SUMMARY

The Effect Of Managerial Ownership, Financing Pattern And Risk To Price Earning Ratio And Economic Value Added In Jakarta Stock Exchange

Today, Global Economic growth have not achieve the same level of the global economic growth before the economic crisis in the middle of year 1997. As most of the Asian countries economic stability influence by the global economic growth. Asian countries which suffer the most until today. Indonesian still struggling for a better economic performance, which not recovery yet.

The slow economic performance recovery cause a difficulties for Indonesian companies, because can’t only rely on their internal financing for their operation expenses. The increasing need of financing motivated companies to used capital market to earn more fund trough stock public offering or bond. Company’s stock public offering is a financial decision related to financing decision. Stock public offering consequences is separation between stock holder and management as the executive of the company. The separation could emerge conflict of interest between investor as stockholder and manager as a company executor. This conflict call Agency conflict and the separation also could drive an asymmetric information between manager and outsider stockholder, because manager have more information about the company than the stockholder.

The existence of Agency conflict and asymmetric information will impede the achievement of the good corporate governance. One of the way to minimize this two issues is give a chance for the management to own the company stock, then the goal of management and stockholder will be the same, to maximize the value of the firm.

There are enormous researches have been conducted about ownership structure as a mechanism of corporate governance to decreases Agency conflict and asymmetric information, but most of it only studying the relationship of corporate governance mechanism with one other factor. This research study the same issue but simultanly observe the relationship of managerial ownership, financing decision, risk and also how its influence the financial performance. This research also try to observe comprehensively the relationship of some factors which are separated in earlier research. The research theoretical model show an empirical examination of good corporate governance, Pecking Order Theory, Agency conflict and Asymmetric Information.

In order to examine this theoretical model, from the theoretical review there are five representative variables, which are managerial ownership proxies by the percentage of the management ownership, financing decision proxies by financing pattern, risk proxies by beta, company’s financial performance proxies by price earning ratio and economic value added.

This research is an explanatory correlation study using a data from listed manufacture company in Jakarta Stock Exchange from year 2000 until 2004. Path Analysis is a method for analyzing the data and AMOS 4, SPSS 10 also excel as a data processing tools.