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THE INFLUENCE OF INSTITUTIONAL OWNERSHIP STRUCTURE ON COMPANY VALUE WITH FUNDING DECISIONS AS AN INTERVERNING VARIABLE IN REGISTERED MANUFACTURING COMPANIES ON THE INDONESIAN STOCK EXCHANGE

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ABSTRACT

The purpose of this study is to find out the effect of institutional ownership structure on firm value with funding decisions as an interverning variable both simultaneously and in part. The paper objects used are all companies listed on the Indonesia Stock Exchange from 2013 to 2017, this paper uses a purposive sampling technique. Data on the company's annual financial statements and summary of annual reports have been obtained from the official website of the IDX. This paper is included in the research explanation using a quantitative approach. The data analysis method used in this paper is regression analysis with interverning variables. This study uses the mechanism of Good Corporate Governance, institutional ownership is a measure of the mechanism in this study. The results showed that the institutional ownership structure simultaneously had a positive and significant influence on funding decisions. The structure of institutional ownership has a positive and significant effect on firm value. Funding decisions have a negative and not significant effect on company value. The institutional ownership structure mediated by funding decisions has a negative and insignificant influence on firm value.

***Keywords**: institutional ownership structure, company value, funding decisions*

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INTRODUCTION

Company value is very important because with a high company value, the prosperity of its shareholders will also be high. The higher the share price, the higher the company value. Company value is also very important because it reflects the company's performance which can influence investors' perceptions of the company. The wealth of shareholders and companies is represented by the market price of shares which is a reflection of investment decisions, financing and asset management. Manufacturing companies are companies that stand out in driving economic growth in Indonesia. The success of manufacturing companies can show the scale of the industry nationally which is reflected in the large production results and demand for goods (Brigham and Houston, 2006).

Regarding economic growth in Indonesia, especially in manufacturing companies, it can be reflected in optimizing the goals of each manufacturing company. In realizing company goals, it can be supported by shareholder interest in each manufacturing company. In reality, the economic conditions in Indonesia have experienced a decline from year to year. caused by the weakening of the rupiah which has an impact on increasing the value of imports of raw materials, equipment and machinery in manufacturing companies.

If economic conditions weaken, Indonesian shares will also weaken. The desire for companies to require shareholders arises because manufacturing companies have large production scales and high capital financing. The decline in economic conditions illustrates the small value of companies owned by companies in Indonesia, especially manufacturing companies, which have a big impact on the Indonesian economy. Things like this also cause manufacturing companies to carry out various activities to improve goals and maximize financial performance carried out by the company and management. on the ownership structure in which external parties or shareholders participate in influencing the goals that will be reflected in the company's value. According to (Sugiarto, 2012), the main goal of most companies, especially business-oriented companies, is to optimize company value.

The reason why researchers chose manufacturing companies as research objects is because manufacturing companies are companies that sell their products which start with an uninterrupted production process starting from purchasing raw materials, processing the materials until they become products that are ready to be sold. Where this is done by the company itself so it requires a source of funds that will be used on the company's fixed assets.

Company value is measured using the ratio of stock market price to book value or often called price to book value (PBV). Widely used by securities analysts to estimate stock market prices relative to their book value (Suastini, 2016). Company value is a certain condition that has been achieved by a company as an illustration of public trust in the company after going through a process of activities for several years, namely since the company was founded until now.

Ownership structureInstitutions are also one of the factors that can influence company value. Most of the agency conflict arguments are caused by the separation of ownership and management. The ownership structure means that with increasing institutional value, it is able to create greater supervision so that managers' opportunistic behavior is hindered. According to (Permanasari, 2005) states that the large level of ownership of financial institutions results in greater voice activity and encouragement to optimize company value.

Investment decisions made by companies as a financial strategy are a fundamental process in corporate finance. Share returns from an investor's perspective are used to assess whether the company has implemented an investment strategy appropriately in line with the company's financial strategy. Investors will make investment decisions in companies that have good performance, when the company in question has financial performance that promises opportunities or prospects for maximum returns with a certain level of risk to shareholders (Jauhari, 2015) whereas when investors make wrong investment decisions it can also result in fatal losses. in the future. In making financial decisions, financial managers need to determine the goals that must be achieved. The right financial decisions can maximize the value of the company so that it can increase the prosperity of the company owner. The value of the company itself is the price that prospective buyers are willing to pay if the company is sold (Hamidy, 2015).

According to (Agus Sartono, 2011) company value is the selling value of a

company as an operating business. The excess of selling value over liquidity value is the value of the management organization that runs the company. Company value is the company's performance as reflected by the share price which is formed by the demand and supply of the capital market which reflects the public's assessment of the company's performance. Information published as an announcement will provide a signal for investors in making investment decisions. Company value is investors' view of the company's level of success in managing company resources. The company has the main goal, namely to maximize wealth. According to Hamidy, (2015) his research revealed several value concepts that explain the value of a company, namely nominal value, market value, intrinsic value, book value, and liquidity value. Nominal value is the value stated formally in the company's articles of association. The market value, called the exchange rate, is the price that occurs from the process of bargaining over share prices.

Ownership structure is the number or proportion of company share ownership. Share ownership structure consists of institutional ownership, managerial ownership, public ownership, and family ownership. Institutional ownership is the proportion of shares owned by the company (Sudarma, 2004). Company managers have duties and obligations to make decisions and policies to achieve company goals. The company's main goal is to increase value. According to Hasnawati, (2005), financial management concerns the resolution of important decisions taken by the company, including investment decisions, funding decisions and dividend policy. An optimal combination of the three will maximize company value which will then increase the prosperity of shareholder wealth.

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The influence of institutional ownership structure on company value

In research (Wongso, 2013), this institutional ownership structure is part of share ownership by both company managers and institutions outside the company. Taswan (2003) said that the insider ownership factor has a positive effect on company value, so that the greater the insider ownership, the company value will increase. Managerial ownership will help management to increase company value.

Managerial interests will equate the interests of management and shareholders so that they will produce direct benefits from decisions made and be responsible for the risks of making wrong decisions. Meanwhile, in terms of institutional ownership, it will increase the proportion of supervision and control by outside parties over the company. It is hoped that this institutional ownership will encourage and monitor the performance of managers to operate the company better.

According to Solikin, Widaningsih, (2015). High institutional ownership in a company will have an impact on increasing the ability to monitor management behavior, thereby making management act in accordance with the interests of shareholders. This will reduce agency problems between managers and shareholders. The monitoring mechanism by institutional parties requires managers to improve their performance so that it will guarantee increased prosperity for shareholders. Sukirni (2012) and Abukosim, et al. (2014) have conducted research that shows institutional ownership has a positive and significant effect on company value. Based on theory and support from the research results.

Empirical evidence regarding the influence of institutional ownership on company value is shown in the research of Sujoko and Soebiantoro (2007) which proves that institutional ownership has a positive effect on company value. Increasing institutional ownership means that the supervisory function will run effectively and makes management more careful in obtaining and managing loans (debt), because the increasing amount of debt will cause financial distress. The occurrence of financial distress will result in dividends being a signal to the market that the company has the opportunity to grow in the future, so that dividend payments will increase market appreciation of the company's shares in question, thus dividend payments have positive implications for company value.

H1: It is suspected that institutional ownership has a positive effect on company value.

The influence of institutional ownership structure on funding decisions

Structureownership institutional influential significant on investment decisions and funding decisions, but not on dividend policy. This proves that shareholders who are also company managers tend to choose compensation in the form of salaries and bonuses or other long-term incentives compared to dividends. Meanwhile, institutional ownership has no influence on all financial decisions (Wahyudi, 2006). The results of data analysis show that ownership
institutions have no influence on funding decisions.

The results of this research are in line with the results of research (Winarno, 2017). This resultshows that the distribution of free cash flow to institutional shareholders to then be reinvested as a form of funding decision cannot be used as a way to overcome agency problems that occur between shareholders and managers. The addition of the share ownership portion by institutions will not affect the company's ability to pay debts. which is reflected through the debt ratio (DR) as a funding decision. The results of this research are not in line with the results of research (Akbar & Hindasah, 2007) which found the influence of institutional ownership on funding decisions in the use of debt.

H2: It is suspected that ownership structure has a positive and significant effect on company value.

The influence of funding decisions on company value

In research by Wahyudi & Univ (2006), company value created based on stock market value indicators is greatly influenced by investment opportunities. Investment spending gets a positive signal about the company's future growth, thereby increasing share prices as a measure of company value (signaling

theory). The results of data analysis show that investment decisions influence company value. The influence shown is a positive influence. The better the investment decision, which is indicated by the higher the price earning ratio (PER), the higher the company value. This positive influence shows results that support research, but are not in line with research results (Ansori, 2013).

Funding decisions, namely financial decisions relating to the composition of debt, preferred shares and ordinary shares that must be used by the company (Wijaya et al, 2010). Managers must be able to raise funds from both sources within the company and outside the company efficiently, in the sense that the funding decision is a funding decision that is able to shift the capital costs that must be borne by the company. Funding decisions arise opportunity costs from the funds or own capital used, funding decisions that are carried out carelessly will result in fixed costs in the form of high capital costs, which in turn can result in low company profitability, so that the company value will decrease.

The research results of Wahyudi and Pawestri (2006) found that funding decisions have an effect on company value. An increase in debt can also be interpreted by outsiders as saying about the company's ability to pay its obligations in the future or low business risk, so that the increase in debt has given a positive signal. If funding is funded through debt, the increase in company value occurs due to the tax deductible effect, namely companies that have debt will pay interest on loans which can reduce taxable income, which can provide benefits to shareholders. If the company's funding increases through retained earnings or the issuance of new shares, the company's financial risk will be smaller. Research conducted by Hasnawati (2005) found evidence that funding decisions positively influence company value.

H3: It is suspected that funding decisions have a positive and significant effect on company value.

The influence of funding decisions mediates the influence of institutional ownership structure on firm value

The research results of Wardani & Hermuningsih (2012) show that ownership structure, either directly or through financial decisions, has no effect on company value. Signal theory states that companies must issue signals that can be responded to by market players (investors). Within the framework of signal theory, it can be understood that funding is considered as a signal issued by a company to attract investors to invest in the company discovered by Sucuahi & Cambarihan (2016). This could be caused by the small proportion of managerial shares in the sample used so that it cannot reveal the influence of ownership structure on company value directly or directlythrough financial decisions in the context of agency theory. The results of this research are unable to reveal that the division of share ownership rights can be used as a way to overcome agency conflicts because company value is only influenced by financial decisions.

Investment decisions have a direct effect on company value. The higher the price earnings ratio (PER), the higher the company value. Investment decisions can also influence company value by involving funding decisionsin this case it is seen through the debt ratio (DR). The higher the price earning ratio (PER) as an investment decision, the lower the debt ratio (DR), the higher the company

value. Apart from that, investment decisions can also influence company value through dividend policy. Based on the Sobel test, the calculated t is greater than the t table, so the 7th hypothesis which states that the debt to equity ratio mediates institutional ownership on price to book value is accepted. This is in accordance with agency theory which reveals that increasing institutional ownership can control agency conflicts that occur between capital owners and managers. The greater the number of shares owned by management, the greater the opportunity for opportunistic actions by managers. With the shares they own, managers will align their interests with the interests of capital owners to maximize company value, through the decisions they take, including funding decisions. Funding decisions are shown in the company's debt to equity ratio. Research conducted by Wahyudi, et al. (2006) found that the greatest influence of institutional ownership on company value is an indirect influence, namely through financial decisions, especially funding decisions.

H4: It is suspected that funding decisions significantly mediate the influence of ownership structure on firm value.

RESEARCH METHODS

Data and Sample

This research was conducted on companies listed on the Indonesian Stock Exchange. The reason for choosing this object is that in selecting the sample there is no problem of lack of data, and definite points of information regarding industries that have gone public. In this research, the Annual Report and Summary are used as the main data sources. The type of data obtained from the Annual Report and Summary is quantitative data. Quantitative data used such as profit and loss reports, equity reports, balance sheets. The data collection technique used is documentation.

The population in this observation is all companies in the Manufacturing sector listed on the Indonesia Stock Exchange at the end of the observation period, namely 2017, totaling 125 companies. The sample sorting method for this observation was carried out using a purposive sampling method, namely a sampling method with an assessment based on categories according to the object or subject to be observed. The criteria for sampling in this observation are: 1) Companies in the manufacturing sector listed on the Indonesia Stock Exchange at the end of the 2017 period. 2) Companies in the manufacturing sector listed consecutively during the observation period (2013-2017). 3) Companies in the manufacturing sector that published complete financial reports during the observation period (2013-2017). 4) Manufacturing companies in various industrial sectors that do not use currency values (Rupiah).

Table 1
Sampling Tabulation Using Purposive Sampling

Criteria	Amount
Manufacturing companies listed on the Stock Exchange at the end of the period 2017 observations	125
Companies that are not listed consecutively in the Miscellaneous Industry sector during the 2013-2017 period	(54)
Various Industrial Companies that do not publish financial reports complete during the 2013-2017 period	(0)
Companymanufacturing sector, various industries that do not have data financial according to variables (company value, institutional ownership structure, funding decisions)	(0)
Number of companies that qualify as samples	**71**
Number of observations	**355**

Source: Processed by researchers

Operational Definition of Variables

The variables in this research consist of three types, namely independent variables, dependent variables and interverning variables. The independent variables in this research are ownership structure XI, the dependent variable company value Y, and financial decisions as variables. interverning.

Table 2
Operational Definition of Variables

No	Variable	Definition	Measurement	Source
1	Company value (Y)	The market value of a company's equity plus the market value debt	*Price book value*(PBV) Closing share price Book value per share	Wijaya, 2013
2	Institutional ownership structure (XI)	Ownership structure Is level share ownership by management who actively participates in decision making.	Institutional ownership (institutional ownership) The number of institutional shares is the total of all company shares	Wongso, 2013
3	Funding decisions (M)	Funding decisions are part of the net profit that the company provides to its holders share.	Debt To Equity Ratio (DER) Total Debt Total Equity	Ansori, 2013

Data analysis technique

Regression analysis is carried out to predict how the condition (rise and fall) of the dependent variable is influenced by the independent variable. Sugiyono, (2017). In carrying out regression analysis with interverning variables, two regression models were used. The model I regression equation in this research is used to find out how much influence the independent or independent variables have on the independent variable. Meanwhile, the II regression

equation is used to see the influence of the mediating variable on the dependent variable. The mathematical formula for regression analysis with interverning variables used in this research is:

$$Y = \alpha + \beta_1 X + \beta_2 M + e \text{................} I$$

$$M = \alpha + \beta X + e \text{...........................} II$$

Where Y is Company Value, α is constanta, β is the Regression Coefficient of each independent variable, The approach taken in simple regression analysis is the classic assumption test, which consists of: normality test, multicollinearity test, heteroscedasticity test Yusra & Hadya, (2017). The best model to use is hypothesis testing which consists of the T test and the Sobel test.

RESULTS AND DISCUSSION

Statistical Test DescriptionVariables

Table 3

DescriptionStatisticsResearch Variables

Variable	N	Mean	Maximum	Minimum	Standard
X	355	70.5032	99.91	1.96	19.7893
Y	355	3.4071	82.44	.01	8.47961
m	355	1.0770	7.40	.11	1.0125

Source: Processed Data

Table 3 above shows that the amount of data used in this research is 355 taken from the Annual Financial Reports of manufacturing companies listed on the IDX for the 2013-2017 period.

The ratio data for company value (PBV) which is calculated based on the number of percentages shows an average value of 3.4071, the lowest (minimum) value for this variable is 0.01. The company that has the lowest PBV percentage is the company (BRAM) PT Indo Kordsa. Tbk in the 2016 period. Meanwhile, the highest (maximum) value with a PBV percentage of 82.44% was the company (UNVR) Unilever Indonesia Tbk in the 2017 period. The size of the deviation (standard deviation) in this variable was 8.47961.

For the institutional ownership structure variable which is measured by INST. Number of institutional shares: total of all company shares) shows an average result of 70.5032 and a large deviation (standard deviation) of 19.78935. The lowest (minimum) value of this variable is 1.96. The company with the lowest value is the company (BTON) PT Betonjaya Manunggal Tbk. in the 2016 period. Meanwhile, the highest value for this variable (maximum) is 99.91, which is found in the company (MBTO) PT. Martina Berto Tbk in the 2016 period.

The intervening variable here is the funding decision which is measured by DER (total debt: total equity) percentage showing the average result on this variable is 1.0770 with the deviation (standard deviation) being 1.01253. Meanwhile, the lowest (minimum) value of this variable is 0.11 which is found in the company (LION) PT Lion Metal Works Tbk. in the 2013 period. Meanwhile, the highest value or percentage of this variable was 7.40 which was found in the company (JECC) PT Jembo Cable Company Tbk. in the 2013 period.

Classic assumption test

Data Normality Test

1) The normality test using the One-Sample Kolmogorov-Smirnov Test showed that the Asymp Sig was greater than 0.05. Because the significant value was greater, it was concluded that the data was normally distributed.

Table 4
Normality Test Results

Asymp. Sig. (2tailed)		Information
SKI → KP	0.131	Normal Distribution Model I
SKI, KP → NP	0.084	Normal Distribution Model II

Source: Processed Data,

2) Heteroscedasticity test fortests whether in a regression model there is inequality of variance from the residuals of one observation to another, because the resulting significant value is greater than 0.05. Meanwhile for decision making the Glejser test is a significant value > 0.05.

Table 5
Heteroscedasticity Test Results

Model		Sig.	Information
SKI → KP	Institutional Ownership Structure	0.013	Heteroscedasticity Free Model I
SKI, KP → NP	Institutional Ownership Structure	0.033	Heteroscedasticity Free Model II
	Funding Decisions	0.024	

Source: Processed Data,

Regression Analysis With Intervening Variables

Table 6
Model 1 Regression Analysis Results

Model	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	Q	Sig.
(Constant)	-1,245	,418		-2,980	,003
X	,228	,099	.121	2,293	,022

Source: SPSS data

Based on the table above, it can be seen that the simple linear regression equation is as follows:

$$\boldsymbol{LNKP = \alpha + \beta 1 LNX + e}$$

LN = natural logarithm
KP = Funding Decision
α = constanta
β = Regression coefficient
X = Institutional ownership structure e = Error

$$\mathbf{LN}\boldsymbol{KP} = \mathbf{-1.245 + (0.121) +} \boldsymbol{e}$$

The table above is the result of simple linear regression model 1, institutional ownership structure (X) has a regression coefficient value of 0.121. This illustrates that if there is an increase in the number of institutional ownership structures, the value of funding decisions will decrease by 12.1% with the assumption that other variables are considered constant.

Table 7
Results Model II Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	Q	Sig.
1	(Constant)	-1.128	,638		-1,770	,078
	X	.311	,151	,110	2,062	,040
	m	-.044	,080	-.029	-.546	,585

a. Dependent Variable: Y

Source: SPSS Data, Appendix

Based on the table above, the simple linear regression equation can be seen as follows:

$$NP = a + \beta 1X + \beta 2M + e$$

NP = Company Value
α = constanta
β = regression coefficient
X = Institutional Ownership Structure
M = Funding Decision
e = Error

$$NP = -1.128 + 0,110X + -0,029M + e$$

Table 7 is a simple linear regression model II, institutional ownership structure (X) has a regression coefficient value of 0.110. This shows that if there is an increase in the number of institutional ownership structures then the value of the company value will increase by 11% with the assumption that the variable others are considered constant. And for the financial decision variable, the regression coefficient is -0.029. This shows that if there is an increase in financial decision actions, the company value will increase by 2.9% assuming other variables are considered constant.

Hypothesis testing

T Test (Partial)

From tables 6 and 7 of the regression results of model I and model II, it can be seen that the resulting t value large, so it is concluded that institutional ownership structure has a positive and significant effect on funding decisions.

The X→ Y institutional ownership structure variable is 2.062 with a significant value of 0.040. And if we compare the t-calculated value with the t-table, the t-calculated value of the institutional ownership structure is greater than the t-table value so that it is partially concluded that the institutional ownership structure has a positive and significant effect on company value.Where the t-table value used here is 1.99495, this t-table value can be seen from the t-table with a sample of 70 (71-2) and a percentage of 5%.

M→Y For the funding decision variable the resulting t-value is -0.546

with a significant value of 0.585. And compared to the t-table, the calculated t value is smaller, so it can be concluded that the funding decision is negative and not significant to company value.

Sobel Test

The Sobel test is used to test the mediation hypothesis. The Sobel test is carried out by testing the strength of the indirect influence of the independent variable on the dependent variable through the mediating variable. Because the calculated t value -0.2596 is smaller than the t table with a significance level of 0.05, namely 1.99495, the mediation coefficient is not significant, which means there is no mediation effect. Thus it is concluded that funding decisions do not mediate the relationship between institutional ownership structure and firm value.

DISCUSSION

The Influence of Institutional Ownership Structure on Funding Decisions

Research conducted on 355 observation data obtained from data from Manufacturing companies in various industrial sectors on the Indonesia Stock Exchange (BEI) during the 2013-2017 period. The data is selected using several predetermined criteria. From the estimation results using the SPSS program, it can be concluded that the institutional ownership structure as hypothesis 1 (H1) states that the institutional ownership structure has a positive and significant effect on the funding decision received, the higher the institutional ownership structure, the higher the funding decision. According to agency theory, it shows that the presence of constitutional ownership can reduce agency costs caused by agency conflict, namely differences in interests between company owners and company managers. The results of this research are consistent with research conducted by (Murtiningtyas, 2012) regarding the institutional ownership structure of funding decisions in manufacturing industrial companies listed on the BEI. Research conducted by Larasati, (2011) on the influence of institutional ownership structure on funding decisions also found the same results, namely that institutional ownership structure had a positive effect on funding decisions.

The Influence of Institutional Ownership Structure on Company Value

Based on Hypothesis 2 in this research, it is suspected that institutional ownership structure has a positive and significant effect on company value. The t-test results for the institutional ownership structure variable prove that H2 is accepted, meaning that the higher the institutional ownership structure, the company value will also increase.

Based on agency theory which shows that the presence of managerial ownership can reduce agency costs caused by agency conflict, namely differences in interests between company owners and company managers, the presence of managerial ownership is believed to provide equality between company owners and company managers, so that the share of ownership becomes greater. shares in the company, management will be more active in increasing the glory of the shareholder, who is none other than himself. This research is consistent with research conducted by Solikin, Widaningsih (2015) regarding the influence of constitutional ownership structure which has a positive and significant effect on company value. Research conducted by (Taswan, 2003) also found the same results, namely that the constitutional ownership structure

had an effect on company value.

The Influence of Funding Decisions on Company Value

Based on Hypothesis 3 in this research, it is suspected that funding decisions have a positive and significant effect on company value. The results of the calculated t value test for the funding decision variable prove that H3 which states that funding decisions have a positive and significant effect on company value is rejected. This shows that funding decisions cannot affect company value.

This is because whether the company value is large or small is not influenced by funding decisions, it does not contribute as a variable studied for its influence on company value. This research is consistent with research conducted by (Ansori, nd, 2015) regarding funding decisions on company value. This research was rejected due to statistical problems as this research only focused on manufacturing companies in the industrial sector.

The Influence of Institutional Ownership Structure on Company Value Mediated by Funding Decisions.

Based on Hypothesis 4 in this research, it is suspected that institutional ownership structure has an influence on company value which is mediated by funding decisions. The results of the calculated t value test prove that H4 which states that institutional ownership structure influences company value mediated by financial decisions is rejected. The mediation coefficient is not significant, which means there is no mediation effect. Thus it is concluded that funding decisions do not mediate the relationship between institutional ownership structure and firm value.

Supported by research (Wardani & Hermuningsih, 2012) showsthat the institutional ownership structure, either directly or through funding decisions, has no effect on company value. This could be caused by the small proportion of managerial shares in the sample used so that it cannot reveal the influence of ownership structure on company value directly or through funding decisions in the context of agency theory.

CONCLUSION

The results of research on the influence of institutional ownership structure on company value with funding decisions as an interverning variable can be concluded as follows: Institutional Ownership Structure has an influence on Funding Decisions. This means that if institutional ownership is high, funding decisions tend to increase. Institutional Ownership Structure has an effect on Company Value. This means that high institutional ownership means the company value will also be high. Funding decisions have no effect on Company Value, meaning that funding decisions have nothing to do with company value. Institutional Ownership Structure on Company Value is not mediated by funding decisions.

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