

Effect of Capital Structure toward Firm Value at Different Levels of Managerial Ownership

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Abstract: This study aimed to investigate whether the managerial ownership become moderator variable for the capital structure in affecting the firm value, and test the difference of influence in capital structure toward the firm value on the condition of low and high managerial ownership in manufacturing companies listed in Indonesia Stock Exchange. Secondary data is used and collected based on time series and cross section from 2010 until 2013, among 90 public companies as unit observation. This study uses data panel regression analysis techniques with Generalized Least Square (GLS). Chow test and Hausman test shows that the model used as a fixed effect estimation techniques. The results showed that a debt to equity ratio is significant positive effect toward Tobin's q. Managerial ownership is a moderating variable of capital structure and firm value, there is a positif interaction between capital structure and managerial ownership in influencing the firm value. The higher managerial ownership, then getting higher the effect of capital structure toward firm value. Furthermore, there are differences in the effect of the debt to equity ratio toward Tobin's q in low and high ownership when the managerial ownership is high; the effect of debt to equity ratio is greater. Debt to equity ratio will be sensitive to Tobin's q if high managerial ownership.

Keywords: capital structure; debt to equity ratio; managerial ownership; firm value; Tobin's q.