

UDC 332

INFLUENCE OF OWNERSHIP STRUCTURE, PROFITABILITY, INFLATION, AND INTEREST RATE OF THE CAPITAL STRUCTURE AND COMPANY VALUE ON PROPERTY AND REAL ESTATE SECTOR IN INDONESIA STOCK EXCHANGE

Mosa Petrus Y. Ronaldo*, **Petrus Emanuel de Rozari, Kellen Pius Bumi**

Master's Program in Administrative Science, University of Nusa Cendana,
Kupang, Indonesia

*E-mail: ronaldomosa04@gmail.com

ABSTRACT

This study aimed to determine the effect of ownership structure, profitability, inflation, and interest rates on the capital structure and firm value of property and real estate companies on the Indonesia Stock Exchange. The research samples were 36 companies studied during the 2016-2018 period determined by the purposive sampling technique. Sources of research data are secondary data obtained through documentation techniques. The data analysis technique utilized PLS (Partial Least Square). The research results exhibited that ownership structure, profitability, and inflation have a significant effect on the capital structure. On the other hand, the interest rate has no significant effect on the capital structure. Profitability and interest rates have a significant effect on firm value. The ownership structure, inflation, and capital structure have no significant effect on firm value. This research suggests that the company should consider improving profitability and paying attention to the interest rate as variables capable to increase the firm value. Funding decisions, whether originating from within or from outside the company, must be based on the level of profitability, ownership structure, and the level of inflation. This research could provide information to the stock securities investors in property and real estate companies on the Indonesia Stock Exchange.

KEY WORDS

Firm value, capital structure, ownership structure, profitability, inflation, interest rates.

Every go public company possesses financial goals to be achieved. Viewed from the perspective of financial management, the general objective of the company is maximizing company value (Obara and Eyo, 2000; Paramasivan and Subramanian, 2009; Brigham and Houston, 2009; Keown et al., 2010; and Horne and Wachowicz, 2012).

Maximizing company value is the company's main goal. Company value or firm value is an important concept for investors as it is an overall market valuation indicator of the company (Baert and Vennet, 2009).

Company Value is reflected by the price of shares created by the demand and supply of the capital market. It reflects the community assessment on the company (Harmono, 2009: 233). The higher the stock price, the higher the Company Value would be. High company value would encourage the market to believe in the company's current performance and future prospects.

Company value fluctuations are influenced by various micro and macro factors. The factors are capital structure, ownership structure, profitability, and macroeconomic factors such as interest rates (Brigham and Houston, 2001; Myers, 1984; Gordon, 1959; Lintner, 1962; Bhattacharya, 1979; Jensen and Meckling, 1976; Weston and Copeland, 2010; Tandelilin, 2010: 342-343).

Companies listed on the Property and Real Estate Sector on the Indonesia Stock Exchange are publicly traded companies aiming to maximize company value. However based on the stock price that reflects Company Value, the aforementioned goal has not been achieved.

Company Value in the Property and Real Estate Sector has decreased annually. Table 1 and Graph 1 exhibit information on the value of the Property and Real Estate companies in the Indonesia Stock Exchange during 2016-2018 period.

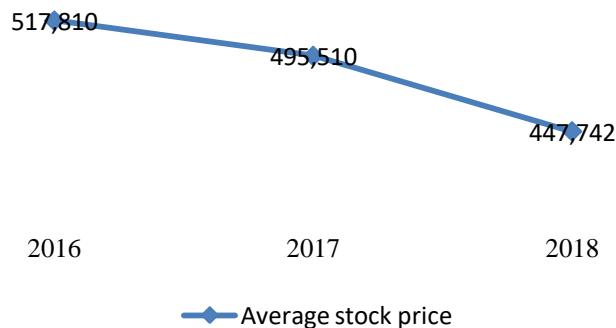


Figure 1 – The Average Stock Price in the Property and Real Estate Sector of the Indonesia Stock Exchange 2016-2018
Source: Processed Average Stock Price Data, 2019

Therefore, this study aimed to determine the effect of ownership structure, profitability, inflation, and interest rates on the capital structure and company value of the Property and Real Estate Sector in the Indonesia Stock Exchange.

LITERATURE REVIEW

Company value is variously defined by several experts. Sartono (2008) defines Company Value as the price that potential investors are willing to pay if a company is to be sold. Gitman (2006) emphasizes the term "price" in the definition as "stock price". He defines Company Value as the actual value per share that will be received if the company's assets are sold according to the stock price (Gitman, 2006).

Margaretha (2011) provided a specific understanding of these two definitions. Company Value that had gone public was the value reflected in the company's stock price. On the other hand, Company Value that had not gone public was realized if the company was sold (Margaretha, 2011).

Weston and Copeland (1992) and Harmono (2009) provide identical definitions of company value but differ slightly in one respect, namely the investors' perception of the companies.

Weston and Copeland (1992) defined a company's value as the fair value which describes investors' perceptions of the issuer concerned. Harmono (2009) defines Company Value as a company's performance reflected by the stock price formed by the demand and supply of the capital market that reflects the public's assessment of company performance.

Company value is measured using several ratios: Price to Book Value (PBV) and Price Earning Ratio (PER) (Weston and Copeland, 2008). PER ratio exhibited the price of each IDR that must be paid by investors to obtain one IDR of company earnings (Tandelilin, 2010). PBV ratio describes how much the market value the book stock value (Darmadji and Fahkrudin, 2012).

One of the factors capable to influence Company Value is the capital structure. Fahmi (2011: 106) defines a capital structure as a description of corporate financial proportions, owned capital from long-term liabilities and shareholders' equity, which are the financing source for a company. This definition is in line with Gitman (2000), Sudana (2011), and Suad (1996).

Weston and Copeland (1992), Halim (2007), Sartono (2010), and Sudana (2011) defined capital structure as a balance or comparison between short-term permanent debt, long-term debt, preferred stock, and common stock.

The core capital structure consists of two important parts, namely debt and equity (Rodoni and Ali, 2010). The capital structure ratio is Debt to Equity Ratio (DER), Debt to Asset Ratio (DAR), Long Term Debt to Equity (LDER), and Long Term Debt to Asset (LDAR) (Sjahrial and Purba, 2013; Rodoni and Ali, 2010; Smith et al., 1983; and Foster, 1996).

The following factors that affect capital structure are ownership structure, profitability, inflation, and interest rates (Brigham and Houston, 2001; Myers, 1984; Gordon, 1959; Lintner, 1962; Bhattacharya, 1979; Jensen and Meckling, 1976; Weston and Copeland, 2010; Tandelilin, 2010). Several factors affect the company's capital structure. These affect the company's value (Jensen, 1986; Brigham and Houston, 2011; Weston and Brigham, 1997; Husnan, 2000; Riyanto, 2001; and Manullang, 2005).

The ownership structure can generally be understood as a separation between company owners and company managers. The owner is the party providing capital into the company, while the manager is the party appointed and given the authority by the owners to make decisions in managing the company (Sudana, 2011).

Sugiarto (2009) defined the ownership structure as a shared ownership structure, which is a comparison of the number of shares owned by insiders and investors (Sugiarto, 2009). In other words, the ownership structure is the proportion of institutional ownership and managerial ownership on the ownership of company shares (Jensen and Meckling, 1976; Sugiarto, 2009).

The profitability factor illustrates the company's ability to generate profits. Profitability is measured using profitability ratios. Profitability ratios measure a company's ability to generate profits using sources owned by the company, such as assets, capital, or company sales (Sudana, 2011). Profitability ratios considered important for investors are Return On Equity (ROE), Return on Assets (ROA), and Earning Per Share (EPS) (Tandelilin, 2014).

The final factor is inflation and interest rates. Inflation can be interpreted as a tendency to increase prices of goods and services in general and continuously (Suseno and Siti, 2009). The interest rate is the value of using investment funds (loanable funds). The interest rate is one indicator in determining whether someone will invest or save (Boediono, 1994). The ability of investors to understand and predict inflation conditions and interest rates would greatly assist in making profitable investment decisions (Tandelilin, 2010). Inflation and the interest rate are measured using beta inflation and beta interest rates (Choi and Elyasiani, 1997; Josep and Vezos, 2006; Subagyo, 2009).

The logical relationship of capital structure and firm value determinants is explained in the following discussion.

The ownership structure in a company is one of the determinants of a company's capital structure. Determining whether a company's funding source comes from owned capital or debt is influenced by the proportion of share ownership in the company.

The higher institutional ownership structure encourages lesser use of debt as alternative funding (Easterbrook, 1984). The higher institutional ownership would increase the monitoring of managers, thereby reducing the use of debt.

Jensen et al. (1992) explained that managerial ownership structure has a negative influence on capital structure. Therefore, increasing management ownership can align management and shareholder interests. At the same time, it would reduce the role of debt as a tool to reduce agency conflict.

Primadhan's research results (2016) supported that statement. The research findings stated that ownership structure has a significant effect on capital structure.

Therefore the hypothesis proposed is as follows:

H₁: The ownership structure has a negative and significant effect on the capital structure.

The managerial ownership structure is capable to reduce agency conflict. The managerial ownership structure is seen as a mechanism that can reduce agency conflict through aligning management and shareholders interest (Jensen and Meckling, 1976).

The managerial ownership structure requires company management. This involvement then becomes an alternative used to minimize managerial drive to act or behave in

perquisites because they also own the company. This ownership is also able to encourage management performance improvement and increase Company Value.

The institutional ownership structure, on the other hand, is a driving factor in increasing Company Value. The ownership acts as a monitoring agent that allows an optimal level of principal supervision to management (Jensen and Meckling, 1972). The higher the level of institutional ownership, the stronger the level of control exercised by the principal on company management. This optimal level of supervision is also able to reduce agency conflicts which would increase company value.

Kellen's (2011) and Nofrivil's (2017) research support this statement. Their research findings suggest that ownership structure has a significant effect on firm value.

Therefore the hypothesis proposed is as follows:

H₂: Ownership structure has a negative and significant effect on firm value.

Profitability is one of the factors that influence the company's capital structure. This opinion is supported by the concept of pecking order theory (Myers, 1984)

Pecking order theory states that companies prefer alternative internal financing (funding from the company's operating results in the form of retained earnings). Internal funds are preferred because it allows the company to not seek loans from outside parties. The pecking order theory can explain why companies possessing higher profit levels generate smaller debt levels.

Internal funding alternatives are preferred because it is cheaper (Myers and Majluf, 1984). This statement indicates the opposite relationship between profitability and debt. This indicates that the greater the source of internal funding, the less likely the use of debt as alternative funding.

The statement is relevant to some of the results of previous studies. Research conducted by Chen and Chen (2011) and Subagyo (2009) exhibited the results which state that profitability has a significant effect on capital structure.

Therefore the hypothesis proposed is as follows:

H₃: Profitability has a negative and significant effect on capital structure

The relationship between profitability and company value can be explained through the cash flow signaling hypothesis proposed by Lintner (1956) and the permanent earnings hypothesis (Lintner, 1956; Marsh & Merton, 1987).

Companies capable of generating good profits indicate a well-performing company. In addition, companies with the ability to generate good profits can pay dividends to the company's shareholders. In turn, they give a positive rating to the company and increases Company Value.

A better profitability growth rate indicates that the company possess good prospect. Should the company's ability to generate profits increases, the company's share price would increase in turn (Husnan, 2001). The increasing stock prices reflect Company Value increase.

Several previous research results support this statement. Chen and Chen's (2011) research stated that profitability has a significant effect on firm value. The findings of this study are supported by Kellen (2011) Hamidah et al (2015), and Rasyid (2015).

Therefore the hypothesis proposed is as follows:

H₄: Profitability has a positive and significant effect on firm value.

Inflation is one of the important macroeconomic factors in determining the level of a company's capital structure. Financial economists agree that inflation is a social disease that imposes welfare costs. Even at the anticipated level, inflation can cause distortions in the distribution of income and wealth. The interesting part is that historical data exhibited inflation is rather unpredictable and uncertain. Chen and Boness (1975) exhibited that uncertain inflation leads to higher capital costs and less investment. Hatzinikolaou, Katsimbris, and Noulas (2002) stated that inflation uncertainty increases business risk. This renders the tax shield uncertain, therefore reducing the benefits of using debt.

The statement is in accordance with the results of Subagyo's research (2009). The research findings stated that inflation has a significant effect on capital structure.

Therefore the hypothesis proposed is as follows:

H₅: Inflation has a negative and significant effect on capital structure.

The relative inflation increase is a negative signal for investors in the capital market (Tandelilin, 2010). Therefore, inflation increases corporate income and costs. If production costs increase is higher than company benefit, it would decrease company profits. This lead to negative assessments and decreased investor interest in investing in the company. In turn, it would decrease Company Value.

High inflation reduces the level of real income that investors obtain from their investments. Conversely, if a country's inflation rate decreases, it would be a positive signal for investors along with the risk of decreasing purchasing power of money and purchasing power.

This statement is supported by Jubaedah et al. (2016). Research findings suggest that inflation has a significant effect on firm value.

Therefore the hypothesis proposed is as follows:

H₆: Inflation has a negative and significant effect on firm value.

The prevalent interest rate is considered by the company on planning capital needs. The fluctuating interest rates determine the type of capital used. The company would consider whether to withdraw bonds or issue shares (Riyanto, 2011: 297).

High-interest rates will increase the cost of capital that must be borne by the company (Tandelilin, 2010). Rising interest rates are additional costs that must be borne by the company. Thus, when interest rates increase, the management would respond by adjusting the level of capital structure to reduce the financial burden paid.

Kim and Wu (1988) and Damodaran (1997) stated that bond issuance occurs when interest rates are low. In other words, the issuance of corporate debt securities is carried out when interest rates are declining.

Subagyo's (2009) findings stated that the interest rate has a significant effect on capital structure.

Therefore the hypothesis proposed is as follows:

H₇: Interest rates have a negative and significant effect on capital structure.

The high-interest rate would affect the present value of the company's cash flow, hence rendering investment opportunities unattractive.

High-interest rates are a negative signal to stock prices (Tandelilin, 2010). An increased interest rate would increase interest rates implied by an investment in a stock. In addition, rising interest rates render investors to withdraw their investment in shares and move it to investments in the form of savings or deposits.

This statement is consistent with the results of Rismawati and Dana's research (2014). Their research findings stated that the interest rate has a significant effect on firm value.

Therefore the following hypothesis was proposed:

H₈: Interest rates have a negative and significant effect on firm value

Capital structure decisions using a greater proportion of debt have an impact on firm value (Myers, 1984). the use of debt increases financial risk. It implied that the company faces bankruptcy problems, causing the company's value to decline. Kellen (2011), Chen and Chen (2011), and Jubaedah et al. (2016) stated that capital structure has a significant effect on firm value.

Therefore the following hypothesis was proposed:

H₉: Capital structure has a positive and significant effect on firm value.

METHODS OF RESEARCH

The research type employed was explanatory by using a quantitative approach. This study aimed to analyze the effect of ownership structure, profitability, inflation, and interest rate variables on the capital structure and company value of the Property and Real Estate Sector on the Indonesia Stock Exchange.

The data analyzed were secondary data in the form of time series and cross-sectional data obtained using documentation techniques. The data was in the form of financial and annual reports.

The number of research samples was 36 companies studied during the 2016-2018 period. The sample was determined by utilizing the purposive sampling method. The criteria for determining the sample are companies listed in the Property and Real Estate Sector on the Indonesia Stock Exchange which had presented the complete financial and annual reports for 2016-2018. The data analysis technique used was the PLS method.

RESULTS AND DISCUSSION

The outer model test results are exhibited in Tables 1 and 2.

Table 1 – Reliability and Validity of Constructions

	CronbachAlpha	Rho_A	Composite Reliability	AVE
Cut Off	0,7	0,7	0,6	0,5
Inflation	1,000	1,000	1,000	1,000
Company Value	1,000	1,000	1,000	1,000
Profitability	0,870	0,901	0,922	0,800
Ownership Structure	1,000	1,000	1,000	1,000
Capital Structure	0,971	0,991	0,978	0,919
Interest Rates	1,000	1,000	1,000	1,000

Source: Processed PLS Output, 2019.

Table 2 – Discriminant Validity

	Inflation	Company Value	Profit.	Ownership Structure	Capital Structure
Cut Off	<0,90	<0,90	<0,90	<0,90	<0,90
Company Value	0,071				
Profitability	0,070	0,481			
Ownership Structure	0,070	0,128	0,087		
Capital Structure	0,058	0,065	0,248	0,305	
Interest Rates	0,013	0,639	0,360	0,079	0,047

Source: Processed PLS Output, 2019

Tables 3 and 4 present the calculation results for the r-square and f-square assessment.

Table 3 – R Square

No	Exogenous Variable	Endogenous Variable	R-Square	Description
1.	Ownership Structure, Profitability, Inflation, and Interest Rates	Capital Structure	0,151	Weak
2.	Ownership Structure, Profitability, Inflation, Interest Rates, and Capital Structure	Company Value	0,489	Moderate

Source: Processed PLS Output, 2019.

Table 4 – F-Square

No	Variable	F-Square	Description
1.	Ownership Structure and Capital Structure	0,109	Moderate
2.	Company Ownership Structure and Company Value	0,009	Low
3.	Profitability and Capital Structure	0,056	Moderate
4.	Profitability and Company Value	0,137	Moderate
5.	Inflation and Capital Structure	0,010	Low
6.	Inflation and Company Value	0,004	Low
7.	Interest Rates and Capital Structure	0,000	Low
8.	Interest Rates and Company Value	0,508	High
9.	Capital Structure and Company Value	0,006	Low

Source: Processed PLS Output, 2019.

Path Analysis Construction

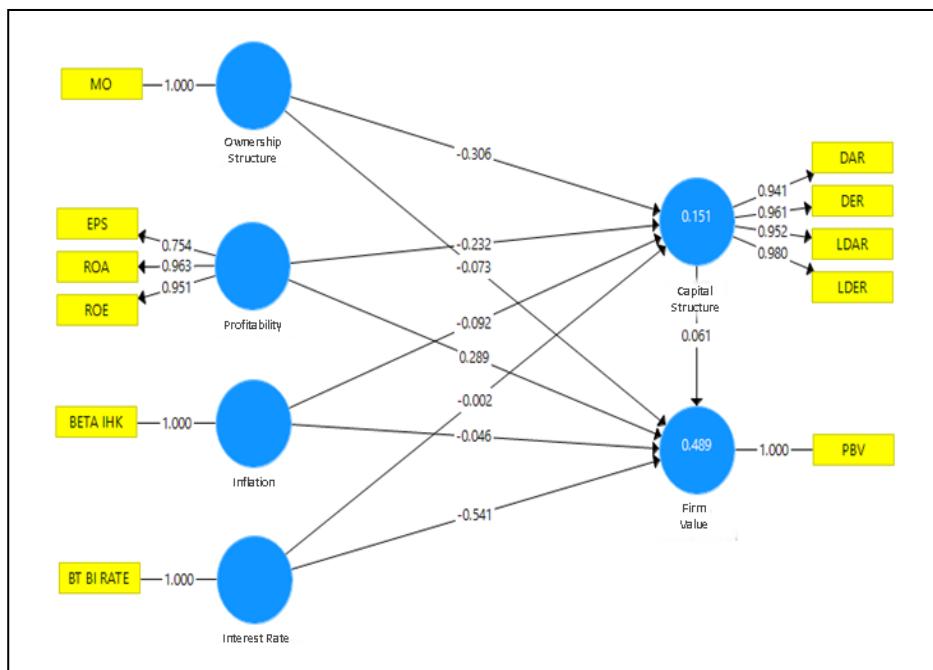


Figure 2 – Path Analysis Construction

Compiling Mathematical Equations

Relationships between latent variables could be determined through the following equation:

$$\begin{aligned} Y_1 &= \gamma_1 X_1 + \gamma_2 X_2 + \gamma_3 X_3 + \gamma_4 X_4 + \zeta_1 \\ Y_2 &= \gamma_1 X_1 + \gamma_2 X_2 + \gamma_3 X_3 + \gamma_4 X_4 + \beta_1 Y_1 \zeta_1 \end{aligned}$$

Description:

γ_{jb} = path coefficient between exogenous and endogenous latent variables

β_{ji} = path coefficient between endogenous and endogenous variables

Therefore, the mathematical model built in this study is as follows:

$$\begin{aligned} Y_1 &= -0.306X_1 - 0.232X_2 - 0.092X_3 - 0.002X_4 + \zeta_1 \\ Y_2 &= -0.073X_1 + 0.289X_2 - 0.046X_3 - 0.541X_4 + 0.061Y_1 + \zeta_1 \end{aligned}$$

Goodness of Fit Evaluation

Goodness of Fit was used to validate the model as a whole. GoF index is a single measure used to validate the combined performance of the measurement model (outer model) and structural model (inner model). Goodness of fit assessment used predictive-relevance (Q^2) value. Therefore, the value of GoF in this study was calculated using the following formula:

$$\begin{aligned} Q^2 &= 1 - (1 - R_1^2)(1 - R_2^2) \\ Q^2 &= 1 - (1 - 0.168)(1 - 0.489) \\ Q^2 &= 0.566 \rightarrow \text{High GoF} \end{aligned}$$

Hypothesis Assessment

Hypothesis assessment was conducted to determine the effect of ownership structure, profitability, inflation, and interest rates on capital structure and firm value. Hypothesis assessment was conducted utilizing a one-way test at a significance level of 0.05 and t-table 1.6597 (endogenous variable: capital structure) and 1.6599 (endogenous variable: firm value). Hypothesis assessment results are exhibited in Table 6.

Table 6 - Hypothesis Assessment

Exogenous and Endogenous Variables	Path Coef.	T-Stat	T-Tab	p-value	Description	Hypothesis
Influence of Ownership Structure on Capital Structure	-0,306	4,139	1,6597	0,000	Significant	H ₁ Accepted
Influence of Ownership Structure on Company Value	-0,073	0,689	1,6599	0,246	Insignificant	H ₂ Rejected
Influence of Profitability on Capital Structure	-0,232	2,409	1,6597	0,008	Significant	H ₃ Accepted
Influence of Profitability on Company Value	0,289	2,541	1,6599	0,006	Significant	H ₄ Accepted
Influence of Inflation on Capital Structure	-0,092	1,923	1,6597	0,028	Significant	H ₅ Accepted
Influence of Inflation on Company Value	-0,046	1,268	1,6599	0,103	Insignificant	H ₆ Rejected
Influence of Interest Rates on Capital Structure	-0,002	0,041	1,6597	0,484	Insignificant	H ₇ Rejected
Influence of Interest Rates on Company Value	-0,541	3,199	1,6599	0,001	Significant	H ₈ Accepted
Influence of Capital Structure on Company Value	0,061	0,680	1,6597	0,246	Insignificant	H ₉ Rejected

Source: Processed PLS Output, 2019.

Influence of Ownership Structure on Capital Structure

The research result stated that the ownership structure had a negative and significant effect on the company's capital structure with a coefficient value of -0.306 and t-count of 4.139. This indicates that higher share ownership percentage lower the use of debt as alternative funding in the company's capital structure. Conversely, lower percentage of share ownership increases the use of debt as alternative funding in the company's capital structure.

The research result is supported by Primadhanay (2016) which states that ownership structure has a significant effect on capital structure. However, this study is not in accordance with Kellen (2011) and Nofrivul et al. (2017) It states that the ownership structure does not significantly influence the capital structure.

Data on ownership structure and capital structure of the property and real estate companies on the IDX are relevant to the findings of this study. The average development of managerial shareholding structures in 2016-2017 and 2017-2018 percentages were 20.52% and 25.88%, respectively. This figure exhibited an increase. The average developments of LDAR and LDER ratio values have decreased. The percentage of the average development of LDAR values in 2016-2017 and 2017-2018 was 8.60% and 5.58% respectively. The average percentage of LDAR development in 2016-2017 and 2017-2018 were 6.54% and 5.90% respectively.

Influence of Ownership Structure on Company Value

The research result stated that the ownership structure had a negative and not significant effect on Company Value with a coefficient of -0.073 and t-count 0.689. These results indicated that increasing ownership structure decreases Company Value. However, increasing company ownership structure does not have a significant impact on Company Value decline.

The research result is supported by Rasyid's (2015) study which states that ownership structure has no significant effect on firm value. Research result differs from Kellen (2011) and Nofrivul (2017) which states that ownership structure has a significant effect on company value.

Research results can be explained by agency theory and data on the structure of company ownership. Agency theory explains the agency relationship between principals and corporate management. If the agent is classified as self-interest, there is a good reason to believe that the agent will not always act in the best interests of the principal. The ownership structure data exhibited that the percentage of the managerial ownership structure of the

property and real estate companies on the IDX is considered to be small. Thus, the company agent or management possibly act or behave in perquisites manner due to a small or nonexistent percentage of company ownership.

Influence of Profitability on Capital Structure

The research result stated that profitability had a negative and significant effect on capital structure with t-count of 2.409 and a coefficient value of -0.232. This indicates that the higher the profitability of property and real estate companies on the IDX, the lower the use of debt. Conversely, the lower the profitability of property and real estate companies on the IDX, the higher the use of debt.

The research result is supported by research by Chen and Chen (2011) and Subagyo (2009) which states that profitability has a significant effect on firm value. Research result differs from Kellen (2011) Yuliandi (2016), and Yulianto (2019) who state that profitability has no significant effect on firm value.

The findings of this study are considered relevant compared with profitability data and capital structure. The ROE and ROA value of property and real estate companies, on the Indonesia Stock Exchange, has decreased in 2016-2018. On the other hand, LDER and LDAR values exhibited an increase in that year.

This finding confirmed that the profitability level of property and real estate companies on the IDX has decreased. Therefore, it can increase the use of debt as alternative funding. When the use of debt increases, the risk of bankruptcy increases. However, increasing the use of debt could be used as an alternative as it could save taxes.

Influence of Profitability on Company Value

The research result stated that profitability had a negative and significant effect on company value with coefficients and t-count of 0.289 and 2.541, respectively. Higher level of profitability increases property and real estate companies value on the IDX. Conversely, lower level of profitability decreases the value of property and real estate companies on the IDX.

The research result is supported Chen and Chen (2011), Kellen (2011), Hamidah (2015), and Rasyid (2015). Research result differs from studies conducted by Yuliandi (2016) and Yulianto (2019).

The findings of this study are considered relevant when compared with profitability and company value data. The ROE and ROA of property and real estate companies on the IDX has decreased in 2016-2018. This condition was followed by decreasing company PBV.

This finding confirms that profitability increases company value. Therefore, property and real estate companies on the IDX need to take strategic steps to increase profitability.

Influence of Inflation on Capital Structure

The research result stated that inflation has a negative and significant effect on capital structure with coefficients and t-count of -0.092 and 1.923, respectively. The higher the inflation rate, the lower the use of debt as alternative funding in the capital structure of the property and real estate companies on the Indonesia Stock Exchange. Conversely, the lower the inflation rate, the higher the use of debt as alternative funding in the capital structure of the property and real estate companies on the Indonesia Stock Exchange.

The findings of this study are considered relevant when compared to the condition of the capital structure and monthly CPI data. The percentage of DER and DAR development in property and real estate companies on the IDX has increased in 2017-2018. On the other hand, the percentage of average monthly CPI development has decreased.

The research result is supported by Subagyo (2009) which states that inflation has a significant effect on capital structure. Research result differs from the research of Yulianto (2009) which states that inflation does not significantly influence the capital structure.

Influence of Inflation on Company Value

The research result stated that inflation has a negative and not significant effect on company value with coefficients and t-count of -0.046 and 1.268, respectively. However, there is not enough empirical evidence to state that inflation affects Company Value. In other words, an increase or decrease in inflation cannot significantly influence the value fluctuations of property and real estate companies on the Indonesia Stock Exchange.

Research results could be considered relevant to inflation data and company value. Inflation data exhibited that the CPI value has increased in 2016-2017. On the other hand, the company value data exhibited that the PBV value has decreased in 2016-2017. However, inflation data exhibited that the development percentage of the CPI value is smaller than the development percentage of the company value.

The research result is supported by Hamidah et al (2015) which states that inflation has no significant effect on firm value. Research result differs from Jubaedah (2006) which states that inflation has a significant effect on firm value.

Influence of Interest Rates on Capital Structure

The research result stated that the interest rate has a negative and not significant effect on the capital structure with coefficients and t-count of -0.002 and 0.041, respectively. There is not enough empirical evidence to state that the interest rate has a significant effect on the capital structure of property and real estate companies on the Indonesia Stock Exchange.

The findings of this study are relevant to data on capital structure and interest rates. LDER and LDAR values exhibited an increasing trend in 2016-2018. Whereas the average interest rate exhibited fluctuating values. Interest rates decreased in January 2016 - December 2017 and increased in January - December 2018.

The research result is supported by Yulianto's research (2019) which states that the interest rate has no significant effect on firm value. Research result differs from Subagyo (2009) which states that the interest rate has a significant effect on firm value.

Influence of Interest Rates on Company Value

The research result stated that the interest rate had a negative and significant effect on Company Value with coefficients and t-count of -0.541 and 3.199, respectively. The higher the interest rate, the lower the value of property and real estate companies on the IDX. Conversely, the lower the interest rate, the higher the value of the property and real estate companies on the IDX.

The findings of this study are relevant to the PBV and BI Rate conditions. The PBV development percentage of property and real estate companies has decreased in 2016-2018. On the other hand, the development of the average interest rate increased in 2016-2018.

The research result is supported Hamidah et al (2015) stating that the interest rate has no significant effect on company value. Research result differs from Rismawati and Dana (2014) which states that the interest rate has a significant effect on firm value.

Influence of Capital Structure on Company Value

The research result stated that the capital structure has a positive and not significant effect on firm value with coefficients and t-count respectively 0.061 and 0.068. There is not enough empirical evidence to state that capital structure influences the value of property and real estate companies.

The findings of this study are relevant to the condition of capital structure and firm value. The average percentage of PBV development and the percentage of LDER and LDAR development decreased in 2016-2018. However, the decreasing LDER and LDAR is not proportional to the PBV decrease. The PBV decrease is greater than LDER and LDAR decrease.

Research result confirmed that the use of debt as alternative funding is not enough to have an impact on increasing the value of property and real estate companies. In other

words, an increase or decrease in the use of debt does not impact Company Value fluctuations.

The research result is supported by research by Nofrivul (2017), Rasyid (2015), and Yuliandi (2016) which states that capital structure has no significant effect on corporate value. Research result differs from Kellen (2011), Chen and Chen (2011), and Jubaedah et al. (2016) which states that capital structure has a significant effect on company value.

CONCLUSION

This study aimed to determine the effect of ownership structure, profitability, inflation, and interest rates on capital structure and company value of the Property and Real Estate Sector on the Indonesia Stock Exchange. The research result exhibited that: ownership structure, profitability, and inflation significantly influence the capital structure. The interest rate does not significantly influence the capital structure. Profitability and interest rates have a significant effect on company value. The inflation and interest rates have no significant effect on company value.

Several suggestions presented based on the research result and conclusions are described as follows:

1. The company's financial management needs to pay attention to several variables that have a significant effect on capital structure and firm value. The use of debt and company value fluctuation is determined by these variables fluctuations.
2. Research result indicates that the influence of exogenous variables on endogenous variables of capital structure and endogenous variables of company value is 15.1% and 48.9%, respectively. The magnitudes of the influence of other variables on these endogenous variables are 84.9% and 51.1%, respectively. These variables can be used as references for other researchers.

REFERENCES

1. Baert, L., & Rudi, V. V. (2009). Bank Ownership, Firm Value, and Firm Capital Structure in Europe. *JIEL Classification*, 2, 1-34.
2. Bhattacharya, S. (1979). Imperfect Information, Dividend Policy, and the Bird in The Hand Fallacy. *Bell Journal of Economics*, 10(1), 259-270.
3. Boediono. (1994). *Ekonomi Moneter Seri Sinopsis Pengantar Ilmu Ekonomi Moneter*. Yogyakarta: LPBFE.
4. Brigham, E. F., & Joel, F. H. (2001). *Manajemen Keuangan II*. Jakarta: Erlanga.
5. Brigham, E. F., & Joel, F. H. (2009). *Fundamentals of Financial Management*. Mason: South-Western Cengage Leaning.
6. Chen, A. H., & Boness, A. J. (1975). Effects of Uncertain Inflation on the Investment and Financing Decisions of a Firm. *Journal of Finance*, 30(2).
7. Chen, L., & Shun, Y. C. (2011). The Influence of Profitability on Firm Value with Capital Structure as The Mediator and Firm Size and Industry as Moderators. *Investment Management and Financial Innovations*, 8(3).
8. Choi, J. J., & Elyas, E. (1997). Derivatif Exposure and The Interest Rate and Exchange Rate Risks of U.S. Banks. *Journal of Financial Services Research*, 12(2-3), 267-286.
9. Damodaran, A. (2001). *Corporate Finance: Theory and Practice*. New York: Willey.
10. Darmadji, T., & Fakhruddin. (2001). *Pasar Modal di Indonesia*. Jakarta: Salemba Empat
11. Dimitris, H., George, M., Katsimbris., & Athanasios, G. N. (2002). Inflation Uncertainty And Capital Structure: Evidence From A Pooled Sample Of The Dow-Jones Industrial Firms. *International Review of Economics & Finance*, 11(1), 45-55.
12. Easterbrook, F. H. (1984). Two Agency-Cost Explanations of Dividends. *The American Economic Review*, 74(4), 650-659.
13. Fahmi, I. (2011). *Analisis Laporan Keuangan*. Bandung: Penerbit Alfabeta.
14. Foster, G. (1996). *Financial Statement Analysis*. Singapore: Prentice-Hall.
15. Gitman, J. L. (2006). *Principles of Managerial Finance*. USA: Sandiego State University.

16. Gordon, M. J. 1959. Dividends, Earnings, and Stock Prices. *The Review of JEconomics Statistics*, 41(2), 99-105.
17. Halim, A. (2007). *Akuntansi Sektor Publik*. Jakarta: Salemba Empat.
18. Hamidah., et al. (2015). Pengaruh Inflasi, Suku Bunga, Profitabilitas, dan Risiko Finansial terhadap Nilai Perusahaan Sektor Properti Tahun 2011-2013. *Jurnal Riset Manajemen Sains (JRMSI)*, 6(1).
19. Harmono. (2009). *Manajemen Keuangan Berbasis Balanced Scored Card (Pendekatan Teori, Kasus, dan Riset Bisnis)*. Jakarta: Bumi Aksara.
20. Horne, J. C. V., & John, M. W. (2009). *Prinsip-prinsip Manajemen Keuangan*. Jakarta: Salemba Empat.
21. Jensen, M. C. & Meckling, W. H. (1976). Theory of The Firm: Managerial Behavior, Agency Costs, and Ownership Structure. *Journal of Financial Economics*, 3(4), 305-360.
22. Joseph, N. L., & Panayiotis, V. (2006). The Sensitivity of US Banks Stock Return to Interest Rate and Exchange Rate Changes. *Jurnal Keuangan Manajerial*, 32(2), 1-18.
23. Jubaedah., et al. (2016). The Influence of Financial Performance, Capital Structure, and Macroeconomic Factors on Firms Value – Evidence from Textile Companies at Indonesia Stock Exchange. *Applied Finance and Accounting*, 2(2), 2374-2429.
24. Kellen, P. B. (2011). Struktur Kepemilikan, Profitabilitas, dan Risiko Perusahaan terhadap Struktur Modal dan Nilai Perusahaan. *Jurnal Keuangan dan Perbankan*, 15(1), 201-212.
25. Keown., et al. (2010). *Dasar-dasar Manajemen Keuangan*. Jakarta: Salemba Empat.
26. Kim, M. K., & Chunci, W. (1988). Effects of Inflation on Capital Structure. *The Financial Review*, 23(2).
27. Lintner, J. (1962). Distribution of Income of Corporations among Dividends, Retained Earnings, and Taxes. *American Economic Review*, 46, 97-113.
28. Manullang, M. (2005). *Pengantar Manajemen Keuangan*. Yogyakarta: Andi Offset.
29. Margaretha, F. (2011). *Teori dan Aplikasi Manajemen Keuangan Investasi dan Sumber Dana Jangka Pendek*. Jakarta: Grasindo Gramedia Widiasarana Indonesia.
30. Marsh, T. A., & Merton, R. C. (1987). Dividend Behavior for the Aggregate Stock Market. *The Journal of Business*, 60(1), 1-40.
31. Myers, S., & Majluf, N. (1984). Corporate Financing and Investment Decition when firms have Information Investors do not have. *Journal offinancial Economics*, 13, 187-221.
32. Myers, S. C. (1984). The Capital Structure Puzzle. *The Journal of Finance*, 39(3).
33. Nofrivul., et al. (2017). Corporate Governance, Ownership Structure, Capital Structure, and Firm Value: Studies on the Indonesia Stock Exchange Issuer. *International Journal of Business, Economics, and Law*, 12(2).
34. Obara, L. C., & Bassey, O. E. (2000). *Financial Management: Principles and Practice*. Nigeria: Springfield Publishers.
35. Paramasivan, C., & Subramanian. (2009). *Financial Management*. New Age International
36. Primadhanny, R. (2016). Pengaruh Struktur Kepemilikan terhadap Struktur Modal pada Perusahaan Sektor Pertambangan yang Tercatat di BEI Periode 2010-2014. *Jurnal Ilmu Manajemen*, 4(3).
37. Rasyid, A. (2015). Effects of Ownership Structure, Capital Structure, Profitability, and Company's Growth towards Firm Value. *International Journal of Business and Management Invention*, 4(4), 25-31.
38. Rismawati, N. M., & I Made, D. (2014). Pengaruh Pertumbuhan Aset dan Tingkat Suku Bunga Sertifikat Bank Indonesia (SBI) Terhadap Kebijakan Dividend a Nilai Perusahaan Manufaktur di Bursa Efek Indonesia. *E-Jurnal Manajemen Universitas Udayana*, 3(4).
39. Riyanto, B. (2001). *Dasar-dasar Pembelanjaan Perusahaan*. Yogyakarta: BPFE.
40. Rodoni, A., & Herni, A. (2010). *Manajemen Keuangan*. Jakarta: Mitra Wacana Media.
41. Sartono, A. (2010). *Manajemen Keuangan: Teori dan Aplikasi*. Yogyakarta: BPFE.
42. Sjahrial, D., & Djahotman, P. (2013). *Analisis Laporan Keuangan*. Jakarta: Mitra Wacana Media.
43. Suad, H. (1996). *Manajemen Keuangan: Teori dan Penerapan (Keputusan Jangka Panjang)*. Yogyakarta: BPFE.

44. Suad, H. (2000). Manajemen Keuangan: Teori dan Penerapan (Keputusan Jangka Panjang). Yogyakarta: BPFE.
45. Subagyo, H. (2009). Faktor Determinasi Struktur Modal. Telaah Manajemen (TEMA), 6(2), 133-146.
46. Sudana, I. M. (2011). Manajemen Keuangan Perusahaan. Jakarta: Erlangga.
47. Sugiarto. (2009). Struktur Modal, Struktur Kepemilikan Perusahaan, Permasalahan Keagenan, dan Informasi Asimetri. Yogyakarta: Graha Ilmu.
48. Tandelilin, E. (2010). Portofolio dan Investasi: Teori dan Aplikasi. Yogyakarta: Penerbit Kanisius.
49. Tandelilin, E. (2014). Portofolio dan Investasi: Teori dan Aplikasi. Yogyakarta: Penerbit Kanisius.
50. Weston, J. F., & Thomas, E. C. (1992). Manajemen Keuangan. Translated by Yohanes, L. Jakarta: Erlangga.