THE INFLUENCE OF COMPANY SIZE, MANAGERIAL SHARE OWNERSHIP,AND PROFITABILITY ON FIRM VALUE OF MANUFACTURING COMPANY LISTED ON BEI

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ABSTRACT

The primary goal of the company is to maximize firm value. Firm value is investor perception of the company's success rate, it is often associated with stock prices. This research aims to examine the effect of company size ,insider ownership, and profitability, towards the value of the company.This research uses secondary data, of the manufacturing companies which listed on BEI with periods 2014-2016. Research sample of 39 manufacturing companies, where the method used is purposive sampling is a sampling method that takes an object with the specified criteria. Analysis of the data used to analyze the factors that affect firm value is multiple regression analysis. The results of this research finds three independents variable have a significant effect on firm value . Three independents variable have significantly effect on firm value in this research: (i) company size is that of positive significant, (ii) managerial share ownership is that positive significant, (iii) profitability is that positive significant.

Keywords : firm value, managerial share ownership, profitability, and company size

INTRODUCTION

Background of the study

The current economic conditions have created a tough competition between manufacturing companies. The competition in the manufacturing industry makes the companies work hard improving their performances. As the main purpose of a company is to increase the value of the company through increasing the prosperity of owners or shareholders. Based on this statement, the main purpose of a company is to increase the prosperity of owners or shareholders to influence the value of the company (Salvatore, 2005). The well-being of shareholders, shown through the market price per share of the company, which is also a reflection of investment decisions, funding and asset management. As business decision is also judged based on the impact of the stock price (Moeljadi, 2006).

The corporate value is important because high corporate value will be followed by high shareholder’s wealth (Gapenski, 1996). The higher the stock price is, so the value of the company will be. Moreover, the managers are required to make decisions that consider all stakeholders in maximizing the value of the company in the long run because the manager will be assessed its performance based on its success to achieve goals (Jensen, 2001).

The company value is proxied with *Price Book Value* (PBV) which is the ratio between the stock price and the book value per share (Ang, 2002). A good company generally has a larger PBV ratio of one (>1), which indicates that the stock market value is greater than the book value of the company. The higher the PBV ratio is, the higher the rating of investors compared to the funds invested in the company. So, it becomes a great opportunity for investors to buy shares of the company (Ang, 2002).

A company is considered as a capable company of affecting its value because the greater size or scale of the company is, the easier for the company to obtain sources of funding both internal and external does. The decisions of concerning the size of the company will result in the price level of the company's stock (Weston and Copeland, 2010). In general, size can be interpreted as a comparison of the scale or magnitude of an object. If the statement above is connected with a company or organization, then the size of the company can be defined as a comparison of the size or the business scale.

The size of a company is a scale that can classify a company using various means, including total assets, log size, stock market value, and so on. Basically, the size of the company is only divided into three categories i.e. large large firm, medium-size) and small firm. The determination of the size of the company is based on the total assets of the company (Machfoedz, 1994:87).

A company with large assets shows that the company has reached the maturity stage where in this stage the company's cash flow has been positive and it is considered to have good prospects for a relatively long period of time. It also reflects that the company is relatively more stable and more able to generate profits than the a company with a small total assets (Indriani, 2005 in Daniati & Suhairi, 2006). In general, a large company has large assets and values. Theoretically, a larger company has greater certainty than small company that will reduce the level of uncertainty about the prospects of the company in the future. However, it can help investors to predict the risks that may occur while investing on a company (Yolana dan Martani, 2005).

The value of the company will also be affected by managerial ownership, whereby the company is established with the aim of prospering the owner of the company or shareholders (Husnan, 2006). This goal can be realized by maximizing the value of the company with the assumption that the shareholders as the owner of the company delegate another party i.e. manager so that the emergence of agency relationship will exist. The manager as a professional person is expected to act on behalf of the owner to achieve the company's goal by increasing the value of the company. Neverthless, there are some managers tempted to improve their own welfare, this is what can lead to agency conflicts. The existence of agency conflict will reduce the value of the company. A decrease in the value of the firm will affect the shareholders' wealth. Furthermore, conflicts that occur between company owners and managers can be minimized by aligning the interests of the company owner with the manager.

The agency conflict occurs because of the separation of ownership and control (Jensen and Meckling, 1976). The agency conflict causes a decline in company value. The ownership structure is important in agency theory because much of the conflict argument is caused by the separation of ownership and management. Agent conflicts do not occur in companies with a hundred percent ownership by management. Manager as well as shareholder will increase the value of the company because by increasing the value of the company, then the value of its wealth as shareholders will increase as well. One of important indicators for investors in assessing the prospects of the company in the future is by seeing the growth of corporate profitability (Tandelilin, 2001). High profitability reflects the company's ability to generate high returns for shareholders. The greater profit earned by a company, the greater ability of companies to pay dividends, and this affects the increase in corporate value. A high profitability ratio will attract investors to invest in the company.

Research Question

Based on the previous discussion, the formulated research questions of this study are:

1. Does the company size affect the value of manufacturing companies in Indonesia Stock Exchange?
2. Does managerial share ownership affect the value of manufacturing companies in Indonesia Stock Exchange?
3. Does profitability affect the value of manufacturing companies in Indonesia Stock Exchange?

Objective of The Study

Based on the background described and the research problems, the objectives of this study are:

1. To explain and analyze the effect of company size on the value of manufacturing companies in Indonesia Stock Exchange.
2. To explain and analyze the effect of managerial share ownership on the value of manufacturing companies in Indonesia Stock Exchange
3. To explain and analyze the effect of profitability on the value of manufacturing companies in Indonesia Stock Exchange.

Significant of the study

Based on the research objective that have been described above, then the significant that can be obtained from this research are:

1. Theoretically
   The results of this study are expected to develop the empirical evidence on the financial management related to the effect of firm size, managerial share ownership and profitability to corporate value, as well as a reference for similar studies in the future.
2. Practically
   The result of this study is expected to be a reference for managers to maximize the value of the company as the main goal of the company.

Theory Review

Clean Surplus Theory

The theoretical basis used in this research is clean surplus. It states that the value of the company is reflected in the accounting information contained in the financial statements (Ohlson 1995). Based on the theory of clean surplus, Ohlson stated that the company's market value is shown in the income statement and balance sheet. Furthermore, this theory provides a framework that is consistent with the measurement perspective. This theory states that the accounting data has value relevance.

Accounting functions as important integrating tool in the capital development statement, which includes the relationship between the balance sheet and profit and loss posts; namely book value of equity and profit (Ohlson, 1995). The change in the book value of equity equals to the profit deducted by the dividend or equal to the net of capital contribution. This relationship is called a clean surplus. Clean surplus theory states that the value of the company is reflected in the accounting information contained in the financial statements (Ohlson 1995, and Feltham and Ohlson 1995). Clean surplus theory provides a framework consistent with measurements indicating that the firm's market value is reflected in the components of the financial statements (Ohlson, 1995; and Feltham and Ohlson, 1995). Ohlson (1995) stated that the company's market value can be known from the balance sheet and income statement. Furthermore, Watts and Zimmerman (1986) stated that accounting figures in potential financial statements convey information affecting the market value of the firm.

Value relevance research is designed to establish the benefits of accounting values related with the valuation of the firm's equity. Value relevance is the reporting of accounting figures that have a prediction with respect to the equity market values. The concept of value relevance is inseparable from the relevant criteria of the financial accounting standard because the number of an accounting number is relevant if the amount presented reflects the information relevant to the assessment of a firm.

Signalling Theory

The signal according to Bringham and Houston (2006) is "an action taken by a company management that gives investors a clue as to how management looks at a company's prospects." This theory reveals that investors can differentiate between company values. Profitable companies provide a signal about the company is relatively susceptive to experience bankruptcy and other forms of financial distress, rather than a less profitable company. The company's optimism for a better prospect in the future will be shown by an increase in stock prices.

This is because of the asymmetric information between well-informed managers and poor-informed stockholders. According to Bringham and Houston (2006) asymmetric information is "a situation where managers have different information about the prospect of the firm than the investor has." This condition can be seen from the stock price reaction when management announces something (such as an increase in dividend payments). Thus, the management thinks that the stock price is currently overvalued (too expensive). If that is the case, then management would think better to offer new shares, so it can be sold at a price that is more expensive than it should be. On the other hand, if the company offers new shares, the investor will interpret that one possibility is that the stock price is currently too expensive (as per the management's perception). As a result, investors will bid for the new stock at a lower price. Therefore, the emission of new shares will lower the stock price.

Agency theory

In the agency theory what's called principal is a shareholder, while the meaning of the agent is the management that manages the company. In financial management the main objective of the company is to maximize the shareholder wealth, must act in the interests of shareholders. But in reality, there is often an agency conflict between management and shareholders due to different interests between management and shareholders.

Management has a tendency to gain the most profit with the cost of others. Jensen and Meckling (1976), argue that agency problems will occur when the proportion of managerial ownership of shares is less than 100%. So managers act to pursue their own interests and not to maximizing the value of the company in making financial decisions, especially funding decisions.

Company Size

Grouping companies on the scale of operations (large or small) can be used by investors as one of the variables in determining investment decisions. A benchmark showing the size of a company, including total sales, average sales rate and total assets (Ferry and Jones, 1979 in Panjaitan, 2004). Large companies generally have a large total of assets so it can attract investors to invest in the company.

The size of a company is a scale that can be classified as a small company by various means, including total assets, log size, stock market value, and so on. Basically the size of the company only divided into categories of large companies (large firm), medium-sized companies (medium-size) and small firms (small firm). The determination of the size of the company is based on the total assets of the company (Machfoedz, 1994).

Company size can be measured using the total assets, sales, or capital of the company. One of the benchmarks that shows the size of the company is the size of the assets of the company. Companies with large assets show that the company has reached the maturity stage where in this stage the company's cash flow has been positive and is considered to have a good prospect in a relatively long period of time, but it also reflects that the company is relatively more stable and more able to generate profit than firms with small total assets (Indriani, 2005 in Daniati and Suhairi, 2006). Assets are benchmarks of a scale or scale of a company.

Usually large companies have large assets also value. Theoretically larger companies have greater certainty than small firms that will reduce uncertainty about future outlook, helping investors to predict the possible risks if they invest in the company (Yolana and Martani, 2005).

The size of the company has a different effects each, in terms of firm size seen from the total assets owned by the company, which can be used for the company's operations. If the company has a large asset, the management is more flexible in using the assets in the company. The management's freedom is comparable to the concerns the owner has over his assets. The large amount of assets will decrease the value of the company if judged by the owner of the company. When viewed from the side of management, ease of having in controlling the company will increase the value of the company.

Managerial Share Ownership

Shares are a form of long-term funding that does not have a payback period. Shares show proof of ownership of a company in the form of Limited Company *(PT)*. The owner of a company's stock is a shareholder, and is the owner of the company. Responsibility of the company owner in the form of Limited Liability Company on paid or owned capital (Husnan, 1998: 41).

The various policies that shareholders can apply in regulating the distribution of their capital or policy in shaping the ownership structure of the companies they own. Some companies take corporate compensation policies for their managers by giving managers the right to own some of the company's shares (Ratnaningsih and Hartono, 2001). In particular, the ownership of managers to the company or commonly known as Insider Ownership is defined as the percentage of votes associated with shares and options owned by managers and directors of a company (Mathiesen, 2004).

The ownership of the manager (insider ownership) can lead to the emergence of benefits and costs for the company, because the insider ownership then gives an impact on the behavior of the management (Jensen, 1992). Based on the agency theory, it is known that the interests of managers as managers of the company will be different from the interests of shareholders (Elloumi and Gueyie, 2001). Managers can take the necessary action to improve their personal well-being, in contrast to efforts to maximize the value of the company. This very potential conflict of interests led to the importance of a mechanism applied to protect the interests of shareholders (Jensen and Meckling, 1976).

The level of information asymmetry will tend to be relatively high in firms with a large investment opportunity rate. Managers or managers of the company have private information about future project value and their actions can not be supervised in detail by shareholders, so that agency costs between managers and shareholders will increase in companies with high investment opportunities.

Profitability

Profitability is the company's ability to generate profits. Profitability reflects the advantages of financial investment. Myers and Majluf (1984) argued that financial managers using packing order theory with retained earnings as the first choice in meeting the needs of funds and debt as a second option and issuing shares as a third option will always increase profitability to increase profit. Profitability ratio is a ratio to measure the ability of companies to earn profits in relation to sales, total assets and its own capital (Sartono, 2008). This ratio is considered prospective for investors and shareholders as it relates to stock prices and dividends to be received.

Profitability as a benchmark in determining alternative financing. However, there are many ways to assess the profitability of a company and it depends heavily on profits. The assets or capital to be compared from profits are derived from company operations or net profit after tax. The various ways in determining profitability leads to differences in determining profitability. Profitability aims solely as a tool to measure the efficiency of capital use within the company concerned.

Profitability ratios can be measured from two approaches: sales approach and investment approach. The most widely used measures are return on assets (ROA) and return on equity (ROE). Profitability ratios measured by ROA and ROE reflect bussines attractive. Return on asset (ROA) is a measure of the company's overall ability to generate profits with the total assets available within the company. ROA is used to see the overall operating efficiency level of a company. It is also used as a measure of the good quality of a company.

One of profitability ratios that are often used is Return on Equity (ROE) which is a benchmark of the company's ability to generate profits with its own total capital used. This ratio shows the level of investment efficiency that appears on the effectiveness of capital management itself. The way to assess the profitability of a company is varied depending on the total assets or capital which will be compared with each other.

Company Value

A company is an organization that combines and organizes resources in order to produce goods and or services for sale (Salvatore, 2005). A company exists because it would be extremely inefficient and costly for entrepreneurs to enter and contract with workers and owners of capital, land and other resources for each separate stage of production and distribution. On the other hand, entrepreneurs typically enter into large, long-term contracts with labor to perform various tasks with certain wages and other benefits. Such general contracts are much cheaper than some specific contracts and are very beneficial for both employers and workers and other resource owners. A company exists because to save such transaction costs, by internalizing various transactions (ie by running various functions within the company). The company also saves sales tax and avoids price controls and government regulations that apply only to inter-company transactions.

Initially the theory of the firm is based on the assumption that the purpose of the firm is to maximize current or short-term profits, based on the expense of short-term profits to improve future or long-term earnings. Short-term and long-term gains are crucial, the theory of the firm now postulates that the company's primary goal is to maximize the company's wealth or value (value of the firm). This reflects in the present value of the company's expected profits.

According to Husnan (2000) the value of the company is the price that is willing to be paid by the prospective buyer if the company is sold. Meanwhile, Keown (2003) stated that the value of the company is the market value of debt securities and outstanding company equity. The value of the firm is the perception of investors to the success rate of companies that are often associated with stock prices (Sujoko and Soebiantoro, 2007).

The firm value is the perception of investors to the success rate of companies often associated with stock prices (Sujoko and Soebiantoro, 2007). High corporate value will make the market believe not only in the company's current performance but also on the future prospects of the company. Corporate value is often proxied with price to book value (Ahmed and Nanda, 2000). Price to book value can be interpreted as the result of comparison between stock price and book value per share. Ang (2002) simply stated that PBV is the market ratio used to measure the performance of stock market prices against the value of the book.

The existence of PBV is very important for investors to determine the investment strategy in the capital market because through price book value. The investors can predict stocks that are overvalued or undervalued (Ahmed and Nanda, 2000). Price book value illustrates how much the market appreciates the value of a company's stock book. The companies that run well, generally have a price book value ratio above one, which reflects that the stock market value is greater than the value of his book. The high price book value reflects the level of prosperity of shareholders, the prosperity for shareholders is the main objective of the company (Weston and Brigham, 2000).

Theoritical Framework And Hypothesis Development

Company size indicates that the company is growing so investors will respond positively and value company will increase. Relative market share shows competitiveness the company is higher than its main competitor. Investors will respond positively so that the value of the company will increase. The research conducted by Sujoko and Soebiantoro (2007) is consistent with research conducted by Paranita (2003) and Rizqia, et al (2013). In the study, it shows that investors consider the size of the company in buying shares. Company size is used as a benchmark that the company has a good performance. Relative market share has a significant positive effect on firm value. Referring to the description, then formulated the first hypothesis that the firm size has a positive effect on the value of the company.

Insider ownership will encourage owners to lend to management so that management is encouraged to improve its performance, then the value of the company will increase. Insider ownership will encourage management to improve the performance of the company, because they also have companies with their own shares. Increased corporate performance will increase the value of the company. Referring to the description, then the second hypothesis is formulated that insider ownership positively affect the value of the company.

High profitability shows good company prospectsso that investors will respond positively to the signal and the value of the companyincreased. Signalling theory, Bhattacarya (1979) suggests that high profitability shows a good company prospects so that investors will respond positively and company value will increase. Referring to the description, then formulated the third hypothesis that profitability has a positive effect on corporate value.

Company Size on Company Value

The size of the company in this study is a big reflection the size of the company that appears in the total value of the company's assets. With the larger size of the company, there is a tendency for more investors to pay attention to the company. This is because large companies tend to have more stable conditions. This stability attracts investors to own shares of the company. The condition is the cause of rising stock prices of companies in the capital market. Investors have big expectations for big companies. Investor's expectation of dividend from the company. Increased demand for shares of the company will be able to spur on the increase in stock prices in the capital market. The increase shows that companies are considered to have a greater "value". In accordance with research Paranita (2007), that Company size have a significant positive effect on the value of the company. Based on the literature review, the following hypotheses are formulated:

H1: Company size affect on company value positively

Managerial Share Ownership On Company Value

According to agency theory, the separation between ownership and management of a company can lead to agency conflict. Agent conflicts are caused by principals and agents having their own conflicting interests as agents and principals seek to maximize their utility. According to Tendi Haruman (2008), differences in interests between management and shareholders result in management cheating and unethical behavior that harms shareholders. Therefore, it is necessary to have a control mechanism that can align the difference of interests between management and shareholders. Managers who share the same value will increase the value of the company because by increasing the value of the company, then the value of his wealth as shareholders will increase as well. Research that links the ownership of management (insider ownership) with the value of the company has been widely done but with different results as well. Rizqia,et al (2013) found a significant and positive relationship between insider ownership and firm value. Based on the literature review, the following hypotheses are formulated:

H2 : Managerial Share Ownership affect on Company value positively

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Profitability On Company Value

Profitability is the level of net profit that can be achieved by the company when running its operations. The profit that is worth sharing to shareholders is the greater the profit the company has to pay dividends.

Research on Indonesia Stokcks Exchanges (IDX) conducted by Rizqia, et al (2013) on all public listed companies listed on IDX concluded Profitability has a positive effect on company value. Paranita (2007) who examines manufacturing companies at IDX concluded the same thing. According to the results of his research, high profits will provide an indication of good corporate prospects that can trigger investors to increase share demand. Furthermore, increased demand for shares will cause the value of the company also increases. This indicates that investors consider the variable level of profitability as one of their rationalization in making investment decisions. This phenomenon shows that the level of profitability is an incentive to increase the value of the company. Based on the literature review, the following hypotheses are formulated:

H3: Profitability affects on Company value positively

Research Type

Based on the research subject and objectives, this research explain pattern (level of explanation). Explanatory research is a study that intends to describe the influence between two or more variables, which is symmetrical, causal and reciprocal (Sugiyono, 2004). The pattern of influence revealed in this research is the effect of company size, managerial share ownership and profitability to the value of Manufacturing companies listed on the BEI in the period 2014-2016.

Sampling was done by purposive sampling method. According Sugiyono (2010) purposive sampling is a technique to determine the sample of research with some specific considerations that aims for data obtained later can be more representative. To avoid sampling error, the criteria of the research sample should be determined, covering:

1. The manufacturing company publish annual reports or annual reports in succession during the period 2014-2016.
2. During the period of research, 2014-2016, the managers own shares of the company as disclosed in the annual report

Data Collection Method

Data collection method used is documentation techniques by documenting the financial statements and summary of financial statement of the Indonesian Capital Market Directory (ICMD) manufacturing company from 2014 to 2016. The financial statement data is audited financial statements

Defenition of Operational Variable

The definition of operational variable is a research element that tells how to measure a variable that allows researchers to collect relevant data for that variable. The variables in the study are as follows:

1. Company Size
The company size is a reflection of the scale of the company measured using the total assets of the company and the total sales on the year-end balance sheet. Company size is defined as the natural logarithm of total assets is expected to have a positive relationship with firm value; large firms have very low bankruptcy opportunities and can support larger debt levels (Amidu, 2007). The greater the total assets of the company are, the greater the size of the company will be. Company size is calculated using the formula:

SIZE = *ln of total assets*

2. Managerial Share Ownership
Managerial Share Ownership is commonly known as Insider Ownership. It is defined as the percentage of votes associated with shares and options owned by managers and directors of a company (Mathiesen, 2004). Managerial share ownership is measured by calculating the percentage (%) number of shares owned by management i.e. manager, affiliated commissioner (excluding independent commissioner) and directors divided by outstanding shares.

$$MSO = \frac{\text{Number of Share Owned by Manager, Directors, and Commissioners}}{\text{Number of Outstanding Share}} \times 100\%$$

3. Profitability
Profitability is the ability of companies to earn profits in relation to sales, total assets, and own capital (Sartono, 2008: 122). Profitability ratios can be measured using Return on Assets (ROA) where ROA is used to see the overall operating efficiency level of the firm. ROA shows the comparison between profit after tax or net income with total assets or total assets. The higher this ratio, the better a company is. ROA is calculated using the following formula:

$$ROA = \frac{\text{Nett Profit}}{\text{Total Asset}}$$

4. Firm Value.
   The firm value is the perception of investors to the success rate of companies that are often associated with stock prices. Firm value is measured by Prive Book Value / PBV which is market ratio by dividing stock market price by book value per share. The higher PBV generated shows that the company's performance in the future is considered more prospective by investors (Warsono, 2003: 39). A value smaller than 1 can mean that the company as a whole has not succeeded in creating value for shareholders (Ross et al, 2008: 93). PBV (price book value) is formulated as follows:

$$PBV = \frac{\text{Price per Share}}{\text{Book Value per Share}}$$

Data Analysis Method

The method used to determine the effect of company size , managerial ownership and profitability to firm value uses multiple regression analysis. Equation model in this research is:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e$$

Notes:

Y = Firm Valuse

a = Constants`

b = *Standardized Coefficient Beta*

X1 = Company size

X2 = Managerial Share Ownership

X3 = Profitability

e = Error

RESULT AND DISCUSSION

Descriptive Statistics of Research Variables

The variables studied in this study consist of three independent variables namely firm size, managerial share ownership and profitability and one dependent variable that is the value of Manufacturing companies listed on the BEI in the period 2014-2016. The following is the descriptive analysis of each variable studied in this study:

	N	Minimum	Maximum	Mean	Std. Deviation
Company size	117	96746.00	261855000	9874177	39664509.39
Managerial share ownership	117	.01	95.03	10.2173	18.89943
Profitabilitas	117	-21.99	15.65	1.6968	5.80623
Firm value	117	-.03	4.47	1.0037	.87628

1. Company Size (X_1)
   Company size is a reflection of the size of the company that can be seen in the total assets of the company and the total sales on the year-end balance sheet. Company size is defined as the natural logarithm of total assets expected to have a positive relationship with firm value; large firms have very low bankruptcy opportunities and can support larger debt levels (Amidu, 2007). The greater the total assets of the company, the greater the size of the firm will be.

Based on the results of the analysis, it is known that the average value of the size of the firm as seen from the total assets of manufacturing companies is Rp 9,874,177,000,000. This indicates that in general the manufacturing companies studied is a medium firm size. Firm size is an indicator that can indicate the condition of the company. The size of the company in this study seen from the total assets owned by the company, the greater the total assets of the company will be the greater the size of the company. Based on the table above, it can be seen that the lowest total value assets is Rp 96,746,000,000 owned by Kedaung Indah Can Tbk and the highest is Rp 261,855,000,000,000 owned by Astra International Tbk.

2. Managerial share Ownership (X_2)

Managerial Share Ownership commonly known as Insider Ownership is defined as the percentage of shares owned by managers and directors of a company (Mathiesen, 2004). Managerial share ownership is measured by calculating the percentage (%) number of shares owned by management i.e. manager, affiliated commissioner (excluding independent commissioner) and directors divided by shares outstanding

3. Return on Asset/ROA (X_3)

Profitability is the ability of companies to earn profits in relation to sales, total assets, and owned capital (Sartono, 2008: 122). Profitability ratios can be measured by Return on Assets (ROA) which is used to see the overall operating efficiency level of the company. ROA shows the comparison between profit after tax or net income with total assets or total assets. The higher this ratio, the better a company.

Based on the results of the analysis, it is known that the average value of Return on Assets (ROA) on manufacturing companies is 1.6968%. The positive average ROA value indicates that in general the sample company has the ability to manage the assets to generate a good profit. The higher the level of profit indicates the better management in managing the company. In the table above, it can be seen that the the lowest value of Return on Assets (ROA) is -21.99% owned by the company Dwi Aneka Jaya Kemasindo Tbk. This indicates that the company, in the 2015, cannot manage assets owned to generate profit. The highest value (maximum) Return on Assets (ROA) is 15.65% owned by Indsutri Jamu and Sido Muncul. This indicates that the company can manage the assets well so and can generate profit well. The higher the value of ROA, the greater the company ability in generating profits for the company

4. Company Value (Y)

The value of the firm is the perception of investors to the success rate of companies that is often associated with stock prices. Firm value is measured by Prive Book Value / PBV which is market ratio by dividing stock market price by book value per share. The higher PBV generated shows that the company's performance in the future is more prospective by investors (Warsono, 2003: 39). A value smaller than 1 can mean that the company as a whole has not succeeded in creating value for shareholders (Ross et al, 2008: 93).

Based on the results of table 4.1, it is known that the average value of Prive Book Value / PBV is 1.0037. The average value of the PBVs indicates that, in general, the sample companies run well that the stock market value is greater than the book value of the firm because the PBV value generated above 1. Based on the table above, it can be seen that the lowest Prive Book Value / PBV value is -

0.03 owned by Jakarta kyoel Steel Work LTD Tbk. This indicates that the company in the period of the year suffered losses then the value of the loss will undermine the value of equity so that the value of PBV is low. If it continues, then its equity will be negative so that its PBV will be negative. The highest Prive Book Value / PBV value of 4.47 is owned by Chandra Asri Petrochemical Tbk company. This indicates that the company is in good condition because the stock market value is greater than its book value. The higher the PBV ratio, the higher the investor's judgment compared to the funds invested in the company, so the greater the opportunity for investors to buy the company's shares.

Regression Analysis Results

The analytical tool used in this research is multiple regression analysis. The result of multiple regression analysis shows the effect of firm size, managerial share ownership and profitability (Return on Assets / ROA) to company value as measured by Prive Book Value / PBV. The results of regression analysis are as follow:

Table 4.5
Multiple Regression Analysis Results

Variable	***B***	**T_{count}**	***Significant***	**Note**
Constant	-1.555			
ln total asset (X1)	0.166	4.097	0.000	Accepted
Management Share Ownership (X2)	0.008	2.297	0.023	Accepted
ROA (X3)	0.077	6.840	0.000	Accepted
α	= 0.050			
Determination Coefficient (R^2)	= 0.385			
F-count	= 23.579			
F-table ($F_{3,113,0.05}$)	= 2.685			
Significant F	= 0.000			
t-table ($t_{113,0.05}$)	= 1.981			

Based on the results of the analysis, regression model is as follows:

$Y = a + b_1X_1 + b_2X_2 + b_3X_3$

$\mathbf{Y = -1.555 + 0.166\ X1 + 0.008\ X2 + 0.077\ X3}$

The regression equation can be explained as follows:

1. The constant at -1.555 indicates that if there is no change in the independent variables including the size of the company, managerial share ownership and profitability (Return on Assets / ROA) then the value of the company is effected by the independent variable at -1.555.
2. The regression coefficient of firm size (b1) is 0.166. This shows the amount of firm size influence on Prive Book Value / PBV. It means that adding one unit of firm size variable (X1) will increase Prive Book Value / PBV by 0.166.
3. The regression coefficient of Managerial Ownership (b2) is 0.008. It indicates the magnitude of effect of

Managerial Share Ownership that can change Prive Book Value / PBV. It means that each addition of one Managerial Share Ownership (X2) variable will increase Prive Book Value / PBV by 0.008.

4. Regression coefficient of Return on Assets / ROA (b3) is 0.077. It indicates the magnitude of the effect of Return on Assets / ROA on Prive Book Value / PBV. It means that each addition of one unit of Return on Assets / ROA (X2) variable will increase Prive Book Value / PBV by 0.077.

Based on regression analysis results, it is obtained F_{count} value at 23,579 and F_{table} value at 2,685. It shows that the value of F_{count} is greater than F_{table} (23,579 <2.685), with the significant value at 0.000. If significant is compared to α = 0.05, then it is significantly smaller than α = 0.05. From the test results, . So, it can be concluded that the variables Total Assets (X1), Managerial share ownership (X2) and Return on Asset / ROA (X3) able to explain on variables Y i.e. Prive Book Value / PBV.

The influence level of the managerial share ownership (X1), Return on Asset / ROA (X2) and Total Asset (X3) on Prive Book Value / PBV (Y) can be seen from the value of coefficient of determination (R square). From the analysis results, it is obtained value coefficient of determination (R Square) at 0.385 which indicates that the Size Company / In Total Assets (X1), Managerial share ownership (X2) and Return on Asset / ROA (X3) simultaneously affect Prive Book Value / PBV (Y) by 38.5%, while the 61.5% is influenced by other variables not studied in this research.

Hypothesis I formulated in this study is the size of the company (ln total assets) affect the value of the company. In order to prove the hypothesis I formulated in this study, it is used t test. T test is used to determine the effect of independent variables partially to the dependent variable. Testing hypothesis I can be explained as follows:

Partial test results (t test) shows that the variable Size Company (X1) of t count is 4.097 with a significant of 0.000. The statistical value | t_{count} | is greater than the t_{table} value (4.097 <1.981) and is significantly smaller than α = 0.05 (0.000> 0.05). This test found that H0 is rejected and Ha is accepted so it can be concluded that X1 (company size) has a significant effect on the variable Y is Price to Book Value / PBV. Hence hypothesis I can be proved true.

Hypothesis Testing Results II

Hypothesis II formulated in this research is managerial share ownership affecting firm value. In order to prove the hypothesis II formulated, this study uses t test. Hypothesis testing II result is follows:

Partial test results (t test) found that Managerial Share Ownership (X2) value is 2,297 with a significant at 0.023. The statistical value | t_{count}| is greater than the t_{table} value (2.297 <1.981) and is significantly smaller than α = 0.05 (0.023> 0.05). Therefore, H0 is rejected and Ha is accepted so it can be concluded that X2 (Managerial Shares Ownership) has a significant effect on the variable Y is Price to Book Value / PBV. Thus hypothesis II can be proved true.

Hypothesis Testing Result III

Hypothesis III formulated in this research is profitability influences firm value. In order to prove the truth of hypothesis III formulated, this study used t test. Testing of hypothesis III is explained as follows:

Partial test results (t test) found that the profitability variable that is Return on Asset / ROA (X3) has a t value of 6.840 with significant 0.000. The statistical value | t_{count}| is greater than the t_{table} value (6.840 <1.981) and is significantly smaller than α = 0.05 (0.000> 0.05). This test resulted that H0 is rejected and Ha is accepted so that it can be concluded that X3 (Return on Asset / ROA) has a significant effect on the variable Y (Price to Book Value / PBV). Thus hypothesis II can be proved true.

Discussion of Research Results

Based on the results of the analysis that has been done, it is known that the independent variables studied are the size of the company proxied with Total Asset (X1), Managerial share ownership (X2) and Return on Asset / ROA (X3) proxied with Price to Book Value / PBV (Y). Price to Book Value / PBV is the market ratio used to measure stock market price performance against the book value. Price to Book Value / PBV is used as an indicator of corporate value. According to Ang (2002) simply states that PBV is the market ratio used to measure the performance of stock market prices against the value of the book. Companies that run well, generally have a price book value ratio above one, which reflects that the stock market value is greater than the value of his book. High price book value reflects the level of prosperity of shareholders. The value of the company is very important because it reflects the performance of the company that can affect investors' perceptions of the company. Company value can be affected by several factors. Based on the result of research, it is known that managerial share ownership factor, return on asset / ROA and total asset have significant effect to company value. The discussion describes the influence of each factor on the value of the company is as follow:

The Effect of Company Size on Price to Book Value / PBV

The size of a company is a scale that can be classified by the size of the company in various ways including total assets, stock market value, log size and others (Bendriani, 2011). Company size can be interpreted as a comparison of the size or size of the business of a company that can be seen in the total assets of the company and total sales on the year-end balance sheet.

Based on the results of the analysis, it is known that the size of the company has a significant positive effect on the value of the company. This indicates that the larger the size of the company, the higher the value of the company is. The size of the company is something that can measure or determine the value of the company or large and is an important thing in the process of financial reporting. The bigger the size of the company, the easier it will be for the company to obtain funding sources both internal and external. The amount of total assets as a measure of the firm gives investors confidence about the company's ability to acquire and manage the existing assets so that the size of the company will affect the value of the company.

Companies with large assets are considered to have good prospects over a relatively long period of time. This is in addition to the company is considered relatively stable and able to generate profits compared to companies with a small total of assets but also because larger companies have greater certainty than small companies that will reduce uncertainty about the prospects of the company in the future. This will certainly affect the decision of investors to invest in the company so that will lead to rising stock prices in the capital market.

The results of this study indicates that firm size has a significant positive effect on firm value which is in line with Paranita (2007), Sujoko and Soebiantoro (2007) and Rizqia et al (2013). It can be said that the larger the size of the company will be the better performance of the company because the size of the company's assets can be a positive signal for the capital owners. Companies with large assets are considered relatively stable and able to generate profits so as to provide confidence in the owners of capital to obtain a favorable rate of return. The more capital owners interested in investing in a company then the demand for shares will also increase so that will affect the stock price and will further affect the Prive Book Value / PBV. Thus the greater the size of the company will further increase the value of the company.

The Effect of Managerial Shares Ownership on Price Book to Value / PBV

Managerial share ownership is the percentage of votes associated with shares and options owned by managers and directors of a company. The indicator used to measure managerial ownership is the percentage of the number of shares owned by the management divided by shares of shares in circulation.

Based on the results of analysis, it is known that managerial share ownership positively affects the firm value proxied with price book value. This suggests that an increase in managerial ownership will result in managers having the same goals as shareholders, so managers will be encouraged to make decisions to maximize corporate value. It can be said that the value of the company will be higher if the shareholders as the owner of the company delegate to another party that is the manager causing the agency relationship. Manager as a professional is expected to act on behalf of the owner to achieve the company goal by increasing the value of the company. However, frequently, the company managers' interests is in conflict with the main objectives of the company and often ignore the interests of shareholders. The interests of managers that conflict with company goals can jeopardize the company's survival and lower the value of the company. Conflicts between managers and shareholders can be minimized with a supervisory mechanism that aligns those interests with an agency cost. There are several alternatives to reduce agency costs, one of which is with managerial ownership. According to Syofyaningsih and Hardiningsih (2011) the interests of managers and shareholders can be aligned if the manager has a larger share of the company. With managerial ownership of shares, it is expected that managers will act in accordance with the wishes of shareholders and will be motivated to improve its performance so that the value of the company will increase.

The results of the study show that managerial share ownership has a significant positive effect on firm value which is supported by Herry and Hamin (2005) and Rizqia et al (2013) who also found that managerial ownership has a positive impact on firm value, higher corporate value on the other hand will inspire greater managerial ownership. The results of this study is also supported by Paranita (2007) that companies that have insider ownership having higher value than companies that do not have insider ownership.

The Influence of Return on Assets (ROA) on Price to Book Value/PBV

Return on assets (ROA) is one form of profitability ratios intended to measure the ability of the company over the overall funds invested in activities used for the company's operating activities with the aim of generating profits by utilizing its assets. According to Hanafi (2013: 42) that Return on assets (ROA) measures the company's ability to generate net income based on certain asset levels. ROA shows the comparison between profit after tax or net income with total assets or total assets.

Based on the results of the analysis is known that Return On Assets (ROA) has a significant positive effect on the value of the company. The results of this analysis indicate that the higher ratio of Return on assets (ROA) then the better the company or the higher the value of the company is. Return on assets (ROA) as one indicator of the profitability obtained by the company shows how far the company manages its own capital effectively, measuring the rate of profit from investments made by the owner or shareholders. The better the profitability ratios earned by the company means that the company's future prospects are rated better, meaning that the firm value will also get better in the eyes of investors. If the ability of a company to generate profits is increasing then stock prices will also increase (Husnan, 2001: 317). With increasing stock prices then the value of the company will also increase.

The results of this analysis is supported by Paranita (2007) and Rizqia et al (2013) who found that the level of profitability has a positive effect on the firm value. The positive influence of profitability on firm value is due to the positive sentiment of investor on the company's performance, so that stock price will increase and the increase of stock price will make the company's value will also increase.

Conclusion

Based on the results and analysis, conclusions of the research are as follows:

1. The size of the company has a significant effect on Price to Book Value / PBV of registered manufacturing company and still active in Indonesia Stock Exchange (BEI) during 2014-2016. Hence hypothesis I can be proved true.
2. Managerial share ownership significantly affects Price to Book Value / PBV registered manufacturing companies and still active in Indonesia Stock Exchange (BEI) during 2014-2016. Thus hypothesis II can be proved true.
3. Profitability proxied with Return on Asset (ROA) has significant effect to Price to Book Value / PBV registered manufacturing company and still active in Indonesia Stock Exchange (BEI) during 2014-2016. Thus the hypothesis III can be proved true.

Research Limitation

Some limitations in this study that can be put forward are as follows:

1. The research was conducted on the manufacturing company only so that it cannot represent the companies listed in Indonesia Stock Exchange (BEI).

2. This study only examines the factors of firm size, managerial share ownership and profitability proxied with Return on Assets (ROA) as variables that affect the value of the company. There are still a number of other variables that have not been studied while contributing in influencing the value of the company.

Suggestion

1. There is a significant positive influence of company size, managerial share ownership, and profitability with Price to Book Value / PBV, therefore its suggested to increase firm value hence company should pay attention to company size factor which is assessed from total assets of company, managerial ownership and profitability as proxied with Return on Assets (ROA).
2. For investors, in assessing a company, they should also consider other factors other than the variables that have been researched so as to make the right decision.
3. The author realizes that this research is still far from perfection. For that, for further research should do research by adding the category of companies used as sample research and use other variables to obtain more precise and accurate results.

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