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THE INFLUENCE OF MANAGERIAL OWNERSHIP, CAPITAL STRUCTURE, EFFECTIVE TAX RATE (ETR), AND FIRM SIZE ON COMPANY VALUE

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Abstract – *This study aims to analyze the effect of managerial ownership, capital structure, effective tax rate, and firm size on company value. The sampling technique used in this study was the purposive sampling method. The samples used were 14 food and beverage sub-sector companies listed on the Indonesia Stock Exchange for the 2017-2021 period. The analytical technique used in this study is panel data regression using the Fixed Effect Model. The results showed that managerial ownership, company size, and capital structure affected company value, while the effective tax rate did not affect company value. The results of the F test showed that managerial ownership, capital structure, effective tax rate, and company size simultaneously influence company value.*

Keywords: managerial ownership, capital structure, effective tax rate, firm size, and company value

I. INTRODUCTION

Company value is often linked to share prices. This value is the investors' perception of the company's level of success. High company value reflects the achievements desired by shareholders because it is seen as being able to improve the welfare of shareholders. By maximizing company value, the company's goals are certainly profit-oriented.

Managers are obliged to maximize company value. The following phenomenon explains that managers are required to restore the company's reputation and maximize company value. PT. Tiga Pilar Sejahtera Food, Tbk (AISA), one of the food and beverage sub-sector companies, has problems related to declining company performance. In 2017, PT. Tiga Pilar Sejahtera Food, Tbk posted a loss of IDR. 5.23 trillion resulting from a decrease in net sales of 70.2% (Bisnis.com, 2020). This decline in performance resulted in the company failing to pay its debts and being suspended by the IDX in July 2018 and almost being delisted by the IDX, but in the end it managed to sell its shares again after fulfilling the IDX's requirements. Three days after the opening of the share suspension on August 31 2020, AISA shares fell to the auto reject level, but in the end AISA shares shot up to 34.31% at the level of Rp. 184 per share with a trade transaction value of Rp. 78.6 billion with a trading volume of 484.7 million shares. PT. Tiga Pilar Sejahtera Food, Tbk also plans to carry out a private placement by issuing 6 billion new shares with a value of Rp. 200 per share (CNBC Indonesia, 2020)

Managers are required to increase company value and maximize shareholder welfare. This condition causes managers to often make deviations which give rise to conflicts of interest, giving rise to conflicts known as agency conflicts. Ownership of shares by managers is one way to overcome agency conflicts because ownership of some company shares by managers means managers have the same interests as shareholders.

Managerial ownership is expected to motivate managers to improve their performance because they have a sense of ownership of the company, so that the company's corporate goals can be achieved. This is in accordance with research by Yusra et al. (2019) which explains that managerial ownership has an impact on increasing company value. This is in line with research conducted by Solikin et al. (2015)) which explains that managerial ownership has a positive effect on company value because the existence of managerial ownership is expected to provide equality between company owners and company managers, so that the greater the proportion of managerial ownership in the company, the more active management is in increasing the welfare of shareholders who are none other than themselves. Research conducted by Hidayat & Pesudi (2019) explains that managerial ownership has a negative effect on company value. Meanwhile, research conducted by Febriana et al. (2016)explain that managerial ownership has no effect on company value.

Managers' decisions in the company are also one of the important things that can influence company value, such as funding decisions. Funding decisions are related to finding and determining sources of funds to finance investments and operational activities which can come from retained earnings, debt and equity (Febriana et al., 2016). Funding decisions concern capital structure in choosing debt and equity funding (Brealey & Myers, 2000:231). Capital structure theory explains that a company's funding policy (financial policy) in determining its capital structure (the mix of debt and equity) aims to optimize the value of the company (value of the company). According to trade off theory, managers can choose the debt ratio to maximize company value which is achieved through the financial management function in making financial decisions (Febriana et al., 2016). Various previous studies have examined the influence of capital structure on company value, namely research conducted by Solikin et al. (2015) and Manoppo & Arie (2016) which stated that capital structure has a positive effect on company value, which is based on capital structure theory, as long as If the company is able to balance the benefits and costs incurred due to debt, it will not be a problem, so even though the DER ratio is high, the debt can increase profits if managed well. Research with different results was conducted by Vianna & Yusnaini (2022) who stated that capital structure has no effect on company value because investors do not care about capital structure.

Apart from managers' decisions regarding funding, managers' decisions regarding tax management are also one of the factors that can influence company value. For corporate taxpayers, tax is a burden that will reduce company profits, so many companies carry out tax management, one of which is tax planning. Tax planning can be measured using the Effective Tax Rate (ETR). Effective Tax Rates are considered to be an indicator of tax planning if they have a nominal value that is close to zero. The lower the ETR value a company has, the higher the level of tax planning (Victory & Cheisviyani, 2016). According to Law Number 16 of 2009 concerning General Provisions for Tax Procedures article 1 paragraph 1, tax is a mandatory contribution to the State owed by an individual or entity that is coercive and does not receive direct compensation (Mardiasmo, 2019:3). In Indonesia, taxes are a source of state income which makes a major contribution to the state in financing all expenditure. Taxes are usually used to build various facilities and infrastructure that help society. The more tax revenues, the better the quality of services provided by the State through the many facilities and infrastructure. Therefore, companies are required to pay taxes actually. The obligation to pay taxes makes the tax burden incurred by the company large, which will reduce the company's profits which has an impact on the company's value. In the research of Chukwudi et al. (2020), Christina (2019), Vianna & Yusnaini (2022) suggest that ETR has a negative effect on company value. Apart from that, Fajrin et al. (2018) also stated that ETR has a negative effect on company value because it is thought to have an impact when audited and incur tax fines. This is different from research conducted by Astuti et al. (2021)which states that ETR has no effect on company value and research Hidayat & Pesudi (2019) says ETR has a positive effect.

Apart from these factors, firm size can also influence company value. Firm size is a scale or value that can classify a company into large or small categories with the total assets owned by the company. Firm size is one of the factors that can influence profit generation. The larger the size of a company, the company is able to obtain high profits and face business problems (Cahyo & Napisah, 2023). A large company size is also considered safe for investors to invest. In the research of Yusra et al. (2019) and Solikin et al. (2015) stated that firm size has a positive effect on company value. This is in line with research conducted by Febriana et al. (2016) which explains that firm size has a positive effect on company value. The larger the firm size, the more investors will pay attention to the company because it tends to have a stable financial condition. This is different from research conducted by Manoppo & Arie (2016) which states that firm size has no effect on company value and research by Astuti et al. (2021) which states that firm size has a negative effect on company value.

The reason researchers chose the food and beverage sector as the research object is because the food and beverage sector is a basic need needed by society which continues to experience growth. This can be seen from the increasing number of companies listed on the Indonesian Stock Exchange. According to (Ministry of Industry, 2019) the food and beverage industry is one of the sectors that makes a major contribution to national growth. In 2018, the food and beverage industry was able to grow by 7.91%.

Managerial Ownership and company value

Managerial ownership is share ownership by managers from the percentage of shares owned. Managerial ownership is often associated with company efforts to increase company value. Managers and shareholders will try to increase the value of the company, because as the value of the company increases, the value of the wealth owned by managers as share owners will also increase (Sembiring & Trisnawati, 2019). Research conducted by Yusra et al. (2019) which explains that every managerial ownership has an impact on increasing company value. This is in line with research conducted by Solikin et al. (2015) which explains that managerial ownership has a positive effect on company value.

H1: Managerial ownership has a positive effect on company value

Capital structure and company value

Capital structure is a company's funding that comes from long-term debt and its own capital which is expected to be able to maximize the value of the company. Based on capital structure theory, as long as the company is able to balance the benefits and costs arising from debt, it is not a problem because the debt is used to increase profits. Various previous studies have examined the influence of capital structure on company value, namely research conducted by Solikin et al. (2015) and Manoppo & Arie (2016) which stated that capital structure has a positive effect on company value.

H2: Capital structure has a positive effect on company value

Effective tax rate and company value

Effective Tax Rate is a measuring tool for tax planning by comparing tax burden and profit. Tax planning does not only have a negative connotation because it is considered to save taxes. Tax planning can also have a positive connotation as planning to fulfill tax obligations completely, correctly and on time. The amount of tax burden paid affects the amount of profit. The greater the tax burden paid, the lower the company's profits and this will affect the value of the company. Research by Chukwudi et al. (2020), Christina (2019), Vianna & Yusnaini (2022) suggest that ETR has a negative effect on company value.

H3: Effective tax rate has a negative effect on company value

Firm size and company value

Riyanto (2013) explains that firm size is the size of the company as seen from the size of its equity value, sales value or asset value. A large company size reflects that the company is experiencing good development and growth, so that it is able to increase the value of a company. In research by Yusra et al. (2019) and Solikin et al. (2015) stated that firm size has a positive effect on company value.

II. METHODS

This research is archival research, aimed at explaining and analyzing the causal relationship between independent variables, namely, Managerial Ownership, Funding Structure, Tax Planning and firm Size on Company Value. The data consists of companies in the goods industry sector and consumption sub-sector of the food & beverage industry listed on the Indonesian stock exchange for the 2017-2021 period. Data sampling was carried out purposively with a sample size of 14 companies. Data analysis was carried out through multiple regression with the help of Eviews.

Operational Variables

The operational definition of this research variable consists of four independent variables and one dependent variable which will be explained below:

Company Value

Company value in this research is measured by Price to Book Value (PBV). PBV is the relationship between share price and book value per share. PBV describes how much the market appreciates the book value of a company. Therefore, to calculate PBV you must first find the book value by dividing total equity by the number of shares outstanding (Sari and Jufrizen, 2019).

Managerial Ownership

Managerial ownership is associated with the company's efforts to increase company value. Managerial ownership is calculated by dividing the number of shares owned by the manager and the Bo C by the number of shares outstanding (Solikin et al., 2015).

Capital Structure

The capital structure in this research is proxied by the Debt to Equity Ratio (DER). DER is a measure that measures the debt to capital ratio. DER is calculated by dividing total debt by total equity owned by the company (Fahmi, 2015:128).

Effective Tax Rate (ETR)

Effective Tax Rate is a measuring tool for tax planning. Effective Tax Rate (ETR) is a mechanism used by companies related to tax management (Jony, 2020). ETR is calculated by dividing tax expense by profit before tax.

Firm Size

Firm size is the size of the company as seen from the size of its equity value, sales value or asset value. Firm size is measured from total assets using a logarithmic value calculation of total assets (Hartono, 2015:254).

Table 1 Operasionalisasi Variable

No	Variabel	Definisi Variabel	Indicator	Skala
1	Company Value	Describes the relationship between stock price and book value per share.	$PBV = \frac{Harga\ pasar\ per\ saham}{Nilai\ buku\ per\ saham}$ (Sari dan Jufrizen, 2019)	Rasio
2	Managerial	Comparison between		Rasio

	Ownership	the number of shares of the manager and the BoC with the number of outstanding shares of the company	$KM = \frac{\sum Managerial \ \& \ Boc \ shares}{\sum outstanding \ shares}$ (Solikin et al., 2015)	
3	Capital Structure	Measures the debt to capital ratio	$DER = \frac{Total \ Debt}{Total \ Equity}$ (Fahmi, 2015:128)	Rasio
4	Effective Tax Rate (ETR)	Tax planning measuring tools related to tax management	$ETR = \frac{Tax \ Expense}{Earning \ Before \ tax}$ (Jony, 2020)	Rasio
5	Firm Size	Describes the size of the company as measured by total assets	Size = *Ln Total Assets* (Hartono, 2015:254)	Rasio

III. **RESULTS AND** DISCUSSION RESULTS

Table 2 Descriptive Statistics

	PBV	KM	DER	ETR	SIZE
Mean	3.903289	0.093027	0.830524	0.246952	29.08831
Median	2.953712	0.018978	0.753981	0.236623	28.71324
Maximum	27.87198	0.538456	2.506169	0.814617	32.82039
Minimum	0.336875	0.000157	0.121670	0.008248	27.08104
Std. Dev.	4.299106	0.139839	0.594749	0.097426	1.579874
Skewness	2.955245	1.452390	1.098357	3.212416	0.828585
Kurtosis	15.40605	4.110016	3.797040	20.45762	2.612733
Jarque-Bera	550.7952	28.20383	15.92741	1009.303	8.447214
Probability	0.000000	0.000001	0.000348	0.000000	0.014646
Sum	273.2302	6.511860	58.13665	17.28665	2036.182
Sum Sq. Dev.	1275.280	1.349282	24.40714	0.654938	172.2241
Observations	70	70	70	70	70

From the table above, it can be seen that from a total of 70 data processed by each variable, it can be seen that:

a. The average (mean) PBV value is 3.903289. This means that most of the food and beverage sub-sector companies have good prospects because the stock market price is higher than their book value. This is reflected in the PBV value above one. The maximum PBV value is owned by PT. Sariguna Primatirta, while the minimum PBV value is owned by PT. Budi Starch & Sweetener.

b. The average (mean) KM value is 0.093207. This shows that the level of managerial ownership in several companies is quite large. For the maximum KM value of PT. Ultrajaya Milk Industry, while the KM value is owned by PT. Indofood Successfully Prosperous.

c. The average (mean) DER value is 0.830524. This means that most companies have quite large debt obligations. The maximum DER value is owned by PT. Tunas Baru Lampung, while the minimum DER value is owned by PT. Campina Ice Cream.
d. The average (mean) ETR value is 0.246952. This shows that food and beverage sub-sector companies carry out minimal tax planning. The maximum ETR value is owned by PT. Sekar Bumi, while the minimum ETR value is owned by PT. Buyung Poetra Sembada.
e. The average value (mean) Size is 29.08831. This means that food and beverage sub-sector companies have large amounts of assets. The maximum size value is owned by PT. Indofood Sukses Makmur, while the minimum size value is owned by PT. Buyung Poetra Sembada.

Classic assumption test
In analyzing the regression equation, several assumptions are needed so that the estimation results are unbiased, efficient and consistent (Fauzi et al., 2019:222). The assumptions that must be met are the classic assumptions which include the normality test, autocorrelation test, multicollinearity test, and heteroscedasticity test.

Normality Test

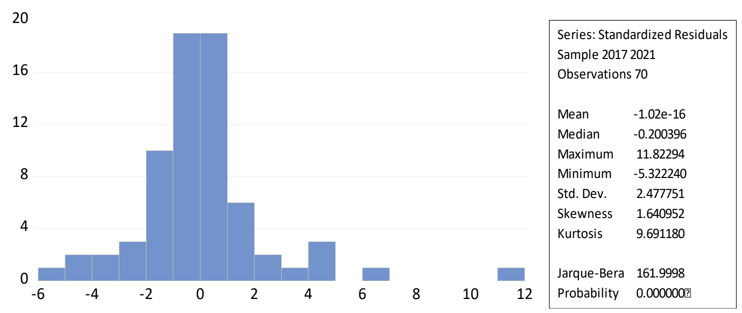

Figure 1 Normality Test

Based on the graph above, it is known that the Jarque-Bera probability value is <0.05 so it can be concluded that the data is not normally distributed. However, based on the Central Limit Theorem (CLT) in probability theory, the results of data processing with a large enough sample can ignore the normality of the data (Bowerman, O'Connell and Murphree, 2017, p. 334). A sample size of more than 30 (n>30) can be categorized as a fairly large sample (Ajija and Rahmat, 2020:42).

Multicollinearity Test

Table 3 Multicollinearity Test

	KM	DER	ETR	SIZE
KM	1.000000	-0.196624	-0.040143	0.077644
DER	-0.196624	1.000000	0.019024	0.350684
ETR	-0.040143	0.019024	1.000000	0.131575
SIZE	0.077644	0.350684	0.131575	1.000000

Based on the data above, all independent variables have a correlation coefficient value of less than 0.85. So it can be concluded that there is no multicollinearity (Ghozali and Dwi, 2013). The smaller the correlation between the independent variables, the better the regression model (Firdaus 2019:166).

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Heteroscedasticity Test

The heteroscedasticity test aims to test whether in the regression model there is unequal variance in the residuals for all observations in the regression model using the White Test. White's test has conditions if the value of Prob. Chi-Square (Obs*R-squared) has a value > 0.05, so there is no heteroscedasticity. Following are the white test results:

Table 4 Heteroskedasticity Test: White

Null hypothesis: Homoskedasticity

F-statistic	0.943277	Prob. F(14,55)	0.5206
Obs*R-squared	13.55326	Prob. Chi-Square(14)	0.4835
Scaled explained SS	75.37918	Prob. Chi-Square(14)	0.0000

Based on the table above, the value of Prob. Chi-Square (Obs*R-squared) has a value of 0.4451 or >0.05. In this way, it can be concluded that heteroscedasticity does not occur.

Panel Data Regression Analysis

Panel Data Regression Model

In panel data analysis, 3 models are used, namely common effect, fixed effect and random effect. After testing the suitability of the model, a fixed effect was obtained as the selected model.

Table 5 Fixed Effect Model

Dependent Variable: PBV Method: Panel
Least Squares Date: 07/04/23 Time: 8:58
Sample: 2017 2021
Periods included: 5
Cross-sections included: 14
Total panel (balanced) observations: 70

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	104.4449	44.32675	2.356250	0.0223
KM	-35.77676	10.01418	-3.572609	0.0008
DER	3.568851	1.535184	2.324706	0.0240
ETR	-1.322891	4.044817	-0.327058	0.7449
SIZE	-3.432675	1.539023	-2.230425	0.0301
	Effects Specification			
Cross-section fixed (dummy variables)				
Root MSE	2.204882	R-squared		0.733152
Mean dependent var	3.903289	Adjusted R-squared		0.645914
S.D. dependent var	4.299106	S.E. of regression		2.558189
Akaike info criterion	4.933511	Sum squared resid		340.3053
Schwarz criterion	5.511695	Log likelihood		-154.6729

Hannan-Quinn criter.	5.163173	F-statistic	8.403988
Durbin-Watson stat	1.492523	Prob(F-statistic)	0.000000

Sumber: Hasil olah data menggunakan Eviews 12

Based on the table above, the multiple regression equation is obtained as follows:

Y = 104,4449 – 35,77676 KM + 3,568851 DER – 1,322891 ETR – 3,432675 SIZE

Discussion

The Influence of Managerial Ownership on Company Value

Managerial ownership has a negative effect on company value. The results of this research are in accordance with research conducted by Hidayat & Pesudi (2019) which states that managerial ownership has a negative effect on company value. Increasingly large managerial share ownership in the composition of shareholders will lead to opportunistic actions carried out by managerial shareholders because managers feel they have control over the company so managers will prioritize their personal interests.

The Influence of Capital Structure on Company Value

Capital structure as proxied by DER has a positive effect on company value. This research explains that company funding originating from long-term debt or own capital is able to maximize company value through expansion. Based on capital structure theory, as long as the company is able to balance the benefits and costs arising from debt, the debt can be used to increase profits. The results of this research are in line with research conducted by Solikin et al. (2015) and Manoppo & Arie (2016) which stated that capital structure has a positive effect on company value.

The Effect of Effective Tax Rate on Company Value

The ETR variable has no effect on company value. This research is in accordance with research conducted by Astuti et al. (2021) hich explains that tax planning as proxied by ETR has no effect on company value. Investors believe that large companies that have gone public will certainly comply with taxes because this will relate to the survival of the company, so that the ETR ratio, which proxies tax planning in a company, is not the main focus for investors in making decisions to invest.

The Influence of Firm Size on Company Value

This research is in line with research conducted by Astuti et al. (2021) which explains that size has a negative effect on the company. Companies that have large asset values will require large costs to manage due to limited supervision carried out by managers. Therefore, managers cannot focus on maximizing the use of assets to generate profits. In addition, large asset values generally come from retained earnings which will later be used by the company to help pay debts and expand the business. Therefore, investors are more interested in companies that regularly distribute dividends rather than using retained earnings.

IV. CONCLUSION

Based on the results of the data analysis that has been carried out, it can be concluded from the partial test results that managerial ownership has a negative influence on company value because it will lead to opportunistic actions carried out by managerial shareholders. Capital structure as proxied by the Debt to Equity Ratio (DER) has a positive influence on company value as long as the company is able to balance the benefits and costs arising from debt. Furthermore, the ETR variable has no effect on company value because investors believe that large companies that have gone public will comply with taxes so this is ignored by investors.

Meanwhile, the firm size variable has a negative effect on company value. This is because companies that have large asset values will require large costs to manage. For simultaneous test results, jointly managerial ownership, capital structure (DER), effective tax rate, and company size influence company value.

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