BLOCKHOLDER OWNERSHIP, CAPITAL STRUCTURE AND MANUFACTURE COMPANY VALUE IN INDONESIA STOCK EXCHANGE

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ABSTRACT

The capital markets have been in the emerging market category for example, the Indonesia Stock Exchange. In connection with this condition, it has been known that the behavior of issuers and investors are still relatively unstable. This behavior is quite different to market conditions in other countries, which have become the efficient market. The number of listed companies is still relatively small compared to the number of listed companies on stock exchanges in developed countries. The research aims to measure and to find empirical evidence, the direct effect of blockholder ownership and capital structure on company value. It will investigate and examine the mediating effect of capital structure on company value. The research was conducted at manufacturing company in Indonesia Stock Exchange (IDX) for five years. This research use census sampling, with number 36 of companies that were analyzed with Structural Equation Modeling (SEM). The result shows directly the blockholder ownership does not have significant effect to company value. Capital structure has mediating effect to the relationship between blockholder ownership and company value. This finding Explains that the indirect role of capital structure can increase of company value. In addition, capital structure directly has significant effect to company value.

Key words: Block-holder Ownership, Capital Structure, Company value.

KEPEMILIKAN *BLOCKHOLDER*, STRUKTUR MODAL DAN NILAI PERUSAHAAN MANUFAKTUR DI BURSA EFEK INDONESIA

ABSTRAK

Pasar modal yang telah berkategori pasar yang berkembang misalnya, Bursa Efek Indonesia. Dari kondisi yang ada, telah diketahui bahwa perilaku emiten dan investor masih relatif labil. Perilaku ini sangat berbeda dengan kondisi pasar di negara-negara lain yang telah menjadi pasar yang efisien. Jumlah perusahaan yang terdaftar masih relatif kecil dibandingkan dengan jumlah perusahaan yang terdaftar di bursa efek di negara maju. Penelitian ini bertujuan untuk mengukur dan menemukan bukti empiris tentang pengaruh langsung kepemilikan blockholder, struktur modal terhadap nilai perusahaan, untuk menyelidiki dan menguji pengaruh mediasi struktur modal terhadap nilai perusahaan. Penelitian dilakukan pada perusahaan manufaktur di Bursa Efek Indonesia (BEI) selama lima tahun. Metode pengambilan sampel penelitian ini adalah sensus dengan jumlah 36 perusahaan yang dianalisis dengan Model Persamaan Struktural (SEM). Hasil penelitian menunjukkan bahwa kepemilikan blockholder tidak berpengaruh signifikan terhadap nilai perusahaan. Struktur modal memiliki dampak mediasi pada hubungan antara kepemilikan blockholder dan nilai perusahaan. Temuan ini menjelaskan bahwa peran tidak langsung struktur modal dapat meningkatkan nilai perusahaan. Selain itu struktur modal secara langsung berpengaruh signifikan terhadap nilai perusahaan.

Kata Kunci: Kepemilikan Blockholder, Struktur Modal, nilai Perusahaan.

INTRODUCTION

Company's shareholding structure can be distinguished into following four perspectives. 1) Based on investor's position, the company ownership structure company is divided into insider ownership and outsider ownership. 2) Based on the owners' perspective, company ownership structure is divided into managerial ownership and institutional public. 3) Based on nationality, company shareholding structure is divided into foreign ownership and domestic ownership. 4) Based on percentage of shares owned, the company ownership structure divided into blockholder and non-blockholder company ownership.

The high blockholder ownership proportion has a greater role for management to optimize the company value. However, at a certain level, it can cause any deviation management actions, which ultimately harm the minority shareholders (Morck et al. 1988; Shleifer and Vishny 1997). Researchers who have studied the effect blockholder on company value are Prowse (1993), Vera-Minguez & Ugedo-Martin (2007). They found the results for countries that have implemented good governance principles, characterized by mechanism controlling legal system of ownership, blockholder effects tend to be negative. This finding is very different from the results of Driffield et al. (2007), and then studied again in Indonesia context by Sujono (2010).

Sujono (2010) outlines that, in companies manufacturing sector, the higher blockholder ownership, the higher company value, or statistically significant and positive. Blockholder ownership is measured by percentage in top 5% by individuals' holding company and non-individual non-holding company. Research La Porta et al. (1998) concluded that ownership high concentration in Indonesia due to a weak legal system that protects minority investor. Study Claessens et al. (2000) concluded that more than 50% of companies listed on Indonesia Stock Exchange controlled by the family. Claessens et al. also interpret the pyramid system is a way to expropriate the minority shareholders.

Indonesia Stock Exchange is one of capital markets in the emerging market category. The behavior of issuers and investors are still relatively unstable. This behavior is quite different to market conditions in other countries, which have become the efficient market. The number of listed companies is still relatively small compared to the number of listed companies on stock exchanges in developed countries. The manufacturing sector is one sector that has more issuers than other sectors. Therefore, this research uses the manufacturing sector objects, based on observations condition of blockholder ownership and company value. Values reflected in the Company's stock price as market mechanisms emitten, as shown by Table 1.

Table 1 shows, in the 2010 several companies including the manufacturing sector, overall blockholder ownership is above 50%. This large percentage make management decisions, from the perspective of large number of shares held, predominantly coming from blockholder ownership. When you look at the share price performance in the year based on the market mechanism, the investors did not see who the owner of these shares. This fact is evidenced though blockholder almost 100% but the market appreciation to share price still low. The higher blockholder ownership did not interact to ensure market company value, as reflected in the share price.

Empirical studies examining the effect of ownership structure on capital structure more focused on managerial and institutional ownership structure or insider and institutional ownership. There are still very few empirical studies that examine the effect of blockholder ownership structure on capital structure and company value. The results of a study evaluating the effect of blockholder on capital structure and company value is Chen & Ho, (2000); Anderson et al. (2003); Hagelin et al. (2006), and Sujono (2010). Using a sample of 145 firms in Singapore, Chen and Ho (2000) concluded that outside blockholder ownership has no significant effect on company value. Anderson et al. (2003) found the proportion of blockholder ownership of 10-20%

Table 1
Block-holder Ownership Comparison and Share Price in 2010

No.	Companies name	Blockholder Ownership (%)	Share Price (Rupiah)
1	Asahimas Flat Glass Tbk	84.66	5,800
2	Surya Toto Indonesia Tbk	94.80	39,000
3	Indo Acidatama Tbk	85.32	1,438
4	Astra Otorparts Tbk	95.65	13,950
5	Indomobil Sukses International Tbk	93.37	7,600
6	Indospring Tbk	87.46	10,500
7	Jembo Cable Company Tbk	90.15	620
8	Sumi Indo Kabel Tbk	88.06	1,200
9	Cahaya Kalbar Tbk	92.01	1,000
10	Prsashidha Aneka Niaga Tbk	91.01	80
11	Darya-Varia Laboratoria Tbk	92.66	1,170
12	Mustika Ratu Tbk	80.24	650
13	Unilever Indonesia Tbk	85.00	16,500

Source: Financial Report of Emitten Publications, 2010.

have a significant and positive impact on the capital structure. While Hagelin et al. (2006) concluded that the proportion of outside blockholder ownership above 50% has a significant and positive impact on company capital structure.

Driffield et al. (2007) makes empirical studies the relationship blockholder ownership on company value in four East Asian countries, namely Korea, Indonesia, Malaysia and Thailand. The study's findings are Indonesia has concentrated ownership more than 50% by 47 companies, is higher than the three other countries. Hence, share ownership effect on company value is significant and positive, with 10% significant level Empirical Study of Stock Exchange by Sujono (2010) found that blockholder ownership, as measured by the proportion of share ownership above 5% by individuals, holding companies and non-individual and non-holding company, significant and positive effect on company value but no significant the capital structure.

Based on the inconsistent findings between Anderson et al. (2003); Hagelin et al. (2006), and Sujono (2010), researchers examined the effect of blockholder ownership structure return on capital structure and company value using a sample of firms in the manufacturing sector. The reason for choos-

ing this sector is that it is because firms in the manufacturing sector have the largest percentage compared with other sectors in IDX.

Based on the explanation in background, there are findings inconsistencies of previous researchers. Therefore, it is necessary to study again the effect blockholder ownership structure on capital structure and company value. The formulations of the problem in this study are: first, whether the blockholder ownership have a significant direct effect on company value? Secondly, whether the capital structure has a significant direct effect on company value? Thirdly, whether the capital structure mediate the effect of blockholder ownership on company value?.

This study aims to: first, measure and find empirical evidence of a direct influence blockholder ownership on company value, and second, to measure and find the direct influence of capital structure on company value. Third, investigate and to test the mediating effect of capital structure on company value. The results of this study are expected to contribute as follows: First, giving discourses and illustrations for the development of management knowledge, particularly Financial Management, Investment and Portfolio Management. Secondly, empirical studies enrich for researchers engaged in the study of business economics and lecturer on

Figure 1
Research Thinking Framework
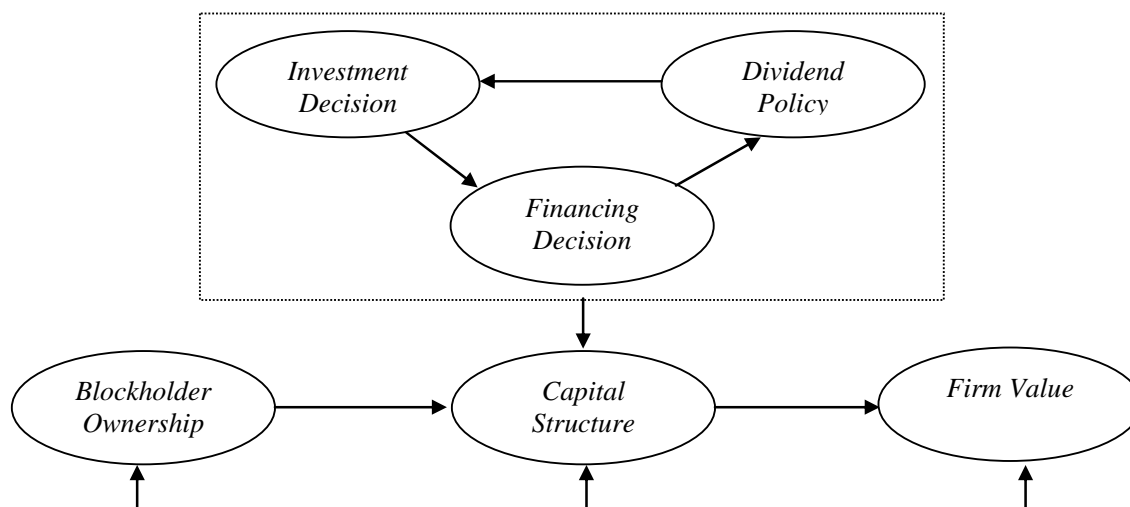
topics of the lecture will be teaching materials. Third, the results of this study can be a reference for economics students, especially students who take the concentration of Financial Management, who wish to study in depth the topic of blockholder ownership, capital structure and company value.

THEORETICAL FRAMEWORK AND HYPOTHESIS
Thought Research Framework
Financial management is a science of how a company still continues to survive in the course of its business and keep thinking about the welfare of shareholders and maximum profit. In its activities, a financial manager on duty to make three decisions, in its function as a corporate financial decision-makers. These three decisions are to make, 1) Investment Decision, in this case how to make investment decisions with respect to the rate of return to be earned. The financial manager can select the required investment opportunity that generates optimal returns. 2) Financing Decision, in this case how financial managers have the ability to manage the funds namely seeking funding with considering the cost of debt to be borne by the company. If wrong in decision making, in the long run will lead to financial distress. 3) Dividend Policy, this decision will be related to how fund managers are able prospering

shareholders. In terms of dividend policy, financial managers will determine the right decision because it involves the use of company external fund sources.

This study looks at the second decision, the financing decision. Relation here is will affect the company value due to the company's capital structure. Searching the research results about impact the capital structure on company value is still diverse. Research in Indonesia by Sujoko (2006), Sujono (2010), Made Sudarma (2004), and Sumiati (2011) make observations on manufacturing sector. The findings are not consistent. The capital structure is defined as a balance among the amounts of long term debt to equity that will reflect the company's solvency. High debt is not always bad for the company. In this theory, it appears the theories related to capital structure. Furthermore, this study discusses blockholder ownership structure, by examining how if the share ownership is a holding company. Therefore, the framework of this study can be illustrated in Figure 1.

Hypothesis
Based the conceptual framework model that has been constructed and transformed into path diagram in Figure 2, it is described the causality of construct used.
Hypothesis 1: The higher blockholder owner-

Figure 2
Path Diagram of Research Hypothesis
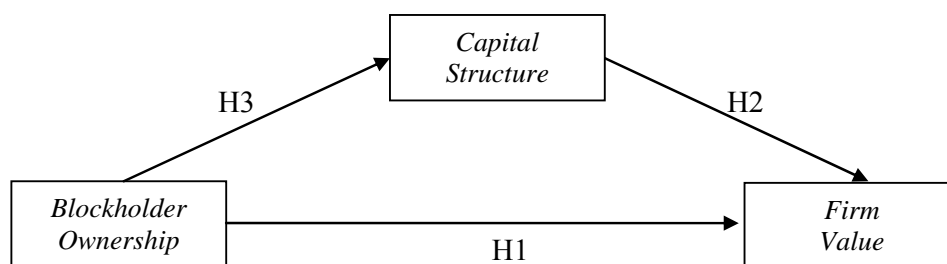
ship structure, the higher the company value.

Despite the belief that a high proportion of share ownership has a bigger role in order to management maximize the company (Jensen & Meckling 1976; Zeckhouser & Pound 1990), but blockholder shareholding in a certain level will cause deviation of management actions that would be detrimental to minority shareholders (Morck et al. 1988; Shleifer and Vishny 1997). This occurs if the blockholder is not function. However, if the blockholder perform the higher the blockholder ownership, the higher company value will be. Empirical studies show there is a positive and significant effect between blockholder ownership structure on company value (Driffield et al. 2007; Sujono, 2010). Meanwhile, researches in countries that refer to control mechanisms of the legal system by applying the governance principles, the effect of blockholder ownership structures tend to be negative (Prowse 1993; Vera-Minguez & Ugedo-Martin, 2007).

Hypothesis 2: The higher the capital structure, the higher company value.

When companies are faced with investment opportunities, according to the pecking order hypothesis, the sequence of internal financing is a internal corporate finance, debt and equity. If based on trade-off theory, to look at investment opportunities, firms will prefer debt. There is a number of debt tends to reduce the company cost of capital, so that the optimum capital structure will be achieved. The Increased of leverage is expected to have a positive impact on company value, all the cost debt and bankruptcy cost is lower than the rate of return investment.

Empirical evidence suggests that capital structure have significant and positive effect on company value (Fama and French 1998). The results of different studies by Sujono (2010) showed the effects of capital structure on company value are negative and significant. According Sujono (2010), in contrast to results of previous studies, indicated that debt financing undertaken by the company in Indonesia Capital Market has exceeded the optimum. That is, the cost of bankruptcy and agency costs outweigh the benefits of tax savings.

Hypothesis 3: Ownership block-holder will be stronger if it is mediated by the capital structure, thereby increasing the company's value.

Jensen and Meckling (1976) and Jensen (1986) predict the presence of blockholder will encourage companies to use debt to enhance shareholder value. In this hypothesis, capital structure mediates the effect of blockholder ownership on company value. The predictions also suggest that blockholder prefers dividends over a little so that there is more free cash flow. The Increased amount of free cash flow will be directed to investments, both tangible and intangible assets, so enhance shareholder value. The research results of Sujono (2010) obtained a negative coefficient and insignificant. This means that in order to increase the company value, blockholder no need to use debt. Without using any debt, ownership concentration can increase the company value.

RESEARCH METHOD
Research Design
Scientific research can be distinguished according to scientific explanation scope that will be generated by a study (Augusty, 2011:

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Table 2
Population Criteria

No	Criterias	Company Total
1.	Emiten at secondary sectors Group	136
2.	Dropped because incomplete financial report	(7)
		129
3.	Dropped because loss	(41)
		88
4.	Dropped because variabel data incomplete*	(48)
		40
5.	Dropped becaouse go publik before 2006	(4)
	Company that suitabel with criterion	36

* Examples of incomplete variables: closing price, number of shares outstanding.

3). In this study, by their nature to seek an explanation of the causal-effect relationship between some of the concepts or variables that are developed, the research design study is built causality hypothesis-deductive approach.

Population and Sample, Data Collection Methods

The population of this research is companies included in the industrial and manufacturing sector, or included in the secondary sectors. Based IDX Statistical Highlights of 2010, total there are 136 companies. Criteria in this study population are shown on Table 2. Based on criteria in Table 2, there are 36 companies qualified. This study used a saturated sample (census). The analysis unit is pooling data or panel data, with the observation period (t) = five years (2006-2010) and N = 36 (Annex) company. Therefore the number of observation is 180 cases. The data collection methods is by accessing the Internet using official website of Indonesia Stock Exchange, http://www.idx.co.id/MainMenu/Emiten/CompanyProfile/SubmittedOffline, IDX Fact Book 2006-2010, Annual Report 2006-2010, IDX Monthly from January to December of 2006-2010.

Operational Variable of Research

This study used three variables follows: blockholder, capital structure and company value. Each study variables operationally defined in Table 3.

Descriptive Statistics Analysis

Descriptive statistical analysis is used to provide an overview or descriptive empirical data collected in the study (Augusty, 2011: 271). This study uses a descriptive statistical analysis in the form of statistical averages that illustrated by tables.

Inferential Statistical Analysis

Augusty (2011: 276) defines that inferential statistics are used to test the management conception stated in research hypothesis. The research hypothesis was answered using traditional methods of Structural Equation Model (SEM) analysis with AMOS 16.0 software. This test is used to interpret whether the model presented already qualified. Augusty also suggested, if the goodness of fit index is not met, the model modification but must be supported and justified by theory.

DATA ANALYSIS AND DISCUSSION
Descriptive Statistics Analysis

Descriptively, variables described to analyze research data. This study uses blockholder ownership, capital structure and corporate value variables. Study object is manufacturing sector in IDX. Observation period is 2006-2010 or five years. Descriptively, description presented below.

Blockhoder ownership means that owner is a holding company, with the proportion of shares held by investors more than 5%. Table 4 presents the average conditions in Indonesia blockholder ownership at manufac-

Table 3
Variables Operational Definition and Research Measurement

Variables	Operational Definition	Measurement	References
Ownership Block-holder Structure: The proportion of shares held by Holding Company in the top 5%.	Comparison the number of shares owned holding company with number of shares outstanding (Chen & Ho, 2000)	Ownership Blockholder Structure The proportion of shares held by Holding Company in the top 5%.	Chen & Ho, (2000) Anderson, (2003) Driffield et al, (2007) Thomsen et al, (2006) Sujono (2010)
Capital structure	The funding proportion that comes from the company's equity and debt in the year-end balance sheet	$DAR = \dfrac{TotalDebt}{TotalAssets}$	Chen et al, (1998) Made (2004) Sujoko (2006) Driffield et al, (2007) Siti (2009) Sujono (2010) Sumiati (2011)
Company Value	Management success measures of past operations and prospects in the future Driffield et al, (2007)	$Tobin'sQ = \left[\dfrac{(OS \times p) + (D+1) - CA}{TA} \right]$	Driffield et al, (2007) David et al (2001) Djumahir (2005) Sujono (2010) Yulia (2011) Sumiati (2011)

turing sector. In 2006, the number block-holder ownership reached 66.29% of all company shares. That is, only about 33.71% shares not owned by holding company, namely owned by individuals, pension funds institutions or cooperative company. Thus, during 2003, asset control manufacturing company is in holding company. Conditions of 2005-2010 had no significant difference, blockholder control the company's shares ranged from 66.29% to 69.56%. This means that over four years period, there is no significant change of corporate control by blockholder.

Blockholder ownership shows, if looked at every year, PT. Astra Otoparts Tbk has a high ownership structure, amounting to 95.65% in 2010. High ownership concentration means the monitoring factors can be performed entirely by the blockholder. Percentage composition of the ownership in each year is 86.72% (2006), 84.72% (2007), 86.72% (2008) and 93.91% (2009). The lowest blockholder ownership is PT. Ultra Jaya Milk Limited, amounting to 21.40% in 2006 and 2007. The average blockholder ownership over observation period is 68.47%, meaning that blockholder ownership in Indonesia is still concentrated in holding company.

In this study, proxy of capital structure is Debt to Asset Ratio (DAR), a comparison of Total Debt to Total Assets of the company. DAR average sample in firms manufacturing sector over the past five years is 44.81%. That is, every dollar assets, financed 0.448 by debt. The ratio DAR high will impact the company solvency, and the dependence on external funding sources are also high. Conditions DAR company within range 2.3% in 2006-2008 to 8.4%, there is an increment. In 2009-2010 the average DAR decline. This indicates that manufacturing companies began to reduce the external funding sources.

Highest DAR is 47.85%, indicating Indo-

Table 4
Descriptive Statistics of Research Variable

No	Variable	Year (%)					Mean	Max	Min
		2006	2007	2008	2009	2010			
1	*Blockholder*	66.29	69.02	68.01	69.49	69.56	68.47	69.56	66.29
2	Capital Structure	47.85	47.45	46.35	41.80	40.62	44.81	47.85	40.62
3	Company Value	0.37	0.65	0.24	0.44	0.75	0.49	0.75	0.24

Source: Adapted from Secondary Data, 2006-2010.

nesia Company's dependence on external funding is quite large, nearly 50% funded with debt. Companies with the highest DAR ratio in 2006 were PT. Indomobil Sukses International Tbk, amounted to 90.95%. Total Debt is Rp 4,418,690,000,000, total company assets is Rp 4,018,950,000,000. Lowest DAR in 2006 was PT. Mustika Ratu Tbk, with a debt ratio 9.41%. The cosmetics sector company has small dependency with external funding. That is, more internal funding sources used to finance the company's activities.

In this research, Company value variable measured by Tobin's Q indicator. Based on table above, it can be seen that during 2006-2010 period, there was an increase significantly, from 37% to 75%. Tobin's Q value indicates that average company still has fairly high investment opportunities, or has a substantial competitive advantage. Theoretically, the Tobin's Q value of sample firms should be improved, because the company has good prospects of more than 100%. Cement companies have good investment opportunities. PT. Semen Gresik (Persero) Tbk has a Tobin's Q ratio of 5.47% in 2010 and 1.81% in 2009, and 5.30% in 2007, PT. Acidatam Indo Tbk, in 2006, the company owned by PT. Darya-Varia Laboratories.

Inferential Statistical Analysis
Classical assumption is tested by finding the multivariate outlier, using Mahalanobis distance, to know the distance between the observed values the overall average variables. Criteria multivariate outlier be done by comparing the degree of freedom $\chi 2$ value against a number of parameters to be estimated, for both endogenous and exogenous variables. At p 0.01 level and there are 10

variables, and then the value of $\chi 2$ is 16.266. Based on $\chi 2$ value, it compared the Mahalanobis distance. There are eight observation outliers, i.e. 6, 40, 41, 44, 107.147, 174.171, deleted from next process, so the observations become 172. Normality assumption test conducted with critical value ±2.58. Based on the output obtained, normality tests were fulfilled on multivariate value of -0.529. Based on these criteria, the value is sufficient. Normality on the output is presented in Table 5.

Before testing the study hypotheses, it carried out an estimate of structural model and evaluation of model suitability to input data. Structural equation test is based on the cut-off value, as used in the confirmatory analysis. Based on Goodness of Fit Overall, all criteria above indicate a good model. The model used is recursive analysis (no regression reciprocal correlation between latent variable). The observations number is 172. Chi-square value is 0.000; with 3 *df* and probability values is infinite, with Chi-square value is small. Another measure of model fit is GFI, RMSEA. AMOS output obtained from GFI = 1.00 (both models); RMSEA = 0.211 (both models). Overall the model is acceptable.

Discussion of Hypotheses
This study proposed three hypotheses. The discussion based on AMOS output results are presented in the Table 6.

The effect Block-holder ownership structure to company value variables, proxies by Tobin's Q, showed significant results with the positive direction. This reflects the greater percentage of shares held, at a rate of more than 5%, does not affect the increase of com

Table 5
Normality Assessment

Variables	Min	Max	Skew	C.R.	Kurtosis	C.R.
BO	21.400	95.650	-.709	-3.794	-.388	-1.038
CS	9.410	91.820	.457	2.448	-.597	-1.598
CV	.000	1.670	1.100	5.892	.663	1.774
Multivariate					-.442	.529

BO= Blockholder Ownership; CS= Capital Structure; CV= Company Value
Sources: Data Processing Results

Table 6
Hypothesis decision for Manufacturing Company in Indonesia

Independent Variables	Dependent Variables	Intervening Variable	Standardize Effect			Prob	Decisions
			Direct	Indirect	Total		
BO	CV	--	0.356	--	--	0.452	(H1) Nonsignificant
CS	CV	--	0.007	--	--	0.000	(H2) Significant
BO	CV	CS	0.046	0.000	0.046	0.000	(H3) Significant

Sources: Data Processing Results.

pany value. This finding is on the contrary with Sujono (2010), Driffield et al. (2007), Grosfeld (2006); Olayinka, (2011). Despite the belief that a high proportion of share ownership has a bigger role in order management maximize the company value, the blockholder ownership in a certain level will cause deviation by management, which would be detrimental to minority shareholders. This condition occurs if the blockholder not function. The findings of this study indicate that condition because the shareholding structure in Indonesia tends to be concentrated.

These research findings also demonstrate the agency type in Indonesia (La Porta et al. 1998; Claessens et al. 2000). La Porta et al. (1998) stated the cause of high ownership concentration in Indonesia is the lack of legal system that protects minority investors. Compared to other countries in the world, Indonesia's capital market called emerging markets or developing markets. In contrast, Claessens et al. (2000) stated that more than 50% of companies in Stock Exchange controlled by family. Pyramid system suggested by Claessens et al. becomes takeover tool of minority shareholders. Table 7 presented Claessen et al. results regarding the ownership structure of listed companies in Indonesia.

Table 7 reveals, when using cutoff point 20% as control rights, there are 71.50% Indonesia public companies controlled by family, 8.20% controlled by the government, 13.20% is controlled by a corporation, 2.00 controlled by banks and the public itself is only control 5.10%. The results of Claessens et al. indicate that public companies shares ownership in Indonesia is inverse compared public companies in nine other countries, in line with study sample Claessens et al. The table above also shows that 66.90% of public companies in Indonesia to strengthen its position through Pyramidal structures, 1.3% through cross-holding ownership, 53.40% owned by the owners themselves, and 84.60% of public companies in Indonesia puts the managers appointed by the shareholders.

Capital structure significantly influences the company value. This study results are consistent with studies of Sujono (2010), Djumahir (2005), Sumiati (2011), but in contrast to Yulia (2011). Capital structure in this study uses DAR indicators, which is measured as total debt to total assets. The results reflect the company value has increased. Initially, Modigliani and Miller (1958) proposed capital structure on company value is not related.

Table 7
Ownership Structure of Public Company in Indonesia and Nine Other Countries

Information	Percentage of Ownership Public Company with Minimum of 20% of Shares Outstanding				
	Family	Government	Corporation	Banking	Public
Indonesia	71.50	8.20	13.20	2.00	5.10
9 other countries	52.60	6.90	13.30	4.70	22.50

Description	Pyramidal	Cross-holding	Controlling owner alone	Manajer Chosen by controlling shareholder
Indonesia	66.90	1.30	53.40	84.60
9 other countries	40.80	8.70	50.60	66.80

Source: Claessens et al. 2000.

Yet, Modigliani & Miller (1963) generate the opposite conclusion, that maximum debt level will indicate the maximum level of company value. That is derived from tax deductible, as the effect of obligation to pay interest on debt. These results confirmed in Sumiati research (2011) that there is an influence and a non linear (quadratic) relationship between capital structure and company value. When debt ratio increases, which is a measure of capital structure, the company value increases, indicated by the positive coefficient of capital structure (Y1). Then, after reaching the optimum capital structure, the increase in debt will lower the company value. Non-linear relationship between the debt ratio to companies value in Indonesia looks like Figure 3.

Blockholder influence on company value mediated by capital structure is positive and significant. To increase the company value, block-holder should use the debt. Using debt, ownership concentration can enhance shareholder value. This finding is not consistent with Sujono (2010) who found that this result is significant with a total direct and an indirect influence is 0.2760. Predictions of Jensen and Meckling (1976) and Jensen (1986) that the presence of blockholder will encourage companies to use debt to increase the company value can be implemented in Indonesia's capital markets. If looked at the capital structure data, average emitten in the study sample had a Debt to Asset Ratio (DAR) of 44.81%. This ratio reflects that sample firms use nearly 50%

debt to fund its operations. DAR average of manufacturing companies during 2006-2010 is Rp 0, 4481 of every dollar assets owned that used to guarantee repayment. High DAR also affects the company's high dependence on external funding.

CONCLUSION, IMPLICATION, SUGGESTION AND LIMITATIONS

Some important notes in this study were: 1). Blockholder ownership structure does not increase the company value with direct testing. This reflects that Indonesia capital market characterized by concentrated ownership structures, that blockholder is not active in doing the function. 2). under direct examination, capital structure can directly increase the company value. It means, the relations between two variables are linear up to a certain point when there is tax deductible. However, the results of previous studies (Sumiati, 2011) explain that their relationship is non-linear. After reaching the optimal capital structure, the corporate value will drop. 3). Blockholder ownership structure mediated by capital structure to enhance shareholder value. This means that, in order to enhance company value, the blockholder must use an external funding source.

Based on above findings, following recommendations can be suggested. 1) Blockholder ownership structure in Indonesia Capital Market is one important determinant in maximizing corporate value. This involves company funding. The insignificant

Figure 3
Non Linear relationship between Debt Ratio to Company value Indonesia Findings
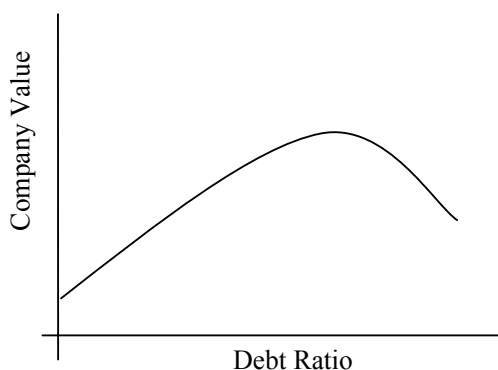
Sources: Sumiati (2011).

results would be an idea for further research. On the other hand, an alternative grouping, as individual and non-holding company and individual blockholder that has not been investigated in this study, become a note for further research. 2). Capital structure and company value has a linear relationship. Adversely, there is no previous studies describing the relationship between the two is non-linear. The findings difference could be developed by including all the companies in the manufacturing sector in order to obtain a better description. 3). Then, researchers can add the determinants of capital structure variables such as external effects of macro variables on company funding decisions.

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