



## The Role of Management Ownership in Moderating The Effect of Liquidity on Firm Value

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### ABSTRACT

This study aims to analyze the role of management ownership in moderating the effect of liquidity on firm value in Manufacturing Companies on the Indonesia Stock Exchange for the 2017 – 2021 period. Using purposive sampling, 135 companies were selected as research samples. The data was processed by multiple regression analysis using help of the IBM SPSS Statistic 26 application. The results showed that liquidity had no significant positive effect on firm value. The results of testing the moderating variable indicate that management ownership does not moderate the effect of liquidity on firm value. The managerial implication is the existence of managerial policies that can be carried out by management in an effort to increase the value of the company. The level of liquidity ratio needs to be maintained in a safe position to ensure the company's ability to meet short-term obligations, but does not cause large amounts of idle funds.

**Keywords:** debt, assets, ownership, value, manufacturing

### 1. Introduction

The stock market price is a reflection of every financial decision taken by management, so that the value of the company is the result of management's actions. When the number of shares owned increases, it is able to make an investor to have an influence on the position as a shareholder, this makes a conflict in the agency decrease. The value of the company is a reflection of every financial management action and decision that affects the stock market price. Firm value is an investor's perception of the company, which is often associated with stock prices (Sadalia et al, 2017, Bolarinwa & Obembe, 2017, Ayuba, 2019).. The value of the company indicates a profit obtained by investors when the company purchased through the stock mechanism is offered by other potential investors at a relatively high price. The main goal of the company is to increase prosperity for the owners or shareholders by increasing the value of the company (Pramanaswari & Yasa, 2018, Tahu & Susilo, 2017). Several factors can affect firm value (Fajaria, 2018, Sabrin et. al 2018, Masha & Murtaqi, 2017, Sucuahi & Cambarihan., 2016), including liquidity (Putra & Wiagustini, 2013).

Companies that have a high level of liquidity will provide a positive signal for investors so that the value of the company increases as seen from the stock price (Mota & Moreira, 2017, Husnan & Pudjiastuti, 2015). Gultom et al (2013), Osazuwa & Che-Ahmad (2016) concluded that liquidity indicated by the ability to repay short-term debt has a negative influence on the development of firm value. Liquidity is one of the factors that can encourage changes in stock prices (Baten & Vo, 2019; Zuhroh, 2019; Du et al. 2016). Asiri & Hameed (2014) which states that liquidity has no effect on firm value. However, the results of this study are not in line with Putra & Wiagustini (2013); Pratama & Wirawati (2016); Nafisah et al (2018) which states that liquidity has a positive effect on firm value, and Thaib & Dewantoro (2017) which states that liquidity has a negative and insignificant effect on firm value.

In addition to the differences in the results of previous studies regarding the effect of liquidity on firm value, it is necessary to resolve this, one of which is resolved by adding moderating variables, including managerial ownership variables, because firm value has a close relationship with managerial ownership in an agency conflict, where insider ownership able to strengthen the company's value position so that its nature is moderation.

Investors in conducting their analysis usually choose the manufacturing industry as their object because the manufacturing industry is one of the main sectors on the Indonesia Stock Exchange (IDX) which can reflect the state of the capital market. In addition to the large number of companies, the average investor prefers to invest in manufacturing companies, because the stock prices of manufacturing companies always increase every year.

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This study aims to analyze the role of management ownership in moderating the effect of liquidity on firm value and the effect of liquidity on the value of manufacturing companies listed on the Indonesia Stock Exchange for the period 2017–2021.

## 2. Literature Review

### Agency theory

Agency theory is a theory that explains the working relationship between company owners (shareholders) and management. Management is the process of planning, organizing, and using other organizational resources in order to achieve the organizational goals that have been set in the agency organization indicated by the shareholders (principals) who are given the task and authority to manage the company on behalf of the shareholders. Agency theory is a model used in the formulation of problems that arise between principals and agents. Every performance result from management will be submitted to the principal through financial statements.

Company value indicates a profit obtained by investors when the company purchased through the stock mechanism is offered by other potential investors at a relatively high price (Yanti & Dwirandra, 2019, Riaz & Qasim, 2016, Ha & Le, 2017). This is in line with with the theory of the firm, namely prosperous investors. The greater the Price Book Value (PBV), the higher the company is valued by investors relative to the funds that have been invested in the company.

If an investment yields a return higher than the face value of the debt, the benefits accrue to shareholders. Conversely, if the investment fails, then the shareholders enjoy limited liability by exercising their right to leave. This leaves the debt holder with a company whose market value is less than the outstanding face value of the debt. In general, in large companies, there is often a separation between company managers, namely the management is referred to as the agent and the company owner or shareholder, commonly referred to as the principal. This can allow the emergence of agency problems (Agency problems). Agency problems arise in two forms, namely between company owners and management, and between shareholders and bondholders. The normative purpose of financial decision making, which states that decisions are taken to maximize the wealth of the owners, is not always true, because it is possible that management makes the best decisions for the benefit of management, not for the owners of the company.

### Liquidity

One of the ratios used to measure the company's ability to meet short-term obligations is the current ratio. Liquidity is the company's ability to pay off its short-term debts. Short-term debt or current debt is debt that will be repaid within one year. In the daily routine, liquidity can be seen from the company's ability to pay debts and salaries on time. Liquidity is measured by linking short-term debt with current assets available to pay it off (Shammakhi & Mehrabi, 2016, Wasim et al. 2016, Putra & Sedana, 2019). Various indicators of financial conditions related to lancet debt and current assets are called liquidity ratios. The liquidity ratio commonly used is the current ratio. The current ratio aims to determine the ability to meet short-term debt, because this ratio describes the company's ability to meet the demands of short-term creditors by using assets that are expected to turn into cash when the debt matures. A low current ratio indicates a problem in liquidity, on the other hand if the current ratio is too high it is also a bad sign because it shows a large number of idle funds which in turn reduces the company's ability to earn profits. Companies that have a good level of liquidity will be considered as performing well by potential investors, however, there are several factors that can cause the company to be unable to pay its short-term obligations, such as first: the company does not have any funds at all. Second, the company has funds, but not in the form of cash and must wait a certain period of time to disburse various other assets. Companies that have a high level of liquidity will provide a positive signal for investors so that the value of the company increases as seen from the stock price (Husnan & Pudjiastuti, 2015). Meanwhile, Meivinia (2018) argues that the company's ability to pay short-term obligations can be seen from the high level of liquidity, the higher the liquidity level of a company, the greater the certainty to make cash, so the risk of shareholders is also getting smaller. Nafisah et al. (2018) strengthens the statement above with research results showing that liquidity has a positive effect on firm value. Liquidity is the company's ability to repay short-term debt, which shows the company has sufficient cash, receivables and large inventories so that the company can finance operational activities properly. The results of the research by Putra & Wiagustini (2013); Pratama & Wirawati (2016); Nafisah et al (2018) which states that liquidity has a positive effect on firm value. Liquidity is the company's ability to repay short-term debt. High liquidity can give a positive signal to potential investors so as to increase the value of the company.

H1: Liquidity has a positive effect on firm value.

### Managerial ownership

The separation of ownership and control appears in modern companies due to several conflicts of interest between company management and shareholders. However, when ownership is dispersed among many individuals, the company's resources may be used by managers to their advantage rather than considering the shareholder wealth maximization objective. Agency problems will arise when managers and shareholders have different goals. In agency theory, agency relationships arise when one or more people (capital owners) hire other people (agents/managers) to provide a service and then delegate authority. return the decision to the agent/manager. Manag-

ers who have the responsibility to optimize the profits of the owners of capital, on the other hand also have an interest in maximizing their own welfare.

Shareholders can be divided into two major groups, namely: Shareholders who are also part of the company's management (insider shareholders) and shareholders who are not part of the company's management (outsider shareholders). Insider share holders have advantages over outsider shareholders because they take part in making company decisions, so that their presence can indirectly increase the value of the company.

The separation of the management function and the ownership function in the company can trigger agency conflicts within the company. Management ownership will be able to match the interests between management and the interests of shareholders. The increasing share ownership by management will cause management to be more careful in running the company because they share the risks arising from their actions.

Share ownership by management is one of the actions that can be taken to resolve agency conflicts between various existing interest groups. Company owners can compensate managers in the form of share ownership so that managers think to always increase the value of the company which means also optimizing the welfare of shareholders. Managerial ownership can reduce agency problems. Managerial ownership can reduce the desire of managers to act that is detrimental to the company.

Liquidity is the company's ability to repay short-term debt, which shows the company has sufficient cash, receivables and large inventories so that the company can finance operational activities properly. The value of the company indicates a profit obtained by investors when the company purchased through the stock mechanism is offered by other potential investors at a relatively high price. The results of this study are empirically supported by Putra & Wiagustini (2013), which shows that liquidity has a positive effect on firm value. Dewi & Abundanti (2019) stated that managerial ownership has a positive and significant effect on firm value. This can happen because high management share ownership can lead to a strong attachment from management to be part of the company, it is expected to be able to increase market confidence, so that the value of the company increases.

H2: Managerial ownership strengthens the effect of liquidity on firm value.

### 3. Research Methods

The object of the research is manufacturing companies on the IDX for the 2017-2021 period, the reason for using manufacturing companies is that manufacturing companies are the largest sector with the largest number of companies, in addition to the manufacturing sector whose shares are the most actively traded.

The type of data used in this research is secondary data. Secondary data is data obtained from other parties or already available from several sources. Such as scientific books, magazines and writings that are relevant to this research.

The data sources of each variable used are liquidity, managerial ownership and firm value obtained from the financial statements on the IDX for the 2017-2021 observation period.

The population that is the object of this study is all manufacturing companies whose shares are listed on the IDX since 2017-2021. The reason for choosing the manufacturing sector is because it is the largest sector on the Indonesia Stock Exchange. The data collection in this study used the method of merging or pooling data (time series and cross-sectional). Data pooling is done by adding up the companies that meet the research criteria in the 2017-2021 period. The advantage of collecting samples by pooling data is that by obtaining a larger number of samples, it is expected to increase the power of test in this study. The sampling technique in this study uses purposive sampling with the following criteria: (1) Manufacturing companies listed on the Indonesia Stock Exchange in 2017-2021. (2) Manufacturing companies with share ownership composition, owned by management in the company with a total of more than 1 percent of all outstanding shares, during the 2017-2021 period as many as 135 companies.

Method of collecting data. In accordance with the type of data required, namely secondary data and the sampling technique used, the data collection is based on the secondary data documentation technique by recording/copying the financial statements on the IDX.

Liquidity. Liquidity is the company's ability to repay short-term debt. Liquidity is measured by the Current Ratio (CR). In this study Current Ratio (CR) is taken directly from the IDX.

Managerial Ownership. Managerial ownership is the shareholder of the management who actively participates in making company decisions, including Managers, Directors, and Commissioners. Management's share ownership data is taken directly from the IDX.

The Firm Value. The Firm Value is the price that prospective buyers are willing to pay if the company is sold. Company value is proxied through price to book value (PBV). Price to book value (PBV) data is taken directly from the IDX.

Descriptive Statistics. Descriptive statistics provide an overview or description of a data seen from the average value (mean), standard deviation, variance, maximum, minimum, sum, range. The data in this study were analyzed using descriptive statistical tools to provide an overview of the condition of the independent variable, dependent variable and moderating variable.

Normality Test. The normality test aims to determine whether in the regression model, the confounding or residual variables have a normal distribution. Or in other words, are there extreme data

that can cause the research results to be biased/abnormal? There are two ways to detect whether the residuals are normally distributed or not, namely by graphical analysis and statistical tests. A good regression model is to have a normal or close to normal data distribution. In this study, the normality test used statistical tests with Kolmogorov-Smirnov (K-S). Data is said to be normally distributed if it has a significant level greater than 0.050, in other words KS is not significant which means that the residuals are normally distributed.

**Heteroscedasticity Test.** One of the classic assumptions of the classical linear regression model is that the residual value in the regression model has the same variance or homoscedasticity. Heteroscedasticity does not damage the property of the ordinary least square estimate, namely it remains unbiased and consistent estimator but no longer has a minimum variance and is efficient so that it is no longer Best Linear Unbiased Estimator (BLUE).

The Glejser test is to regress the absolute residual value against other independent variables, if the significant value is greater than 0.05 then there are no symptoms of heteroscedasticity, in other words the independent variables contained in the model have the same distribution of variance.

**Autocorrelation Test.** Autocorrelation test to see whether in a linear regression model there is a correlation between the confounding error (residual) in period t with errors in period t-1 (previous). A good regression model is a regression model that is free from autocorrelation. In this study to test the autocorrelation using the Durbin-Watson test (DW test).

**Coefficient of Determination Test (R<sup>2</sup>).** The coefficient of determination is to test how strong a model's ability to explain the influence of the independent variable is in explaining the dependent variable. The value of the coefficient of determination is between zero and one. The fundamental weakness of using the coefficient of determination is the bias towards the number of independent variables included in the model. Each additional variable, the value of R-square (R<sup>2</sup>) also increases no matter whether the variable has a significant effect on the dependent variable. Therefore, it is recommended to use adjusted R<sup>2</sup> whose value is not affected by the addition of a variable. In this study the coefficient of determination is explained in the output of SPSS 26 through the magnitude of the adjusted R<sup>2</sup> value.

**t test (Partial Effect Test).** The t-test basically shows how far the influence of one independent variable individually in explaining the variation of the dependent variable. To test the hypothesis, the t statistic is used with the following decision-making criteria:

Quick look: if the degree of freedom (df) is 20 or more, and the degree of confidence is 5 percent, then Ho is rejected and Ha is accepted if the t value is greater than 2 (in absolute value), so it is said that the independent variables individually affect dependent variable.

Comparing the statistical value of t. If the t-count value is higher than the t-table value, it is stated that Ho is rejected and Ha is accepted or it is stated that the independent variable individually affects the dependent variable.

**Regression Equation.** This study is to examine the magnitude of the effect of liquidity on firm value. Apart from that, there is a managerial ownership variable to determine the moderating effect on the relationship between the independent variable and the dependent variable. Moderating variables are independent variables that can strengthen or weaken the relationship between other independent variables on the dependent variable. Moderated Regression Analysis (MRA) is an interaction test in which there is an interaction element in the regression equation. The moderator variables are grouped based on the dimensional relationship whether there is an interaction relationship between the moderator variable and the independent variable and the dimension is whether there is a relationship between the moderator variable and the dependent variable:

The regression equation model to see the effect of moderation by using the absolute difference value equation model, so that in this study the following regression model equation was used:

Equation 1: 
$$Y = + \beta_1X + e \dots\dots\dots (1)$$

Equation 2: 
$$Y = \alpha + \beta_1X + \beta_2Z + \beta_3(ABSX*Z) + e \dots\dots\dots (2)$$

Information:

- X1 = Liquidity
- Moderation Z = Managerial Ownership
- Y = Firm Value
- α = Constant variable
- e = Standard error

X and Z values, the second equation is the standardized score (Zscore), (ABSX\*Z) is the interaction value measured by the difference between the absolute values of X and Z.

#### 4. Results and Discussion

##### Descriptive Statistics

Table 1. Calculation of Minimum, Maximum, Mean, Standard Deviation

	Descriptive Statistics				
	N	Minimum	Maximum	Mean	Std. Deviation
Liquidity	135	0.869	7.050	2.831	1.644
Management ownership	135	0.019	0.619	0.247	0.173
Firm Value	135	0.208	6.197	2.860	1.596
Valid N (listwise)	135				

**Liquidity.** The results of the descriptive statistical tests presented in table 1 show that the minimum value is 0.869 and the maximum value is 7.050 and the average is 2.831 with a standard deviation of 1.644. The standard deviation is smaller than the average value, which means that the data distribution or data deviation is small. This shows that the liquidity data is said to show good results. The standard deviation value that reflects the deviation from the variable data is relatively low because it is smaller than the average value.

**Managerial ownership.** The results of the descriptive statistical test presented in table 1 show that the minimum value is 0.019 and the maximum value is 0.619 and the average is 0.247 with a standard deviation of 0.173. The standard deviation is smaller than the average value, which means that the data distribution or data deviation is small. This shows that managerial ownership data is said to show good results. The standard deviation value that reflects the deviation from the variable data is relatively low because it is smaller than the average value.

**The Firm Value.** The results of the descriptive statistical tests presented in table 1 show that the minimum value is 0.208 and the maximum value is 6.197 and the average is 2.860 with a standard deviation of 1.596. The standard deviation is smaller than the average value, this shows a good thing because the deviation is smaller than the average so that the firm value data can be said to be good. The standard deviation value that reflects the deviation from the variable data is relatively low because it is smaller than the average value.

##### Normality Test Results

Table 2. Statistical Residual Normality Test of the First Equation  
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		135
Normal Parameters <sup>a,b</sup>	Mean	0.000
	Std. Deviation	0.529
Most Extreme Differences	Absolute	0.074
	Positive	0.041
	Negative	-0.074
Test Statistic		0.074
Asymp. Sig. (2-tailed)		0.200 <sup>c,d</sup>

a. Test distribution is Normal.

Based on the results of the Kolmogorov-Smirnov test, the independent variable of liquidity on the dependent variable of firm value is known to have a significance value of 0.200 greater than 0.050, this indicates that the existing data is normally distributed.

Table 3. Statistical Residual Normality Test of Second Equation  
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		135
Normal Parameters <sup>a,b</sup>	Mean	0.000
	Std. Deviation	.49368314
Most Extreme Differences	Absolute	0.067
	Positive	0.051
	Negative	-0.067
Test Statistic		0.0670
Asymp. Sig. (2-tailed)		0.200 <sup>c,d</sup>

a. Test distribution is Normal.

Based on the Kolmogorov-Smirnov test, the independent variable of liquidity on the dependent variable of firm value with the moderating variable of managerial ownership is known to have a significance value of 0.129 which is greater than 0.05, this indicates that the existing data is normally distributed.

**Heteroscedasticity Test Results.**

There are two ways to detect the presence or absence of heteroscedasticity, namely by graphical methods and statistical methods. In this study, the heteroscedasticity test was carried out using the statistical method of the Glejser test. The Glejser test is done by regressing the absolute value of the residual to the other independent variables. If the significant value is greater than 0.050, it indicates that there is no symptom of heteroscedasticity in the model.

Table 4. Glejser Heteroscedasticity Test First Equation Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.133	0.119		1.120	0.266
	Liquidity	0.135	0.102	0.194	1.322	0.190
	Management ownership	-0.063	0.042	-0.177	-1.488	0.141

a. Dependent Variable: ABS\_RES\_1

The results of the regression of the absolute residual value of the first equation on the independent variables studied stated that the independent variable obtained a significance value greater than 0.050, so it can be concluded that there is no heteroscedasticity problem.

Table 5. Glejser Heteroscedasticity Test Second Equation Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.327	0.196		1.665	0.107
	Zscore(Liquidity)	-0.173	0.120	-0.340	-1.435	0.162
	Zscore(Management ownership)	-0.064	0.077	-0.172	-0.834	0.411
	ABSLiquidity_Management ownership	0.051	0.107	0.104	0.473	0.640

a. Dependent Variable: ABS\_RES\_2

The results of the regression of the absolute residual value of the second equation on the independent variables studied stated that the independent variable obtained a significance value greater than 0.050, so it can be concluded that there is no heteroscedasticity problem.

**Autocorrelation Test Results.**

The autocorrelation test aims to test whether in the regression model there is a linear correlation between the confounding error of period t and the confounding error of period t-1. In this study, the Durbin-Watson test (DW test) was used to detect autocorrelation problems.

Table 6. First Equation Autocorrelation Test Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.698 <sup>a</sup>	0.487	0.452	0.54674	1.932

a. Predictors: (Constant), Management ownership, Liquidity

The first equation autocorrelation test shows that there is no autocorrelation problem because it is in the test area which is stated as "no autocorrelation" where  $du < d < 4-du$  which is 1.772 smaller than 1.932 smaller than 2.228.

Table 7. Autocorrelation Test of Second Equation Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.744 <sup>a</sup>	0.554	0.496	0.524	1.909

a. Predictors: (Constant), Zscore(Liquidity), ABSLiquidity\_Management ownership, Zscore(Management ownership)

b. Dependent Variable: Firm value

Autocorrelation test of the second equation shows that there is no auto correlation problem, because it is in the test area which is declared "no auto correlation" where  $du < d < 4-du$  is 1.891; smaller than 1.909 is smaller than 2.108.

**Coefficient of Determination Test Results (R<sup>2</sup>).**

The value of the coefficient of determination shows the percentage of the dependent variable that can be explained by the independent variables. The value of the coefficient of determination can be obtained from the adjusted R<sup>2</sup> value.

Table 8. Coefficient of Determination of the First Equation  
Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.698 <sup>a</sup>	0.487	0.452	0.546	1.932

a. Predictors: (Constant), Management ownership, Liquidity

b. Dependent Variable: Firm value

Table 8 for the first equation, the value of the coefficient of determination (adjusted R<sup>2</sup>) is 0.452 or 45.2 percent, this means 45.2 percent of the firm value variable that can be explained by the independent variable, namely liquidity, while the remaining 54.8 percent is explained by cause. -other causes outside the regression model. The causes outside the regression model can be in the form of influences from within the company or influences from outside the company. Influence from within the company can be in the form of: dividend payout ratio, company size, organizational structure and composition of company management. Meanwhile, influences from outside the company include: national economic situation, national security conditions, national political situation, laws and regulations related to the business world, and so on.

Table 9. Coefficient of Determination of the Second Equation  
Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.744 <sup>a</sup>	0.554	0.496	0.524	1.909

a. Predictors: (Constant), Zscore(Liquidity), ABSLiquidity\_ Management ownership, Zscore(Management ownership)

b. Dependent Variable: Firm value

From table 9 for the first equation, the coefficient of determination (adjusted R<sup>2</sup>) is 0.496 or 49.6 percent, this means that 49.6 percent of the firm value variable can be explained by the variable, namely liquidity moderating managerial ownership x liquidity while the remaining 51.4 percent is explained for reasons other than the regression model. The causes outside the regression model can be in the form of influences from within the company or influences from outside the company. Influence from within the company can be in the form of: dividend payout ratio, company size, organizational structure and composition of company management. Meanwhile, influences from outside the company include: national economic situation, national security conditions, national political situation, laws and regulations related to the business world, and so on.

**Results of t test (Partial Effect Test).**

The t-test basically shows how far the influence of one independent variable individually in explaining the variation of the dependent variable.

Table 10. Calculation of Linear Regression First Equation

Model		Unstandardized Coefficients		t	Sig.
		B	Std. Error		
1	(Constant)	1.005	0.203	4.948	0.000
	Liquidity	0.316	0.175	1.805	0.075

The magnitude of the influence of the independent variable on the dependent variable can be seen from the beta unstandardized coefficient value because all variables have been standardized on the same scale, namely in the form of a ratio scale. From table 10 for the first equation, the linear regression equation is:

$$\text{Firm value} = 1.005 + 0.316 \text{ Liquid}$$

The constant of 1.005 states that if the independent variable is considered constant, then the average firm value is 1.005.

The liquidity regression coefficient of 0.316 states that every increase of one unit of liquidity will increase the value of the company by 0.316.

**Effect of Liquidity on Firm Value.**

Based on the calculation of the first equation test, the t-count value (1.805) is smaller than the t-table (1.656), and a significance value of 0.075 is greater than 0.050, the value of 1 unstandardized coefficients is 0.316, the regression coefficient is positive, then H1 is rejected.

Table 11. Calculation of the Second Equation Linear Regression

	Model	Unstandardized Coefficients		t	Sig.
		B	Std. Error		
1	(Constant)	0.206	0.145	0.754	0.311
	Zscore(Liquidity)	0.176	0.087	2.024	0.047
	Zscore(Management ownership)	0.068	0.067	1.023	0.310
	ABSLiquidity*Management ownership	0.070	0.092	0.760	0.450

Table 11 for the second equation, with a linear regression equation, namely:

$$\text{Firm Value} = 0.206 + 0.176\text{Liquidity} + 0.068\text{Management ownership} + 0.070\text{Management ownership*Liquidity}$$

The constant of 0.206 states that if the independent variable is considered constant, then the average firm value is 0.206.

The liquid regression coefficient of 0.176 states that each increase of one unit of liquidity will increase the firm value by 0.176.

The regression coefficient of the interaction between managerial ownership and liquidity is 0.070 which states that every one unit increase in the interaction value between management ownership and liquidity will increase the firm value by 0.070.

**Managerial Ownership Moderates the Effect of Liquidity on Firm Value.**

Based on the partial test calculation of the second equation, the t-count value (1.023) is smaller than the t-table (1.656), and a significance value of 0.310 is greater than 0.050, the value of 1 unstandardized coefficients is 0.068 the regression coefficient is positive, then H2 is rejected,

**DISCUSSION****Effect of Liquidity on Firm Value.**

Based on the calculation of the first equation test, the t-count value (1.805) is smaller than t-table (1.656), and a significance value of 0.075 is greater than 0.050, the value of 1 unstandardized coefficients is 0.316, the regression coefficient is positive, then H1 is rejected, so that liquidity is not affect the firm value. The first hypothesis, stating that liquidity has an effect on firm value, is proven to be rejected. Companies that have a good level of liquidity will be considered to be performing well by investors, however, a high liquidity value also indicates a lot of idle company funds which in turn reduces the company's profit capability. In addition, a high level of liquidity can also indicate a manager's policy that prioritizes allocating funds to increase current assets and payment of short-term debt so that dividends paid to shareholders are lower, this is certainly not what investors want, so that an increase in the value of liquidity does not necessarily cause the firm value to increase significantly. The firm value indicates a profit obtained by investors when the company purchased through the stock mechanism is offered by other potential investors at a relatively high price. This is in line with the research of Asiri & Hameed (2014) which states that liquidity has an effect on firm value. However, the results of this study are not in line with Putra & Wiagustini (2013); Pratama & Wirawati (2016); Nafisah et al (2018) which states that liquidity has a positive effect on firm value, and Thaib & Dewantoro (2017) which states that liquidity has a negative and insignificant effect on firm value.

**Managerial Ownership Moderates the Effect of Liquidity on Firm Value.**

Based on the partial test calculation of the second equation, the t-count value (1.023) is smaller than the t-table (1.656), and a significance value of 0.310 is greater than 0.050, the value of 1 unstandardized coefficients is 0.068 the regression coefficient is positive, then H2 is rejected, so that managerial ownership is not able to moderate the effect of liquidity on firm value. Managerial ownership is not a moderating variable in the interaction between liquidity and firm value, so H2 is proven to be rejected.

This managerial ownership is one manifestation of the Good Corporate Governance mechanism which is believed to be able to reduce agency conflicts. Companies with a high level of liquidity show the ability to meet current liabilities from current assets owned so that this increases the confidence of outsiders in the company. Managerial ownership that is not supported by management's ability to utilize current assets to maximize liquidity cannot strengthen positive signals to investors, so management ownership cannot necessarily strengthen the influence of liquidity on firm value. The value of the company indicates a profit obtained by investors when the company purchased through the stock mechanism is offered by other potential investors at a relatively high price. The results of this study contradict Suryadi & Afridayani (2021) who state that managerial ownership is actually able to moderate the effect of liquidity on firm value.

**6. Conclusion**

Liquidity does not affect the firm value, this means that an increase in the value of liquidity does not significantly increase the firm value. Managerial ownership is also proven not to moderate the effect of liquidity on firm value. This means that the effect of liquidity on firm value is not significantly strength-



ened by the interaction of managerial ownership variables so that managerial ownership is not a moderating variable in the interaction between liquidity and firm value.

The theoretical implication is that the research results support Putra & Wiagustini (2013) which states that liquidity has a positive and insignificant effect on firm value. The results of this study contradict Suryadi & Afridayani (2021) who state that managerial ownership is actually able to moderate the effect of liquidity on firm value.

The managerial implication is that there are managerial policies that can be carried out by management in an effort to increase the firm value. The level of the liquidity ratio needs to be maintained in a safe position to ensure the company's ability to meet short-term obligations, but does not cause large amounts of idle funds. With managerial ownership in the company, making management the manager of the company, as well as the owner of the company, will certainly reduce conflicts of interest and encourage the realization of a Good Corporate Governance mechanism. Managerial ownership is expected to encourage the creation of efficiency and effectiveness in every activity of the company, as well as decision making that is oriented to the best interests of the company, so that managerial ownership will have a positive effect on the company's performance in achieving the goals for the prosperity of the owners of capital.

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