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THE EFFECT OF GOOD CORPORATE GOVERNANCE ON FIRM VALUE
(EVIDENCE FROM INDONESIA'S BANKING INDUSTRY)

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ABSTRACT

This research intends to collect empirical evidence regarding the effect of Good Corporate Governance on firm value. The samples consist of banks that operasionalized in Indonesia and registered on the Indonesia Stock Exchange between 2017 and 2021. The sample was selected using purposeful sampling, yielding a sample of 17 banking institutions with a total of 85 observations over a period of 5 years. To test the hypothesis, panel data regression analysis is utilized in this research. According to the findings, managerial ownership has a negative impact on firm value, institutional ownership has no impact on firm value, and audit committee and board of directors size have a positive impact on firm value. The results of this study can be a guide for investors in determining their investment decisions in terms of corporate governance.

Keyword : Firm Value; Managerial Ownership; Institutional Ownership; Audit Committee; Board of Directors Size

INTRODUCTION

The company's main goal is to increase the value of the company. In addition, the company has a goal to maximize shareholder value by improving the company's performance in managing its business activities effectively and efficiently. This will allow the corporation to reach its profit objectives. If the company's management and shareholders collaborate to make financial decisions aimed at boosting working capital, the company's overall worth will increase. However, agency conflicts may exist between the interests of the company's management and its shareholders.

The implementation of Good Corporate Governance (GCG), is one of the way for reducing the likelihood of agency conflicts. In addition, it is anticipated that a rise in company performance will result in an increase in the firm's stock price as an indicator of company value, which will influence the achievement of company value (Marini & Marina, 2017).

In Siallagan & Machfoedz (2006), GCG has several mechanisms used to resolve agency conflicts. Purno (2013) examines the mechanism through ownership monitoring mechanisms, disclosure monitoring mechanisms, and internal control monitoring mechanisms. A method used to monitor the performance of a company through the

structure of capital ownership in the company including management ownership and institutional ownership, is known as the ownership monitoring mechanism (Purno, 2013). Based on Fadillah's research (2017), positive monitoring in the form of managerial ownership helps reduce agency conflict. A high level of managerial share ownership will motivate management to carry out its duties in the right way because it seeks to improve the welfare of shareholders and for its own sake, which will result in an increase in company value (Nathania & Widjaja, 2019). Then institutional ownership can be an efficient instrument for the purpose of monitoring any choices made by management. Large institutional ownership in the company will affect the increase in supervision carried out by institutional shareholders on management actions, which in turn will be able to reduce agency costs and increase company value. This will happen because institutional shareholders will be more involved in the company (Fadillah, 2017).

Then, the disclosure made by the audit committee as part of the disclosure monitoring mechanism which is intended to monitor the management of the company (Purno, 2013). The more audit committee a firm has, the more tightly its financial accounts are managed, resulting in a rise in corporate value (Widyaningsih, 2018). The internal control monitoring mechanism is one of the Good Corporate Governance processes carried out by the company's internal parties, which in this case relates to the size of the board.

According to Carolina et al. (2020), the ideal composition of the board of directors will enable the company to realize its full potential and greatly boost its value. The number of boards of directors in a large or small corporation might affect the company's worth. This is feasible because the number of current directors might influence the control and monitoring of the board of directors.

During the economic crisis that hit Indonesia in 1997, a phenomenon occurred which also affected one of the supporting sectors of the economy, particularly the banking sector. This caused the biggest crisis in Indonesian banking history. According to the findings of research conducted by Purno (2013), it was explained that this was not only caused by the economic crisis, but also due to the non-implementation of GCG and the underlying ethics. It is anticipated that the implementation of Good Corporate Governance as outlined in the API (Indonesian Banking Architecture) and Bank

Indonesia Regulation (PBI) Number 8/14/PBI 2006 will assist in restoring the reputation of defunct banking institutions so as to create a healthy banking system and safeguard the interests of all parties. which is concerned. Then, over the past few years, the Covid-19 pandemic has also had an impact on the Indonesian economy. This condition is a challenge for the banking sector which in turn affects banking performance. For this reason, the implementation of Good Corporate Governance is also expected to have an impact on improving banking performance so that the value of banking companies can increase.

Previous research on the effect of Good Corporate Governance on the value of a company yielded mixed results, depending on the research subjects and variables examined. Gosal et al. (2018) discovered that GCG with institutional ownership as a proxy influences the value of a company. Moreover, managerial ownership, an independent board of commissioners, and an audit committee have no effect on the value of the company. Widyaningsih (2018) found that management ownership, institutional ownership, independent commissioners, and audit committee have an effect on business value. Ben Fatma & Chouaibi (2021) discovered that managerial ownership and the size of the board of directors affect business value, which is consistent with Marhamah & Susanto (2021) finding that managerial ownership affects firm value while audit committee and institutional ownership had no effect. to the worth of the business. However, from the differences in the results of previous studies, which are still quite varied and there are inconsistencies, it is necessary to do research again, attempting to recreate the research of Ben Fatma & Chouaibi (2021) by including institutional ownership and the audit committee as independent factors and utilizing company size and Covid-19 dummy as a control variable, their effect on the market value of banking companies listed on the Indonesia Stock Exchange in 2017-2021.

On the basis of this justification, the authors intend to collect empirical evidence regarding the effect of Good Corporate Governance that proxied by managerial ownership, institutional ownership, audit committee, and board of director's size on firm value. This research can also assist firms with an overview and considerations for implementing Good Corporate Governance for the future well-being of the organization.

LITERATURE REVIEW

Agency Theory

This research was developed using agency theory as its theoretical base. According to Jensen and Meckling (1976), the agency theory describes the cooperative interaction between investors (principals) and corporate managers (agents). Principals who act as operational facilitators and funders delegate authority to agents to properly manage investors' wealth, so that investors have the hope that they will benefit from the delegation of management authority which will lead to an increase in investor wealth and prosperity.

Companies that have gone public or listed share ownership on the stock exchange generally have a separation of powers between shareholders and management (the party that manages the company). Shareholders invest in a company in the hope of acquiring more wealth and enjoying greater prosperity. In contrast, managers allowed to manage the company strive to maximize their own interests over those of shareholders. This can lead to agency conflicts that are detrimental to the company, including those that incur agency fees that the company must bear. Implementing Good Corporate Governance is capable of resolving agency issues within a business (GCG). In this instance, GCG plays a significant role since the firm is managed under supervision and control to guarantee that it is managed in line with applicable rules and regulations. In the meantime, GCG for shareholders can ensure that the funds shareholders put in the company are successfully managed and can generate an acceptable return on investment.

Good Corporate Governance

Good Corporate Governance is one of the cornerstones of the market economy system, (KNKG, 2006). Good Corporate Governance is strongly tied to confidence in both the corporations implementing it and the business climate of a nation. Good Corporate Governance is a control mechanism that enables organizations to manage their economic resources effectively (Setiawan & Christiawan, 2017). The adoption of Good Corporate Governance promotes the development of a healthy corporate environment and a competitive marketplace. Therefore, the application of Good Corporate Governance by enterprises in Indonesia is crucial for the long-term sustainability of economic growth and stability.

The Value of the Company

According to Gosal et al. (2018), the value of a company is its selling price or its growth value for shareholders. If the company has gone public, the value will be reflected by the market price of its shares; if the company has not gone public, the value will be the company's selling price. Every firm that has gone public has as its success metric the maximization of the company's market value. If the stock price of a company increases, then the company's value can add to the shareholders' prosperity. The return on shareholder profits increases with the share price. Tobin's Q is one of the ratios regarded to provide the most precise information about a company's value. Tobin's Q has an edge over other valuation ratios since it not only examines the company's market circumstances using the price of outstanding shares and the number of outstanding shares, but also analyses the company's assets and liabilities (Puspita Sudrajat, 2020).

Firm value in this study is measured using the ratio of Tobin's Q as below:

$$TQ = \frac{(Number\ of\ outstanding\ shares\ \ x\ CP) + TL}{TA}$$

Information:

TQ = The value of the company
CP = Closing Price / Stock price at closing
TL = Total of Liability
TA = Total of Assets

Where:

1) If the results of Tobin's Q < 1, the market value of the asset is less than the value of the listed company's assets, it is undervalued.
2) If the results of Tobin's Q = 1, the market value of the assets is equal to the value of the listed company assets, it is on average.
3) If the result of Tobin's Q > 1, the market value of the asset is greater than the value of the listed company's assets, it is overvalued.

Managerial Ownership

Managerial ownership is the fraction of shares held by those actively involved in the company's management (board of directors) (Nuryono et al., 2019). Jensen & Meckling (1976) discovered that management ownership was an effective method for minimizing agency conflict. The opportunity for managers to own business shares can be used to reconcile divergent interests. With the participation of management in share ownership, it is expected that each of its activities will examine all potential hazards.

This is due to the fact that every choice made by management might have an effect on the shareholders. So that management, which is also a shareholder, will always continue to work to raise the firm's worth and, of course, create prosperity for management, which is also a shareholder in the company. In this study, managerial ownership is measured using the formula:

$$Managerial\ ownership = \frac{Number\ of\ shares\ owned\ by\ management}{Number\ of outstanding\ shares}\ x\ 100\%$$

Institutional Ownership

Institutional ownership refers to the proportion of shares owned by insurance companies, investment firms, pension funds, banks, and other institutions (Fadillah, 2017). Institutional shareholders are regarded as active corporate monitoring participants (Marhamah & Susanto, 2021). The presence of institutional ownership can professionally monitor the growth of its investment, resulting in a high level of management control, which can limit the likelihood of fraud. This is because institutions have more resources, expertise, and abilities to oversee management, thereby preventing management behavior from being selfish. With increased supervision by institutional investors, management performance can be more optimal. This is because institutional share ownership represents a source of power that can be used to contribute to management performance. Thus, if the supervision carried out by the institution is good, the company's performance will be good and the value of the company will increase.

In this study, institutional ownership is measured using the formula as below:

$$Institutional\ ownership = \frac{Number\ of\ shares\ owned\ by\ the\ institution}{Number\ of\ outstanding\ shares}\ x\ 100\%$$

Audit Committee

The audit committee is a professional and impartial body constituted by the board of commissioners to oversee the financial reporting process, risk management, audit implementation, and corporate governance implementation in the organization (Nuryono et al., 2019). The audit committee's job is crucial because it impacts the quality of corporate profitability, which is one of the most essential pieces of information available to the public and which investors can use to evaluate the company (Mulianita et al., 2019). The audit committee in this study was measured using the formula:

$$Audit\ committee = Number\ of\ audit\ committee\ members$$

Board of Directors Size

Membership of the company's board of directors are individuals who are authorized and accountable for certain company-related tasks. According to Marini & Marina (2017), the board of directors is accountable for managing company management and providing all company-related information to the board of commissioners. The board of directors is comprised of many directors, and its actions are directed by a person who serves as the principal director or chief executive officer (CEO). Each member of the board of directors is charged with distinct responsibilities. Ben Fatma & Chouaibi (2021) determined the size of a company's board of directors by counting the number of boards of directors.

The small number of the board of directors in the company can affect the value of the company where this can happen because it can affect the control and supervision carried out by the board of directors on the company's performance. One of the principles that need to be met so that the board of directors can carry out their responsibilities effectively is that the board of directors must be structured in such a way that they are able to make wise decisions in an effective, precise and fast manner, and can act independently. The Board of Directors Size in this study was measured using the formula:

$$Board\ of\ directors\ size = Ln\ (Number\ of\ board\ of\ directors)$$

Company Size

A company's size is one of the most essential criteria in establishing its value, which indicates the amount or quantity of its assets (Ben Fatma & Chouaibi, 2021). Due to its correlation with the level of investment risk, the size of a corporation will be of great importance to investors and creditors. According to Setiawan & Christiawan (2017), larger companies tend to have higher asset values, which is indicative of strong cash flow, which in turn is indicative of the company's positive long-term prospects. Furthermore, it is probable that huge companies are more stable and profitable than small companies.

Consequently, a positive correlation between business size and firm value is anticipated. In this study, firm size was utilized as a control variable to prevent any potential bias from the effect of the independent variable on the dependent variable. In

addition, to complete or control the causal relationship to be better, and to obtain a more comprehensive and accurate empirical model (Widyaningsih, 2018). It is also intended to assess whether the inclusion of this variable in the model causes the independent variable to be significantly higher, thus enabling a reduction in the error term (Perdana, 2014). Firm size is proxied by total assets, which is measured using the natural logarithm of total assets. The size of the company in this study was measured using the formula:

$$Company\ size = Ln\ (total\ assets)$$

Covid-19 Pandemic

Coronavirus Disease 2019 (Covid-19) is an infectious disease caused by Severe Acute Respiratory Syndrome Corona Virus 2 (SARS-CoV-2). The World Health Organization (WHO) has declared this disease to be a global pandemic, as it first appeared in Indonesia in early 2020. (Ministry of Health of the Republic of Indonesia, 2020). In Indonesia, this disease is categorized as a public health emergency as well as a non-natural disaster that results in death and economic losses, prompting the government to enact various national and regional regulations (Ministry of Health of the Republic of Indonesia, 2020). In this research, the Covid-19 pandemic was used as a dummy control variable to compare the time period before the pandemic with the period during the pandemic in its effect on the dependent variable. The value 0 is before the Covid-19 pandemic (2017-2019) and the value 1 is when during the Covid-19 pandemic (2020-2021).

Relationship Between Variables

The Effect of Managerial Ownership on Firm Value

Jensen & Meckling (1976) discovered that managerial ownership is an effective technique for minimizing agency conflict by aligning the interests of management and shareholders. Their research revealed that management's objectives can be aligned with those of external shareholders if management's share ownership increases, so that management will not manipulate earnings for its own benefit. According to Perdana (2014) research, a rise in managerial ownership will have a favorable effect on the firm's value, as management's control over management activities will increase as their share ownership increases. Thus, the company's activities and decisions will be optimal, resulting in enhanced performance.

In their research conducted in Europe, Ben Fatma & Chouaibi (2021) discovered that increasing the number of managerial ownership boosts good corporate performance in European financial institutions. With the improvement in the company's performance, potential investors will recognize the company's increased value, resulting in an influx of capital investments that will raise the company's value. This is also reinforced by research by Nathania & Widjaja (2019) and Marhamah & Susanto (2021) which found that the greater the proportion of managerial ownership, the firm value will increase. Based on this, the proposed hypothesis is:

H1: Managerial ownership has a positive effect on firm value

The Effect of Institutional Ownership on Firm Value

According to Balsam et al. (2002), institutional investors are more equipped than non-institutional or individual investors to use corporate information to anticipate future profitability. This is because institutional investors have access to more timely and relevant information sources than individual investors, allowing them to discover the existence of earnings management more quickly and easily. Institutional investors are believed to have the power to exert control over the company's management through an effective monitoring procedure that can boost the company's performance and entice numerous investors to purchase shares, hence increasing the company's market value.

According to study conducted by Gosal et al. (2018), institutional ownership has a beneficial impact on business value. The larger the level of institutional ownership, the more effective the performance management control mechanism will be, which will have an impact on the company's value, which is also supported by research conducted by Nathania & Widjaja (2019) and Kusuma & Nuswantara (2021). Based on this, the proposed hypothesis is:

H2: Institutional ownership has a positive effect on firm value.

The Effect of the Audit Committee on Firm Value

According to the research of Putra & Kurniawati (2017), the existence of an audit committee is one of the prerequisites for adopting Good Corporate Governance. The audit committee was established as a special group charged with optimizing the oversight function. The audit committee's responsibilities include financial statement oversight and audit implementation. When the audit committee is able to carry out its obligations successfully and the quality of its oversight improves, the company's

performance will grow. This will affect investors' desire to invest in companies that boost stock prices, hence increasing the firm's value, as indicated by the research of Widyaningsih (2018) and Puspita Sudrajat (2020), which demonstrates a beneficial effect of the audit committee on firm value. Therefore, the value of the company will improve as the audit committee becomes increasingly effective. The proposed idea is therefore:

H3: The audit committee has a positive effect on firm value.

The Effect of Board of Directors Size on Firm Value

According to Carolina et al. (2020), the appropriate size and composition of the board of directors will enhance the company's performance, hence increasing the company's value. This assertion is confirmed by the findings of Marini & Marina (2017), who found that the board of directors has a strong positive influence on firm value. The more fitted the board of directors is to the company's conditions, the better they will be at managing and overseeing the company's performance; with more regulated company performance, it will create strong profitability and be able to enhance the company's stock price and therefore its value. company.

Rusnaidi et al. (2022) also discovered that the proportion of boards of directors in a corporation is an essential factor for shareholders. This is because shareholders expect the board of directors to optimize the company's performance, which causes potential shareholders to react on the stock market, so increasing the company's worth. This assumption will boost investors' impression of the company's value, hence encouraging additional investors to participate in the business. In view of this, the proposed hypothesis is:

H4: The size of the board of directors has a positive effect on firm value.

Research Model (Figure 1)

METHOD

This study employs quantitative methods by using four independent variables that are management ownership, institutional ownership, audit committee, and board of directors size. The dependent variable is firm value, while the control variables are firm size and the Covid-19 dummy. The objective of the research design is to demonstrate that the measuring ratio of Good Corporate Governance has an effect on firm value. This study's population is comprised of banking businesses listed on the Indonesia

Stock Exchange for the period 2017-2021 that have issued their financial statements; thus, the study's population consists of 44 companies. In addition, this study employs a non-probability sampling strategy with a purposive sampling method. The research sample consists of 17 businesses over five years, comprising 85 data. After the data is processed, there are data outliers. Through the outlier process, there were 13 extreme data released so that the research data that were normally distributed were 72 data.

This study utilizes panel data, which is a blend of cross-section and time series data. Banking companies listed on the Indonesia Stock Exchange for the 2017-2021 period in a row, banking companies that publish annual financial reports in rupiah currency for the 2017-2021 period in a row, and banking companies that meet the completeness of the data related to the variables in this study meet the sampling criteria for this study, namely those whose shares are partially owned by management and institutions and have an audit committee and a board of directors respectively for the 2017-2021 period. Panel data regression analysis is employed in this research to test the proposed hypothesis.

RESULT AND DISCUSSION

Descriptive Statistics Test

According to descriptive statistical tests, for the dependent variable which is the value of the company as measured by Tobin's Q. Bank Bukopin Ltd (BBKP) in 2017 and Bank Pan Indonesia Ltd (PNBN) in 2021 have the minimum value of 0.85. This indicates that the market value of assets is less than the value of the listed or undervalued company assets. The maximum value of 1.26 is held by Bank National Nobu Ltd (NOBU) in 2018, indicating that the market value of assets is more than the value of the firm's listed assets, or that the company is overvalued. The average variable value of banking organizations based on 72 data points is 1.01, with a standard deviation of 0.11. The test results are presented in table 1 as follows: Table 1

The minimal value of the independent variable Managerial Ownership (Managerial Ownership) was 0.00 or 0% since managerial share ownership by directors in banking businesses is negligible relative to the total number of shares. While the highest possible value is 0.18 or 18 percent. The mean value of the management ownership variable is 0.04 or 4 percent, while its standard deviation is 0.05 or 5 percent. The lowest value of the Institutional Ownership (Institutional Ownership) variable is

0.11 or 11 percent. While the highest possible result is 0.95 or 95 percent shows that the majority share ownership in banking companies is owned by institutions. The mean value of the institutional ownership variable is 0.70 or 70%, while the standard deviation is 0.19 or 19%. The Audit Committee (KA) variable has a minimum value of 3 and a maximum value of 7, indicating that there are banking institutions with a minimum of 3 and a maximum of 7 audit committee members. Board of Directors Size ranging from 3 to 12 directors has a minimum value of 1.10 and a maximum value of 2.48, with an average of 3.93 and a standard deviation of 0.99. The mean is 1.89 while the standard deviation is 0.40.

In 2017, Bank Ina Perdana Ltd (BINA) holds the minimum value of 28.77 for the control variable in the form of Company Size, while Bank Central Asia Ltd (BBCA) holds the maximum value of 34.74 in 2021. The mean is 31.66 while the standard deviation is 1.53. The Covid-19 dummy variable has a minimum value of 0 in all samples of banking businesses before to the COVID-19 pandemic in 2017-2019, and a maximum value of 1 during the Covid-19 pandemic in 2020-2021. 0.40 is the mean, and 0.49 is the standard deviation.

Normality Test

On the basis of the results of the normality test with the Jarque Bera statistical test (JB-test), the probability value is 0.08 with a probability value more than 0.05, i.e. 0.08 > 0.05, indicating that the data is normally distributed, so that other classical assumptions are tested. can continue. The test results are presented in table 2 as follows: Table 2

Multicollinearity Test

According to the test for multicollinearity, each independent variable has a Variance Inflation Factor (VIF) value of less than 10. The management ownership variable's VIF value is 1.81 < 10, institutional ownership is 1.29 < 10, the audit committee's VIF value is 1.23 < 10, and the size of the board of directors is 4.77 < 10. Therefore, it may be stated that there is no multicollinearity among the four independent variables. The test results are presented in table 3 as follows: Table 3

Autocorrelation Test

Based on the autocorrelation test using the Durbin Watson test (DW-test), the DW value which lies between DU < DW < 4 – DU indicates the absence of autocorrelation.

Based on the Durbin Watson table with = 5%, the number of observations (n) in this study is 72 and the number of independent variables (k) is 4, the value of DL = 1.53266 and DU = 1.70539, the DW value obtained is 1.708168 which is between 1.70539 < 1.708168 < 2.29461 means that in this regression model there is no positive or negative autocorrelation. The test results are presented in table 4 as follows: Table 4

Heteroscedasticity Test

Based on the results of the heteroscedasticity test with the Glejser test, the value of Prob. F of 0.44 > 0.05, it can be concluded that the data in this study did not occur heteroscedasticity symptoms. The test results are presented in table 5 as follows: Table 5

Panel Data Regression Analysis Test

The selection of the utilized panel data regression model is based on the results of the Chow test, where the probability value is 0.00. This demonstrates that the probability value is less than the significance value of 0.05, hence the fixed effect model is the appropriate approach model to employ. Next, perform the Hausman test. Based on the findings of the Hausman test, the probability value of 0.00 indicates that the probability value is less than the significance value of 0.05, hence the fixed effect model is the suitable approach model to employ. There is no need to do the Lagrange Multiplier test because the results of the Chow and Hausman tests indicate that there is no difference in the model employed. The following regression equation is obtained based on the results of a test of panel data regression analysis using a fixed effect model:

$$\mathbf{Y = 0.62 - 0.80\ X1 - 0.10\ X2 + 0.03\ X3 + 0.24\ X4 - 0.00\ C1 - 0.02\ C2 + \varepsilon}$$

From the regression equation that this study got a fixed value of 0.62. This demonstrates that the Firm Value (Y) is 0.62 when the independent variables are Managerial Ownership (X1), Institutional Ownership (X2), Audit Committee (X3), and Board of Directors Size (X4) are all set to zero. The regression coefficient for the Managerial Ownership variable is -0.80, which indicates that a 1 percent increase in Managerial Ownership results in a 0.80 percent loss in firm value. The coefficient of the Institutional Ownership variable is -0.10, hence a 1 percent rise in the Institutional Ownership variable results in a 0.10 percent loss in firm value. The regression coefficient for the Audit Committee variable is 0.03, which means that a 1 percent rise in the audit committee variable results in a 0.03 percent increase in firm value. The

regression coefficient for the Board of Directors Size variable is 0.24, which means that a 1 percent increase in Board of Directors Size results in a 0.24 percent increase in firm value. The Company Size (C1) variable has a regression coefficient of -0.00, indicating that it has no effect on company value. The regression coefficient for the Covid-19 dummy variable (C2) is -0.02, showing that the company's value was 0.02 less during the Covid-19 epidemic than before it.

Hypothesis Test (t Test)

The t test or partial effect test was undertaken to determine the influence of each independent variable on the dependent variable separately or individually. An independent variable is considered to have a significant effect on the dependent variable if the probability is less than the 0.05 significance level. Compare tcount with ttable; if tcount is more than ttable, the hypothesis is accepted; otherwise, it is rejected. Each significant variable's coefficient value reveals its significance. If the coefficient value is positive, then the relationship between the independent variable and the dependent variable is positive. Conversely, if the coefficient value is negative, then the link between the independent variable and the dependent variable is negative. The number of observations is (n = 72), the number of independent variables is (k = 4), then the degree of freedom (df) = n-k-1 is 72-4-1 = 67 with a significance level of 0.05 then ttable is 2.00. Table 9

Based on the results of the t-statistical test, it shows that the managerial ownership variable (X1) has a probability result that is smaller than the significance level (0.02 < 0.05), tcount is smaller than ttable (-2.45 < 2.00), and the coefficient value is -0.80. It can be concluded that the managerial ownership variable has a negative and significant effect on firm value. Then the hypothesis (H1) which reads "Managerial ownership has a positive effect on the value of banking companies listed on the Indonesia Stock Exchange for the period 2017-2021", is rejected.

Institutional ownership variable (X2) has a probability result that is greater than the significance level (0.20 > 0.05), tcount is smaller than ttable (-1.29 < 2.00), and the coefficient value is -0.10. It can be concluded that the variable of institutional ownership has no and no significant effect on firm value. Then the hypothesis (H2) which reads "Institutional ownership has a positive effect on the value of banking

companies listed on the Indonesia Stock Exchange for the period 2017-2021", is rejected.

The audit committee variable (X3) has a probability result that is less than the significance level (0.00 < 0.05), tcount is greater than ttable (5.31 > 2.00), and the coefficient value is 0.03. It can be concluded that the audit committee variable has a positive and significant effect on firm value. Then the hypothesis (H3) which reads "The audit committee has a positive effect on the value of banking companies listed on the Indonesia Stock Exchange for the period 2017-2021", is accepted.

The variable size of the board of directors (X4) has a probability result that is smaller than the significance level (0.00 < 0.05), tcount is greater than ttable (4.12 > 2.00), and the coefficient value is 0.24. It can be concluded that the variable size of the board of directors has a positive and significant effect on firm value. So the hypothesis (H4) which reads "The size of the board of directors has a positive effect on the value of banking companies listed on the Indonesia Stock Exchange for the period 2017-2021", is accepted.

The control variable company size (C1) has a probability result greater than the significance level (0.30 > 0.05), tcount is smaller than ttable (-1.04 < 2.00), and the coefficient value is -0.00. It can be concluded that the firm size control variable has no effect on firm value. Then the Covid-19 dummy (C2) has a probability result that is smaller than the significance level (0.03 < 0.05), tcount is smaller than ttable (-2.23 < 2.00), and the coefficient value is -0.02. It can be concluded that during the Covid-19 pandemic, the value of the company was 0.02 lower than in the period before the Covid-19 pandemic.

Hypothesis Test (F-Test)

The F test was conducted to determine the effect of the independent variable as a whole on the dependent variable. The criteria used in the F test is if the probability value is less than 0.05 then all independent variables simultaneously affect the dependent variable. Table 10

Based on the results of the F-statistical test, the F-statistical probability is 0.00 with a significance level of 0.05, the F-statistical probability value < 0.05 or equal to 0.00 < 0.05, indicating that the independent variables are managerial ownership,

institutional ownership, audit committee, and board of directors size all influence the dependent variable, namely firm value.

Hypothesis Test (Coefficient of Determination Test)

The adjusted R Square value reveals a coefficient of determination of 0.70 based on the test findings. The magnitude of the coefficient of determination is 0.70, or 70 percent. This value indicates that the managerial ownership variables (X1), institutional ownership variables (X2), audit committee variables (X3), and board of directors size variables (X4) as independent variables are able to influence firm value (Y) as the dependent variable by 70 percent, while the remaining 30 percent is explained by factors other than the variables studied.

DISCUSSION

The Effect of Managerial Ownership on Firm Value

Based on the results of this study indicate that managerial ownership has a negative effect on firm value. This means that there is a decrease in the value of the company from the existence of significant managerial share ownership because in banking companies in Indonesia, management only controls a small amount of company shares. So that the company's management feels that they do not own the company and the company's overall profits do not belong to management, which in the end management's performance will decrease and can reduce the value of the company.

Managerial share ownership in the sample companies is constant every year and some is not stable, namely decreasing and increasing. When managerial ownership has increased, but does not increase the value of the company. One of them is proven at Bank Ina Perdana Ltd (BINA) whose managerial share ownership percentage was originally constant in 2017-2019 of 4% then increased in 2020 and 2021 by 18% but the company value decreased. This study contradicts the agency theory that the greater the managerial ownership, the greater the value of the company so that it becomes a corporate governance mechanism that can suppress agency conflicts, where if management has share ownership in the place where he works, it is expected that in making decisions heed the interests of the shareholders and himself. he is also a shareholder. The discrepancy between theory and the results of this study is caused by managerial share ownership in banking companies for the 2017-2021 period which

tends to be low, still less than 100%, namely descriptively it has an average of 4% so that managerial ownership is not responded to by investors in increasing firm value.

The results of this study are not in line with Ben Fatma & Chouaibi (2021) in their research in Europe, finding that an increase in the number of managerial ownership promotes strong firm performance in European financial institutions so that it can increase firm value in other words managerial ownership has a positive effect on firm value.

The Effect of Institutional Ownership on Firm Value

The findings of this study demonstrate that institutional ownership has no effect on the value of a company. This implies that the increase or decrease in the percentage of shares owned by institutions has no influence on the value of the firm, hence it cannot be utilized to increase the value of the company. Proven at Bank BTPN Ltd (BTPN), Bank Victoria Internasional Ltd (BVIC), and Bank Woori Saudara Indonesia Ltd (SDRA) whose percentage of institutional share ownership has increased and decreased in 2017-2021 but does not have a significant effect on the value of the company and tends to be stable. This can happen because the role of institutional investors in monitoring management performance is not carried out properly so that the market does not consider institutional ownership to be able to reduce agency conflicts.

The more capabilities possessed by institutional investors with the resources, expertise, and ability to monitor management have not been involved in strategic decision making and tend to rely solely on management, causing the control and supervision of institutional investors not to be felt by the company's management so that it does not affect stock prices and value. company. Whereas companies in the banking sector have a high average institutional ownership of 70% and if utilized optimally it can be a good supervisory mechanism because it has strong control over majority share ownership.

The results of this study contradict the agency theory that institutional ownership can be a good ownership monitoring mechanism in overcoming agency conflicts that pose a risk to firm value according to the research of Gosal et al. (2018), Nathania & Widjaja (2019), and Kusuma & Nuswantara (2021) who find that institutional ownership has a positive effect on firm value. However, research conducted by Putra &

Kurniawati (2017) and Marhamah & Susanto (2021) shows the same thing, namely institutional ownership has no effect on firm value.

The Effect of the Audit Committee on Firm Value

According to the findings of this study, the audit committee has a beneficial impact on corporate value. This indicates that the supervisory role pertaining to the implementation of audits, financial reporting, and risk management may continue to operate efficiently despite the growing number of audit committee members. The audit committee is capable of carrying out its duties and obligations regarding the provision of clear and transparent financial information in a manner that has an influence on the enhancement of corporate value.

This is consistent with Widyaningsih (2018) findings that companies with a complete corporate structure, including the presence of an audit committee, tend to have a high market value. In this case, shareholders' interests can be protected from earnings management actions carried out by management due to the audit committee's increased effectiveness in overseeing the company's financial reporting process in order to produce quality financial reports through an audit process with integrity and objectivity, thereby contributing to the increase in the company's market value. Contrary to the findings of Arifin & Musdholifah (2017) and Nuryono et al. (2019), which concluded that the audit committee had no impact on business value, this study demonstrates that the audit committee does have an effect on firm value.

The Effect of Board of Directors Size on Firm Value

According to the findings of this study, the size of the board of directors has a favorable effect on the value of a company. This implies that expanding the number of boards of directors might aid in the administration of a firm, hence boosting its value. In accordance with the findings of Rusnaidi et al. (2022), the proportion of the board of directors in a firm is an essential factor for shareholders and one of the methods used to align shareholder interests with those of management. Because shareholders expect the board of directors to optimize the company's performance, prospective shareholders react positively on the stock market, which increases the company's worth.

In addition, an increase in the size of the board of directors affects the company's performance because it will create a network with external parties and ensure the availability of resources so as to provide benefits to the company; this assumption will

boost investors' perceptions of the company's value. The board of directors' successful implementation of its responsibilities will boost the company's performance and, ultimately, its value (Marini & Marina, 2017). In contrast to the findings of Carolina et al. (2020), who discovered that the size of the board of directors had a detrimental impact on firm value, we observed the opposite.

CONCLUSION

On the basis of the mentioned research findings, namely the influence of Good Corporate Governance as proxied by management ownership, institutional ownership, audit committee, and board of directors size on firm value, the following can be concluded: 1) Managerial ownership has a big and unfavorable impact on the value of a company. Based on these findings, the first hypothesis is rejected. 2) Institutional ownership has no measurable impact on the value of a company. Based on these findings, the second hypothesis is rejected. 3) The audit committee has a favorable and substantial impact on the value of the company. Based on these findings, the third hypothesis is accepted. 4) The size of the board of directors has a considerable and beneficial effect on the value of the company. Based on these findings, the fourth hypothesis is accepted.

SUGGESTION

Based on the results of the study and the conclusions in this study, there are several suggestions for further research, namely adding other independent variables besides the variables used in this study to determine the more complex effect on firm value, such as measuring Good Corporate Governance with GCG score proxy or the Governance Perception Index (CGPI) in which there are several sub-indexes that are used as a reference in determining scoring and also using the principle indicators that guide the implementation of GCG, namely transparency, independency, accountability, and fairness, with a wider object of research and a longer period of observation so that the results obtained can be clearer and more precise.

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FIGURE AND TABLE

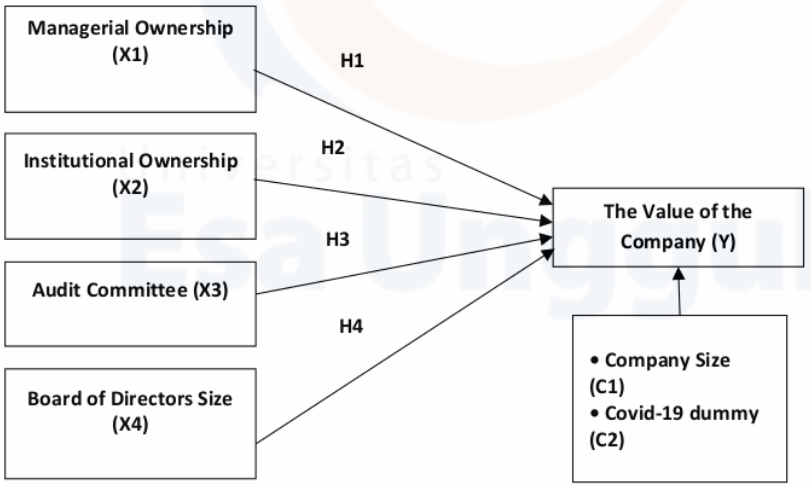


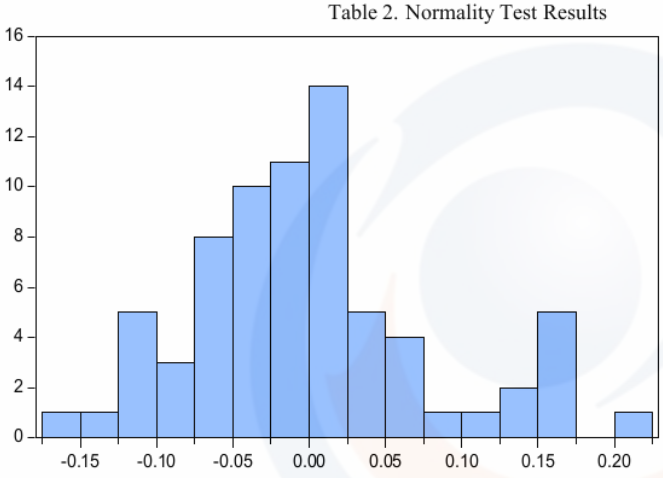
Figure 1. Research Model

Table 1. Descriptive Statistics Test Results

	The value of the company(Y)	Managerial Ownership (X1)	Institutional Ownership (X2)	Audit Committee (X3)	Board of Directors Size (X4)	Company Size (C1)	*Dummy* Covid-19 (C2)
Mean	1.01	0.04	0.70	3.93	1.89	31.66	0.40
Maximum	1.26	0.18	0.95	7.00	2.48	34.74	1.00
Minimum	0.85	0.00	0.11	3.00	1.10	28.77	0.00
Std. Dev.	0.11	0.05	0.19	0.99	0.40	1.53	0.49
Observations	72	72	72	72	72	72	72

(Source: Eviews 10 Output Results)

Table 2. Normality Test Results



Series: Residuals
Sample 2 85
Observations 72

Mean	-1.81e-16
Median	-0.003697
Maximum	0.220179
Minimum	-0.164131
Std. Dev.	0.078000
Skewness	0.623483
Kurtosis	3.316200
Jarque-Bera	4.964716
Probability	0.083546

(Source: Eviews 10 Output Results)

Table 3. Multicollinearity Test Results

Variance Inflation Factors
Date: 07/09/22 Time: 09:49
Sample: 1 85
Included observations: 72

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.16	1755.09	NA
X1	0.06	2.76	1.81
X2	0.00	17.29	1.29
X3	0.00	19.34	1.23
X4	0.00	118.16	4.77
C1	0.00	2246.42	4.74
C2	0.00	1.69	1.05

(Source: Eviews 10 Output Results)

Tabel 4. Autocorrelation Test Results

R-squared	0.19	Mean dependent var	-1.81
Adjusted R-squared	0.09	S.D. dependent var	0.08
S.E. of regression	0.07	Akaike info criterion	-2.24
Sum squared resid	0.35	Schwarz criterion	-1.96
Log likelihood	89.66	Hannan-Quinn criter.	-2.13
F-statistic	1.86	Durbin-Watson stat	1.71
Prob(F-statistic)	0.08		

(Source: Eviews 10 Output Results)

Table 5. Heteroscedasticity Test Results

Heteroskedasticity Test: Glejser			
F-statistic	0.99	Prob. F(6,65)	0.44
Obs*R-squared	6.01	Prob. Chi-Square(6)	0.42
Scaled explained SS	6.74	Prob. Chi-Square(6)	0.36

(Source: Eviews 10 Output Results)

Tabel 6. Chow Test Results

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	6.74	(15,50)	0.00
Cross-section Chi-square	79.64	15	0.00

(Source: Eviews 10 Output Results)

Table 7. Hausman Test Results

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	45.92	6	0.00

(Source: Eviews 10 Output Results)

Tabel 8. Panel Data Regression Analysis Test Results with Fixed Effect Model

Dependent Variable: Y
Method: Panel Least Squares
Date: 07/09/22 Time: 09:58
Sample: 2017 2021
Periods included: 5
Cross-sections included: 16
Total panel (unbalanced) observations: 72

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.62	0.12	5.08	0.00

X1	-0.80	0.33	-2.45	0.02
X2	-0.10	0.08	-1.29	0.20
X3	0.03	0.01	5.31	0.00
X4	0.24	0.06	4.12	0.00
C1	-0.00	0.00	-1.04	0.30
C2	-0.02	0.01	-2.23	0.03

Effects Specification			
Cross-section fixed (dummy variables)			
R-squared	0.79	Mean dependent var	1.00
Adjusted R-squared	0.70	S.D. dependent var	0.10
S.E. of regression	0.05	Akaike info criterion	-2.77
Sum squared resid	0.14	Schwarz criterion	-2.08
Log likelihood	121.83	Hannan-Quinn criter.	-2.50
F-statistic	8.77	Durbin-Watson stat	1.68
Prob(F-statistic)	0.00		

(Source: Eviews 10 Output Results)

Table 9. T-test results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.62	0.12	5.08	0.00
X1	-0.80	0.33	-2.45	0.02
X2	-0.10	0.08	-1.29	0.20
X3	0.03	0.01	5.31	0.00
X4	0.24	0.06	4.12	0.00
C1	-0.00	0.00	-1.04	0.30
C2	-0.02	0.01	-2.23	0.03

(Source: Eviews 10 Output Results)

Tabel 10. F-Test Results and Coefficient of Determination

R-squared	0.79	Mean dependent var	1.00
Adjusted R-squared	0.70	S.D. dependent var	0.10
S.E. of regression	0.05	Akaike info criterion	-2.77
Sum squared resid	0.14	Schwarz criterion	-2.08
Log likelihood	121.83	Hannan-Quinn criter.	-2.50
F-statistic	8.77	Durbin-Watson stat	1.68
Prob(F-statistic)	0.00		

(Source: Eviews 10 Output Results)

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