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Influence of firm size, profitability, and leverage on firm value: the moderating role of managerial ownership in IDX property and real estate

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ABSTRACT

The study examines the relationship between firm size, profitability, and leverage and firm value, while incorporating managerial ownership as a moderator in property and real estate companies, specifically the IDX. The research utilised a purposive sampling technique, which produced 145 sample observations from 29 companies within the property and real estate sector spanning 2020–2024. Data processing was conducted using the EViews 13 application. The investigation applied panel data regression techniques for analytical purposes and used the MRA (Moderated Regression Analysis) approach to examine moderating influences. The study indicates that firm size and profitability contribute positively and significantly to firm value, in contrast to leverage, which exerts an adverse and insignificant impact. Managerial ownership exhibits an apparent moderating effect on the relationship between company size and corporate value. At the same time, no such moderating effect is detected in the influence of profitability and leverage on firm value. These findings can serve as practical implications for company management and investors in formulating strategies to enhance firm value, while also enriching the academic literature as a foundation for future research.

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1. INTRODUCTION

The improvement regarding the economy contributes to the growth of a company's revenue or profit, thereby creating opportunities for shareholders to optimise the firm's value in order to maximise their wealth and improve their quality of life. Therefore, every company must develop effective strategies to encourage growth and enhance firm value in a sustainable manner (Dewi & Ekadjaja, 2020). Thus, it is necessary to create and maintain firm value so that companies can achieve long-term objectives while also serving as an essential element in ensuring business continuity and competitiveness amidst dynamic market conditions. This, therefore, can serve as a favourable signal of firm value from the perspective of investors during investment decision-making.

Firm value reflects management's ability to manage a company's assets and sources of funds to achieve optimal profit. Generally, companies strive to continually increase their value through effective managerial strategies and policies (Putri et al., 2024). Investor perceptions of the company's value reflect how effectively the company utilises its resources, which is typically reflected in stock prices. An increase in firm value is generally accompanied by rising stock prices, indicating investors' confidence and positive assessments regarding the company's future performance. An elevated firm value is one indicator of shareholder prosperity, as it reflects the success of generating sustainable profits (Burhan & Bagana, 2024). Stock prices formed in the process of transactions between buyers and sellers become the basis for determining the fair value of a company. The true worth of a company's assets is mirrored in the fluctuations of its share prices. Opportunities that yield strong returns can uplift the company's future outlook, thereby increasing the overall value perceived in the market. (Hidayat et al., 2021).

This study employs Price to Book Value (PBV) as the indicator of firm value rather than Tobin's Q or Economic Value Added (EVA), because PBV is widely used in capital market research due to its simplicity, accessibility, and ability to directly reflect investors' perceptions of how the market values a company relative to its book value (Martini, 2024). PBV is particularly relevant in the property and real estate sector, where asset-based valuation plays a central role, making it a more practical measure compared to EVA, which requires complex adjustments, or Tobin's Q, which often depends on data availability (Tambunan, 2023). However, this choice implies that the research findings are most generalisable to contexts where PBV serves as an appropriate proxy for firm value. In markets or industries where intangible assets, innovation, or growth expectations dominate, alternative measures such as Tobin's Q or EVA may provide a more accurate representation of firm value.

The measurement indicator utilised in this study is PBV. Generally, a higher PBV indicates that the market has a positive outlook on the company's potential for future business expansion and its ability to create meaningful gains beyond its net asset value. This represents investors' assessment of the firm's performance and anticipated future development. For shareholders, a higher PBV can be interpreted as an increase in financial well-being, since the value of their shares rises. Therefore, an elevated PBV may reflect how effectively the company has accomplished one of its core goals, namely, enhancing firm value and optimising returns for shareholders (Meifari, 2023). Several factors that may influence firm value include firm size, profitability, and leverage, along with managerial ownership in its role as a moderating variable.

Apart from internal factors, external factors also play a crucial role in determining a company's value. These factors include macroeconomic conditions, government policies, and market dynamics that influence investors' confidence in the company's prospects. This explanation can be reinforced by Signaling Theory, which states that information provided by the company or certain external conditions can serve as signals for investors in assessing the company's prospects and risks (Spence, 1973). For instance, government policies related to property sector stimulus, interest rate reductions, or tax incentives can act as positive signals regarding the company's future growth prospects. Conversely, regulatory uncertainty or economic volatility may be perceived as negative signals, reducing investor interest. Thus, well-managed external factors can enhance a company's value by increasing market confidence and expectations.

The size of a firm functions as a measure to differentiate companies by the extent of their operations, whether large or small; the measurement can draw on parameters like cumulative assets, revenue figures, market price, and other financial signs of performance (Widiastari & Yasa, 2018). In addition, large companies are generally able to provide higher dividends compared to small-scale companies, which in turn can enhance

firm value (Akbar & Fahmi, 2020). Generally, firm size has a significant impact on investors' perspectives when assessing and selecting a company as an investment option. Hence, the increase in total assets within a company also shows an increase in the amount of invested capital. Thus, a firm with large-scale total assets can reflect the efficiency of asset utilisation and the overall capacity of the company (Suryana & Rahayu, 2018). So, the wider the company's business field, the greater its ability to attract investors and contribute positively to firm value. The latest study that talked about the impact of firm size on firm value presents contradictory results. Studies conducted by Hidayat & Khotimah (2022) and Elisa & Riduwan (2021) have found that firm size adds substantial value to firm value. However, not all studies demonstrate consistent findings. Several studies by Alifian & Susilo (2024) and Dewi & Soedaryono (2023) stated that firm size negatively impacts firm value. Derived from these observations, the study presents the hypothesis below: H1: Firm size has a positive influence on firm value.

Profitability reflects how effectively an organisation can generate earnings by leveraging the resources it controls. This ratio reflects management efficiency in operating and utilising assets to produce optimal earnings (Siswanto, 2021, p. 35). A company's aptitude to convert profits into capital, assets, and efficient management is reflected in its profitability. Profit ratios, including Return on Assets (ROA), aim to evaluate a company's capability in optimising the use of existing assets. A rise in ROA reflects how efficiently a company manages its assets. This efficiency plays an important role in driving the creation of higher firm value (Ambarwati & Vitaningrum, 2021). Companies with higher levels of profitability generally record greater revenues, thereby creating a positive impact on firm value and providing investors with confidence in the company's performance (Iman et al., 2021). Research on the effect of profitability on firm value has produced inconsistent findings. Several studies, such as those written by Dewantari et al. (2020), Putri et al. (2024) and Sari & Faisal (2024), concluded that profitability contributes positively to firm value. Conversely, studies by Bintari et al. (2024) and Farid & Safitri (2024) identified that company profit negatively affects firm value. Given these inconsistent findings, further testing is necessary. Thus, the research conjecture put forward in this study is as follows: H2: Profitability advances effectively the firm value.

Leverage represents a planned financial obligation arising from the composition of the company's capital. Leverage occurs when a company uses assets or funding sources that result in an obligation to make fixed payments. If leverage is derived from the use of borrowed funds that generate fixed interest expenses, it is referred to as financial leverage. Meanwhile, if leverage arises from the use of fixed assets that incur fixed costs in operations, it is called operating leverage (Siswanto, 2021, p. 85). Leverage constitutes the activity of financing company operations and investments through debt sources. The company can utilise borrowed funds as a supplementary financing option, which is then utilised to support operational activities and investments, thereby encouraging performance improvement by reducing taxable income through interest expense deductions. However, Excessive use of debt can heighten financial risk and potentially lower firm value when a company cannot meet its liabilities (Sari & Faisal, 2024b). Several investigations on the influence of debt on firm value do not always obtain consistent results, as shown by studies conducted by Novitasari & Indrawati (2024), Sari & Faisal (2024), and Shobach & Santoso (2023), which demonstrated that leverage has a meaningful impact on firm value. Nevertheless, recent study results conducted by Eyrangga & Triyonowati (2020) and Winata & Surjadi (2024) revealed that leverage can hurt firm value. Grounded on the above considerations, the study hypothesis is outlined as follows: H3: Leverage positively influences firm value

This research employs managerial ownership as a moderating variable to examine whether it can amplify or diminish the relationship between the company's financial factors (Firm size, profitability, and leverage) and firm value. The concept of managerial ownership reflects the segment of company equity possessed by individuals in leadership

roles, including directors and commissioners, whose involvement extends beyond administrative duties to active participation in steering corporate strategies and designing organisational policies. Management's stake in the firm reflects its dual responsibilities, reinforcing the focus on driving growth and achieving corporate objectives (Agustia et al., 2019).

Within the framework of agency theory, managerial ownership is regarded as an internal control mechanism that can reduce divergence of interests between agents (managers) and principals (shareholders). Jensen & Meckling (1976) stated that when managers own company shares, their personal interests are more closely aligned with those of shareholders, as they also bear the risks associated with the decisions they make. Thus, an increased proportion of managerial ownership will more strongly encourage managers to act in alignment with shareholders' interests, which subsequently provides a valuable contribution to firm value. Acting as a moderating variable, managerial ownership helps decrease agency conflicts and coordinate the interests of management and shareholders. This condition can encourage more directed decision-making toward enhancing firm value (Utami et al., 2025).

Previous studies have reported mixed findings. Nurhalisah & Trisnaningsih, (2024), Eni & Rakhmanita, (2024), and Sembiring & Hardiyanti, (2020) demonstrated that managerial ownership provides positive effects on firm value. Conversel, Ramadhan, and Munawaroh (2024) revealed that managerial ownership hurts firm value. Andriansyah & Pelitawati (2023) established that managerial ownership serves as a moderating factor in the relationship between profitability and firm value. However, Indra et al. (2025) found otherwise, found that managerial ownership could not moderate the effect of profitability on firm value. Ermawati & Triyono (2024) determined that managerial ownership does not play a moderating role in the profitability-firm value association. These findings indicate inconsistencies, particularly concerning managerial ownership as a moderating variable. To date, the role of managerial ownership as a moderating factor in the relationship between company size, profitability, and leverage and overall firm value remains largely unexplored, particularly within the property and real estate sector. So, further investigation is needed to obtain a more profound and comprehensive understanding. Hence, the following hypotheses are established: H4: Managerial ownership moderates the influence of firm size on firm value. H5: Managerial ownership moderates the influence of profitability on firm value. H6: Managerial ownership moderates the influence of leverage on firm value.

2. RESEARCH METHOD

This study relies on a statistical and quantitative framework for analysis, collecting data via documentary study and applying an associative method. The moderator variable in this research was tested through the Moderated Regression Analysis (MRA) technique. Data analysis was carried out with the assistance of Eviews 13 software. Secondary sources supplied the backbone of the dataset, consisting of annual filings submitted by the tangible assets industry listed on the Indonesia Stock Exchange (IDX) from 2020 to 2024. All records were retrieved from the IDX's verified online platform, with the analysis restricted to firms active in property and real estate markets, applying purposive sampling methodology for sample selection. The following are the criteria applied in determining the research sample:

Table 1. Sampling Criteria

No	Criteria	Not Eligible	Eligible
	Population: Listed companies in the property and real estate sector on the IDX.		92
1	Companies that were listed as public companies on the IDX before 2020.	(27)	65

2	Companies that consistently submitted complete annual financial reports throughout the research period	(9)	56
3	Companies with complete managerial ownership data	(27)	29
	Total research sample = 29 companies × 5 years		145

Source: Processed by the Author (2025)

This study includes one dependent variable, that being firm value. The independent variables are composed of three variables: firm size, profitability, and leverage, along with managerial ownership as the moderating variable. The indicator employed to represent firm value in this analysis is the Price to Book Value (PBV). This metric captures how the market values a company's stock relative to its book value on a per-share basis, with the intention of assessing whether the stock is traded at a suitable level compared to the company's book value (Meifari, 2023). The computation is derived through the formula below: (1)

$$\text{PBV } \frac{\text{Market Price per Share}}{\text{Book Value per Share}}$$

The determination of firm size relies on total assets from financial statements, with a log-scaled representation of total assets (Dewantari et al., 2020). This is computed using the formula presented below:

$$\text{Firm size} = \ln(\text{Total Assets}) \quad (2)$$

Profit ratios, such as Return on Assets (ROA), are used to evaluate a company's ability to optimise the use of existing assets (Ambarwati & Vitaningrum, 2021). The value is worked out through the following formula:

$$\text{ROA } \frac{\text{Net Income after Tax}}{\text{Total Assets}} \times 100\% \quad (3)$$

Leverage is measured here using the Debt to Equity Ratio (DER), which shows how a firm's overall debt compares with the equity held by its shareholders (Widayanti & Yadnya, 2020). It is determined based on the formula presented below:

$$\text{DER} = \frac{\text{Total Debt}}{\text{Total Equity}} \quad (4)$$

Managerial ownership is a condition in which managers hold a portion of the company's shares, so they not only serve as managers but also as shareholders (Dewi & Abundanti, 2019). It is measured using the following formula:

$$\text{KM} = \frac{\text{Shares Owned by Managers, Directors, and Commissioners}}{\text{Total Shares Outstanding}} \times 100\% \quad (5)$$

The following are the panel data regression equations and moderation regression equations used in this study:

$$PBV_{it} = \alpha_0 + \beta_1 SIZE_{it} + \beta_2 ROA_{it} + \beta_3 DER_{it} + e_{it}$$

$$PBV_{it} = \alpha_0 + \beta_1 SIZE_{it} + \beta_2 ROA_{it} + \beta_3 DER_{it} + \beta_4 SIZE_{it}*KM_{it} + \beta_5 ROA_{it}*KM_{it} + \beta_6 DER_{it}*KM_{it} + e_{it}$$

3. RESULTS AND DISCUSSION

3.1 Descriptive Statistics Test

Table 2. Descriptive Statistics

	X1	X2	X3	Y	Z
Mean	29.08476	0.022949	0.867946	0.992845	0.110275
Median	29.45697	0.012100	0.616733	0.595733	0.015254
Maximum	31.96206	0.429630	7.306101	9.335451	0.683099
Minimum	24.62268	-0.182953	0.030438	0.132703	0.000001
Std. Dev.	1.640261	0.076561	0.947861	1.319387	0.182177

Source: Processed Data from EViews 13

Table 2 illustrates the descriptive statistical outcomes, showing that firm value (PBV), serving as the dependent variable, exhibits an average of 0.992845, ranging from a lowest score of 0.132703 to a highest score of 9.335451, with a 1.319387 standard deviation point. The moderating variable, managerial ownership (KM), has a mean score of 0.110275 with a minimum value of 0.000001, a maximum value of 0.683099, and a standard deviation of 0.182177. The independent variable, firm size (SIZE), has a mean of 29.08476, with a minimum value of 24.62268, a maximum value of 31.96206, and a standard deviation of 1.640261. For the profitability variable (ROA), the mean is 0.022949, the minimum is 0.182953, the maximum is 0.429630, and the standard deviation is 0.076561. For the leverage variable (DER), the mean is 0.867946, the minimum is 0.030438, the maximum is 7.306101, and the standard deviation is 0.947861.

3.2 Regression Model Selection

Table 3. Regression Model Selection

Test	Result	Decision
Chow Test	The probability score of Cross-Section Chi-Square shows 0.0000 < 0.05	FEM
Hausman Test	The probability score of Cross-Section Random shows 0.3271 > 0.05	REM
Lagrange Multiplier (LM) Test	The probability score of Breusch-Pagan shows 0.0000 < 0.05	REM

Source: Processed Data from EViews 13

As shown in Table 3, after executing three different tests, panel data regression in this study was best addressed through the Random Effect Model (REM), which proved to be the most fitting technique used.

3.3 Classical Assumptions Test

a. Multicollinearity Test

Table 4. Multicollinearity Test

	X1	X2	X3	Z1	Z2	Z3
X1	1.000000	0.225696	0.294848	-0.228173	0.037924	-0.045723
X2	0.225696	1.000000	-0.280113	-0.187734	0.221056	-0.234165
X3	0.294848	-0.280113	1.000000	0.086390	-0.256920	0.206423
Z1	-0.228173	-0.187734	0.086390	1.000000	-0.380534	0.660517
Z2	0.037924	0.221056	-0.256920	-0.380534	1.000000	-0.613532
Z3	-0.045723	-0.234165	0.206423	0.660517	-0.613532	1.000000

Source: Processed Data from EViews 13

As shown in Table 4, the multicollinearity test results reveal that all correlations among the independent variables are less than 0.8, which means the model does not encounter multicollinearity.

b. Heteroscedasticity Test

Table 5. Heteroscedasticity Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.076766	1.453768	0.740673	0.4602
X1	-0.005556	0.050462	-0.110109	0.9125
X2	1.644350	0.656727	2.503854	0.0534
X3	-0.009968	0.073750	-0.135154	0.8927

Source: Processed Data from EViews 13

Table 5 above presents that all variables display probability values greater than 0.05, in other words, the regression model used here does not experience distortion caused by heteroscedasticity.

3.4 R-Test and F-Test (Before Moderation)

Table 6. R-Test and F-Test (Before Moderation)

R-squared	0.116195
Adjusted R-squared	0.097391
F-statistic	6.179158
Prob(F-statistic)	0.000564

Source: Processed Data from EViews 13

Table 6 results reveal an R-squared value of 0.116195, demonstrating that firm size, profitability, and leverage explain 11.61% of the fluctuation in firm value. In contrast, 88.39% remains unexplained and is attributed to other variables not covered in this research. The Adjusted R-squared statistic, recorded at 0.097391, indicates that once the count of independent variables is incorporated into the analysis, the model can capture only 9.73% of the changes in firm value. This condition suggests that the significant influences of independent variables on firm value before moderation are still relatively small. A significant influence on firm value was observed from the combined effects of company scale, profitability, and financial leverage, as indicated by an F-statistic of 6.179158 obtained through the F-test, with a significance level of 0.000564, clearly below the 0.05 benchmark. This finding highlights their collective impact before managerial ownership was introduced as a moderating element.

3.5 R-Test and F-Test (After Moderation)

Table 7. R-Test and F-Test (After Moderation)

R-squared	0.154571
Adjusted R-squared	0.117814
F-statistic	4.205134
Prob(F-statistic)	0.000645

Source: Processed Data from EViews 13

Drawing upon the data processing outcomes in Table 7, the R-squared value of 0.154571 indicates that firm size, profitability, and leverage, moderated by managerial ownership, can explain 15.45% of the differences in firm value; the remaining 84.55% is attributed to external variables outside the present research model. The Adjusted R-squared value of 0.117814 indicates that, after considering the number of independent variables used, the model's contribution to explaining firm value is 11.78%. This value yields higher results than before the existence of managerial ownership as a moderating variable, indicating that the presence of managerial ownership enhances the model's ability to describe variations in firm value. A statistically meaningful result is suggested by the F-test, where the calculated F-statistic is 4.205134 and the significance level is

0.000645, smaller than the conventional 0.05 threshold. This confirms that firm size, profitability, and leverage, altered by the presence of managerial ownership as a moderator, simultaneously have a constructive influence on firm value.

3.6 T-Test

Table 8. T-Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-19.58956	9.430276	-2.077305	0.0396
X1	5.699722	2.789937	2.042957	0.0430
X2	2.107430	0.820016	2.569986	0.0112
X3	*-0.148097*	*0.147994*	*-1.000697*	*0.3187*

Source: Processed Data from EViews 13

Table 8 outlines the data from which the following panel regression equation is derived:

Y =-19,58956 + 5,699722X1 + 2,107430X2 - 0,148097X3 + ε

In light of the hypothesis test results displayed in Table 8, it appears that variable X1 has a coefficient value of 5.699722 and is significant at 0.0430 (<0.05). This condition illustrates that X1 influences firm value, so that an addition follows every addition in X1 in firm value. Subsequently, variable X2 records a coefficient of 2.107430 with a probability of 0.0112 (<0.05), indicating that X2 exerts a positive and statistically significant effect on firm value. Thus, the greater the value of X2, the greater the increase in firm value. Variable X3 registers a negative coefficient –0.148097 with an insignificant p-value of 0.3187, meaning its influence on firm value is adverse but not statistically meaningful.

3.7. Moderation Regression Test

Table 9. Moderation Regression Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-19.58956	9.430276	-2.077305	0.0396
X1	5.699722	2.789937	2.042957	0.0430
X2	2.107430	0.820016	2.569986	0.0112
X3	-0.148097	0.147994	-1.000697	0.3187
Z1	-0.043187	0.020328	-2.124540	0.0354
Z2	12.83867	12.91830	0.993836	0.3220
Z3	0.246563	0.656148	0.375774	0.7077

Source: Processed Data from EViews 13

Table 9 illustrates the regression results, which can be formulated as:

Y = -19,58956 + 5,699722X1 + 2,107430X2 - 0,148097X3 – 0,020328X1.Z + 12,83867X2.Z + 0,246563X3.Z + ε

Table 8 reports that Z1 has a coefficient of 0.043187 with a significance of 0.0354 (<0.05). A notable moderating influence is evident, enhancing the connection between the size of the firm and its overall value. In contrast, variable Z2 has a coefficient value of 0.128387 with a probability of 0.3220 (>0.05), suggesting that its effect is not significant. Consequently, Z2 cannot be confirmed to play a moderating role in the relationship between profitability and firm value. Likewise, variable Z3 presents a coefficient of 0.246563 with a significance degree of 0.4177 (>0.05), which shows Z3 is not significant and cannot moderate the relationship between leverage and firm value.

a. The Influence of Firm Size on Firm Value

As reflected in Table 9, the test of hypotheses reveals that firm size contributes positively and significantly to firm value in the property and real estate industry over 2020–2024. The evidence is supported by a p-value of 0.0396 (<0.05) and a coefficient value of 5.69972, confirming the strength of the relationship. Hence, the results validate the first hypothesis. Research shows that the results are consistent with signalling theory, indicating that large-scale firms tend to provide positive signals to investors because they are considered to have more substantial resources and easier access to funding sources, as well as more stable and consistent operational performance. Thus, as a company grows in size, investor confidence increases, which subsequently enhances firm value. This outcome aligns with prior studies by Hidayat & Khotimah (2022) and Elisa & Riduwan (2021). Nonetheless, this is inconsistent with the study carried out by Alifian & Susilo (2024) and Dewi & Soedaryono (2023), who revealed that firm size contributes to a decline in firm value.

b. The Influence of Profitability on Firm Value

The period from 2020 to 2024 reveals a significant positive impact of profitability on firm value within the property and real estate industry, as illustrated in Table 9, as reflected by a coefficient of 5.69972 and a 0.0396 significant level. Hence, the results support the acceptance of the second hypothesis. This outcome aligns with signalling theory, which suggests that strong profitability signals efficiency in managing resources, costs, and operations, thereby drawing investor attention and trust. In other words, a company in a healthy condition and with good prospects is considered by investors as being able to generate a benefit of income to be used as an investment option. Thus, higher stock prices are followed by growth in firm value. The study's findings correspond with prior empirical evidence of Dewantari et al. (2020), Putri et al. (2024), and Sari & Faisal (2024). However, they contradict the research of Bintari et al. (2024) and Farid & Safitri (2024), which found that profitability hurts firm value.

c. The Influence of Leverage on Firm Value

From 2020 to 2024, leverage appears to exert a detrimental effect on firm value within the property and real estate sector, yet this relationship is statistically insignificant, as reflected in Table 9. This can be seen from the considerable impact of 0.3187 > 0.05 and the negative coefficient of -0.148097. Thus, the findings indicate that the third hypothesis is not empirically supported, which suggests that firms typically prefer utilising internal funds, such as retained earnings, over seeking external capital through methods like borrowing or issuing shares. However, debt can provide tax benefits; the risk of bankruptcy and high interest expenses may, in turn, reduce firm value. Furthermore, the insignificant effect of leverage occurs because investors tend to consider other factors rather than the company's debt level. Underlying factors may explain this insignificant relationship. First, the property and real estate industry is highly capital-intensive, which makes the use of debt relatively common and often perceived by investors as a normal practice rather than a negative signal. Second, investors tend to place greater emphasis on profitability, asset growth, and the firm's ability to service its debt obligations than on leverage ratios alone, thereby weakening the observed effect of leverage on firm value. Third, external conditions such as interest rate fluctuations, inflation, and government regulations in the property sector exert a stronger influence on investor perceptions of firm value compared to capital structure choices. Taken together, these dynamics cause the statistical impact of leverage on firm value to appear negative but insignificant. The study's results correspond with the findings of Eyrangga & Triyonowati (2020) and Winata & Surjadi (2024). However, these findings differ from the studies of Novitasari & Indrawati (2024), Sari & Faisal (2024), and

Shobach & Santoso (2023), which indicated that leverage exerts a positive impact on firm value.

d. The Influence of Firm Size on Firm Value with Managerial Ownership as a Moderating Variable

Table 9 demonstrates that managerial ownership moderates the impact of firm size on firm value in the property and real estate sectors from 2020 to 2024. The evidence lies in the probability value of 0.0354 (<0.05), combined with a negative coefficient of –0.043187. Thus, it can mean that the fourth hypothesis is accepted. This occurs because conflicts of interest between the stakeholders can be minimised if managers also hold shares in the company. Hence, large companies tend to have substantial resources and opportunities, but without the right managerial incentives, managers may not maximise this potential to increase firm value. Managerial ownership encourages managers to be more motivated in optimising the company's assets and reputation, thereby enhancing firm value. This study's outcomes align with the conclusions of Ermawati & Triyono (2024).

e. The Effect of Profitability on Firm Value with Managerial Ownership as a Moderating Variable

Table 9 indicates that managerial ownership fails to moderate the other impacts of profitability on firm value in the property and real estate sectors from 2020 to 2024. Evidence for this appears in the probability value of 0.3220 (>0.05) combined with a positive coefficient of 12.83867, leading to the conclusion that the fifth hypothesis is rejected. This condition may arise because managerial ownership in some large companies is relatively small, making it insufficient to align management's interests with those of investors and limiting its influence on how effectively the company maximises profits (Jensen & Meckling, 1976). Additional factors may also explain this finding. First, according to Entrenchment Theory (Morck et al., 1988), higher managerial ownership does not necessarily guarantee better alignment with shareholders' interests. Instead, it may lead to entrenched positions where managers prioritise job security over maximising firm value. Second, in the property and real estate industry, profitability is often shaped by external conditions such as economic cycles, government regulations, and property market fluctuations, which can overshadow the role of managerial ownership. Third, from the perspective of Signaling Theory, profitability should serve as a positive signal to investors. However, when information asymmetry is high, the moderating effect of managerial ownership becomes less relevant, as investors rely more on external market signals than on insider shareholding structures. This study's results support the findings obtained by Indra et al. (2025). Conversely, these results differ from the study by Andriansyah & Pelitawati (2023), which indicated that the involvement of management plays a role in shaping the cooperative relations between profitability and company value.

f. The Effect of Leverage on Firm Value with Managerial Ownership as a Moderating Variable

Referring to the hypothesis evaluation results in Table 9, it illustrates that managerial ownership is unable to act as a moderator within the influences of leverage on firm value across the property and real estate sector during 2020–2024. A significant contribution of 0.7077 (>0.05) and a coefficient of 0.246563 confirm this outcome. Thus, the findings indicate that the sixth hypothesis cannot be accepted. This situation arises due to the low magnitude of managerial ownership, which hinders the motivation to manage debt strategically. Furthermore, leverage is viewed by investors mainly through risk and debt-servicing ability, not through managerial equity stakes. The failure can be explained by several theoretical perspectives. Agency Theory (Jensen & Meckling, 1976) suggests that low managerial ownership reduces managers' personal risk exposure,

weakening their incentives to align with shareholders. Entrenchment Theory (Morck et al., 1988) further argues that existing ownership may entrench managers, leading them to prioritize job security over optimal leverage decisions. In the property and real estate sector, however, external factors dominate. As a capital-intensive industry, high debt levels are considered normal, and investors focus more on debt-servicing ability than on managerial ownership. Moreover, interest rate fluctuations, inflation, and government regulations exert stronger influence on firm value perceptions than internal ownership structures. According to this study, the results differ from those of Ermawati & Triyono (2024), who reported that the effects of leverage on firm value may be moderated through the proportion of managerial ownership.

4. CONCLUSION

This study's results reveal that increases in firm value in the property and real estate sector are primarily determined by firm size and profitability. At the same time, leverage has a negative impact, albeit one of limited significance. Managerial ownership strengthens the impacts of firm size on firm value but does not moderate profitability or leverage. The results show that before moderation, the R-squared value was 0.116195, indicating that firm size, profitability, and leverage explained 11.61% of the variation in firm value, with 88.39% attributed to other factors. After including managerial ownership as a moderating variable, the R-squared rose to 0.154571, indicating that these variables explained 15.45% of the variation, while 84.55% remained unexplained.

This finding emphasises that business scale management strategies and profit performance need to be balanced with appropriate managerial share ownership policies. Accordingly, future research should consider additional factors such as investment opportunity set (IOS), dividend policy, liquidity, Good Corporate Governance (GCG), Corporate Social Responsibility (CSR), and other relevant variables to provide a more comprehensive explanation of firm value. For property company management, the findings of this study highlight the importance of carefully designed managerial share ownership policies. Shareholding by managers in an adequate proportion can align their interests with those of shareholders, foster long-term value creation, and reduce agency conflicts. However, such ownership must be set at an optimal level to avoid managerial entrenchment, a condition in which managers prioritise job security over maximising firm value. In addition, managerial ownership policies should be complemented by strategies to strengthen profitability and maintain an efficient capital structure, thereby ensuring that firm value can be sustainably enhanced in a competitive and capital-intensive industry.

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