IOSR Journal of Business and Management (IOSR-JBM)
e-ISSN: 2278-487X, p-ISSN: 2319-7668. Volume 21, Issue 2. Ser. VI (February. 2019), PP 39-46
www.iosrjournals.org

Managerial Ownership, Earnings Predictability and Firm Value on Indonesia Stock Exchange

Silvia Indrarini[1,] Grahita Chandrarin[2], Edi Subiyantoro[2],
[1]Widya Karya Catholic University of Malang
[2]University of Merdeka Malang
Corresponding Author: Silvia Indrarini

Abstract*: Firm value is an investor's perception on the level of success of a company which often associated with market prices. Increasing share prices shows an increase in shareholder prosperity. This study aims to examine the direct and indirect effects of managerial ownership on earnings predictability and firm value. The population was all manufacturing companies listed on the Indonesia Stock Exchange for the period 2011-2016. Data were analyzed using the SEM-PLS model. Managerial ownership has a significant effect on earnings predictability as a measure of earnings quality. Earnings predictability has a significant effect on firm value. Managerial ownership has a significant effect on firm value, both directly and indirectly through earnings predictability.*

Keywords*: Managerial ownership, Eearnings predictability, Firm value,*

Date of Submission: 13-02-2019 Date of acceptance: 28-02-2019

I. Introduction

The increase of investor'strustto manufacturing companies in Indonesia, both from new investors and even expanding business actors and governments, have made manufacturing industries sector become the backbones of economy, especially export-oriented industries and mass labor-absorbing industries. Investors will view manufacturing companies as a land for profitable investment because with the increase in Indonesia Composite Index (ICI), the value of the company in the image of the public will also increase.

Firm value is the investor's perception on the level of success of the manager in managing the sources of the company which trusted to them and are often associated with stock prices. Firm value is a very important thing for companies because the increase in firm value will be followed by an increase in stock prices which reflects an increase in shareholder prosperity. The market will trust, not only to the current performance of the companies, but also to the prospect of the companies in the future that will come with an increase in the firm value. Husnan (2006) explains that firm value is the price that is willing to be paid by a prospective investor when the company is sold. Brealey et al. (2007) stated that firm value summarizes the collective assessment by investors regarding the performance of the company's condition, both current and future performance.

For a manager, firm value is a measure of achievement of the work that has been achieved. An increase in firm value shows an increase in the performance of the company. Indirectly, this is seen as an ability to increase the wealth of the shareholders,which is the goal of the company. For investors, an increase in firm value will make investors interested to put investment in the company so as to make the price of the company's shares increase.

In principle, an increase in shareholder wealth means an increase in firm value, hence firm value is considered important to keep shareholders satisfied with the company's management and still want to invest in the company. In addition, firm value is also important for prospective investors, so that prospective investors are assured to invest in the company because the wealth of the shareholders is well considered.

An investor will be interested in investing in a company if the profit obtained by the company is relatively high. The relatively high profit is the main focus of the company's assessment by investors. Profit is mainly used by investors and analysts in making decisions on financial markets. Recent studies provide evidence that reported earnings are the main source of company-specific information (Francis et al., 2003), because profit is a good indicator of future cash flows and more informative regarding the company's economic performance compared to cash flows (Dechow et al. ., 1998). Profits that do not show information about the company's economic performance can actually mislead the users of the report, because such profit unable to explain the true market value of the company (Boediono, 2005).

Kim et al. (2015) explain that earnings quality can be considered as a broader measure of financial reporting quality. Earnings quality is very important for users of financial information,as well as for practitioners, regulators and accounting researchers. The reported profit is seen as the main information in the

financial statements (Kamarudin and Ismail, 2014). Accounting information is considered valuable and reliable if it is presented without bias. In the investor's point of view, low-quality earnings are not desirable because they produce a signal of defective resource placement (Schipper and Vincent, 2003). Myers et al. (2003), which explains that the low quality of earnings is problematic because it can mislead investors, and causing misplacement of resources. Low quality earnings can lead to inefficient allocation of resources and as a result cause inappropriate transfer of wealth (Mokhtari and Makerani, 2013).

The capital market relies on credible financial accounting information. Good quality financial report helps investors to better measure the value and performance of the company and to make better investment decisions. Financial scandals in America and Europe (such as Enron, Worldcom, and Parmalat) have highlighted the importance of financial reporting quality, with particular emphasis on earnings quality (Gaio and Raposo, 2011).

Gaio and Raposo (2011) found a positive and significant correlation between firm valuation and measurement of aggregate earnings quality based on seven earnings attributes (accrual quality, persistence, predictability, alignment, value relevance, timeliness, and conservatism), meaning that firms with a better earnings quality enjoy higher market valuations. Supported by Latif et al. (2017), that earnings quality contributes positively in maximizing firm value.

Firm value is influenced by company policy. Company policy can be proxied by managerial ownership, namely the policy of giving bonuses / incentives for managers. Managerial ownership is an important mechanism for integrating managerial incentives with shareholders (Jensen, 1976; Lorck et al., 1988). Managerial ownership can be increased, among others, through the policy of stock-based compensation (Chengl and Warfield, 2005). Increasing share ownership by managers will avoid policies that are less profitable for holders (owners). Managers who are also included as owners will try to focus on the performance to increase the firm value or increase the wealth of shareholders where the manager is included.

Bunkanwanicha et al. (2008) and Ruan et al. (2011) found a non-linear correlation between managerial ownership and firm value. It shows that management and insiders have the ability to be involved in the takeover of other shareholders' profits. Furthermore, Mandaci and Gumus (2011) found a significant negative effect between managerial ownership and firm value in Turkey. The line findings do not support Jensen's (1976) idea, which argues that if managerial ownership increases, conflicts between managers and owners will decrease and performance will increase. In contrast to the findings byRizqia et al. (2013) which shows the positive influence of managerial ownership on the value of companies listed on the Indonesian Stock Exchange (IDX).

II. Literature Review

Agency theory explains that managerial ownership of managers encourages managers to improve firm value, because managers have a proportion of wealth as the shareholders. As a result, CEO’s ownership of shares can lead to convergence of interests between managers and shareholders. As a result, whether CEO’sshares ownership helps align managerial interests with the interests of shareholders, CEO’s shares ownership can expect that as management ownership increases, incentives to manipulate earnings will decrease. In this case, Mohd Ali et al. (2008), Banderlipe (2009), and Alves (2012) found that managerial ownership is associated with a lower level of earnings management. The results show that the higher managerial ownership, the lower the level of discretionary accruals, which means the resulting profits are getting better quality.

Hasan (2013), Hassan and Farouk (2014) stated that managers in companies can control creditors, making it difficult for managers to be involved in earnings management. External creditors are considered as an external control tool for management performance, which in turn reduces agency costs and reduces the possibility of applying earnings management, which will reflect positively on earnings quality.

One of the purposes of accounting information is to help users predict future cash flows and consequently to predict the level of stock returns. Some variables that affect the return of company shares in the capital market are caused by financial information collected through the accounting system (Dastgir&Zafari, 2010). Financial statements as the final product of the accounting system are the main means of conveying information to users, while providing additional information for managers' decisions regarding investment projects.

The higher the quality of accounting information, the better the investment decision made. Chen et al. (2011) investigated the relation between the quality of accounting information and the efficiency of investment by private companies in emerging markets. Chen et al. (2011) found that the quality of accounting information positively affected investment efficiency. The relation between the quality of accounting information and investment efficiency increases mainly because private companies depend on bank financing. Furthermore, Zhai& Wang (2016) showed that high-quality accounting information plays an important role in monitoring and encouraging management to optimize the choice of capital investment, and ultimately maximize the interests of shareholders. Supported by Reza et al. (2016) who found a significant positive correlation between earnings quality and capital expenditure in companies which are at the maturity stage and the decline stage. The

relationship between earnings quality and capital expenditure at the maturity stage is stronger than the decline stage. Based on the results of these studies, the hypothesis can be proposed as follows:
H_1: Managerial ownership influences earnings predictability

Earnings reports are a big determinant of stock prices (Shan, 2015). Prospective investors are more confident to profit compared to other factors. Stock market analyst recommendations, reports, target pricing and profit forecasting are important for the foundation of stock prices (Salerno, 2014). Company managers must disseminate information that useful for attracting capital investments, and the managers use these funds in projects that increase shareholder wealth. But company managers have several incentives to "fulfill numbers" and also certain discretions to influence earnings figures. This opportunistic manager's behavior towards earnings reports influences stakeholder relationships, company's reputation, and hence, firm value (Martinez-Ferrero et al., 2016).

Habib & Jiang (2015) identified that financial reporting quality must contribute to firm value through reducing information asymmetry. Habib & Jiang (2015) argue that as a direct outcome of corporate governance mechanisms, financial reporting process must be able to provide useful information for reducing risk information and thereby reducing capital costs. Supported by Gaio&Raposo (2011), using 7,000 companies in 38 countries, it found a positive and significant relationship between corporate valuation and measurement of aggregate earnings quality based on seven earnings attributes (accrual quality, persistence, predictability, alignment, value relevance, timeliness, and conservatism). This relationship is particularly strong for companies with large investment opportunities and more in need of external finance, and for companies in countries with the protection of low-cost investors. Furthermore, Latif et al. (2017) found that earnings quality contributed positively in maximizing firm value and the results demonstrated that good earnings quality partially mediates the relationship between corporate governance and the value of non-financial companies recorded in Pakistan. Finally, Lyimo (2014) argues that there is no full consistency between the various techniques of measuring earnings quality and therefore investors, analysts, and market participants should not depend on one measure of earnings quality. Based on the results of the study, then hypothesis can be proposed as follows:
H_2: Earnings Predictability affects firm value

In this study, managerial ownership can be used as a corporate monitoring tool to reduce agency problems, because agency problems can be a barrier in increasing the firm value (Jensen, 1986). In addition to the monitoring mechanism, managerial ownership increases the firm value as well as dealing with signaling (Famal&lFrench, 1998). Thus, controlled managerial ownership will increase finance at the optimal point and increase firm value (Daviesl et al., 2005; Mak &Kusnadi, 2005).

The proportion of managerial ownership will be related to investment policy, where this policy is part of a very important financial policy that can increase the value of the company. Woolridge & Snow (1990), explained that the expansion of production capacity, factory modernization and changes in capital expenditure cannot be separated from company policy from aspects of managerial ownership.

Habib & Jiang (2015) argue that as a direct outcome of corporate policy mechanisms, the financial reporting process must be able to provide information that is useful for reducing information risk and hence reducing capital costs. Supported by Gaio&Raposo (2011), using 7,000 companies in 38 countries found a positive and significant relationship between company valuation and measurement of aggregate earnings quality based on seven earnings attributes (accrual quality, persistence, predictability, alignment, value relevance, timeliness, and conservatism). Furthermore, Latif et al. (2017) found that earnings quality contributed positively in maximizing firm value and the results demonstrated that good earnings quality partially mediates the relationship between corporate governance and the value of non-financial companies recorded in Pakistan. Finally, Lyimo (2014) argues that there is no full consistency between the various techniques of measuring earnings quality and therefore investors, analysts and market participants should not depend on one measure of earnings quality. Based on the results of these studies, the hypothesis can be proposed as follows:
H_3: Managerial ownership affects firm value through earnings predictability

III. Material & Methodology

This study aims to examine the direct effect of managerial ownership on firm value and the direct effect of earnings predictability on firm value. In addition, it also sees the indirect effect of managerial ownership on firm value through earnings predictability. Managerial ownership measurement uses percentage of the amount of sharesfrom the total shares released by company that owned by the company management,both as executive and director. The measurement of earnings quality uses one component of earnings quality, that is earnings predictability. The measurement of firm value was using Tobin's Q. The population in this study are all manufacturing companies listed on the Indonesia Stock Exchange (IDX) in the observation period of 2011-2016. The sample selection uses a purposive sampling method, with the following criteria: (1) The company has gone public or listed on the Indonesia Stock Exchange in the 2011-2016 period, there are 154 companies; (2) The company has not been delisted and its shares have been actively traded during the 2011-2016 period, as

many as 35 companies did not fulfill this requirement, so the remaining are 119 companies; (3) The Company issued annual financial statements expressed in rupiah (Rp) for the period ending December 31, 2011-2016 which were published through www.idx.co.id, print media, or the company's official website, as many as 13 companies do not fulfill this requirement, hence the remaining are 106 companies; and (4) The company has complete data needed in the research. A total of 85 companies did not fulfill this requirements, therefore remainsonly 21 companies which studied.

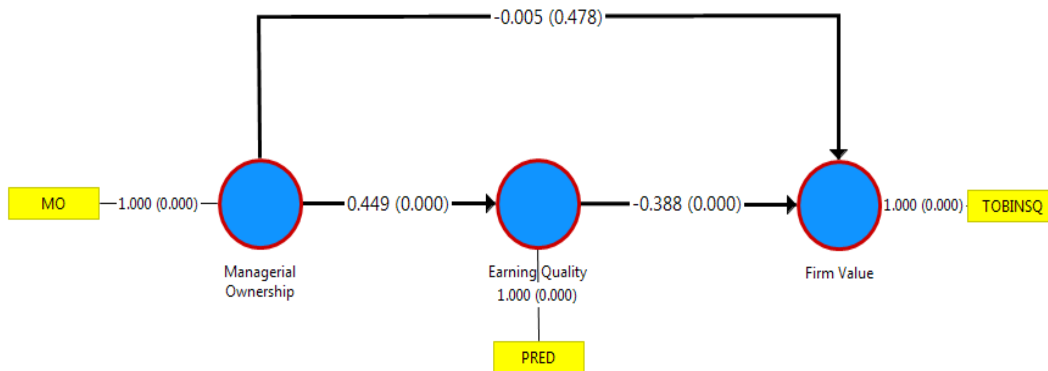
Data analysis in this study was carried out using descriptive statistics, the purpose of which was to analyze the characteristics of the sample under study. The relationship structure on the three variables will be analyzed using the SEM-PLS model. PLS is able to be used to test the causal relationship of research variables that have not received much theoretical support or the research is exploratory (Ghozali, 2011).

Another reason is that PLS is able to analyze constructs with reflective or formative indicators (Hair, 2010). PLS is a powerful analytical method, because it is not based on many assumptions, data does not have to be normally distributed, the sample does not have to be large, and is able to explain the relationship between latent variables (Ghozali, 2011).

Another advantage of PLS is that it can be used on data with different scale types, capable of managing multi-collinearity problems between independent variables, and the results remain robust even though there are abnormal and missing data (Hartono, 2009).

IV. Result and Discussion

The results of the hypothesis model analysis on the coefficient of determination (R2) of managerial ownership on earnings predictability are 20.2%. While the coefficient of determination (R2) of managerial ownership and earnings predictability on firm value is 15.3%. The direct effect coefficient of managerial ownership on earnings predictability is significant (β = 0.449; p = 0.001). Managerial ownership has a positive coefficient on earnings quality with proxy PRED value where a low value explains the existence of better earnings quality because the amount of profit has a shorter deviation. In the relation of managerial ownership and earnings predictability,it provides an interpretation that the company with good managerial ownership, with an indication of the low percentage of managerial shares ownership, causes the PRED value to be lower (smaller). In other words, the quality of earnings proxyed by the value of PRED will be better if managerial ownership in the company is not in a high percentage.



Picture 1.Hypothesis Model

Table 1 Result of Line Coefficient Test

Inter-variable Correlation	Original Sample (O)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P
Earnings Quality, R^2 = 20,2%				
Managerial Ownership->Earnings Quality	0.449	0.110	4.092	0.000
Firm Value, R^2 = 15,3%				
Managerial Ownership ->Firm Value	-0.005	0.106	0.052	0.478
Earnings Quality ->Firm Value	-0.388	0.083	4.680	0.000

Note :*) = statistically significant at level α=0,05

Table 2. Result of Indirect Effects Test

Inter-Variable Correlation	Coefficient	P
Managerial Ownership ->Firm Value	-0.005	0.478 *)
Managerial Ownership ->Earnings Quality	0.449	0.000 *)
Earnings Quality ->Firm Value	-0.388	0.000 *)

Managerial Ownership ->Earnings Quality ->Firm Value	-0.174	0.019 *)

Note :*) = statistically significant at level α=0,05

The direct effect coefficient of managerial ownership on firm value is not significant (β = -0.005; p = 0.478). These results provide an interpretation that the different levels of managerial ownership do not directly explain the value of Tobin's Q.

The direct effect of earnings predictability as a measure of earnings quality on firm value is significant (β = 0.388; p = 0,000). In the proxy literature, the low earnings predictability value explains the existence of good earnings quality, while the high value of Tobin's Q index proxy explains that the value of the company is good. So that the results of this test can be interpreted that the low earnings predictability of low value will increase the firm value. In the hypothetical model, there are indirect effects, namely the indirect influence of managerial ownership on firm value through earnings predictability of (0.449) x (-0.388) = -0.174. This indirect effect is significant because all of the path coefficients through the mediating variables are tested significant ($p < 0.05$).

In this study there are 3 hypotheses, where 2 hypotheses test the extent of direct influence and 1 hypothesis examines the extent of indirect influence. The direct effect on the relation of managerial ownership to earnings predictability is 0.499 ($p < 0.05$), which is significant. Managerial ownership can be a determinant of earnings predictability, so H_1 is supported. The direct effect on the relation of earnings quality to firm value is -0.388 ($p < 0.05$), which is significant. earnings predictability can be a determinant of firm value, so H_2 is supported. H_3 states that managerial ownership affects firm value through earnings quality. The indirect effect on managerial ownership relations on firm value through earnings predictability is -0.174, which is significant. Earnings predictability as a measure of earnings quality is proven to mediate the relation of managerial ownership to firm value, so that H3 is supported.

V. Conclusion

The negative coefficient on the relation of company policy to firm value is interpreted as having an inverse relationship between managerial ownership and firm value. An overvalued managerial ownership will result in the company not being flexible in designing long-term debt and business expansion, the business development becomes less optimal. The relation between managerial ownership and firm value will increase if the proportion of managerial ownership is not too high.

The negative relation between managerial ownership and firm value is not in line with the opinion of Crutchley& Hansen (1989). Increased managerial interests are used as a way to reduce agency conflict. Companies increase managerial ownership to align managerial positions with shareholders so that they act in accordance with the wishes of the shareholders. With the increase in the percentage of ownership, managers are motivated to improve performance and are responsible for increasing the wealth of shareholders. The facts in this study, companies with lower managerial ownership can have a positive effect with an increase in firm value. This makes it possible to occur because two major problems in agency relations are rare (Meisser et al., 2006). Rarely does asymmetric information occur, where management generally has balanced information about the actual financial position and operating position of the entity from the owner. Another possibility is that there is rarely a conflict of interest, so there are more common goals, namely management can act in accordance with the interests of the owner. There is an effort that can be carried out to reduce conflict of interest and agency costs. The negative relation between managerial ownership and firm value can also be interpreted that when the managerial ownership is at an exceedingly high level, the impact is not good for the company. The purpose of increasing managerial ownership of the company by management is expected that it can align management's interests with the interests of the shareholders. With the ownership of shares held by *insiders* (the company owner is also the manager of the company), then the*insiders* will benefit directly from the taken decisions, as well as directly bear the risk from the actions if the decision is wrong. Ownership of assets by insider is an incentive to increase the performance of the company (Taswan, 2008).

Companies, in trying to reduce agency problems, can be done or minimized through a monitoring mechanism that aims to align various interests through company ownership by managerial ownership (Jensen and Meckling, 1976), so that the interests of owners or shareholders can be aligned with manager's interests. Managers will try to increase firm value which reflects the company's stock price (Jensen and Meckling, 1976). The direction of the relationship of managerial ownership found in McConnell &Servaes (1990) research, Chen et al. (2003), and Rizqia et al. (2013) is positive. Managerial ownership can increase firm value (McConnell &Servaes, 1990). Chen et al. (2003) found that firm value increased monotonically with managerial ownership. These findings indicate that as ownership increases, there is greater alignment of managerial interests with shareholders. Supported by Rizqia et al. (2013) who found that the higher managerial ownership, the higher the firm value of manufacturing companies listed on the Indonesia Stock Exchange. The difference in the impact of managerial enhancement cannot be separated from several situations and policies that apply in Indonesia.

The modeling results obtained a coefficient with positive mark from company policy on earnings quality. Company policy is a guideline or provision set by the manager as the direction of management in carrying out business activities which includes policies on how to obtain funds, use or allocate funds, and manage owned assets to reach the objectives of the company.

The biggest coefficient is in the proxy of managerial ownership, the higher the proportion of managerial ownership, the better the performance of the company it manages. Managerial ownership can help to align interests between managers and investors. The high proportion in managerial ownership is controlling the amount of debt that can be bore by the company and the subsequent impact for the needs of the purchase or procurement of assets that can be measured physically, such as; factories, property and equipment (PPE). Managerial ownership that too high will result in the company not being flexible in designing long-term debt and business expansion, and the business development becomes less optimal.

The path coefficient of earnings quality against firm value is negative. Earnings predictability is inversely proportional to firm value. Low earnings predictability is a proxy for good earnings quality, so that it will encourage an increase in firm value.

The results of this study are in line with the research of Salerno (2014), (Martinez et al. 2016), Habib & Jiang (2015), Gaio&Raposo (2011), and not in line with the results of Lyimo (2014). Prospective investors has more confident to profits rather than to other factors, so earnings reports are a big determinant of stock prices (Shan, 2015). However, stock market analyst recommendations, reports, target pricing, and profit forecasting are important for the foundation of stock prices (Salerno, 2014). Company managers must disseminate information that is useful for attracting capital investments, and managers use these funds in projects that increase shareholder wealth. But company managers have several incentives to "fulfill numbers" and also certain discretions to influence earnings figures. This opportunistic behavior of manager’s towards earnings reports influences stakeholder relationships and company reputation (Martinez-Ferrero et al., 2016).

Habib & Jiang (2015) identified that financial reporting quality must contribute to firm value through reducing information asymmetry. The corporate governance mechanism, and the financial reporting process must be able to provide efficient information for reducing information risk, and hence decreasing capital costs. According to Gaio&Raposo (2011), company's earnings quality, besides being measured by earnings predictability, still needs to consider several other proxies, namely: earnings persistence, earnings accruals, leveling, value relevance, timeliness, and conservatism. This relationship is especially strong for companies with large investment opportunities and more in need of external finance, and for companies in countries with the lowest protection of investors. However, in Lyimo's (2014) study, argued that there is no full consistency between various techniques for measuring earnings quality and therefore investors, analysts, and market participants should not depend on one measure of earnings quality.

The Effect of Managerial Ownership Towards Firm Value Through Earnings Quality

The modeling results obtained the existence of a coefficient with positive mark and significant from the company's policy towards earnings quality, and obtained a coefficientwith negative mark and significant from earnings quality to firm value. These two significant path coefficients prove that earnings quality mediates the relationship between company policy and firm value. The contribution of direct influence that comes from the company's policy towards firm value is stronger when compared with earnings quality. The role of mediation owned by earnings quality is interpreted that the high firm value in the market is a multiplier effect caused by company policies to produce good quality earnings. As explained in the previous discussion, in company’s policy, managerial ownership proxy is an important matter to be considered by companies, so that the obtained earnings quality can be more controlled.

This research is in line with the results of research by Cheng &Tzeng (2011), Sudiyatno et al. (2012), Rizqia et al. (2013), and Farooq & Ahsan (2016). In this study, the policy of giving incentives / bonus shares was proxied by managerial ownership.

Gaio&Raposo (2011) states that the measurement of aggregate earnings quality should be based on seven earnings attributes, namely accrual quality, persistence, predictability, alignment, value relevance, timeliness, and conservatism. Latif et al. (2017) found that earnings quality contributed positively in maximizing firm value and the results demonstrated that good earnings quality partially mediates the relationship between corporate governance and the value of non-financial companies recorded in Pakistan. Finally, Lyimo (2014) argues that there is no full consistency between the various techniques of measuring earnings quality and therefore investors, analysts and market participants should not depend on one measure of earnings quality.

References

[1] . Abbadi, S., Hijazi, Q., & Al-Rahahleh, A. (2016). Corporate Governance Quality and Earnings Management: Evidence from Jordan. *Australasian Accounting, Business and Finance Journal*, *10*(2), 54–75.

[2] . Aldamen, H., & Duncan, K. (2016). Does Kepemilikan manajerial Enhance Accruals Quality During Financial Crises ? *Managerial Auditing Journal*, *31*(4/5), 434–457.

[3] . Alves, S. (2012). Ownership Structure and Earnings Management Evidence from Portugal. *Australian Accounting Business and Finance Journal*, *6*(1), 57–74.

[4] . Ang, J. S., Cole, R. & Lin, J. A. W. (2000). Agency Costs and Ownership Structure. *Journal of Finance*, *55*(1), 81–106.

[5] . Ararat, M., Black, B. S., & Yurtoglu, B. B. (2017). The Effect of Corporate Governance on Firm Value and Profitability: Time-Series Evidence from Turkey. *Emerging Markets Review*, *30*, 113–132.

[6] . Balasubramanian, N., Black, B. S., & Khanna, V. (2010). The Relation Between Firm-Level Corporate Governance and Market Value: A Case Study of India. *Emerging Markets Review*, *11*(4), 319–340.

[7] . Banderlipe, M. S. (2009). The Impact of Selected Corporate Governance Variables in Mitigating Earnings Management in The Philippines. *DLSU Business and Economics Review*, *19*(1), 17–27.

[8] . Beiner, S., Drobetz, W., Schmid, M. M., & Zimmermann, H. (2006). An Integrated Framework of Corporate Governance and Firm Valuation. *European Financial Management, Wiley Online Library*, *12*(2), 249–283.

[9] . Black, B. S., Love, I., & Rachinsky, A. (2006). Corporate Governance Indices and Firms' Market Values: Time Series Evidence From Russia. *Emerging Markets Review*, *7*(4), 361–379.

[10] . Black, B.S., & Kim, W.C., (2011). The Effect of Board Structure on Firm Value: A Multiple Identification Strategies Approach Using Korean Data. *Journal of Financial Economics*, 104, 203–226.

[11] . Black, B. S., de Carvalho, A. G., & Gorga, É. (2012). What Matters And for Which Firms for Corporate Governance In Emerging Markets? Evidence from Brazil (and other BRIK countries). *Journal of Corporate Finance*, *18*(4), 934–952.

[12] . Brealey, A.R., Myers, C.S. and Marcus, J.A. (2007) *Fundamentals of Corporate Finance*. 5th Edition, McGraw-Hill, New York.

[13] . Chen, C. R., Guo, W., & Mande, V. (2003). Managerial Ownership and Firm Valuation: Evidence from Japanese Firms. *Pacific Basin Finance Journal*, *11*(3), 267–283.

[14] . Cheung, Y.-L., Connelly, J. T., Jiang, P., & Limpaphayom, P. (2011). Does Corporate Governance Predict Future Performance ? Evidence from HongKong. *Financial Management*, *40*(1), 159–197.

[15] . Chung, K.H., and Pruitt, S.W.(1994).A Simple Approximation of Tobin's Q.*Financial Management*, 23,70-74.

[16] . Crutchley, C. E., & Hansen, R. S. (1989). A Test of the Agency Theory of Managerial Ownership, Corporate Leverage, and Corporate Dividends. *Financial Management*, *18*(4), 36.

[17] . Daniri, Mas Achmad. (2005). *Kepemilikan manajerial: Konsep dan Penerapannya dalam Konteks Indonesia*. Ray Indonesia. Jakarta.

[18] . Dechow, M., Schrand, C. (2004). *Earnings Quality*. New York: The Research Foundation of CFA Institute.

[19] . Dempster, G. (2008). Determining Earnings Quality: A Multi-Factor Model Approach. *Journal of Academy of Business and Economics,* 8, 152-157.

[20] . Fama, E. F., & French, K. R. (1998). Taxes, Financing Decisions, and Firm Value. *The Journal of Finance*, *53*(3), 819–843.

[21] . Francis, J., Schipper, K., and Vincent, L. (2003). The Relative and Incremental Explanatory Power of Earnings and Alternative (to Earnings) Performance Measures for Returns. *Contemporary Accounting Research,20*(1), 121–164.

[22] . Gaio, C., & Raposo, C. (2011). Earnings Quality and Firm Valuation: International Evidence. *Accounting & Finance*, *51*(2), 467–499.

[23] . Ghozali, Imam. (2011). *Aplikasi Analisis Multivariate dengan Program SPSS*. Edisi 5, Badan Penerbit UnivesitasDiponegoro, Semarang.

[24] . Gilson, R., & Gordon, J. (2003). Controlling Controlling Shareholders. *University of Pennsylvania Law Review*, *152*(1), 785–844.

[25] . Habib, A., & Jiang, H. (2015). Corporate Governance and Financial Reporting Quality in China: A Survey of Recent Evidence. *Journal of International Accounting, Auditing and Taxation*, *24*(2015), 29–45.

[26] . Hair, J. F., Black, W.C. Babin, B. J. dan Anderson, R. E. 2010. *Multivariate dataanalysis: A global perspective. Seventh edition.* Pearson Education, Inc. NewJersey.

[27] . Han Shin, Hun and Rene M. Stulz.(2000).*National Bureau of Economic Research*, 1050 Massachusetts Avenue Cambridge, MA 02138, http://www.nbr.org/papers/w7808, Firm Value, Risk, and GrowthOpportunities.

[28] . Hartono, Jogiyanto H.M., dan Willy Abdillah. (2009). *Konsep dan Aplikasi PLS untuk Penelitian Empiris*. BPFE, Yogyakarta.

[29] . Hodge, F. D. (2003). Investors Perceptions of Earnings Quality, Auditor Independence, and The Usefulness of Audited Financial Information. *Accounting Horizons,17*, 37-48.

[30] . 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.

[31] . Kim, K. S., Lee, J. H., & Chung, C. Y. (2015). Accrual Quality and Opportunistic Seasoned Equity Offering in the Korean Stock Market. *Emerging Markets Finance and Trade, 51*, 140-157.

[32] . Lyimo, G. D. (2014). Assessing The Measures of Quality of Earnings: Evidence From India. *European Journal of Accounting Auditing and Finance Research, 2*(6), 17-28.

[33] . Martínez-Ferrero, J., Rodriguez-Ariza Manuel, L., & Bermejo-Sánchez, M. (2016). Consequences of Earnings Management for Corporate Reputation: Evidence from Family Firms. *Accounting Research Journal, 29*(4), 457-474.

[34] . McConnell, J., & Servaes, H. (1990). Additional Evidence on Equity Ownership and Corporate Value. *Journal of Financial Economics*, *27*(2), 595–612.

[35] . Mohd Ali, S., Mohd Salleh, N., & Hassan, M. S. (2008). Ownership Structure And Earnings Management In Malaysian Listed Companies: The Size Effect. *Asian Journal of Business and Accounting*, *1*(2), 89–116.

[36] . Monks, R. A. G. & N. Minow. (2003). *Corporate Governance*. Third Edition, Blackwell Publishing.

[37] . Myers, J. N., Myers, L. A., Omer, T. C. (2003). Exploring The Term of The Auditor-Client Relationship and The Quality of Earnings: A Case for Mandatory Auditor Rotation ?*Accounting Review*, *78*(3), 779-799.

[38] . Nasieku, T., Olubunmi, E. Mojorike, & Togun, O. R. (2014). Corporate Governance and Firm's Earnings Quality. *Economics and Finance Review*, *3*(12), 1–10.

[39] . Rizqia, D. A., Aisjah, S., & Sumiati. (2013). Effect of Managerial Ownership, Financial Leverage, Profitability, Firm Size, and Investment Opportunity on Dividend Policy and Firm Value. *Research Journal of Finance and Accounting*, *4*(11), 120–130.

[40] . Salerno, D. (2014). The Role of Earnings Quality in Financial Analyst Forecast Accuracy. *Journal of Applied Business Research*, *30*(1), 255–275.

[41] . Shan, Y. G. (2015). Value Relevance, Earnings Management and Corporate Governance in China. *Emerging Markets Review, 23*, 186-207.

[42] . Shleifer, A. and R. Vishny. (1997).A Survey of Corporate Governance. *Journal of Finance*, 2, 737-783.

[43] . Sudiyatno, B., Puspitasari, E., & Kartika, A. (2012). The Company's Policy, Firm Performance, and Firm Value: An Empirical Research on Indonesia Stock Exchange. *American International Journal of Contemporary Research*, *2*(12), 30–40.

[44] . Weston, J.F. and Copeland, T.E. (2010). *ManagerialFinance*. 9th Edition. The Dryden Press, Florida.
[45] . Wolfe, Joseph, & Antonio Carlos Aidar Sauaia. (2005). The Tobin Q as a Business Game Performance Indicator. *Simulation and Gaming*, *36* (2), 238–249.
[46] . Zhai, J., & Wang, Y. (2016). Accounting Information Quality, Governance Efficiency and Capital Investment Choice. *China Journal of Accounting Research*, *9*(4), 251–266.

IOSR Journal of Business and Management (IOSR-JBM) is UGC approved Journal with Sl. No. 4481, Journal no. 46879.

Silvia Indrarini. " Managerial Ownership, Earnings Predictability And Firm Value On Indonesia Stock Exchange." IOSR Journal of Business and Management (IOSR-JBM), Vol. 21, No. 2, 2019, pp. -.39-46