

# **Financial Decision and Intellectual Capital and Managerial Ownership: Evidence from Indonesian Manufacturing Companies**

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**Abstract:** This study aims to analyze the effect of investment decisions, financing decisions, dividend policy, intellectual capital, and managerial ownership on the firms' value. The sample used in this study was manufacturing companies listed on the Indonesian Stock Exchange from 2013-2017. The analysis technique used is Panel Regression. The result shows that dividend policy, intellectual capital, and managerial ownership variables positively affect the firms' value. In contrast, the variable's investment decisions and financing decisions have a negative and not significant impact on the firm's value.

**Keywords:** Investment decisions, financing decisions, dividend policy, intellectual capital, and managerial ownership.

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## **Intruduction**

The firms' objective is to maximize the value reflected in their share price (Koh, Brigham, Ang, Ehrhardt (2014). The increase in share price reflects maximizing the prosperity of shareholders. According to (Nurlaela & Islahuddin, 2008), firm value is an essential concept for investors because it is an indicator for the market to assess the firms' overall value. Companies need to make efforts to increase firms' value.

One of the parts that play a role in increasing the firm's value is management. The management should maximize the welfare of shareholders. In firms' operations, there is a possibility of a conflict between the firms' manager or agent and the shareholder as principal or owner of the firms. Conflicts between principals and agents can occur because of differences in interests between the two parties. This conflict between the principal and the agent is known as an agency conflict.. Yadnyana and Wati (2011) stated that, existence Share ownership by management is basically an attempt to align the interests of management with shareholders' interests. The realization of the alignment of interests between the two parties so that management will directly feel the benefits of decisions taken correctly and feel the losses as a consequence of making the wrong decisions. Management will be motivated to increase the firms' value.

Decision-making in the financial sector can impact firm value (Fama & French, 1998). Decisions in the financial sector include investment decisions, funding decisions, and dividend policies (Hasnawati, 2005b). The decision to invest in investment spending provides a positive signal about the firms' future growth. It can increase the share price used as an indicator of the firms' value. (Wahyudi & Pawestri, 2006). The funding decision is how the firms determine the optimal source of funds to fund various investment alternatives to maximize the firm's value, which is reflected in its share price (Barton & Gordon, 1998). The value of firms can also be determined by their ability to pay dividends. The number of dividends distributed will affect the stock price. Based on the Bird In The Hand Theory by Myron Gordon (1956) and John Lintner (1962) in (Koh, Brigham, Ang, Ehrhardt (2014: 525). Based on this theory, the higher the dividends distributed, the share price will increase. The dividends received at this time it will provide certainty of income for shareholders rather than capital gains. The capital gain will be received in the future when the shareholder sells their stock. The investors who are not willing to speculate will prefer dividends over capital gains.

Intellectual capital plays an essential role in increasing firms' value. Intellectual capital is a firm's resource that plays an important role, and physical capital and financial capital (Asni, 2007). Intellectual capital or IC is owned capital, which refers to the ability and knowledge that can benefit the firms. Benefits in this context are added value or contribution to the firms. Intellectual capital is a knowledge resource in the form of employees, customers, the value creation process, or the technology used by the firms in the value creation process.

In Indonesia, the phenomenon of intellectual capital began to develop, especially after the emergence of PSAK No. 19 (revised 2000) regarding intangible assets. However, it is not explicitly stated as intellectual capital. It is believed that investors have given more appreciation for the firms' shares due to the firms' intellectual capital. (Appuhami, 2007) The greater the value of intellectual capital /*Value Added Intellectual Coefficient (VAIC)*, the more efficient firms' capital, thus creating added value for the firms. Physical capital, as part of intellectual capital, becomes a resource that determines firms' performance. Intellectual capital is a

measurable resource for increasing competitive advantages, then intellectual capital will contribute to firms performance (Abdolmohammadi, 2005). Companies that can make efficient use of their intellectual capital will increase their market value.

Previous research regarding the effect of financial decisions, managerial ownership, and intellectual capital on firm value was also carried out by Asmawati & Amanah (2013). The results showed that the influence of ownership structure in both managerial ownership and institutional ownership showed firm value. Financial decisions proxied by the variables of investment decisions, funding decisions, and dividend policies show that only the investment decision variables and funding decisions affect firm value. Research conducted by (Naiborhu, 2014) proves that investment decision variables and funding decision variables significantly affect firm value. The dividend policy variable does not affect firm value. This is not suitable for the bird in hand theory. The following result shows that the intellectual capital variable does not affect firm value. These results indicate that the market does not provide a higher value to companies that have intellectual capital.

Unlike the case with research conducted by (Eveline & Amanah, 2015), they proved that the variable of financial decisions in investment decisions and dividend policies did not affect firm value, while funding decisions affected firm value. Eveline & Amanah (2015) also prove that intellectual capital affects firm value. According to research (Solikhah, Rohman, & Meiranto, 2009) in their research on the implications of intellectual capital on financial performance, growth, and market value, it states that intellectual capital has a significant positive effect on firms financial performance, while intellectual capital has no significant effect on market value

The difference in results is seen in the study (Sunarsih & Mendra, 2011), which prove that intellectual capital has a positive effect on financial performance. That intellectual capital does not affect firm value. This research implies that investors have not made a higher assessment of companies with higher intellectual capital than other companies.

Research (Alipour, 2008) Regarding the effect of intellectual capital using the value-added method on firm value in 39 insurance companies in Iran, it also experiences a contradiction. Based on this research, it is known that there is a significant positive effect between value-added intellectual capital (human capital, employed capital, and structural capital) and firms' profitability. Furthermore, Alipour also proves a significant positive effect between intellectual capital (VAIC) and firms' profitability.

Further research, namely (Lee, 2004) proves that managerial ownership positively affects firm value. Companies can work better if managerial ownership is in their management; the firms will also grow faster and become more profitable. In addition, the firms will work better if there is managerial ownership in management.

The difference in results is shown by research (Trasobares & Gorriz, 2006), who examined the effect of managerial ownership and diversification on firm value in 99 companies in Spain listed on the stock exchange. The results showed how managerial ownership has a negative effect on Tobin's q value. Other than that Trasobares and Gorriz also show that diversification has no effect on firm value, whether companies with managerial ownership structures or companies that do not have managerial ownership structures.

Previous studies show that there are differences in the results of the factors that influence firm value. The research's inconsistent results encourage researchers to reexamine the effect of financial decisions, managerial ownership, and intellectual capital on firm value.

## **Literature Review**

### **The value of the firms**

According to (Husnan & Pudjiastusi, 2004), a firm's value is the price a prospective buyer is willing to pay if the firm is sold. Meanwhile, according to (Keown, 2004), firm value is the market value of debt securities and firms' equity in circulation. Market price means the price that investors are willing to pay for each share of the firm. A high stock price reflects the firms' high value. The high corporate value will provide shareholder prosperity (Brigham & Houston, 2011). Therefore, it can be said that firms' value is the investor's perception of the firms, which is always associated with the stock price. Firm value is influenced by financial decisions (investment decisions, funding decisions, and dividend decisions), managerial ownership,

### **Investation Decision**

Investment decisions are decisions concerning allocating funds originating from within and funds originating from outside the firms in various forms of investment, both in current assets and long-term assets (Purnamasari, Kurniawati, & Silvi, 2009). Investments are carried out to obtain many benefits in the future (Tandelilin, 2001). The firms' investment activities will determine the profits that the firms will get in the future (Modigliani & Miller, 1958; Fama, 1978 in (Koh, Brigham, Ang, Ehrhardt (2014). Signaling theory (Ross, 1977

in Koh, Brigham, Ang, Ehrhardt, 2014.) explains that investment spending provides a positive signal for future firms' growth, thereby increasing stock prices as an indicator of firm value (Wahyudi & Pawestri, 2006).

### **Funding Decisions**

A funding decision is defined as a decision to get a source of firms funding. Sources of corporate funding can come from short-term debt, long-term debt, and equity. There are several theories regarding capital structure, namely: The theory of capital structure first coined by Modigliani and Miller (1958). They argue that the capital structure is irrelevant or does not affect firm value, but the firm value is investment decisions. MM Free Tax Proposition. The value of companies that use debt will be the same as companies that do not use debt. In the tax-free condition, MM argues that the capital structure does not affect firm value. MM stated that the higher the use of debt would increase the risk and means that the cost of own capital increases. This indicates that the use of debt will not increase firm value because the profits obtained from the cost of debt are covered by the increase in the cost of own capital (Taswan, 2003). MM Proposition with Tax. In the early 1960s, MM included a tax factor that concluded that the companies' value with debt was higher than the value of companies without debt. The increase in value is due to tax savings from debt (Mamduh, 2013). Debt can be used to save taxes because interest can be used as a tax deduction. This suggests that taking taxes, capital structure can affect firm value.

However, the use of debt that is too high will make the firms face high bankruptcy and agency costs. Agency costs arise because companies use debt and involve a relationship between firms owners (shareholders) and creditors. The trade-offs of benefits and consequences of using debt are described in the trade-off model. The trade-off model assumes that the firms's capital structure is the result of trade-offs from tax advantages using debt with costs that will arise as a result of using the debt (Modigliani and Miller 1963 in Koh, Brigham, Ang, Ehrhardt, 2014). The essence of trade-off theory in capital structure is to balance the benefits and trade-offs that arise as a result of the use of debt. If the benefits of using debt are greater, then the additional debt is still permitted. Trade-off theory has considered various factors such as corporate tax, bankruptcy costs, and personal tax to explain why a firm chooses a certain capital structure (Husnan, 2000). Based on the trade-off theory, the use of debt will increase firm value but only up to a certain point. After that point, the use of debt actually reduces the firms' value (Hartono, 2003).

*Pecking Order Theory.* Specifically, companies determine funding sources based on the order of preference in using funds—sequences in Pecking Oder Theory (Myer 1984 in Mamduh 2013). Companies prefer internal funding. The internal funds are obtained from retained profits. When internal funding sources are insufficient, external funding is required. The firms will issue the safest securities first. Starting with debt, then hybrid securities such as convertible bonds, and then perhaps stocks as a last resort. According to this theory, financial managers do not take into account the optimal level of debt.

### **Dividend Decision**

Dividend policy is a decision whether the profits earned by the firms will be distributed to shareholders as dividends or will be retained in the form of retained earnings for future investment financing (Sartono, 2001). Dividends can be distributed in the form of cash (cash dividend), other assets (property dividend), notes (notes dividend), or shares (stock dividend). Dividend policy is based on considerations of the interests of shareholders and the interests of the firms.

According to several references, such as (Brigham & Houston, 2001) and (Keown, 2004), the theory commonly used as a basis for determining dividend policy is the Bird in the Hand Theory. This theory refers to the time value of money, where current dividends should have a higher value than future capital gains. It is a dividend based providing certainty of current income. Meanwhile the variation in the dividend yield of value stocks is related to dividend growth predictability (Maio, Clara, 2015). Signaling theory can also explain why dividend policy can determine firm value. According to the signaling theory, dividends are used as a signal by the firms. If the firms pay an increasing dividend, it shows that it feels that the prospects for the future are good. Research (Sari, 2013) proves that dividend policy positively and significantly affects firm value.

### **Intellectual Capital**

The firms' attention to intellectual capital management in recent years has increased. This is due to the awareness that intellectual capital is the basis for companies to develop and have an advantage in business competition. According to (Roos, Edvinson, & Dragonetti, 1997), intellectual capital is all processes and property that are generally not shown in the balance sheet. the Intellectual Capital was conceptualized to capture the difference between market and book value of assets (Rehman, Ur Rehman & Mujaddad, 2016). All intangible property (trademarks, patents, and brands) considered modern accounting in intellectual capital, including the

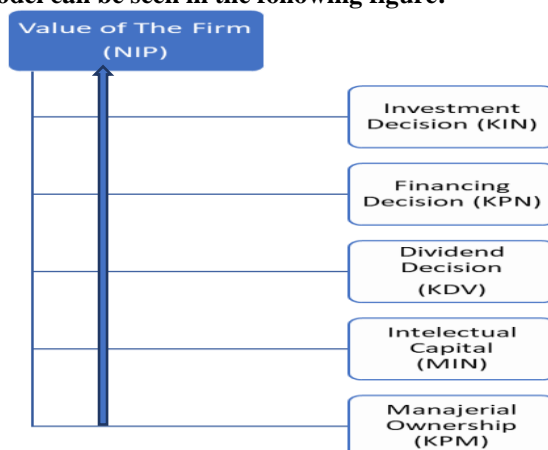
amount of knowledge. of organizational members who have translated into practical organizational activities. According to (Chen, Cheng, & Hwang, 2005), investors will give a higher value to the firms by having high intellectual resources than companies that do not have intellectual resources or have low intellectual resources. The theory explains the role of intellectual capital, namely the *Stakeholder Theory*. This theory suggests that companies not only operate for personal gain, but these companies are also required to provide benefits to all stakeholders (Ulum, Ghozali, & Chariri, 2008). Stakeholders have the right to get information about what the firms are doing and what has influenced them. If the resources owned are managed properly, it will increase the firms' value and create prosperity for shareholders. The firms will be more appreciated if the firms can create good value and fulfill stakeholders' interests. According to (Sunarsih & Mendra (2011), companies that can use their intellectual capital efficiently will increase their market value. According to (Appuhami, 2007) that the greater the value of intellectual capital (VAIC), the more efficient the firms is in utilizing and using the firms' intellectual capital (human capital, structural capital and employed capital), thus creating added value for the firms. In addition, the results of research from (Chen et al., 2005) show that investors tend to pay higher for shares of companies that have more intellectual resources than companies with low intellectual resources.

### Managerial ownership

Managerial ownership is the proportion of share ownership by management, both the board of directors and the board of commissioners, who actively play a role in the firms' decision-making, Untung & Hartini in (Asmawati & Amanah, 2013). The theory that can be used to determine the hypothesis of the effect of managerial ownership on firm value is Agency Theory. (Jensen & Meckling, 1976) defines an agency relationship as a contract. One party acts as the owner (principal) hires another person as an agent (agent) to perform several services according to their wishes, including the delegation of power to decide the agent. Managers who work to improve the welfare of the owner and himself in the managerial share ownership structure. Its performance will increase, accompanied by an increase in firms value (Asmawati & Amanah, 2013).. The finding of Rashid (2016) study is that managerial ownership reduces firm agency cost, so it will increase firms value. Women on the board are positively related with financial performance (measured in terms of return on assets and return on sales) and with ethical and social compliance, which in turn are positively related with firm value. The findings in this study suggest that greater female representation on corporate boards of large European firms can increase firm value indirectly (Isidro & Sobral, 2015).

### Research Model

The research model can be seen in the following figure:



### Research Methodology

The companies that are the objects of this research are all manufacturing companies on the Indonesia Stock Exchange-listed in the 2013-2017 period. This study's population are all manufacturing companies listed on the Indonesia Stock Exchange in 2013-2017. The sample was determined based on the purposive sampling method (Sekaran, 2006). The types and sources of data used in this study are secondary data. Data is obtained through various sources such as the Indonesian Capital Market Directory (ICMD), IDX Statistics, and the Indonesia Stock Exchange (BEI), which can be accessed on the website. [www.idx.com](http://www.idx.com).

**Variables**

According to the research objectives and the research questions this study has set, the variables used in this study and their measurement are primarily adopted from existing literature:

Table 1 Variable Measurement

Variable	Measurement	Information
firms value (NIP)	Tobin's Q = $\frac{(MVE + DEBT)}{TA}$	MVE = Year-end closing price × number of shares outstanding. DEBT = (Current Debtancar Current Assets) + Inventory + Long-term Debt. TA = Total Asset Book Value
Investation decision (KIN)	$\frac{\text{Total Assets Growth}}{\text{Total Assets t - 1}} = \frac{\text{Total Assets} - \text{Total Assets t - 1}}{\text{Total Assets t - 1}}$	
Funding Decisions (KPN)	$DER = \frac{\text{Total Debt}}{\text{Total Equity}}$	DER = Debt to Equity Ratio
Dividend Decision (KDV)	$DPR = \frac{DPS}{EPS}$	DPR = Dividend Payout Ratio DPR = Dividend Per Share EPS = Earning Per Share
Intellectual Capital (MIN)	VAIC = HCE + SCE + CEE	Information: VAIC: (Value Added Intellectual Coefficient / VAIC) Indicates the organization's intellectual ability, which can also be considered a BPI (Business Performance Indicator).
	HCE = VA / HC	Human Capital Efficiency Indicators of value-added efficiency (value-added / va) resulting from human capital or labor load. HC: Salaries and employee benefits (Employee expenses) VA: Difference between income (input) with expenditure (output)
	SCE = SC / VA	Structural Capital Efficiency Indicator of the efficiency of structural capital or net income required to generate Rp 1 of (value added / va). SC: The difference between (Value Added / VA) and (Human Capital / HC) VA: Difference between income (input) with expenditure (output)
	CEE = VA / CE	Capital Employed Efficiency Indicator of value added efficiency (value added / va) generated from the physical capital or capital used. CE: Amount of funds available (net profit and equity) VA: The difference between income (input) and expenditure (output)
Managerial Ownership (KPM)	Managerial Ownership / the number of shares outstanding	

**Data analysis method**

The model used to determine the effect of the independent variable on the dependent variable is as follows:

$$NIP = \alpha + \beta_1KIN + \beta_2KPN + \beta_3KDV + \beta_4MIN + \beta_5KPM + e$$

Data analysis was carried out through several stages, namely:

**Model Selection**

The first stage, model testing, is carried out. There are three estimation techniques in panel data, namely common effect, fixed effect, and random effect. To find out which model to use, it is necessary to hold a model selection test. The choice of model to be used in the research really needs to be done based on statistical considerations.

The second stage is the Classical Assumption Test. The classical assumption test was carried out to ensure that the residual data studied were normally distributed and free from multicollinearity, autocorrelation, and heteroscedasticity disorders.

The third stage is Hypothesis testing. Hypothesis testing that can be done is as follows test. The t-test or the so-called partial test is used to determine the effect of each independent variable on the dependent variable—determination Coefficient Test (R<sup>2</sup>). The determination coefficient test aims to measure the role of investment decisions, funding decisions, dividend policies, intellectual capital, and family ownership on firms' value. F test The F statistical test is used to test whether the research model is feasible to be used to predict the effect of the independent variable on the dependent variable together (Ghozali, 2012).

**Results of Analysis and Discussion**

Descriptive statistics

Table 2. Descriptive Statistics

	NIP	KIN	KPN	KDV	MIN	KPM
Mean	1,007 327	0.150634	1.116332	0.358441	2,567233	0.128307
Median	0.684970	0.097968	0.891178	0.291105	2.313356	0.050752
Maximum	3.023385	1.401665	5.152418	2.467927	6.527140	0.711876
Minimum	-0.190273	-0.148100	0.109234	0.027806	1.264630	0.000287
Std. Dev.	0.832285	0.198042	0.927709	0.315547	1.009146	0.168890
Observations	119	119	119	119	119	119

Based on the descriptive analysis results, table 4.2 FirmsValue (NIP) has an average value of 1.007327. Investment Decision (KIN) has an average value of 0.150634. Funding Decisions have an average value of 1.116332. Dividend Policy (KDV) has an average value of 0.358441. Intellectual Capital (MIN) has an average value of 2,567233. Managerial Ownership (KPM) has an average value of 0.128307 or 13%.

**Model Selection**

Table 3. Selection of Regression Model

Testing	Effect Test	Probability	Selected Model
Chow test	Cross Section F	0.0001 <0.05	Fixed Effect
Hausman Test	Random Cross Section	0.4773 > 0.05	Random Effect
Lagrange Multiplier test	Breusch Pagan	0.0000 <0.05	Random Effect

Source: Processed secondary data

Based on table 2 above, it can be seen that in the first test, namely the Chow Test, to test the common effect and the fixed effect, the results show a probability <0.05 so that the selected model is the fixed effect. The second test is the Hausman test to test the fixed effect and the random effect. The results show a probability > 0.05, so that the random effect model is chosen. The last test is the Lagrange Multiplier Test to test the random effect and the common effect, and the results show a probability <0.05, so the random effect model is the most appropriate model to be used in this study.

Classic assumption test

In this study, the classical assumption test was not carried out. The best model chosen in the study was the Random Effect Model. The Random Effect Model (REM) is a regression model that uses the Generalized Least Square (GLS) estimation method. This estimation method is considered BLUE. This is in accordance with (Gujarati & Porter, 2009): "But a method of estimation, known as generalized least squares (GLS), takes such information into account explicitly and is therefore capable of producing estimators that are BLUE".

From this quote, it can be seen that the GLS estimation model is capable of producing a BLUE (Best Linear Un) Estimator) estimation model.

**Statistic test**

1. Panel Data Regression Test Results

Based on selecting the best model that has been done before, the best model that can be used in this study is the random effect model. So the researchers in this study estimated using the Random Effect Model, and the results were as follows:

Table 4  
Results of Random Effect Estimation

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.186794	0.226339	0.825287	0.4109
KIN	-0.045815	0.180316	-0.254080	0.7999
KPN	-0.058674	0.091384	-0.642058	0.5221
KDV	0.348671	0.157626	2.212012	0.0290
MIN	0.237927	0.049015	4.854132	0.0000
KPM	0.942453	0.387192	2.434072	0.0165

**The Effect of Investment Decisions on Firm Value**

Based on the hypothesis test results (t-test), the investment decision variable (KIN), which is proxied by Total Assets Growth, has a negative and insignificant effect on firm value as proxied by Tobin's Q. This can be caused because the growth of the firm's assets is not necessarily followed by an increase in the firm's profits. This means that investment decisions through firms' growth (Total Assets Growth) have not been able to increase share prices and firms' value. The investment risk that will be borne in the future is in accordance with the amount of investment made, thus affecting investors' confidence to invest their funds in the firms. Therefore, high investment decisions are not able to increase stock prices as an indicator of firm value.

**The Effect of Funding Decisions on Firm Value**

Based on the hypothesis testing results, the funding decision variable does not have a significant effect on firm value. The funding policy that does not affect firm value is following Modigliani and Miller's theory, which states that no matter how much debt is used, it will not affect the stock price and firm value. That's because debt causes the cost of equity to increase at the same rate as the decrease in the cost of debt capital. However, the use of debt that is too high will cause agency problems between the owner of the firms (shareholders) and creditors which can reduce the firms' value. Based on the Trade-off theory Adanya corporate income tax, the use of debt will increase the value of the firms because debt interest costs are costs that reduce tax payments, however the higher the firms use debt financing, the greater their risk of experiencing financial difficulties because it pays too much fixed interest for debtholders and can lead to bankruptcy, thus reducing the value of the firms. This study's results are supported by research (Akbar & Hinasah, 2007) and (Ramadhani, 2017) where funding decisions have a negative and insignificant effect on firm value.

**The Effect of Dividend Policy on Firm Value**

Hypothesis test results indicate that the independent variable dividend policy has a significant positive effect on firm value. This study's results are consistent with the theory of bird in the hand, that dividend income in the present can overcome uncertainty in the future. This theory also explains that the higher the dividends distributed, the more responsive the shareholders will be and give a positive view to the firms so that it will cause an increase in firms value followed by an increase in share prices. This study's results are in line with research (Sari, 2013) that dividend policy has a positive and significant effect on firm value.

**The Influence of Intellectual Capital on Firm Value**

Intellectual capital represents employee and organizational knowledge and their ability to create added value. In this study, intellectual capital has a positive and significant effect on firm value. This can be explained by stakeholder theory that a firms in managing its business is not only oriented towards itself but must be able to provide benefits to stakeholders including the firms itself, employees, customers, shareholders, suppliers, and the environment in all aspects of the firms' operations (Ulum at all , 2008) The firms can utilize these intellectual capital components efficiently so that the firms is able to create added value for the organization, when the added value of the firms increases the firms' financial performance increases, companies that have good financial performance will increase firms value. The firms will be able to provide benefits for the firmsthemselfes, for employees, customers, shareholders, suppliers, as well as benefits for the environment in all aspects of the firms' operations.

Utilization of intellectual capital through the efficiency of physical capital / employed capital (firms capital), then with a small amount of capital the firms will be able to increase sales or large capital but accompanied by bigger sales. Through human capital efficiency (employee expenses in the form of salaries and allowances), with low salaries and benefits, the firms will be able to increase sales, or with high salaries and benefits but accompanied by increasing sales. Low cost of supporting facilities and infrastructure for the firms will be able to increase sales. Increasing sales will increase firms' profits and will increase firms' value.

Capital Employed Efficiency utilization of intellectual capital is the efficiency of added value (value-added) generated from the physical capital or capital used. Each component's efficiency will provide benefits to all (stakeholders) both the firmsthemselves by increasing its revenue and firms value.

According to (Appuhami, 2007) that the greater the value of intellectual capital (VAIC),the more efficient the firms is in the utilization and use of the firms' intellectual capital (human capital, structural capital and employed capital), thus creating added value forfirms. Apart from that, the research results from (Chen et al., 2005) note that investors tend to bepay higher for the shares of companies that own intellectual resourcesmore so than companies with low intellectual resources. Pricepaid by the investor reflects the value of the firm. The results of this study are consistent with research conducted by (Uniary, 2012) and (Taswan, 2003) which prove that intellectual capital has a positive and significant effect on firm value.

### **Effect of Managerial Ownership on Firm Value**

Hypothesis test results indicate that the independent variable managerial ownership has a positive and significant effect on firm value. The proportion of share ownership by management is one of the steps firms can take to suppress agency conflicts. Management will be very careful in making any decisions related to the firms where the decisions taken will also impact themselves as shareholders.

The increasing number of shared ownership by management will strengthen management's personal assets with the firms's assets. This managerial ownership will be able to increase a firms value because in the eyes of investors, a firm with managerial ownership will guarantee that every decision taken by management is to maximize the welfare of shareholders. The results of this study are in accordance withagency theory that share ownership by managers will reduce the tendency to take moral hazard actions. This research also has the same opinion that the interests between management and shareholders can be aligned (Jensen and Meckling, 1976). Managers who work to improve the welfare of the owner as well as themselves in the managerial share ownership structure will increase their performance so that the firms' value will also increase.

Determination Coefficient Test (R<sup>2</sup>). The R-squared value is 0.2366. These results indicate that 23.66% changes in firm value are influenced by investment decisions, funding decisions and dividend policies, intellectual capital, and managerial ownership, while the remaining 76.34% is explained by other variables outside the independent variables.Simultaneous Significance Test (F-Test)shows the value of Prob F-statistic shows 0.000010 <0.05 indicating that the research model is feasible to be used to predict the effect of the independent variable on the dependent variable collectively (Ghozali, 2012).

### **Conclusion**

This research was conducted to examine the influence of financial decisions (investment decisions, funding decisions, and dividend policies), intellectual capital, and managerial ownership on firm value in companies listed on the Indonesia Stock Exchange (IDX) for the 2013-2017 period. Based on the analysis and testing of panel data in this study, it can be concluded that investment decisions, funding decisions are not significant to firm value in manufacturing companies. In contrast, dividend decisions, managerial ownership, and intellectual capital have positive and significant effects on firm value. The R-squared value is 0.2366. These results indicate that 23.66% of firm value changes are influenced by investment decisions, funding decisions, and dividend policies.

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