



The Effect of Good Corporate Governance (GCG) on The Value of The Company in Manufacturing Companies Listed on The Indonesia Stock Exchange in 2018-2020

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Article Info	Abstract
<p>Article History :</p> <p>Received March 2021</p> <p>Accepted July 2021</p> <p>Published December 2021</p> <p>Keywords:</p> <p><i>Good Corporate Governance and Corporate Value</i></p>	<p>All information in the company's financial statements is useful to investors and users of financial statements because the information contained in the financial statements can be taken into account by stakeholders and users of financial statements when making economic decisions. The focus was on attracting the attention of the financial statements and focused only on information about income. The purpose of this study is to find out. Impact of Audit Committee on Good Corporate Governance, Management Ownership and Institutional Ownership on the Enterprise Value of Manufacturing Companies Listed on the Indonesian Stock Exchange in 2018-2020. The population of this study included 75 manufacturing companies. The variables of this study were management ownership, institutional ownership, and corporate value audit committee. Methods of data analysis using multiple linear regression, coefficients of determination, and hypothesis testing. As a result of this study, the management equity regression coefficient was 0.304, t count(3.847) > t table(1.66) and sign(0.000), <(0.04), institution ownership is 0,378, t count (3,678) > t table (1.66) and sign (0.02) < (0.05) and audit committee 0,365, t number (4,387) > t table (1.66) and sign (0.000) <(0.01) based on the coefficient test results R^2 determination of 70,4 This refers to institutional assets and administrative ownership of the Audit Committee. Together they have a positive and significant impact on company values. This can be demonstrated in the F test 37,451 of a manufacturing company listed on the Indonesian Stock Exchange in 2018-2020.</p>

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INTRODUCTION

The status quo of a enterprise need to have a clean purpose. There are numerous functions of a enterprise. The first aim is to attain most profit. The 2nd aim is to make the proprietor of the enterprise or the proprietor of the inventory. While the 0.33 enterprise's aim is to maximise the cost of the enterprise pondered withinside the inventory fee. The 3 desires of the enterprise are sincerely appreciably now no longer a good deal specific. The cost of the enterprise can offer most prosperity to shareholders if the inventory fee increases. The better the inventory fee of a enterprise, the better the cost of the enterprise.

Good Corporate Governance (GCG) is a superb company governance shape and mechanism that regulates the control of the enterprise in order to produce sustainable long-time period financial cost for shareholders and stakeholders. Good Corporate Governance (GCG) on this observe become measured through. Managerial Ownership, Instutional Ownership and Audit Committee, of which those 3 matters have specific impacts at the Value of the Company.

The cost of a enterprise can essentially be measured via numerous aspects, one of the measures or proxies used is is price book value (PBV) or evaluating the marketplace fee in line with proportion with the book value per share. Determination of price book value as a proxy.

The more the PBV ratio the better the enterprise is classified through financiers relative to the budget invested withinside the enterprise. In addition, traders may also examine the enterprise's possibilities withinside the future. Manufacturing is one of the industries that has proper possibilities and guarantees for the future. With the promising enterprise possibilities, it is going to be an appeal for traders to make investments their capital.

The emergence of the trouble of good corporate governance (GCG because of the dependence on outside capital (equity, loan capital) used to finance company activities, investments and company increase that properly company governance arises because of business enterprise issues that arise, in which there may be conduct to carry private profits, particularly from dealers via way of means of harming

the pastimes of others (principals). This occurs due to the separation of pastimes among major and agent.

This stage of economic overall performance is commonly pondered withinside the stage of profitability of the company. Thus, profitability is claimed to mediate the connection among properly company governance and the price of the company. From this background, the writer is interested by carrying out studies on "The Influence of Good Corporate Governance at the Value of Companies on Manufacturing Companies Listed at the Indonesia Stock Exchange in 2018-2020".

According to FCGI (2011) the definition of suitable company governance is a hard and fast of guidelines that set up the connection among shareholders, administrators, creditors, governments, personnel and different inner and outside stakeholders with admire to their rights and obligations, or in different phrases the device that directs and controls the company.

According to Effendi (2016), suitable company governance is a device designed to direct the control of businesses professionally primarily based totally at the concepts of transparency, accountability, responsibility, independence, fairness, and equality.

Darko et al (2016), which examines the connection among suitable company governance and the company overall performance of registered Ghanaian businesses. The outcomes confirmed that the awareness of possession and illustration of girls on forums had a wonderful impact on overall performance. Although the outcomes confirmed no proof to assist the effect of board length and audit committee length on overall performance, there's sizeable proof assisting the reality that unbiased administrators and the frequency of audit committees negatively have an effect on a company's overall performance.

According to Jensen and Meckling (1976), managerial and institutional ownership are the two main corporate governance mechanisms that help control agency conflict issues. Agency conflict is a conflict of interest that arises between the principal and the agent. This agency conflict is affected by internal ownership. The ownership of an insider is the owner of a business who also acts as the manager of the business. Greater ownership of an insider will result in an increase in the value of the business.

According to Sulito (2008), managerial ownership is the largest property of insiders, therefore the difference in interest between shareholders (owners) and company directors (management) is reduced because they will act with more caution because the leaders also bear the consequences of the decisions which have been taken. If the ownership of the insider's property is small, it means that there are only a small number of shareholders involved in running the business, so the greater the possibility of agency issues. Managerial ownership according to Rustendi and Jimmi (2008) is an executive shareholder who actively participates in the decision-making process of the company (directors and commissioners). Ownership of officers is measured by the percentage of shares owned by officers. Managerial ownership is seen as an appropriate control mechanism to reduce agency conflicts that result in high agency costs.

According to Tarjo, (2008). Institutional ownership is the shares of companies owned by institutions or institutions such as insurance companies, banks, investment firms and other institutional holdings.

According to Widiastuti (2013), institutional ownership is the ownership of shares by external institutions. It is not uncommon for institutional investors to become mayoritas in shareholding.

Indeed, institutional investors have more resources than other shareholders and are therefore deemed capable of putting in place good monitoring mechanisms. The existence of institutional investors is considered capable of being an effective control mechanism in every decision taken by managers.

According to Mukhtaruddin (2014). Institutional ownership acts as the controller of the management of the company. The higher the level of participation in the capital of the institution, the more effective the performance management control mechanism will be. Therefore, the more efficient the use of company assets will be.

On the other hand, the existence of institutional investors is seen as likely to constitute an effective mechanism for monitoring every decision taken by management so that institutional ownership more optimally encourages greater oversight.

Perdana and Raharja (2014) indicated that companies with large institutional stakes (more than

5%) indicate their capacity to control management. The influence of institutional ownership as a supervisory agent is suppressed by their large investments in capital markets. Certainly ensure the prosperity of shareholders. Along with the oversight function, institutional investors are expected to have the ability to better monitor management stocks than individual investors.

According to Nurlela and Islahuddin (2008) the worth of the corporate will offer most stockholder prosperity if the company's share value increases. the upper the stock price, the higher the prosperity of shareholders. to realize the value of the company usually the financiers leave their management to professionals. Professionals are positioned as managers or commissioners. Suyanti (2010) The company's high value are followed by high shareholder prosperity. Mentioned that if the prosperity of shareholders is bonded then it's sure that the value of the company increases, and also the prosperity of those shareholders will be ready to increase if the share price it owns conjointly increases. In alternative words, for businesses that issue shares within the capital market, the worth of shares transacted in the capital market is associate indicator of the worth of the company. The company's high value can build the market believe not solely in the company's current performance, however also in the company's future prospects.

in keeping with Wulandari, (2011). associate audit committee is reviewing the company's internal controls, guaranteeing the standard of economic statements, and up the effectiveness of audit functions. Surya and Yustiavandana (2006:145) mention that the audit committee is "an extra organ necessary within the implementation of the GCG principle". Meanwhile, supported the choice of the chairman of BAPEPAM - LK No: Kep - 643 / BL / 2012 the understanding of the audit committee is: The committee fashioned by and accountable to the board of commissioners in serving to hold out the duties and functions of the board of commissioners. The audit committee consists of a minimum of 3 individuals from freelance commissioners and parties from outside issuers or public corporations and is chaired by independent commissioners.

whereas Sukirmi (2012) explained that the worth of the corporate is a certain condition that has been

achieved by an organization as an image of charitable trust within the company when surfing a method of activities for many years, specifically since the corporate was established till now.

Companies with sensible management arrangements, usually have a high PBV quantitative relation on top of one. High PBV is extremely potent on the worth of shares, may be seen from the corporate' book of firms and {also the} high value of the company' shares (Mironiuc, at all, 2012). per Moniaga (2013) mentioned that the value of the company is that the investor' perception of the company, that is usually related to the stock worth. High stock costs build the value of the company also high. Stock price is the price that happens once shares are listed within the capital market.

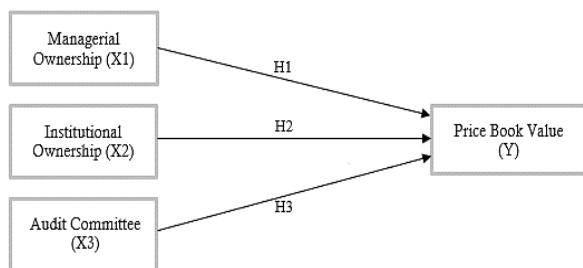


Figure 1 Frame of mind

RESEARCH METHODS

The population during this study may be a producing company listed on the Dutch East Indies securities market (IDX) in 2018-2020. the businesses that were the population in this study were manufacturing companies. Sampling in this study was conducted victimisation purposive sampling techniques, specifically sampling supported bound criteria and obtained samples as several as ninety manufacturing companies in idx.

The free (independent) variables in this study are the capital measured in this study are:

Managerial possession is that the amount of share ownership by the management of the whole share capital of the corporate underneath management. The indicator accustomed live social control ownership is the share of the quantity of shares in hand by management from all outstanding company stock capital

This variable is measured by identifying on the list of ownership structures there are names that enter the board of directors and board of commissioners.

The formula calculates managerial ownership:

$$KM = \frac{\sum \text{Total shares held by management}}{\sum \text{Amount of shares outstanding year-end}} \times 100\%$$

Source: Thesarani (2016)

According to Rosma (2007) with this ownership status, there will be a presumption that the owner's institution will pay more attention to the management of the company, and this will have a positive effect on the company, both in terms of increasing the value of the company and improving business performance. Institutional ownership is projected using a proportion of the number of shares held by institutions, such as governments, financial institutions, incorporated institutions, overseas institutions, trust funds, and other institutions by the end of the year. Institutional ownership, measured by the percentage of share ownership by the institution. Here's the formula for measuring Institutional Ownership.

$$KI = \frac{\sum \text{Shares owned by the institution}}{\sum \text{Total shares outstanding}} \times 100\%$$

Source: Novalia, (2016:11)

The audit committee is a committee tasked with overseeing and managing reporting including internal research systems and the application of generally accepted accounting principles, as well as overseeing the overall process The existence of the audit committee is a dummy variable with criteria that companies that have audit committees with members who are all background accountants will get a value of 1 while those who do not meet the criteria will get a value of 0. Audit committee variables are measured by looking at the number of audit committee members a company has. The formula calculates the audit committee:

$$KA = \ln \sum \text{member of the audit committee}$$

Source: Shabibah (2017)

Dependent variables are usually said as certain variables. certain variables are variables that are affected or that are a result, as a result of the existence of a variable during this study is that the Company Value. Projected with company worth may be a comparison between the worth per share with the book value. Variable measurements are represented with formulas:

$$PBV = \frac{\text{Price Per Share}}{\text{Book Value Per Share}}$$

Where

$$\text{Book Value Per Share} = \frac{\text{Total Equity}}{\text{Number of Outstanding Shares}}$$

Source: (Ahyar et al., 2020)

The method of data analysis in this study is: Classic Assumption Test. The purpose of testing this classic assumption is to test and find out the feasibility of the regression model used in this study, testing includes: Normality Test, Multicollinearity Test, Heteroskedastisity Test. Individual Parameter Significance Test (Statistical Test t), Simultaneous

significance test (Statistical test F), Coefficient of Determination (R²), Multiple linear regression analysis

$$Y = a + b_1 X_1 + b_2 X_2 + b_3 X_3 + e$$

Where:

- Y = Price Book Value
- X₁ = Managerial Ownership
- X₂ = Institutional Ownership
- X₃ = Audit Committee
- a = Constant
- b₁, b₂, b₃, = Coefficient

RESULTS AND DISCUSSION

This research aims to research the social control possession of institutional ownership of the audit committee on the worth of the corporate in producing firms listed on the country securities market on the IDX 2018 - 2020, during this study analyzed descriptive atastistics within the variety of mean values, normal deviations, most values, and values.

Minimum.

Tabel 1. Descriptive Statistics Test Results

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Managerial Ownership	75	10.00	25.00	18.9722	3.67288
Institutional Ownership	75	12.00	25.00	17.4028	1.87282
Audit Committee	75	11.00	25.00	19.8611	2.92772
Price Book Value	75	10.00	25.00	19.4167	3.82766

This research data already meets the classical assumption test, so it is feasible to use a linear regression test.

Multiple linear regression analysis is essentially the study of dependent variable dependency (bound) with one or more independent variables, the result of a multiple linear regression test as follows:

Table 2. Multiple Linear Regression Test Results

Model	Unstandardized Coefficients ^a		Sig.
	B	Std. Error	
(Constant)	.778	1.675	.584
Managerial Ownership	.265	.068	.003
Institutional Ownership	.378	.200	.004
Audit Committee	.365	.078	.002

a. Dependent Variable: Price Book Value

Source: Spss 24 Processed Data

Y Price Book Value = 0.778 Managerial Holdings 0.265 + Institutional Ownership 0.378 + Audit Committee 0.365

Determination Coefficient Test

This test is used to find out how much influence free variables together have on bound variables, the use of the coefficient of determination (R²) is biased

towards the number of independent variables (free) entered into the model. The result of the coefficient of determination is as follows:

Table 3. Determination Coefficient Test Results
Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.865 ^a	.704	.611	1.95953

a. Predictors: (Constant), Audit committee, Institutional ownership, managerial ownership

b. Dependent Variable: Nilai Perusahaan

Source: Spss 24 Processed Data

Coefficient of determination (R Square) of 0.704. This means that the variable managerial ownership of institutional ownership and audit committee has a role of 70.4%. While the remaining 29.6% (100% - 30%) is explained by other variables that affect price book value.

A. Model Conformity Test

The statistical test F basically shows whether all independent or free variables included in the model have a collective influence on dependent/bound variables. Here are the results of the F test.

Table 3. ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	440.396	3	146.799	37.451	.001b
	Residual	261.104	68	3.840		
	Total	701.500	71			

a. Dependent variable: Price Book Value

b. Predictors: (Constant), Audit committee, Institutional ownership, managerial ownership

B. Hypothesis /t-test

The t test is used to find out the extent to which free variables partially affect bound variables, with an error rate of 5%.

Based on table 4.7 the value F calculates 37.451 with a significance level of $0.01 < 0.05$. So it can be concluded that the model is a fit model.

Table 4. Partial Hypothesis Test Results
With t-Test Coefficients^a

Model	t	Sig.
(Constant)	.567	.573
Managerial Ownership	3.575	.004
Institutional Ownership	3.678	.002
Audit Committee	4.387	.001

Dependent Variable: Price Book Value

A. Hypothesis 1 testing

Managerial Ownership Variable (X1), t-calculated value is 3,575 and t-table (1.66) probability value is less than 0.05 which is 0.004 This shows that the social control possession variable, encompasses a important effect on worth value and has a positive relationship direction, so the high level of managerial ownership can have an effect on the worth of the corporate within the producing sector listed on the land stock market in 2018 - 2020. social control ownership affects price book value. The results of this study as almost like analysis conducted by Defi Kurnia Julianti (2015), mistreatment samples on manufacturing corporations in idx over a amount of three years found that social control possession has a sway on price book value.

B. Hypothesis 2 testing

Institutional Ownership Variable (X2), t-calculated value is 3,678 and t-table (1.66) probability value greater than 0.05 which is 0.002 This shows that institutional possession variables, have a major impact on the worth of the corporate and have a positive relationship direction, in order that the high institutional ownership can have an effect on the rise in value value on the country exchange in 2018 - 2020. Institutional ownership of this study had a significant influence on value Book Value. this can be in accordance with analysis conducted by Reny Dyah Retno and Denies Priantinah (2012) that found a positive relationship between Institutional possession and value Book Value. Institutional ownership is that the shares of corporations in hand by establishments or institutions corresponding to insurance companies, banks, investment companies, and different institutional holdings.

C. Hypothesis Testing 3

Audit Committee variable (X3), t-calculated value is 4,387 and t-table (1.66) probability value greater than 0.05 which is 0.001. This shows that the audit committee variables, have a major result on value value and have a positive relationship direction, that the high audit committee can have an effect on the rise in price book value in producing sector corporations listed on the state securities market in 2018 - 2020. The Audit Committee on this study had a significant influence on the Company' Value. this can be in accordance

with analysis conducted by Reny Dyah Retno and Denies Priantinah (2012) that found a positive relationship between the Audit Committee and value Book Value. Audit committee is reviewing the company' internal controls, making certain the quality of economic statements, and up the effectiveness of audit functions.

CONCLUSION

Based on the results and discussion of this study, it can be concluded that Managerial Ownership has a significant effect on the Value of the Company. Institutional Ownership has a significant effect on the Value of the Company. Audit Committee has a significant effect on the Value of the Company. This research aims to research the social control possession of institutional ownership of the audit committee on the worth of the corporate in producing firms listed on the Indonesia exchange on the IDX 2018 - 2020, during this study analyzed descriptive atistics within the type of mean values, normal deviations, most values, and values.

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