

# Effect of Institutional Ownership, Company Size, Activity Ratio, Profitability and Managerial Ownership on Company Value

Dewi Ayu Ningsih<sup>1✉</sup>, Siti Nurlaela<sup>2</sup>, Riana Rachmawati Dewi<sup>3</sup>

<sup>1</sup>Universitas Islam Batik Surakarta, Indonesia.

<sup>2</sup>Universitas Islam Batik Surakarta, Indonesia.

<sup>3</sup>Universitas Islam Batik Surakarta, Indonesia.

✉Corresponding author: dewigatama209@gmail.com

## Abstract

The purpose of this study is to find out how institutional ownership, company size, activity ratio, profitability, and management ownership affect company value. Goods and consumption sector companies listed on the Indonesia Stock Exchange (IDX) from 2019 to 2021 are the subject of the study. Using the purposive sampling method, this study selects companies listed on the Indonesia Stock Exchange (IDX) in the field of goods and consumption. These companies also issue complete financial statements and record their profits. The data was analyzed using multiple linear regression techniques. The results show that while institutional ownership, company size, activity ratio, and managerial ownership do not have a significant influence on company value, profitability has a significant influence.

This is an open-access article under the CC-BY-SA license.



Copyright © 2025 Dewi Ayu Ningsih, Siti Nurlaela, Riana Rachmawati Dewi.

## Article history

Received 2024-12-25

Accepted 2025-01-15

Published 2025-02-25

## Keywords

Factors;  
Company Value;  
Manufacturing  
Companies.

## 1. Introduction

In the era of globalization, the level of competition in the business world is increasing significantly. In order to compete healthily with competitors, they must have a competitive advantage. Competitive advantage is developed to achieve the company's goals in the form of obtaining profits and prospering shareholders. The value of a company can be measured from the stock price. The greater the value of the stock price, the greater the value of the company. A high company value is the desire of the company owners because it can reflect the level of prosperity of shareholders. This reflects the good or bad finances of a company. If the financial ratios show good performance, then investors believe in investing their capital and have an effect on increasing the value of the company. (Ernawati & Widyawati, 2015)

Institutional ownership can maximize the utilization of company assets and minimize waste so that the company is able to run efficiently and effectively. This can affect the high and low value of the company. On the other hand, institutional ownership shows the level of effectiveness of the company in using all of its assets. (Trafalgar Purba, Jhonatan; Agha Afrika, Laely, 2019)

The value of a company can also be measured by the size of the company. The size of the company can be seen from the total assets owned. The more total assets, the easier it is for the management to determine the sales strategy. Therefore, the management must take advantage of the assets owned so that sales continue to increase. (Hendrani, Ai; Septyanto, Dihin, 2021)

Activity ratio is a method used to assess the extent to which a company can use its assets effectively. Previous research by and found evidence that activity ratios have a positive effect on company value. stated that there was no effect of activity ratio on company value while finding evidence of a positive effect of activity ratio on company value. (Nurlaela, 2019) (Misran & Chabachib, 2017) (Utami & Welas, 2019) (Astutik, 2017)

An important assessment of an investor is reviewed from the level of profit earned or often called profitability. Profitability seen from financial statements by measuring the profit ratio. This reflects the company's success in carrying out operational activities to earn profits. In addition, it also reflects that the decisions and policies taken by the management are appropriate. Such success can reflect the company's values. Research (Yanti & Damayanti, 2019), profitability affects the value of the company, causing a positive response from investors who increase the stock price in the market and increase the value of the company in the eyes of investors. (Noviyanti & Ruslim, 2021)

A manager who owns shares in a company and that condition can be known as managerial ownership. Good managerial ownership is able to have a positive impact on the work environment. If the work environment is good, then productivity increases. Automatically the company's revenue level will increase. (Trafalgar Purba, Jhonatan; Agha Afrika, Laely, 2019)

Based on research, it shows that the size of the company affects the value of the company because the larger the size of the company, the easier it is for the company to obtain funding sources. Meanwhile, the results of the study show that the size of the company has no effect on the value of the company. (Oktaviarni & B, 2018) (Pribadi, 2018)

This study uses manufacturing companies in the consumer goods sector listed on the Indonesia Stock Exchange in 2019-2021 because consumer goods companies always increase every year by producing basic necessities needed by the community, so that high demand can have an impact on the profits obtained.

Based on the description above, it shows that there are many factors that affect the value of the company. Therefore, the author is interested in re-examining the research entitled "The Influence of Institutional Ownership, Company Size, Activity Ratio, Profitability and Managerial Ownership on Company Value".

## 2. Method

This research is quantitative. The source of data in this study is secondary from the financial statements of manufacturing companies on the IDX in 2019-2021. The population in this study was manufacturing companies registered on the IDX in 2019-2021 and samples were obtained through purposive sampling.

The companies that have passed the sampling criteria are 36 companies. In this data analysis with descriptive analysis, then the classical assumption test which includes the normality test, multicollinearity test, autocorrelation test and heteroscedasticity test. After that, a multiple linear regression test was carried out which included a regression model, a model feasibility test (F test), a hypothesis test (t test), and a determination coefficient test (R<sup>2</sup>).

### 3. Results and Discussion

**Table 1. Descriptive Statistics**

Variable	N	Minimum	Maximum	Mean	Std. Devuation
Company Values	82	0.0070	4.6270	1.736293	1.1883422
Institutional Ownership	82	0.0000	1.0000	0.434671	0.04289508
Company Size	82	25.9740	32.8200	28.923220	1.6005976
Activity Rate	82	0.3870	1.9530	0.991085	0.3695943
Ownership Profitability	82	0.0010	1.3250	0.104829	0.1615409
Managerial	82	0.0000	0.9150	0.084793	0.1996333
Valid N (listwise)	82				

Table 1 shows the results of the lowest, highest, and average standard deviations and means of each variable of 82 data. The value of the company has the smallest value of 0.0070 by PT. Delta Djakarta Tbk in 2021, the largest value of 4.6270 by PT. Mulia Boga Raya Tbk. in 2019, the average is 1.736293 and the standard deviation is 1.1883422. The Institutional Ownership variable has the following values: 0.0000 is the lowest value, 1.0000 is the highest value, 0.434671 is the average, and 1.6005976 is the standard deviation. The Company Size variable has the following values: 25.9740 is the lowest value, 32.8200 is the highest value, 28.923220 is the average value, and 1.6005976 is the standard deviation. The variable activity ratio has the following values: 0.3870 is the lowest value, 1.9530 is the highest value, 0.991085 is the average value, and 0.3695943 is the standard deviation. The Profitability variable has the following values: 0.0010 is the lowest value, 13250 is the highest value, 0.104829 is the average value, and 0.104829 is the standard deviation. The Managerial Ownership variable has the following values: 0.0000 is the lowest value, 0.9150 is the highest value, 0.084793 is the average value, and 0.1996333 is the standard deviation.

**Table 2. Hypotesis Test Result**

Hypotesis	t count	t table	Sig.	Criteria	Information
Institutional Ownership (H1)	-0.971	1.99167	0.335	<0.05	Rejected
Company Size (H2)	-1.560	1.99167	0.123	<0.05	Rejected
Ratio Activity (H3)	0.341	1.99167	0.734	<0.05	Rejected
Profitability (H4)	2.886	1.99167	0.005	<0.05	Accepted
Managerial Ownership (H5)	-0.846	1.99167	0.400	<0.05	Rejected

In table 2, we can immediately conclude:

- 1) Institutional ownership has no effect on the value of the company, according to the output -t Count  $-0.971 < -t$  Table 1.99167 and the significance of  $0.335 > 0.05$ .
- 2) Company Size has no effect on the value of the company, The significance of  $0.123 > 0.05$  for t Calculate  $-1.560 < t$  Table 1.99167 shows that the variable of company size has no effect on the value of the company.
- 3) The Activity Ratio has no effect on the value of the company, according to the output -t Count  $-0.341 < -t$  Table 1.99167 and the significance of  $0.734 > 0.05$ .
- 4) With a significance level of  $0.005 < 0.05$ , then the result -t Calculate  $2.886 > t$  Table 1.99167 shows that this profitability affects the value of the company.
- 5) Managerial ownership in this table shows no effect on the value of the company, according to the output -t Count  $-0.846 < -t$  Table 1.99167 and the significance of  $0.400 > 0.05$ .

**Table 3. Coefficient Ditermination Test (R Suare)**

Adjusted R Suare	Information
0.127	Dependent variables can be explained by independent variables

Based on the table, Adjusted R-Square means that the independent variable in this study has an influence of 12.7%, while the variable outside the scope of this study has an influence of 87.3%.

### **1) The Effect of Institutional Ownership on Company Value**

The results presented state that institutional ownership has no effect on tax avoidance. With a tcal of -0.971 and a significance of 0.335 more than 0.05. This means that the variable of institutional ownership has no effect on the value of the company. Where institutional ownership cannot increase supervision within the company on a large scale which will then not have the potential to increase the value of the company or reduce agency conflict. The results of the study are in line with research that has been conducted by (Trafalgar & Africa, 2019) which results that institutional ownership does not have a significant effect and cannot attract investors to invest in the company.

### **2) The Effect of Company Size on Company Value**

The results presented state that the size of the company has no effect on the value of the company. With a calculation of -1.560 and a significance of 0.123 more than 0.05. This means that the size of the company does not affect the value of the company, the larger the size of the company, the easier it is for the public to get information that can increase the value of the company. The results of this study are in line with research conducted by (Dewi & Abudanti, 2019), (Yanti & Darmayanti, 2019), and (Dewi & Ekadjaja, 2020). However, it is not in line with (Kolamban, Murni, & Baramuli, 2020), (Oktaviani, Rosmaniar, & Hadi, 2019), and (Kadim & Sunardi, 2019) which show that the size of the company affects the value of the company.

### **3) The Effect of Activity Ratio on Company Value**

The results presented state that the activity ratio has no effect on the value of the company. With a tcal of 0.341 and a significance of 0.734 more than 0.05. This means that the activity ratio has no effect on the value of the company where a low activity ratio cannot be evidence of the success of a company and is seen as good news, thus creating a low company value. The results of this study are in line with research conducted by (Anniza & Suwaidi, 2023) which states that the ratio of activities has no effect on the company's value.

### **4) The Effect of Profitability on Company Value**

The results presented state that Profitability affects the value of the company. With a tally of 2.886 and a significance of 0.005 is less than 0.05. This means that high profitability indicates a high rate of return on investment so that it is a positive signal that can increase the value of the company. The results of this study are in line with the research conducted by (Purbawangsa & Suprasto, 2019), (Basuki & Yulianah, 2018) and shows that profitability affects the company's value. (Henriansyah & Dharmayuni, 2019)

### **5) The Effect of Managerial Ownership on Company Value**

The results presented state that Managerial Ownership has no effect on the value of the company. With a tcal of -0.846 and a significance of 0.400 more than 0.05. This means that when the cost of monitoring a company is getting lower which causes agency costs to also be lower, the minority managerial party does not have the authority to take part in economic decisions. The results of this study are in line with the research conducted by managerial ownership has no effect on the value of the company. (Trafalgar & Afrika, 2019).

#### 4. Conclusion

The purpose of this study is to find out how the value of a company is affected by institutional ownership, company size, activity ratio, profitability, and management ownership. Secondary data were used in this study. The study investigated manufacturing listed on the Indonesia Stock Exchange from 2019 to 2021. These companies operate in the field of goods and consumption. Purposive sampling was used, and for three consecutive years, 36 companies were sampled. The data were tested by multiple linear regression. The results showed that while institutional ownership, company size, activity ratio, and managerial ownership did not significantly affect a company's value, profitability did. Researchers in the future may use additional variables in the study to get better results.

#### References

- Alfinur. (2015). The Effect of the Good Corporate Mechanism on Company Value in Companies Listed on the Indonesia Stock Exchange. *Journal of Modernization Economics* Jil. 12 No. 1. , 44 - 50.
- Astutik, D. (2017). The Effect of Financial Ratio Activities on Company Value (Study on the Manufacturing Industry). *Journal of STIE Semarang*, 32-49.
- Basuki, & Yulianah. (2018). The Effect of Funding Decisions, Investment Decisions and Profitability on Company Value (In Various Industrial Sectors Listed on the Indonesia Stock Exchange for the Period 2010-2014). *Periodical Scientific Journal*, 107-121.
- Brigham, E., & Houston, J. (2019). *Fundamentals of Financial Management* . Boston Cengage Learning.
- Ernawati, D., & Widyawati, D. (2015). THE EFFECT OF PROFITABILITY, LEVERAGE AND COMPANY SIZE ON COMPANY VALUE. *Journal of Accounting Science & Research* Vol. 4 No. 4.
- Gathogo, G., & Ragui, M. (2014). Kenya Corporate Capital Structure : what determines it? *Journal of Financial and Accounting Research*, 118-125.
- Hendrani, Ai; Septyanto, Dihin. (2021). The Effect of Return On Asset, Debt on Equity Ratio and Company Size on Company Value in Food Manufacturing Companies in the Beverage Subsector in Bei tAHUN 2014 - 2018. *International Conference on Entrepreneurship (ICOEN)*.
- Henriansyah, & Dharmayuni. (2017). The Effect of Company Size, Price Earning Ratio and Profitability on Company Value. *E Journal of UPN Veteran Jakarta*, 5 - 34.
- Henriansyah, G., & Dharmayuni, L. (2019). The Effect of Company Size, Price Earning Ratio and Profitability on Company Value (Empirical Study on Companies in Various Industries Listed on the Indonesia Stock Exchange in 2011 - 2015). *EJournal UPN Veteran Jakarta*.
- Herlina Novita, Ruth Samosir, Rutmia, Sarumaha, K., & Saragih, E. (2022). THE EFFECT OF STOCK PRICE, COMPANY SIZE, PROFITABILITY AND LEVERAGE ON THE VALUE OF MANUFACTURING COMPANIES LISTED ON THE IDX 2018-2020. *Journal of Accounting and Financial Studies*.
- Markonah, M., salim, A., & Franciska, J. (2020). Effect of profitability, leverage, and liquidity to the firm value. *Dinasti International Journal of Economics, Finance & Accounting*, 83-94.
- Misran, & Chabachib. (2017). Analysis of the Influence of DER, CR, and TATO on PBV with ROA as an Intervening Variable (Study on Property and Real Estate Companies Listed on the IDX in 2011-2014). *DiponegoroJournal of Management*, 1-13.
- Noviana. (2016). The Effect of Profitability, Capital Structure and Company Size on the Value of Companies in Various Industrial Sectors Listed on the Indonesia Stock Exchange. *STIE Multi Data Palembang Scientific Journal*.
- Noviyanti, D., & Ruslim, H. (2021). The influence of capital structure, profitability, activity ratio on the value of the company. *Journal of Managerial and Entrepreneurship*.
- Nurlaela. (2019). Asset Turnover, Capital Structure and Financial Performance of Consumer Industry Companies on the Indonesia Stock Exchange. *International Journal of Economics and Financial Issues*, 297-301.

- Oktaviarni, & B, S. (2018). Effect of Profitability, Liquidity, Leverage, Dividend Policy and Company Size on Company Value. *Journal of Accounting, University of Jember*.
- Personal. (2018). The Influence of Asset Structure, Company Size, Liquidity, and Profitability on Company Value. *Progress of the E-ISSN Conference*.
- Purba, J. T., & Aghe Afrika, L. (2019). The influence of capital structure, institutional ownership, managerial ownership, and profitability on the value of companies in manufacturing companies. *Indonesian Accounting Review Vol. 9, No. 1, 7 - 38*.
- Purbawangsa, & Suprasto. (2019). The Role of Profitability in Mediation Affects Good Corporate Governance, Business Risk, Corporate Social Responsibility, and Corporate Value of Banking Companies Listed on the Indonesia Stock Exchange. *Russian Journal of Agricultural Economics and Socio-Economics*, 241-251.
- Sa'diyah, C., & Hilabi, I. I. (2022). THE INFLUENCE OF CORPORATE GOVERNANCE ON CORPORATE VALUE IN PT BURSA EFEK INDONESIA AND SHARIA SECURITIES IN INDONESIA. *Journal of Management and Business Applications, Vol. 8 No.2, May 2022*.
- Sriati Mengga, G., Edy, G., & Mantong, A. (2022). THE EFFECT OF DIVIDEND POLICY, CAPITAL STRUCTURE AND COMPANY SIZE ON THE VALUE OF COMPANIES IN PT PHARMACEUTICAL COMPANIES LISTED ON THE IDX. *Proceedings I of the International Conference on Economics and Business*.
- Trafalgar Purba, Jhonatan; Agha Afrika, Laely. (2019). The Influence of Capital Structure, Institutional Ownership, Managerial Ownership, and Profitability on Company Value in Manufacturing Companies. *Indonesian Accounting Review*.
- Trafalgar, P. J., & Africa, L. A. (2019). The influence of capital structure, institutional ownership, managerial ownership, and profitability on the value of companies in manufacturing companies. *Indonesian Accounting Review Vol. 9, No. 1, 27*.
- Utami, & Welas. (2019). The Effect of Current Ratio, Return On Asset, Total Asset Turnover and Debt to Equity Ratio on Company Value (Empirical Study on Manufacturing Companies in the Property and Real Estate Sub-Sector Listed on the Indonesia Stock Exchange (Period 2015-2017). *Journal of Accounting and Finance*, 57-76.
- Yanti, & Damayanti. (2019). The Effect of Profitability, Company Size, Capital Structure and Liquidation on Company Value. *Management of E-Journal of Udayana University*.