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The Effect of Good Corporate Governance and Financial Performance On Company Value (Empirical Study of Banks Registered On The IDX In 2019-2021)

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ABSTRACT: *This study aims to determine the effect of good corporate governance by proxies for the board of directors, institutional ownership, audit committees, managerial ownership and financial performance by proxy for Return On Assets (ROA) and Return On Equity (ROE) on firm value. This research was conducted at bank companies listed on the Indonesia Stock Exchange (IDX) for the period 2019-2021. Sampling of research data was carried out using purposive sampling method. Based on predetermined criteria, a total sample of 20 companies was obtained. In this study, the data were arranged in a time series with a research period of three years, so that 60 data were obtained, but there were 18 outlier data, and 42 data were used. Data was tested using multiple linear regression method. The results of this study indicate that the board of directors, managerial ownership, and ROE have a positive and significant effect on firm value, ROA has a negative and significant effect on firm value, while institutional ownership and audit committee have no effect on firm value.*

Keywords: *Board of directors; Institutional ownership; Audit committess; Managerial ownership; Return On Assets (ROA); Return On Equity (ROE).*

I. INTRODUCTION

Good Corporate Governance (GCG) and financial performance i an analysis that needs to be done in order to help shareholders and potential investors evaluate companies that have invested or are just about to invest their shares. In the banking sub-sector, the value of assets usually increases every year. The consumption needs of households continue to experience demand and of course must be balanced with a supportive economy to meet these household needs. This can affect and advance the increase in corporate value. Good corporate governance and financial performance in this study are used to maximize firm value. Because the value of the company can describe the company's success in creating value that will be seen and considered by investors.

The value of each company can be influenced by many factors, and one of them is good corporate governance. If GCG is implemented optimally, companies can experience immediate benefits, namely increased productivity and business efficiency, increased company operational capabilities and accountability to the public. GCG also concerns the interests of shareholders and stakeholders (Suhartadi, 2021). The purpose of implementing GCG can be realized to carry out the duties and responsibilities of the board of commissioners and work units that implement the internal control function.

Financial performance is one of the most important things in a company, both internally and externally, a company`s finances will be a benchmark in the financial statements will be monitored clearly and thoroughly (Ibnu, 2020). So that it can be seen that if the company's financial performance is good, the company will look

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good in the eyes of investors and the company's value will also increase. On the contrary, if the company's financial performance has decreased, investors will judge if the company has decreased and the company's value has also decreased.

II. MATERIAL AND METHODS

2.1. Agency Theory

Agency theory is the relationship between two parties, the first party as the owner (principal) and the second party as management (agent). In agency theory, it is explained if there is a separation between the owner as the principal (Alisa, 2021). And in this theory managers are given power by the owner of the company as a shareholder and are given the power to make decisions. Agency problems will arise if there is a relationship between the principal and the agent. Agency problems arise because there are problems with incentives and there is discretion in completing tasks. It is impossible for the reliability problem to completely disappear, but the principal can take actions to minimize the risk.

2.2. Information Asymmetry

Information asymmetry is a condition where that agent has more information about the company and future prospects compared to the principal. Under these conditions, it will provide an opportunity for the agent to use the information he knows in manipulating financial reporting as an effort to maximize prosperity. . Information asymmetry can reduce important things in Good Corporate Governance, namely transparency and disclosure of company performance to principals.

2.3. The Value of the Company

Firm value is a condition in which the company and percormance are positively received by the general public and the value of it`s shares benefits the shareholders. So it is necessary to maximize the value of the company which means that all future profits will be received by the owner of the company. By maximizing the value of the company, it will also maximize the main goals of the company. A high stock price will increase the company's value, thereby increasing market confidence in the company's prospects.

2.4. Good Corporate Governance (GCG)

Good corporate governance are policies or rules made by the company and used to regulate and control the company. GCG can also be said to be a system that controls the company so that it can provide added value to stakeholders (Effendi, 2009). This is because GCG is able to encourage work patterns from management that are correct and good.

2.5. Financial Performance

Financial performance is one of the efficiency factors in a company to be able to achieve goals. The goal itself is the stability of the company's financial management. In financial performance, it can provide an explanation and description of the use of funds from the results of profit acquisition which can be seen after a comparison of net income after tax. Financial performance is made to determine the company's financial condition and also encourage and motivate employees to be able to achieve company goals or objectives to increase company value.

The effect of the board of directirs on company value

The board of directors plays a rule in managing the benefit of the company in considering the elements that exist within the company because the board of directors serves as a guide in carrying out tasks and to achieve company goals. According to Marini and Marina (2017) in their research stated that the board of directors has an effect on company value.

H1: The board of directors has an effect on firm value.

The effect of institusional ownership on firm value

Has very important role in the company, namely minimizing conflicts that occur between managers and shareholders. Thus reducing the occurrence of conflict or even reduce the conflict. So institutional ownership is needed in companies so that conflicts between shareholders and managers are minimized. According to Anggraini and Fidiana (2021), in their research, they stated that institutional ownership affects company value.

H2: Institutional ownership affects firm value.

The effect of the audit committee on firm value

The audit committee has duties and responsibilities to the board of commissioners. In carrying out their duties can be flexible because it adheres to the principle of independence. So that there is no conflict of interest from various parties because of the principle of independence that is held. According to Ramadhani and Sulistiowati (2021), in their research, they stated that the audit committee has a positive effect on firm value.

H3: The audit committee has an effect on firm value.

The effect of managerial ownership on firm value

Provides the opportunity for managers from the company to be involved in share ownership, so that with this involvement the position of the company`s managers will be equal to that of the shareholders. According to Syafitri, et al., (2018) in his research stated that managerial ownership has a significant effect on company value.

H4: managerial ownership affects firm value.

The effect of Return On Assets (ROA) on firm value

Evaluating management whether it has received compensation in accordance with the assets it has. This is useful for evaluating how well the company is using its funds. Is the use of company funds used correctly or vice versa which will result in the company experiencing losses. According to Iswajuni, et al., (2018) in his research stated that there is a significant positive effect between profitability (ROA) on company value.

H5: ROA has an effect on firm value.

The effect of Return On Equity (ROE) on firm value

Assist investors in comparing similar companies and find out how efficient the company is in using it`s own capital or loans and used as a reference in making investment decisions. According to Hidayat, et al., (2021) in his research stated that Return On Equity (ROE) has an effect on company value.

H6: ROE has an effect on firm value.

III. RESEARCH METHODS

The approach used in this research is a quantitative approach. The type of data used by researchers is secondary data. This data is obtained from the company's annual financial report released on the website www.idx.co.id. The sample in this study are bank companies listed on the Indonesia Stock Exchange (IDX) for 2019-2021. The sample in this study was determined using a purposive sampling method, in determining the sample was carried out with predetermined criteria.

IV. RESULT AND DISCUSSION

4.1. Descriptive Statistical Analysis

Table 1: Descriptive Statistical Test Results

	N	Minimum	Maksimum	Mean	Std. Deviation
XDR	42	3,00000	17,00000	8,0000000	3,17766596
XKI	42	0,04050	0,99800	0,6779728	0,36030358
XKA	42	0,33333	1,50000	0,8006803	0,28163723
XKM	42	0,00001	0,21979	0,0189099	0,05313029
XROA	42	-0,09232	0,03109	0,0065319	0,01914706
XROE	42	-0,38483	0,16406	0,0562780	0,09634167
Y	42	0,21242	5,48956	0,9894406	0,81289573
Valid N (listwise)	42				

Source : Data Analysis Results, 2023

Based on the results of the descriptive statistical tests as shown in table 1, it can be concluded that the board of commissioners has a minimum value of 3,00000, a maximum value of 17,00000, an average value of the board of commissioners is 8,0000000, and the standard deviation value is 3,17766596. Institutional ownership has a minimum value of 0,04050, a maximum value of 0,99800, an average value of institutional ownership of 0,6779728, and a standard deviation value of 0,36030358. The audit committee has a minimum value of 0,33333, a maximum value of 1,50000, an average audit committee value of 0,8006803, and a standard deviation value of 0,28163723. Managerial ownership has a minimum value of 0,00001, a maximum value of 0,21979, an average managerial ownership value of 0,0189099 and a standard deviation value of 0,05313029. ROA has a minimum value of -0,09232, a maximum value of 0,03109, an average ROA value of 0,0065319, and a standard deviation value of 0,01914706. ROE has a minimum value of -0,38483, a maximum value of 0,16406, an average ROE value of 0,0562780, and a standard deviation value of 0,09634167.

4.2. Classic Assumption Test

4.2.1 Normality Test

Table 2: Normality Test Results

		Unstandardized Residual
N		42
Normal Parameters[a,b]	Mean	0,0000000
	Std. Deviation	0,32359298
Most Extreme Differences	Absolute	0,100
	Positive	0,049
	Negative	-0,100
Test Statistic		0,100
Asymp. Sig. (2-tailed)		0,200 [c,d]
a. Test distribution is Normal		
b. Calculated from data		
c. Lilliefors significance coreection		
d. This is a lower bound of the true significance		

Source : Processed Secondary Data, 2023

Based on the normality test above, it shows that the Kolmogorov – Smirnov test results prove that the significance value (Asymp. Sig. (2-tailed)) is greater than 0,05, namely 0,200 > 0,05 so it can be concluded that the residual data is normally distributed.

4.2.2 Multicollinearity Test

Table 3: Multicollinearity Test Result

Variable	*Tolerance*	VIF	Information
DR	0,695	1,440	Multicollinearity does not occur
KI	0,828	1,208	Multicollinearity does not occur
KA	0,799	1,251	Multicollinearity does not occur
KM	0,886	1,128	Multicollinearity does not occur
ROA	0,309	3,237	Multicollinearity does not occur
ROE	0,303	3,299	Multicollinearity does not occur

Source : Processed Secondary Data, 2023

The multicollinearity calculation results in table 3 show that the board of directors, institutional ownership, audit committee, managerial ownership, ROA, and ROE have tolerance values > 0,10 and VIF values < 10 so it ca be concluded that multicollinearity does not occur.

4.2.3 Heteroscedasticity Test

Table 4: Heteroscedasticity Test Results

Variable	Sig	Conclusion
DR	0,681	heteroscedasticity does not occur
KI	0,879	heteroscedasticity does not occur
KA	0,541	heteroscedasticity does not occur
KM	0,503	heteroscedasticity does not occur
ROA	0,106	heteroscedasticity does not occur
ROE	0,642	heteroscedasticity does not occur

Source : Processed Secondary Data, 2023

Based on the results of the heteroscedasticity test, there is no heteroscedasticity problem. Because the board of commissioners, institutional ownership, audit committee, managerial ownership, ROA, and ROE have a significant value > 0.05. So that it can be concluded that there is no problem with heteroscedasticity.

4.2.4 Autocorrelation Test

Table 5: Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0,917[a]	0,842	0,814	0,35023294	2,085

Source : Processed Secondary Data, 2023

And the test results above obtained a Durbin Watson value of 2.085. In this study, there were 6 independent variables while the total sample size was 42, DU tables < DW statistics < (4-DU tables): 1.85 < 2.085 < 2.15 so it can be concluded that the data does not have autocorrelation.

4.3. Hypothesis Test

Table 6: Hypothesis Test Results

Model		Unstandardized		Standardized Coefficients Beta			Collinearity Statistics	
		B	Std. Error		T	Sig.	Tolerance	VIF
1	(Constant)	0,669	0,226		2,966	0,005		
	XDR	0,070	0,021	0,275	3,404	0,002	0,695	1,440
	XKI	-0,162	0,167	-0,072	-0,973	0,337	0,828	1,208
	XKA	-0,370	0,217	-0,128	-1,701	0,098	0,799	1,251
	XKM	4,881	1,094	0,319	4,464	0,000	0,886	1,128
	XROA	- 65,515	5,140	-1,543	-12,747	0,000	0,309	3,237
	XROE	8,878	1,031	1,052	8,609	0,000	0,303	3,299

Source : Processed Secondary Data, 2023

Based on table 6, the equation of multiple linear regression is as follows:
PBV = 0,669 + 0,070DR = 0,162KI – 0,370KA + 4,881KM – 65,515ROA + 8,878ROE + e

t Test

The value of t table with degrees of freedom (df) is df = n – k – 1 = 42 – 6 -1 = 35, so that a t table value of 2,03011. So that based on table 6 the following results are obtained:

a. The board of directors variable has a significance value of 0,002 which is less than 0,05 or 5%. And the value of Tcount > Ttable is 3,404 > 2,03011, this shows that the board of directors has an effect on company value. And seen from Tcount shows a positive direction, so that the board of directors has a significant positive effect on firm value. Based on these results, the first hypothesis is accepted. This research is in line with previous studies where the results of the board of directors have a positive effect on company value (Prasetya, et al., 2020). This shows that the number of board of directors in the company guarantees a good company performance and minimizes the occurrence of fraud in the company through the company's financial reports. In addition, these results can also be used to indicate that the existence of a board of directors will be very effective in controlling activities within the company.

b. The institutional ownership variable has a significance value of 0,337 which means it is greater than 0,05 or 5%. And the value of Tcount < Ttable is -0,973 < 2,03011, this shows that institutional ownership has no effect on firm value. So it can be concluded that the second hypothesis is rejected. This research is in line with previous studies where the results of institutional ownership have no effect on firm value (Ramadhani and Sulistyowati, 2021). This shows that the amount of institutional ownership in a company does not guarantee that a management can apply conservative accounting principles. So that management can manipulate the company's performance, it is necessary to increase supervision that can reduce the occurrence of opportunistic behavior of managers that can harm the company.

c. The audit committee variable has a significance value of 0,098 which means it is greater than 0,05 or 5%. And the value of Tcount < Ttable is -1,701 < 2,03011, this shows that the audit committee has no effect on firm value. So it can be concluded that the third hypothesis is rejected. This research is in line with previous studies where the results of the audit committee have no effect on company value (Hidayat, et al., 2021). In addition, these results are also in line with (Anggraini and Fidiana, 2021) which conclude that the audit committee has no effect on firm value. This shows if the high or low of the audit committee in the company does not guarantee the value of the company. So that in carrying out their duties it is necessary to question because of the responsibilities that must be carried out in their duties. Because the company really needs the help of the audit committee to carry out checks, examinations, and research that is considered important by the company. The need for companies to monitor their companies so that they can run as expected and there are no divisions within the company.

d. The managerial ownership variable has a significance value 0f 0,000 which is less than 0,05 or 5%. And the value of Tcount > Ttable is 4,464 > 2,03011, this shows that managerial ownership has an effect on firm value. And seen from Tcount shows a positive direction, so that managerial ownership has a significant positive effect on firm value. Based on these results, the fourth hypothesis is accepted. This research is in line with previous studies where the results of managerial ownership have an effect on firm value (Sanusi, et al., 2022). Managerial ownership has the goal of providing opportunities for managers to be involved in share ownership, so that their position can be equal to that of shareholders. With the alignment of positions, managers can work optimally because of their share ownership. So that a sense of responsibility and an interesting allegation emerges that with managerial ownership it will also increase the value of the company. Vice versa if managerial ownership decreases, the value of the company will also decrease.

e. The ROA variable has a significance value of 0,000 which means it is less than 0,05 or 5%. And the value of Tcount > Ttable is -12,747 > 2,03011, this shows that ROA has an effect on company value. And seen from Tcount it shows a negative direction, so that ROA has a significant negative effect on firm value. Based on these results, the fifth hypothesis is accepted. This research is in line with previous studies where the results of Return On Assets (ROA) have a significant negative effect on firm value (Sanusi, et al., 2022). ROA can show how much a company's ability to generate profits from the assets invested. For this result, the higher the ROA value, the lower the firm value, and vice versa, if the lower the ROA value, the higher the firm value. The higher the ROA value, the higher the company's net profit and the more investors who are interested in a company. And it will make the company pay dividends also increase. However, this result is opposite so that ROA and company value are not in line and opposite.

f. The ROE variable has a significance value of 0,000 which means less than 0,05 or 5%. And Tcount > Ttable of 8,609 > 2,03011, this shows that ROE has an effect on firm value. And seen from Tcount shows a positive direction, so ROE has a significant positive effect on firm value. Based on these results, the sixth hypothesis is accepted. This research is in line with previous studies where the results of Return On Equity (ROE) have a positive effect on company value (Hidayat, et al., (2021). ROE is used to measure the ability of company management to manage available capital to generate net income. Because the better the performance of the management of a company in generating optimal income from the invested capital, the higher the profit will be. The purpose of this is to be able to increase the value of the company, so that it can be said that if the value of ROE increases, the value of the company will also increase, likewise if the value of ROE decreases, the value of the company will also decrease.

Test the coefficient of determination R^2

Table 7: Test Results for the Coefficient of Determination R^2

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,917 [a]	0,842	0,814	0,35023294
a. Predictors: (Constant), XROE, XKM, XKA, XKI, XDR, XROA				

Source : Processed Secondary Data, 2023

Table 7 above shows that the Adjusted R Square value is 0,814 or 81,4%. This shows that the independent variables, namely the board of directors, institutional ownership, audit committee, managerial ownership, ROA, and ROE can explain the variation of the dependent variable, namely firm value (PBV) of 0,814 or 81,4% while the remaining is 18,6% explained by other variables not included in this study.

Test F

Table 8: Test Results F

Medel		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	22,800	6	3,800	30,979	0,000b
	Residual	4,293	35	0,123		
	Total	27,093	41			
b. Predictors: (Constant), XROE, XKM, XKA,XKI,XDR,XROA						

Source : Processed Secondary Data, 2023

Based on table 8 the results of the F test show a significance value of 0,000. The significance value produced by the F test is less than 0,05. So it can be concluded that the multiple regression model meets the requirements and can be said to be a fit regression model.

V. CONCLUSION

This study aims to examine the effect of good corporate governance and financial performance on firm value in bank companies listed on the IDX in 2019-2021, based on an analysis of 42 samples in 3 consecutive years the results of research that has been conducted in the previous chapter can be concluded that: The board of directors variable (XDR) has a significant positive effect on firm value (Y) in bank companies for the 2019-2021 period, Institutional ownership variable (XKI) has no effect on firm value (Y) in bank companies for the 2019-2021 period, Audit committee variable (XKA) has no effect on firm value (Y) in bank companies for the 2019-2021 period, Managerial ownership variable (XKM) has a significant positive effect on firm value (Y) in bank companies for the 2019-2021 period, Return On Assets (XROA) has a negative effect significant to firm value (Y) in bank companies for the 2019-2021 period., and Return On Equity (XROE) has a significant positive effect on firm value (Y) in bank companies for the 2019-2021 period.

The limitations of this study are that the research period is not long and only has a sample of 42, this research is also only conducted in the banking sector, so that in this study it is not possible to look at all sectors that have different characteristics. Suggestions from the limitations of this study are that it is advisable to increase the research time period, for example the last five years and change the sector, for example manufacturing, industry and others.

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