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The Effect of Managerial Ownership and Institutional Ownership on Company Value in Mining Companies Listed on the Indonesia Stock Exchange

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ABSTRACT

This study aims to examine the influence of managerial ownership and institutional ownership on company value as an intervening variable in mining companies listed on the Indonesia Stock Exchange. The data used is secondary data obtained from the annual reports of mining companies listed on the Indonesia Stock Exchange for the 2019-2022 period. The analysis method used is multiple linear regression with the help of SPSS software. The results of the study show that managerial ownership has a significant positive effect on the company's value. Likewise, institutional ownership has a significant positive effect on the value of the company. As an intervening variable, it has also been proven to affect the relationship between managerial ownership, institutional ownership, and company value. The Adjusted R Square in this study is 0.309, which means that 30.9% of the variation in the value of the company can be explained by the variables of managerial ownership and institutional ownership, while the remaining 69.1% is explained by other factors that were not studied in this study.

Keywords: managerial ownership, institutional ownership, company value.

Introduction

Capital markets play a vital role in the modern economy, providing a means for companies to acquire capital and for investors to participate in the growth of companies. One of the important sectors in the Indonesian capital market is the mining sector, which has a significant contribution to the national economy. (Alkhairani et al., 2020). Amid volatility in commodity prices and global economic uncertainty, the value of mining companies is an interesting topic to study, especially in the context of stock ownership.

The establishment of a company must certainly have a clear purpose. Some experts put forward the purpose of the establishment of a company. One of the objectives of establishing a company is to maximize the wealth of shareholders can be realized by increasing the value of the Company. Good Corporate Governance can signal the existence of aligned interests between all stakeholders to reduce conflicts (Abduh & Ellen, 2018). In addition, company management can also achieve the company's goal, which is to increase the company's value.

The value of a company can be measured through various aspects, one of which is the market price of the company's shares because the market price of the company's shares can be a benchmark for investors' assessment of each equity owned. The stock market price shows the central judgment of all market participants, the stock market price acts as a barometer of the company's management performance. The value of a company can be influenced by many factors, including Good Corporate Governance (GCG) which is proxied with Managerial Ownership and Industrial Ownership. (Wulandari et al., 2021).

Managerial ownership and institutional ownership are two forms of ownership that are widely discussed in the financial literature. Managerial ownership refers to the ownership of shares by the management of a company, which is believed to align the interests of management with shareholders and increase the value of the company. (Manuela et al., 2022). On the other hand, institutional ownership, such as by pension funds, mutual funds, and insurance companies, can provide tighter external oversight of management, which can also have a positive impact on the company's value. (Suryanto, 2019).

Mining companies are companies whose activities carry out mining, management, utilization, and sale of mineral materials (minerals, coal, geothermal, and oil and gas). The reason for choosing a mining company in this study is because a mining company is a type of company business that has a large number of companies, namely 63 companies, even though it consists of several types of commodities for each company. The state of the world economy in the period 2019 – 2022 is in a state of ups and downs with the COVID-19 pandemic disaster which of course has an impact on world commodity prices. In addition, economic development, both domestic and international, has affected performance, causing mining companies to experience difficulties in continuing their business, which has an impact on the decline in the company's value.

The first agency problem occurs when the ownership of shares is dispersed so that individual shareholders cannot control the management. As a result, the company can be run according to the wishes of the management itself. The problem of the second agency occurs if there is a majority shareholder so that there is a majority shareholder who can control the management or even become part of the management itself. The separation between ownership and control of the company creates agency problems within the company. (Jensen & Meckling, 1976). As a result, managers can take actions that are not in the interests of the shareholders. Because shareholders are usually scattered and cannot directly monitor and control the actions of managers, managers can play tricks on the company's performance. In addition, managers have better information about the company than shareholders. This information asymmetry burdens shareholders so they cannot make the right decisions.

Therefore, a corporate *governance* mechanism can be implemented to reduce the agency's problems. Managerial ownership is important because it acts as an incentive mechanism. Alignment theory argues that to the extent that managers hold shares in their company, the interests of shareholders will be better served. Derived from the theory of agency cost reduction, there is an opinion that managerial stock ownership reduces costs arising from conflicts of interest between managers and shareholders, thereby increasing access to external funding and reducing capital costs. (Sunariyah, 2011). Institutional ownership is an institution that invests in shares, and usually hands over responsibility to other parties to manage the company, institutional investors also supervise the activities carried out by management so that they can prevent agency conflicts. The independent variables are managerial ownership and institutional ownership.

Method

The type of research conducted in this study is associative quantitative research that aims to analyze and explain the influence of independent variables on dependent variables. Quantitative descriptive research is research that aims to describe systematically, factually, and accurately a situation, circumstance, or field of study that is the object of research by using quantitative data in the form of numbers or data (Sugiyono, 2018).

The population used in this study is manufacturing companies in the mining sector listed on the Indonesia Stock Exchange (IDX) To determine the sample in this study, the researcher uses a purpose sampling technique, namely by deliberately sampling according to the requirements of the required sample, namely:

1. Manufacturing companies in the mining sector listed on the Indonesia Stock Exchange (IDX) during the 2019-2022 period.
2. Sample companies that present complete and consecutive annual report data (no missing data) from 2019-2022.
3. The Company owns Managerial and Institutional Shares.
4. The company did not suffer any losses during the research period.

Table 1
Calculation of Sampling Criteria

Information	Sum
Mining companies consecutively during the 2019-2022 period	63
Mining sector companies on the Indonesia Stock Exchange that do not meet the selection criteria	50
Mining sector companies on the Indonesia Stock Exchange that are used as sample	13

The sample in this study was obtained from as many as 13 companies that entered the research criteria using the purposive sampling technique. Based on the process of selecting research samples that have been carried out, 13 companies meet the criteria and can be used as samples in the research, so the number of observation data (n) is 13x4 = 52 observation data in the study.

The data analysis method that will be used in this study is quantitative data which is an analysis technique that uses certain formulas obtained from a testing process and the quantitative data used in this study is the company's financial statements. The data analysis technique in this study uses path analysis, the influence between KM and KI variables, on PBV using the Statistical Package Social Sciences (SPSS) program. To find out whether there is a significant influence of several independent variables on the dependent variables, a path analysis model is used.

Results and Discussion

Coefficient of Determination (Adjusted R2)

The determination coefficient test is used to measure whether independent variables can explain the variation of dependent variables. The results of the determination coefficient test can be seen in Table 2 as follows:

Table 2
Coefficient of Determination Results

Model Summary					
Model	*R*	*R Square*	*Adjusted R Square*	*Std. Error of the Estimate*	*Durbin-Watson*
1	.591a	.349	.309	2.470551	1.897
a. Predictors: (Constant) KI, KM					
b. Dependent Variable: PBV					

Based on the results of Table 2, the value of the Adjusted R Square that was used had a model result of 0.309 or 30.9% by the KM and KI variables, while the remaining 69.1% were influenced by other factors that were not studied.

Model Conformance Test (Test F)

The F test was carried out to find out whether the independent variables collected in the research regression model had a joint influence on the dependent variables. This test is seen through criteria by looking at the value of probability (sig), If the value of the sig < 0.05, then the probability of the regression model is appropriate and suitable for use in testing. On the other hand, if the value of the sig > 0.05. Therefore, the model equation of regression has no conformity or is not suitable to be used as a regression model. The results of the F-value test are presented in Table 3 as follows:

Table 3
F-Grade Test Results

ANOVA[a]						
Model		*Sum of Squares*	*df*	*Mean Square*	*F*	*Mr.*
1	*Regression*	157.379	3	52.460	8.595	.000b

	Residual	292.974	48	6.104	
	Total	450.352	51		
a. Dependent Variable: PBV					
b. Predictors: (Constant), ROA, KI, KM					

Table 3 shows the results of the f-test with an f-value of 8.595 and a sig value of 0.000 < 0.05, so it can be concluded that the KM and KI variables have a significant effect on the Company's Value.

Table 4
t-Value Test Results

Coefficients						
		Unstandardized Coefficients		*Standardized Coefficients*		
Model		*B*	*Std. Error*	*Beta*	*t*	*Mr.*
1	(Constant)	-1.701	1.461		-1.164	.250
	KM	12.246	2.629	.749	4.657	.000
	TO	3.522	1.863	.298	1.891	.045

a. *Dependent Variable*: PBV

Managerial Ownership of Company Value

Based on the results of the T-Test, it was obtained that Managerial Ownership had a positive and significant effect on the Company Value which was proxied with Price to Book Value in mining companies listed on the Indonesia Stock Exchange for the 2019-2022 period. Based on the table, Managerial Ownership has a regression coefficient value of 0.749 with positive and unidirectional values and a significance of 0.000 < α 0.05. The results show that the Managerial Ownership variable is proven to have an influence and significance on the Company's Value.

These results are in line with the agency theory by (Jensen & Meckling, 1976) In agency theory, agency problems include managers who are motivated by themselves and do not run the company according to the wishes of shareholders (*principals*). Minimizing agency problems can be done by maximizing managerial ownership. (Fana & Prena, 2021). Managerial ownership causes management to directly influence the decisions taken because the proportion of managers' ownership makes them both managers and shareholders of the company. Ifada *et al* (2021), explained that managerial ownership effectively addresses agency conflicts to align the interests of managers and shareholders so that it can increase the value of the Company.

Managers who own company shares are more motivated to monitor the company's performance closely. This is because they have better information about the company and better understand its risks. In addition, managerial ownership can also provide a credibility signal to investors that the manager is committed to the company's success.

Institutional Ownership of Company Value

Based on the results of the T-Test, it was obtained that Institutional Ownership had a positive and t significant effect on the Company Value which was proxied with the Price to Book Value in mining companies listed on the Indonesia Stock Exchange for the 2019-2022 period. Based on the table, Institutional Ownership has a regression coefficient value of 0.298 with positive and unidirectional values and a significance of $0.045 < \alpha$ 0.05. These results show that Institutional variables are proven to have an influence and significance on the Company's Value.

Agency theory explains the relationship between the principal (company owner) and the agent (manager). The existence of institutional ownership allows institutional investors (company owners) to monitor managers' performance through various means, such as analyzing financial statements, attending shareholder meetings, and meeting with managers in person. (Danty & Muliati, 2021). Stricter monitoring can help prevent managers from engaging in behavior that is detrimental to shareholders. Furthermore, institutional investors can sell shares of the company if they are not satisfied with the manager's performance. The threat of a stock sale can encourage managers to act in the best interests of shareholders. In addition, institutional investors care about their reputation. Institutional investors do not want to invest in companies that are involved in scandals or poor corporate governance. Therefore, institutional investors have an incentive to ensure that the companies they invest in are well-managed (Nurhayati & Wijayanti, 2022). Based on these things, institutional ownership has a positive effect on the company's value.

Conclusion

This study aims to test independent variables consisting of Managerial Ownership and Institutional Ownership on Company Value as intervening. The determination coefficient has a value result of 0.309 or 30.9%. The PBV variable can be explained by 69.1% by the variables Managerial Ownership, and Institutional Ownership. The average Managerial Ownership, Institutional Ownership, and mining companies listed on the IDX in 2019-2022 fluctuated. Along with the variable Company Value, the average value has changed from year to year. The results of the study can be concluded as follows:

1. Partially proving that the Managerial Ownership variable has a significant positive effect on the Company's Value.
2. Partially proving that the Institutional Ownership variable has a significant positive effect on the Company's Value.

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