

## ABSTRACT

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

Selling the corporate stock in capital market is one of the source of company finance. The consequence of selling corporate stock on capital market is separation of ownership and control. This separation will cause Agency Conflict and Asymmetric information, therefore The Good Corporate Governance will not be achieved

This study will examine the finance theories, among other Pecking Order Theory, Agency Conflict and Asymmetric Information through study of simultaneous effect of Managerial Ownership, Financing Pattern, Risk, Price earning Ratio and Economic Value Added.

For that purpose 36 manufacturing Company in the year of 2000 until 2004 will be considered which analyzed with Path Analysis and supported by AMOS 4, SPSS 10 and Microsoft Excel program. The Path Analysis test shows that the model can be accepted with the limitation of Comparative Fit Index

The result of regression method in Path Analysis shows that is a significant effect of managerial ownership on risk, financial pattern on Price Earning Ratio, managerial ownership on Price Earning Ratio and managerial ownership on Economic Value Added, and insignificant effect of managerial ownership on financial pattern, financial pattern on risk, financial pattern on Economic Value Added, risk on Economic Value Added and risk on Price Earning Ratio.

This study supported the results of the study of La Porta *et al.*, Fan and Wong, Claessens *et al.*, Maher and Andersson which show that the existence of the concentrated ownership in Asian country significantly influence the value creation of the firm.

**Keywords :** Agency Conflict, Asymmetric information, Good Corporate Governance, Ownership Structure, Financing Pattern, Risk, Price Earning Ratio and Economic Value Added.