure for this relationship that sums up the influence of managerial incentive conflicts, and disciplines external and internal monitoring mechanisms. They believe that their analysis has several important contributions to the literature on the relationship of managerial ownership and firm value. First, their quintic specifications expand in the previous work area and successfully capture complex non-linear relationships between firm value and managerial ownership. Second, by complex analysis of similar market differences in the structure of US companies. This has implications from the debate on the effectiveness of compensation policies that include stock options in top managers. In addition, Ruan and Tian (2011) stated that Tobin's first Q increased when managerial ownership was lower by 17.5%, then the value of the company decreased to managerial ownership 64.3%, and finally the value of the company increased again when managerial ownership was greater than 64, 3%. Based on the description above, the hypothesis can be derived as follows:

Hypothesis 2: At a low level of managerial ownership, an increase in managerial ownership will increase the value of the company and at the level of high managerial ownership, an increase in managerial ownership will reduce the value of the company.

METHODOLOGY

This type of research is descriptive-verification with the method used is explanatory survey research methods.

Data and Samples

The sample in this study is a consumer goods manufacturing sector company listed on the Indonesia Stock Exchange from 2012 to 2016 by publishing financial statements in full. The company has complete data related to the variables used in this study.

Data collection is done by pooling data (time series and cross sectional). Data pooling technique is done by summing all companies that meet the criteria from 2012 to 2016. The advantage of collecting data by means of pooling is the possibility of obtaining a larger number of samples. More samples are expected to increase the power of test of this study. The criteria used are:

1. The company under study is a publicly listed company listed on the Indonesia Stock Exchange and is consistent throughout the observation period, namely 2012 to 2016.
2. Publish financial statements in full during the study period.
3. The company has data on managerial ownership and positive EBIT.

Based on the criteria used, a total of 7 companies were obtained from 34 consumer goods manufacturing sector companies listed on the Indonesia Stock Exchange from 2012 to 2016.

Research variable

Firm Value

This variable is given the symbol Q, which is calculated using the Tobin's Q ratio developed by Himmelberg, Hubbard and Palio (1999), Chen et al. (2006), Lumapow and Tumiwa (2017) namely:

$$Q_{it} = \frac{(P)_{it}(N)_{it} + D_{it}}{BVA_{it}}$$

Information:

Q = Company value

P = Stock market price

N = Number of shares outstanding

D = Book value of total debt

BVA = Book value of total assets

Managerial ownership

This variable is an endogenous variable that is given the OWN symbol. Variables are measured by the ratio of shares that have managers and directors at the end of the year to the total number of shares outstanding. Managerial ownership is the shareholder on the part of the director and commissioner who is actively involved in decision making. Mathematically OWN is formulated as follows:

$$OWN_{it} = \frac{DO_{it} + CO_{it}}{\text{Total Share}_{\text{it}}}$$

Information:

$DO_{it} + CO_{it}$ = Shares owned by the director and commissioner of the company i on period t

Total Share_{it} = Number of outstanding shares of company i in period t

Investment

Cho (1998) and Chen et al. (2006) in their study used capital expenditure (property, plant, equipment) and R & D as a proxy for investment and found changes in the managerial ownership structure had a major impact on R & D. Because many companies do not have R & D data, this study only uses capital expenditure as a proxy investment formulated as follows:

$$INV_{it} = \frac{Net\ Fixed\ Asset_{it}}{Total\ Assets_{it}}$$

Firm Size

In this study using a control variable given the SIZE symbol. This variable is obtained from the logarithm of the company's total assets. Mathematically SIZE is formulated as follows:

$SIZE_{it}$ = Log. Total Asset

Information:

Log. Total Asset_{it} = Logarithm of total company assets i in period t

Analysis Method

The design of the analysis begins with describing, identifying relationships and measuring the magnitude of the influence of exogenous variables on endogenous variables can be done using panel data regression analysis.

Panel Data Regression Analysis

The collected data was analyzed using a multiple linear regression statistical analysis tool. Thus, the model of firm value equation (Q) is:

$$Q_{it} = \alpha_{0} + \beta_1 INV_{it} + \beta_2 OWN_{it} + \beta_3 OWN^2_{it} + \beta_4 SIZE_{it} + \varepsilon$$

Information:

Q = Company value proxied by Tobin's Q

OWN = Managerial ownership, percentage of ownership by directors and commissioners.

OWN^2 = Square of the OWN

INV = Company capital expenditure for property, plant, equipment

SIZE = Total company assets.

α and β = Coefficient parameters

ε = Residual

Hausman Test

In this study using panel data, a hausman test will be conducted. The Hausman test is a statistical test which is the basis for consideration in determining which test is right to use, whether fix effects model (FEM) or random effect model (REM). This test is carried out with the following hypothesis:

H0: REM model

H1: FEM model

FINDINGS

Descriptif Statistics

Table.1
Descriptive Statistics

Remarks	Variabel				
	Q	**INV**	**OWN**	**OWN²**	**SIZE**
Maximum	4.906135	0.527373	0.179100	0.032077	13.93419
Mean	1.871214	0.402559	0.037027	0.004361	12.29256
Minimum	0.853225	0.245818	0.000157	2.47E-08	11.39750

Source: Data processed

Based on table 1 shows that the firm value variable (Q) has a maximum value of 4.901. This maximum value reflects that the company's prospects in the research sample have good prospects and can attract investors to invest because the value of the company is greater than one indicating that the company's future performance and prospects can promise to provide welfare to shareholders, while the value minimum of 0.85, this number indicates that there are companies that have poor value. But the value of the company has an average of 1.87.

The maximum value of the investment variable (INV) is 0.527 and the minimum value of 0.246 is the addition of relative assets to the company with an average investment of 0.403. While share ownership by managers (OWN) has a minimum value of 0,000157 and the maximum value of shares held by managerial is 0.1791 with an average ownership of 0.037027. For company size variables (SIZE) has a maximum value of 13.9342 and a minimum value of 11.3975 with an average company size of 12.2926.

Hypothesis testing

Hypothesis testing uses panel data regression, but previously a hausman test was conducted to determine the right model to use, namely the fixed effect model (FEM) or random effect model (REM). Based on the results of the hausman test, the propbability value is 0.2403, which means that the suitable approach is random effect model (REM). Therefore, the test results in the form of fixed effect models (FEM) and random effect models (REM) will be presented in table 2.

Table 2
Panel data regression test results

Dependent Variable: Firm Value (Q)

Variable	Fixed Effect Model (FEM)	Random Effect Model (REM)
C	15.07686 (1.468773)	0.404034 (0.127219)
INV	-1.578151 (-0.859578)	-1.399314 (-0.895746)
OWN	15.56661 (0.613191)	21.10172 * (1.917917)
OWN²	-52.92661 (-0.549830)	-54.06359 (-0.908209)
Size	-1.050710 (-1.228403)	0.120799 (0.523009)
R^2	0.726997	0.446441

Source: Data processed
Description: * Significant at the level of 10%, ** Significant at the level of 5%, and *** Significant at the level of 1%

The test results for the first hypothesis can be seen in table 2 which states that investment has a positive effect on firm value. Both the fixed effect model (FEM) and random

effect model (REM) investment variable (INV) approaches have negative but not significant coefficients. Based on these results, hypothesis 1 cannot be supported. The results of this study indicate that the higher or greater the investment will reduce the value of the company but not significantly.

The second hypothesis states that at the level of managerial ownership is low, an increase in managerial ownership will increase the value of the company and at the level of high managerial ownership, an increase in managerial ownership will reduce the value of the company. The test results show that in the FEM approach the OWN variable has a positive coefficient and the OWN^2 variable has a negative coefficient but both are not significant, whereas the REM approach where the OWN variable has a positive and significant coefficient at level 10% while the OWN^2 variable has a negative but not significant coefficient. Based on these results, hypothesis 2 cannot be supported. The parameters expected from these variables are in accordance with predictions but the OWN^2 variable is not significant. The control variable that is included in the company value equation is the company size variable (SIZE).

Discussion

Effect of Investment on Company Values

Investment is an investment in the form of capital at the moment in the hope of obtaining a level of profit or providing prosperity for holders in the future. The results of this study indicate that the investment variable obtains a negative coefficient, it is assumed that the increase in investment made by managers does not provide good prospects for the company,

The results of this study explain that investment does not affect the value of the company. This research is not able to be fully explained by signal theory which states that investment decisions taken by managers to be implemented will give a positive signal to the public or investors regarding the prospects and growth of the company in the future.

The results of the study indicate that the insignificance of the investment variable on firm value provides support for the results of the research conducted by Chen et al. (2006) and Achmad (2015). Therefore, the mechanism of investment carried out by the company has not fully increased the value of the company. The investment mechanism carried out on manufacturing companies in the consumer goods industry sector on net assets shows that the average investment made during the study period is 0.402559 or 40%, while the maximum value of investment made by the company is 53% of the company's total assets. Associated with agency theory that managers are agents entrusted by principals to managing the company have not been able to prosper shareholders, instead they invest with negative net present value (NPV). Husnan and Pudjiatuti (2006) stated that management might be detrimental to shareholders with various bad decisions, such as the decision to make an acquisition (investment by buying another company). Because by managing a larger company, the rewards received by managers will be greater. In Indonesia, which is often difficult, the acquisition is carried out on companies in a group of ownership, and the company to be purchased is not registered in the bank. Thereby causing difficulties to estimate the fair price. The results of the study are inconsistent or contrary to the research conducted by McConnell and Muscarella (1985); Chan et al. (1990); Cho (1998); Davies et al. (2005); Sari (2013) and Yunitasari (2014) which states that investment has an influence on firm value.

In the equation the value of the company or the model used in this study includes the control variable, namely company size (SIZE). Firm size variables have negative and not significant coefficients so that they can expand the results of research conducted by Cho, (1998) and Chen et al. (2006) which states that assets have a negative influence on Tobin's Q. Usually larger companies will have lower corporate value. The results of this study are different from the research conducted by Davies et al. (2005), Lumapow and Tumiwa (2017) Where the greater the size of the company, the greater the value of the company as measured by Tobin's Q.

Effect of Managerial Ownership on Company Values

High corporate value reflects the prosperity of the company, thus encouraging managers to increase their share ownership. This is consistent with the results of the research of Agrawal and Knoeber (1996), Cho, (1998), Davies et al. (2005) and Chen et al. (2006) who found that the greater the company's performance as measured by Tobin's Q, the greater managerial ownership. This is also consistent with the results of the research of Agrawal and

Knoeber (1996), Cho, (1998), Davies et al. (2005) and Chen et al. (2006) who found that the greater the company's performance as measured by Tobin's Q, the greater managerial ownership. This also indicates the benefits of managerial success of the capital associated with compensation policies. But it is not consistent with the results of Demsetz and Villalonga (2001) who found the opposite effect.

The results of the analysis show that managerial ownership shows a positive relationship to firm value and the quadratic function of managerial ownership shows a negative relationship. The different direction coefficients namely +, -, on both of these variables indicate that there is a non-monotonic relationship between managerial ownership and firm value and its relationship is only managerial ownership that is significant at level 10% while the quadratic function of managerial ownership is not statistically significant.

The direction of the +, - coefficient, for the ownership and quadratic function variables is consistent with Morck, Shleifer & Visny (1988); McConnell & Servaes (1990); Hermalin & Weisbach (1991); Holderness et al. (1999); Abdullah et al. (2002). These results indicate that when managerial ownership is still low (OWN), an increase in the percentage of ownership will align the interests of managers and shareholders, so managerial share ownership is a mechanism to reduce agency problems between managers and shareholders. With managerial share ownership, it will reduce opportunistic attitudes and make managerial in line with the interests of shareholders so as to maximize shareholder prosperity reflected in the company's performance as measured by Tobin's (Convergence hypothesis proposed by Jensen & Meckling, 1976).

While the results of the OWN2 variable which has a negative direction, in accordance with previous studies. These results indicate that at the level of high managerial ownership, an increase in the percentage of managerial ownership will reduce the value of the company due to consumption expenditures can be detected, then reduce the value of the company in accordance with the entrenchment hypothesis proposed by Jensen and Meckling (1976).

For managerial ownership in Indonesia, the higher the percentage of managerial ownership, the smaller the company value but not significant, this indicates a non-monotonic relationship with company value as measured by Tobin's Q. Managerial ownership in Indonesia in sample companies is generally dominated by family management, ownership is not spread, thus investors are less favored to invest in companies, so the higher managerial ownership does not affect the value of the company.

These results contradict the tests conducted by Makaryanawati (2002) and Suranta (2002) which say that managerial ownership is linearly and negatively related, this is due to differences in criteria and categorizing samples of managerial ownership taken. Makaryanawati (2002) criteria for data are not consistent during the sample period while Suranta (2002) makes categories that are intuitive into 2 categories, namely alpha less than or equal to 20% and alpha more than 20% and less than 30% but the concluding results cannot be generalized.

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CONCLUSION

The investment variable shows a negative influence on firm value. These results indicate that the greater the investment made by the company will reduce the value of the company. The greater the investment will be in tandem with the size of the company but not significant.

Managerial ownership variables show a positive relationship to company value and quadratic function of managerial ownership shows a negative relationship with firm value as measured by Tobin's Q, so managerial ownership has a non-monotonic effect on firm value. These results indicate that when managerial ownership is still low (OWN), an increase in the percentage of ownership will align the interests of managers and shareholders or in accordance with the convergence argument. Whereas when managerial ownership is high, an increase in the percentage of managerial ownership will reduce the value of the company according to the entrenchment hypothesis proposed by Jensen and Meckling (1976). Suggestions for future research to add samples of manufacturing companies in other sectors. The determinant coefficient is 0.446 or 45% so other factors not in the model can be included for future research.

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