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The Effect of Managerial Ownership on Company Values Mediated by Profit Quality

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Abstrac

The purpose of this research is to analyze the effect of managerial ownership on firm value which is mediated by earnings quality by using agency theory . The population used in this study were manufacturing companies listed on the Indonesia Stock Exchange with a total research period of 2019-2021. The population in this study totaled 157 companies , the samples selection used a purposive sampling technique so that a total of 56 companies were obtained . The analysis used in this study is regression and path analysis with mediation testing using sobel calculations . The findings obtained from this study can be concluded that managerial ownership has a significance effect on firm value , managerial ownership has a significance effect on earnings quality , earnings quality has been significant effect on firm value and earnings quality is capable to mediate the effect of managerial ownership on firm value .

1. Introduction

The value of a company reflects investors' perception of the company's management prowess, often linked to the share price. As the share price rises, the company's standing also improves (Ni'mah and Poerwati, 2019). Potential investors gauge a company's standing through its stock market price; the higher the share price, the better the company's standing. A company with a high share price will attract investors (Riny, 2018).

High company value incentivizes investors to increase their investments in the company (Putrianti and Suhartono, 2018). Companies can maintain their share prices to attract investors. The primary objective of a company, especially in the long term, is to enhance its value, which management continuously strives to achieve (Dewi & Abudanti, 2019). Therefore, companies must maintain a good value over the long term by maintaining their share prices. Fluctuations in share prices correlate with fluctuations in a company's value.

For potential investors, the first thing to consider before investing is obtaining information from the capital market. Profit information is crucial for both internal and external stakeholders, as every company competes to increase its profits (Nardirsyah and Muharram, 2015). A company with good quality profits can easily attract investors.

Quality profit is transparent and actual profit that can be observed through the reporting process. It indicates a company's ability to report its actual profits accurately. Good reporting enables stakeholders to predict future profits, thus ensuring sustainable profitability (Yusita, 2013; Astuti, 2016; Ni'mah and Poerwati, 2019).

Sustainable profits reflect the efficient management of company resources to increase future income, generating consistent cash inflows (Ng and Daromes, 2016). Companies with high cash inflows can fund their operations and distribute dividends, enhancing shareholder confidence and increasing the company's value (Yogi and Damayanthi, 2016).

Ownership structure influences every decision made by a company. Managerial ownership, where managers are also shareholders, is crucial for decision-making processes (Wardani & Hermuningsih, 2011). Managerial ownership aligns the interests of managers and shareholders, motivating managers to improve company performance and increase shareholder value (Putrianti and Suhartono, 2018).

Managerial ownership refers to the shares owned by company managers, including directors and commissioners actively involved in decision-making processes (Midiastuty and Machfoedz, 2013; Dewi and Abudanti, 2019). This ownership structure incentivizes managers to make decisions that benefit both themselves and shareholders (Hidayah, 2015; Rivandi, 2018).

Managerial ownership can enhance a company's standing by deterring fraudulent activities, as managers who are also shareholders have a vested interest in maintaining the company's reputation (Randa, 2022). Furthermore, managerial ownership ensures that managers remain committed to achieving company goals and resolving any issues that may arise.

However, increasing ownership shares can lead to higher agency costs. Agency theory highlights the costs associated with contractual relationships between principals and agents within a company (Jensen and Meckling, 1976). Managerial ownership, although beneficial, can incur monitoring, bonding, and residual loss costs. Managers must maintain good quality profits to justify these costs (Putrianti and Suhartono, 2018).

Managers with significant ownership stakes are incentivized to monitor the company's performance, as their wealth is directly tied to the company's success (Wahyudi et al., 2021). High managerial ownership motivates managers to work towards achieving company targets, including increasing the company's value through quality profits.

Ownership by managers can significantly impact a company's standing. Studies have shown mixed results regarding the influence of managerial ownership on a company's value. Some studies suggest a positive correlation, while others indicate no significant impact (Ni'mah and Poerwati, 2019; Salami, 2016). Similarly, the relationship between quality profits and a company's value has yielded inconsistent results (Utomo & Dianawati, 2017; Ng & Daromes, 2016).

Given these phenomena and inconsistencies in previous research, this study aims to investigate the influence of managerial ownership on a company's value, mediated by quality profits. By focusing on managerial ownership, this study seeks to provide insights into how companies are managed. Additionally, the study will explore how quality profits may influence investor preferences.

2. Literature Review

2.1 Theory Agency

The theory of agency discusses the relationship between principals and agents, as proposed by Jensen and Meckling (1976). Agents, or managers, are obligated to carry out tasks assigned by the principals or shareholders in the best interest of the principals. However, agents may prioritize their own interests over the objectives of the company, such as increasing the company's value and benefiting its owners. This divergence in interests can lead to additional costs for companies, ultimately impacting the company's value (Dewi & Abudanti, 2019).

To mitigate conflicts between managers and shareholders, known as agency problems, companies employ monitoring mechanisms to align these interests and reduce agency costs. Agency costs comprise three types: monitoring costs, bonding costs, and residual losses (Jensen and Meckling, 1976). Monitoring costs, such as audit fees, ensure that agents are supervised effectively. Bonding costs, such as financial reporting expenses, ensure that agents do not take actions detrimental to the principals, or compensate the principals if they do. Ownership by managers, or managerial ownership, is essential in maintaining good quality profits. Managers must work diligently to address past issues, such as the existence of bonding costs (financial reporting). Managers bear responsibility for their actions and must adhere to rules to maintain the quality of profits, demonstrating accountability to the company (Prawibowo & Juliarto, 2014).

2.2 Company Value

The value of a company reflects investors' perceptions of the company, often associated with its stock price. It is essentially the assessment of a company's success indicators based on its stock movement in the stock exchange (Istia'adah, 2015). High stock prices indicate an increase in the company's value, which boosts investor confidence. The value of a company serves as a description of its current state. A well-managed company tends to have a higher value. It represents how much the company is esteemed by the public (Dewi & Abudanti, 2019). A company with a good reputation is highly valued by the public and attracts potential investors.

A high company value instills belief in the company's performance and management, leading to an increase in stock prices. This, in turn, enhances the well-being of both managers and shareholders. When shareholder prosperity is guaranteed, it reflects positively on the company's value (Onasis and Robin, 2016). Owners desire a high company value as it signifies a high level of shareholder prosperity (Purwantini & Supriyono, 2018). Several factors influence fluctuations in a company's value, including financial reports evaluation and ownership structure (Dewi and Abudanti, 2019). The company's ownership structure, particularly managerial ownership, can significantly impact its value.

2 .3 Quality Profit

Quality profit refers to the actual profit reported by a company, reflecting the economic impact of its transactions, which can vary depending on the nature of the business and is generally formulated as a measure of profit that provides a better estimate of cash flow or predictability (Purwantini & Supriyono, 2018). Quality profit holds significant importance for users in contractual agreements or investment decision-making processes (Dewi et al, 2020), becoming a crucial measure for potential investors when making decisions.

High-quality profit automatically influences the continued growth of a company, whereas poor-quality profit can lead to a decline in the company's value (Jonathan and Machdar, 2018). Quality profit serves as a metric used by companies to compare previously planned profit acquisitions with the actual profit generated, as it reflects the company's performance (Ramadhani et al, 2022).

The stronger the connection or the smaller the difference between a company's cash flow and profit, the higher the quality of profit (Murniati et al, 2018). Companies with high-quality profits tend to be rated more favorably on the stock market, thereby increasing the company's overall value (Suryadi, 2022). Earnings quality serves as a critical benchmark for companies to assess the quality of their accounting information, influenced by both external factors such as accounting standards and internal factors that play a significant role (Puspitawati et al, 2019).

2.4 Ownership Managerial

Ownership structure refers to the distribution of ownership shares within a company, involving both the owners and management parties (Ramadhani et al, 2022). Managerial ownership, specifically, represents a significant ownership stake held by managers, which can enhance management performance in generating quality profits (Goddess et al, 2020). The primary objective of a company is to maximize the benefits accrued to management parties, thereby increasing the overall well-being of the company's owners (Dewi and Abudanti, 2019).

Managerial ownership entails ownership shares held by active management parties who play a dual role in actively participating in decision-making processes within the company (Dewi and Abudanti, 2019). The managerial role is crucial as managers are responsible for executing plans, organizing operations, directing activities, supervising tasks, and

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making decisions within the company. Managers, who are also shareholders, are expected to work optimally, prioritizing the company's interests over individual interests, thereby continuously innovating to enhance performance and increase the company's value, which ultimately benefits the shareholders (Idarti and Hasanah, 2018).

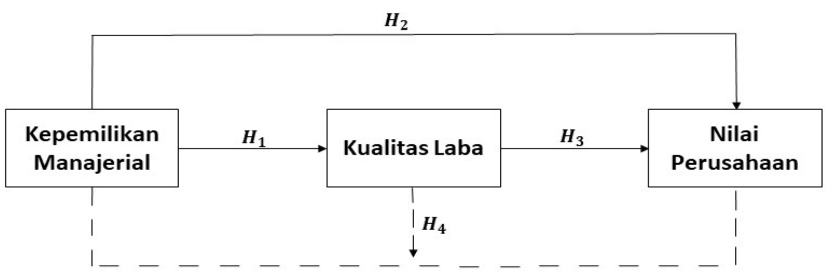
Managerial ownership can significantly impact the company's performance and value. As managerial ownership increases, it provides a positive stimulus for improving the company's performance, leading to an increase in the company's value (Revelation et al, 2021). Managerial ownership aligns the interests of shareholders with those of managers, as managers directly experience the benefits of their decisions and bear the risks associated with any losses resulting from incorrect decisions.

2.5 Framework Theoretical

Company value reflects investors' perception of the company's management effectiveness, often correlated with the price of its shares. High share prices signify a high valuation of the company, instilling market confidence not only in its current performance but also in its future prospects (Istia`adah, 2015). The higher the market value of a company, the greater the returns investors are likely to receive (Purwantini and Supriyono, 2018). Investors typically pay close attention to profit information in financial reports when making investment decisions. Generating good profits is essential for increasing corporate valuation and attracting potential investors, a goal that managers must strive to achieve. When the interests of managers and external shareholders align, it is referred to as managerial ownership. An increase in managerial ownership motivates managers to maximize profits and enhance the company's valuation.

Drawing from agency theory and previous research findings, a theoretical framework can be formulated. Agency theory posits that individuals are driven by personal motivations, often prioritizing their own interests, leading to agency costs. Agents are incentivized to make decisions that maximize their personal economic interests, whether as principals or agents. Effective agents adhere to rules and work diligently to maintain good profit quality, thereby elevating the company's valuation and assuming responsibility for mitigating bonding costs.

Building upon previous research (Ng and Daromes, 2016; Wahyudi et al, 2021) and theoretical foundations, the researchers are motivated to explore a study incorporating an intervening variable to mediate the relationship between managerial ownership and corporate valuation. The conceptual framework is outlined as follows:



Framework Image
Thinking Theoretical

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2.6 Development Hypothesis

a. Influence Ownership Managerial to Quality Profit

Managerial ownership refers to the ownership of shares by active managers who participate in decision-making processes within the company. When managers hold significant ownership stakes, they are incentivized to monitor company operations closely, as they have a vested interest in the company's success (Putrianti and Suhartono, 2018). This alignment of ownership and management roles ensures that managers are accountable for the company's performance and are motivated to generate quality profits.

Agency theory, as proposed by Jensen and Meckling (1976), describes the relationship between principals and agents, wherein managers act as agents responsible for managing the company on behalf of shareholders. Managers, who are not the owners of the company, are compelled to act in the best interests of the shareholders and are thus driven to maintain quality profits to fulfill their fiduciary duties (Putrianti and Suhartono, 2018). They are accountable for their actions and are expected to uphold their responsibilities in mitigating agency costs.

Research by Wahyudi et al. (2021) and Ramadhani (2022) consistently demonstrates that managerial ownership has a significant positive influence on the quality of profits. In contrast, Ni`mah and Poerwati (2019) found that managerial ownership had no significant positive impact on profit quality. Building on these findings, we formulate the following hypothesis:

H1: Managerial ownership significantly influences profit quality.

b. Influence Ownership Managerial on Company Value

Managerial ownership represents a system that governs and oversees how a company is expected to benefit and enhance its market value. The greater the proportion of shares owned by managers, the more motivated they become to work diligently in the interest of all shareholders, including themselves, thereby increasing the company's market value. The value of a company reflects the trust that the public places in it. Managers with strong leadership abilities are capable of organizing, coordinating, and mobilizing resources effectively and efficiently to achieve organizational goals (Putrianti and Suhartono, 2018).

Managerial ownership in a company signifies that managers play a dual role: as active decision-makers responsible for managing the company and as owners themselves (Putrianti and Suhartono, 2018). Managers who exhibit effective management skills are expected to adhere to organizational rules and regulations, which in turn can enhance the company's market value.

With proficient managerial abilities, managers can effectively organize, coordinate, and mobilize resources to achieve predetermined organizational goals (Ng and Daromes, 2016). According to agency theory, managers are motivated to work diligently and comply with organizational rules to minimize bonding costs. Managers who adhere to principles and work within established rules can enhance the company's market value through effective management techniques.

Research by Rivandi (2018), Ni`mah & Poerwanti (2019), and Wahyudi et al. (2021) consistently indicates that managerial ownership has a positive influence on a company's market value. In contrast, Salami (2016) found no significant influence of managerial ownership on company value. Drawing from these findings, we propose the following hypothesis:

H2: Managerial ownership significantly influences company value.

c. Influence Quality Profit on Company Value

Quality profit refers to transparent and actual profits that are accurately reflected in financial reporting. It is a crucial aspect for both internal and external stakeholders of a company, as every company strives to increase its profitability (Nardirsyah and Muhharam, 2015). The presentation of profit in a company's financial reports must be accurate and reliable, as it significantly impacts the company's market value (Jonathan and Machdar, 2018).

The value of a company describes its overall standing and circumstances. The primary objective of any company is to enhance its market value. Market value, or the perceived worth of a company, reflects investors' perceptions of the company's current status and future prospects. High market value not only signifies the current value of the company but also instills confidence in its future potential (Purwantini & Supriyono, 2018). Therefore, achieving a high market value is a key goal for company owners as it reflects the prosperity of shareholders.

Quality profit can significantly influence a company's market value. It indicates the company's ability to accurately report its actual profits, and higher quality profits are associated with a higher market valuation. Investors perceive companies with good profitability metrics as more valuable investment opportunities (Ni`mah and Poerwati, 2019).

However, the pursuit of increasing market value can lead to agency conflicts, wherein management may engage in opportunistic behaviors that compromise the quality of reported profits. Low-quality profits can lead to incorrect decision-making by stakeholders, resulting in a decrease in the company's market value (Utomo & Dianawati, 2017).

While some studies, such as Ng and Daromes (2016), suggest that quality profit may not directly influence market value, others have found a positive correlation between the two (Utomo & Dianawati, 2017). Drawing from these findings, the following hypothesis is proposed:

H3: Quality profit significantly influences company value.

d. Influence Mediation Quality Profit on relationships Ownership managerial on Company Value

The manager (agent) with good abilities can effectively make decisions, define problems, and seek solutions to resolve issues within the company. One crucial decision area for managers is financial management. Implementing an accrual basis accounting system can ensure accurate and high-quality financial reporting. Accurate financial reports reflect the real profits of the company, enhancing the credibility of financial information and aiding decision-making processes. Real profits, when accurately reported, contribute to the overall quality of financial reporting and are positively correlated with increased market value.

According to agency theory, risk-averse agents may prioritize their own interests over those of the company, potentially leading to conflicts of interest and agency costs. However, when agents adhere to established rules and maintain good-quality profits, they contribute to the company's growth and market value. In such cases, management can effectively control behavior and align it with the company's objectives, leading to rewards or compensation from the principal.

If reported profits do not accurately reflect the actual economic conditions of the company, the quality of profits may be compromised, undermining the decision-making process and potentially misleading stakeholders. Therefore, the main objective of any company is to maintain and improve the quality of profits to enhance the market value of the company. Drawing from the above explanation, the following hypothesis is formulated:

H4: Quality profit mediates the relationship between Ownership Managerial and The value of the company.

3. Research Methods

The study's methodology encompasses the explanation of design activities, spatial scope or objects, main materials and tools, location, data collection techniques, operational variable definitions, and engineering analysis. The research focuses on the population of manufacturing companies listed on the Indonesian Stock Exchange between 2019 and 2021.

The sample selection process involves purposive sampling, targeting specific criteria. These criteria include: 1. Companies listed on the Indonesian Stock Exchange that have annually published reports for the consecutive years of 2019-2021. 2. Companies that possess complete data relevant to the variables under study. 3. Companies that publish financial reports denominated in the Indonesian rupiah currency. The secondary data utilized in this study comprises documentation published by the Indonesian Stock Exchange, specifically the annual reports of companies spanning the 2019-2021 period.

3.1 Definition Operations and Measurement Variable

a. Ownership Managerial

Ownership managerial refers to the ownership shares of a company held by its managers. This ownership can be quantified by determining the percentage of shares owned by management relative to the total number of outstanding shares. The formula for calculating managerial ownership is commonly expressed as follows, as outlined by Wahyudi et al. (2021) and Randa (2022):

$$\text{Km} = \frac{Jumlah\ Saham\ yang\ Dimiliki\ Manajer}{Jumlah\ Saham\ Beredar} \text{x } 100\%$$

b. Quality Profit

Quality profit refers to the capability to accurately report actual profits and predict future profits. An increase in investor confidence in a company will result in an increase in the company's equity value. In this study, quality profit is measured using the modified Jones model, specifically the Discretionary Accruals (DAAC) calculation method. This model, as outlined by Wahyudi et al. (2021) and Dechow et al. (1995), is considered superior to other calculation models. The DAAC model is calculated using the following equality:

$$\boldsymbol{TAC = N_{it} - CFO_{it}} \qquad (1)$$

Estimated Total Accrual Value (TAC). with equality OLS regression as following :

$$\frac{\boldsymbol{TAC_{it}}}{\boldsymbol{Aset_{it-1}}} = \boldsymbol{\beta_1}\left(\frac{\boldsymbol{1}}{\boldsymbol{Aset_{it-1}}}\right) + \boldsymbol{\beta_2}\left(\frac{\boldsymbol{\Delta REVt}}{\boldsymbol{Aset_{it-1}}}\right) \boldsymbol{\beta_3}\left(\frac{\boldsymbol{PPEt}}{\boldsymbol{Aset_{it-1}}}\right) + \boldsymbol{\varepsilon} \ldots (2)$$

With use coefficient on the value of Non-Discretionatory Accruals (NDA) can be calculated with formula following :

$$\boldsymbol{NDA_{it}} = \boldsymbol{\beta_1}\left(\frac{\boldsymbol{1}}{\boldsymbol{Aset_{it-1}}}\right) + \boldsymbol{\beta_2}\left(\frac{\boldsymbol{\Delta REVt}}{\boldsymbol{Aset_{it-1}}} - \frac{\boldsymbol{\Delta RECt}}{\boldsymbol{Aset_{it-1}}}\right) \boldsymbol{\beta_3}\left(\frac{\boldsymbol{PPEt}}{\boldsymbol{Aset_{it-1}}}\right) + \boldsymbol{\varepsilon} \ldots (3)$$

Furthermore Secretionary accruals (DAAC) can calculated as following :

$$\boldsymbol{DAAC_{it}} = \frac{\boldsymbol{TAC_{it}}}{\boldsymbol{Aset_{it-1}}} - \boldsymbol{NDA_{it}} \quad \ldots\ldots\ldots\ldots\ldots\ldots (4)$$

Information :

- $DAAC_{it}$= Company secretarial accruals i in period t
- NDA_{it}= Non-secretionary accruals of company i in period t
- TAC_{it}= Total company accruals i in period t
- N_{it}= Profit clean company i in period t
- CFO_{it} = Cash flow from activity operation company i in period t
- $Aset_{it-1}$= Total assets of company i in period t
- $\Delta REVt$ = Change in company i's income in period t
- $PPEt$= Assets still company i in period t
- $\Delta RECt$ = Change in company i's receivables in period t
- ε= Error

4. Results and Discussion

The study utilized a population comprising all manufacturing companies listed on the Indonesian Stock Exchange from 2019 to 2021, totaling 157 companies. Employing a finite purposive sampling technique, 42 companies were selected, resulting in a sample size of 126. The results of the study are presented in the following sections, which may include tables, graphs, or charts to illustrate the findings. In the discussion section, the results of data processing will be thoroughly analyzed and interpreted in a logical manner, drawing connections to relevant references to provide a comprehensive understanding of the findings.

4.1 Statistics Descriptive

Statistics descriptive give description general about object research carried out sample . Explanation of data through statistics descriptive expected give description beginning about the problem under study . Statistics descriptive focused to maximum, minimum, average (mean) and standard values deviation.

Table
Analysis Results Statistics Descriptive

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Ownership Managerial	126	0.03	0.92	0.5348	0.24634
Quality Profit	126	-1.37	0.63	0.6921	0.40567
The value of the company	126	0.31	5,10	1.5906	1.00978

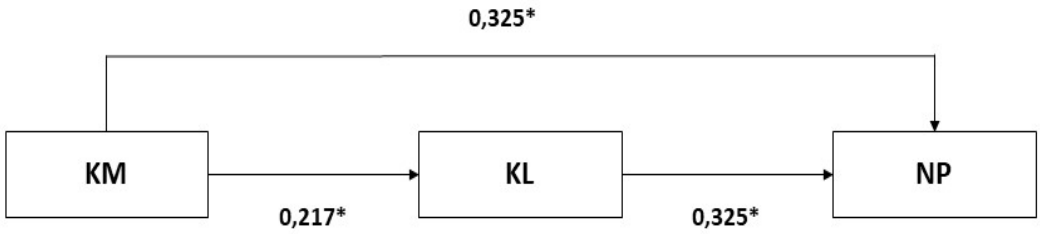
Source : SPSS processed data (2023)

Based on table 4.2 , you can explained from variable ownership managerial , quality profit , and value company in statistics descriptive as following :

1) The data on Ownership Managerial indicates that the maximum value observed is 0.92, while the minimum value is 0.03. The average/mean value is calculated to be 0.5348 with a standard deviation of 0.24634. It can be inferred that the mean value is greater than the standard deviation, suggesting that the data distribution of Ownership Managerial in the study is not significantly different. Therefore, the variable nature of Ownership Managerial in this research is homogeneous.
2) Regarding Quality Profit, the maximum value obtained is 0.63, while the minimum value is -1.37. The average value is 0.6921 with a standard deviation of 0.40567. It is noted that the mean value is smaller than the standard deviation, indicating a relatively diverse distribution of data. Consequently, the variable nature of Quality Profit in this research is homogeneous.
3) In terms of Company Value, the maximum observed mark is 5.10, while the minimum value is 0.31. The average value is calculated to be 1.5906 with a standard deviation of 1.00978. It is evident that the standard deviation is smaller than the mean value, suggesting a relatively consistent data distribution. Therefore, the variable nature of Company Value in this research is homogeneous.

Table
Analysis Results Path Equation

Model Structure	Standardized Beta	Sig.	Information
ownership managerial to quality profit	0.217	0.015	significant
Ownership managerial to mark company	0.325	0.016	Significant
Quality Profit to mark company	0.482	0.043	significant



Picture
Path Diagram

1 The influence of the variable ownership managerial on quality profit has a marked coefficient of positive 0.217. Therefore, it can be concluded that ownership managerial positively influences the company's value by 21.7%, indicating that significant ownership tends to increase the company's quality profit.
2 The influence of the variable ownership managerial on the company's value has a marked coefficient of positive 0.325. Thus, it can be concluded that ownership managerial significantly and positively affects the company's value by 32.5%, indicating that significant ownership tends to increase the company's value.
3 The influence of the variable quality profit on the company's value has a marked coefficient of positive 0.428. Hence, it can be concluded that quality profit positively influences the company's value by 42.8%, indicating that good quality profit tends to increase the company's value.

a. Sobel test (Sobel test)

Test significance influence No ab done straight away based on ratio between coefficient ab with its standard error will be produce t- statistical value . If the p-value <0.05 then can concluded that variable mediation own connection causality between variable free to variable bound. Based on table 4.7 shows that influence ownership managerial to mark company through quality profit with mark probability significant equal to 0.04567896 < 0.05. That matter show that quality profit role as mediation in connection ownership managerial to mark company , so H_4 is accepted .

Table
Sobel Test Results

Combination Variable	Mark Estimate	Standard Error	P Value of Sobel Test	Information
KM →NP (Via KL)	0.287; 0.291	0.116; 0.126	0.04567896	Significant

Source : Program statistics sobel test calculator version 4.0 (2023)

Table
Test result Hypothesis

Hypothesis	Influence	t-test	Sig	Results
H_1	Managerial Ownership of Quality profit	0.217	0.015	Accepted
H_2	Managerial Ownership of Company Value	0.325	0.028	Accepted
H_3	Quality profit on company value	0.482	0.014	Accepted

4.2 Research Discussion .

a. The Effect of Managerial Ownership on Quality profit

The research results indicate that ownership managerial has a regression coefficient of 0.217 with a significance probability level of 0.015, which is less than 0.05. This suggests that a higher percentage of managerial ownership can lead to better profitability. Greater managerial ownership tends to discourage profit manipulation in the company. Increased ownership by managers is associated with a stronger commitment to producing quality profits. Managers with significant ownership stakes in the company are more diligent in their efforts to ensure accountability. Therefore, there is a need for higher managerial ownership to drive improvements in profit quality.

Ownership managerial entails managers owning shares and actively participating in decision-making processes within the company. This ownership structure aims to align the interests of managers and shareholders, ensuring that managers are directly invested in the company's success and are motivated to make decisions that enhance profitability. Furthermore, managerial ownership is associated with accountability, as managers are responsible for their actions and decisions. They are expected to adhere to rules and regulations to maintain profit quality and demonstrate accountability to stakeholders.

However, these findings contradict the research conducted by Roswita and Sulistyo (2021), which found no significant effect of managerial ownership on earnings quality, and even suggested that institutional ownership may negatively affect earnings quality.

b. The Influence of Managerial Ownership on The value of the company

The research results reveal that ownership managerial has a regression coefficient of 0.325 with a significance probability level of 0.016, which is less than 0.05. This indicates that higher ownership by managers positively encourages an increase in the company's market value. Managers with effective management skills are inclined to adhere to rules that enhance the company's market value. As managers, they strive to protect the company from risks, thus demonstrating good progress in enhancing the company's market value.

This phenomenon stems from the fact that ownership shares held by managers in a company signify their dual role: as managers responsible for managing the company and as owners with a vested interest in its success. The ownership managerial structure, characterized by increased shares owned by management, serves as a positive stimulus for boosting the company's market value. Consequently, the significant increase in the company's market value has a substantial impact on its overall value. Thus, managerial ownership plays a crucial role in increasing the company's market value.

These research findings align with the principles of agency theory, which describe the relationship between owners (principals) and managers (agents) in achieving the company's objectives. According to this theory, managers may act in their own interests, potentially conflicting with those of the owners. However, ownership managerial conditions, where managers hold shares in the company they manage, align their interests directly with the goal of increasing the company's market value. In this context, the agency theory helps elucidate how ownership managerial can influence the company's market value positively. Overall, the relationship between agency theory and ownership managerial with the company's market value can have a positive impact if managed effectively and transparently, aligning managers' incentives and interests with those of the owners.

These research findings are consistent with those of previous studies, such as Ni`mah & Poerwati (2019), which demonstrate that managerial ownership influences the company's value, and institutional ownership also influences the company's value.

c. Impact of Quality profit to company value

The research results indicate that the quality of profit significantly influences the company's market value, with a regression coefficient of 0.482 and a significance probability level of 0.043, which is less than 0.05. This suggests that higher-quality profit leads to an increase in the company's market value. Actual profit, which is reported without manipulation or the use of secretory accounts, contributes to the company's perceived value.

Quality profit of a company can be defined as its ability to accurately disclose actual profits, and superior reporting of profits is crucial for forecasting future profits (Ni`mah and Poerwati, 2019). Therefore, it is imperative to maintain high-quality profit reporting to enhance the company's market value. Investors evaluate companies based on their profitability, and transparent reporting without manipulation ensures sustainable profits.

These research findings align with the principles of agency theory, which describe the potential conflicts of interest between owners (principals) and managers (agents) in a company. Managers often prioritize increasing profits, while owners focus on long-term investments and the overall value of the company. Therefore, a positive relationship between agency theory and quality profit can positively impact the company's value by enhancing investor and employee confidence.

This underscores the importance of maintaining high-quality profit reporting standards to avoid any negative impact on the company's market value. Quality profit reporting ensures an increase in the company's market value, reflecting rising income. This fosters investor confidence and is reflected in the increasing market value of the company over time.

The relationship between quality profit and the company's market value is crucial, as stated by Putrianti and Suhartono (2018), who emphasize that quality profit is a decisive factor in users' decision-making processes. High-quality profit reporting provides users with reliable information for making informed decisions, ultimately contributing to the company's success. These findings are consistent with previous research conducted by Utomo & Dianawati (2017), which demonstrates that earnings quality influences the company's value, and institutional ownership also influences the company's value.

d. Quality Profit Mediate Influence Ownership Managerial Towards Company Value

The research results indicate that quality earnings serve as a significant mediator in the relationship between managerial ownership and the company's value. In this study, the Sobel test yielded a p-value of 0.04567896, which is less than 0.05, indicating that quality profit mediates the connection between managerial ownership and the company's market value. When insiders hold ownership shares, they are likely to directly benefit from the decisions they make (Wardani & Hermuningsih, 2011). Quality profit plays a crucial role in decision-making processes for users, as it provides valuable information for making informed decisions. High-quality profit reporting enables users to make correct decisions, whereas low profits may lead to incorrect decisions. Therefore, high-quality profits, which reflect the diligent efforts of managers, contribute to an increase in the company's market value.

The relationship between managerial ownership, quality profit, and the company's market value is a process aimed at maximizing the company's market value. The ownership structure plays a significant role in the decision-making process of a company (Wardani & Hermuningsih, 2011). Managers or owners of the company strive to maintain the quality of profit by refraining from profit manipulation and mitigating risks to demonstrate accountability. As managers fulfill their responsibilities effectively, the quality of profit improves, thereby enhancing the company's market value.

These research findings are consistent with the principles of agency theory, which describe the inherent conflict of interest between owners or investors and management responsible for managing the company (Jensen and Meckling, 1976). The separation of control between principals and agents often leads to conflicts of interest in the operational activities of the company. Quality profit serves as a mediating factor in the relationship between managerial ownership and the company's market value, as it significantly influences the company's market value.

5. Closing

5.1 Conclusion

1. Managerial ownership has a positive and significant impact on quality profit. This is because higher managerial ownership tends to lead managers to prioritize producing quality profits. Consequently, this can significantly increase the quality of profit within a company.
2. Managerial ownership also has a positive and significant effect on the company's value. This is because higher managerial ownership can provide a positive stimulus for improving the company's performance. As a result, this can lead to substantial increases in both the company's market value and overall performance.
3. Quality profit has a positive and significant influence on the company's value. Higher quality profits tend to increase the company's market value, thereby enhancing investor confidence in the company and boosting its equity. This increase in market value is reflective of the growing confidence investors have in the company's performance.
4. Quality profit serves as a mediator in the relationship between managerial ownership and the company's value. This suggests that quality profit successfully mediates the connection between managerial ownership and the company's market value. Consequently, quality profit consistently mediates the influence of managerial ownership on the company's market value.

5.2 Suggestion

1. Investors in companies listed on the Indonesian Stock Exchange should continue to focus on various aspects of the company, particularly on managerial ownership and quality profit. These factors can provide valuable insights into the company's performance and potential for growth.
2. For investors, managerial ownership can enhance the company's value by ensuring that knowledgeable management directly oversees the company's operations. This enables comprehensive control over the company's direction, thereby keeping it on track towards achieving its objectives.
3. Investors should pay attention to quality profit as it serves as a crucial indicator of the company's financial health and future prospects. Improving the quality of profit is essential as it signifies positive growth and increasing income. This, in turn, boosts investor confidence in the company, leading to an increase in its market value and equity.

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