The Influence of Leverage, Company Size, and Managerial Ownership on Company Value in LQ 45 Companies Registered In Indonesia Stock Exchange for 2014-2018 Period

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Abstract. The company value is used as an assessment by investors regarding the success of a company which is often related to the stock price. The high share price also makes the company value high. A high company value will make the market believe not only in the company's current performance but also in the company's future prospects. This study aims to test and obtain empirical evidence of the effect of leverage, company size and managerial ownership on firm value at LQ 45 companies listed on the Indonesia Stock Exchange for the 2014-2018 period. The research population is LQ 45 companies listed on the Indonesia Stock Exchange for the 2014-2018 period. The sample in this study were 135 LQ 45 companies which were determined based on the purposive sampling method. The analytical tool used to test the hypothesis is linear regression analysis. The results showed that leverage, managerial ownership had no effect on firm value. Meanwhile, company size has a negative and significant effect on firm value. Further research can develop this research by using other variables which theoretically have an influence on firm value such as Profitability, Liquidity, Dividend Policy, Capital Structure, and others.

1 Introduction

1.1 Background

In the current era of globalization, a company has a challenge that must be able to compete in a healthy manner which is not only aimed at getting profit but must have advantages over other companies. A company must have clear objectives in order to compete fairly with competing companies. The value of the company makes judgments by investors related to the success of a company which is often related to the stock price. The high stock price also makes the company value high. A high company value will make the market believe not only in the company's current performance but also in the company's future prospects. The higher the value of the company, the greater the prosperity that will be received by the owner of the company (Wiagustini, 2014: 9). Firm value can also be influenced by the size of the leverage generated by the company. Leverage can be understood as an estimate of the risk inherent in a company. This means leverage that a greaterindicates a greater investment risk. Leverage needs to be managed because the use of high debt will increase company value. Leverage can be measured by the Debt to Equity Ratio (DER). According to Kasmir (2019: 113) the Leverage Ratio is a ratio used to measure the extent to which the company's assets are financed with debt. The use of debt that is too high will endanger the company because it will fall into thecategory extreme leverage, where the company is trapped in a high level of debt and it is difficult to release the debt burden. Therefore, the company should have to balance how much debt is worth taking and where the sources can be used to pay off the debt. The results of previous research conducted by Suwardika & Mustanda (2017) showed that leverage has a significant and positive effect on firm value. Meanwhile, different research results were conducted by Aldela (2018) with the results of the study showing that thevariable leverage has no effect on firm value.

Besides leverage, the size of a company (firm size) is also considered capable of influencing firm value. This is because the larger the size of the company, the easier it will be to obtain funds. The funds will then be managed by the management to increase the company's value. According to (Hartono, 2014: 422) states that "large companies have a smaller risk than smaller companies". This is because large companies are considered to have more access to the capital market so that they are considered to have a smaller Beta. The results of previous research conducted by Indriyani (2017) with the results of the study show that company size has no significant effect on firm value. However, according to the results of different research conducted by Maha Dewi and Sudiartha (2017), the study results show that company size has a positive and insignificant effect on firm value.

Firm value can also be influenced by Managerial Ownership. Managerial ownership is a measure of management shareholders in a company that encourages optimal company performance and motivates managers to act prudently, because they share the consequences for their actions. According to Widyasari (2014) managerial ownership is the proportion of shareholders who come from management and have the same authority as other shareholders in terms of decision making. "Managerial ownership is a condition in which the manager owns the shares of the company or in other words the manager is also the shareholder of the company." (Pujiati, 2015). The existence of managerial ownership is expected to be able to minimize agency conflict, which is an act of selfishness over the transfer of authority of shareholders to managers. The results of previous research conducted by Mardani and Wahono (2018) with the results of the study found that managerial ownership has a positive effect on firm value. Different results were evidenced by Suastini, et al. (2016) that managerial ownership has a significant negative effect on firm value, because large managerial ownership is considered prone to opportunistic managerial actions and tends to prioritize their own interests compared to the interests of shareholders. In this study the authors examined the LQ 45 companies listed on the IDX for the 2014-2018 period. The reason the author chose the LQ 45 company is because the company provides an objective and reliable tool for financial analysis, investment managers, investors, and other capital market observers in monitoring the price movements of actively traded stocks. Therefore, researchers are interested in conducting research on the LQ 45 company.

1.2 Problem Formulation

Based on this background, the main problems in this study are as follows:

1. Does Leverage have an effect on Firm Value at LQ 45 Companies Listed on the Indonesia Stock Exchange for the 2014-2018 Period?
2. Does Company Size affect Firm Value at LQ 45 Companies Listed on the Indonesia Stock Exchange for the 2014-2018 Period?
3. Does Managerial Ownership affect Company Value at LQ 45 Companies Listed on the Indonesia Stock Exchange for the 2014-2018 Period?

1.3 Research Objectives

Based on the formulation of the problems discussed above, the objectives of this study are:

a. This is to determine the effect of Leverage on LQ 45 Company Value Listed on the Indonesia Stock Exchange for the 2014-2018 Period.
b. This is to determine the effect of Company Size on LQ 45 Company Value Listed on the Indonesia Stock Exchange for the 2014-2018 Period.
c. This is to determine the effect of Managerial Ownership on LQ 45 Company Value Listed on the Indonesia Stock Exchange for the 2014- 2018 Period.

2 Literature Review

2.1 Signal Theory (Signal Theory Signal)

Signal Theory is closely related to the availability of information, information is an important element for investors and business people because it provides information, notes or descriptions for past, current and future conditions for the survival of a company. Jogiyanto (2000: 329) states that information published to the public as an announcement will provide a signal for users of financial information in making decisions. Information users, especially investors, will interpret and analyze the information as good news or bad news. If the announcement contains bad news, it is expected that the market will react when the announcement is received by the market. Market reactions are indicated by changes in share trading volume. If the announcement of this information is good news for investors, it indicates that the company has good prospects in the future, so that investors are interested in trading shares which is reflected in the market reaction to changes in stock trading volume.

2.2 Theory Agency(Agency Theory)

Agency theory is the basis for a theory that is used as a basis for the company's business practices. In this theory, shareholders are described as principals and management as agents (Borolla, 2011). Jensen Meckling 1976 stated that agency theory is a contract between the principal and the agent in which both parties are welfare maximizers. The principal is the party who gives orders to the agent acting on behalf of the principal, while the agent is the party entrusted by the principal to carry out the company's activities. The agent has an obligation to the principal to be responsible for all matters relating to what the principal has mandated to the agent.

2.3 Effect of Leverage on Firm Value

Based on signal theory (Husnan, 2013), investors view that companies with high leverage show the company's ability to make capital turnover so that it is able to gain profit. According to Kasmir (2015) it is said that theratio is solvency / leverage used to measure the company's ability. to pay its obligations, both short and long term when the company is dissolved (liquidated). The relationship between leverage and firm value is built with signal theory. Accounts payable can be used to control cash flow excessively by management. Thus, it is hoped that it can avoid wasted investment and will increase company value. An increase in the debt ratio of a company is said to be a positive signal for investors with the assumption that the cash flow company'sin the future is maintained, and shows optimism from management in investing, using debt effectively will result in profits that will have an impact on increasing company value. Suffah and Riduwan (2016). The results of research conducted by Suwardika & Mustanda (2017) and Suffah & Riduwan (2016) which state that leveragepartially has a positive and significant effect on firm value. Based on this explanation, the following hypothesis can be formulated:

H1: Leverage has a positive effect on Firm Value

2.4 The Influence of Firm Size on Firm Value

Firm size is considered capable of influencing firm value because the greater the size or scale of the company, the easier it will be for the company to obtain funding sources, both internal and external. (Analysis, 2011). With the larger the size of the company, there is a tendency for more investors to pay attention to the company. This is because large companies tend to have more stable conditions. This stability attracts investors to own shares in the company. This condition is the cause of the increase in the company's share price in the capital market. Investors have high expectations of large companies. Investors' expectations are in the form of dividends from the company. An increase in demand for company shares will be able to spur an increase in share prices in the capital market. This increase shows that the company is considered to have a greater "value". Research conducted by Sakdiah (2019) and Noviari & Lestari (2016) with the results of the study showing that company size has a positive and significant effect on firm value. Based on this explanation, the following hypothesis can be formulated:

H2 : Firm Size has a positive effect on Firm Value

2.5 Effect of Managerial Ownership on Firm Value

Managerial ownership is a measure of the presence of management shareholders in a company that encourages optimal company performance and motivates managers to act prudently, because they share the consequences for their actions. According to Agency Theory, Managerial Ownership can reduce agency conflicts because when management owns company shares it can reducebehavior opportunistic because they feel the benefits or impacts of every decision they make as a shareholder. The higher the managerial ownership of the company, the management will make every effort to take actions that can increase company value. Previous research conducted by Fatimah et al. (2018) and Anita & Yulianto (2015) with the results of the study found that managerial ownership has a positive effect on firm value. Based on this explanation, the following hypothesis can be formulated:

H3: Managerial Ownership has a positive effect on Firm Value

3 Method

The operational definition of a variable is a definition given to a variable with the aim of providing meaning. The variables to be analyzed in this study are defined as follows:

1. Firm Value (Y)
In this study using theindicator Price to Book Value Ratio (PBV)is a ratio that is often used by investors to compare the market value of a company's stock by assessing its book. It is expressed as a percentage on the company's financial statements LQ 45 2014-2018.
2 Leverage (X1)
indicator used in this study is the Debt to Equity Ratio (DER), which is a debt ratio used to measure the ratio between debt capital and total capital owned by a company. Expressed as a percentage in the company's financial statements LQ 45 2014-2018.
3. Company Size (X2)
indicator used in this study is SIZE. It is the size of the company equal to the total assets of a company. Expressed as a percentage in the company's financial statements LQ 45 2014-2018.
4. Managerial Ownership (X3)
indicator used in this study is managerial ownership, which is the number of shares owned by management divided by the number of outstanding company shares multiplied by one hundred percent. Expressed as a percentage in the company's financial statements LQ 45 2014-2018. This research was conducted at LQ 45 companies listed on the Indonesia Stock Exchange through the official website of the Indonesia Stock Exchange www.idx.co.id. The research object in this study is the financial statements, namely the balance sheet and income statement related to the calculation of Leverage (DER), Company Size (Size), Managerial Ownership and Company Value (PBV) in LQ 45 companies listed on the Indonesia Stock Exchange within the period. 2014-2018 time. Based on the data source used in this study, using secondary data, namely data collected and published by other parties. Secondary data in this study is the company's financial statements LQ 45 on the Indonesia Stock Exchange for the period 2014-2018. The population in this study were 63 (sixty three) companies, after identifying and selecting samples based on the criteria that have been stated, of all LQ 45 companies listed on the Indonesia Stock Exchange in 2014-2018, there were 27 (twenty seven) companies that meet the sample criteria. 27 Companies x 5 years of research = 135 companies, so there are 135 companies that will be studied. To determine the sample in this study, the authors used a purposive sampling method. Purposive sampling is a technique for finding research samples with certain considerations that aim to make the data obtained later more representative (Sugiyono, 2013: 122). The number of samples used was 135 samples. The data collection method used in this research is the observation method. How to obtain data by making direct observations about the data to be studied. The data used in this research is the type of document data, namely the financial statements of LQ 45 companies listed on the IDX for the 2014- 2018 period and the Documentation Study. Data collection is done by viewing,observing, recording, and studying the descriptions of the data needed in the research. this. The data in this study were taken from the site www.idx.co.id The analysis technique used to solve the problem in this research is multiple linear regression, with the following equation:

$$Y = \mathbf{b}X1 + \mathbf{b}X2 + \mathbf{b}X3$$

Description:
Y: Firm Value
b : Constant
X1: Leverage
X2: Company Size
X3: Managerial Ownership

Table 1. Measurement of Research

Variables Variable	Proxy	Formula
Firm Value (Y)	*Price to Book Value* (PBV)	PBV = Stock Market Price / Book Value Per Share
Leverage (X1)	*Debt to Equity Ratio* (DER)	*Debt to Equity Ratio* = total debt / Equity x 100%
Company(X2)	*SizeSize*	*SIZE= log of total assets*
Managerial ownership (X3)	Managerial ownership	KM = number of shares owned by management / number of shares outstanding x 100%

4 Results and Discussion

4.1 Multiple Linear Regression Analysis

Table 2. Results of Multiple Linear Regression Analysis

Model	Unstandardized Coefficients		t	Sig.
	B	Std. Error		
(Constant)	54,662	12,699	4,305	.000
X1	.289	.363	.796	.427
X2	-2,785	.729	-3,820	.000
X3	-4,770	7,061 -,	676	.501
F_{count} = 5,451 Sig. F_{count} = .001[b]				

Based on Table 2, the regression equation can be made as follows:
Y = 54.662 + 0.289X12.785X24.770X3

The results of the equation show the magnitude and direction of the influence of each independent variable on the dependent variable. The regression coefficient which is positive means that it has a direct effect with Firm Value. Based on the multiple linear regression equation, thecan be explained coefficientsas follows:

a) A constant value of 54,662 means that if the variable Leverage , Company Size, Managerial Ownership is 0 then the value of the Firm Value is 54,662
b) The coefficient value of the variable has avalue of Leverage positive0.289, which means that if the leverage has increased by one-unit, assuming the variable company size, managerial ownership is considered constant, the firm value will increase by 0.289.
c) The coefficient value of the firm size variable is negative 2,785, meaning that if the company size increases by one unit with the assumption that the variable leverage, managerial ownership is considered constant, the company value will decrease by 2,785.
d) The coefficient value of the Managerial Ownership (X3) variable is 4,770, meaning that if the Managerial Ownership (X3) increases one-unit with the assumption that the variable Leverage (XI), Company Size (X2) is considered constant, then the Firm Value will decrease by 4.770.

4.2 Discussion

1 *Effect of Leverage on The Firm Value*

results of this study illustrate that Leverage has no effect on Firm Value as a benchmark for investors in investing in a desired company. According to Kasmir (2019: 113) theRatio Leverage is a ratio used to measure the extent to which the company's assets are financed with debt. Theratio leverage will calculate how far the funds provided by creditors, also compare the total use of debt to the overall assets of the company, therefore if investors see a company with high assets but highrisk leverage , they will think twice about investing in it. the company.

2 *The Effect of Firm Size on Firm Value The*

results of this study illustrate that firm size has a negative and significant effect on firm value. Agency theory states that large companies have greater agency costs than small companies. Various costs that arise will affect the profitability of the company so that dividends received by investors will decrease and will reduce the value of the company. Companies with a large number of assets are not able to utilize their assets effectively, causing accumulation of assets because the turnover of company assets will be longer.

3 *The Effect of Managerial Ownership on Firm Value.*

The results of this study illustrate that Managerial Ownership has no effect on Firm Value due to the low proportion of company managerial ownership in LQ 45 companies listed on the Indonesia Stock Exchange which has no significant impact on the effect of managerial ownership on firm value. The small amount of managerial share ownership will make company managers more controlled by managers who do not own shares in the company. Managers who do not own these shares tend to make decisions that only benefit the manager.

5 Conclusion

This research examines the effect of Leverage, Company Size and Managerial Ownership on Firm Value in LQ-45 companies listed on the Indonesia Stock Exchange from 2014 to 2018. Based on the results of data analysis, it can be concluded that:

1. Leverage has no effect on Firm Value at LQ 45 Companies Listed on the IDX for the 2014-2018 Period. Where the results of this study have the meaning of increasing or decreasing the company's leverage, it will not affect the size of the firm's value
2. Company Size has a negative and significant effect on Firm Value at LQ 45 Companies Listed on the IDX for the 2014-2018 Period. Where the results of this study mean that the larger the company size, the higher the firm value.
3. Managerial Ownership has no effect on Company Value at LQ 45 Companies Listed on the IDX for the 2014-2018 Period. Where the results of this study mean that higher managerial ownership is not necessarily able to increase firm value.

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