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The Effect of Ownership, Good Corporate Governance, and Cash Flows on Company Value with Debt Policy as Mediation in the Manufacturing Sector Pharmaceutical in Indonesia Stock Exchange 2015-2017

Diana Florenta Butar- Butar[1], Rusmahweni[2]

[1]Efarina University, Indonesia
[2]Bina Karya College of Economics, Indonesia

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E-mail:
rusmewahni48@yahoo.co.id

ABSTRACT

This study aims to determine whether ownership affects debt policy, GCG affects debt policy, cash flow affects debt policy, ownership affects firm value, GCG affects firm value, cash flow affects firm value, and whether debt policy is a mediation. the result is ownership and cash flow affect debt policy. ownership, gcg and debt policy affect firm value. and the variable debt policy does not mediate.

1. Introduction

Every year global economic growth has increased, which is indicated by the number of companies continuing to grow (Darmayanti & Yadnya, 2014). One of the impacts is the increasing number of manufacturing companies. Rizal (2017) explains that manufacturing companies are all economic activities that manage raw materials and utilize resources to produce goods that have higher economic added value or benefits. One part of the manufacturing industry is the pharmaceutical industry. The pharmaceutical industry according to the Regulation of the Minister of Health of the Republic of Indonesia No. 1799/Menkes/Per/XII/2010 concerning the pharmaceutical industry is a business entity that has a permit from the Minister of Health to carry out drug manufacturing activities. Indonesia is the largest pharmaceutical market share in Southeast Asia, reaching 27% of the Southeast Asian market share, of which 73% of the pharmaceutical market share is dominated by local pharmaceutical companies (www.famasiindustri, 2021).

Pharmaceutical companies are one of the manufacturing sectors listed on the Indonesia Stock Exchange. The first pharmaceutical company was PT Merck Indonesia Tbk on the Indonesia Stock Exchange in 1981. Pharmaceutical companies are included in the industrial consumer goods category on the Indonesia Stock Exchange. Mardi (2015) explains that the Indonesia Stock Exchange is a place where capital market securities trading activities take place which were established by the Indonesian government. Stock prices can change up or down, in a matter of time so quickly. This is due to fluctuations in demand and supply between stock buyers and stock sellers (Darmadji & Fakhruddin, 2012:102). Demand and supply in the capital market can reflect the public's assessment, this assessment affects the value of the company (Harmono, 2017:233). The higher the stock price, the higher the value of the company and vice versa if the stock price is low, the value of the company will also be low company (Sujoko & Soebiantoro, 2007). Firm value is influenced by several factors including ownership structure. I Made Sudana (2011:11) states that the ownership structure is the difference between the owner of the company and the manager of the company, where the owner is the party that includes the capital while the manager is the party appointed by the owner to make company decisions. Ownership structure is generally divided into 2, namely institutional ownership and managerial ownership, this ownership structure is concentrated on institutional ownership. Institutional ownership is the percentage of company shares owned by institutions or institutions of insurance companies, pension funds, and others (Adibah, 2012). Meanwhile, according to Pasaribu and Sulasmiyati (2016) institutional ownership is the percentage of shares owned by institutions. The institution in question is an owner of a public company in the form of an institution not on behalf of an individual individual owner. In addition to institutional ownership, Good Corporate Governance can also affect the value of the company. Yosephus et al (2017) stated that Good Corporate Governance is a series that organizes, organizes and observes a business management process in increasing share value as well as paying attention to the authorities. In GCG there are independent commissioners who are parties from outside the company acting as mediators if there are differences of opinion between managers from within the company (Yosephus et al, 2017).

Independent commissioners also act in overseeing management policies and provide input to management when deemed necessary. The existence of an audit committee also plays an important role in ensuring the formation of Good Corporate Governance in addition to an independent commissioner, because the audit committee is also responsible for overseeing the company's financial statements, overseeing external audits and internal control of the company. Apart from implementing good governance, the measurement of company value by creditors and investors is to look at financial statements in the form of cash flows. The cash flow statement presents historical changes or all company activities that show changes occurred during a certain period (Simangunsong et al, 2017).

Cash flow statements can provide information about the company's cash flows that are useful for users of financial statements to assess the company's ability to generate cash and cash equivalents and assess the company's need to use these cash flows (Murtianingsih & Hastuti, 2017). Cash flow is an important part for companies that carry out continuous operations, including pharmaceutical companies, because without cash flow, the company's survival will be stagnant. Information from flows is useful for managers in making decisions (Putri & Maulana, 2017). Companies that want to maximize firm value also need to implement a debt policy. Ramadhani & Barus, (2017) explained that the debt policy is an action taken by the company in order to fund operational activities with debt. Almost all companies, both small and large companies, generally finance the company by using debt (Oktaviani, 2016). Debt has an important influence on the company, as a source of expansion funds and improve discipline.

2. Methods

The type of research used in this research is quantitative research methods. According to Hardani et al (2017) quantitative research is adherent to the flow of positivism, whose attention is shown to these facts. Meanwhile, Arikunto (2006) suggests that quantitative research is a research approach that is required to use numbers, starting from data collection, interpretation of the data, and the appearance of the results.

2.1 Variable operational definition

In this study there are 3 independent variables, 1 dependent variable and 1 intervening variable.

a. Dependent variable (Y) The dependent variable in this study is firm value. 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 (Sucipto, 2017). The value of the company is a reflection of the share price of the market price per value. The indicators of firm value are: PBV, PER, EPS & TOBIN'S Q. The PBV used in this study.
b. Intervaning Variable (Z) The mediating variable is the variable that affects the observed phenomenon (the dependent variable), the mediating variable is often also called the intervention variable, because it mediates or intervenes in the causal relationship of the independent variable to the dependent variable (Jogiyanto, 2004). Intervaning variable in this research is debt policy, debt policy, including company financing policy from external sources, using DER, DAR & LDAR indicators. The DER used in this study.
c. Independent variable (X) Ownership (X1) Reducing conflict within the company requires an ownership structure. The indicators of ownership in this study consist of managerial ownership and institutional ownership. What is used in this study is institutional ownership. 4. Good Corporate Governance (X2) Corporate Governance is a series of structured processes used to manage and direct or lead business and corporate endeavors with the aim of increasing corporate

values and business continuity. Indicators of good corporate governance are: Audited Committee and Independent Board of Commissioners. Yand used in this study is an independent board of commissioners.

d. Cash flow (X3) Cash flows are cash inflows and outflows of cash and cash equivalents. cash flow statements show and explain cash receipts and payments for a certain period of time (Fadah, 2013:34) with the formula:

$$\boxed{FCF = AKO - Belanja\ Modal}$$

The population in this study were 11 companies. The sampling method used in this study used the purposive sampling method. Purposive sampling is a sampling technique with certain considerations according to Sugiyono (2013: 154). The selection of a sample of companies during the research period was based on certain criteria. Path analysis is used in this study. According to Ghozali (2011: 249), to test the effect of the intervention variables, the path analysis method was used. Path analysis is an extension of multiple linear regression analysis, or path analysis is the use of regression analysis to estimate causal relationships between predetermined variables (causal model).

3. Results and Discussion

3.1 Effect of ownership on debt policy

Based on table 4.2, it can be seen that the tcount value is -2.777 while the ttable at a significance of 0.05 is 2.015 so that tcount > ttable (-2.777 > 2.015). In addition, it can be seen that the significance probability value is 0.009 or lower than 0.05 (0.009 0.05). Based on the results of the hypothesis test above, it can be concluded that the variable Institutional Ownership has an effect on policy so that the hypothesis which states "Institutional Ownership affects Debt Policy in Pharmaceutical Manufacturing companies listed on the Indonesia Stock Exchange in 2015-2017" is H1 accepted.

3.2 Effect of GCG on debt policy

Based on table 4.2, it can be seen that the tcount value is -412 while the ttable at a significance of 0.05 is 2.015 so that tcount > ttable (-412 > 2.015). In addition, it can be seen that the significance probability value is 0.683 or higher than 0.05 (0.863 0.05). Based on the results of the hypothesis test above, it can be concluded that the GCG variable is on policy so that the hypothesis which states "GCG has an effect on Debt Policy in Pharmaceutical Manufacturing companies listed on the IDX in 2015-2017" is H2 is rejected.

3.3 Effect of cash flow on debt policy

Based on table 4.2, it can be seen that the tcount value is -2.140 while the ttable at a significance of 0.05 is 2.015 so that tcount > ttable (-2.140 > 2.015). In addition, it can be seen that the significance probability value is 0.039 or lower than 0.05 (0.039 0.05). Based on the results of the hypothesis test above, it can be concluded that the Cash Flow variable has an effect on Debt Policy so that the hypothesis which states "Cash Flow has an effect on Debt Policy in Pharmaceutical Manufacturing companies listed on the IDX in 2015-2017" is H3 accepted.

3.4 The effect of institutional ownership on firm value

Based on table 4.2, it can be seen that the tcount value is -4.026 while the ttable at a significance of 0.05 is 2.016 so that tcount > ttable (-4.026 > 2.016). In addition, it can be seen that the significance probability value is 0.000 or lower than 0.05 (0.000 0.05). Based on the results of the hypothesis test above, it can be concluded that the variable Institutional Ownership has an effect on Firm Value so that the hypothesis which states"Institutional Ownership affects Firm Value in Pharmaceutical Manufacturing companies listed on the Indonesia Stock Exchange in 2015-2017" is H4 accepted.

3.5 Effect of GCG on firm value

Based on table 4.22, it can be seen that the tcount value is 2.280 while the ttable at a significance of 0.05 is 2.016 so that tcount > ttable (2.280 > 2.016). In addition, it can be seen that the significance probability value is 0.029 or lower than 0.05 (0.029 0.05). Based on the results of the hypothesis test above, it can be concluded that the GCG variable has an effect on firm value so that the hypothesis which states "GCG has an effect on firm value in pharmaceutical manufacturing companies listed on the Indonesia Stock Exchange in 2015-2017" is H5 accepted.

3.6 Effect of cash flow on firm value

Based on table 4.2, it can be seen that the tcount value is 166 while the ttable at a significance of 0.05 is 2,016 so that tcount > ttable (166 > 2,016). In addition, it can be seen that the significance probability value is 0.869 or higher than 0.05 (0.869 0.05). Based on the results of the hypothesis test above, it can be concluded that the cash flow variable has an effect on firm value so that the hypothesis which states"cash flow to firm value in pharmaceutical manufacturing companies listed on the Indonesia Stock Exchange in 2015-2017" is H6 Rejected.

3.7 The effect of debt policy on firm value

Based on table 4.2, it can be seen that the tcount value is -2.759 while the ttable at 0.05 significance is 2.016 so that tcount > ttable (-2.759> 2.016). In addition, it can be seen that the significance probability value is 0.009 or lower than 0.05 (0.009 0.05). Based on the results of the hypothesis test above, it canbe concluded that the Debt Policy variable affects the Value of the Company so that the hypothesis which states "Debt Policy affects the Firm Value of Pharmaceutical Manufacturing companies listed on the IDX in 2015-2017" is H7 accepted.

3.8 The Effect of Ownership on Company Value Through Debt Policy

The test results of this study indicate that the effect of Institutional Ownership; The value of the company through the Debt Policy has a number of 0.172104. In addition, the total effect is -0.83 > while the direct effect is -0.597 which means -0.83 < -0.597 thus debt policy does not mediate the effect of institutional ownership on firm value which makes H8 rejected..

3.9 The Effect of GCG on Company Value Through Debt Policy

The test results of this study indicate that the effect of GCG on firm value through debt policy has a figure of 0.026838. The results of the t arithmetic value (6.058) < t table (2.016) The total effect is -0.489 while the direct effect is 0.326 meaning -0.487 < 0.326 thus debt policy does not mediate the effect of GCG with firm value which makes H9 rejected.

3.10 The Effect of Cash Flow on Firm Value Through Debt Policy

The test results of this study indicate that the effect of cash flow on firm value through debt policy has a number of 0.13845. The results of the t arithmetic value (6.058) < t table (2.016) other than that the total effect is -0.751 while the direct effect is 0.025 meaning -0.751 < 0.025 thus debt policy does not mediate the effect of cash flow ownership with firm value which makes H10 rejected.

4. Conclusion

Based on the research results obtained in this thesis, the authors can establish the following conclusions:

a. The results of the t-test on the institutional ownership variable yield a t-value of -2.777 < t-table value (-2.777 <2.015) and a significance value of 0.009 <0.05, which means that institutional ownership has a significant effect on Debt Policy.
b. The results of the t-test on the GCG variable produce a t-count value of -412 < t-table value (-0.412 <2.015) and a significance value of 0.683 > 0.05, which means that GCG has no significant effect on Debt Policy.
c. The results of the t-test on the cash flow variable produce a t-count value of -2.140 < t-table value (-2.140 <2.015) and a significance value of 0.039 <0.05, which means that cash flow has a significant effect on debt policy.
d. The results of the t-test on the institutional ownership variable yield a t-value of -4.026 < t-table value (-4.026 <2.016) and a significance value of 0.000 <0.05, which means that institutional ownership has a significant effect on firm value.
e. The results of the t-test on the GCG variable produce a t-value of 2.280 < t-table value (2.280 <2.016) and a significance value of 0.029 <0.05, which GCG has a significant effect on firm value.

f. The results of the t-test on the cash flow variable yield a t-value of 166 < t-table value (166 <2.016) and a significance value of 0.869 > 0.05, which means that GCG has no significant effect on firm value.
g. The results of the t-test on the Debt Policy variable yield a t-value of -2.759 < t-table value (-2.759 <2.016) and a significance value of 0.009 <0.05, which means that debt policy has a significant effect on firm value.
h. The results of this research show that the tcount value is -2.759 while the ttable at 0.05 significance is 2.016 so that tcount > ttable (-2.759> 2.016). In addition, the total effect is -0.83 > while the direct effect is -0.597, meaning -c0.83 < -0.597. Thus, debt policy does not mediate the effect of institutional ownership on firm value.
i. The test results of this study indicate that the effect of GCG on firm value through debt policy has a figure of 0.026838. The total effect is -0.489 while the direct effect is 0.326, meaning -0.487 < 0.326. Thus, debt policy does not mediate the effect of GCG on firm value.
j. The test results of this study indicate that the effect of cash flow on firm value through debt policy has a number of 0.13845. The results of the t arithmetic value (6.058) < t table (2.016) The total effect is -0.751 while the direct effect is 0.025, meaning -0.751 <0.025, thus debt policy does not mediate the effect of cash flow ownership on firm value.

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