

The Influence of Information Asymmetry and Managerial Ownership on the Value of the Company (A Case Study on Manufacturing Companies Listed on the Indonesia Stock Exchange from 2019-2021)

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Abstract

The increasing value of a company is something that is aimed for when establishing a company, and this is done for the prosperity of the shareholders. Shareholders will also experience an increase in well-being when the value of a company's stock rises. A company's value increases when there's a reduction in information asymmetry (imbalance), allowing the company to have complete information about itself. The following research aims to analyze the influence of information asymmetry and managerial ownership on a company (Case Study on Manufacturing Companies listed on the IDX in 2019-2021). The method used in this research is quantitative, and the type of research is descriptive quantitative. The sample for this study includes 55 companies selected based on certain considerations over three years, 2019-2021, totaling 252 research samples. This research found that the value of manufacturing companies registered in the IDX from 2019-2021 is positively and partially influenced by information asymmetry and managerial ownership. Management and institutions should balance their share ownership in a company. In doing so, there will be no creation of minority and majority sides, making all shareholders equally responsible for selecting programs/plans to increase management utility, resulting in an increase in company value by both parties. As a result, this triggers an increase in the disclosure of social responsibility followed by an increase in the company's value.

Keywords: *Information Asymmetry, Managerial Ownership, Company Value or Firm Value.*

1. Introduction

Enhancing the value of a company is essential when establishing a company. The value of a company is defined as the investors' understanding of the potential use and management of all the resources owned by a business component (Ahmad et al., 2023; Ahmed et al., 2023; Watto et al., 2023). An increase in the company's value occurs when a good reputation is perceived by investors, as seen in the successful management of a company's resources. The parameter that illustrates the value of a company is its stock price; the representation of a business component's value is determined by the high or low stock market price (Fahlevi, Vional, et al., 2022; Juhandi et al., 2020; Mushtaq et al., 2022).

Table 1. Data on information asymmetry, managerial ownership, and company value

Code	2019			2020			2021		
	Spread	KM	PBV	Spread	KM	PBV	Spread	KM	PBV
AUTO	104,14	1,702	1,536	94,27	1,662	0,551	90,63	1,211	1,732
ALDO	22,87	0,015	1,967	27,31	0,012	2,167	21,72	0,005	2,523
GGRM	29,00	0,433	4,493	28,11	0,472	4,993	20,61	0,734	4,123
HMSP	51,57	10,59	3,120	63,57	10,32	2,123	51,28	11,81	2,151
BATA	61,98	0,007	2,742	67,15	0,088	2,521	43,62	0,118	2,623
ASII	69,13	0,249	2,745	72,25	0,127	2,827	66,11	0,188	2,152
SIDO	89,23	2,521	4,772	84,10	3,632	4,881	72,98	3,734	4,342

Source: Primary Data Analysis of the Indonesian Stock Exchange, 2022

Financial decisions concerning dividend policies, financing, and investments generate company value. An increase in company value is accompanied by an improvement in the welfare of the shareholders. If the value of a company increases, there will be an enhancement in the prosperity of the shareholders. Hence, shareholders will be more inclined to invest in that company. The signal theory explains that a company's value will increase if there's a positive signal from investors about the company's future through investments. A company's value will rise when there's a reduction in information asymmetry within that company. Information asymmetry, which exists when management, who has access to comprehensive company information, shares only specific details with investors in the form of reports, leads to a situation where intermediaries or agents might prioritize their interests, thereby increasing agency costs. Managerial ownership refers to the percentage of shares owned by the company's management, including directors and commissioners actively involved in decision-making within a company (Midiastuty & Machfoedz, 2013). The main goal for companies is for the management to optimize profits so that the welfare of the company's owners is achieved. Shareholders' welfare improves when there's an increase in the company's stock price. If the company is held by the management, the management, acting as both owners and operators, will focus on the company's best interests. Therefore, as an indicator, managerial ownership plays a role in integrating the interests between owners and management. To measure managerial ownership, a comparison is made between the percentage of distributed shares and the shares owned by commissioners and directors.

2. Literature Review

Information Asymmetry

According to Jogiyanto (2013:518), information asymmetry, or the imbalance of information, refers to the private knowledge held by some informed investors. Information asymmetry occurs when one participant in the capital market possesses more information than another (Fahlevi, Moeljadi, et al., 2022). In this study, relative bid-ask spread is used to measure information asymmetry with the formula:

$$SPREAD = \frac{ask_{i,t} - bid_{i,t}}{(ask_{i,t} + bid_{i,t})/2} \times 100 \%$$

Information:

Aski,t : Highest asking price of company i's shares for day t

Bidi,t : Lowest bid price of company i's shares for day t

Managerial Ownership

The total number of shares owned by management compared to the entire share capital controlled by the company is referred to as managerial ownership (Tambalean, 2018). The percentage of shares owned by management out of the total company share capital is used as a parameter to estimate managerial ownership.

$$\text{Managerial Ownership} = \frac{\text{Shares owned by management}}{\text{Total number of company shares}} \times 100\%$$

Company Value

The sale price of a company, which reflects the success of managing its resources, is defined by its stock price. The performance of a company that grows increasingly better triggers an increase in stock prices (Hussain et al., 2023). Price to book value (PBV) is used as a measure of company value. To measure PBV, the unit used is a percentage (%). The formula used is (Tambalean, 2018):

$$PBV = \log \frac{\text{Stock Price per Share}}{\text{Book Value per Share}}$$

Operational Definition of Variables

The operational variable in this study is defined in operational definition and measurement of variables:

1. Information Asymmetry (X1): Defined as private information known only by some informed investors - Indicator: bid ask spread - Scale: Ratio
2. Managerial Ownership (X2): Service quality is a combination of characteristics and traits in meeting consumer requirements determined by the ability to ensure needs are met. - Indicator: Percentage of total shares owned by management compared to the entire company share capital - Scale: Ratio
3. Company Value (X3): Price is a standard amount that a product possesses when replaced with another and completes an item that provides a specific satisfaction level to customers. - Indicator: Logarithm of the division of price equals book value of stock - Scale: Ratio

Conceptual Framework

Based on the background and literature review, the researcher can create the following conceptual framework:

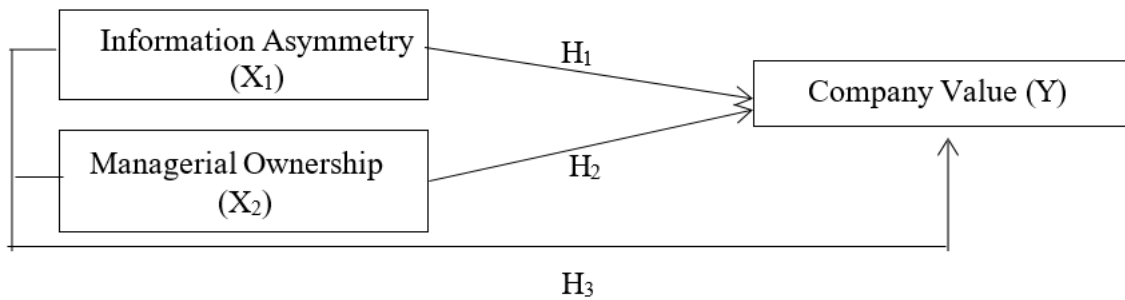


Figure 1. Conceptual Framework

Research Hypotheses

According to Sugiyono (2014: 99), a hypothesis is a temporary assumption about a problem in research based on empirical facts obtained from data review. Based on the problem formulation, theoretical basis, previous research review, and previous conceptual framework, four hypotheses were formulated:

- H1: The value of a company is influenced by information asymmetry based on Manufacturing Companies registered in the Indonesia Stock Exchange (BEI) from 2019-2021.
- H2: The value of a company is influenced by ownership based on Manufacturing Companies registered in the Indonesia Stock Exchange (BEI) from 2019-2021.
- H3: The value of a company is influenced by both information asymmetry and managerial ownership based on Manufacturing Companies registered in the Indonesia Stock Exchange (BEI) from 2019-2021.

3. Methodology

The research employed a quantitative method, specifically the descriptive quantitative type (Maenuddin et al., 2023). This study is characterized as explanatory research. For the study population, manufacturing companies registered in the Indonesia Stock Exchange (BEI) for the fiscal years 2019-2021 were considered. Out of these, 193 companies were registered in the BEI during this period. The study selected samples using the purposive sampling method, where specific criteria, as outlined by Sugiyono (2018), were taken into account. Initially, there were 193 manufacturing companies, but some were excluded based on various criteria such as not publishing their annual reports from 2019-2021 or not reporting them in Indonesian Rupiah. Eventually, the study had a sample of 252 companies over three years.

Data was collected from the official BEI website, where financial reports are listed. Once collected, the data undergoes analysis. As Sugiyono (2016:206) notes, this involves grouping the data based on the type of respondents and variables, then arranging it by variables across all participants. The data is then examined, presented, and computations are made to address research questions and test hypotheses.

Several classic assumption tests were carried out, as highlighted by various authors. Ghazali (2018:50) describes the normality test, which determines if the data distribution is normal. The Kolmogorov-Smirnov test was utilized for this. Additionally, a multicollinearity test was conducted, aiming to detect relationships between independent variables. Criteria for this test are based on Tolerance values and Variance Inflation Factor (VIF) from SPSS processed data. Further tests include

the heteroscedasticity test, which examines variance inconsistency in regression model residuals, and the autocorrelation test, which examines relationships between disturbances at different times, using the Durbin Watson criteria.

For data analysis models, the study employs multiple linear regression analysis, as suggested by Algifari (2015:62). The general equation used is $Y = a + b_1 X_1 + b_2 X_2 + e$, where Y is the company value, X1 represents information asymmetry, and X2 represents managerial ownership. Furthermore, the Coefficient of Determination (R^2) test is used to estimate the extent to which the dependent variable is explained by independent variables. Lastly, hypothesis tests, both simultaneous (F-test) and partial (t-test), are applied. The former checks if all independent variables significantly influence the dependent variable, while the latter checks the influence of each independent variable on the dependent variable individually.

4. Result and Discussion

Descriptive Analysis

The researcher in this study conducted a search through the official BEI website www.idx.co.id to analyze manufacturing companies registered on BEI for the period 2019-2021 concerning financial data reports. The independent variables are information asymmetry and stock ownership. Meanwhile, the company value is used as the dependent variable. The results of the descriptive statistical test in this study are presented in Table 2.

Table 2. Descriptive Statistics

Variables	N	Minimum	Maximum	Mean	Std. Deviation
Information Asymmetry	252	0.0005	0.0184	0.0043	.00045
Managerial Ownership	252	0.556	0.903	0.0783	0.0804
Company Value	252	0.66	37.29	19.74	7.51234

Source: Processed primary data, 2023.

Descriptive statistics describe or conclude data. Based on Table 3.1, it is shown that the information asymmetry variable has a minimum value of 0.0005 and a maximum of 0.0184, with a mean value of 0.0043 and a standard deviation of 0.00045. Share ownership has minimum and maximum values of 0.556 and 0.903, respectively, with a mean value of 0.0783 and a standard deviation of 0.0804. Meanwhile, the company's value has a minimum value of 0.66 and a maximum value of 37.29 with a standard deviation measurement of 7.51234.

Normality Test

There are two stages to test data normality, namely: Testing with Graphics, with two methods, Histogram Graph. this study's histogram test results are as follows:

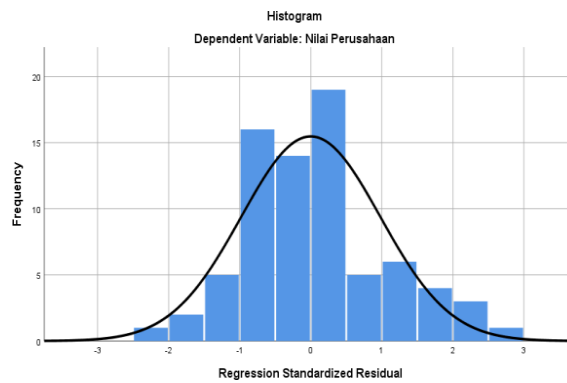


Figure 2. Histogram

The graph concludes that the data is normally distributed, indicated by a graph that doesn't lean left or right. b. Normal Probability Plot.

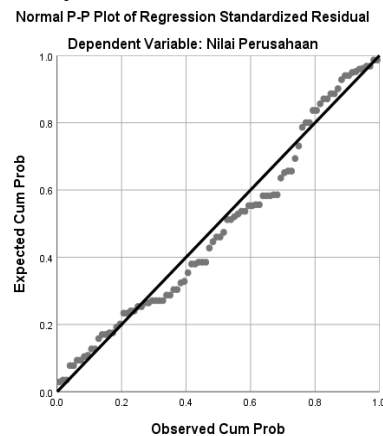


Figure 3. P-Plot

Figure 3 concludes that the data is normally distributed, indicated by the data spread located around and leading to the diagonal line.

Multicollinearity Test

Through result related to being free from multicollinearity is presented, marked by the independent variables giving a tolerance value > 0.1, where information asymmetry is valued at 0.166, managerial ownership at 0.123. Meanwhile, each variable, such as information asymmetry, gives a VIF value of 1.163 and managerial ownership is valued at 2.926. Where these variables provide a VIF less than 10 (<10).

Multiple Linier Regression

In this study, information asymmetry and managerial ownership are used as independent variables, while the value of the company is the dependent variable. The research model uses the following regression equation:

$$Y = 0.069 + 0.563 X1 - 363 B2 X2 + e:$$

Table 3. Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	.069	.865		-.080	.937
Information	.563	.072	.800	7.788	.000
Asymmetry	.726	.067	.857	5.864	.000
Managerial Ownership					

From the table, the conclusions that can be drawn are: a. The variables of information asymmetry and managerial ownership of a company have a fairly high correlation or relationship, indicated by the value $R = 0.777$. b. The variables of information asymmetry and managerial ownership can explain the value of the company, indicated by the coefficient value of Adjusted R Square 78.2%, while 21.8% is influenced by other independent variables that cannot be explained in this study.

From the result, it is inferred that the company value is significantly and simultaneously influenced by the variables of information asymmetry and managerial ownership. This is marked by the value of $F_{\text{calculated}} > F_{\text{table}}$ ($56.369 > 2.70$), where the null hypothesis is rejected indicated by $(\text{Sig.}) < 0.05$ (0.000). From Table 3.8, the following information is obtained: The T-test on information asymmetry (X1) gives a $t_{\text{calculated}} > t_{\text{table}}$ ($7.788 > 1.994$), with the null hypothesis rejected indicated by a significance value $(\text{Sig.}) < 0.05$ (0.000). The conclusion is that the information asymmetry variable (X1) has a significant and positive effect on the company value (Y). The T-test on managerial ownership (X2) gives a $t_{\text{calculated}} > t_{\text{table}}$ ($5.864 > 1.994$), with the null hypothesis rejected indicated by a significance value $(\text{Sig.}) < 0.05$ (0.000). The conclusion is that the company value (Y) is significantly and positively influenced by managerial ownership (X2)." This seems to suggest that both information asymmetry and managerial ownership play a significant role in determining the value of the company.

Discussion

Effect of Information Asymmetry (X1) on Company Value (Y)

The individual test or T-test shows that the information asymmetry (X1) provides a $t_{\text{calculated}}$ value $> t_{\text{table}}$ ($7.788 > 1.994$), with the null hypothesis rejected as indicated by the significance value $(\text{Sig.}) < 0.05$ (0.000). The conclusion is that the information asymmetry variable (X1) has a significant and positive influence on the company's value (Y). The optimization of company value can be achieved by performing financial management functions. Where every financial decision affects one another, leading to an influence on the company's value. Investors or company holders expect to have a high company value. When a company's value increases, which is fundamental for investors, the well-being of shareholders also rises. Consequently, stock prices will rise when there's high information asymmetry and a wide bid/ask spread value.

Influence of Managerial Ownership (X2) on Company Value (Y)

The individual test or T-test reveals that managerial ownership (X2) has a $t_{\text{calculated}}$ value $> t_{\text{table}}$ ($5.864 > 1.994$), with the null hypothesis rejected as indicated by the significance value ($\text{Sig.} < 0.05$ (0.000)). The conclusion is that the managerial ownership variable (X2) has a significant and positive influence on the company's value (Y). The direction of the company will be affected by this ownership portion, and ultimately, the achievement in optimizing company value will also be influenced due to gaps in the company's performance itself.

Impact of Information Asymmetry and Managerial Ownership on Company Value

The test shows that the company value is significantly and simultaneously influenced by the variables of information asymmetry and managerial ownership. This is indicated by an $F_{\text{calculated}}$ value $> F_{\text{table}}$ ($56.369 > 2.70$), where the null hypothesis (H_0) is rejected, and the alternative hypothesis (H_1) is accepted, as indicated by the significance value ($\text{Sig.} < 0.05$ (0.000)). A total of 78.2% as the Adjusted R Square coefficient value, the variables of information asymmetry and managerial ownership can explain the company's value, while the remaining 21.8% influenced by other independent variables is unaccounted for in this study.

5. Conclusions

The conclusions drawn from the analysis and discussion in this study are: The company's value is partially and significantly influenced in a positive manner by the information asymmetry variable in manufacturing companies registered in the IDX (Indonesia Stock Exchange) for the years 2019-2021. The company's value is partially and significantly influenced in a positive manner by the managerial ownership variable in manufacturing companies registered in the IDX for the years 2019-2021. The company's value is simultaneously influenced in a positive and significant manner by information asymmetry and managerial ownership in manufacturing companies registered in the IDX for the years 2019-2021. The author's recommendations are: Share ownership between management and institutions within the company should be balanced. This way, there won't be minority and majority sides, allowing all shareholders to equally take responsibility in choosing a program/plan to enhance management utility, subsequently increasing the company's value from both sides. This would then lead to an increase in the disclosure of social responsibility followed by an enhancement in the company's value. From the 21.8% influence that cannot be explained by other independent variables in this study, it is advisable that other variables be observed and applied by subsequent researchers to refine this study.

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