THE EFFECT OF PROFITABILITY, CAPITAL STRUCTURE, AND IMPLEMENTATION OF CORPORATE GOVERNANCE ON COMPANY VALUE

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Abstract

The purpose of this study is to explain the effect of Profitability, Capital Structure, and the application of Good Corporate Governance to Company Value. The population of the study includes companies registered in the LQ-45 which are listed on the Indonesia Stock Exchange for the period 2015-2017. The technique of determining the sample used is purposive sampling. This study uses a multiple linear regression approach.

Based on the results of testing, this study proves that profitability, capital structure, and the application of the GCG mechanism together affect Company value. This study also proves that partially profitability proxied by ROA and Managerial Ownership has a positive effect on Company Value. The results showed that capital, which is proxied by DER and GCG, which is proxied by Institutional Ownership, does not have a positive effect on Corporate Value.

Keyword: Profitability, Capital Structure, GCG, Company Value

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INTRODUCTION

Competition in current economic conditions makes every company increasingly improve performance and maximize profits so that its purpose can still be achieved. Companies that have obtained an open status are required to constantly increase the prosperity of their owners or shareholders through increasing the value of the company. Practically, the process of maximizing the value of the company often creates a conflict of interest between the manager (agent) and shareholders (principal).
According to Jensen & Meckling (1976), agency relationships occur when one or more individuals referred to as principals hire individuals or other organizations referred to as agents, to carry out a number of services and delegate authority to make decisions to agents that is. Agency theory is the basis of the theory that underlies corporate business practices rooted in the synergy of economic theory, decision theory, sociology theory, and organizational theory. The main principle of this theory states that there is a working relationship between shareholders as principal and management as an agent in the form of a contract of cooperation called "nexus of contract" (Bintara, 2018). This agency relationship arises when the principal asks the agent to carry out several activities or work for the interests of the principal, which includes the delegation of some decision-making authority. The authority and responsibility of agents and principals are regulated in a work contract with a mutual agreement (Harjito & Nurfauziah, 2006). Thus, there is a separation of ownership between the two parties where they will make decisions in accordance with their respective interests. Managers must essentially make the best decisions to increase shareholder wealth. Managers who act as agents of shareholders in carrying out their activities may be inconsistent with what is in the interests of the owner. This inconsistency occurs because both are assumed to be individuals who tend to maximize their respective utilities.

Companies listed in the LQ-45 are companies that have good financial performance, ranging from high productivity, good liquidity, good profitability. The LQ-45 companies are always characterized as companies that have good financial management, while at the same time still paying attention to the welfare of holders its shares in addition to the interests of the company so that the value of the shares of the LQ-45 company tends to increase from year to year. The research is about factors that can increase company value can be identified.

The general objective of this research is to test and prove the positive influence of profitability, capital structure, and the implementation of the GCG mechanism on Company value. The importance of this research is, among others, to verify the theory that has been developed related to the influence of profitability and capital structure on the value of the company. This research strives to prove that the implementation of the CG mechanism can increase the value of the company so that the results of this study can be a consideration for management to decide on a good capital structure and improve the implementation of CG so that the value of the company continues to increase.

LITERATURE REVIEW

Company Value

According to Randy & Juniarti (2013), company value is the company's selling value or the growth value for shareholders, the value of the company will be reflected in the market price of its shares. The higher the stock price, the higher the prosperity of shareholders. In order to achieve company value, investors generally hand over their management to professionals. Professionals are positioned as managers or commissioners. Company value is an investor's perception of the level of success of the company that is often associated with stock prices. Company value is an important indicator for investors to assess the company as a whole. Company value is an investor's perception of the company, which is often associated with stock prices. High stock prices make the value of the company also high. Stock prices are prices that occur
when stocks are traded in the market (F. M & Sopian, 2001). One of the measurement techniques used in assessing company value is by using Tobin’s Q ratio. This ratio is a valuable concept because it shows current financial market estimates of the value of returns on each investment rupiah.

Profitability

Profitability is the level of profit achieved by the company during its operations. Benefits that are worth sharing with shareholders are profits after interest and taxes. The higher the profit generated, the better the company's ability to maximize the operation of assets owned by the company (Yulandani, Hartanti, & Dwimulyani, 2018). The company's higher profitability will also increase the company's earnings per share (EPS or earnings per share). The increase in EPS will make investors interested in investing their capital by buying company shares. The company's performance in managing management can be described by profitability (Vaeza & Hapsari, 2015). The higher profitability can show good quality company prospects so that the market will respond positively to the signal, and the value of the company will also increase (Sujoko & Soebiantoro, 2007). Profitability can be measured using several ratios, including ROA, ROE, and Net Profit Margin.

Dewa, Fachrurrozie, & Utaminingsih (2014) examined the effect of profitability on company value with broad CSR disclosure as a moderating variable. This study found that profitability affects the value of the company. Prasetyorini (2013) examines the effect of company size, leverage, price earnings ratio, and profitability on company value. This study found that profitability affects the value of the company. Hermuningsih (2013) examined the effect of profitability, growth opportunity, capital structure on company value in public companies in Indonesia. This study found that the variables of profitability, growth opportunity, and capital structure, have a positive and significant effect on company value. Then the hypothesis that will be proposed is as follows:

H1: Profitability has a positive effect on Company Value

Capital Structure

Capital structure is a comparison of the company's long-term funding, as indicated by the comparison of long-term debt to equity. Fulfillment of corporate funding needs from the source of own capital comes from stock capital, retained earnings, and reserves. If the capital is experiencing shortages (deficit), it is necessary to consider the funding of companies from outside, namely from debt (debt financing) (Meidiawati & Mildawati, 2016). In achieving the company's goals to maximize profits, managers must be able to assess the company's capital structure and must understand the relationship with the risks, results, and expected company values. When a company wants to grow, the company will need capital. In general, there are two alternative sources of capital, namely capital originating from the owner (internal) and external sources such as loans/debt. Funding with internal capital can be done by issuing shares (stock), while funding with the external fund (debt) can be done by issuing bonds, rights issues or owing to banks, even loan from business partners. When using debt financing, when the debt increases, it will increase the level of risk, which is paying larger loan interest. However, interest costs are tax deductibles, so companies can benefit because interest is applied as a fee. Whereas if the company uses its capital, dependence on outside parties will decrease, but its capital is not a deduction from
business tax (Fahmi, 2012). Capital structure can be measured using leverage, including total liabilities to total equity.

The research conducted by Solikin, Widaningsih, & Lestari, (2015) states that there is an influence of capital structure on company value. The higher the DER or capital structure, the higher the value of the company. High DER will allow the company to pay a higher debt so that it will get a tax, which increases the value of the company. Research conducted by Pratama & Wirawati (2016) states that the capital structure has a positive effect on company value. The results of these studies are in line with the results of the same research by Hamidy, Wiskuana, & Artini (2015), which shows that the capital structure has a positive and significant influence on company value. Then the hypothesis that will be proposed is as follows:

H2: Capital structure has a positive effect on Company Value

Good Corporate Governance

The Forum for Corporate Governance in Indonesia (FCGI) defines Corporate Governance as a set of rules that regulate relations between holders, managers (managers) of companies, creditors, governments, employees, as well as other internal and external stakeholders related to rights and obligations or in other words a system that regulates and controls the company. Emirzon (2006) explained that GCG is a concept proposed to address agency problems. GCG serves to foster investor confidence in the company. According to Wijaya & Permatasari (2012), the application of a good corporate governance system can increase the value of company shares while at the same time increasing the company's image to the wider public in the long term.

Barnhart & Rosenstein (1998) in Gunarsih (2003) suggest that the mechanism for overseeing Corporate Governance is divided into two groups, namely internal mechanisms and external mechanisms. An internal mechanism is a mechanism designed to equalize the interests of managers and shareholders. Internal mechanisms within the company include managerial ownership and control carried out by the board of commissioners, in this case, the composition of the board while the external mechanism is a way of influencing companies in addition to internal mechanisms, such as markets for corporate control, institutional ownership, foreign ownership, and funding levels with debt.

R. D. R. M & Priantinah (2012) examined that GCG has a significant positive effect on company value. Nurlaela & Islahuddin (2008) state that there is a significant positive effect between GCG, which is proxied by managerial ownership of company value. Management ownership of company shares is seen to be able to harmonize the potential differences of interests between outside shareholders and management (Jensen & Meckling, 1976). Murwaningsari (2009) states that there is a significant positive effect of institutional ownership as a proxy for GCG with company value. Institutional ownership of the company's shares is seen as being able to improve the supervisory function of the company in order to implement Good Corporate Governance practices better. Then the hypothesis that will be proposed is as follows:

H3a: Managerial Ownership has a positive effect on Company Value
H3b: Institutional Ownership has a positive effect on Company Value
RESEARCH METHODS

This research is a hypothesis testing research. Independent variables are (1) Profitability, (2) Capital Structure, and (3) Application of GCG Mechanisms. While the dependent variable is Corporate Value. The type of research conducted is causality research. This research is in a non-contrived setting. The researcher determines the company registered as LQ-45 for the period 2015-2017 as the object of research in its unit of analysis. The dimension of research time is the pool data. In determining the number of samples to be chosen, researchers use certain criteria in determining the related sample or purposive sampling. These criteria are as follows:

1. Companies included in the LQ45 category on the Indonesia Stock Exchange are listed in the 2015-2017 period.
2. Companies that are not included in the LQ45 list for at least 3 (three) consecutive years.
3. Companies that issue financial statements in Rupiah.
4. Companies that provide complete data on information on ROA data, Managerial Ownership, Institutional Ownership, and DER data to be used in research and information are disclosed in the annual report of the company concerned in the period 2015-2017.
5. Companies that publish/present complete financial and annual report data.

The method of data collection in this study is to use the documentation method. Secondary data is obtained from the Financial Statements and Annual Reports for the period of 2015 to 2017 issued by the company and can be accessed through the company's website and IDX website. The collected data is then analyzed and processed quantitatively. The data testing method used in this study used multiple linear regression analysis using the Statistical Package for Social Science (SPSS) software.
version 24. Testing the feasibility of the data was done through the Classic Assumption test.

**Dependent Variable**
The dependent variable in this study is firm value. Firm value is defined as market value in this study, as expressed by Fama (1978), because if the company's stock price increases, the company can provide prosperity to the shareholders. The value of the company in this study was measured using Tobin's Q. Tobin's Q shows that companies are not focused on investors in the form of shares only (Sukamulja, 2004). The formula for calculating company values is:

\[
Tobins' q = \frac{MVE + DEBT}{TA}
\]

Remarks
DEBT : TA t - BVE
TA : Book Value of Total Assets in Year t
BVE : Book Value of Company's Equity
MVE : Closing Price of the Share at the End of the Financial Year X the Number of Ordinary Shares Outstanding

**Independent Variable**

**Profitability**
Profitability is a return on capital investment, profitability is an important indicator of a company's long-term strength. This number uses the main summary size of the income statement and balance sheet (funding) to assess profitability. According to Octavia & Hermi (2014), profitability ratios can measure how much the Company's ability to make a profit both in terms of relationships with sales, assets, and profits for its capital. The profitability ratio is divided into six, among others: gross profit margin, net profit margin, operating return on assets, return on assets, return on equity, and operating ratio (OR). In this study, the return on assets used is:

\[
R0A = \frac{Earning\ After\ Tax}{Total\ Asset}
\]

**Capital Structure**
Capital structure can be measured by the debt to equity ratio (DER). DER is a comparison between the company's total debt and the company's total equity (Prastuti & Sudiartha, 2016). The higher the percentage of total assets financed by debt, the greater the risk that the company may not be able to fulfill its obligations to maturity (Al-Fisah & Khuzaini, 2016).

\[
DER = \frac{Liabilities}{Equity}
\]

**Implementation of Good Corporate Governance**
In this study, the mechanism of good corporate governance is only proxied into two variables, namely:
Management share ownership is the ownership of the company owned by management both directors, commissioners, and employees with certain conditions to own the
shares. Managerial ownership is measured by the percentage of shares held by management divided by the number of shares outstanding. The formula for calculating the percentage of managerial ownership based on Agus (2010) is as follows:

\[
\frac{\sum \text{Shares owned by Manager}}{\sum \text{Outstanding Shares}} \times 100\%
\]

Institutional ownership is part of the company's shares owned by institutional investors. Institutional ownership is measured by the percentage of shares owned by institutional divided by the number of shares outstanding. The formula for calculating the percentage of institutional ownership based on Agus, (2010) is as follows:

\[
\frac{\sum \text{Shares owned by Institutional}}{\sum \text{Outstanding Shares}} \times 100\%
\]

RESULTS

Sample Determination

Based on the criteria of the sample used, the following data are obtained:

<table>
<thead>
<tr>
<th>No.</th>
<th>Remarks</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Companies included in the LQ45 category on the Indonesia Stock Exchange are listings in the 2015-2017 period.</td>
<td>63</td>
</tr>
<tr>
<td>2</td>
<td>Companies that are not included in the LQ45 list for at least 3 (three) consecutive years.</td>
<td>(24)</td>
</tr>
<tr>
<td>3</td>
<td>Does not issue financial statements in rupiah</td>
<td>(2)</td>
</tr>
<tr>
<td></td>
<td>No complete data available regarding the information on ROA data, Managerial Ownership, Institutional Ownership, and DER data to be used in research and information is disclosed in the annual report of the company concerned in the period 2015-2017.</td>
<td>(4)</td>
</tr>
<tr>
<td>5</td>
<td>Companies that publish / present complete financial and annual report data.</td>
<td>33</td>
</tr>
<tr>
<td></td>
<td>Amount of data (33x3)</td>
<td>99</td>
</tr>
</tbody>
</table>

From these criteria, the number of samples will be used as many as 99 samples, so taking into account that the number has exceeded the minimum sample size (n = 30) in the research conducted for correlational studies and causal-comparative studies (Gay & Diehl, 1992).

Descriptive Statistic

In descriptive statistical analysis, researchers will describe the results of the calculation of the minimum value, maximum value, the average value (mean), and
standard deviation (standard deviation) of each variable. Descriptive statistical analysis tables are presented as follows:

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company Value</td>
<td>99</td>
<td>0.168</td>
<td>5.386</td>
<td>1.6612</td>
<td>0.9243</td>
</tr>
<tr>
<td>Profitability</td>
<td>99</td>
<td>0.010</td>
<td>0.690</td>
<td>0.1179</td>
<td>0.1312</td>
</tr>
<tr>
<td>Capital Modal</td>
<td>99</td>
<td>0.0850</td>
<td>2.740</td>
<td>0.8583</td>
<td>0.6259</td>
</tr>
<tr>
<td>Managerial Ownership</td>
<td>99</td>
<td>0.009</td>
<td>0.098</td>
<td>0.0595</td>
<td>0.0154</td>
</tr>
<tr>
<td>Institutional Ownership</td>
<td>99</td>
<td>0.000</td>
<td>0.150</td>
<td>0.0197</td>
<td>0.0478</td>
</tr>
</tbody>
</table>

Source: Output SPSS

Based on the table above, it can be seen that the objects studied (N) in 2015 - 2017 are 33 companies so that the total sample is 99 samples.

Company Value
In the corporate value variable, the statistical results show the minimum Tobin’s Q value of 0.168 and the Tobin’s Q maximum value of 5.386. The average value of firm size generated from 99 samples is 1.6612 the standard deviation value of 0.9243 smaller than one means that the distribution of data on corporate value is good and homogeneous.

Profitability
On profitability variables, the statistical results show a minimum value of ROA of 0.010 and a maximum value of ROA of 0.690 then the average value of profitability generated from 99 samples is 0.1179, and the standard deviation value of 0.1312 is smaller than one means that the spread of data good profitability and homogeneity.

Capital Structure
In the capital structure variable, the statistical results show a minimum DER value of 0.0850 and a maximum DER value of 2.740, then the average value of capital structure produced from 99 samples is 0.8583, and the standard deviation value is 0.6259 more small than 1 means that the data distribution of Capital Structure is good and homogeneous.

Managerial Ownership
In managerial ownership variables, the results show the minimum value of Managerial Ownership Ratio of 0.009 and the maximum value of Managerial Ownership Ratio of 0.098. The average value of managerial ownership of 99 samples is 0.0595. The standard deviation value of 0.0154 smaller than one means that the distribution of managerial ownership data is good and homogeneous.

Institutional Ownership
In institutional ownership variables, the statistical results show the minimum value of Institutional Ownership Ratio of 0.000 and the maximum value of Institutional Ownership Ratio of 0.150. The average value of institutional ownership generated from 99 samples is 0.0197 the standard deviation value is 0.0478 smaller than one means that the spread of data on institutional ownership is good and homogeneous.
Classic Assumption Test
Multicollinearity Test
MULTICOLLINERITY TEST

Multicollinearity test aims to test whether the regression model found an indication of a correlation between independent variables. The Multicollinearity Test results are presented in the following table:

<table>
<thead>
<tr>
<th>Table 3</th>
<th>Multicollinearity Test (Variance Inflation Factor)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variable</td>
<td>VIF</td>
</tr>
<tr>
<td>Profitability</td>
<td>1.092</td>
</tr>
<tr>
<td>Capital Structure</td>
<td>1.110</td>
</tr>
<tr>
<td>Managerial Ownership</td>
<td>1.094</td>
</tr>
<tr>
<td>Institutional Ownership</td>
<td>1.087</td>
</tr>
</tbody>
</table>

Source: Output SPSS

The results of the VIF Test in Table 3 show that the four independent variables did not occur due to the VIF value of each independent variable <10 and the tolerance value of each independent variable > 0.1.

Autocorrelation Test

Autocorrelation test was used to test linear regression models about the effect of data from previous observations. The Autocorrelation Test results are presented in the following table:

<table>
<thead>
<tr>
<th>Table 4</th>
<th>Autocorrelation Test (Durbin-Watson)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Predictor: Lag_Profitability, Lag_Capital Structure, Lag_Institutional Ownership, Lag_Managerial Ownership</td>
<td>Durbin-Watson</td>
</tr>
<tr>
<td>Dependent: Lag_Company Value</td>
<td>1.802</td>
</tr>
</tbody>
</table>

Source: Output SPSS

The Durbin-Watson test results in table 4 show a DW value of 1.802; while in the Durbin-Watson (DW) table for "k" = 4 and N = 99 large Durbin-Watson table: dl (outer limit) = 1.5897 and du (inner limit) = 1.7575; 4 - du = 2.2425 and 4 - dl = 2.4103. Because the Durbin-Watson (DW) value is 1.802 greater than the limit (du) 1.785 and Durbin-Watson (DW) is less than 2.2425, it can be concluded that Durbin-Watson (DW) test cannot reject H0 which states that there is no positive or negative autocorrelation or it can be concluded that there is no autocorrelation.

Heteroscedasticity Test

Heteroscedasticity test aims to test whether the regression model has similarity in residual variance, one observation to another observation. The Heteroscedasticity Test results are presented in the following table:
Table 5

<table>
<thead>
<tr>
<th>Variable</th>
<th>Sig. 2 Tailed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lag_Profitability</td>
<td>0.275</td>
</tr>
<tr>
<td>Lag_Capital Structure</td>
<td>0.312</td>
</tr>
<tr>
<td>Lag_Managerial Ownership</td>
<td>0.233</td>
</tr>
<tr>
<td>Lag_Institutional Ownership</td>
<td>0.404</td>
</tr>
</tbody>
</table>

Dependent: LAGABSres

Source: Output SPSS

The Heteroscedasticity test results in table 5 show the significance values of the four independent variables, more than 0.05. Thus it can be concluded that there is no problem of heteroscedasticity in the regression model.

Normality Test

The normality test aims to determine whether in a residual regression model, the independent variables and dependent variables have a normal distribution or not.

Table 6

Normality Test (Kolmogorov-Smirnov)

<table>
<thead>
<tr>
<th>Item</th>
<th>N</th>
<th>Exacts. Sig (2 Tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unstandardized Residual</td>
<td>99</td>
<td>0.211</td>
</tr>
</tbody>
</table>

Source: Output SPSS

The significant value of the Kolmogorov-Smirnov non-parametric statistical test must be above 0.05 or 5%. The sample results in Table 4.5 show that the Kolmogorov-Smirnov value is 0.225 > 0.05 so that the residuals are declared to be normally distributed.

Hypothesis Test

Determination Coefficient Test

Table 7

Determination Coefficient Test Results

<table>
<thead>
<tr>
<th>Predictor</th>
<th>Adjusted R²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitability, Capital Structure</td>
<td>0.213</td>
</tr>
<tr>
<td>Managerial Ownership, Institutional Ownership</td>
<td></td>
</tr>
</tbody>
</table>

Source: Output SPSS

Based on the table above, it is known that the coefficient of determination seen from the value of Adj R² is 0.213. That is, 21.3% of the variation of the dependent variable Corporate Value can be explained by independent variables (profitability, institutional ownership, managerial ownership, and capital structure) while the
remaining 78.7% (100% - 21.3%) is explained by other variables not included in the equation.

Simultaneous Significant Test (F-Test)

<table>
<thead>
<tr>
<th>Dependent: Company Value</th>
<th>Predictor: Profitability, Capital Structure Managerial Ownership, Institutional Ownership</th>
<th>Model</th>
<th>Sig.*</th>
<th>Hypothesis</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Regression</td>
<td>0.000</td>
<td></td>
<td>Supported</td>
</tr>
</tbody>
</table>

*support statistically on alpha 5%

Source: Output SPSS

Based on the table above, the significance value obtained by the variable Profitability, Capital Structure, Institutional Ownership, and Managerial Ownership is 0.000 < 0.05, then Ho is rejected, and Ha is accepted. Thus it can be concluded that Profitability, Capital Structure, Institutional Ownership, and Managerial Ownership together influence company value.

Significant Test of Individual Parameters (t-Test)

<table>
<thead>
<tr>
<th>Unstandardized</th>
<th>Coefficients</th>
<th>Sig. (One Tail)</th>
<th>Hypothesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>0.650</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profitability-ROA</td>
<td>3.285</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>Capital Structure-DER</td>
<td>-0.140</td>
<td>0.1565</td>
<td>Not Supported</td>
</tr>
<tr>
<td>Managerial Ownership</td>
<td>11.923</td>
<td>0.0185</td>
<td>Supported</td>
</tr>
<tr>
<td>Institutional Ownership</td>
<td>1.747</td>
<td>0.1705</td>
<td>Not Supported</td>
</tr>
</tbody>
</table>

Source: Output SPSS

The results of the regression equation can be interpreted as follows:

The coefficient value of a (constant) is 0.650, which means that if the value of Profitability, Capital Structure, Managerial Ownership, Institutional Ownership does not exist or is worth 0, then the value of the company will have a value of 0.650. It means Profitability, Capital Structure, Managerial Ownership, Institutional Ownership does not have significant effect on company value.

The regression coefficient of Profitability variable is 3.285, which means that if Profitability experiences an increase in the value of 1 unit, then the value of the company will increase by 3.285.

The regression coefficient value of the Capital Structure variable is -0.140, which means that if managerial ownership increases in value by 1 unit, then the value of the company will increase by -0.140.
Regression coefficient value Managerial Ownership variable is -11,923, which means that if the independent commissioner experiences an increase in the value of 1 unit, then the company's value will increase by 11,923.

Regression coefficient value of Institutional Ownership variable is 1.747, which means that if Institutional Ownership increases in value by 1 unit, then the value of the company will increase by 1.747.

DISCUSSION

First Hypothesis Testing Result (H₁)

The profitability of a company is a picture that measures how capable the company generates profits from operational processes that have been implemented to ensure the continuity of the company in the future. The high profitability of the company shows the good prospects of the company in the eyes of investors which will then be responded by investors as a positive signal from the company and will facilitate the company's management to attract capital in the form of shares. If there is an increase in demand for shares of a company, it will indirectly increase the company's stock price. The higher the company's ability to make a profit, the greater the return expected by investors, thus making the value of the company better.

Based on the test results on the table, the significance value obtained by the Profitability variable is 0,000 < 0.05 so that the decision is H₀₁ rejected (H₁ accepted). Thus it can be concluded that profitability has a positive effect on company value. The results of this study are in line with the research conducted by Prasetyorini (2013) and Dewa et al., (2014), which states that profitability has a positive effect on company value.

Second Hypothesis Testing Result (H₂)

In achieving the company's goals to maximize profits, managers must be able to assess the company's capital structure and must understand the relationship with the risks, results, and expected company values. When a company wants to grow, the company will need capital. In general, there are two alternative sources of capital, namely capital originating from owner capital (internal) or external sources such as loans/debt and company owners. Funding with self / internal capital can be done by issuing shares (stock), while funding with debt (debt) can be done by issuing bonds, rights issues or owing to banks, even to business partners. When using debt financing, when the debt increases, it will increase the level of risk, which is paying larger loan interest. However, interest costs are tax deductibles, so companies can benefit because interest is applied as a fee. Whereas if the company uses its owner capital, dependence on outside parties will decrease, but its capital is not a deduction from business tax (Fahmi, 2012).

Based on the test results on the table, the significance value obtained by the capital structure variable is 0.1565 > 0.05 so that the decision is H₀₂ accepted (H₂ is accepted). Thus it can be concluded that the capital structure has a significant positive effect on company value. The results of this study are not in line with the research conducted by Pratama & Wirawati (2016), which states that the capital structure has a positive effect on company value. This positive effect can be caused by debt have no influence on the high and low value of the company, because if the interest costs
charged exceed the benefits provided from the debt used, so this use will be detrimental due to the condition or unfavorable business climate.

**Third Hypothesis Testing Result (H3)**

Agency theory explains the existence of a cooperative contract relationship between shareholders and managers (managers) in the form of giving authority by shareholders to managers to work for the achievement of shareholders' goals. Managers are appointed by the owner to run the company's operations because shareholders have limitations in managing the company. The difference in information possessed by managers and owners (information asymmetry) often benefits the manager more because he knows the daily activities of the company in detail. Separation without accompanied by good supervision can provide flexibility for the company manager to maximize its interests through the imposition of costs borne by the owner of the company. The opportunistic actions of managers can also be minimized by increasing managerial ownership. Increased managerial ownership can align interests between managers and shareholders, so managers tend to act according to the needs of shareholders.

Based on the test results on the table, the significance values obtained by Managerial Ownership variables are $0.0185 < 0.05$ so that the decision is $H_{03a}$ rejected ($H_{a3a}$ accepted). Thus it can be concluded that Managerial Ownership has a positive influence on company value. The results of this study are in line with the research conducted by Nurlaela & Islahuddin (2008), which states that managerial ownership has a positive effect on company value.

**Fourth Hypothesis Testing Result (H4)**

Based on the explanation of Agency Theory, the separation of ownership and control in the company allows the occurrence of information asymmetry between management (agent) and the owner (principal) so that there is an opportunity for managers to act opportunistically to maximize their interests without the consent of the owner or shareholder. The opportunistic actions of managers can be minimized by increasing ownership by the institution known as institutional ownership. Ownership by institutions will encourage increased optimal supervision of company performance.

Based on the test results on the table, the significance value obtained by the Institutional Ownership variable is $0.1705 > 0.05$, so the decision is $H_{a3b}$ rejected ($H_{03b}$ accepted). Thus it can be concluded that Institutional Ownership does not have a positive effect on the value of the company. This research is in line with the results of research conducted by Nurlaela & Islahuddin (2008), which states that the Managerial Election has a positive effect on Company Value. The results of this study are not in line with the research conducted by Murwaningsari (2009), which states that institutional ownership has a positive effect on company value. The difference can be illustrated from the number of institutional ownership that is constant from year to year, so it does not have a significant influence.

**CONCLUSION**

Based on the results of data analysis and discussions that have been conducted, it can be concluded that: profitability has a positive effect on company value, capital structure is proven not to have a positive effect on company value, managerial
ownership has proven to have a positive influence on company value, institutional ownership is proven not to affect company value. Further research for the suggestion, use the method of calculating financial ratios with other formulas, increase the number of independent variables and multiply the sample

REFERENCES


