International Journal of Science and Research (IJSR)
ISSN (Online): 2319-7064
Index Copernicus Value (2016): 79.57 | Impact Factor (2015): 6.391

The Implications of Ownership Structure on Companies Value with Financial Decision as Intervening Variable Manufacturing Sector in Indonesia Stock Exchange

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Abstract: ***The value of the company is one of the shareholders reference before investing in a company and the company's value can not be separated from the influence of financial decision of by the owner of the company. The aim of the research was to find out the implication of ownership structure on companies' value with financial decision as intervening variable in manufacturing companies listed in Indonesia Stock Exchange.The samples consist of 34 manufacturing companies listed in Indonesia Stock Exchange during the period of 2010-2015. The research method used Structural Equation Model (SEM) with the help of software AMOS 16,0.The Result of the research indicate that ownership structure affects funding decision, deviden policy, and companies' value, but it does not affect investment decision. Investment decision, funding decision, and deviden policy affect companies' value. Furthermore, investment decision, funding decision and deviden policy can function as intervening variable in the effect of ownership structure on companies' value.***

Keywords: Ownership Structure, Investment Decisions, Funding Decisions, Dividen Policy and Corporate Value

1. Introduction

From year to year the economy in Indonesia is growing so that affect the economic rate in agrerat (macro). One of the factors that influence the development of Indonesia's economy is the existence of a policy issued by the government on investment. The policy of the government to achieve the objectives of industrial development as part of a long-term development of national industry and welcome the ASEAN Economic Community 2015 where the domestic industry actually expected to prepare thoroughly to be able to compete openly with other ASEAN countries industrial products.

From the policy so that companies in Indonesia will have the same opportunity to obtain investment funds from both domestic and foreign (foreign). Before the investors make an investment, shareholders will first analyze companies that are able to provide high return and sustainability of the company for the prosperity of the shareholders. Corporate value is usually often a reference of shareholders before they invest in a company because the higher the value of the company, the welfare of the company owners will be higher (Ansori & Denice, 2010).

To obtain a stock market prices are high can not be separated from decisions taken by the shareholder primarily a financial decision where Jensen & Mecklin (1976), explains that in order to maximize the value of the company is not only the value of equity should be considered, but also all financial claims such as debt, warrant, or preferred stock. The optimization of company value can be achieved through the implementation of financial management, in which a financial decision taken will affect other financial decisions and affect the company's value (Fama & French, 1998). According to Hasnawati (2005), financial management concerns the completion of important decisions taken by the company, an optimal combination of the three will maximize the value of the company, among others investment decisions, funding decisions, and dividend policy.

The financial decisions that will be taken by the company are determined by the shareholders to achieve the company's goal of giving shareholder a principal and management of the company submitted to the management as agent. Or in other words, the manager appointed by the shareholder must act in the interest of the shareholders. In fact, it is not uncommon for the management that the company manager has other goals and interests that are contrary to the main objectives of the company and often neglects the interests of shareholders resulting in agency problems (Permanasari & Ika, 2010). Different interests between shareholders (managerial ownership and institutional ownership) result in a conflict called agency conflict.

Based on the description that has been presented so that this study aims to determine the implications of ownership structure on the value of the company with financial decisions as an intervening variable on manufacturing companies listed on the BEI.

2. Materials and Methods

2.1. Time and Location Research

This study was conducted at a manufacturing company listed on the Indonesia Stock Exchange. The study was conducted for two months between March and May 2015.

2.2. Sources of Data

Based on the source, the data used in this research is entirely external secondary data, ie data that is not directly in can from the company, but obtained in the form of data that has been collected, processed and published by other parties such as literature study, literature, related to the issues under study, and data obtained through internet facilities. The data in this study was obtained from Indonesian Capital Market Directory (ICMD) in 2010-2015 and from the official website of Indonesia Stock Exchange which is www.idx.co.id.

2.3. Data Collection

Data settlement method used in this research is non behavioral observation. Not needed and just as an observer. With this method all data obtained through the data in an appropriate way, notebooks and descriptions of books, scientific works, journals and documents contained in Indonesian Capital Market Directory (ICMD) 2010 - 2015 and Annual Reporting companies listed on BEI.

2.4. Population and Sample

The population in this study is all companies in the manufacturing sector listed on the BEI during the period 2010-2014 as many as 141 companies with a total sample of 34 companies. The sampling technique used is non random sampling with purposive sampling method that is sampling conducted in accordance with the purpose of research that has been determined. Registered public listed companies in IDX, not banking and other financial institutions, the company's financial statements do not show any negative balance of negative equity and the company distributes dividends for 5 consecutive years in the 2010 - 2015 observation period.

2.5. Analysis

Data analysis technique used to discuss the problem in this research is Structural Equation Model (SEM). The Structural Equation Model (SEM) is a statistical technique that allows testing of a relatively complex set of relationships simultaneously (Ghozali, 2007). Complex relationships can be built between one or more dependent variables with one or more independent variables. There may also be a variable that doubles as an independent variable in a relationship, but becomes a dependent variable on other relationships considering the existence of a tiered causality relationship. Conceptual framework or the flow of thought in this study can be seen in Figure 1 which shows the model of the research flow diagram.

The research paradigms expressed in the form of structural equations are as follows:

$Y1 = \gamma 1\ X1 + \varepsilon$ ..... Equation 1
$Y2 = \gamma 2\ X1 + \varepsilon$ ..... Equation 2
$Y3 = \gamma 3\ X1 + \varepsilon$ ..... Equation 3
$Y4 = \gamma 4\ X1 + \beta 1\ Y1 + \beta 2\ Y2 + \beta 3\ Y3 + \varepsilon$ .. Equation 4

Where :

γ: The path coefficient that explains the effect of exogenous variables to endogenous variables. Like from X1 to Y1, X1 to Y2, and X1 to Y3.

β: The path coefficient that explains the influence of endogenous variables to other endogenous variables. Like Y1 to Y4, Y2 to Y4 and Y3 to Y4.

ε: Residual variables associated with endogenous variables.

3. Result and Discussion

3.1. Result

The result of weight regression is the output of statistical calculation using SEM AMOS 16.0. The result of weight regression can be seen in table 2.

From table 2 the structural equation is obtained during the period of 2010 to 2014 as follows:

$Y1 = \gamma 1\ X + \varepsilon$ .....Equation 1
$Y2 = -0{,}24X$ ..... Equation 2
$Y3 = -0{,}001X$ ..... Equation 3
$Y4 = -0.302X + 101{,}120Y1 - 5{,}569Y2 - 109{,}758Y3$ Equation 4

Next will be shown the test results of goodness of fit as shown in table 3:

From table 3 we can see chi-square value of 66,231, from chi-square value table is high enough but with high degree of degree of freedom it will reduce chi-square value so it will be fit. Furthermore it can be seen that the value of significance probability of 0.002 which means that the value is significant because the value is smaller than 0.005. Another criterion of goodness of fit indicates that the model worthy of examination is the value of GFI, AGFI and TLI where the three values fit into the criteria fit enough because it is close to the critical value or cut off where the value of GFI of 0.772, AGFI of 0.594 and TLI of 0.812 while the cut off must be greater than 0.90. Since the value of AGFI, GFI and TLI are within reasonably fit criteria so it is feasible to follow up. The results of hypothesis testing will be shown in table 4.

From table 4 it can be seen that from the three financial decisions namely investment decisions, funding decisions and dividend policy is only investment decisions that are not fulfilled by the ownership structure because the value of t arithmetic of 0.031 is smaller than the value of t table is 1.687 obtained from the degree of degree of freedom of 32. Furthermore, the influence of financial decisions in this case investment decisions, funding decisions and dividend policies all affect the value of the company. This is because the three values of t arithmetic financial decisions greater than the value of t table and the value of P to the three smaller than 0.005 so declared to the three influential.

From the results table hypothesis testing can also be seen that the three financial decisions are investment decisions, funding decisions and dividend policy can serve as an intervening variable between the ownership structure and the value of the company. This is because the total value of coefficient greater than the coefficient value of the direct effect of ownership structure on firm value.

3.2. Conclusion

From the results of statistical calculations using SEM AMOS 16.0 note that the ownership structure has no effect on investment decisions. This can be seen from the value of C.R = 0.031 (P = 0.975 ≥ 0.05) or in other words that the value of t arithmetic of 0.031 is smaller than the t-table of 1.687. This means that institutional ownership does not affect all financial decisions or in other words that institutional ownership has no effect on investment decisions in accordance with Wahyudi & Pawestri (2006) research which obtained research results with significance level of 0.681 and determinant coefficient (R2) 0.107 with a significance level of 0.00 . Then Ho accepted and H1 rejected, meaning there is no influence between the ownership structure with investment decisions. H1 hypothesis, the effect of ownership structure on investment decision is rejected.

The effect of the ownership structure on the funding decision indicates the negative and insignificant direction between the ownership structure and the funding decision. This is indicated by the value of CR = -0.032 (P = 0.05 ≤ 0.05) or in other words that the t-count value of -0.032 is greater than the t-table value of -1.687 with the influence coefficient of -0.024, means that the higher the ownership structure the lower the company's debt in accordance with the research Crutchley et al (1999), the results showed that the significant value of institutional ownership variable of 0.026 is smaller than 0.05. Then Ho is rejected and H2 is accepted, meaning there is a negative and significant influence between the ownership structure and the funding decision. Hypothesis H2, the effect of ownership structure on the funding decision is accepted.

The influence of ownership structure on dividend policy shows negative and insignificant direction. This shows the value of CR = -0.031 (P = 0.05 ≤ 0.05) or in other words that the t-count value of -0.031 is greater than the value of t-table of -1.687 with the influence coefficient of -0.001, meaning the higher the shareholding structure the lower the dividends being distributed (Brigham & Gapenski, 2001). Then Ho is rejected and H3 accepted, meaning there is a negative but not significant influence between the ownership structure with the dividend policy. H3 hypothesis, there is influence of ownership structure to dividend policy accepted.

The ownership structure has a negative and significant influence on firm value. This is shown from the value of CR = -0.032 (P = 0.05 ≤ 0.05) or in other words that indigo t arithmetic of -0.032 is greater than the value of t table of -1.687 with the coefficient of influence sebesr -0.302, meaning that the more high ownership structure then the value of the company will decrease (Sujoko & Ugy, 2007). Then Ho is rejected and H4 accepted, meaning there is a negative and significant influence between the ownership structure and the value of the company. H4 hypothesis, there is influence of structure of ownership to company value accepted.

Investment decisions have a positive and significant influence on firm value. This is shown from the value of CR = 1,839 (P = 0.003 ≤ 0.005) or in other words the value of t arithmetic of 1.838 is greater than t table of 1.687 and the influence coefficient of 101.120, meaning that the higher the investment it will increase the value of the company and support the theory signaling (Fama & French, 1998). Then Ho is rejected and H5 accepted, meaning there is a positive and significant influence between investment decisions and company value. H5 hypothesis, there is influence of investment decision to accept company value.

Funding decisions have a negative and significant impact on firm value. This is shown from the value of CR = -1,680 (P = 0.001 ≤ 0.05) or in other words t arithmetic of -1.680 is greater than t table of -1.687 and the influence coefficient of -5.569, meaning that the higher the funding in terms of this debt will decrease the value of the company (Miller & Modigliani, 1961). Then Ho is rejected and H6 accepted, meaning there is influence but negative and significant between funding decision with company value. Hypothesis H6, there is the effect of funding decision on firm value received.

The dividend policy has a negative and significant effect on company value. This is shown from the value of CR = -1.072 (P = 0.03 ≤ 0.05) or in other words the value of t arithmetic of -1.072 is greater than t table of -1.687, meaning that the greater dividend is distributed it will decrease the value of the company and the results of this study in accordance with the contacting theory (Sukmawati, 2000). Then Ho is rejected and H7 accepted, it means there is influence between dividend policy with company value. Hypothesis H7, there is influence of dividend policy on company value accepted.

The results show that investment decisions serve as intervening variables in relation between ownership structure and firm value. It can be seen from the calculation of corporate value where the total coefficient is greater than the direct coefficient between the ownership structure with the company value is 2.5404> -0.302 where the total coefficient is (ɤ4 + ɤ1β1) and the direct coefficient is ɤ4. Based on the description of the discussion it can be said that although the ownership structure has no effect on investment decisions but investment decisions are very influential on the value of the company because with the investment shows that the company in good growth so that the influence of ownership structure on corporate value with financial decisions as intervening variable very influential. Then Ho is rejected and H8 accepted, it means there is influence between the ownership structure to the value of the company with investment decisions as intervening variables. Hypothesis H8, there is influence of ownership structure to firm value with investment decisions as intervening variable accepted.

The results show that funding decisions serve as intervening variables in relation between ownership structure and firm value. It can be seen from the calculation of corporate value where the total coefficient greater than the direct coefficient between the ownership structure with the value of the company is 0.6517> -0.302 where the total coefficient is (ɤ4 + ɤ2β2) and the direct coefficient is ɤ4. From the description of the discussion can be said that high institutional ownership will reduce the use of debt and low debt can

increase the value of the company because it is good news for the investors because the company is able to maintain the level of debt at the optimal value, therefore, the influence of ownership structure on the value of the company with the funding decision as intervening variable influential sagat. Hence Ho is rejected and H9 accepted, meaning that there is influence between the ownership structure of firm value with funding decision as intervening variable. Hypothesis H9, there is influence of ownership structure to firm value with funding decision as intervening variable accepted.

The results show that funding decisions serve as intervening variables in relation between ownership structure and firm value. It can be seen from the calculation of corporate value where the total coefficient greater than the direct coefficient between the ownership structure with the value of the company is 0.6277> -0.302 where the total coefficient is (ɤ4 + ɤ3β3) and the direct coefficient is ɤ4. From the description of the discussion can be seen that the higher institutional ownership of dividend share is distributed will be less because of very large institutional controls that reduce agency costs or in other words that no negative actions committed by managers, especially in the use of corporate funds. Furthermore, low dividend payout will increase the value of the company because the company uses the retained earnings to invest which is good news for the investors of high growth companies and with these investments will bring a high net present value for the owners of the company. Then Ho is rejected and H10 accepted, it means there is influence between the ownership structure of firm value with dividend policy as intervening variable. H10 hypothesis, there is influence of ownership structure to firm value with dividend policy as intervening variable accepted.

4. Conclusion

The results of this study can be concluded: 1) From the results of research shows the effect of sound structure on financial decisions namely investment decisions, decisions and dividend advice only two are done by the sound structure of investment decisions and dividend decisions; 2) Financial Decisions are investment decisions, dividend decisions and policies in which all three affect the company; 3) financial decisions namely investment decisions, decisions and dividend commitments where all three can serve as intervening variables in the influence of corporate structure to the company. Suggestion used in this research that there are still many indicators in research variable which not in model so that for the next research so that all indicator can be energized. Furthermore, in the decision to invest in a company, it must be the concern of the company that is highly valued by the financial decision and ownership structure, on which it is known at any time and at any time the financial decision itself is only at certain times

5. Acknowledgement

This work was supported by economics and Business Faculty Muslim University of Maros as an independent study

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Attachment

Table 1: Goodness-Of-Fit Testing Index

Goodness of Fit Measure	Critical Value (*Cut of Value*)
Chi Square (λ2)	Expected small
Significance Probability	≥ 0,05
RMSEA	≤ 0,08
GFI	≥ 0,09
AGFI	≥ 0,09
TLI	≥ 0,95

Source : Ansori & Denica (2010)

Table 2: Regression Weight Results

Variabel	Estimate	S.E.	C.R.	P
Y1 <--- X	,002	,048	,031	,975
Y2 <--- X	-,024	,775	-,032	,005
Y3 <--- X	-,001	,028	-,031	,005
Y4 <--- X	-,302	9,590	-,032	,005
Y4 <--- Y1	101,120	88,805	1,139	,003
Y4 <--- Y2	-5,569	3,119	-1,786	,001
Y4 <--- Y3	-109,758	102,360	-1,072	,003

Source : Output SEM AMOS 16,0 2015

Table 3: Goodness-of-Fit Testing Results

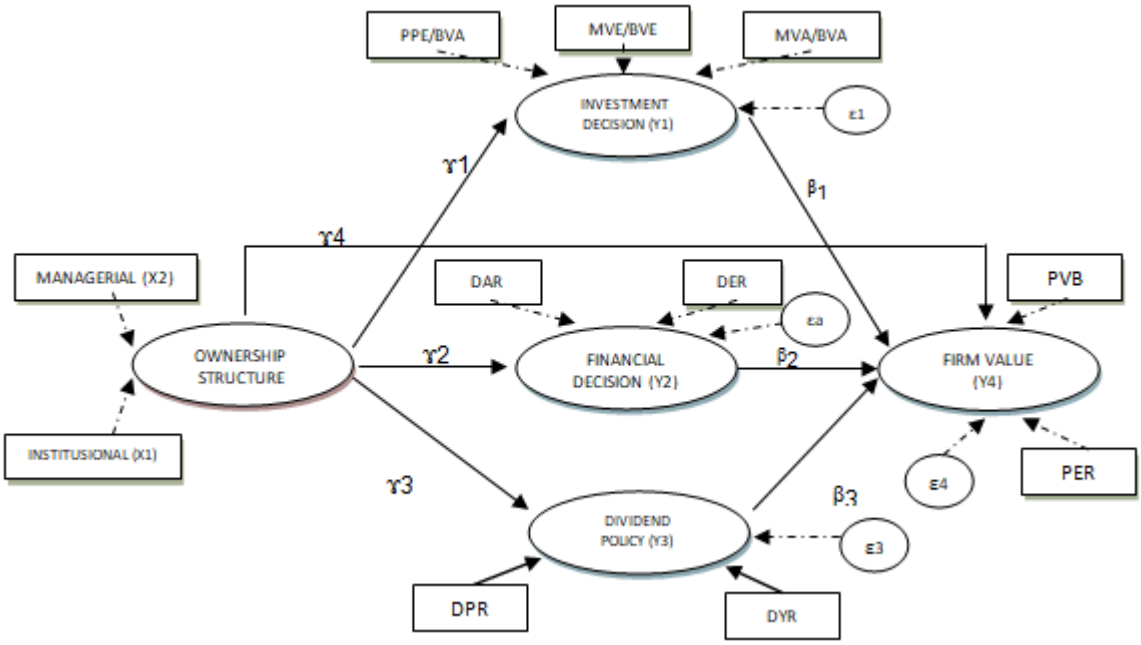
Goodness of Fit Measure	Critical Value (*Cut of Value*)	Results	Description
Chi-square	Diharapkan tidak *significant*	66,231	Fit
Significance Probability	≤ 0,05	0,002	Significant
RMSEA	Between 0,05-0,08	0,155	Simply Fit
GFI	≥ 0,90	0,772	Simply Fit
AGFI	≥ 0,90	0,594	Simply Fit
TLI	≥ 0,95	0,812	Simply Fit

Source : Output SEM AMOS 16,0 2015

Table 4: Results of Hypothesis Testing

Hipotesis	Variabel	Estimate	S.E.	C.R.	P	Description
Direct Effect						
H1	Y1 <--- X	,002	,048	,031	,975	Rejected
H2	Y2 <--- X	-,024	,775	-,032	,005	Received
H3	Y3 <--- X	-,001	,028	-,031	,005	Received
H4	Y4 <--- X	-,302	9,590	-,032	,005	Received
H5	Y4 <--- Y1	101,120	88,805	1,839	,003	Received
H6	Y4 <--- Y2	-5,569	3,119	-1,680	,001	Received
H7	Y4 <--- Y3	-109,758	102,360	-1,072	,003	Received
Indirect Influence		Total Coefficients		Koefisien ɤ4		Description
H8	X Y1 Y4	2,5404		-0,302		Received
H9	X Y2 Y4	0,6516		-0,302		Received
H10	X Y3 Y4	0,6277		-0,302		Received

Source : Output SEM AMOS 16,0 2015



Gambar 1: Diagram Model