

The effect of corporate governance on company value (Empirical study of LQ 45 companies listed on the Indonesia Stock Exchange period 2015-2017)

Karmila Febrianti, Nurul Hasanah Uswati Dewi*

STIE Perbanas Surabaya, Surabaya, East Java, Indonesia

ARTICLE INFO

Article history

Received 24 July 2019

Revised 10 October 2019

Accepted 14 October 2019

JEL Classification:

G11

Key words:

Corporate governance,

Firm value

DOI:

10.14414/tiar.v9i2.1769

ABSTRACT

This research aims to examine the effect of corporate governance on company value of LQ 45 companies listed on the Indonesia Stock Exchange (IDX). The corporate governance mechanism consists of institutional ownership, proportion of independent commissioner, managerial ownership, independent audit committee, remuneration and nomination committee, board of directors, and board of commissioners, while firm value is proxied by Tobin's Q. This research used 106 companies as a sample taken from a population of 135 companies in LQ 45 listed on the Indonesia Stock Exchange (IDX) period 2015-2017. The data were analyzed using a multiple linier regression analysis with SPSS program. The result shows that corporate governance mechanisms which are proxied by institutional ownership, proportion of independent commissioners, board of directors, and board of commissioners have an effect on firm value, while the corporate governance which are proxied by managerial ownership, independent audit committee, and remuneration and nomination committee have no effect on firm value.

ABSTRAK

Penelitian ini bertujuan untuk menguji pengaruh tata kelola perusahaan terhadap nilai perusahaan pada perusahaan LQ 45 yang terdaftar di Bursa Efek Indonesia (BEI). Mekanisme tata kelola perusahaan terdiri dari kepemilikan institusional, proporsi komisaris independen, kepemilikan manajerial, komite audit independen, komite remunerasi dan nominasi, dewan direksi, dan dewan komisaris, sedangkan nilai perusahaan diproksikan oleh Tobin's Q. Penelitian ini menggunakan 106 perusahaan sebagai sampel yang diambil dari populasi yang berjumlah 135 perusahaan pada LQ 45 yang terdaftar di Bursa Efek Indonesia (BEI) periode 2015-2017. Data kemudian dianalisis menggunakan regresi linier berganda dengan program SPSS. Hasil penelitian menunjukkan bahwa mekanisme tata kelola perusahaan yang diproksi dengan kepemilikan institusional, proporsi komisaris independen, dewan direksi, dan dewan komisaris berpengaruh terhadap nilai perusahaan, sedangkan tata kelola perusahaan yang diproksikan dengan kepemilikan manajerial, komite audit independen, dan komite remunerasi dan nominasi tidak berpengaruh pada nilai perusahaan.

1. INTRODUCTION

The rapid development of business today is encouraging new companies in various sectors to enter and compete in market share. On one hand, companies in some sectors continue to grow each year. On the other hand, several companies in other sectors have decreased their market share. Competition between companies

is predicted to be still higher and this will make the companies or business people able to implement and develop corporate governance system properly in order to win the competition. If good a corporate governance is carried out properly, the company will be able to attract investors to invest.

* Corresponding author, email address: nurul@perbanas.ac.id

The issue of corporate governance in Indonesia began in 1998, and the most recent issue of corporate governance that has become a public concern occurred in PT Jasa Marga Tbk (JSMR). According to the news published in <http://www.koran-jakarta.com> in 2017, investors questioned the quality of GCG implemented by PT Jasa Marga Tbk (JSMR), because this state-owned company had let one of its managers provide gratuity. This is in the form of big motorbike "Harley-Davidson" to the auditor of the Supreme Audit Board of the Republic of Indonesia (BPK).

The trade on 9/26 showed that JSMR's share price fell by 100 points or 1.71 percent to IDR 5,750. PT Jasa Marga's shares were in the range of IDR 5,600-5,825 with a trading volume of 12.7 million. JSMR shares had fallen to the level of IDR 5,600 before finally returning to the level of IDR 5,750 per share. According to Binaartha Sekuritas analyst Muhammad Nafan Aji Gusta Utama, the existence of bribes by JSMR automatically became a negative sentiment for market participants. This indicates the bad ethics of the company itself. This problem made the company value of JSMR decrease.

Monica (2018) stated, corporate governance allows the presence of supervision and control so that management always prioritize the shareholders' interest in making decision. However, in corporate governance, there must be a conflict which is about differences in interest between managers, as the agent, and shareholders or owners, as the principal. The conflict occurs because the managers (agent) may not act complied with the wishes of shareholders (principal). This conflict is commonly called an agency conflict. Therefore, the corporate governance aims to create and provide added value to all stakeholders sustainably over a long period by increasing the management performance.

As Monica (2018) stated, company value is the price that investors are willing to pay for each of the company's share. For that reason, that company value in this context is the investors' perception of the company which is always associated with the share price.

To increase company value and achieve good corporate governance, companies need parties or groups who can oversee the implementation of directors' policies such as institutional ownership, independent commissioners, managerial ownership, audit committees, remuneration and nomination

committees, board of directors, and board of commissioners. It is important to see the proportions of the institutional ownership, board of commissioners, independent ownership, managerial ownership, audit committee, remuneration and nomination committee, board of directors, and board of commissioners. This is because they can be used to determine whether corporate governance significantly affects the company value.

Shleifer and Vishny (1997) argue that the company is well controlled by the institution. Institutional ownership can also overcome agency conflict that occurs between managers and shareholders. The existence of institutional investors is considered capable of being an effective monitoring mechanism in every decision taken by the managers. The result of research conducted by Putu (2018), Mateus (2017), and Sandra, et al (2015) showed that institutional ownership has no effect on company value while the result of research conducted by Pina (2017) and Adhitya (2016) showed that institutional ownership has an effect on company value. The inconsistency of the results of previous studies prompted researchers to conduct this study

The role of the independent board of commissioners is to supervise the company's performance. In the company's internal controls, an effective board of commissioners can improve management performance standards so that it can increase the company value. A research by Mufidah (2018) and Monica (2018) showed that independent commissioners have a significant effect on the company value while the result of research conducted by Mateus (2017) showed that independent commissioners have no effect on company value.

The company shares ownership by management or managers will always try to protect the investors' right. The managerial ownership will always bear all the losses if the company commits fraud, and this will encourage managers to increase the company value. The result of research conducted by I Gusti Ayu, et al (2017) showed that managerial ownership has an effect on company value while the result of research conducted by Mateus (2017) showed that managerial ownership has no effect on company value.

Independent audit committee has an important role to create a good governance in the company. The tasks of the independent audit committee are to provide independent

professional input to the board of commissioners on reports or matters submitted by the directors, and to review matters requiring the commissioners' attention. A research by Putu (2018) showed that an independent audit committee affects company value while that by Adhitya (2016) found that the independent audit committee does not affect company value.

The existence of the remuneration and nomination Committee can create more optimal management and supervision because those who carry out management and supervision have been selected according to predetermined criteria. Therefore, the existence of this committee will increase the company value (Christian and Made, 2015). With the existence of remuneration and nomination committee, the principle of independence, fairness and transparency can be carried out so well that it can motivate the management to increase the company value. Research conducted by Christian and Made, 2015 showed that remuneration and nomination committee has an effect on company value while the research conducted by Bambang and Deri (2013) showed that the remuneration and nomination committee has no effect on company value.

Financial Services Authority Regulation Number 33/ Pojk.04/ 2014, concerning Directors and Board of Commissioners of Issuers or Public Companies, states that board of directors is the organ of the Issuer or Public Company that has the authority and is fully responsible for the management of the Issuer or Public Company for the benefit of the Issuer or Public Company, in accordance with the aims and objectives of the Issuer or Public Company and represents the Issuer or Public Company, both inside and outside the court complied with the provisions of the articles of association.

The board of directors is expected to be able to provide information to the board of commissioners and answer matters raised by the board of commissioners. Studies by Adhitya (2016) and Bambang and Deri (2013) in several different subsectors showed that the board of directors has an effect on company value. These studies support this research, using the board of directors as a variable. Even though the researcher has determined the result that the board of directors has an effect on company value, the sub-sector under study has different result.

The board of commissioners is the organ of

the Issuer or Public Company whose duties are to supervise in general and/ or specifically in accordance with the articles of association and to provide advice to the Directors. The board of commissioner, as management controller, can effectively improve management performance standard, by increasing company value. A study by Yusuf et al, (2017) showed that the board of commissioner affects company value while that by Sandra, et al (2015) shows that the board of commissioners has no effect on it.

The researcher measures the company value by using Tobin's Q ratio. The ratio can be calculated using the market value of equity plus the book value of debt and then divided by the total book value of total assets. The market value of equity is the value of equity based on market price that is always associated with share price. Tobin's Q ratio is more accurate because it not only provides a fundamental picture but also measures the management's effectiveness.

The higher the value of Tobin's Q, the higher the investor will invest in the company. This research was conducted at LQ 45 companies listed on the Indonesia Stock Exchange. Based on the background of the problems above, this study examines the effect of corporate governance on company value (an empirical study of LQ 45 companies listed on the Indonesia Stock Exchange period 2015-2017).

2. THEORETICAL FRAMEWORK AND HYPOTHESIS

Agency Theory

Agency theory explains the function separation between shareholders and company management. Agency theory, according to Jensen and Meckling (1976), is a contract under one or more persons (the principals) that engage another person (agent) to perform some service on their behalf which involves delegating some decision making authority to the agent. According to Hamdani, (2016: 30), agency relationship is a contract between the manager (agent) and the investor (principal). Conflicts of interest between the owner and agent occur because there is a possibility that the agent does not always act in accordance with principal interests, thereby triggering agency costs.

In this case, agency theory is closely related to company value because agency relationship is a contract where one or more people (principal) governs another person

(agent) to perform a service on behalf of the principal and authorizes the agent to make the best decision for the interest of the principal. If both parties have the same goal to maximize the company value, the agent will surely act in accordance with the principal's interest.

Company Value

Firm value is the investor's perception of the company which is often associated with share price (Bambang, 2013). The higher the share price, the higher the company value. High company value is desired by the owners of the company because the high value also shows the shareholders' high prosperity. The wealth of shareholders and companies is represented by the share price which is a reflection of investment decisions, financing, and asset management (Hamdani, 2016: 138).

According to Monica (2017), the company value is reflected in the share price. The company value will increase if the price of the company's shares increases. This is of course is influenced by investment opportunities. These investment opportunities will provide a positive signal for the company's growth in the future.

Corporate Governance

Corporate governance is the institutional arrangement and relationship that direct and control the company (Hamdani, 2016: 22). Corporate governance also includes the relationship between the stakeholders as well as the company management's objective. The main parties in corporate governance are shareholders, management, and the board of directors while other stakeholders include employees, suppliers, bank customers, and other creditors, regulators, environment, and community. According to Hamdani (2016: 22), the implementation of corporate governance encourages the creation of healthy competition and a conducive business climate. Therefore, the implementation of Good Corporate Governance (GCG) by companies in Indonesia is very important to support sustainable economic growth and stability.

Institutional Ownership

Institutional ownership is usually in the form of a pension fund and insurance that aims to maximize their investment in companies that implement GCG. Institutional investors often become the majority in share ownership. The greater the institutional ownership, the greater the encouragement and motivation of

management to optimize the company value.

Independent Commissioner

The National Committee for Good Corporate Governance (KNGCG) issued guidelines on independent commissioners in public companies. An independent commissioner is the member of the Board of Commissioners who has no relationship with the Board of Directors, other members of the board of commissioners, and majority stakeholders. In addition, the independent commissioner must also be free from business relationship and other relationships that can affect his capacity to be able to perform his duties as an independent commissioner who purely works in the company's interest. The higher the proportion of independent commissioners, the tighter the monitoring activities carried out. The smaller the agency costs from monitoring activities, the more efficient the company, which will ultimately increase the company value.

Managerial Ownership

Managerial ownership is the number of shares owned by the company management that actively participates in decision making in a company (Effendi, 2016: 59). The existence of managerial ownership obviously can align the potential differences in interests between outside shareholders and management (Jensen and Meckling, 1976) in (Mateus, 2017). The company that is led by a manager who also serves as a shareholder is better because the manager is more careful in taking actions that might have a bad impact on the company and on him as a shareholder.

Independent Audit Committee

The decree of the board of directors of PT. Jakarta Stock Exchange No Kep 315 / BEJ / 06-2000 point 2f, regarding the establishment of an audit committee, states that an independent audit committee is a committee formed by the board of commissioners of listed companies whose members are appointed and dismissed by the board of commissioners of listed companies to help the board of commissioners of listed companies conduct audits or research which is deemed necessary for the implementation of the directors' functions in the management of listed companies. According to Mateus (2017), the duties of audit committee are to provide opinions to the Board of Commissioners on reports or matters submitted by the Directors to the Board of Commissioners, to conduct a

review of financial information to be released by the company, such as financial statements, projections, other financial information, and to supervise the company's internal control.

The independent audit committee, according to Effendi (2009: 30), consists of an independent commissioner who also serves as a chairman. The independent audit committee comes from an independent party and has expertise in the fields of finance, accounting and law. In addition, the independent audit committee can also assess the effectiveness of internal control so that it can provide recommendation for increasing the effectiveness of internal auditors, thus, to improve the internal control system.

Nomination and Remuneration Committee

The task of the Nomination and Remuneration Committee is to make recommendation on the decision regarding remuneration/compensation for the Board of Directors and other compensation policies, including the relationship between company performance and compensation for company executives, in this case the CEO (Bambang and Deri, 2013). The remuneration and nomination committee in a company may not have an affiliation relationship with the Issuer or Public Company, members of the Board of Directors, members of the Board of Commissioners, or the Major Shareholders of the Issuer or Public Company so that nothing unexpected happens to the company.

Board of Directors

According to Hamdani (2016: 86), directors are corporate organs given responsibility with managing the company. One of the roles of the directors is to control the management of company resources and funds from investors. The board of directors in a company determines the company's policies or the company's short-term and long-term strategy.

Members of the board of directors are not permitted to use the company for personal, family, business group and other parties' interests. The members of the board of directors must understand and implement GCG guidelines. The company's management function by the directors includes five main tasks: management, risk management, internal control, communication, and social responsibility.

Board of Commissioners

The Board of Commissioners, as a corporate

organ, has a collective duty and responsibility to supervise and provide advice to directors and to ensure that the company implements GCG (Hamdani, 2016: 82). As an internal organizer, an effective board of commissioners can improve management performance standards in the company so that it increase the company value. In order to carry out their function, the members of the board of commissioners both jointly or individually are entitled to have access to and obtain information about the company completely and on time. There are three important elements that affect the effectiveness of the board of commissioners, namely independence, competence, and commitment.

The Effect of Institutional Ownership on Company Value

According to Putu (2018), institutional ownership is ownership by external institutions. The greater the ownership of the institution, the greater the power and encouragement of the institution to oversee management. As a result, it will provide greater impetus to optimize the value of the company so that company performance will increase. This statement is in line with the results of research conducted by Monica (2018) and Pina Anggi (2017) that institutional ownership has an effect on firm value.

Hypothesis 1: Institutional ownership has an effect on firm value.

The Effect of Commissioners on Company Value

Research conducted by Mufidah (2018) showed that independent commissioners have an effect on company value. The independent board of commissioners determines the level of success in achieving goals and improving company performance. The higher the proportion of independent commissioners, the more stringent the monitoring activities carried out. By doing this, the company's agency costs will be smaller so that they are more efficient and ultimately can increase the company value.

Hypothesis 2: Independent Commissioners have an effect on firm value

The Effect of Managerial Ownership on Company Value

Managerial ownership affects the company value because the shares owned by the manager can motivate the managers to improve their performance and this can affect the company value. The higher the proportion

of managerial ownership in a company, the better the company will be. The manager will always be careful in bearing all actions that will affect both himself and the company.

Hypothesis 3: *Managerial ownership has an effect on firm value*

The Effect of Independent Audit Committee on Company Value

The duty of independent audit committee appointed by the Board of Commissioners is to oversee the company operation, governance, and finance (Monica, 2018). One of the functions of the audit committee is to bridge between the shareholders and the board of commissioners with control activities carried out by management, internal auditors and external auditors. Therefore, it can be concluded that with the existence of an audit committee, the company is expected to run effectively and efficiently so that the company value can increase. This argument is in line with the result of previous research conducted by Ridho et al (2017) in which, the independent audit committee has an effect on firm value.

Hypothesis 4: *Independent Audit Committee has an effect on firm value*

The Effect of Remuneration and Nomination Committee on Company Value

Research conducted by Christian and I Made (2015) showed that the remuneration and nomination committee has an effect on the company value. Furthermore, the remuneration and nomination committee must be chaired by an independent commissioner so that the nomination mechanism is not under the pressure and influence of any party. The greater the members of the nomination and remuneration committee chosen according to the criteria, the more optimal the management and supervision. As such, the existence of this committee can increase the value of the company.

Hypothesis 5: *Remuneration and nomination committee has an effect on firm value*

The Effect of the Board of Directors on Company Value

The board of directors is an important element in the company because the directors are responsible for managing the company in order to generate profit and ensure the sustainability of the company's business. According to Adhitya (2016), the board of directors has an effect on the company value. The more members of the board of directors

in charge of carrying out company operations and management in achieving company goals, the better the performance of the company, thus increasing company value.

Hypothesis 6: *The board of directors has an effect on firm value*

The Effect of the Board of Commissioners on Company Value

The board of commissioners as a corporate organ has a collective duty and responsibility to carry out supervision, to provide advice to the directors, and to ensure that the company implements corporate governance. Members of the board of commissioners must be professional. They must have integrity and ability to carry out their functions properly, including ensuring that they take into account all the interests of other position holders. The greater the members of the board of commissioners who are thorough and detailed in carrying out their duties in increasing the company value, the less likely the board of directors to use the board of commissioners for their own benefit.

Hypothesis 7: *The board of commissioners has an effect on firm value*

The conceptual framework underlying this research is presented on Figure 1.

3. RESEARCH METHOD

Sample Classification

The population in this study was LQ 45 companies listed on the Indonesia Stock Exchange in 2015-2017. This study used a sample of one hundred and thirty-five annual reports of LQ 45 companies listed on the Indonesia Stock Exchange. The researcher took the sample by using a saturated sampling technique. Saturated sampling technique is a sampling technique that considers all members of the population as a sample. Researchers used LQ 45 companies listed on the Indonesia Stock Exchange during the study period 2015-2017.

Research Data

This study took a sample of LQ 45 companies listed on the Stock Exchange during the period 2015-2017. The data collection was indirect method because the data were in the form of document that could be downloaded at www.idx.co.id and included secondary data types.

Research Variable

The study used research variables such as company value, as the dependent variable, and corporate governance, as the independent

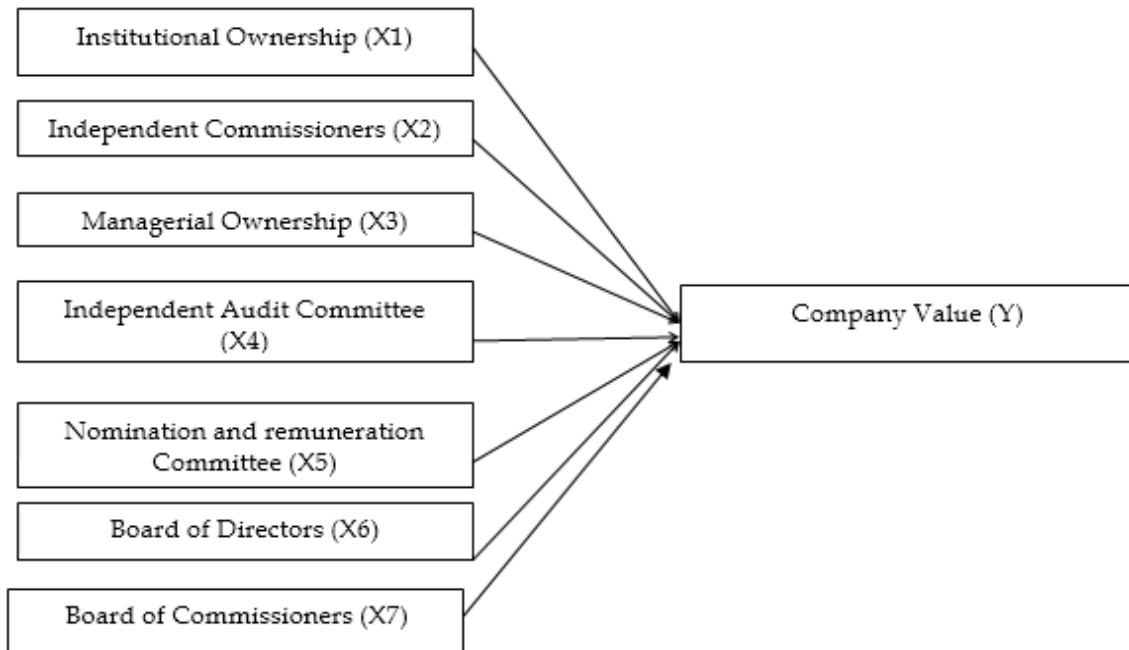


Figure 1
Conceptual Framework

variable, which is proxied by institutional ownership, independent commissioner, managerial ownership, independent audit committee, remuneration and nomination committee, board of directors, and board of commissioners.

Company Value (Tobin's Q)

Company value is the company's performance, measured using the following formula:

$$Tobin's\ Q = \frac{MVE + DEBT}{TA}$$

Note:

Tobin's Q = Firm Value

MVE = *Market Value of equity* (closing price of shares x number of shares outstanding)

DEBT = Total liabilities

TA = Total assets

Institutional Ownership (IO)

Institutional stock ownership is the shares owned by other companies, pension funds, mutual funds, or other institutions (Monica and Hamfri, 2018), with the formula:

$$IO = \frac{\text{Number of shares owned by institutional investor}}{\text{Total company shares outstanding}}$$

Independent Commissioner (IC)

Independent commissioner is the members of the board of commissioner, not affiliated with management, other members of the board of commissioners, controlling shareholders. They are free from business relationships or other relationships that can affect their ability to act independently (Muhammad Ridho, Kamaliah, and Taufik, 2017). The formula is:

$$IC = \frac{\text{Number of independent commissioners}}{\text{Total members of the board of commissioners}}$$

Managerial Ownership (MO)

Managerial ownership is the number of shares owned by the company management that actively participates in decision making in a company (Effendi, 2016: 59).

The formula is:

$$MO = \frac{\text{Number of shares owned by management}}{\text{Total company shares outstanding}}$$

Independent Audit Committee (IAC)

An independent audit committee is a committee formed by and responsible to the board of commissioners in helping carry out the duties and functions of the board of commissioners (Yusuf et al, 2017). The size of the independent audit committee is calculated using the following formula:

$$IAC = \frac{\text{Number of members of independent audit committee}}{\text{Total members of audit committee}}$$

Remuneration and Nomination committee

Based on SOE Minister Regulation PER No 10 MBU 2012, the remuneration and nomination committee is an organ of the board of commissioners that is independent and professional in the field of the company's remuneration and nomination, chaired by one of the board of commissioners. This remuneration and nomination committee is measured using a dummy variable e.g., the value is 1 if there is a remuneration and nomination committee, and 0 if there is no remuneration and nomination committee.

Board of Directors (BoD)

The board of directors is a group of directors led by the president director. The board of directors must also provide information to the board of commissioners and answer the things submitted by the board of commissioners (Effendi, 2016: 26-27).

The formula is:

$$BoD = \sum \text{Board of Directors}$$

Board of Commissioners (BoC)

The Board of Commissioners is a mechanism to monitor and to provide guidance and direction to the company management (Bambang and Deri, 2013).

The formula is:

$$BOC = \sum \text{Board of Commissioners}$$

Analysis Instrument

The researcher used multiple linear regression to test the effect of institutional ownership, independent commissioners, managerial ownership, independent audit committees, remuneration and nomination committees, board of directors, and board of commissioners on the company value of LQ 45 companies for the period 2015-2017.

The regression equation is as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \varepsilon$$

Note:

Y = Firm Value (Tobin's Q)

β_0 = Constant

β_1 β_7 = Regression Coefficient

X1 = Institutional Ownership (IO)

X2 = Independent Commissioner (IC)

X3 = Managerial Ownership (MO)

X4 = Independent Audit Committee (IAU)

X5 = Remuneration and Nomination Committee (RNC)

X6 = Board of Directors (BoD)

X7 = Board of Commissioners (BoC)

ε = error (residual error)

4. DATA ANALYSIS AND DISCUSSIONS

The results of the descriptive analysis on Table 2 show that the minimum value of company value ((Tobins Q) is 0.59, owned by PT. Pakuwon Jati Tbk in 2015. The result shows a ratio is below 1, meaning that the company is undervalued. The maximum value of company (Tobins Q) is 2.38, owned by PT. AKR Corporindo Tbk in 2015. The result shows the ratio is above 1, meaning that the company is overvalued, or rated twice as high as the value of the listed companies. The standard deviation of the company value (Tobins Q) is 0.43040 or 43.040, which is smaller than the average value of 1.3650 or 136.500 so that the data are homogeneous. This indicates that the one data to another is not much different.

The results of the descriptive analysis on Table 2 show that the minimum value of institutional ownership (IO) is 0.00 or 0%, owned by Perusahaan Gas Negara (Persero) Tbk. This is because not all companies in Indonesia have institutional shares in it, or have a small percentage of institutional ownership. This value is also affected because the company's shares are widely owned by subsidiaries. The maximum value of institutional ownership (IO) is 0.95 or 95%, owned by PT. Lippo Karawaci Tbk in 2016, this is because institution has more than half of total outstanding shares or majority investor in the period so as to increase the value of the company. The standard deviation of institutional ownership is 0.27606 or 27.606 which is smaller than the average value of 0.4020 or 40.200 so that the data are homogeneous. It shows that the one data to another is not much different.

The results of the descriptive analysis on Table 2 show that the minimum value of independent commissioner (IC) is 0.25 or 25% owned by PT Summarecon Agung Tbk in 2016. This is due to a reduction in the proportion of the independent commissioners. The maximum value of the independent variable of independent commissioner (IC) is 0.83 or 83% owned by PT. Lippo Karawaci Tbk in 2016. It is caused by the number of supervision and management of managers who come from outside the company. PT. Lippo Karawaci

Table 1
Descriptive Analysis

	N	Minimum	Maximum	Mean	Std. Dev.
Tobin's Q	106	0.59	2.38	1.3650	0.43040
Institutional Ownership	106	0.00	0.95	0.4020	0.27606
Independent Commissioners	106	0.25	0.83	0.4092	0.11991
Managerial Ownership	106	0.00	0.71	0.0163	0.08316
Remuneration and Nomination Committee	106	Exist	Not Exist	Exist	Not Exist
		Defined 0	Defined 1	86	20
Independent Audit Committee	106	0.14	0.677	0.331	0.09878
Board of Directors	106	3.00	11.00	6.7642	1.93490
Board of Commissioners	106	3.00	12.00	5.9151	2.02422
	106				

Source: Processed Data

Tbk hopes that the results obtained would be more objective because those who monitor managers come from both outside and within the company. The standard deviation of the independent commissioners is 0.11991 or 11.99 smaller than the average value of 0.4092 or 40,920, so the data are homogeneous. It can be said that one data to another is not much different.

The results of descriptive analysis in Table 2 show that the minimum value of the independent variable of managerial ownership (MO) is 0.00 or 0% owned by several companies in LQ 45. This is because the managerial or related parties such as directors / commissioners do not have shares in the company. The maximum value is 0.71 or 71% owned by PT. Barito Pacific in 2017, this is caused by the large number of shares owned by managerial party such as directors / commissioners with a high percentage of ownership so as to minimize agency conflict between shareholders and managers. The standard deviation of managerial ownership is 0.08316 or 8,316 which is greater than the average value of 0.0163 or 1,630 so that the data are heterogeneous. It can be said that one data to another is too much different.

The results of descriptive analysis on Table 2 show that the minimum value for the independent variable of independent audit committee (IAC) is 0.14 or 14% owned by several companies in LQ 45. This is due to the small number of independent commissioners available in the audit committee structure. The maximum value is 0.677 or 67.7% owned by Indofood Sukses Makmur Tbk, Bank

Tabungan Negara (Persero) Tbk, Global Mediacom Tbk. It is due to the large number of independent commissioners who also serve as audit committee members thereby increasing the number of audit committees that will have an effect on the independence of the audit committee within the company. The standard deviation of the independent audit committee is 0.09878 or 9,878 which is smaller than the average value of 0.331 or 33,100. Therefore, the data are homogeneous or one data to another is not much different.

The results of the descriptive analysis on Table 2 show that the independent variable of remuneration and nomination committee is calculated with a dummy variable which means that score 0 is given if the company does not have a remuneration and nomination committee, and score 1 is given if the company has a remuneration and nomination committee. Some companies do not have remuneration and nomination committee and the remuneration and nomination activities are monitored directly by the board of commissioners without forming a remuneration and nomination committee. Meanwhile, several other companies have remuneration and nomination committee. This is in accordance with good corporate governance standards.

Based on information on Table 3, it can be seen that 20 (18.9%) companies in LQ 45 do not have a remuneration and nomination committee, while 86 (81.1%) companies in LQ 45 have a remuneration and nomination committee.

The results of the descriptive analysis in Table 2 show that the minimum value of the

independent variable of board of directors (BoD) is 0.3 (3 members of the board of directors) owned by several companies in LQ 45. This is because some companies believe that if they have a few members of board of directors, the supervision will be more effective and the company has at least applied the Financial Services Authority Regulation Number 33/ Pojk.04/ 2014 regarding the Board of Directors and the Board of Commissioners. Each company must have at least 2 members of the board of directors. The maximum value is 0.11 (11 members of the board of directors) owned by PT Bank Rakyat Indonesia (Persero) Tbk, Astra International Tbk, and PT Bank Central Asia Tbk. This is because the board of directors within the company has great control in carrying out operational activities that can increase the value of the company. The standard deviation of the board of directors is 1.93490 or 19,349 which is smaller than the average value of 6, 7642 or 67,642 so that the data is homogeneous or one data to another is not much different.

The results of the descriptive analysis in Table 2 show that the minimum value of the independent variable of board of commissioners (BoC) is 0.3 (3 members of the board of commissioners) owned by several companies in LQ45. The maximum value is 0.11 (12 members of the board of commissioners) owned by PT Bank Rakyat Indonesia (Persero) Tbk, Astra International Tbk, and PT Bank Central Asia Tbk. This is because the high percentage of the board of commissioners will minimize the occurrence of physical pressure problems faced. The board of directors will use the board of commissioners for their interests. The standard deviation of the board

of commissioners is 2.02422 or 20,243 which is smaller than the average value of 5.9151 or 59.151 so that the data is homogeneous or it one data to another is not much different.

The results of multiple linear regression analysis show that sig. values of the independent variables of institutional ownership, independent commissioner, board of directors, and board of commissioners are ≤ 0.05 . It indicates that the company value can be affected. Conversely, the company value cannot be affected by the managerial ownership, independent audit committees, and remuneration and nomination committee because their Sig. Values are > 0.05 .

Based on such assumption and results, This study can conclude that the regression model equation is as follows:

$$\text{Tobins'Q} = 1.740 + 0.463(\text{IO}) - 1.308(\text{IC}) + 0.281(\text{MO}) - 0.552(\text{IAC}) + 0.065(\text{RNC}) + 0.059(\text{BoD}) - 0.051(\text{BoC}) + e$$

The Effect of Institutional Ownership (IO) on Ccompany Value

The results of multiple linear regression analysis indicate that institutional ownership affects company value. Based on these results it shows that institutional ownership can increase company value, measured by the existence of supervision or monitoring activities on management that can prevent wasteful costs. The higher the institutional ownership, the higher the intensity of institution to act professionally to monitor the investment in the company in order to obtain benefits in accordance with their wish. In reference to agency theory, institutional ownership, as the principal, will oversee management, as the agent, to perform some services to increase the value of the company.

Table 2
Results of Multiple Linear Regression Analysis

Model	Unstandardized Coefficients		Sig.
	B	Std. Error	
(Constant)	1.740	0.219	0.000
Institutional Ownership	0.463	0.139	0.001
Independent Commissioners	-1.308	0.355	0.000
Managerial Ownership	0.281	0.363	0.442
Independent Audit Committee	-0.552	0.402	0.172
Remuneration and Nomination Committee	0.065	0.104	0.534
Board of Directors	0.059	0.022	0.008
Board of Commissioners	-0.051	0.021	0.015

Source: Processed Data

The results of this study are in line with those of the research conducted by Christian and Made (2015) that institutional ownership affects company value. The credibility and accuracy of the information owned by institutional investors can be considered for making the right decision by the company management. Therefore, the greater the concentration of institutional ownership, the higher the company's performance. The result of this study contradicts that by Mateus (2017) that institutional ownership has no effect on company value.

The Effect of Independent Commissioners on Company Value

The results of multiple linear regression analysis show that independent commissioner has an effect on company value. It indicates that independent commissioner can reduce the company value because the sometimes do not act independently. This can reduce the company performance. The result of this study is consistent with that by Mufidah, 2018 that independent commissioners influence the company value. An independent commissioner can overcome conflicts of interest between internal managers, such as in the misuse of assets. These result, however, is not consistent with that by Sandra, et al (2015) that independent commissioners have no effect on the company value because the independent commissioners only fulfill the obligations of the regulations and the basic process is not in accordance with the competencies needed.

The Effect of Managerial Ownership on Company Value

The results of multiple linear regression analysis show that managerial ownership has no effect on firm value. This is because management cannot control the company's management properly and the management cannot either act fraudulently by manipulating reporting that can reduce the company value. Low managerial ownership in the company can also be a factor of being unable to work in accordance with the wishes of the principal. The management cannot get the benefits generated by the company. Agency theory explains that if an agent or manager cannot perform services in accordance with the wishes of the principal, there will be agency conflict, and the manager acts according to his own wishes. This finally affect the company value to decline.

The result of this study is consistent

with that by Mateus (2017) that managerial ownership has no effect on firm value. That is because the share ownership by the manager is very small or non-existent, so the sense of ownership of the company and the motivation of management in increasing the value of the company are considered to be low. This result is not consistent with that by Ridho, et al (2017) that managerial ownership has an effect on the company value.

The Effect of Independent Audit Committee on Company Value

The result of the multiple regression analysis shows that the independent audit committee has no effect on the company value. It is because the existence of audit committee in the company is a must, as one of the requirements that must be met by the company. There are some concerns about the existence of an independent audit committee which is judged solely to comply with regulations or obligations required by the Financial Services Authority (OJK). Therefore, the investment decision making by investors cannot be measured by the existence of independent audit committee in the company. As such, the independent audit committee cannot increase the company value.

Agency theory also explains that an independent audit committee, as an agent, must perform services for investors or principals, and the services are a necessity or obligation. The presence of an independent audit committee is not a reason for an increase in firm value. The result of this study is consistent with that by Putu (2018) that an independent audit committee has no effect on company value.

The Effect of Remuneration and Nomination Committee on Company Value

The result of the multiple linear regression analysis shows that the remuneration and nomination committee has no effect on company value. This is because the appointment of the remuneration and nomination committee by the company was done solely to comply with regulations and was not intended to enforce Good Corporate Governance in the company. In addition, some companies did not have such a committee. This indicates that some companies still do not comply the regulations set by the Financial Services Authority (OJK). Some companies merge the duties of the remuneration committee with

the duties of the board of directors, so that the duties and responsibilities of this committee are directly held by the board of directors. The remuneration and nomination committee also triggers the company to spend more on the services of this committee which will have an impact on the decline in the value of the company. In accordance with the agency theory, if the agent does not perform services in accordance with the wishes of the principal, it will cause agency costs that can reduce the value of the company. Companies will spend more and more to pay the remuneration and nomination committee.

The results of this study are consistent with the results of the research conducted by Bambang and Deri (2013) that the remuneration and nomination committee has no effect on company value. From the results of the hypothesis test it can be seen that the existence of this committee will reduce the value of the company. This is because the existence of this committee will trigger a greater cost.

The Effect of the Board of Directors on Firm Value

The results of multiple linear regression analysis show that the board of directors influences the value of the company. The more members of the board of directors, the more the division of tasks to create a good business strategy for the company. The board of directors will always generate profits for the company, because if the company is good, the board of directors will be even good in the eyes of investors and potential investors. The more members of the board of directors, the more effective the company in increasing profits in order to increase the value of the company. According to the agency theory, the board of directors, as an agent, will act in accordance with the wishes of the principal or investor because the presence of the board of directors in the company will generate profits that have an impact on the interests of the investors.

The result of this research is in line with the result of the research conducted by adhitya (2016) and Bambang and Deri (2013) that the board of directors influences the value of the company. The research was conducted in several different sectors but the results obtained remained the same that the board of directors affected the value of the company. Therefore, the more the members of the board of directors, the easier it is to create strategies to increase the value of the company.

The Effect of Board of Commissioners on Firm Value

The results of multiple linear regression analysis show that the board of commissioners influences the firm value. The more members of the board of commissioners, the more difficult for the board of directors to involve the board of commissioners for personal gain. An effective board of commissioners can improve management performance standards in a company so that it can have an impact on increasing company value. In accordance with the agency theory, the board of commissioners, as an agent, must be able to minimize agency conflicts that arise between the board of directors and shareholders, because the role of the board of commissioners in the company is to monitor the implementation of directors' policies.

The result of this research is in line with the result of the research conducted by Brayen (2015) that the board of commissioners influences the value of the company. The more members of the board of commissioners, the more optimal the supervision by the board of commissioners on the performance of the board of directors.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

Based on the results of hypotheses testing, the researcher concludes as follows: (1) the first hypothesis (H1) is accepted, which means that institutional ownership has a significant effect on the company value of LQ 45 companies listed on the Indonesia Stock Exchange period 2015-2017; the second hypothesis (H2) is accepted, which means that independent commissioner has a significant effect on the company value of LQ 45 companies listed on the Indonesia Stock Exchange period 2015-2017; (3) the third hypothesis (H3) is rejected, which means that managerial ownership has no significant effect on the company value of LQ 45 companies listed on the Indonesia Stock Exchange period 2015-2017; (4) the fourth hypothesis (H4) is rejected, which means that independent audit committee has no significant effect on the company value of LQ 45 companies listed on the Indonesia Stock Exchange period 2015-2017; (5) the fifth hypothesis (H5) is rejected, which means that remuneration and nomination committee has no significant effect on the company value of LQ 45 companies listed on the Indonesia Stock Exchange period 2015-2017; (6) the sixth hypothesis (H6) is accepted. It means that the

board of directors has a significant effect on the company value of LQ 45 companies listed on the Indonesia Stock Exchange period 2015-2017; (7) the seventh hypothesis (H7) is accepted. It means that independent audit committee has a significant effect on the company value of LQ 45 companies listed on the Indonesia Stock Exchange period 2015-2017.

The researcher realizes that this study needs further additional research for making it more generalizable. This study excluded several samples because some of the data were not normally distributed. Therefore, the outliers had to be done 8 times in order that the data could be normally distributed. This study has several factors that cause heteroscedasticity problems, in which one of the variables has a sig. value of <0.05. In addition, this study also has an autocorrelation problem. The results of the Durbin Watson analysis still cannot be concluded.

It is recommended that further research add more research samples in order to obtain much more generalizable result. In addition, it is also recommended that further research add other variables such as Risk Management Committee, Human Resources Committee, CSR and others which can also affect the company value.

REFERENCES

- Aditya. 2016. Pengaruh *Good Corporate Governance* Terhadap Nilai Perusahaan. *Jurnal Ekonomi Kiat*, Vol.27, 1-16.
- Bambang & Deri. 2013. Pengaruh *Good Corporate Governance* Terhadap Nilai Perusahaan Melalui *Corporate Social Responsibility*. *Media Riset Akuntansi, Auditing & Informasi*, Vol.13, 1-34.
- Brayen. 2015. Pengaruh Dewan Komisaris, Proporsi Komisaris Independen Terhadap Kinerja Perusahaan. *Jurnal Manajemen Teori dan Terapan*, Vol.2, 70-85.
- Christian & Made. 2015. *Good Corporate Governance* Dan Kinerja Perusahaan BUMN Yang Terdaftar Di Bursa Efek Indonesia Tahun 2005-2013. *Jurnal Manajemen dan Bisnis Indonesia*, Vol.2, 305-324.
- Dewi, N. H. 2012. Corporate governance in the effort of increasing the company's value. *Journal of Economics, Business, and Accountancy Ventura*, Vol.15, 331-342.
- Effendi, Muh. Arief. 2009. *The Power Of Corporate Governance: Teori dan Implementasi*. Jakarta: Salemba Empat.
- Effendi, Muh. Arief. 2016. *The Power Of Corporate Governance: Teori dan Implementasi*. Jakarta: Salemba Empat.
- Ghozali, Imam. 2011. *Aplikasi Analisis Multivariate Dengan Program SPSS*. Semarang: Badan Penerbit Universitas Diponegoro.
- Ghozali, Imam. 2013. *Aplikasi Analisis Multivariate Dengan Program SPSS*. Semarang: Badan Penerbit Universitas Diponegoro.
- Hamdani. 2016. *Good Corporate Governance: Tinjauan Etika dalam Praktik Bisnis*. Jakarta: Mitra Wacan Media.
- Jasa Marga Abaikan GCG, rilis media, 25 September, Harga Saham JSMR Anjlok 100 Poin, dilihat 10 Juli 2018 <http://www.koran-jakarta.com/jasa-marga-abaikan-gcg/>
- Jensen & Meckling. 1976. *The Theory Of Firm: Managerial Behavior, Agency Cost, and Ownership Structure*. *Journal of Financial and Economics*, Vol.3, 305-360.
- Komite Nasional Kebijakan Governance (KNKG). 2006. *Pedoman Umum Good Corporate Governance Indonesia*. Jakarta: Diakses tanggal 10 November 2018.
- Mateus. 2017. Pengaruh Penerapan *Good Corporate Governance* dan *Corporate Social Responsibility* Terhadap Nilai Perusahaan (Studi Empiris Pada Perusahaan BUMN Yang Terdaftar Di BEI 2012-2014). *Jurnal Ekonomi*, Vol.4, 1081-1095.
- Mufidah. 2018. Pengaruh Tata Kelola Perusahaan dan Kinerja Lingkungan Terhadap Nilai Perusahaan pada Industri Dasar dan Kimia Yang Terdaftar di BEI Tahun 2014-2016. *EKONOMIS: Journal of Economics and Business*, Vol.2, 116-130.

- Monica & Hamfri. 2015. Pengaruh Kinerja Keuangan Terhadap Nilai Perusahaan pada Industri Telekomunikasi di Bursa Efek Indonesia. *Jurnal Akuntansi Maranatha*, Vol.10, 98-116.
- Ni Putu Ayu Arianti, I. P. 2018. Pengaruh Profitabilitas Pada Hubungan Corporate Social Responsibility & Good Corporate Governance Terhadap Nilai Perusahaan. *Sekolah Tinggi Ilmu (STIE) Ekonomi Triatma Mulya*, Vol.24, 20-46.
- Pina Anggi. 2017. Pengaruh Tata Kelola Perusahaan Terhadap Nilai Perusahaan Pada Perusahaan Sub Sektor Farmasi Yang Terdaftar Di Bursa Efek Indonesia *Jurnal Sultanist*, Vol.6, 83-85.
- Peraturan Otoritas Jasa Keuangan No. 33/POJK.04. 2014 Tentang Direksi dan Dewan Komisaris Emiten Atau Perusahaan Publik.
- Rhumah, D. K. 2017. Effect of Board Diversity, Audit Committe, Managerial Ownership, Ownership of Institutional, Profitability and Leverage on Value of the Firm. *Journal of Finance and Accounting*, Vol.8, 15-20.
- Ridho, dkk . 2018. Pengaruh Mekanisme Good Corporate Governance Terhadap Nilai Perusahaan Dengan Manajemen Laba sebagai Variabel Mediasi Pada Perusahaan Manufaktur Yang Terdaftar di BEI (2010-2015). *Jurnal Ekonomi*, Vol.25, 30-45.
- Sandra, dkk. 2015. Praktik Corporate Governance Dan Nilai Perusahaan Bumn Di Indonesia. *Jurnal Akuntansi*, Vol.19, 1-30.
- Shleifer, A dan R.W. Vishny. 1997. *A Survey of Corporate Governance*. *Journal of Finance*. 52 (2), 737-783.
- Sugiyono. 2008. *Metode Penelitian Kuantitatif Kualitatif dan R&D*. Bandung: Alfabeta.
- Sugiyono. 2014. *Metode Penelitian Kuantitatif Kualitatif dan R&D*. Bandung: Alfabeta.
- Sutedi, A. 2012. *Good Corporate Governance*. Jakarta: Sinar Grafika.
- Yunita, P. A. 2018. Pengaruh Tata Kelola Perusahaan Terhadap Nilai Perusahaan Pada Perusahaan Sub Sektor Farmasi Yang Terdaftar Di Bursa Efek Indonesia. *Journal Sultanist*, Vol. 6, 83-92.
- Yusuf, dkk 2017. Pengaruh Good Corporate Governance, Leverage, dan Ukuran Perusahaan Terhadap Nilai Perusahaan (Studi Empiris Pada Sektor Industri Barang Konsumsi di Bursa Efek Indonesia Periode 2012-2015). *eProceedings of Management*, Vol. 4, 1-8.