EFFECTS CAPITAL STRUCTURE, MANAGERIAL OWNERSHIP, FIRM SIZE, AND TANGIBLE ASSET TO THE FIRM VALUE: EMPIRICAL STUDY ON INDONESIAN STOCK EXCHANGE

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ABSTRACT

This study was conducted to test the effect of capital structure, managerial ownership, size, and asset tangibility to the value of companies listed on the Indonesia Stock Exchange. In this study population is all listed manufacturing companies (Go Public) at the Indonesian Stock Exchange (BEI) 2011-2014. The sample in this study are listed manufacturing companies (Go Public) at the Indonesian Stock Exchange (BEI) 2011-2014. The sampling method used in this study is judgment sampling method, which is one form of purposive sampling by sampling predetermined based on the intent of the study. Based on this can be obtained samples 26 companies, so that the number of observations 104. Methods of data analysis using multiple linear regression analysis. The results showed that capital structure has a significant influence on the value of the firm's, managerial ownership, size and the asset tangibility have no effect on Firm Value.

Keywords: Capital Structure, Managerial Ownership, Company Size, Asset Tangibility, and Firm Value.

INTRODUCTION

The main goal of companies that have go public is to maximize value and create value for shareholders (Nilssen 2014). The company's value is basically the value of the company in investor perception, which is often associated with the stock price. The company's value means higher stock prices too high (Salvatore, 2005).

According to Ruan, et al. (2011) the value of the company was affected by capital structure. Nevertheless, although the previous investigators have examined the relationship between capital structure to the company's value, but the results of each study are different. Early researchers about these relationships, Modigliani and Miller (1958), stating that in a perfect market capital structure has no influence on the value of the company.

Meanwhile Ruan, et al. (2011) found that there is a negative correlation between the value of the company's capital structure. That companies that have better growth opportunities tend to have lower leverage so as to prevent the transfer of wealth from shareholders to creditors. However, recent research from Hoque, et al. (2014) would indicate that the capital structure has a positive effect on firm value. Besides the capital structure of other factors that may affect the value of the company is the ownership structure.

Empirical evidence shows that ownership structure can affect the value of the company (Rashid 2015). However, the results of previous studies on the relationship between these two variables had inconsistent results. Results of research conducted by Ruan et al. (2011) showed that managerial ownership does not significantly affect the value of the company, especially when the capital structure into a variable intermediary between managerial ownership and corporate value. The latest research results from Rashid (2015) showed that managerial ownership is partially not have a significant effect on the value of the company. Results of research Abdolkhani & Jalali (2013) even showed that managerial ownership is concentrated have significant negative influence on the value of the company. The results of the Vintil & Gherghina (2015) also showed that managerial ownership is negatively related to firm value.

For investors Company size often become the focus and main concern (Siahaan, et al. 2014). The size of the company is a picture of the size of a company represented by total assets, number of sales, average total sales and average total assets (Fery and Jones in Sujianto, 2001). Though some researchers disagree about the relationship between the variables of firm size and firm value.

Results Dr niceanu study (2013) showed a positive and significant relationship between firm size on firm value. However, the results of Chen and Chen (2011) demonstrated that the measure does not have a significant effect on the value of the company. Another factor that has the possibility of affecting the value of the company is a tangible asset. Tangible assets is one of the key factors in capital structure (Charalambakis & Psychoyios, 2012).

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Although it is recognized as an important factor but the relationship between the effect of tangible asset value of the firm is not clear. This ambiguity arises because some inconsistency between the results of recent research on the relationship of these two variables. Research from Hoque, et al. (2014) showed that tangible assets have a positive effect on firm value. But research Kodongo, et al. (2014) actually showed the opposite results, in the context of small companies, tangible assets have a negative effect on firm value.

Base on the importance of considering the issue value of the company and still some inconsistency effect of capital structure, managerial ownership, company size, and asset tangible to corporate value that has been described above, the problem in this research is how the variables of capital structure, managerial ownership, the size of the company, and tangible effect on the asset value of the company.

LITERATURE REVIEW

Franco Modigliani and Merton Miller is the father of the theory of capital structure (Groth and Anderson, 1997). In 1958, in the American Economic Review 48 (1958, June), entitled The Cost of Capital, Corporate Finance and The Theory of Investment, they put forward the theory of capital structure with a variety of assumptions which may not happen, but very helpful in understanding how companies determine the combined funding from debt and equity properly (Siaw, 1999).

In 1963 Modigliani and Miller published an article in the American Economic Review 53 (1963, June), entitled Corporate Income Taxes and the Cost of Capital: A Correction, to improve the initial model them with regard to any company tax (but still ignoring the individual income tax) , To further the model known as the Modigliani-Miller 2 models or model MM with company tax (corporate taxes) (Brigham and Ehrhardt, 2005: 588-592).

In 1977, in the journal of finance vol. 32 no. 2 in 1977 with the title of Debt and Taxes, Miller suggests a model that takes into account individual tax (Odgen, Jen, and O'Connor, 2003: 172). In this model, investors are faced with two possible types of taxes: individual income tax on equity or dividend income (tS) and the top personal tax debt or interest income (tD).

Agency theory explained that the agency relationship arises when one or more persons (the principal) employs another person (the agent) to provide a service and delegate decision-making authority to the agent (Jensen and Meckling, 1976). According to Anthony and Govindarajan (2005) agency theory is a relationship or contract between principal and agent.

Agency theory was first popularized by Jansen and Meckling (1976). According to this theory agency relationship is a contract in which one or more persons (called 'principal') was involved with another party (which was then called the 'agent') to perform services on behalf of the principal, thus in this connection there is the attempt delegation of authority in decision from the principal to the agent. Because relations between the two sides are aiming to maximize the utility, it is possible that agents do not always act in the interest of the principal. Therefore, the principal agent anticipates interest and limit the activities that deviate from the principal agents provide the right incentives for the agency, so it is certainly raises the cost of monitoring. Principal will pay the agency to ensure that the agency will not take certain actions that would be detrimental to the principal or that the principal will be member compensation if the agent does not act like it (Jansen & Meckling 1976).

Signaling theory is basically concerned with reducing the asymmetry of information between the two parties (Spence, 2002). This is due to information affect decision-making process used by individuals in business. Individuals make decisions based on the information that is freely available. Stiglitz (2002) .The have different knowledge about something. This is what led to the asymmetry of information, because some people may store their information and potentially make better decisions if they have it. At first formal economic models related to the decision-making process based on the assumption that the information is perfect, so the information asymmetry negligible (Stiglitz, 2002).

Although it is generally known that the information is not perfect, most economists assume that the market imperfections information will still behave substantially similar to the market with perfect information (Stiglitz, 2000). Stiglitz (2000) highlights two types of information which the asymmetry of information on certain very important, namely: information about the quality and information about the intentions. In the first case, when one of the parties is not fully aware of the characteristics of the other party. In the second case, when one of the parties concerned with the behavior of the other party or behavioral intentions (Elitzur & Davis, 2003).

Most research on asymmetry of information about the behavior and intentions of researching the use of incentives as a mechanism to reduce the potential moral hazard resulting from individual behavior (Jensen & Meckling, 1976; Ross, 1973). Insider or person within the organization obtains personal information both positive and negative, and they would decide whether to communicate such information to outside parties or not. Signal theory focuses mainly on positive intentional communication of information in an attempt to convey the positive characteristics of the organization. Signaling theory focuses primarily on insider take deliberate action to communicate positive, or the quality of the people in the invisible. Insiders potentially overwhelm outsider or outsider with evidence of action that can be observed, but not all the evidence is useful as a signal. The signal given by the helpful insider to outsider. The signal in question is a signal observation, which refers to the extent to which outsiders can see the signal. However, if the insider action can not be observed by outsiders, it is difficult to use such measures as a positive signal. While the

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trade-off theory (Brealey and Myers, 1991 in Rita, 2009) states that the tax savings (from the company owes) eliminated by raising expectations on the cost of bankruptcy.

Increased levels of leverage impact the increased probability of bankruptcy risk, and improve the cost for bankruptcy. With the tax, the use of a large debt can provide great tax benefits for the company, because it can increase the value of the company. In fact, there are things that make a company can not use debt as much as possible. One thing that is important is the increasing debt will be higher possibility of bankruptcy, because the higher the debt will be greater interest to be paid. The possibility of the company can not meet its obligations to pay the debt and loan principal will be even greater (financial distress). Debtholder could bankrupt the company if the company can not pay the debt (Hanafi, 2004).

RESEARCH METHOD

Companies in this study are listed manufacturing companies in BEI period of 2011-2014. The number of manufacturing companies listed on the Stock Exchange 2011-2014 period amounted to 146 companies.

In the sample used in this study is the judgment sampling method, which is one form of purposive sampling by sampling predetermined based on the intent of the study. The provisions of the samples taken are listed manufacturing companies in BEI period 2011-2014, which includes the company's financial statements consecutive years 2011 - 2014 and the company experienced a positive profit (profit) consecutive years from 2011 to 2014 so, gained as much as 26 company.

RESULTS AND DISCUSSION

From the descriptive test results show that the variable Capital Structure (DER) is the lowest value of 0.18 while the highest DER value is equal to the average DER 222,25Sedangkan of all manufacturing companies in the sample was observed at 7.0588 with a deviation rate of data distribution DER during the years 2011 - 2014 amounted to 31.741.

In variable Managerial Ownership (OWNER) shows that the lowest value of Managerial Ownership is 50.46, while the highest data for these variables is 95.44. The average of the variable Managerial Ownership during the study period was 77.126 and the magnitude of the deviation rate is 13.654.

In the variable size of the company show that firm size by 6.52, while the lowest is the highest SIZE Data is at 20.08, while the average SIZE of all manufacturing companies in the sample was observed at 14.2771 to the extent of the deviation SIZE distribution of data for the year 2011 - 2013 amounted to 2.02297.

In variable tangible assets (TANG) shows that the lowest value of Tangible 0.01, while the highest data for these variables is 0.98. The average of the variable Tangible Assets during the study period was 0.4736, and the level of deviation is 0.27104.

Effect of Capital Structure to FirmValue

The results showed that the capital structure is shown to have an influence on the value of the company. This means that the debt ratio increased proved a positive signal for investors that affect the increase in value of the company significantly. This study supports the theory of Modigliani and Miller (1958). For Modigliani and Miller showed that the value of a company is not affected by capital structure, the evidence on the basis of a set of assumptions, among others, there are no brokerage costs (brokerage), no taxes, no bankruptcy, investors can borrow at interest rates equal with the company, all investors have the same information, EBIT is not affected by the cost of debt.

Effect of Managerial Ownership to Firm Value

The results showed that managerial ownership has a negative effect on firm value. Although the relationship between the two variables influence is not significant. This means that companies with great managerial ownership lowers the value of the company, although the decrease was not significant. The results are consistent with the results of research Lennox (2003), which indicates that the relationship between management ownership is non-linear with negative significance. The results of this study are also consistent with the results of research Reyna (2012) with 83 companies listed Mexico during the period 2005 to 2011 found a negative effect of managerial ownership on firm value.

Effect of Firm Size to Firm Value

The results showed that the size of the company has a positive but not significant effect on firm value. Size companies that do not have a significant effect meaning that company size is not a consideration for investors in investing. A positive value gives the meaning that increasing the size of the company will increase the value of the company. Thus the results showed that although positf affect the value of the company, but the effect is not significant. Thus the results of this study according to the results of research conducted by Chen and Chen (2011) which shows that the measure does not have a significant effect on the value of the company

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Effect of Tangible Asset to Firm Value

The results showed that the tangible asset does not significantly affect the value of the company. This means that the tangible assets is not regarded as a representation of the value of the company by investors These results are not consistent with studies of Hoque et al. (2014) showed that tangible assets have a positive effect on firm value. Similar results were found in studies Skoogh & Sward (2015) which showed a positive effect on firm value tangible assets

CONCLUTION

1. Capital Structure and significant positive effect on the value of the Company. This shows that the determination of the company's capital structure is important, because it can optimize the value of the company.
2. Managerial Ownership and no significant negative effect on the value of the Company. This suggests that the high level of institutional ownership would create supervisory effort also by the institutional investors that can deter opportunistic behavior of managers.
3. The size of the Company and no significant positive effect on firm value. This shows that the size of firms affect the judgment of investors in making investment decisions.
4. Asset tangible and significant positive effect on firm value. This shows that the higher the tangible assets of the company, showed that the higher the ability of the company to be able to guarantee long-term debt.

Implication

The results of this study can give conceptual contribution to the development of science and research in the field of finance in order to understand comprehensively the effect of managerial ownership, capital structure, firm size and tangible assets to the value of the company. Base staes of signaling theory that when the capital structure changes will provide information to shareholders which would result in the value of the company changed. The company's growth will raise, and stock prices as indicators of the value of the company will raise too.

1. Managers must pay attention to the debt policy, because the use of debt will increase the company's value. However, if the user exceeds the limit will occur bankruptcy. This will be a consideration for investors in making an investment decision.
2. Management of the Company for the attention of institutional ownership. Institutional investors are believed to have the ability to monitor management actions better than individual investors. The greater ownership by financial institutions, the greater the power of sound and the drive to optimize the value of the company.
3. Management Companies need to consider the size of the company to increase the value of the company. Size large company can become a benchmark in enhancing the value of a great company. Our company will be seen from the number of total sales achieved by the company, the higher the total sales, the company will be much in demand by investors.
4. Management of the company needs to pay attention to tangible assets, as tangible assets to provide information to investors that the company's stock price on the condition that cost or eligible to be purchased because of the potential to rise in the future.
5. Investors need to pay attention to the illustrations for capital structure and managerial ownership, because it can be used as consideration in making investment. With the investment, the company's capital will be increased, thereby increasing the value of the company

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