

## THE IMPACTS OF INSTITUTIONAL OWNERSHIP, LEVERAGE AND FIRM SIZE TO FIRM VALUE WITH PROFITABILITY AS A MODERATION VARIABLE

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### ABSTRACT

*Analysis and review of whether a firm value is influenced by institutional ownership, leverage, the size of the company, and profitability are the objectives of this study. Furthermore, the other purpose of this study is to analyze and examine whether value company influenced by institutional ownership, leverage, and firm size that moderate profitability. Samples used by manufacturing companies listed on the Indonesia Stock Exchange and that meet the criteria of as many as 80 companies, for 3 years of research, 2017 until 2019. Multiple Linear Regression and Moderated Regression Analysis (MRA) was used in analyzing the results of this study. Result research show that (1) Firm value not influenced by institutional ownership (2) Firm value is significantly affected leverage in negative means that the firm value will fall if the higher the value leverage company or otherwise, (3) The firm value is significantly affected by ucompany rate in positive means that the value of the company will be higher if the size of the company is getting bigger or vice versa, (4) The firm value is significantly affected by profitability in positive means that the firm value increases if the higher the profitability obtained, (5) Profitability moderating the influence institutional ownership towards firm value significantly with a positive influence which means that institutional ownership it affects the value of the company by being moderated by profitability variables. If the higher profitability obtained then institutional ownership also has a positive influence on the increase in the firm value, (6) Profitability does not moderate the effect of leverage on firm value and (7) Profitability moderates the effect of firm size on firm value significantly with a positive effect, which means that firm size affects firm value moderated by the profitability variable. If the higher the profitability obtained, the size of the company also has a positive influence on the increase in the value of the company.*

Keywords: institutional ownership, leverage, firm size, profitability and firm value

### INTRODUCTION

Optimal firm value is one that affects the ownership structure. The running of the company is strongly influenced by the structure of share ownership and has an influence on performance and quality in achieving the company's vision to maximize firm value (Suardikha & Apriada, 2016). The form of company ownership or the percentage of share ownership from both internal and external shareholders is reflected in the ownership structure (Wongso, 2013).

Proportionate ownership of company shares by institutional investors such as banks, insurance companies, investment companies and other institutional ownership that acts as a monitoring agent (Pandansari, 2016). Supervision of the company is getting higher in line with the high ownership by institutions. It is possible to minimize the level of fraud committed by the manager. Managers as company managers can be encouraged by institutional supervision. The value of this company is also increasing with increasing company performance (Suardikha & Apriada, 2016).

Profitability generated by companies, both large and small, affects the value of the company, stakeholders (creditors, suppliers, and investors) will see good company profitability resulting from the company's sales and investment. The condition of the company in the future is illustrated by the company's ability to earn profits (Samosir, 2017). Prospective investors and shareholders are very concerned about profitability in relation to the value of shares and dividends to be received. Why is the value of the company affected by profitability because many investors participate in it and the demand for shares will increase to obtain good company prospects so as to provide high profits (Suardikha & Apriada, 2016).

Debt or company leverage used will affect the value of the company. Changes in the level of leverage have the effect of increasing or decreasing the firm value, therefore debt or leverage policies must be determined carefully. The company must take the right leverage policy in order to achieve optimal leverage and maximize the share price so as to increase the firm value.

The increase in leverage from some companies was followed by an increase in Price Book Value (PBV), but in some companies, the increase in leverage actually reduced the PBV value. This is evidence that leverage has an effect on firm value. Two signals that can be seen when leverage increases, namely a good signal (good news) is shown from the reflection of the management's ability to increase the leverage value and a bad signal (bad news) is that managers are forced to increase leverage not because of efficiency.

The firm value must be maintained by a company. This reflection of the company's performance in real terms can be seen from a direct assessment by the public which is measured by the value of the company's share price circulating in the market (Harmono, 2014). Market equilibrium is the points of stability formed from the sale and purchase of securities in the capital market due to the meeting of demand and supply in real terms between sellers (issuers) and investors.

Profits of a company are very concerned with the wishes of investors and shareholders who cannot be separated in determining the firm value. Investors will come to invest their money in the company if the profit prospect of a company is good. Shareholders' wealth can be maximized, with the risk and time taken into account in relation to the expected earnings per share obtained to become the company's main goal, namely the maximum share price (Weston & Brigham, 1990). So it can be concluded that one of the focus of the company's value is looking for profit or in this study it is associated with profitability, a measure that becomes an indicator of company performance evaluation.

## THEORETICAL BASIS

### Theory of Capital Structure

Capital structure is the company's debt and liabilities. Often measured by the magnitude of various sources of financing. Financial stability and the risk of bankruptcy of a company depends on the source of financing and the type and amount of various assets it has.

Theory Those used to explain the structure of capital include:

#### Agency Theory

Gap arising between shareholders/principal with the company manager/agent named Agency Theory developed by Jensen & Meckling, (1976). Gap That's because of agency problems, each party has its own reasons and wants to optimize the performance of the role carried out.

#### Trade of Theory

Trade of theory that It was developed by Myers, (2001) that corporate debt is at a certain level, taxes are saved (tax shields) from the addition of debt same with financial cost difficulties (financial distress).

#### Pecking Order Theory

Pecking order theory be the order in setting funding decisions for options for the use of retained earnings made by first-time managers, debt and shares issued becomes the last option. According to (Myers, 1984), pecking order theory states that "Companies with a high level of profitability actually have low levels of debt, because companies with high profitability have abundant internal sources of funds.

#### Signalling Theory

The assumption of managers and shareholders based on whether or not access to the same information within the same company is called signalling theory (Cox et al., 1979).

#### Equity Market Timing

Equity issued by companies when the market value is high and the equity will be repurchased when the market value is lowest is called equity market timing (Baker & Wurgler, 2002).

#### Firm Value

Market value that provides maximum shareholder welfare if the company's share price increases. Its value is achieved if the management of the company is handed over to people who are experts in their fields by the shareholders. The results of the quality of the company's performance, especially financial performance, and cannot be separated from non-financial support will also produce firm value (Harmono, 2014:190).

#### Institutional Ownership

Institutional ownership of shares owned by investors such as investments, banks, insurance, as well as other institutions and companies that are represented as a percentage is called institutional ownership (Sartono, 2008). Whether or not institutional management is able to monitor actions is believed to be better than the proportion of share ownership by individual investors (Suardikha & Apriada, 2016). The monitoring management team is as effective as possible so that it can run until it limits the opportunity-seeking behavior of managers when the concentration of ownership, large shareholders such as institutional investors (Endraswati, 2012). The welfare of shareholders is increasingly guaranteed by monitoring and the role of agents in supervising their large investments in the capital market (Endraswati, 2012).

#### Leverage

The effectiveness of the company's debt can be measured by leverage because it is important. The level of the company's ability to fulfill its debt obligations is also called leverage (Sambora et al., 2014). Funds that are borne are fixed expenses (costs), both in the form of real assets and financial assets. This is the meaning of leverage. The amount of company financing uses debt as a measurement with a leverage ratio (Irham, 2013:72). It is said to be categorized as extreme leverage (extreme debt) if the use of debt is too high so that it is dangerous for the company to be trapped and have difficulty getting out of debt because the debt level is high. Therefore, steps must be taken to balance the company's debt and from which sources are used to pay debts.

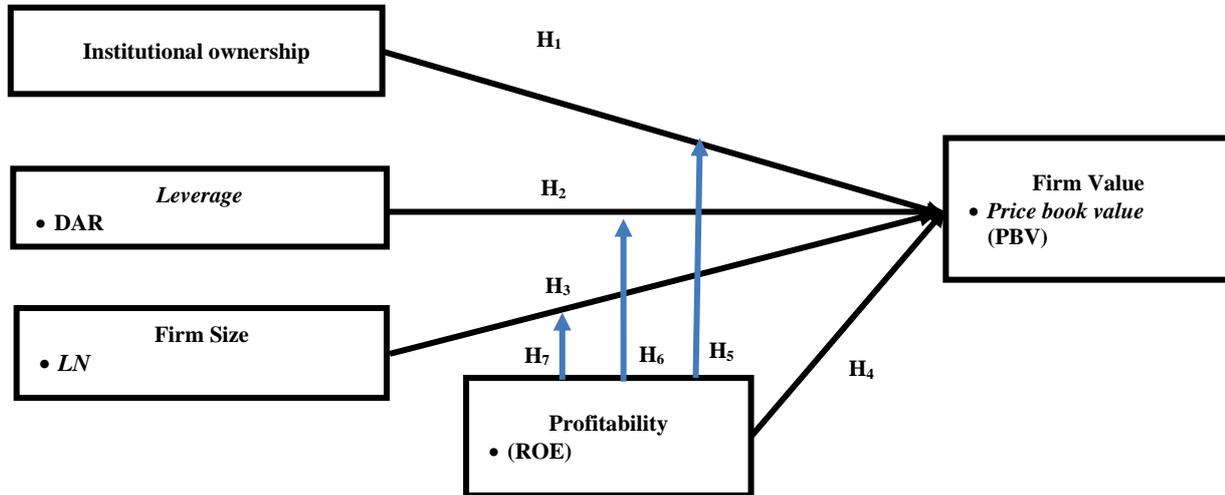
#### Firm size

The size of the company is reflected in the size of the company's acquisition in making sales. The company's competition in the industry is strategically influenced by the company's main activity, namely sales. Company assets are needed in the sales process. According to Weston & Copeland, (2008) increased sales must be followed by increased company assets. Increased sales results indicate an increasing company size, it can be identified the size of the company minus the amount of debt, because internal funding sources are prioritized over external funds by the company. Pecking order theory states that the company's preferred internal funds come from retained earnings before using debt.

**Profitability**

Profits are able to be generated by the company during a certain period and measured by success or the ability to produce assets that are used by comparing the profit to the total assets or capital of the company (Munawir, 2007:33). The research unit used is the financial statements of the secondary sectors/manufacturing companies listed on the Indonesia Stock Exchange in 2017-2019.

**RESEARCH FRAMEWORK**



**Figure 1. Research framework**

**Hypothesis**

- H<sub>1</sub> : Institutional ownership is influential towards firm value
- H<sub>2</sub> : Leverage influential towards firm value
- H<sub>3</sub> : Firm size influential towards firm value
- H<sub>4</sub> : Profitability influential towards firm value
- H<sub>5</sub> : Profitability moderating the influence institutional ownership of firm value
- H<sub>6</sub> : Profitability moderating the influence leverage towards firm value
- H<sub>7</sub> : Profitability moderating the influence firm size towards firm value

**RESEARCH METHODS**

Quantitative research takes the form of number data with quantitative or statistical analysis. Variabel independent that is institutional ownership, leverage and the size of the company affects the dependent variable, the firm value with profitability as moderation variables it will be tested and proven by empirical evidence. Sample retrieved from websites Indonesia Stock Exchange (<https://web.idx.com>) that is company category *secondary sectors/Manufacturing* Registered at IDX for 2017 - 2019.

The operational definition of variables is seen in the following table:

**Table 1. Variable Operationalization**

No.	Variable	Indicators	Measurement Scale
1	Firm value Sabrin et al., 2016 Radja & Artini, 2020	$PBV = \frac{\text{Market price per share}}{\text{Book value per share}}$	Ratio
2	Institutional Ownership Yuwono & Aurelia. 2021	Institutional ownership = $\frac{\text{Number of shares owned by the institution}}{\text{Number of outstanding shares}} \times 100\%$	Ratio
3	Leverage Irham, 2013	$DAR = \frac{\text{Total Liabilities}}{\text{Total Assets}} \times 100\%$	Ratio
4	Size of the company Radja & Artini, 2020	Size = Ln Total assets	Ratio

No.	Variable	Indicators	Measurement Scale
5	Profitability Sabrin et al., 2016	ROE= $\frac{\text{Earning After Interest Tax}}{\text{Equity}} \times 100\%$	Ratio

Samples used by authors as many as 80 companies Manufacturing registered with IDX year 2017-2019 for research.

Independent variable impact test (institutional ownership, leverage, firm size) and variables of profitability moderation against variables bound (enterprise value) used multiple regression analysis. The effect test of moderation variables is used in interaction tests. moderated regression analysis (MRA). The regression equation model is:

➤ Model 1 Regression Equation (multiple linear regression analysis):

Here's the regression model used:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 Z + \varepsilon$$

➤ Regression Equation Model 2 (MRA):

$$Y = \alpha + \beta_1 X_1 + \beta_2 (X_1 * Z) + e$$

➤ Regression Equation Model 3 (MRA):

$$Y = \alpha + \beta_1 X_2 + \beta_2 (X_2 * Z) + e$$

➤ Regression Equation Model 4 (MRA):

$$Y = \alpha + \beta_1 X_3 + \beta_2 (X_3 * Z) + e$$

## RESEARCH RESULTS

### A. Descriptive Statistics

Table 2. Descriptive statistics of research variables

Variable	N	Minimum	Maximum	Median	Mean	Std. Deviation
Institutional ownership	80	0,2940	0,9943	0,7836	0,7431	0,1617
leverage	80	-5,3394	2,6800	1,1672	1,1451	0,9485
Size of the company	80	26,4180	33,3798	28,5074	28,71854	1,4253
Profitability	80	0,0125	0,8705	0,1159	0,1508	0,1451
Firm value	80	0,1851	10,8740	1,3987	2,1991	2,0793

Source: Data processing, 2021

Results above show value minimum institutional ownership 29.40% owned by Nusantara Inti Corpora Tbk (UNIT). For maximum institutional ownership of 99.43% owned by Tunas Alfin Tbk. (TALF). Average institutional ownership of manufacturing companies here is 74.31% and the value standard deviation of institutional ownership of 16.17%.

Results above show value minimum leverage minus 533.94% owned by Charoen Pokphand Indonesia Tbk (CPIN). Maximum value leverage 268.00% owned by Prima Alloy Steel Universal Tbk (PRAS). Average leverage manufacturing companies that are research here by 114.51% and the value standard deviation leverage 94.85%.

Results above show value minimum The company's size of 26.41 is owned by Multi Prima Sejahtera Tbk (LPIN). The maximum value of the size of the company is 33.37 owned by Astra International Tbk (ASII). Average the size of the manufacturing company that was researched here amounted to 28.71 and the value of The standard deviation of the size of the manufacturing company that became the research here is 1.42.

The minimum value of the profitability variable of 1.25% is owned by Waskita Beton Precast Tbk. (WSBP). The maximum value of profitability of 87.05% is owned by Merck Tbk. (MERK). Average the profitability of the manufacturing company that is researched here is 15.08% and the standard value of profitability deviation is 14.51%. Average value Profitability ditshow average ability company produce profit from assets that owned be as much as 15,08%.

Results above show value minimum value company of 0.18, owned by Asahimas Flat Glass Tbk. (AMFG). Maximum value of the firm value of 10,87, owned by H.M. Sampoerna Tbk. (HMSP). Average firm value of 2.19 and value standard deviation of firm value of 2.07. Value *Mean* firm value 2.19 indicates that the PBV of the companies that became Sample research more from 1, Means price stock company more tall compared to the company's book value. This shows that investors look that company succeed manage source power that owned.

**B. Classic Assumption Test**

**a. Normality test**

Kolmogorov Smirnov's one sample normality test showed a normally distributed regression model. It is said to be normally distributed from the significance value of the independent variable the firm value of 0.000, which means the value is smaller than 0.05 (sig. <0.05), then H0 is rejected. The regression model is feasible to use because the assumption of normality is met based on the graph and the Kosmorogorov Smirnov test.

**b. Multicollinearity test**

**Table 3. Result Test Multicollinearity**

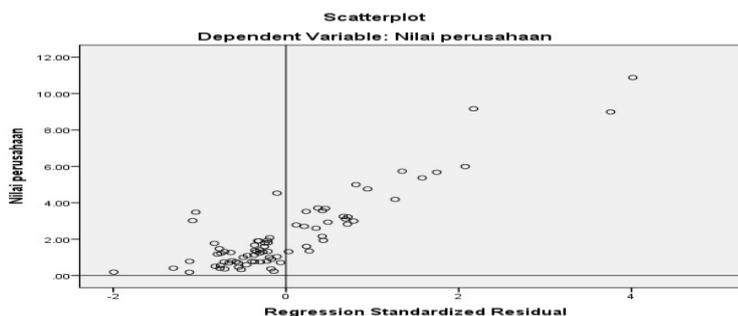
Variable	Collinearity Statistics	
	Tolerance	VIF
Institutional ownership	0,973	1,027
leverage	0,975	1,026
Firm size	0,970	1,031
Profitability	0,974	1,027

Source: Processing data 2021

If the VIF value is less than 10 and the tolerance is more than 0.1, the regression model is free from multicollinearity. The conclusion is that there is no multicollinearity, the VIF value of all variables is less than 10 and the tolerance value of all variables is more than 0.1. The regression model requirements that there is no multicollinearity are met.

**c. Heteroskedasticity test**

The use of a scatterplot graph to observe the variance inequality, whether or not there is a residual based on the analysis, appears a certain pattern of regular shape (wave, width and then narrows) or the clarity of the pattern and the spread of points above and below the number 0 on the Y axis more can be concluded that there is no heteroscedasticity (Ghozali, 2005).



**Figure 2. Graphs Scatterplot**

The relationship between SRESIDUAL and ZPREDICTIVE does not form a certain clear pattern and is spread above the number 0 shown by the random distribution of dots shown in Figure 2 above. The conclusions drawn are that there is no heteroscedasticity in the regression model so that the heteroscedasticity test is fulfilled.

**d. Autocorrelation test**

**Table 4. Output Durbin-Watson**

T	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,454 <sup>a</sup>	,206	,164	1,90150	2,216

Source: Processing data 2021

Comparison is made of the calculated DW value by looking at the criteria for acceptance or rejection by making dL and dU values based on the number of independent variables of the regression model (k) and the number of samples (n) with a significance (error) 5% ( $\alpha = 0.05$ ), then the value is shown the value of dL = 1.6788 and the value of dU = 1.7881 resulting in the presence or absence of autocorrelation criteria in table 5 below.

**Table 5. Hasil Durbit Watson**

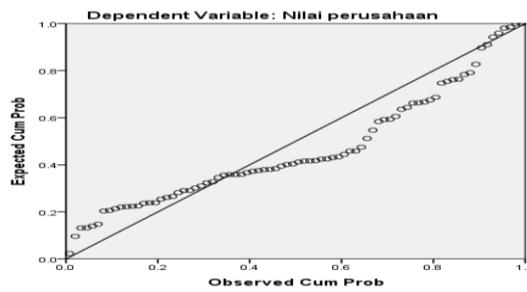
DL < DW > DU and DW < (4-DU)											
Durbin Watson											
<b>DLtabel</b>	1,3900		DL	<	DW	>	DU		DW	<	(4-DU)
<b>DUtabel</b>	1,6000		1,3900		<b>2,2210</b>		1,6000		<b>2,2210</b>		2,4000
<b>DWhitung</b>	2,2210										

Source : Processing data 2021

Based on the results of calculations with SPSS obtained  $DW_{count} = 2.2160$ , greater than DL 1.3900 and smaller than 2.400 (4-DU) which means that the model area does not have autocorrelation so that in conclusion the regression model does not occur autocorrelation. The autocorrelation test is fulfilled.

**e. Linearity test**

Certainty whether there is a relationship between variables in the regression model (independent and dependent) is linear or not by looking at the spread of the points on the diagonal line and the direction follows the diagonal line. From the two graphs below, it can be concluded that the regression model for the linearity test is met.



**Figure 2. Normal graph of linearity test plot**

**MULTIPLE LINEAR REGRESSION ANALYSIS**

**Table 6. Multiple linear regression results**

Type	Unstandardized Coefficient		Standardized Coefficient	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-9.907	4.658		-2.127	0.037
Institutional Ownership	1.880	1.341	.146	1.402	.165
leverage	-5.548	.228	-.250	-2.400	.019
Firm Size	.370	.152	.253	2.425	.018
Profitability	4.781	1.494	.334	3.200	.002

Dependent Variable: Firm value  
Source: Processing data 2021

Regression equation:

$$Y = -9,907 + 1,880X_1 - 0,548X_2 + 0,370X_3 + 4,781Z + \epsilon$$

Information:

- Y = firm value
- X<sub>1</sub> = institutional ownership
- X<sub>2</sub> = leverage
- X<sub>3</sub> = firm size
- Z = profitability

The multiple linear regression equations above show that:

- 1) Constant value = -9,907. Indicates that the firm value is -9,907 if there is no independent variable effect on institutional ownership, leverage firm size and profitability.
- 2) The value of the institutional ownership coefficient of 1,880 is positive which means that the increasing institutional ownership will increase the value of the company by 1,880 units of firm value or vice versa.
- 3) Coefficient value leverage is -0.548 marked negative means less leverage The firm value will increase by 0.548 one unit of firm value or vice versa.
- 4) The value of the firm size coefficient of 0.370 is positive value means that the increasing size of the company, the firm value will increase by 0.370 one unit of firm value or its in turn.
- 5) The value of the profitability coefficient of 4,781 positive value means the increasing profitability, the firm value will increase by 4,781 units of firm value.

**MRA 1 analysis (moderation X1\*Z)**

Regression equation:

$$Y = 1,270 + 0,456X_1 + 5,274X_1*Z + \varepsilon$$

**MRA 2 analysis (moderation X2\*Z)**

Regression equation:

$$Y = 2,545 - 0,632X_2 + 1,958X_2*Z + \varepsilon$$

**MRA 3 analysis (moderation X3\*Z)**

Regression equation:

$$Y = -7,041 + 0,299X_3 + 0,149X_3*Z + \varepsilon$$

Information:

- Y = firm value
- X<sub>1</sub> = institutional ownership
- X<sub>1</sub>\*Z = profitability moderating institutional ownership
- X<sub>2</sub> = leverage
- X<sub>2</sub>\*Z = profitability moderating leverage
- X<sub>3</sub> = firm size
- X<sub>3</sub>\*Z = profitability moderating firm size

**RESULTS AND DISCUSSIONS**

Value of free variable influence (institutional ownership) leverage, the size of the company against bound variables (firm values) and moderation variables (profitability) can be seen in the figure below.

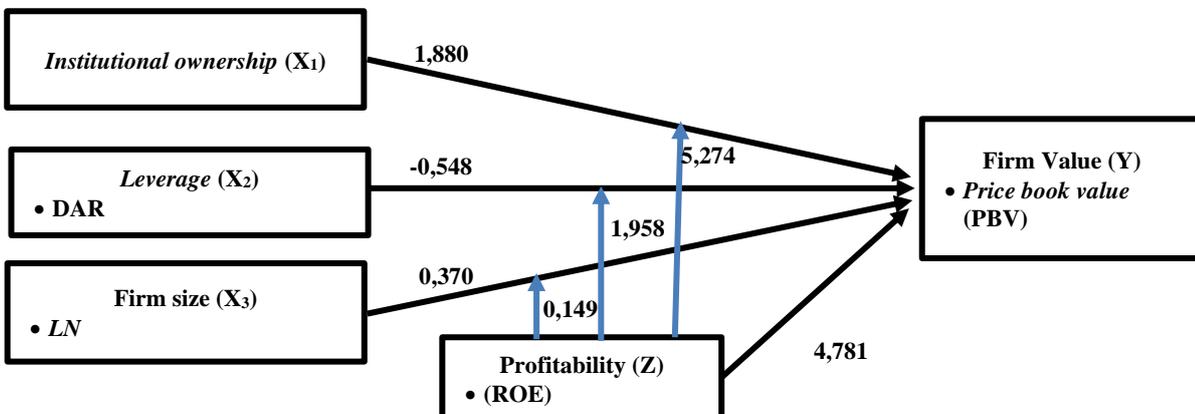


Figure 3. Values β Research Variables

The results of the analysis of research data obtained can be concluded:

1. The firm value is not directly influenced by institutional ownership.
2. Leverage has a direct effect on firm value of -0.548 units (negative), which means that if there is an increase in leverage of 0.548, the firm value will decrease by 0.548 units.
3. The size of the company directly affects the value of the company by 0.370 units (positive), which means that if there is an increase in the size of the company by 0.370, it causes an increase in the value of the company by 0.370 units.
4. Profitability directly affects profitability by 4.781 units (positive), which means that if the size of the company increases by 4.781, it causes the firm value to increase by 4.781 units.
5. Institutional ownership affects the firm value by 5.274 units (positively) through profitability moderation, which means that there is an increase in firm value by 5.274 units if institutional ownership is moderated by profitability.
6. Leverage has no effect on firm value through profitability moderation.
7. Firm size affects firm value by 0.149 units (positively) through profitability moderation, which means there is an increase in firm value by 0.149 units if firm size is moderated by profitability.

## DISCUSSION

### 1. Influence institutional ownership towards firm value

It is said that institutional ownership has an effect on firm value to be the hypothesis of this research. Institutional ownership has no effect on firm value, it is shown from the analysis, because institutional ownership has no effect in increasing firm value, companies with high institutional ownership value do not necessarily have high firm value. Institutional ownership only shows how many shares in a company are owned by institutions.

Institutional ownership does not affect firm value because there is too much information between investors and managers (company managers) not necessarily owned by investors so that managers are difficult to control by institutional investors (Sofyaningsih & Hardiningsih, 2011). The effectiveness of share ownership of a company by institutional investors cannot be ascertained in monitoring the behavior of managers because investor access is limited, while more detailed and accurate company information is obtained by company managers (managers) as shown in this study. The conclusion of this study is that institutional ownership has no effect on firm value.

### 2. Influence leverage towards firm value

Leverage has an effect on firm value to be the hypothesis of this research. The analysis test results show that the leverage variable has a negative effect on firm value, which means the firm value will decrease when leverage increases or vice versa. The test results above conclude that the debt management of manufacturing companies is carried out very well by maximizing the wealth of the company owners.

These results support the research of Tahu & Susilo, (2017), that leverage does not have a significant negative effect on firm value. However, contrary to the research of Cheng & Tzeng, (2011), it is concluded that first, the values of companies that consider the probability of leverage are greater than those of companies that do not, secondly, simultaneously using costs and debt, leverage significantly positively influences firm value optimally and third, firm value is positively influenced by leverage which tends to be stronger if the company's financial quality is better. The conclusion of the negative value of the test results is a sign that there is an inverse relationship between leverage and firm value, the lower the leverage, the higher the firm value.

### 3. Influence firm size towards firm value

Firm size has an effect on firm value to be the hypothesis of this research. It is shown by the results of the company's size having a significant positive effect on the value of the company, which means that if the size of the company is bigger, the value of the company will also be higher or vice versa. The size of the company's value is represented by assets, selling transaction value, average total sales, and average total assets.

Supporting research conducted by Radja & Artini, (2020) states that profitability, firm size, and leverage have a positive influence on firm value together. Then, respectively, there is a significant positive effect between firm size on firm value, which means that firm size alone affects firm value. Also supporting the research of Husna & Satria, (2019) and (Muhyarsyah et al., 2019), it is stated that company size has a positive influence on firm value. The conclusion here is that the size of the company determines the value of the company, which means that the larger the size of the company, the source of funds that are maximized for the company's operational activities is considered to be easier to obtain. The value of the company increases with the larger the company is known by the public because the information is easier to obtain.

### 4. Influence profitability towards firm value

Profitability has a significant positive effect on firm value as shown in this study, which means that if profitability increases, the firm value will automatically increase or vice versa. So the company must make a profit, because without profit, investors are interested in the company to invest their funds in company shares. Therefore, it is important for companies to increase profits for the survival and future of the company.

Supports the research of Sabrin et al., (2016) which concludes that profitability has a positive relationship to firm value on the achievement of profits for paying dividends, so that stock prices increase by showing a positive signal of companies paying dividends. It is also in line with Radja & Artini, (2020), that each has a significant positive effect on firm size, profitability, and leverage on firm value. Profitability has a direct positive significant effect on firm value (Tamrin et al., 2017). The conclusion from

this research is that the higher the profitability, the higher the firm value. Indications of an increase in the company's stock price shows the high ability of the company to earn a profit, so that the value of the company increases. Investors tend to choose companies that have high profitability every year, investors think that when the company generates large profits, the greater the value of the company. The positive signal from this company makes investors believe and provides management facilities in managing the company. The value of the company is reflected in whether or not it is able to generate profits, the higher the level of profitability, the higher the value of the company or vice versa.

#### **5. Influence institutional ownership towards firm value with moderation Profitability**

Institutional ownership has an influence on firm value through profitability, which means that the more the number of share ownership by the institution, the higher the management supervision in the company and can affect or increase the value of the company with the profitability shown from this study. Management behavior control that does not squander the company's sources of funds will lead to an increase in the value of the company, both in the form of inappropriate investments and in the form of shirking. Thus, increasing institutional ownership is believed to increase the value of the company and also the profits to be obtained by the company. The condition of the company must be profitable because without profit the company has difficulty attracting investors to invest their funds in company shares. Efforts to increase profits are very important in order to keep the company's existence into the future.

The results of this study are in accordance with research that profitability is able to moderate the effect of institutional ownership on firm value (Kusumawati & Setiawan, 2019). The existence of profitability will strengthen the positive influence between institutional ownership and firm value. The proportion of ownership of institutional ownership is generally large so that the supervision of managers is better. Institutional investors seek high levels of control over high institutional ownership, which can inhibit opportunity-seeking behavior of managers. Widarjo (2011) argues that the company's decisions are monitored in an incentive manner by shareholders so that it has a positive impact on the company in terms of company value and increased business performance in seeking profit.

#### **6. Influence leverage towards firm value with moderation profitability**

Leverage has no effect on firm value through profitability. The use of debt is part of the cost of corporate assets explained by leverage. Leverage has an effect because debt has a fixed burden for the corporation. The relationship between debt policy and firm value, both weak and strong, is influenced by profitability, as shown by this research. In the debt policy, profitability plays an important role, because in the end the company's value can be maximized. The company's abundant internal funds will be used by the company to get bigger profits. Profitability does not strengthen the relationship to firm value due to high leverage resulting in a weakened firm value when leverage or the use of debt is high. This is evidence that the variable profitability or profit earned by the company does not affect leverage in increasing firm value.

This is in line with research which states that profitability is able to provide direct moderating of the effect of leverage on firm value (Budiharjo, 2021). It was stated that debt financing has an impact on corporations because debt has a fixed burden. Internal funds are widely used by companies with high profits, because the abundance of internal funding sources makes the leverage or debt used high. The relationship between firm value is not affected by profitability because the debt used is high, the relationship is weak.

#### **7. Influence size of the company towards firm value with moderation profitability**

Firm size has no effect on firm value through profitability. The size of the company can be seen from the total value of the company's assets which is a picture of the size of the company. High attention will be placed by investors on large companies, because the stability of the condition of large companies is shown in this study. Investors are interested in buying company shares, rising and falling stock prices in the capital market are the cause of the company's rising investment conditions. The magnitude of investor expectations of the company is getting bigger because the dividends from the company are large. The rising demand for company shares can also spur an increase in stock prices in the capital market. The tendency of investors to own these shares is getting bigger resulting in an increase in stock prices. The increase in stock prices is the main reason why the price book value (PBV) increases or the value of the company (Soebiatario & Sujoko, 2007). In line with Adawiyah & Setiyawati (2019), it states that return on equity (ROE) has a significant positive effect on stock returns. The ROE value increases with the increase in net income, thereby attracting investors to buy shares fundamentally, ultimately increasing the company's stock price and stock returns.

The size of the company and the value of the company are increasing because it follows the increase in profitability. The reason investors look at profitability ratios in buying a stock is because earnings management actions make profits look bigger. A large company size can decrease the value of the company when its profits are low and this is indicated by the tendency of the company's internal operational sources of funds to be used. The bigger the company, the greater the cost in operational activities, so that reducing company profits has an impact on decreasing company value. This decrease in value is an indication of a negative response from investors because profitability has fallen so that the company's stock price has fallen as well.

### **CONCLUSION**

1. Institutional ownership has no effect on firm value.
2. Leverage has a significant negative effect on firm value, which means that the higher the firm's leverage, the lower the firm's value or vice versa.
3. The size of the company has a significant positive effect on the value of the company, which means that the larger the size of the company, the value of the company also increases.
4. Profitability has a significant positive effect on firm value, which means that the higher the profitability, the higher the firm

value.

5. Profitability moderates the effect of institutional ownership on firm value significantly positive which means that institutional ownership affects firm value with moderated profitability. The higher the profitability obtained, the institutional ownership also has a positive influence on the increase in firm value.
6. Profitability does not moderate the effect of leverage on firm value.
7. Profitability moderates firm size on firm value significantly positively, which means that firm size influences firm value with moderated profitability. The higher the profitability obtained, the size of the company also has a positive influence on the increase in company value.

## SUGGESTION

1. The company's responsibility to investors with large institutional ownership is due to the greater assets and wealth they have, which are managed properly so that investors believe in the company, so that there is no view of lack of efficiency in monitoring operational activities and strategies by management.
2. The productivity of the company must be increased so that the management of assets owned is better. The business position maintained by the company can be seen from whether or not the company is able to grow its business.
3. The profitability of the company must increase because it has an influence on the value of the company which has an impact on the assessment of investors. The higher the profitability generated by the company, the higher the value of the company or vice versa.
4. For investors, before making an investment, it is better to be more selective in the company chosen by considering the fundamental factors that can influence the value of the company in the future to receive the expected return.
5. For further research, it is hoped that other variables that affect the value of manufacturing companies listed on the IDX can be expanded so that other differences in findings related to the value of manufacturing companies listed on the IDX can be explained.

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