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The Analysis of The Effect of Managerial Ownership, Institutional Ownership, Leverage, and Intellectual Capital on Corporate Performance

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Abstrak

Tujuan dari penelitian ini adalah untuk menganalisis pengaruh kepemilikan manajerial, kepemilikan institusional, leverage, dan, intellectual capital terhadap kinerja perusahaan. Populasi dalam penelitian ini adalah perusahaan-perusahaan yang masuk ke dalam indeks LQ 45 pada tahun 2011-2014 yang terdiri dari 90 perusahaan. Teknik pengambilan sampel yang digunakan adalah purposive sampling yang menghasilkan sampel sebanyak 16 perusahaan. Hasil penelitian menunjukkan bahwa kepemilikan institusional tidak berpengaruh terhadap kinerja perusahaan. Kepemilikan manajerial dan leverage berpengaruh negatif terhadap kinerja perusahaan, sedangkan intellectual capital berpengaruh positif terhadap kinerja perusahaan. Saran untuk penelitian selanjutnya adalah menambah variabel maupun indikator yang sesuai dengan situasi dan kondisi obyek penelitian.

Abstract

The purpose of this research is to analyze the effect of managerial ownership, institutional ownership, leverage, and intellectual capital on corporate performance. The population in this research was the companies that listed into LQ 45 index in 2011 until 2014 consisting of 90 companies. The sampling technique used was purposive sampling method which resulted for 16 companies. Institutional ownership has no effect on the corporate performance. Managerial ownership and leverage have negative effect on the corporate performance, while intellectual capital has positive effect on the corporate performance. The suggestion for further research is add another variable or indicator for further research

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INTRODUCTION

Company is a profit-seeking organization, then the objectives of the company are usually expressed in terms of money. Company has two main objectives that is to maximize profits and maximize wealth (Gitosudarmo & Basri, 2002: 5). Within the company, the shareholders of the company have an interest in improving corporate performance better so that the profit earned can be higher and company's survival can be more assured. In an effort to achieve these objectives, corporate activities are charged to management as the manager and owner as the decision maker. Full management by management can lead to opportunistic behavioural tendency and self-interest by corporate managers.

To anticipate the opportunistic behaviour of management that harms shareholders, the division of corporate shareholdings structure is done. Jensen and Meckling (1976) argue that agency problems within a company can be overcome by managerial ownership and institutional ownership structure mechanisms. Managerial shareholding is shareholding owned by management or company directors. By giving managers an opportunity to become shareholders, managers will be motivated to improve their performance. Management will also be more accurate and careful in taking a decision, due to management will feel the benefits directly from the decisions taken. In addition, managements also come to bear the loss if the decision taken by them wrong. So that in this case will have a good impact on the survival of the company and can meet the interests of shareholders.

Several studies have attempted to identify the relationship between managerial ownership and corporate performance. Putra (2013) in his research states that managerial ownership has a positive and significant effect on corporate performance which means that the greater the amount of managerial ownership will improve the performance of the company. The inconsistent results are shown by several studies related to managerial ownership. Fauzi and Musallam (2015), Mahaputeri and Yadnyana (2014), and Yulianto (2011) found that managerial ownership has a significant negative effect on corporate performance. Corporate performance control by management is also supported by the existence of institutional ownership. Institutional ownership is the ownership of total corporate shares by a non-bank financial institution in which the institution manages funds on behalf of another person. Institutions can usually control the majority of shares because they have more resources than others shareholders. So that they can conduct more strict supervision than other shareholders can. One of the functions of institutional ownership is to provide oversight over all behaviour of corporate management in managing the company.

Several studies have attempted to determine the linkage between institutional ownership and corporate performance. Mahaputeri and Yadnyana (2014) show the result that institutional ownership negatively affects on corporate performance. However, in line with research conducted by Fauzi and Musallam (2015), Yulianto (2011), and Nur'aeni (2010) which shows the result that there is a positive effect between institutional ownership on corporate performance. Efforts in improving corporate performance cannot be separated from funding source. Leverage becomes one of the external fund sources that can be obtained by the company. According to financial management, financial leverage ratio is one of the ratios that is often used to improve the profitability of the company. According to Kartasukmana (2015), debt can improve the performance of the company, rather than the company only rely on its own capital strength. On the other hand, the debt will affect the level of risk faced by the company. Companies that have high leverage ratio will face high risk because of huge debt they have to bear. Large debts make in part corporate revenues used to pay liabilities in the form of principal debt and its interest, which results in the profit received by shareholders becoming fewer.

Several studies have attempted to find out the relationship between leverage and corporate performance. Sangga (2015) shows that leverage has a positive effect on corporate performance.

Inconsistent results are showed by several studies. Research conducted by Yulianto (2011) and Survani (2010) shows a negative effect between leverage on corporate performance. One more thing that becomes a basic supporting factor for the company in improving the corporate performance is human resources. The ability of companies in achieving the goals of the company effectively and efficiently is supported by competent human resources in their field, indeed. Here, intellectual capital becomes a matter needs to be considered in building a competent company. Several studies have attempted to know the linkage between intellectual capital and corporate performance. There are consistent results related to the effect of intellectual capital on company performance. Research conducted by Baroroh (2013), Fajarini and Firmasyah (2012), Mustofa (2011) and Subkhan (2010) show a positive effect.

The phenomenon of decreasing corporate profitability as measured by ROA is accompanied by fluctuations on the level of shareholding, leverage, and intellectual capital in 2011 to 2014 indicates that the decision taken by the company and the management of the company's resources has not been optimal. The existence of the gap phenomenon and research gap, the purpose of this study is to determine the effect of managerial ownership structure, institutional ownership, leverage, and intellectual capital on the performance of the company. The research hypothesis to be examined is as follows:

H1: Managerial Ownership, Institutional Ownership, Leverage, and Intellectual Capital jointly affect on Corporate Performance.
H2: Managerial ownership positively affects on Corporate Performance.
H3: Institutional ownership positively affects on Corporate Performance.
H4: Leverage negatively affects on corporate performance.
H5: Intellectual Capital positively affect on corporate performance.

METHODS

The population in this study was the entire companies which were in LQ 45 index during 2011 to 2014 that is as many as 90 companies. The sampling technique used purposive sampling and resulted in the final sample of 16 companies.

Table 1. Detail of Research Sample

No	Criteria	Total
1	Companies that included in LQ 45 index in 2011, 2012, 2013 and 2014	90
2	Companies that did not include in LQ 45 index during the period 2011-2014 respectively	(67)
3	Banking companies	(5)
4	Companies that did not publish complete financial statement	0
5	Data Outlier	(2)
	Total companies which became sample	16
	Total Observation 16 x 4	64

Source: Secondary data processed

This research used ROA or Return on Assets to measure corporate performance. ROA was one form of profitability ratios to measure corporate ability to generate profits by using the total existing assets. ROA was calculated by the format (Short, Libby, and Libby, 2007):

$$\text{ROA} = \frac{\text{Net Income After Tax}}{\text{Total Asset}} x\ 100\%$$

Independent variables used in this study were managerial ownership, institutional ownership, leverage, and intellectual capital.

Table 2. Operational Definition of Independent Variables

Variables	Definition	Measurement
Managerial Ownership	Corporate shareholding by management	$\frac{\text{Total Management Shares}}{\text{Total Shares Outstanding}} x\ 100\%$
Institutional Ownership	Corporate shareholding by institution	$\frac{\text{Total Institutional Shares}}{\text{Total Shares Outstanding}} x\ 100\%$
Leverage	The ratio to measure how much corporate assets is financed from debt	$\frac{\text{Current Liabilities + Long term Debt}}{\text{Total Assets}} \text{ x } 100\%$
Intellectual Capital	Intangible assets that provide competitive advantage for the company.	VAIC™ = VACA + VAHU + STVA

RESULTS AND DISCUSSIONS

Descriptive statistical analysis described minimum, maximum, mean, and standard deviation values for each variable in this study.

Table 3. The Result of Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
KIPER	64	2.35	34.92	14.6717	6.79497
KM	64	.00	15.95	1.0317	3.77427
KI	64	43.91	79.68	60.6514	9.60176
LEV	64	13.31	56.84	35.9470	12.36713
IC	64	2.47	18.37	6.3866	2.84435
Valid N (listwise)	64				

Source: Data processed by SPSS

The variable of corporate performance measured from net profit after tax divided by total asset showed mean value equal to 14.6717%, minimum value equal to 2.35%, and maximum value equal to 34.92%. The variable of managerial ownership which is measured by the proportion of shareholding by management had mean value equal to 1.0317%, minimum value equal to 0%, and maximum value equal to 15.95%. From the result of this descriptive statistics showed that managerial ownership variable had a standard deviation value equal to 3.77427 that was higher than the mean value. This meant that the mean value was smaller than the standard deviation value, thus indicating less good result. Statistically, it did not matter because there was no heterocedasticity (normal distributed data). Central limit theorem stated that if the number of observations was large (above 30), then the data was considered to be normal distribution although the standard deviation was greater than the mean value. With the mean, it indicated that at least there were managers who

at once also as the owner of the company. The existence of managerial shareholding was expected to result in stronger governance as they also acted as investors.

The variable of institutional ownership as measured by the proportion of shares owned by the institution had mean value equal to 60.6514%, minimum value equal to 43.91%, and maximum value equal to 79.68%. The data of institutional ownership variable coud be said good because it had standard deviation value equal to 9.60176 which was smaller than its mean value. This indicated that the proportion of shares owned by institution was high, in the hope that the shareholding by the institution was able to control the policy taken by management that could harm other shareholders.

Leverage variable measured from the total debt of the company divided by total assets of the company has mean value equal to 35.9470% and minimum value equal to 13.31%, as well as maximum value equal to 56.84%. The data of leverage variable could be said good because it had standard deviation value equal to 12.36713 which was smaller than the mean value. This showed that funding from outside the company was quite high. The majority of companies used large external funding to support the running of the corporate operational activities to achieve maximum corporate performance.

The variable of intellectual capital obtained from the measurement of value added resulting from physical capital (VACA), human capital (VAHU), and structural capital (STVA) had mean value equal to 6.3866% and minimum value equal to 2.47% as well as maximum value equal to 18.37%. The data of intellectual capital variable could be said good because it had standard deviation value equal to 2.84435 which was smaller than its mean value. This indicated that the company had adequate intellectual capital resources. Intellectual capital was very important to support the corporate activities in order to can run well and achieve maximum performance.

Table 4. The Result of Simultaneous Test

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	1666.980	4	416.745	19.800	.000[b]
Residual	1241.834	59	21.048		
Total	2908.814	63			

a. Dependent Variable: KIPER
b. Predictors: (Constant), IC, KI, LEV, KM
Source: Data processed by SPSS

The result of simultaneous test showed F = 19,800 with significance level of 0.000. Significance value smaller than 0.05 indicated that variables of managerial ownership, institutional ownership, leverage, and intellectual capital simultaneously affected on corporate performance as measured by ROA, meaning the first hypothesis was accepted.

Table 5. The Result of Multiple Linear Regression Test

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	14.529	5.868		2.476	.016
	KM	-.744	.197	-.413	-3.781	.000
	KI	.006	.072	.009	.087	.931
	LEV	-.196	.058	-.357	-3.373	.001
	IC	1.185	.236	.496	5.028	.000

Source: Data processed by SPSS

The variable of managerial ownership statistically showed the coefficient value of -0.744 with significance level of 0.000. The value of significance below 0.05 and the negative direction coefficient indicated that the variable of managerial ownership had a significant negative effect on corporate performance at significance level 5%. The more increased managerial ownership would degrade corporate performance. Vice versa, companies with low managerial ownership, then the corporate performance was higher. Consequently, the second hypothesis was rejected. Law of the Repuplic of Indonesia No. 40 of 2007 Article 84 states that one share represented one vote, thus the higher the number of shares owned by the manager of the company, the higher the votes held by managers in the General Meeting of Shareholders (GMS). This high vote signified that managers were able to decide on policies related to the company. This indicated as if the manager oversaw himself or herself in managing the company to make it easier for managers to act in the private interest, not for the sake of the company. This could make the company suffered losses and impact on the decline in corporate performance

The variable of institutional ownership statistically showed the coefficient value equal to 0.006 with significance level equal to 0.931. The value of significance above 0.05 indicated that institutional ownership variable did not have effect on ROA at significance level of 5%. Thus, the third hypothesis was rejected. According to Modigliani in Wiranata and Nugrahanti (2013) institutional ownership did not have effect on the financial performance of the company due to information asymmetry between shareholders and managers. This caused manager as the manager of the company would be able to control the company because he/she had more information about the company than shareholders. This made managers were more easy in controlling the company in making a policy. So that, regardless the number of shares owned by other institutions or companies, it did not guarantee the monitoring of managers' performance could run effectively.

The variable of leverage showed the coefficient value of -0.196 with significance level of 0.001. The value of significance below 0.05 and negative direction coefficient indicated that leverage variable had a significant negative effect on ROA at significance level of 5 %. The more increased corporate debt would degrade corporate performance. Vice versa, companies with low debt levels, then the corporate performance was higher. Therefore, the fourth hypothesis was accepted. The company preferred internal fund source namely retained earnings rather than using external fund sources. Companies that had high leverage ratio would face high risk because of huge debt they had to bear. Large debts made in part corporate revenues used to pay liabilities in the form of principal debts and its interest, which resulted in the profits received by the shareholder becoming fewer.

The variable of intellectual capital statistically showed the coefficient value of 1.185 with significance level of 0.000. The value of significance was below 0.05 and the coefficient was positive indicating that intellectual capital variable had a significant positive effect on ROA at significance level of 5%. The higher the level of intellectual capital would improve the performance of the company. Vice versa, the lower the level of intellectual capital would lower the performance of the company. Thus, the fifth hypothesis was accepted. All of the stakeholders would do their best to maximize their welfare by utilizing all the resources owned by the company as much as possible.

The value of Adjusted R2 indicated how much the capability of managerial ownership, institutional ownership, leverage and intellectual capital variables in influencing the corporate performance variable.

Table 6. Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error of The Estimate	Durbin-Watson
1	.757[a]	.573	.544	4.58781	1.704

a. Predictors: (Constant), IC, KI, LEV, KM

b. Dependent Variable: KIPER

Source: Data process by SPSS

The table above showed that the coefficient of determinant which was showed by adjust R Square value was 0.544. This showed that corporate performance variable as measured by ROA could be explained by variables of managerial ownership, institutional ownership, leverage, and intellectual capital as big as 54,4% and the rest of 45,6%, corporate performance variable could be explained by other variables.

CONCLUSIONS

Simultaneously managerial ownership, institutional ownership, leverage, and intellectual capital affect on the performance of the company as measured by ROA. Managerial ownership and leverage have a significant negative effect on the corporate performance. Institutional ownership does not have effect on the corporate performance. And intellectual capital has a significant positive effect on the corporate performance. For further research development, it is suggested to add variables or indicators that are appropriate to the situation and condition of the research object.

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