The Impact of Institutioanl Ownership, Inflation, Interest Rates, and ROA on IDX Registered Banking Companies Values During 2017-2019

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ABSTRACT

This research aims to know the impact of institutional ownership, inflation, interest rate, and Return on Assets (ROA) toward Price Book Value (PBV) of banking companies which are registered in IDX in 2017-2019. This research uses the approach of deductive, quantitative, and descriptive. The population used during the process are of three (3) years. Saturated sample determination that the data aggregates 111 data where three years times thirty seven banking companies which are registered in IDX. The method of data analysis uses the method of multiple linear regression analysis, classic assumption testing and hypothesis testing. The research result is to partially explain that the institutional ownership, inflation, and interest rates do not affect PBV while ROA affects significantly to PBV. Simultaneously, institutional ownership, inflation, interest rates, and ROA effect substantially to the PBV of IDX registered banking companies during 2017-2019. Based on the output of coefficient of determination testing, the value of R Square is 0.115 which means 11,5% variety of PBV variable is described from the variable of institutional ownership, inflation, interest rate, and ROA, the remaining is affected by the other variable in the amount of 88,5%.

Keywords : Institutional Ownerships, Inflation, Interest Rates, ROA, PBV

1. INTRODUCTION

A high institutional ownership will motivate the performance of the company, because the institutional ownership is capable of being a good controlling tool (Lestari, 2017). On behalf of institutional ownership, companies will reduce agency cases and the institutional shareholders have the adequate capability and media in supervising company performance where they invest their stocks in order to increase the company value. Therefore, the company surveillance rates will be more proportional along with the growth of the company.

Beside institutional ownership, inflation also takes part in affecting the company value. This causes the increase of company operating costs which also increases the selling value of goods, which may interfere the purchasing power of consumers. This surely consequences on sales devaluation and company profits. This profitability depreciation causes the funders to lose interest in funding the company, which resulting in the company's stock price downfall and indirectly will degrade the value of the company (Turrachmah & Priyadi, 2018).

According to Sartika (2019:80), inflation also affects in raising interest rates. The order interest rates is the SBI interest rates regulated by Bank Indonesia. SBI changes on fluctuating basis from time to time. The raise of interest rates will incriminate on company usury so that the credits will rise and end on company profits. This will give consequences to the depreciation of dividend distribution of company value.

The banking companies in Indonesia possess 78.6% of financial market shares and still hold the dominant role in the Indonesian economy. Indonesian banking sector sustains a crisis of confidence from the society especially in 1997 when there was a monetary crisis. At that time, there were 16 banks claimed bankrupt and the business licenses withdrawn by country, and 45 banks litigated. There were 38 banks block off in 1999, like *Bank Dagang Bali* and *Bank Aspac* were litigated five years after that, then *Bank Global* was bankrupt in 2005, *Bank Century* and *Bank Indover* were block off in 2008, and there was a business license withdrawal in 2009. On the other hand, it was banking crime also known as *tipibank* or *Tindakan Pidana Perbankan* (bank crime) which happened most frequently, such as the piracy of customer funds, the shrewdness of investment and deposit, etc. The rise of scandals and the minim of economy expression which finally bring about the alleviation of public inevitability toward banking companies. As time goes by, banking companies competed to formulate the institution performance in order to be outstanding and prominent, especially in the commerce world which prioritizes the development and creation of long-term value, which means that companies will have more results than the employed human resources. The contrary of stock price and book value possessed by issuer proposing that there is a hidden value. This was seen in 2014 when banking held a shoot intrinsic value in the amount of 1.62x as compared to the other sectors, while in 2015, it was depreciated in the amount of 1.45x.

Based on the compendium, it can be concluded that the company value is the reflection of institutions. The more valuable a company value is, the more prosperous the investors will be. On the other words, company value is one of factors which is worth taken into account by investor.

Table 1.1
**Total Data of Institutional Ownership, Inflation, Interest Rates, ROA, and PBV On IDX
Rgistered Banking Companies.**

Company Names	Year	Institusional Ownership	Inflation	Interest Rates	Profit Before Tax	Closing Price
Bank Sinarmas Tbk	2017	**58,83**	3.80	4,5625	407.459.000.000	**880**
	2018	**63,95**	3.19	5,1041	75.869.000.000	**550**
	2019	62,71	3.02	5,625	81.893.000.000	585
Bank Mayapada Internasional Tbk	2017	87,03	3.80	4,5625	910.145.933.000	3,850
	2018	87,02	3.19	**5,1041**	600.930.000.000	**7.025**
	2019	87,.31	3.02	**5,625**	714.688.000.000	**9.100**
Bank Pembangunan Daerah Banten Tbk	2017	57,47	3.80	4,5625	-99.853.000.000	50
	2018	60,26	**3.19**	5,1041	-131.076.000.000	**50**
	2019	51	**3,02**	5,625	-180.700.000.000	**50**
Bank CIMB Niaga Tbk	2017	91,48	3,80	4,5625	**4.155.020.000.000**	1350
	2018	91,48	3,19	5,1041	**4.850.818.000.000**	915
	2019	91,48	3,02	5,625	4.953.897.000.000	965

Source : www.bi.go.id, www.investing.com, www.bps.go.id, www.idx.co.id

Based on the table above, it can be concluded that Bank Sinarmas Tbk, the phenomenon during 2017-2018, institutional ownership was increasing but the closing price of stock in companies was decreasing.

Based on the table above, it can be concluded that Bank Mayapada International Tbk, the phenomenon during 2017-2018, the interest rate was increasing every year but the closing price in the company was increasing as well.

Based on the table above, it can be concluded that Bank Pembangunan Daerah Banten Tbk, the phenomenon during 2017-2018 the inflation value showed a decrease in every year but did not have consequence in closing price.

Based on the table description above, it can be concluded that Bank CIMB Niaga Tbk, the phenomenon during 2017-2018, the tax profit value showed an increase in every year but the closing price was decreasing.

Based on the brief overview above, the phenomenon happened in the banking companies, so the researcher intends to do the research titled **"The Impact of Institutioanl Ownership, Inflation, Interest Rates, and ROA on IDX Registered Banking Companies Values During 2017-2019".**

2. LITERATURE REVIEW
Theory of Institutional Ownership
Institutional Ownership is insurance and financial institutions which hold issuer stock ownership (Claudia and Ekadjaja, 2013).

Institutional Ownership is part of issuer share which is held by company or institutions (Nuraina, 2012: 116). The measurement of institutional ownership is as shown below (Riduwan and Sari, 2013)

$$IO = \frac{Total\ institutional\ stocks}{Total\ circulated\ stocks} \times 100\%$$

Theory of Inflation

Inflation is the situation where the price of goods is increasing and currency value was depreciated, as it constantly continues, it will affect on the crisis of financial situation and may influence the political system of the country (Fahmi, 2019:77).

Inflation is the depression of monetary purchasing power in general. (Horngren, 2014:27). The inflation data used in this research sourced from this site www.bps.go.id which is based on IHK average in the form of percentage (%).

Theory of Interest Rates

Interest rate is the reward on money loan services given to debtors. The interest from the loan is paid out annually in the form of percentage (Sujarweni, 2019:65).

Interest rate is meant as the return on loans. Interest rate is proposed as part of money per unit of time. Interest is the cost of capital sources used by debtors, where must be paid off to the borrowers. (Purba, 2019:73).

The data used sourced at www.bi.go.id

Theory of Return on Assets

According to Fahmi (2012:98), Return on Assets rates whether investment has the capability to give our profits as desired.

ROA is the bank capability sign to gain profits on assets owned by the bank (Pandia, 2012:71). The measurement of Return on Assets is shown as below:

$$ROA = \frac{Profit\ before\ tax}{Total\ assets} \times 100\%$$

Theory of Company Value

Company value represents the context that has been reached by the issuer as the reflection on the people's belief toward the company that is operating since it was built until now (Sartika, 2019:80).

Company value is rated from the issuer stock price value in stock market. The public company market value (PLC) was based on the supply and demand mechanism implemented in the listing price of stock exchange. The private company value is determined by the company evaluator (Harahap, 2018:311).

$$PBV = \frac{Stock\ price}{Book\ value\ per\ share}$$

Theory of the Impact of Institutional Ownership on Company Value

Institutional Ownership is the media to minimize managerial conflict. When the institutional ownership is getting higher, the control rate done by the external institution that the occurring agency cost may be decreasing and the issuer value may be rising. (Nuraini, 2012:122).

Institutional ownership has the capability to interpret the optimal management. The certain proportion of issuer share held by company can consequence on the progress of compiling financial report, therefore it is undeniable that there will be adjustment to the aspirations of the company management (Nuraina, 2012:114).

Theory of the Impact of Inflation on Company Value

The increasing inflation has an influence on the lack of purchasing capacity which caused the lack of company activities. The increasing inflation may bring about a bad influence for commercial context that caused in the lack of company operating profits, then may reduce the prosperity of issuer stocks owner and the company value will also decrease. (Wibowo, 2012)

Generally, inflation has more negative influences than the positive ones. Inflation may either reduce the investment in a country, trigger the rise of interest rates, affect the speculative investors, failure in implementing development, the economy disproportion, the deterioration of balance of payments, and the decrease of standard of living and population prosperity. (Halim, 2018:81)

Theory of the Impact of Interest Rates on Company Value

Interest rate is the reward on loan services given to the loan persons. The interest of the loan is paid off annually in the form of percentage (Sujarweni, 2019:65).

Legal interest rate in Indonesia is *Suku Bunga Bank Indonesia (SBI)* that change fluctuatively in this last five (5) years. The rise of interest rate is more controllable after it is regulated by Bank Indonesia (Noerirawan & Muid, 2012)..

Theory of the Impact of Return on Assets on Company Value

Return on Assets or ROA shows the company capability in gaining profits by utilizing every assets controlled by company. By having high profits, the investors' believes will also grow, this is what influences the company values (Nasution, 2013).

According to Hadiningsih (2011), Return on Assets or ROA has positive and substantial influences to the company value. This means that issuer has good performance in arranging the assets in order to increase the profits which finally affects the company values.

Conceptual Framework

Based on the phenomenon and theory of influence by X to Y variables above, we can conclude conceptual framework as:

Figure 2.1
Conceptual Framework
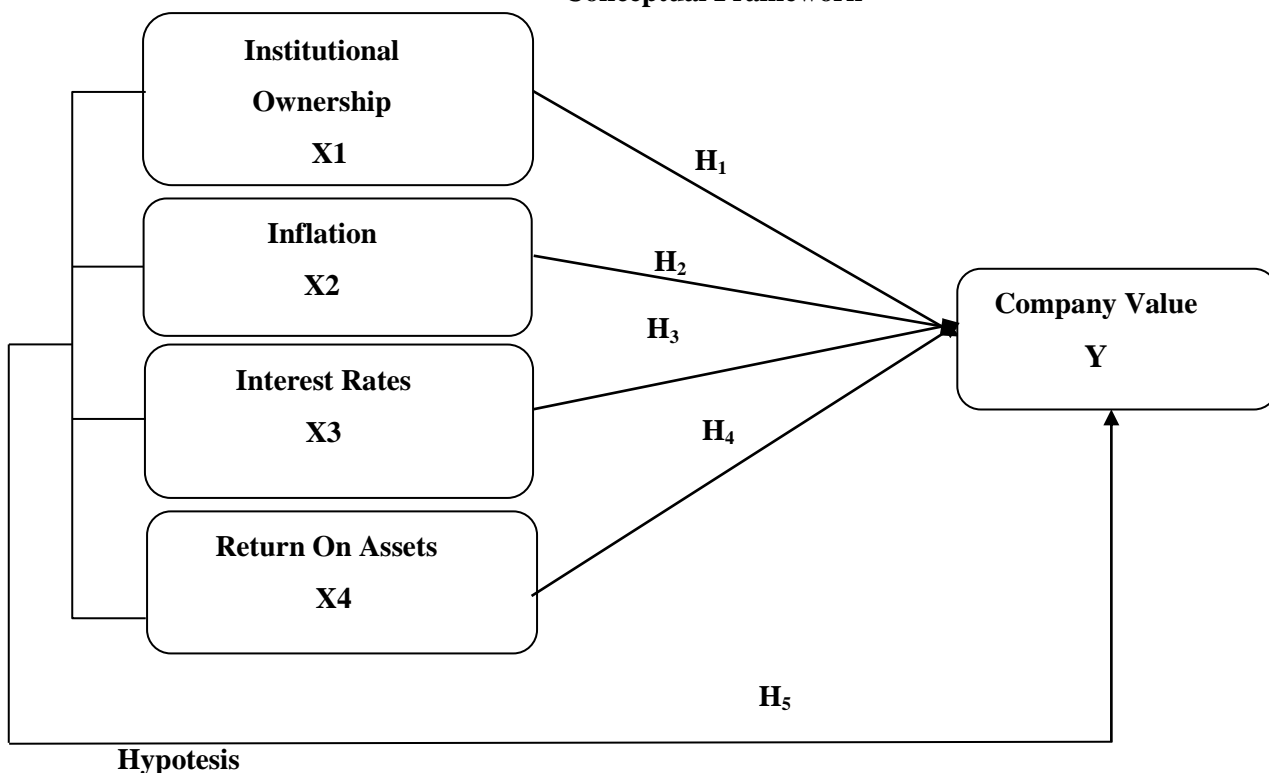
Hypotesis

H_1 : Institutional Ownership affects Company Value.

H_2 : Inflation affects Company Value.

H_3 : Interest Rate affects Company Value.

H_4 : Return on Assets affects Company Value.

H_5 : Institutional Ownership, Inflation, Interest Rates, and Return on Assets affect Company Value.

3. Research Methodology

III.1 Research Approach

The research approach used in this research is quantitative approach. Quantitative approach is a research approach that based on the positive philosophy, which means to observe several determined population or sample, the data collection uses research instrument, and the data analysis is quantitative or statistical, which aims at verifying the determined hypothesis (Sugiyono, 2013:35-36).

III.2 Research Methodology

The research methodology is descriptive research methodology. It is a right topic formulation in the case of the existence of variable, either one or many variables. (Sugiyono, 2013:89).

III.3 Population and Sample

The population and sample used in this research are every IDX registered companies during 2017-2019 that consisted of 45 companies.

The methods used to determine the sample in this research are based on purposive sampling which are the argument done by the researchers. The standard of sample selection are as below:

1. The banking companies that are registered in Indonesian Stock Exchange during 2017-2019.
2. The banking companies that publish their financial reports consecutively during 2017-2019.
3. The banking companies that possess institutional ownership data.

Table 3.1
Table of Sample Requirement

No	Sample Requirement	Total
1	The banking companies that are registered in Indonesian Stock Exchange during 2017-2019.	45
2	The banking companies that do not publish their financial reports consecutively during 2017-2019.	(5)
3	The banking companies that do not possess institutional ownership data.	(3)
Total of Companies that fulfilled the requirements		37
Total Research Sample 2017-2019 (37x3)		111

III.4 Types and Sources of Research Data

In order to collect the data used in this research, the researcher used the technique of documentation, such as collecting the financial reports that are related to the banking companies which are downloaded in the official website of IDX during 2017-2019.

III.5 Operational Definition

Operational definition is the elucidation of the research variables. In order to be more accurate recognition and operational definition, it can be shown as below:

Table 3.2
Operational Definition

No	Variable	Definition	Formula/Indicator	Scale
1	Institusional Ownership (X1)	Ratio of issuer ownership controlled by financial institutions and agency (Hariyanto and Lestari, 2015)	$IO = \dfrac{Total\ institutional\ stocks}{Total\ circulated\ stocks} \times 100\%$ Source: (Riduwan and Sari, 2013)	Ratio
2	Inflation (X2)	An occurrence that shows and increase in the level of price commonly and continuously. (Murni, 2013)	Inflation rates, exchange rates, and price rates during 2017-2019 Source: www.bps.go.id	Ratio
3	Interest Rates (X3)	The reward on capital loan services given to the borrowers. (Sujarweni, 2019:65)	Sertifikat Bank Indonesia (SBI) interest rate during 2017- 2019. Source: www.bi.go.id	Ratio
4	Return on Assets (X4)	Return On Assets (ROA) is the ratio that describes about the total assets used by the company. (Kasmir, 2014:201)	$ROA = \dfrac{Profit\ before\ tax}{Total\ assets} \times 100\%$ Source: (Pandia, 2012:71)	Ratio
5	Company Value (Y)	The ratio price on price to book value is the ratio between market price to book value per share. (Hery, 2020:27)	$PBV = \dfrac{Stock\ price}{Book\ value\ per\ share}$ Source: (Harahap, 2018:311)	Ratio

III.6 Classic Assumption Test

Classic Assumption is the determination of exact statistics used for multiple regression. The tests done for this research are as below:

II.6.1 Normality Test

Normality test means a test in order to get to know whether the residual value is distributed normally or not (Ghozali, 2016:154).

II.6.2 Multicollinearity Test

Multicollinearity test is the test to inquire the regression model related between the variables of X (Ghozali, 2016:103).

II.6.3 Autocorrelation Test

     Autocorrelation test intends to analyze whether a linear regression model has the connection between t-test and t-1 test variable inclination. (Ghozali, 2016:107).

II.6.4 Heteroscedasticity Test

     Heteroscedasticity test is the test used to analyze whether the regression model has different types from the residuals of a research to the others (Ghozali, 2016:134).

III.7 Methodology of Research Data Analysis

III.7.1 Multiple Linear Regression Analysis

     The data analysis is to examine the hypothesis by using multiple linear regression method, which is functioned to claim the equation as shown:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + \varepsilon$$

Keterangan :

Y   : Company value

a   : Constant value

b   : Regression coefision value

X_1 : Institutional Ownership

X_2 : Inflation

X_3 : Interest rates

X_4 : Return on Assets

ε : error

III.7.2 Coefficient of Determination Analysis

     Coefficient of Determination value is 0 and 1. Coefficient of Determination (R^2) is to examine the capability of the model in elaborating the dependent variables variance. The low R^2 value means that the capability of independent variables from describing the dependent variables variance which is very limited. The value R^2 that approaches 1 means that the independent variables describe almost all data needed to estimate the dependent variables. (Ghozali, 2016:95).

III.7.3 Simultaneous Test (F Test)

     Simultaneous Test of F Test explains that all the independent variables that are input in the model simultaneously has effect on dependent variables. The 0 hypothesis tested is all parameters in the model whether it is 0 (Ghozali, 2016:95).

     The requirements as the guidelines of F Test are:

H0 accepted if $F_{calculated} < F_{table}$ and *sig.* $> 0{,}05$

Ha accepted if $F_{calculated} > F_{table}$ dan *sig.* $< 0{,}05$

III.7.4 Partial Test (T Test)

     Partial test or T Test explains how far the impacts of independent variables particularly in describing the dependent variables. H0 will be examined whether the parameter has the same value as 0 (Ghozali, 2016:97).

     The requirements as the guidelines of T Test are:

H0 accepted if $t_{calculated} < t_{table}$ dan *sig.* $> 0{,}05$

Ha accepted if $t_{calculated} > t_{table}$ dan *sig.* $< 0{,}05$

4. Results and Explaination
IV.1 Descriptive Statistics

The total of samples in this research are 111 data specifically 37 companies during 2017-2019. The following is the table of the descriptive in each variable X and Y:

Table 4.1
Descriptive Statistics
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
X1	111	42.2800	98.1500	75.416396	16.4407825
X2	111	3.0000	3.8000	3.300000	.3575167
X3	111	4.5625	5.6250	5.097223	.4357589
X4	111	-.1130	.0397	.008335	.0218974
Y	111	.2124	5.8331	1.633096	1.1204463
Valid N (listwise)	111				

The minimum value of institutional ownership is 42.28% while the maximum value of institutional ownership is 98.15%. The average value of institutional ownership during 2017-2019 is 75.41%.

The minimum inflation is 3% while the maximum value of inflation is 3.8%. The average value of inflation during 2017-2019 is 3.3%.

The minimum value of Return on Assets (ROA) is -0.1130 while the maximum value of ROA is 0.0397. The average value of ROA during 2017-2019 is 0.008335.

The minimum of Price to Book Value (PBV) is 0.2124 while the maximum value of PBV is 5.8331. The average value of PBV during 2017-2019 is 1.633096.

IV.2 Classic Assumtion Test

IV.2.1 Normality Test

Table 4.2
**Kolmogorov-Smirnov Test**
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		97
Normal Parameters[a,b]	Mean	0E-7
	Std. Deviation	.35924153
Most Extreme Differences	Absolute	.089
	Positive	.089
	Negative	-.069
Kolmogorov-Smirnov Z		.881
Asymp. Sig. (2-tailed)		.420

a. Test distribution is Normal.
b. Calculated from data.

From the output above, it is shown that the residue value is normally distributed with Asymp.Sig. (2-tailed) > 0.05 is 0.420. Overall the distributed residual model is normal.

Chart 4.1

Histogram
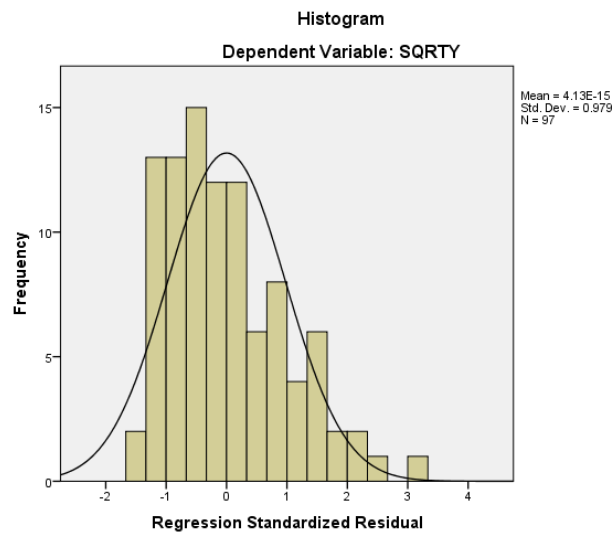
Histogram

Dependent Variable: SQRTY

From the output above, it is shown that the residue value is normally distributed with Asymp.Sig. (2-tailed) > 0.05 is 0.420. Overall the distributed residual model is normal..
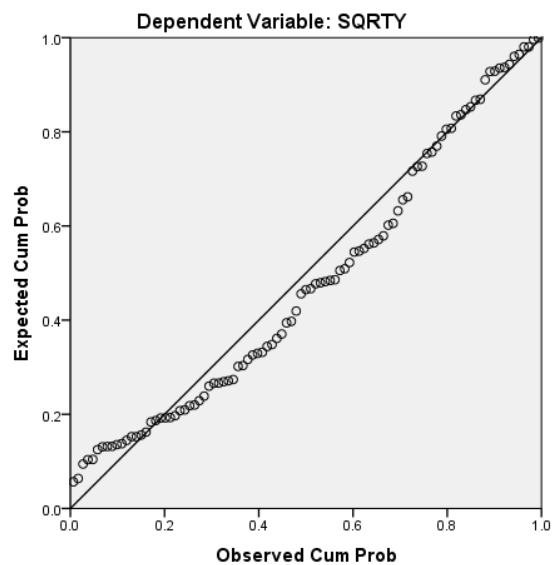
Chart 4.2
Grafik Normal P-P Plot

Normal P-P Plot of Regression Standardized Residual

Dependent Variable: SQRTY

The data of normality probability P plot test shows that the residue is distributed normally. The chart 4.2 above shows that the dots pattern spread following the pattern in the direction of the diagonal line of the graph. Therefore this output fulfills the requirements because the data is distributed normally.

IV.2.2 Multicollinearity Test

Table 4.3
Multicollinearity Test
Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	-1.159	4.194		-.276	.783		
SQRTX1	-.022	.039	-.055	-.557	.579	.993	1.007
SQRTX2	.714	1.048	.179	.681	.498	.139	7.202
SQRTX3	.423	1.048	.107	.404	.687	.138	7.240
SQRTX4	2.517	.785	.319	3.208	.002	.975	1.025

a. Dependent Variable: SQRTY

This research output shows no multicollinearity because the X variable tolerance value is > 0.10 and the value of VIF variable is < 10 which means that there is no relation with the independent variable of the research

IV.2.3 Autocorrelation Test

Table 4.4
Autocorrelation Test
Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.339[a]	.115	.077	.36697	2.575

a. Predictors: (Constant), SQRTX4, SQRTX1, SQRTX2, SQRTX3
b. Dependent Variable: SQRTY

Based on the output test above, it shows the value of Durbin-Watson is 2.575 where this value is more that Durbin Upper (DU) which is 1.7657 which means that there is no autocorrelation symptoms found in this research.
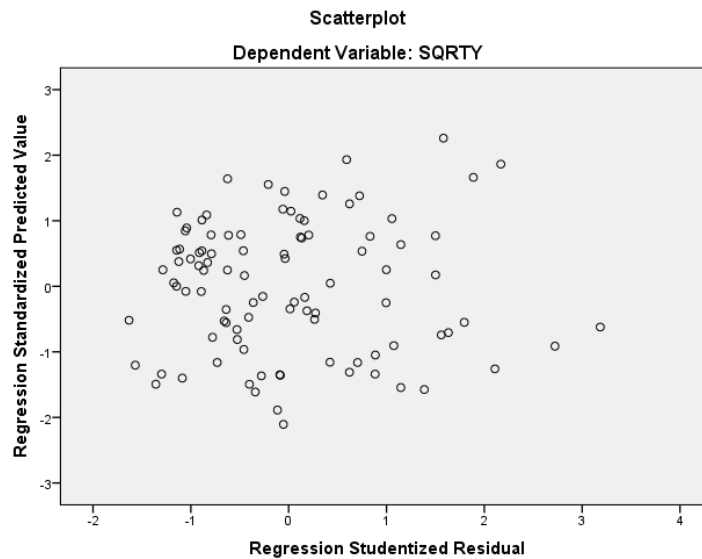
IV.2.4 Heteroscedasticity test

Table 4.5
Glejser Test
Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	-1.402	2.490		-.563	.575
	SQRTX1	.001	.023	.003	.027	.978
1	SQRTX2	.337	.622	.151	.542	.589
	SQRTX3	.480	.622	.216	.772	.442
	SQRTX4	-.111	.466	-.025	-.237	.813

a. Dependent Variable: AbsUt

The result of this test shows sig. value of X variables are higher than 0.05 which shows no heteroscedasticity symptoms found in this research.

Chart 4.3

Scatterplot Chart

Scatterplot

Dependent Variable: SQRTY

The Scatterplot chart shows that the dotted pattern scatter between 0 but not spread and form a pattern, therefore it can be concluded that there is no heteroscedasticity symptom found in this research.

IV.3 Research Data Analysis

IV.3.1 Coefficient of Determination

Table 4.6

Coefficient of Determination

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.339[a]	.115	.077	.36697	2.575

a. Predictors: (Constant), SQRTX4, SQRTX1, SQRTX2, SQRTX3

b. Dependent Variable: SQRTY

The value R Square in this research is 0.115 or 11.5% in which shows that the independent variables explains the dependent variable are 11.5% while the remaining 88.5% explained by the other variable beside research variable.

IV.3.2 Simultaneous Test (F Test)

Table 4.7

F Test

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.611	4	.403	2.991	.023[b]
	Residual	12.389	92	.135		
	Total	14.001	96			

a. Dependent Variable: SQRTY

b. Predictors: (Constant), SQRTX4, SQRTX1, SQRTX2, SQRTX3

The result of the research above shows $F_{calculated}$ value is 2.991 and the Fi_{table} value is 2.45 so the value of $F_{calculated} > F_{table}$ (2.991 > 2.45). The sig value is 0.023 which is 0.05 smaller so it can be concluded that the independent variables has affected simultaneously on dependent variables.

IV.3.3 Partial Test (T Test)

Table 4.8
T Test
Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.159	4.194		-.276	.783
	SQRTX1	-.022	.039	-.055	-.557	.579
	SQRTX2	.714	1.048	.179	.681	.498
	SQRTX3	.423	1.048	.107	.404	.687
	SQRTX4	2.517	.785	.319	3.208	.002

a. Dependent Variable: SQRTY

The result of this research shows SQRTX1 has coefficient value -0.557 and the sig value 0.579>0.05 means that SQRTX1 does not have significant effect on PBV (SQRTY). This result is supported by the research of Dewi and I Gede (2017) which shows that the institutional ownership does not have significant effect on PBV.

SQRTX2 has coefficient value is 0.681 and the sig value is 0.498>0.05 which means that SQRTX2 does not have significant effect on PBV (SQRTY). This result is supported by the research of Hamidah et al (2015) also stated that inflation does not have significant effect on PBV.

SQRTX3 has coefficient value is 0.404 and the sig value is 0.687>0.05 which means that SQRTX3 does not have significant effect on PBV (SQRTY). This result is supported by the research of Hendayana and Nopita (2019) also stated that interest rate does not have significant effect on PBV.

SQRTX4 has coefficient value is 3.208 and the sig value is 0.002>0.05 which means that SQRTX4 has significant effect on PBV (SQRTY). This result is supported by the research of Halik (2018) also stated that ROA has significant effect on PBV.

5. Conclusion and Suggestion
V.1. Conclusion
The conclusion of the research are:
1. Institutional ownership partially does not affect on PBV in IDX registered banking companies during 2017-2019.
2. Inflation partially does not affect on PBV in IDX registered banking companies during 2017-2019.
3. Interest rate partially does not affect on PBV in IDX registered banking companies during 2017-2019.
4. Return on Assets partially affects on PBV in IDX registered banking companies during 2017-2019.
5. Simultaneously, the institutional ownership, inflation, interest rates, and Return on Assets or ROA have effect on PBV in IDX registered banking companies during 2017-2019. From the coefficient of determination test result, the value of R Square is 11.5% from the PBV variance which explained by independent variables, while the other 88.5% is explained by the other variables.

V.2. Suggestion
The suggestions are usefully given for some sectors are:
1. For the further research, it is suggested to add research periods above five years.
2. For investors, it is suggested to notice the profitability ratio suck as ROA before applying the investment decision.
3. For the Indonesian Stock Exchange, it is suggested to give information to investor candidates that have not yet understood about stock investment. This information may be

illustrative information about variables that may influence the composite stock price index.

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