"THE ANALYSIS OF IMPLEMENTATION OF GOOD CORPORATE GOVERNANCE (GCG) MECHANISM TOWARD CORPORATE VALUE"

(Empirical Studies on LQ45 Companies

Listed on the Indonesian Stock Exchange from the Period of 2013 – 2017)

A THESIS

Presented as a Partial Fulfillment of the Requirements

to Obtain the Bachelor Degree in Accounting Department

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CONTENT ADVISOR: Associate Professor, Zhu Yi Ling

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(STUDIES ON LQ45 COMPANIES LISTED ON THE INDONESIAN STOCK EXCHANGE FROM THE PERIOD OF 2013 – 2017)

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ABSTRACT

This study aims to analyze the influence of corporate governance with the proxies of institutional ownership, management ownership, independent commisioners, audit committee, and size of directors toward company's value listed on LQ45 category by using the company's annual report in Indonesia Stock Exchange from the period 2013 to 2017. The population in this study are the companies on the index LQ45 listed on the Indonesia Stock Exchange (IDX) from the period of 2013 - 2017. The type of data collected was secondary data. This research used purposive sampling method and 40 companies were selected. Methods of data analysis used descriptive statistics, classical assumption test, and multiple linear regression with SPSS. The results of this study indicate that the variables of independent commissioners, management ownership, audit committee have positive and significant effects on company's value. While size of directors have negative effects on company's value and institutional ownership have negative effects on company's value.

Keywords: corporate governance, institutional ownership, management ownership, independent commisioners, audit committee, size of directors, company's value (Tobin's Q).

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CHAPTER I

INTRODUCTION

1.1 BACKGROUND

The 1997 monetary crisis brought a huge impact for many countries in Asia including Indonesia. This crisis encourages the Government to form the Committee National Corporate Governance Policy (KNKCG) in 1999 (becoming a Committee National Governance Policy, KNKG, 2004) as a sign of the era of governance formal corporate governance in Indonesia, by publishing "General Guidelines Good Corporate Governance in Indonesia.“

Recently, the business world is increasingly dynamic. The company ability development becomes a very important thing in order to survive in the market globally. So it is not surprising that now companies are competing each other for increasing competitiveness in various fields. One of the company's efforts in improving the quality of the company is by implementing good corporate governance. IICG (The Indonesian Institute for Corporate Governance The IICG was established on June 2, 2000, as the initiative of the Indonesian Transparency Society (ITS) and community leaders to promote concepts, practices and the benefits of Good Corporate Governance (GCG) to the business world in particular and the general public in general. IICG is one of the roles of civil society to encourage the creation of the Indonesian business world trusted, ethical, and dignified. As an independent and non-profit organization, The IICG is committed to promoting GCG practices or good corporate governance in Indonesia and support and assist companies in applying the concept of Corporate Governance, also as one of the parties who pushed the implementation of good corporate governance in Indonesia.

Each company has a responsibility to deliver a company report to its stakeholders. Reports that had by many companies are the financial statements. Financial statements such as a company's performance measurement are used as a responsibility of the board of the company to the owner of the company. These days, sometimes, financial statements are not sufficient to measure company performance. Canibano et al. (2000) stated that specifically, traditional accounting reports do not have enough potential to show the true value established in firms not to cover the gap between market and book value in many of today's companies. So, the company needs a report other than the financial statements that can support the needs of stakeholders as additional information that can be used as consideration in making decisions of stakeholders, one of which is company's value.

The company in its operations requires corporate governance which is set the relationship between owner, the board of commissioners, and directors to set the goals of company and performance measurement as well management authority and control (Daniri, 2005 and Haron, 2009). Ownership the company can be looked up from the point of view of the concept corporate governance, the owner as an external mechanism, which is strongly related with the board of commissioners and directors (Haron, 2009).

However, every company will try to do the best to improve the company's value. To increase the company's value in the long-term is one of the company goals. Increase in the value of the company will be reflected in the market price of the stock. Investors will be watching the movement of shares in companies that are listed on the Indonesia Stock Exchange (IDX). From these observations, the investor will assess and take a decision. In the process of maximizing the company's value, will arise a conflict of interest between managers and shareholders is often called the agency problem. Not infrequently the two sides will be contradictory. The divergence of interests between managers and shareholders has resulted in conflicts commonly called agency conflict, it happens because management prioritizing personal interests, otherwise shareholders do not like the personal interests of managers. Self-interest manager will add to the cost for companies that will cause a decrease in corporate profits and the effect on stock prices thus lowering the value of the company.

It is a basic need for a mechanism or set of rules to address the issues principal-agency problems, the Good Corporate Governance (GCG) which is a set of rules governing the relationship between shareholders, managers, creditors, government, employees, and other stakeholders to be balanced rights and obligations. GCG aims to set up the company in order to create added value for all its stakeholders. It should be noted that no interest is harmed. Implementation of GCG expected to be useful to increase and maximize the value of the company.

Based on the Decree of the Minister of State/Head of Agency/Investment and Development of State-Owned Enterprises Number 23/M-PM-BUMN/2009 about the company's development of the company's corporate governance practices, corporate governance is the principle that corporations should be expected in the management of companies that implemented solely in the interest of the company in order to achieve the aims and objectives of the company. GCG is translated as good corporate governance.

In other words, good corporate governance is a system and a good structure to manage the company with the goal of increasing shareholder value and accommodate a variety of interested parties with companies such as creditors, Law Number 19 of 2003 on State-Owned Enterprises contains GCG. In order to optimize its role and is able to maintain its presence in the global economy an increasingly open and competitive, state-owned corporations and the need to foster a culture of professionalism among others, through the improvement of the management and monitoring based on the principles of good corporate.

In general guidelines GCG Indonesia, there are five main principles of good corporate governance, which is as follows: (1) Transparency (disclosure of information), the transparency in the decision making process and openness in expressing material and relevant information about the company, (2) Accountability, the clarity of function, structure, and accountability system so that its organs are effective enterprise management , (3) Responsibility, which is in conformity with the principles in the management of the company as well as the healthy corporate applicable legislation, (4) Independence (autonomy) is a condition in which a professionally managed company with no conflict of interest and influence or pressure from management that is not in accordance with the laws and regulations in force and the principles of healthy corporate, and (5) Fairness (equality and fairness), the fair and equal treatment in meeting stakeholder rights arising under the agreement and applicable legislation.

The fifth component is very important to improve the quality of financial reporting and reduce the activity of irregularities committed by the company. The continued development of the company also develops economic growth.

This is a positive impact on the progress of the business world. However, in addition to providing a positive impact, it is also a negative effect because when a lot of companies are developing it at that moment, social inequality and environmental damage around the case, especially the environment surrounding the company operates. That requires awareness so that negative impacts can be addressed.

Companies that have good corporate governance will increase the company's value for shareholders because essentially GCG implementation goal is to create value added for the company. Other purposes, namely (1) improving the efficiency, effectiveness, and sustainability of an organization, (2) increase the legitimacy of the organization that is managed by an open, fair, and accountable, (3) recognize and protect the rights and obligations of shareholders and stakeholders. GCG mechanism is a set of mechanisms that influence the decision to be taken by the manager when there is a separation between ownership with control. In the Circular Letter No 03 PM/2000 issued on May 5, 2000, stated that in order to GCG, and listed companies are required to have independent directors, audit committee, and secretary of the company. In this study, the mechanism of internal corporate governance is proxied by the variable board size, independent board, institutional ownership, managerial ownership, and audit committees. GCG is expected to seek a balance between the various interests that can provide benefits to the company as a whole.

The differences between this research and the previous research are in the focus of research variables such as board size of directors, independent board of commissioners, number of audit committee, management ownership as independent variables while in this research, the researcher makes a renewal of this research by adding institutional ownership added variable that matches the characteristics company in Indonesia, namely institutional ownership. Therefore, the title of this research is **"The Analysis of Good Corporate Governance Mechanism toward Corporate Value"** with the research objects are all companies listed on the LQ45 index on the Indonesia Stock Exchange from the period of 2013 to 2017. Hopefully, this research is expected to complete the variation of similar research and give further information.

This result expected to provide a good understanding of corporate governance and provide information that can be used as a reference for the development of research in this study area.

1.2 STATEMENTS OF THE PROBLEM

Based on the background description of the problem, then the issues to be discussed in this study are:

1. How does institutional ownership influence company's value?
2. How does management ownership influence company's value?
3. How does independent commissioners influence company's value?
4. How does audit committee influence company's value?
5. How does size of the board directors influence company's value?

1.3 OBJECTIVES OF THE RESEARCH

Based on the formulation of the problem, this research aims to:

1. Analyze the effect of institutional ownership influence company's value.

2. Analyze the effect of management ownership influence company's value.

3. Analyze the effect of independent commissioners influence company's value.

4. Analyze the effect of audit committee influence company's value.

5. Analyze the effect of size of the board directors influence company's value.

1.4 SIGNIFICANCES OF THE RESEARCH

The researcher hopes that the results of this study provide benefits to:

1. The government

This research can provide information and input on the importance of the company's value in market share information to considering as list *LQ45's company in Indonesian Stock Exchange.*

2. Investor and the users of the financial statements

This research intended to provide information about the analysis of implementation of *good corporate governance* by the company so that it can be used to making decision based on company's value in market.

3. Companies Management

This research is expected to give understanding more to the management the role of *good corporate governance* and encouraging companies to gives gently attention as well actively involved in *good corporate governance* practices as an effort to improve performance and company's value.

4. Further Researchers

This study is expected to provide benefits in providing references for further research on theories relating to *good corporate governance* so that it can be used by academics in accounting, management, and business in conducting research in the future.

1.5 SYSTEMATICS OF WRITINGS

This study was prepared by considering the systematic of writings, starting from the explanation of the background of the problem to the conclusion. The systematic of writings are as follows:

CHAPTER I INTRODUCTION

This chapter describes the background of good corporate governance mechanism toward company's value on companies listed in LQ45. This chapter also explains the statement of problem, objectives of research, the significance of research, and systematics of research writings.

CHAPTER II LITERATURE REVIEW

This chapter discusses the theories that will be used as the basis for discussion of this research which includes the influence of good corporate governance, especially on board size, institutional ownership, independent directors, auditor committee, management ownership toward company's value, review of previous studies, and the hypothesis to be tested.

CHAPTER III RESEARCH METHODS

This chapter describes the research methods used in this study. The things described in this chapter include population and sample to be used in research, type and source of data, data collection methods, the definition of research variables, and data analysis techniques used in this research.

CHAPTER IV DATA ANALYSIS AND DISCUSSION

This chapter describes the results and discussion of data processing that has been done and explains the interpretation of the results. In this chapter will also discuss the results of research whether the hypothesis that has been made has been proven or not.

CHAPTER V CONCLUSIONS AND RECOMMENDATIONS

This chapter contains the conclusions of this study which are the essence of the research results and are the answers to the problem formulation and research objectives. While the suggestion of this research consist of recommendations of what can be applied for improvement related to the research topics both in academic field and to society widely.

CHAPTER II
LITERATURE REVIEW

2.1 LITERATURE REVIEW

There are several things that suggest the purpose of establishing a company. The company's first goal is to achieve maximum profit or profit as much as possible. The second goal of the company is to prosper the owner company or shareholders. While the third objective of the company is maximizing company value reflected in the price of its shares. The third goal of the company is actually not much different substantially. It just emphasizes what each company wants to achieve is different between one and the one others. (Martono and Harjito, 2005:2) The main objective of the company is to maximize the value of the company.

The purpose is used because by maximizing the value of the company then the owner companies will become more prosperous (or become richer) (Husnan, 2000: 7). The value of the company is very important because with a high corporate value it will be followed by shareholder prosperity (Brigham and Gapenski, 1996). The more high stock prices the higher the value of the company. The high corporate value becomes the desire of the company owners because with high value shows prosperity shareholders are also high. The wealth of shareholders and companies is presented by the market price of shares which is a reflection of investment decisions, funding (financing), and asset management.

According to Fama (1978) in Wahyudi and Pawestri (2006), the value of the company will be reflected in the stock price. The market price of the company's shares formed between buyers and sellers when transactions occur are called the company's market value, because of market prices shares are considered a reflection of the true value of the company's assets. Company value formed through stock market value indicators is strongly influenced by investment opportunities. Investment opportunities can provide a positive signal about the company's growth in the future, so it will increase stock prices, with increasing stock prices, the value of the company will increase.

According to Husnan and Pudjiastuti (2002: 6), firm value is a price willing to be paid by prospective buyers if the company is sold. According to Christiawan and Tarigan (2007), there are several concepts of value explain the value of a company include:

a. The nominal value is the value formally stated in the articles of association the company, mentioned explicitly on the company's balance sheet, and also written clearly in collective share letters.

b. Market value often called the exchange rate, is the price that occurs from the bidding process at the stock market. This value can only be determined if the company's shares are sold on the market stock.

c. Intrinsic value is a value that refers to the estimated real value of a company. The value of the company in the concept of intrinsic value is not just a price from a set of assets, but the value of the company as a business entity has the ability to generate profits later on.

d. Book value is a company value that is calculated on the basis of an accounting concept.

e. The value of liquidation is the selling value of all company assets after deducting all obligations that must be fulfilled. The residual value is part of the holders stock. The value of liquidation can be calculated based on the performance balance prepared when a company will liquidate. There are three reasons why the value of each business will be maximized if it is a business organized as a limited liability company, namely among others (Brigham and Houston, 2006: 16):

1. Limited liability reduces the risk borne by investors, and, if all the other things are constant, the lower the risk of the company, then the higher the value.

2. The value of the company will depend on the opportunity for growth, the next will depend on the company's ability to attract capital. Because limited liability companies can attract capital more easily than businesses who are not incorporated, it can be better to take advantage of growth opportunities.

3. The value of an asset also depends on its liquidity, which means convenience to sell assets and turn them into cash at a "market value reasonable". Because investment in shares of a limited liability company is far more liquid rather than similar investments in individual ownership or partnership, so this also increases the value of a limited liability company. Various factors can influence the value of the company, including ownership managerial, financial performance of a company, dividend policy, corporate governance and so on. Company value describes how good or bad management manages his wealth, this can be seen from the measurement of financial performance obtained. Something the company will try to maximize the value of its company.

2.1.1 Good Corporate Governance

Definition of Good Corporate Governance

The term Corporate Governance (CG) was first introduced by the Cadbury Committee in 1992 in a report known as the Cadbury Report (Tjager et al., 2003). Various thoughts about corporate governance evolve with growth in agency theory where management is done with full compliance to various rules and regulations. In the application of good corporate governance in the company, the guidelines that govern how the GCG in the new Indonesia announced on October 17, 2006.

In essence, corporate governance is a rule book that allows organisations to ensure that they're serving the needs of their shareholders, stakeholders, management team and customers effectively and responsibly, while also meeting the company's short- and long-term goals. In the words of ICSA: The Governance Institute, a UK-based professional body for governance, "corporate governance refers to the way in which companies are governed and to what purpose."

According to the 2001 Forum for Corporate Governance in Indonesian (FCGI), Good Corporate Governance is:

"A set of rules that regulate relations between shareholders, managers (managers) of companies, creditors, governments, employees and other internal and external stakeholders who are related to their rights and obligations, or in other words a system that regulates and controlling the company. The purpose of Corporate Governance is to create added value for all stakeholders (stakeholders) ".

The statement explained that a system that regulates relations between shareholders, company management, creditors, government, employees and other shareholders of internal and external interests related to their rights and obligations.

While the definition of Good Corporate Governance according to the Decree of the Minister of State Owned Enterprises Number KEP-117/M-MBU/2002, namely:

"Good Corporate Governance is a process of the structure used by State-owned Enterprise (BUMN) organs to increase business success and corporate accountability in order to realize shareholder value in the long term while paying attention to the interests of other stakeholders, based on laws and ethics."

The statement explains that good corporate governance is a relationship pattern that is used in companies to improve business success and corporate accountability, in order to create efficient, transparent and consistent corporate governance with regulations that can help achieve corporate sustainability through management based on the principles of good corporate governance.

Various kinds of definitions arise because initially corporate governance was born as principles and values that must be developed by the company in order to survive. Because it concerns the principles and values, in practice corporate governance emerges in each country with different issues tailored to the economic system in each country. In addition, in practice, so that it can be implemented, the principles and values of corporate governance must be adapted to the conditions that exist in a company and very much depends on the form of the company, the type of business and the composition of ownership of the company's capital.

We often hear that many companies have fallen because the governance of a company is not good so many frauds or practices of corruption, collusion and nepotism (KKN) have occurred, resulting in an economic crisis and a crisis of investor confidence, resulting in no investors willing to buy shares the company. meaning, it can be said if the company does not implement good corporate governance.

The history of the birth of GCG arose from the reaction of shareholders in the United States in the 1980s which threatened their interests (Budiati, 2012). The rise of corporate scandals that afflict large companies, both those in Indonesia and those in the United States, to guarantee and secure the rights of shareholders, the concept of commissioner empowerment emerged as one of the discourses of GCG enforcement.

In Indonesia, the concept of GCG began to be known since the 1997 economic crisis, a prolonged crisis which was assessed because the companies were not managed responsibly, and ignored regulations and were full of practices (corruption, collusion, nepotism) of KKN (Budiati, 2012).

Starting from a proposal to improve the listing rules on the Jakarta Stock Exchange (now the Indonesia Stock Exchange) which regulates regulations for issuers listed on the JSE which obliged to appoint independent commissioners and form an audit committee in 1998, Corporate Governance (CG) was introduced to all public company in Indonesia.

2.1.2 Indicators of the Corporate Governance Mechanism

Independent Commissioner

Independent Commissioners are members of the board of commissioners who do not have financial, management, share ownership and / or family relations with other board members, directors and / or controlling shareholders or other relationships that can affect their ability to act independently. The National Governance Policy Committee (2006) states that independent commissioners are members of the board of commissioners who are not affiliated with management, other members of the board of commissioners and controlling shareholders, and are free from business relationships or other relationships that can affect their ability to act solely in the interest of company.

The existence of independent commissioners in Indonesia has been regulated in the Decree of the Board of Directors of the Jakarta Stock Exchange (BEJ) Number: Kep-315 / BEJ / 06-2000 concerning Regulation No. IA, concerning Listing of Shares and Equity Securities other than shares issued by the Listed Company in point regarding provisions regarding independent commissioners. In the regulation, it is stated that in the context of implementing good corporate governance, companies listed on the JSE must have an independent commissioner whose proportional amount is proportional to the number of shares held by non-controlling shareholders with the provisions of independent jumla Commissioners at least 30% from the total number of commissioners.

Independent commissioners assume the responsibility of proactively encouraging commissioners to carry out their duties as supervisors and advisors of directors to ensure that: (1) the company has an effective business strategy (including monitoring the schedule, budget and effectiveness of the strategy), (2) ensuring the company has professional executives and managers, (3) ensures the company has information, control systems, and audit systems that work well, (4) ensures the company complies with applicable laws and regulations as well as the values set by the company in carrying out its operations, (5) ensuring that risks and potential crises are always properly identified and managed and (6) ensuring GCG principles and practices are adhered to and applied properly (FCGI, 2003).

Institutional Ownership

Institutional ownership is the ownership of shares by the government, financial institutions, legal entities, foreign institutions, trust funds and other institutions at the end of the year (Anindhita, 2010). In the study of Anindhita (2010) found that institutional ownership replaces managerial ownership in controlling the agency cost. The greater ownership by financial institutions, the greater the power of voice and the encouragement of financial institutions to oversee management and consequently institutional ownership is the ownership of shares by the government, financial institutions, legal entities, foreign institutions, trust funds and other institutions at the end of the year (Anindhita, 2010). In the study of

The ownership structure of public companies in Indonesia is very concentrated in institutions. The intended institution is the owner of a public company in the form of an institution, not an owner in the name of a private individual. The majority of institutions are in the form of limited liability companies (PT). In general, PT is a form of ownership of the company's founder or family of the company's founder.

Managerial Ownership

Managerial ownership is ownership of shares owned by executives and directors. The percentage of ownership is determined by the amount of the percentage of shares to the total shares of the company. Someone who owns a company's stock can be said to be the owner of the company even though the number of shares is only a few sheets. Boediono (2005), argues that managerial ownership is measured by the amount of share ownership by the management of the company to the total number of shares outstanding. The greater the proportion of management ownership in the company, the more management will strive for the interests of shareholders who in fact are themselves (Mahadwartha and Hartono, 2002). The above argument justifies the need for managerial ownership. Managerial ownership programs are included in the remuneration policy program to reduce agency problems between management and shareholders. Managerial ownership that is too high can also have a rush

Audit Committee

The use of the audit committee is an effort to improve the method management of the company, especially the way of supervision of company management because it will be the liaison between the company's management and the council commissioner and other external parties. The duties of the audit committee are also closely related by reviewing the risks faced by the company and adherence to regulations. Beiner S., et al (2003) in Wulandari (2006) confirmed theoretically the number of board directors is an important indicator of governance mechanisms because the board of directors can ensure that managers follow their interests board. While Lipton and Lorsch (1992) in Wulandari (2006) that the amount The board of directors includes indicators of corporate governance mechanisms and positive effect on company performance.

The audit committee in a company is responsible for company financial reporting. The audit committee will minimize it the possibility of management doing earnings management by conducting supervision of financial reports and supervision from external audit. In accordance with Kep. 29 / PM / 2004, the audit committee is the committee formed by the board of commissioners to carry out management oversight duties company. In addition, the audit committee is considered a link between shareholders and the board of commissioners with management to overcome control problems or possible agency. Based on JSE circular letter, SE-008 / BEJ / 12-2001, audit committee membership consists of at least three people including the chairman of the audit committee. Member of this committee only one person from the commissioner, the committee member from the commissioner are independent company commissioners recorded as well as being the chairman of the audit committee. Other members who are not an independent commissioner must come from an independent external party. As stipulated in Kep-29 / PM / 2004 is a regulation which requires the company to form an audit committee, the duties of the audit committee include:

1. Reviewing financial information that will be issued by the company, such as financial statements, projections, and information other finance.

2. Reviewing the company's compliance with regulations legislation in the field of capital markets and legislation others related to company activities.

3. Reviewing the implementation of the audit by the internal auditor.

4. Report to commissioners various risks faced by the company and the implementation of risk management by directors.

5. Review and report to the board of commissioners complaints relating to issuers.

6. Maintain the confidentiality of documents, data, and company secrets.

Board Size of Directors

Jensen et al. (1976) claimed a board size refers to the number of directors serving in the board of directors. While Li et al. (2008) stated that the board may consist of executive directors and independent, non-expressed executive directors.

Corporate Value (Tobin's Q)

Company value is a value that shows a reflection of the equity and book value of the company, in the form of equity market value, book value of total debt and book value of total equity. According to Sukamulja (2004) one of the ratios considered to be able to provide the best information is Tobin's Q, because this ratio can explain various phenomena in company activities, such as the occurrence of cross-sectional differences in investment decision making and the relationship between management share ownership and company value (Onwioduokit, 2002). The Tobin's Q ratio equals the market value of a company divided by its assets' replacement cost. Thus, equilibrium is market value equals replacement cost. The Tobin's Q ratio is a ratio popularized by James Tobin of Yale University, Nobel laureate in economics, who hypothesized that the combined market value of all the companies on the stock market should be about equal to their replacement costs. The Q ratio is calculated as the market value of a company divided by the replacement value of the firm's assets.

Tobin's Q includes all elements of the company's debt and share capital, not just ordinary shares. Brealey and Myers (2000) in Sukamulja (2004) state that companies with high Tobin's Q usually have a very strong brand image. Companies as economic entities not only use equity in funding their operations, but also from other sources such as debt, both long-term and short-term. Therefore, the assessment needed by the company is not only from investors, but also from creditors. The bigger the loan given by the creditor, shows that the higher the trust given, this shows the company has a greater corporate value.

Research on company value as described above has been carried out by Lastanti (2004) which states that the structure of corporate governance positively influences corporate value, where firm value is proxied with Tobin's Q. The determining factor of calculating firm value with Tobin's Q is the equity market value variable, book value of total debt and book value of total equity where these variables are considered significant in calculating the value of the company.

2.1.3 Good Corporate Governance Principal

The National Governance Policy Committee in 2006 issued the General Guidelines for Good Corporate Governance in Indonesia. The GCG Guidelines are a guide for companies in building, implementing and communicating GCG practices to stakeholders. In the guideline the KNKG (National Committee on Governance Policy) describes the principles of GCG as follows:

1. Transparency

To maintain objectivity in conducting business, companies must provide material and relevant information in a way that is easily accessible and understood by stakeholders. This concept is needed in maintaining the objectivity of an organization or company in running a business by providing clear, accurate, easily accessible and understandable information and can be accounted for by all stakeholders in the organization or company.

2. Accountability

Companies must be able to account for their performance transparently and fairly. For this reason, the company must be managed correctly, measurably, and in accordance with the interests of the company while taking into account the interests of shareholders and other stakeholders. Accountability is a requirement needed to achieve sustainable performance. This concept is needed to see how far the performance has been produced by an organization and company. In this case, a performance must be managed appropriately and measurably to see how far the continuity between the planning process, organization, implementation and evaluation is carried out with the objectives of the organization or the company itself.

3. Responsibility

The company must comply with the laws and regulations and carry out responsibility for the community and the environment so that business continuity can be maintained in the long term and receive recognition as a good corporate citizen. This concept reflects the responsibilities of each individual or organization or company in complying with all tasks in the work, government rules and policies relating to the business activities of an organization or company. In this case, it is not only limited to responsibility in carrying out work between superiors and subordinates, but the responsibility of the organization or company to stakeholders to the surrounding community.

4. Independency

This concept can be used as self-actualization for organizations and companies that can stand alone and have competitiveness with their business environment. To facilitate the implementation of the GCG principles, companies must be managed independently so that each company organ does not dominate each other and cannot be intervened by other parties. In this case, the organization or company must have effective and efficient governance and be able to do it themselves without any domination or intervention from other parties, and be able to use and utilize the values that exist in the organization or the company itself to be able to used as a unique point between organizations and other companies, so they can compete in similar business fields.

5. Fairness

In carrying out its activities, companies must always pay attention to the interests of shareholders and other stakeholders based on the principle of fairness and equality. This concept is needed to maintain the stability of the company by maintaining fairness and equality for each member, stakeholder and other stakeholders in an organization or company with their respective portions. The essence of every part of the organization or company has the same opportunity to develop and contribute to the organization or company.

Based on the explanation of the five concepts above, this concept is very necessary for organizations or companies in applying the concept of Good Corporate Governance (GCG), which this concept can be used as a standard for measuring suitability and irregularities in achieving organizational or corporate goals. This concept can also be used to see the extent of an organization or company in managing available resources and can be informed, accountable and can be questioned for allocation to stakeholders.

Besides that, through this concept also, it can be seen also the extent to which the organization or company is able to provide its own governance and remain on the right track in achieving its objectives, by paying attention to the equalization of opportunities available to all parts of the organization or company.

2.1.4 Benefits of Implementing Good Corporate Governance

According to the 2001 Corporate Governance in Indonesia (FCGI) Forum, the benefits of implementing corporate governance include:

1. Improving company performance through the creation of better decision making processes, increasing operational efficiency of the company and further improving services to stakeholders.

2. Simplify obtaining cheaper funding so that it can further enhance corporate value.

3. Restoring investor confidence to invest in Indonesia.

4. Shareholders will be satisfied with the company's performance because it will simultaneously increase shareholders value and dividends.

2.1.5 Relationship between Good Corporate Governance and Corporate Value

Corporate governance is a mechanism for managing and managing businesses, as well as for increasing the prosperity of the company. The main purpose of good corporate governance is to increase added value for all stakeholders. A good corporate governance mechanism will provide protection to shareholders and creditors to regain investment in a reasonable, appropriate and efficient manner, and ensure that management acts as well as it does for the benefit of the company.

The success of good corporate governance is influenced by many factors, which can be broadly grouped into two, namely macro factors (regulation and state conditions) and micro factors (corporate governance mechanisms) within the company from the company's internal point of view, the success of good corporate governance is influenced by the proportion of share ownership, the proportion of the board of directors and commissioners and the role of the audit committee in the mechanism of good corporate governance.

Good implementation of good corporate governance and in accordance with applicable regulations, will make investors give a positive response to the company's performance, that funds invested in the company concerned will be managed properly and the interests of public investors will be safe. Trust of public investors in company management provides benefits to the company in the form of reducing cost of capital (capital costs).

Good company performance with low capital costs will encourage investors to invest in the company. The large number of interested investors will increase investment demand, so that the company's stock price will increase which is the company's growth chain and increase the prosperity of stakeholders which will ultimately increase the value of the company. Corporate governance aspects adopted Jensen and Meckling’s (1976) theory as the basis in order to create balance between management, shareholder and stakeholder’s interest. Perspectives of corporate governance actually consist of shareholder and stakeholder’s paradigm. This difference refers to understanding toward conception on purpose to establish a company that influences need for governance instrument. The perspective changes mindset of a company in which company should pay attention to shareholder and stakeholder's interest because its activities will affect the society considering that the company has developed relationship with various organizations or institutions inside or outside the company.

Therefore, trust and business ethics should become bases for this relationship. Legal approach of corporate governance means that the key mechanism of corporate governance is protecting external investors, both shareholders and creditors, through the legal system, which can be interpreted by law and its implementation, although the reputations and ideas that managers have can assist in getting investment. Variations in law and its implementation are central to understanding why companies in some countries are more likely to get investment than other companies. Several previous studies discuss correlation between Good Corporate Governance and corporate value. Wahab et al. (2007) who observed 440 companies listed in Malaysian Stock Exchange found a significant increase in Corporate Governance Index and it had a significant influence on shareholder's welfare measured using market to book value of equity. Connelly et al. (2012) revealed that corporate governance (Board Size, Board Independence) had a negative influence on corporate value (Tobin's Q). Jauhar (2014) stated that corporate governance (Independent Audit Committee Proportion, Independent Commissioner Proportion) had a significant and positive influence on corporate value (Tobin's Q and Closing Price).

Based on the previous studies, it may be concluded that there is a gap between the influence of Good Corporate Governance on corporate value and moderating variable is needed to evaluate the influence of Good Corporate Governance on company performance. This discrepancy creates opportunity for conducting an in-depth study on those variables.

2.1.6 Mechanism of Good Corporate Governance

According to Monks (2003) in Kaihatu (2006) good corporate governance (GCG) is a system that regulates and controls companies that create added value for all stakeholders. The corporate governance mechanism refers to a set of mechanisms that influence decisions that will be taken by managers when there is a separation between ownership and control. In this study, the mechanism of good corporate governance will be proxied by institutional ownership variables, management ownership, independent commissioners, audit committees and the size of the board of directors.

Beiner S., et al (2003) in Wulandari (2006) asserted theoretically that the number of board directors is an important indicator of governance mechanisms, because the board of directors can ensure that managers follow the interests of the board. While Lipton and Lorsch (1992) in Wulandari (2006) that the number of board of directors is included in indicators of corporate governance mechanisms and has a positive effect on company performance.

2.1.7 LQ45 Index in Indonesian Stock Exchange

The LQ45 index, compiled by the research and development division of the Indonesia Stock Exchange (IDX), consists of 45 stocks that meet a number of specific criteria. One of the key criteria is that these stocks are among the most liquid traded on the IDX. The composition of the LQ45 index is adjusted twice per year (in February and August). The criteria that have to be fulfilled by firms in order to be eligible to be included in the LQ45 index are:

1. Included in the top 60 companies/stocks with the highest market cap in the last 1 year.

2. Included in the top 60 companies/stocks with the highest transaction value in a regular market (transactions in cash and negotiation markets are not counted) in the last 1 year (in the end, 45 stocks of the highest market cap and also the most liquid would be taken).

3. Have been listed in the Indonesia Stock Exchange for at least 3 months.

4. Have good financial conditions, and good prospect of growth.

Every six months, the IDX will evaluate all of forty-five stocks that become constituents of the indices, which stocks that are no longer meets the four criteria above will be removed from the list and replaced by other stocks. However, in practice, the criteria that received the most attention is only the liquidity of the stock, that 45 stocks included in the LQ45 are the most liquid stocks in the Stock Exchange in term of transaction value (not the volume, nor the frequency of transactions).

While about the company's fundamentals, it only received small attention. Several years ago when the Bakrie Group still 'controls' the exchanges, where transaction value of the shares of Bumi Resources et al were still in tens or even hundreds million US Dollar per day, the stocks like BUMI, Bakrie & Brothers (BNBR), Bakrie Sumatera Plantations (UNSP), until Bakrieland Development (ELTY), all of them were permanent constituents of LQ45. Even damned stocks like Trada Maritime (TRAM) had also been included in the list of LQ45, simply because of its huge daily transactions value.

In addition, for professional investors/fund managers, stock liquidity is very important where the liquid stocks can be prioritized/purchased more than the illiquid ones, so the list of stocks that became constituents of LQ45 still needs to be considered. Brokers also need to pay attention to the constituents of LQ45, so that they would know what stocks that are traded the most, then recommend the stocks to their customers. Brokers usually only recommend liquid stock of LQ45 to its customers and rarely recommend stocks outside the list, especially if the stock is completely illiquid because illiquid stocks are not easy to be bought and also difficult to be sold. And if investors then just holding the stocks, the brokers will not generate a trading fee. Perhaps because LQ45 stocks are often recommended to the investors, then there is an impression that the forty-five stocks are the best stock picks in the Stock Exchange, but these are not.

2.1 THEORITICAL REVIEW

2.2.1 Agency Theory

Agency theory calls the owner the principal, while the manager as the agent. Agency theory illustrates that agents have the authority to manage companies and make decisions on behalf of investors. An agency conflict can occur if there are differences of interests between the owner of the company and its managers, so that it can lead to information asymmetry which is due to the owner of the company (principal) not playing an active role in the management of the company. Principals delegate authority and responsibility for management of companies to professional managers (agents) to do work on behalf of and for their interests. This delegation of authority causes managers to have incentives to make strategic, tactical and operational decisions that can benefit them, so that conflict of agency (agency conflict) emerges that is difficult to harmonize (Lestari, 2013).

Agency theory is very difficult to implement and has many obstacles and is still inadequate, so a clearer concept is needed regarding the protection of stakeholders. The concept must relate to issues of conflict of interest and agency costs that arise, so that a new concept develops that pays attention to and regulates the interests of the parties related to ownership and operation (stakeholders) of a company, namely the concept of corporate governance.

Agency relations perspective is the basis used to understand corporate governance. Jensen and Meckling (1976) stated that agency relations is a contract between a manager (agent) and an investor (principal). A conflict of interest between the owner and agent occurs because the possibility of an agent does not always act in accordance with the interests of the principal, thus triggering agency costs.

2.2.2 Stakeholder Theory

Guthrie et al. (2004) revealed according to stakeholder theory states that stakeholders have the right to be informed of how corporate activity affects the stakeholders (Bhattacharjee et al, 2017). Omran and El-Galfy (2014) claimed that the rationale of the stakeholder theory is that the existence of a company continues depending on the support of its stakeholders and therefore the company's management will be involved and report the activities expected by the stakeholders (Whiting & Birch, 2016).

While Ghozali and Chariri (2007) argued according to stakeholder theory, it is stated that a company is not an entity that operates only for its own sake, but must benefit their stakeholders. The company's stakeholders consist of shareholders, creditors, customers, suppliers, governments, communities, analysts and others (Prabowo & Purwanto, 2014).

Based on the description and explanation of the weaknesses, the researcher makes a renewal of this research by adding institutional ownership ownership variable in accordance with the suggestion from Siti Muntiah (2014). This study aims to identify the factors that influence the company's value. The main variables used in this research are board size, independent board of comissioner, institutional ownership, audit committee, and management ownership.

2.3 HYPOTHESES DEVELOPMENT

This study will examine the influence of corporate governance related to management ownership, independent commissioner, institutional ownership, board size, and audit committee on mechanisme toward company's value.

2.3.1 The Effect of Institutional Ownership on Company Values

The concentration of institutional ownership is the company's shares owned by institutions or institutions such as insurance companies, investment companies and ownership of other institutions (Tarjo, 2008). An institution is an institution that has a great interest in investments made including stock investments. So that institutions usually assign responsibility to certain divisions to manage the company's investment. Because institutions monitor professionally the development of their investments, the level of control over management actions is so high that financial potential can be reduced (Lastanti, 2004). The existence of this institution is able to become an effective monitoring tool for the company.

Institutional ownership has an important role in minimizing agency conflicts that occur between managers and shareholders. The existence of institutional investors is considered capable of being an effective monitoring mechanism in every decision taken by the manager.

According to Tarjo (2008) that institutional ownership has a significant effect on shareholder value. This means that institutional ownership is a reliable mechanism so that it can motivate managers to improve their performance, which in turn can increase the value of the company.

In Indonesia itself, the ownership structure of public companies is highly concentrated in institutions, namely owners of public companies in the form of institutions, not owners on behalf of individuals. The majority of institutions are in the form of domestic Limited Liability Companies (Wulandari, 2005).

H1: Institutional ownership has a positive effect on firm value.

2.3.2 The Effect of Management Ownership on Company Values

The problem that often arises from this ownership structure is the agency conflict, where there is an interest between company management as a decision maker and shareholders as the owner of the company (Haruman, 2008). Management ownership will encourage management to increase company value. This result is in accordance with the research of Jensen and Meckling (1976) which proves that the structure of shareholding variables by management has a positive influence on firm value.

Management ownership is the proportion of shareholders of management who actively participate in corporate decision making. With the existence of management ownership in a company, it will lead to interesting suspicion that the value of the company increases as a result of increased management ownership. Ownership by large management will be effective in monitoring company activities.

With a high proportion of ownership, the manager will feel that he has a company, so he will do his best to take actions that can maximize his prosperity. This is based on logic, that increasing the proportion of shares held by managers will reduce the tendency of managers to take excessive action. Thus, it will unite the interests of managers and shareholders, this has a positive impact on increasing the value of the company.

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

2.3.3 The Effect of the Independent Board of Commissioners on Company Values

The independent board or independent board of commissioners is the number of independent board members in the company. The increasing number of independent commissioners indicates that the independent board of commissioners performs a better function of supervision and coordination in the company.

The board of commissioners plays an important role in the company, especially in the implementation of GCG. The board of commissioners is the core of corporate governance that is assigned to guarantee the company's strategy, oversee managers in managing the company, and require accountability.

Because the board of commissioners is responsible for overseeing management in charge of increasing the company's efficiency and competitiveness, the board of commissioners is the center of the company's resilience and success. The board of commissioners must also monitor the effectiveness of good corporate governance practices implemented by the company, and make adjustments whenever needed. The demand for transparency and independence can be seen from the demand that companies have more independent commissioners who oversee the actions of executives (Lastanti, 2004).

H3: Independent commissioners has a positive effect on company value.

2.3.4 Effect of the Audit Committee on Company Values

An audit committee is a group of people selected from the board of commissioners of a company who are responsible for assisting auditors in maintaining their independence from management. In the attachment to the decision of the board of directors of PT. Jakarta Stock Exchange No. Kep-315 / BEJ / 06-2000 point 2F, the regulation on the formation of an audit committee states that "Audit Committee is a committee formed by the board of commissioners of a Listed Company whose members are appointed and dismissed by the Board of Commissioners of the Listed Company to assist the Board of Commissioners necessary research on the implementation of the functions of directors in the management of the Listed Company.

If the quality and characteristics of the audit committee can be achieved, the transparency of the company's management accountability can be trusted, so that it will increase the trust of capital market players. In addition, the responsibility of the audit committee in protecting the interests of minority shareholders can convince investors to entrust their investment to the company.

H4: Audit committee has a positive effect on company value.

2.3.5 Effect of the Size of the Board of Directors on Company Values

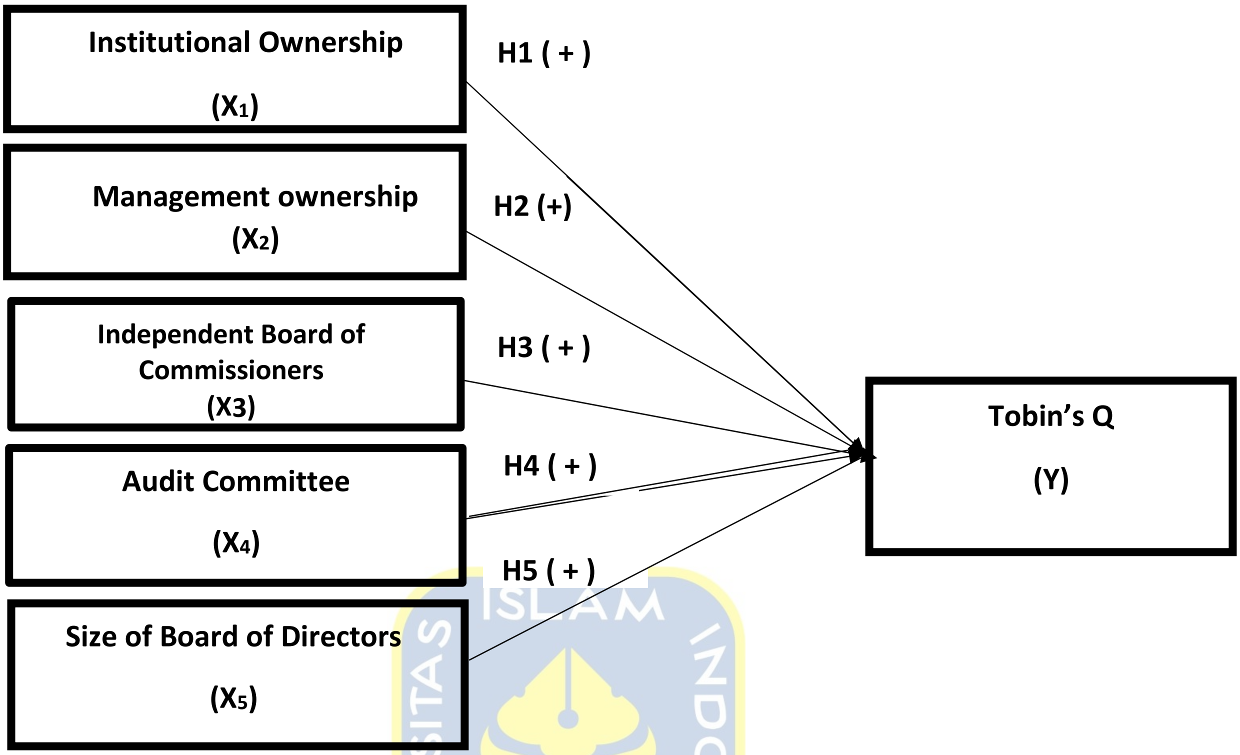
Board size is the number of boards of directors in a company, the more boards in a company will provide a better form of corporate performance, with good and controlled company performance, it will produce good profitability and will be able to increase the company's share price and company value will also increase. This is in line with the research conducted by Isshaq, et al (2009), the results of his research indicate that there is a positive significant relationship between board size and firm value. S. Beiner, et al (2003) asserts that the board of directors is an economic institution that helps solve agency problems inherent in public companies. The board of directors is responsible for the governance of their company (Adrian Cadbury at Cadbury Comittee, 1992). The board of directors has the duty to run company management. Cadbury advises the CEO to separate from the board of commissioners.

The size and composition of the board of directors can affect the effectiveness of monitoring activities. According to Pfefer (1973) and Pearce and Zahra (1992) in Faisal (2005) that increasing the size and diversity of the board of directors will provide benefits to the company because of the creation of a network with outside parties and guaranteeing the availability of resources. A large number of boards benefits the company from a resource dependence standpoint, namely that the company will depend on its board to be able to better manage its resources.

H5: The size of the board of directors has a positive effect on firm value.

2.4 Conceptual Framework

Figure 2.1 Research Framework



2.5 Formulation of the Hypothesis (Hypothesis Development)

Based on the theoretical foundation, previous research and framework, the hypotheses to be tested are as follows:

H1: Institutional ownership has a positive effect on company's value.

H2: Management ownership has a positive effect on company's value.

H3: Independent board of commissioners have a positive effect on company's value.

H4: Audit committee has a positive effect on company's value.

H5: The size of the board of directors has a positive effect on company's value.

CHAPTER III

RESEARCH METHODS

3.1 POPULATION AND SAMPLE

The population of this study are all companies listed on the LQ45 index on the Indonesia Stock Exchange from the period 2013 to 2017. Sampling of this study was conducted by using purposive sampling method, which is a sampling technique of the population based on certain criteria. The specific criteria are:

1. Companies listed on the LQ45 index on the Indonesia Stock Exchange from the period 2013 to 2017.
2. Companies that issue annual report and financial statements during 2013 to 2017 respectively.
3. Companies always generate profit during the period of 2013 to 2017 respectively.
4. Companies that provide complete data of variables that will be investigated in the company's financial statements during 2013 to 2017 respectively.

3.2 RESOURCE AND METHOD OF DATA COLLECTION

3.2.1 Resource and Data Type

The type of data used in this study is secondary data in the form of quantitative data obtained from the annual financial statements of companies listed on LQ45 index in the Indonesia Stock Exchange from 2013 to 2017. Annual financial statement data obtained from the Indonesia Stock Exchange by accessing through the website namely (www.idx.co.id) and companies official websites.

3.2.2 Method of Data Collection

Methods of data collection is the way used to obtain data used in research. Data collection method used in this research used secondary data collected by documentation study on annual financial report of companies during 2013 until 2017.

3.4 OPERATIONAL DEFINITION AND VARIABLE MEASUREMENT

This research used four independent variables and one dependent variable. Which is aims to analyze the effect of board size, independent directors, board meetings, profitability, types of auditors, and management ownership toward intellectual capital disclosure. Therefore, there are 2 types of variables that will be defined in this study, namely independent and dependent variables.

3.4.1 Independent Variables

Independent variables in this reasearch was institutional ownership, management ownership, independent of board of comissioners, audit committee, and board size of directors. The variable that is stable and unaffected by the other variables the researcher trying to measure.

3.4.1.1 Board Size of Directors (X_1)

Jensen et al. (1976) claimed a board size refers to the number of directors serving in the board of directors. While Li et al. (2008) stated that the board may consist of executive directors and independent, non-expressed executive directors. This study used proxies that have been used by previous research (Isshaq Zangina, 2009) in Susanti (2010) that can be measured by :

$$\mathbf{X_1 = Total\ of\ members\ of\ board}$$

3.4.1.2 Audit Committee (X_2)

The size of the audit committee is one of the supporting characteristics the effectiveness of the audit committee's performance in a company. The bigger the size audit committee will certainly be better for the company. This shows maximum supervision. In this study, the size of the audit committee was measured by comparing the number of all audit committee members in one company. According to Nasution and Setiawan (2007) the audit committee is measured by the number of audit committee members.

$$\mathbf{X_2 = \text{Total of members of audit committee}}$$

3.4.1.3 Independent Board of Commissioners (X_3)

Independent An independent commissioner is all commissioners who have no interests substantial business in the company. Independent commissioner who has at least a minimum 30% (thirty percent) of the total number of members of the board of commissioners, means that they have fulfill guidelines for good corporate governance to maintain independence, retrieval effective, appropriate and fast decisions.

This study used proxies that have been used by previous research namely (Carningsih, 2009), Dervish (2009), and Apriyanti and Juliarto (2006):

$$X_3 = \frac{\Sigma \text{ member of independent commissioners}}{\Sigma \text{ member of the board of commissioners}} \times 100\%$$

3.4.1.4 Institutional Ownership (X_4)

Institutional ownership is the proportion of share ownership by internal institutions this is the institution that founded the company, not the institution of public shareholders. Existence of institutional ownership can professionally monitor the development of its investment, hence the level of control over management is so high that the potential for fraud can be pressed. This ratio can be formulated as follows (Darwis, 2009):

$$\mathbf{X_4 = \frac{\Sigma \text{ of shares owned by the institutions}}{\Sigma \text{ of shares owned by the company}} \times 100\%}$$

3.4.1.5 Management Ownership (X_5)

Management ownership means the manager in the company has a sharing ownership in the company to test whether there is a difference between managers having the company shares and managers who do not have in the company. Managerial ownership is the level of management ownership who actively participate in company decision making (directors and commissioners). Large share ownership in terms of economic value has harmonizing incentives interests with principals.Therefore, to measure this proxy, the researcher used references from the research conducted (Herawaty, 2008) and (Darwis, 2009):

$$\mathbf{X_5 = \frac{\Sigma \text{ of shares owned by the management}}{\Sigma \text{ of shares owned by the company}} \times 100\%}$$

3.4.2 Dependent Variable

The variable that depends on other factors that are measured. These variables are expected to change as a result of an experimental manipulation of the independent variable or variables. The dependent variable in this study is the measured company value use Tobin's Q.

3.4.2.1 Corporate Value (Tobin's Q)

Company value is measured using PBV (Price Book Value) or often also called Market to book Ratio (Atmaja, 2008: 417). Tobin's Q is calculated by comparing the ratio of market value of company shares to the book value of company equity (Weston and Copeland, 2001). The Q ratio is superior to the ratio of market value to book value because this ratio focuses on what the current value of the company is relative to how much it costs to replace it now. Price ratio for the value of this book is a function of future profitability relative to book value and growth book value (Subramanyam, 2005: 43).

This ratio measures the value given by financial markets to management and company organization as a company that continues to grow (Brigham, 1999: 92). Company performance is a concept for reflects future company profits from current profits this, measured by Tobin Q model. Determination of Tobins (Q) values is as follows:

$$\text{Tobin's Q} = \frac{\Sigma \text{ of market value of the company}}{\Sigma \text{ of asset value of the company}}$$

3.5 DATA ANALYSIS METHOD

Descriptive research is a study that includes data collection to tested hypothesis or answering the latest status of research subjects (Kuncoro, 2004). Data collection techniques using purposive sampling that comes from documents, websites, journals, articles, scientific papers and records in mass media. The secondary data obtained were processed using SPSS. This research used several statistical tools which were descriptive statistic, Normality test and hypothesis testing.

3.5.1 Descriptive Statistics

Descriptive statistics are numerical presentation of data. Descriptive statistics presents numerical measures that are very important for sample data in the form of frequency distribution, including standard deviation, average, minimum value, maximum value, and variables studied. Descriptive statistics describe the data into a clearer and easily understood information. Descriptive statistics is intended to provide an overview of distribution and the behavior of the sample data (Ghozali, 2006)

3.5.2 Classic Assumption Test

In this study used the classic assumption test before testing the hypothesis by using multiple regression analysis. Test for the classic assumptions used in this study include four testing, namely, data normality test, heteroscedasticity test, autocorrelation test and multicollinearity test.

3.5.1.1 Normality Test

Normality test is required to perform other variable tests by assuming that the residual value follows the normal distribution. This test is carried out before the data processed. Normality test aims to test whether in a regression model, variables dependent, independent variable or both have a normal distribution or not (Ghozali, 2006). Detecting the normality of data whether or not it is normally distributed with using the Probability Plot test. Probability Plot is done by making a hypothesis:

H0: residual data is normally distributed, if the plot or data was spread around nearby line diagonal and follow through line diagonal.

HA: residual data is not normally distributed, if the plot or data was spread far from line diagonal and spread out from line diagonal.

The normality test is used to test whether the data is normally distributed or not. Good data is normally distributed.

3.5.2 Multiple Regression Analysis

This research used multiple regression analysis method for hypothesis testing. Multiple regression method is a statistical method to test the relationship between several independent variables to one dependent variable. Regression analysis is done to find out how big the relationship between independent variable with the dependent variable.

The model in multiple regression to see the influence of corporate governance with the proxy using institutional ownership, management ownership, independent board of commissioners, audit committee, and size board of directors toward corporate value in this research is:

$$\text{Tobin's Q} = \alpha + \beta 1 \text{ INOWN} + \beta 2 \text{ MGOWN} + \beta 3 \text{ INCOM} + \beta 4 \text{ AC} + \beta 5 \text{ SIZED} + e$$

Where,

Tobin's Q	= company's value
α	= Constants
β	= Regression coefficient
INOWN	= Institutional ownership
MGOWN	= Management ownership
INCOM	= Independent board of commissioners
AC	= Audit committee
SIZED	= Size board of directors
e	= Coefficient error

3.6 OPERATIONAL HYPOTHESIS

3.6.1 Institutional Ownership

Ho1; $\beta_1 \leq 0$: Institutional ownership has no positive effect on company's value.

HA1; $\beta_1 > 0$: Institutional ownership has a positive effect on company's value.

3.6.2 Management Ownership

Ho2; $\beta_2 \leq 0$: Management ownership has no positive effect on company's value.

HA2; $\beta_2 > 0$: Management ownership has a positive effect on company's value.

3.6.3 Independent Board of Commissioners

Ho3; $\beta_3 \leq 0$: Independent board of commissioners has no positive effect on company's value.

HA3; $\beta_3 > 0$: Independent board of commissioners has a positive effect on company's value.

3.6.4 Audit Committee

Ho4; $\beta_4 \leq 0$: Audit committee has no positive effect on company's value.

HA4; $\beta_4 > 0$: Audit committee has a positive effect on company's value.

3.6.5 Size Board of Directors

Ho5; $\beta_5 \leq 0$: Size board of directors has no positive effect on company's value.

HA5; $\beta_5 > 0$: Size board of directors has a positive effect on company's value.

3.7 DETERMINATION COEFFICIENT TEST (R2)

The coefficient of determination (R2) essentially measures how far the model's ability to explain variations of independent variables. The coefficient of determination is between zero and one. The small value of R2 means the ability of independent variables to explain the variation of dependent variable is limited. A value close to one means that the independent variables provide almost all the information needed to predict the variation dependent variable.

3.8 STATISTICAL T-TEST

The statistical T-test is used to test partially between the independent variables to the variables associated with the assumption that other variables are considered as constant. The highest regression coefficient is the most dominant coefficient affecting the dependent variable of the research. Testing is done by using significance level of 0.05 ($\alpha = 5\%$). Acceptance or rejection of the hypothesis is done by following the criteria:

1. If p value > 0.05 then Ho is accepted and Ha is rejected. It is stated that the partial independent variable has no significant effect on the dependent variable.

2. If p value < 0.05 then Ho is rejected and Ha is accepted. It is stated that the partial independent variables have a significant effect on the dependent variable.

CHAPTER IV

DATA ANALYSIS AND DISCUSSION

In this chapter, the researcher will explain about data analysis and research result about the analysis of corporate governance's influence, especially on institutional ownership, management ownership, independent commisioners, audit committee, and size of directors toward company's value. Based on the theory that the researcher have explained before, the researcher will analyze the data collected. The analysis of the data is in accordance with problem formulation and hypothesis that the researcher has presented previously in Chapter 2. This is to test whether the hypothesis the researcher has put forward is acceptable or rejected.

4.1 DESCRIPTION OF OBJECT OF THE RESEARCH

This study aims to determine the effects of institutional ownership, management ownership, independent commisioners, audit committee, and size of directors toward company's value. The objects of this study are companies listed on LQ45 category in Indonesia Stock Exchange in 2013 - 2017. The research used purposive sampling technique as mentioned in the previous chapter. Based on the criteria that have been determined, then 40 companies successfully selected, so that the number of data obtained were 200 data (40 companies x 5 years of research). The sample selection is described in Table 4.1 as follows:

Table 4.1 Sample Selection

NO.	CRITERIA	TOTAL
1.	Companies listed on the LQ45 index on the Indonesia Stock Exchange from the period 2013 to 2017.	54
2.	Companies that do not had lost or get profit during 2013 to 2017 respectively.	54
3.	Companies that do not issue annual financial statements during 2013 to 2017 respectively.	(7)
4.	Companies that provide complete data of variable variables that will be investigated in the company's financial statements during 2013 to 2017 respectively.	(7)
	Number of Corresponding Companies Criteria	**40**
	Total Data for 5 years (40 x 5)	**200**

4.2 DESCRIPTIVE STATISTICS

Descriptive statistical analysis is used to provide description of sample data. Descriptive statistics include mean, median, maximum, minimum, and standard deviation of each variable in the study. The descriptive statistics consisting of institutional ownership (INOWN), management ownership (MGOWN), Independent of commissioners (INCOM), audit committee (AC), size board of directors (SIZED), and company’s value (Tobin’s Q) are described as follows

Table 4.2

Descriptive Statistics Analysis Results

	TOBIN'S Q	SIZED	AC	INCOM	INOWN	MGOWN
Mean	2.68	7.00	3.39	41.83	0.0007	0.2942
Median	2.06	7.00	3.00	40.00	0.0000	0.1709
Max	9	11.00	6	80.00	3.39	3
Min	1	4.0	0.0000	0.0000	0.0000	0.0000
Std. Dev.	1.836	1.953	1.102	13.670	0.0023	0.3770
Sum	536	1399	678	8366	0.1540	58.8532
Obs	200	200	200	200	200	200

Source: Output SPSS 24, 2019.

Based on the results of descriptive statistical analysis shown in the table above, it can be concluded as follows:

1. In the Tobin's Q variable, the mean value 2.68 with the standard deviation of 1.836. This value shows the mean value of sample companies information in the amount of 2.68 (2.68%). The standard deviation value is smaller than the mean value, indicating that the Tobin's Q data is homogeneous. The highest Tobin's Q score of the sample firms is 9, which is far from the number 1 (>1), indicating that firms share performances was good management information. The median of ICDI is 2.06, while the lowest value of Tobin's Q is 1. This indicates that the company had good market share performance continues.`

2. In the board size variable (SIZED), the mean value is 7.00 with a standard deviation of 1.953. The standard deviation value is smaller than the mean avalue. This indicates that the BSIZE data is homogeneous. The mean value shows that the number of board members in Indonesia is 7 persons. The maximum value of BSIZE in the sample company is 11. The middle value of BSIZE is 7, while the minimum value of BSIZE is 4.

3. In the audit committee (AC) variable, the mean value is 3.39 with the standard deviation of 1.102. This value shows the mean of the companies to have independent directors in board with the value of 3.39 (3.39%). The standard deviation value is smaller than the mean value indicating that the AC data is homogeneous. The maximum value of the sample firms 6, which is far to 1, indicating that firms has audit committee. The greater the value indicates the more audit committee in board. The median of AC is 3.00, while the minimum value of AC is 0.0000 which is far from the number 1, which indicates that the company has no or fewer audit committee in board.
4. In the independent of commissioners (INCOM) variable, the mean value is 41.83 with the standard deviation of 13.670. The standard deviation value is smaller than the mean value, indicating that the INCOM data is homogeneous. The standard deviation value is smaller than the mean value indicating that the INCOM data is homogeneous. The maximum value of the sample firms is 80.00, which is far to 1, indicating that firms have independent of commissioners. The greater the value indicates the more independent of commissioners in board. The median of INCOM is 40.00, while the minimum value of INCOM is 0.0000 which is far from the number 1, which indicates that the company has no or fewer independent of commissioners in board.
5. In the institutional of ownership (INOWN) variable, the mean value is 0.0007 with the standard deviation of 0.0023. This value indicates that the level of institutional of ownership in Indonesia is still relatively low because it only has the ownership value of 0.07%. The standard deviation value which is bigger than the mean value indicates that the INOWN data is heterogeneous. The maximum INOWN value of the sample company is 3.39, while the minimum INOWN value is 0.

6. In the management ownership (MGOWN) variable, the mean value is 0.2942 with the standard deviation 0.3770. This value indicates that the level of managerial ownership in Indonesia is already higher because it has the ownership value of 29.42%. The standard deviation value which is bigger than the mean value indicates that the MGOWN data is heterogeneous. The maximum MGOWN value of the sample company 3, while the minimum MGOWN value is 0.

The heterogeneous data is a source of data whose elements have different characteristics or circumstances (diverse) so that it needs to set limits, both qualitatively and quantitatively (Dahlan, 2014). While homogeneous data is a set of data with almost similar values and characteristics and is considered not to have a significant difference between one another.

4.3 CORRELATION ANALYSIS

Correlation is a testing tool used to measure the existence of a linear relationship between one variable and other variables. Two correlated variables will affect each other so that if there is a change in one variable it will be followed by changes in other variables, either with the same direction or the opposite. Here are the results of correlation test relationships between variables:

Table 4.3

Correlation Test Result

	SIZED	AC	INCOM	INOWN	MGOWN
SIZED	1.00	0.321	0.398	-0.028	-0.021
AC	0.321	1.00	0.115	0.110	-0.174
INCOM	0.398	0.115	1	-0.063	-0.151
INOWN	-0.028	0.110	-0.0063	1	-0.051
MGOWN	-0.021	-0.174	-0.151	-0.051	1

Source: Output SPSS 24, 2019.

Based on the results of correlation analysis shown in the table above, it can be concluded as follows:

1. SIZED variable has the same direction or positive correlation as AC of 0.321, and INCOM of 0.398. In addition, SIZED variable also has an opposite correlation or negative correlation with INOWN of -0.028 and MGOWN of -0.021.

2. AC variable has the same direction or positive correlation as SIZED of 0.321, INCOM of 0.115, and INOWN of 0.110. In addition, AC variable also has an opposite correlation or negative correlation with MGOWN of -0.174.

3. INCOM variable has the same direction or positive correlation as SIZED of 0.398, and AC of 0.115. In addition, INCOM variable also has an opposite correlation or negative correlation with INOWN of -0.063 and MGOWN of -0.151.

4. INOWN variable has the same direction or positive correlation as AC of 0.110. In addition, INOWN variable also has an opposite correlation or negative correlation with SIZED of -0.028, INCOM of -0.0063, and MGOWN of -0.051.

5. MGOWN variable has no the same direction or positive correlation with any variables. In addition, MGOWN variable has an opposite correlation or negative correlation with SIZED of -0.021, AC of -0.174, INCOM of -0.151, and INOWN of -0.051.

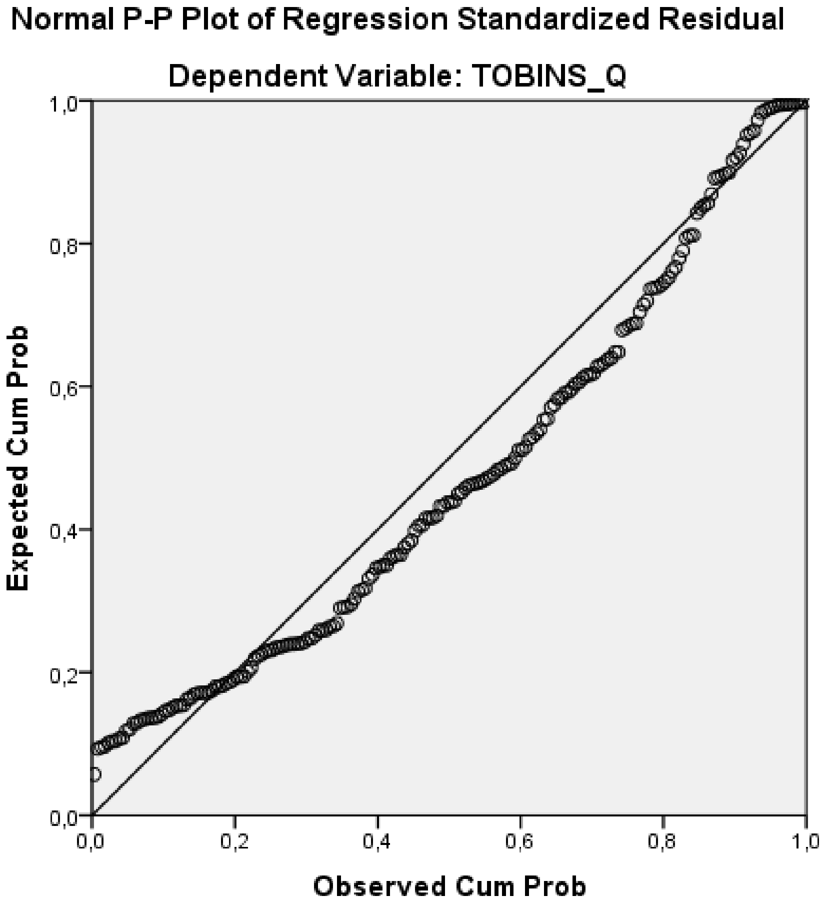
4.4 CLASSIC ASSUMPTION TEST

4.4.1 Normality test

Normality test aims to test whether in the regression model, residual has a normal distribution. Normality test is required because to perform other variable tests by assuming that the residual value follows the normal distribution. If this assumption is violated then the statistical test becomes invalid and the parametric statistics cannot be used. One of the methods used for normality test is by using Probability Plot test. Test results of normality of as follows:

Table 4.4

Probability Plot Normality Test Result



Source: Output SPSS 24, 2019.

Based on the results of the normality test can be seen in the Table 4.4, the data or plot is spread around line diagonal and follow through line diagonal. The result can be concluded that the residual data in this regression model is stated to have normal distribution.

4.5 MULTIPLE LINEAR REGRESSION ANALYSIS

This research used multiple regression analysis method for hypothesis testing. Multiple regression method is a statistical method to test the relationship between several independent variables to one dependent variable.

The model used in multiple regression to see the influence of corporate governance with the proxy used is institutional ownership (INOWN), management ownership (MGOWN), Independent of commissioners (INCOM), audit committee (AC), size board of directors (SIZED), and company's value (Tobin's Q). The results of multiple linear regression analysis are as follows:

Table 4.5

Results of Multiple Linear Regression Analysis

Variable	Coefficient	z-Statistic
C	3.240	
SIZED	-0.196	0.757
AC	0.089	0.856
INCOM	0.015	0.816
INOWN	23.447	0.979
MGOWN	-0.512	0.942
R-Squared	0.052	
Adjusted R-squared	0.027	

Source: Output SPSS 24, 2019.

Based on the output from Table 4.5 above, the model of multiple linear regression equation is as follows:

Tobin's Q = 3.240 - 0.196 *SIZED – 0.089 *AC + 0.015 *INCOM + 23.447 *INOWN – 0.512*MGOWN

The multiple linear regression equation above explains that in this research, audit committee (X2), Independent of commissioners (X3), and institutional ownership (X4) have positive influence toward company's value (Y) and board of directors (X1) and management ownership (X5) have negative influences on company's value (Y).

From the result of the model of regression equation above, the conclusions that can be drawn are as follows:

1. Conversion value of constant is 3.240. This result can be interpreted that if the value of all independent variables is 0, then the magnitude of (Y) will be 3.240.
2. The value of regression coefficient of size of directors (SIZED) is equal to -0.196. This result can be interpreted that if SIZED rises to one unit, then company's value (Y) will increase by -0.196 assuming that all other independent variables of the regression model are constant.
3. The value of regression coefficient of audit committee (AC) is equal to 0,089. This result can be interpreted that if AC rises to one unit, then company's value (Y) will decrease by 0.089 assuming that all other independent variables of the regression model are constant.
4. The value of regression coefficient of independent of commissioners (INCOM) is equal to 0.015. This result can be interpreted that if INCOM rises to one unit, then company's value (Y) will increase by 0.015 assuming that all other independent variables of the regression model are constant.
5. The value of regression coefficient of institutional ownership (INOWN) is

equal to 23.447. This result can be interpreted that if INOWN rises to one unit, then company's value (Y) will decrease by 23.447 assuming that all other independent variables of the regression model are constant.

6. The value of regression coefficient of management ownership (MGOWN) is equal to -0.512. This result can be interpreted that if MGOWN rises to one unit, then company's value (Y) will increase by -0.512 assuming that all other independent variables of the regression model are constant.

4.6 HYPOTHESIS TESTING

4.6.1 F-Test

F-test was used to test for the statistical significance of a set or group of independent variables (Lastanti, 2005). This research used 5% of significance level. The hypothesis will be accepted if ρ- value is less than 0.05 and will be rejected if ρ-value is more than 0.05. F-test was used to test for the statistical significance of a set or group of independent variables (Lastanti, 2005). This research used 5% of significance level. The hypothesis will be accepted if ρ-value is less than 0.05 and will be rejected if ρ-value is more than 0.05.

Table 4.6

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	34,667	5	6,933	2,114	,045[b]
	Residual	636,418	194	3,281		
	Total	671,085	199			

a. Dependent Variable: TOBINSQ

b. Predictors: (Constant), INOWN, SIZED, MGOWN, AC, INCOM

Source: Output SPSS 24, 2019.

The number of significant is 0.045 which is less than significant value 0.05, it means that all of independent variables; Board Size; Audit Committee; Independent Commissioner; Institutional Ownership;

Management Ownership; simultaneously effect on dependent variable; Company's value.

4.6.2 T-Test

The statistical T test basically shows how far the influence of one independent variable individually explains the variance of the dependent variable, cites in Sugiyono, 2007 . This test is accepted when the value of sig. t statistics <0.05. T test is conducted to test the level of significance of the influence of independent variables on the dependent variable individually or partially.

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Table 4.7

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	3,240	,626		5,177	,000		
SIZED	-,196	,076	-,208	-2,587	,010	,757	1,322
AC	,089	,126	,054	,709	,479	,856	1,169
INCOM	,015	,010	,114	1,468	,144	,816	1,225
MGOWN	23,447	55,046	,030	,426	,671	,979	1,022
INOWN	-,512	,351	-,105	-1,458	,146	,942	1,062

a. Dependent Variable: TOBINSQ

Source: Output SPSS 24, 2019.

1. If p value > 0.05 then Ho is accepted and Ha is rejected. It is stated that the partial independent variable has no significant effect on the dependent variable.
2. If p value < 0.05 then Ho is rejected and Ha is accepted. It is stated that the partial independent variables have a significant effect on the dependent variable.

4.6.2.1 Effect of Institutional Ownership on Company's Value.

Based on the tests that have been done, the results can be obtained that the institutional ownership has a coefficient value of -0.512. This research stated that $H1$: institutional ownership has a positive and significant effect to company's value. The test result show the significant value of size of directors is 0.146 which is more than 0.05. This shows that institutional ownership has a no positive and significant effect on corporate's value measured by Tobin's Q. The lower number of institutional ownership, the higher company's value will be. It can be concluded that HA1 hypothesis which expects institutional ownership through the number of ownership **not proven in this study or rejected**. Therefore, it can be interpreted that the number of institutional ownership can decrease the company's value.

Institutional ownership means that the institution in the company has shared ownerships in the company. Ahmed and Siddiqui (2011) revealed that institutional ownership allows public to concentrate on dominating the firm and deciding on strategies and policies about the organization's social behavior.

4.6.2.2 Effect of Management Ownership on Company's Value.

Based on the tests that have been done, the results can be obtained that the management ownership has a coefficient value of 23.447. This research stated that $H2$: management ownership has a positive and significant effect to company's value. The test result show the significant value of size of directors is 0.671 which is more than 0.05. This shows that management ownership has a positive and no significant effect on corporate's value measured by Tobin's Q. The higher number of management ownership, the higher company's value will be. Then, it can be concluded that HA2 hypothesis which expects management ownership through the number of ownership has positively affects the company's value **is proven in this study or accepted**. Therefore, it can be interpreted that the number of management ownership can increase the company's value.

Management ownership means that the manager in the company has shared ownerships in the company. The greater the proportion of managerial ownership the manager will be motivated to fulfill the interests of shareholders in which the managerial party acts as a shareholder as well. In order to realize good governance in managerial ownership, the principle of transparency and responsibilities need to be more emphasized in order to provide information needed by stakeholders so that the company will increase intellectual capital disclosure. In line with agency theory, the ownership of management of the company's shares is considered to align the potential difference of interests between the outside shareholders and management so that the problem of the agent is assumed to be lost if a manager is also an owner (Fitriani, 2016). If the agency conflict can be reduced, the manager is motivated to improve the company's performance.

The dual roles of the management who are also stakeholders will make the management more cautious in making decisions because the management will share benefits both directly and indirectly from the decisions taken. The management will also share the loss if the decision is wrong. Giving managers the opportunity to engage in shareholding aims to equalize the interests of managers with shareholders. The involvement of the manager encourages managers to act cautiously because they will share the consequences of their decisions. In addition, managers will be motivated to improve their performance in managing the company (Pujiati, 2015).

4.6.2.3 Effect of Independent of Commissioners on Company's Value.

Based on the tests that have been done, the results can be obtained that the independent of commissioners has a coefficient value of 0.015. This explains that the value of beta coefficient independent of commssioners of 0.015 can explain the company's value of 0.015 or can be interpreted that every change into one unit of INCOM can cause changes in company's value with the value of 0.015. It is also obtained that significant value of independent of commissioners 0.144 (> 0.05). This shows that the INCOM does affect the company's value so that $HA3$: independent of commssioners has a positive and no significant effect to company's value expecting independent of commssioners to positively affect the company's value is **proven in this study or accepted**.

In the research done by Whiting & Birch (2016), resource dependent theory recommended for more independent of commssioners on the board, arguing that they provide wider expertise, prestige and contact and play a key role in influencing disclosure. This argument is in line with what Eng and Mak (2003) said that independent of commssioners can further influence the company to disclose more information to outside investors. Jensen and Meckling, (1976) stated that based on agency theory, independent of commssioners can increase the effectiveness of the board of commissioners (Aryani & Prabowo, 2011).

In Indonesia, the provisions on independent of commssioners are discussed in OJK Regulation no. 33 / POJK.04 / 2014 regarding the Board of Directors and Board of Commissioners of Issuers or Public Companies. An independent director is a director who has no affiliation relationship with the principal shareholder no later than 6 months prior to appointment, has no affiliation relationship with the Board of Directors and Board of Commissioners, does not serve as a Board of Directors or Board of Commissioners at another company and not an insider of an institution or capital market supporting institutions or professions that have been hired by issuers.

The independent of commssioners makes better monitoring and management works to protect the best interests of the property in connection with the board controlled by the internal commssioners. A larger presence of independent of commssioners in the board of commssioners plays a more effective "supervisor" oversight of non-financial information presented in the annual financial statements. Therefore, the amount of independent of commssioners composition is not very significant toward company's value,

4.6.2.4 Effect of Audit Committee on Company's Value.

Based on the tests that have been done, the results can be obtained that the audit committee has a coefficient value of 0.089. This explains that the value of beta coefficient audit committee which is 0.089 can explain the company's value with the value of 0.089 or can be interpreted that every change into one unit of AC can cause changes in company's value 0.089. It is also obtained that significant value of audit committee 0.479 (> 0.05). This shows that the AC does affect the company's value so that $HA4$: audit committee has a positive and no significant effect to company's value expecting audit committee to positive affect the company's value **is proven in this study or accepted.**

4.6.2.5 Effect of Size of Directors on Company's Value

Based on the tests that have been done, the results can be obtained that the size of directors has a coefficient value of -0.196. This research stated that $H5$: Size of Directors has a positive and significant effect to company's value. The test result show the significant value of size of directors is 0.010 which is less than 0.05. This shows that size of directors has a significant and no positive effect on corporate's value measured by Tobin's Q. The lower number of Size of Directors, the higher company's value will be.

Based on the test, it can be concluded that HA5 hypothesis which expects board size through the number of directors in board has positively affects the company's value **is not proven and rejected**. Therefore, it can be interpreted that the number of boards of directors can decrease the company's value.

Jensen et al. (1976) claimed board size refers to the number of directors serving in the board of directors. While Li et al. (2008) stated that the board may consist of executive directors and independent, non- expressed executive directors. According to Resource Dependency Theory (RDT), Abeysekera (2010) stated that larger boards are more likely to include increased skills that will improve the information processing capabilities of the board. In line with agency theory, agency theory can reduce the asymmetry information between agent and principal namely management and stakeholders because management has more information about the company than the investors or other stakeholders, whether information about the company's performance or on the decisions to be taken. Good management should provide transparency of information about the company's condition to investors and the public. The more directors on board, the easier the increase of company’s value for investors and the public to obtain the necessary information from a company and the company will have a good image on the community.

4.6.3 DETERMINATION COEFFICIENT TEST (R2)

Table 4.8

Results of Coefficient Test (R2) Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.227[a]	0.052	0.027	1.811	1.957

a. Predictors: (Constant), INOWN, SIZED, MGOWN, AC, INCOM

b. Dependent Variable: TOBINSQ

The coefficient of determination (R2) essentially measures how far the model's ability to explain variations of independent variables. The coefficient of determination is between zero and one. The small value of R2 means that the ability of independent variables to explain the variation of limited dependent variable. A value close to one means the independent variables provide almost all the information needed to predict the variation dependent variable.

Based on the test results using SPSS24 that can be seen in table 4.5 Adjusted R2 value is 0.027. This means that the independent variables (institutional ownership, management ownership, independent commisioners, audit committee, and size of directors) used in this study can explain company's value variable proxies by Tobin's Q with the percentage of 2.7%, while the rest of 97.3% means that company's value can be influenced by other variables that are not involved in the study.

CHAPTER V

CONCLUSIONS AND RECOMMENDATIONS

5.1 CONCLUSIONS

The purpose of this research was to analyze corporate governance that had an influence on company's value toward directors, commissioners or ownership in company. The research used property companies listed in IDX website as the data in the period of 2013-2017. The samples were secondary data which were collected by purposive sampling. The research used multiple linear regression which was assisted by statistical software to test the relationship between variable. Corporate Governance as a sole independent variable was measured through five proxies of indicator; Management Ownerships (MGOWN), Independent Commissioner (INCOM), Institutional Ownership (INOWN), Board Size (SIZED), and Audit Committee (AC). Based on the result of research, the Corporate Governance as the proxy by five measurements, two of them showed negative coefficient and p-value which was less than any significant level used in the test that may have impacts on Company's Value (Tobin's Q). While, three result showed positive coefficient and p-value which was more than any significant level used in the test that not have directly impacts on Company's Value (Tobin's Q). Hence, it can be concluded that generally, the corporate governance influences the financial performance by Tobin's Q positively and significantly. This conclusion supports several research used as the basis of this research and the hypotheses of this research.

This study was conducted based on the inconsistent results between the previous studies. This happens because of differences in perspectives between researchers on factors affecting company's value. The purpose of this study is to prove whether corporate governance with the proxies used are institutional ownership, management ownership, independent commisioners, audit committee, and size of directors can detect the company's value by knowing how much the variable affect company's value in effectively. Therefore, this study aims to analyze the effects of institutional ownership, management ownership, independent commisioners, audit committee, and size of directors toward company's value listed on LQ45 category by using the company's annual report in Indonesia Stock Exchange from the period 2013 to 2017. From the results of hypothesis testing that have been done, then the conclusions that can be drawn from this study are as follows:

1. Board size of directors has negatively affects company's value by measuring the number of directors in board owned by the company.
2. Institutional ownership have positively affects intellectual capital disclosure measured by the comparison between total shared owned

by directors and total share owned by the company.

3. Independent commissioners have positively effect on company’s value measured by the comparison between the numbers of independent commissioners and total commissioners in board owned by the company.
4. Audit committee has positively affect company’s value measured by measuring the number of audit committee in board owned by the company.
5. Management ownership has positively affects company’s value measured by the comparison between total shared owned by directors and total share owned by the company.

5.2 RESEARCH IMPLICATIONS

The results of this study are expected to contribute both to companies, goverment and researchers next, namely:

1. For Companies

This research is expected the company's management to do more of company’s value. Management should improve its performance in the future especially on size of directors, audit committee, independent of commssioners, institutional ownership and management ownership. In this study, audit committee, independent of commssioners, and management ownership proved affect the company’s value positively and significantly. It can be interpreted that the more size of the more of independent commissioners, the more the number of audit committe, and the more number of ownership owned by the director of a company, the higher the likelihood that the company’s value. This study did find size of directors or find a negative effect on the institutional ownership on company's value, the management needs to take into account these factors. Although these factors have no positive effect on company's value, the company is expected to develop other factors that have an effect on improving company's value. Management should keep improving knowledge in financial performance because nowadays financial statements are not enough to judge company performance.

2. For Future Researchers

This research is expected that the future researcher can get additional insights related to variables analyzed which are size of directors, audit committee, independent of commssioners, institutional ownership and management ownership. This research can add information that audit committee, independent of commssioners, and management ownership have effects toward company's value. On the other hand, there is no effect from board of directors variable and negative effect from institutional ownership toward company's value. There is a renewal in this research that is by adding the variable management ownership, the suggestion from previous research, management ownership is to test whether there is a difference between managers having company shares and managers who do not have toward company's value. The results in the study stated that the management ownership positively affects the company's value. It can provide benefits as the reference to further research on company's value conducted by the company.

3. For Government

Based on the finding and limitation of the study, some suggestions for the government are framework of Godd Corporate Government should guarantee there is strategic guidance for a company as well as accountability of board of commissioners toward shareholders and that board of commissioners conduct effective supervision on management; there is urgency for ownership structure because institutional shareholders may result in opportunistic behavior due to the act of collusion between the board of commissioners and the management.

5.3 LIMITATIONS AND SUGGESTIONS

This study has limitations and suggestions that may affect the results of research, among others are as follows:

1. The number of observations is limited, making it difficult to draw conclusions on the results obtained.
2. This research has low R2 which is equal to 2.7% that can be explained by independent variables (size of directors, audit committee, independent of commssioners, institutional ownership and management ownership), while the rest of 97.3% can be influenced by other variables that are not explained in this research. Future researchers are expected to add other variables influencing tax avoidance behavior of companies like type of auditors, and profitability.
3. This research used the component of company's value with very limited by Tobin's Q cites on Sukamulja (2004). The researcher suggests to use another version of component of company's value to know the differences, such as the company's value in return on asset or

financial performance.

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APPENDICES

APPENDIX 1

List of Company Samples

No.	CODE	COMPANIES	TYPE OF INDUSTRY
1	AALI	Astra Agro Lestari Tbk.	Plantation
2	ADHI	Adhi Karya (Persero) Tbk.	Building Construction
3	AKRA	AKR Corporindo Tbk.	Wholesale (Durable and Non-Durable Goods)
4	ANTM	Aneka Tambang Tbk.	Metal and Mineral Mining
5	ASII	Astra International Tbk.	Automotive and Components
6	ASRI	Alam Sutera Realty Tbk.	Property and Real Estate
7	BBCA	Bank Central Asia Tbk.	Bank
8	BBNI	Bank Negara Indonesia (Persero) Tbk.	Bank
9	BBRI	Bank Rakyat Indonesia (Persero) Tbk.	Bank
10	BBTN	Bank Tabungan Negara (Persero) Tbk.	Bank
11	BJBR	BPD Jawa Barat dan Banten Tbk.	Bank
12	BMRI	Bank Mandiri (Persero) Tbk.	Bank
13	BSDE	Bumi Serpong Damai Tbk.	Property and Real Estate
14	CPIN	Charoen Pokphand Indonesia Tbk.	Animal Feed
15	CTRA	Ciputra Development Tbk.	Property and Real Estate
16	ELSA	Elnusa Tbk.	Crude Petroleum & Natural Gas Production
17	EXCL	XL Axiata Tbk.	Telecommunication
18	HMSP	HM Sampoerna Tbk.	Tobacco Manufacturers
19	ICBP	Indofood CBP Sukses Makmur Tbk.	Food and Beverages
20	INDF	Indofood Sukses Makmur Tbk.	Food and Beverages
21	INTP	Indocement Tunggal Prakasa Tbk.	Cement
22	JSMR	Jasa Marga (Persero) Tbk.	Toll Road, Airport, Harbor and Allied Products
23	KLBF	Kalbe Farma Tbk.	Pharmaceuticals
24	LPKR	Lippo Karawaci Tbk.	Property and Real Estate
25	LPPF	Matahari Department Store Tbk.	Retail Trade,
26	LSIP	PP London Sumatera Tbk.	Plantation
27	MNCN	Media Nusantara Citra Tbk.	Advertising, Printing and Media
28	MPPA	Matahari Putra Prima Tbk.	Retail Trade
29	PGAS	Perusahaan Gas Negara (Persero) Tbk.	Energy
30	PPRO	PP Properti Tbk.	Property and Real Estate

31	PTBA	Tambang Batubara Bukit Asam (Persero) Tbk.	Coal Mining
32	PTPP	PP (Persero) Tbk.	Building Construction
33	PWON	Pakuwon Jati Tbk.	Property and Real Estate
34	SMGR	Semen Indonesia (Persero) Tbk.	Cement
35	SMRA	Summarecon Agung Tbk.	Property and Real Estate
36	TLKM	Telekomunikasi Indonesia (Persero) Tbk.	Telecommunication
37	UNTR	United Tractors Tbk.	Durable and Non-Durable Goods
38	UNVR	Unilever Indonesia Tbk.	Cosmetics and Household
39	WIKA	Wijaya Karya (Persero) Tbk.	Building Construction
40	WSKT	Waskita Karya (Persero) Tbk.	Building Construction

APPENDIX 2

Institutional Ownership Data Period 2013- 2017

		Institutional Ownership				
No.	CODE	2013	2014	2015	2016	2017
1	AALI	0,00000	0,00000	0,00000	0,00000	0,00000
2	ADHI	0.49000	0.49000	0,48994	0,48994	0,48994
3	AKRA	0,59181	0,58779	0,59000	0,59000	0,58469
4	ANTM	0,22258	0,20814	0,17925	0,24872	0,23836
5	ASII	0,97545	0,97784	0,97109	0,97290	0,97290
6	ASRI	0,51808	0,51481	0,51481	0,43890	0,47252
7	BBCA	0,00000	0,00000	0,00000	0,00000	0,07860
8	BBNI	0,40000	0,40000	0,40000	0,40000	0,39997
9	BBRI	0,07501	0,06605	0,08429	0,07506	0,05858
10	BBTN	0,09869	0,09869	0,13950	0,10734	0,10734
11	BJBR	0,17514	0,17514	0,07053	0,06553	0,06553
12	BMRI	0,00012	0,00012	0,00012	0,00012	0,00012
13	BSDE	0,75202	0,80292	0,79373	0,72027	0,72027
14	CPIN	0,00000	0,00000	0,00000	0,00000	0,00000
15	CTRA	0,61644	0,61644	0,56084	0,53564	0,63860
16	ELSA	0,00000	0,00000	0,00000	0,00000	0,00000
17	EXCL	0,33548	0,33515	0,33596	0,03707	0,03707
18	HMSP	0,00000	0,00000	0,00000	0,95770	0,98877
19	ICBP	0,19467	0,19467	0,19467	0,38934	0,19467
20	INDF	0,49917	0,49917	0,49917	0,49917	0,49917
21	INTP	0,35967	0,35967	0,35967	0,48999	0,48999
22	JSMR	0,14710	0,28924	0,28499	0,26055	0,28741
23	KLBF	0,98950	0,99242	0,98885	0,97843	0,96772
24	LPKR	0,00000	0,00000	0,00000	0,00000	0,00000
25	LPPF	0,00000	0,00000	0,00000	0,00000	0,00000
26	LSIP	0,40475	0,40475	0,40364	0,40475	0,40475
27	MNCN	0,00000	0,00000	0,00000	0,00000	0,00000
28	MPPA	0,00000	0,00000	0,00000	0,00000	0,58787
29	PGAS	0,00000	0,00000	0,00000	0,00000	0,00000
30	PPRO	0,00000	0,00057	0,00057	0,00045	3,39014
31	PTBA	0,83719	0,85677	0,85650	0,89850	0,87068
32	PTPP	0,28941	0,28941	0,26987	0,26987	0,63437
33	PWON	0,00000	0,00000	0,00000	0,00000	0,00000
34	SMGR	0,00007	0,00006	0,00006	0,00006	0,00006
35	SMRA	0,09262	0,09262	0,09262	0,09262	0,09262
36	TLKM	0,00000	0,00000	0,00000	0,00000	0,00000
37	UNTR	0,64569	0,64569	0,64569	0,64569	0,64569

38	UNVR	0,13926	0,13926	0,13926	0,98893	0,04414
39	WIKA	0,12482	0,28840	0,30466	0,43775	0,16667
40	WSKT	0,31680	0,31881	0,31879	0,15174	0,15173

APPENDIX 3

Management Ownership Data Period 2013- 2017

		Management Ownership				
No.	CODE	2013	2014	2015	2016	2017
1	AALI	0,00000	0,00000	0,00000	0,00000	0,00000
2	ADHI	0,00006	0,00000	0,00000	0,00005	0,00006
3	AKRA	0,00517	0,00722	0,00000	0,00000	0,00000
4	ANTM	0,00012	0,00000	0,00000	0,00000	0,00000
5	ASII	0,00000	0,00001	0,00001	0,00001	0,00001
6	ASRI	0,00000	0,00000	0,00000	0,00000	0,00013
7	BBCA	0,00000	0,00000	0,00000	0,00000	0,00000
8	BBNI	0,00000	0,00000	0,00000	0,00000	0,00000
9	BBRI	0,00359	0,00331	0,00309	0,00177	0,00152
10	BBTN	0,01311	0,00000	0,01000	0,00612	0,00172
11	BJBR	0,00245	0,00221	0,00190	0,00190	0,00000
12	BMRI	0,00000	0,00000	0,00000	0,00000	0,00000
13	BSDE	0,00012	0,00000	0,00000	0,00000	0,00000
14	CPIN	0,00000	0,00000	0,00002	0,00002	0,00002
15	CTRA	0,00006	0,00006	0,00006	0,00006	0,00110
16	ELSA	0,00000	0,00000	0,00000	0,00000	0,00001
17	EXCL	0,00045	0,00045	0,00069	0,00159	0,00058
18	HMSP	0,00000	0,00000	0,00000	0,00000	0,00000
19	ICBP	0,00000	0,00000	0,00000	0,00000	0,00000
20	INDF	0,00016	0,00016	0,00016	0,00016	0,00016
21	INTP	0,00000	0,00000	0,00000	0,00000	0,00000
22	JSMR	0,00014	0,00012	0,00007	0,00004	0,00016
23	KLBF	0,00009	0,00009	0,00009	0,00009	0,00009
24	LPKR	0,00000	0,00000	0,00000	0,00000	0,00000
25	LPPF	0,00000	0,00000	0,00000	0,00000	0,00001
26	LSIP	0,00000	0,00000	0,00000	0,00000	0,00000
27	MNCN	0,00201	0,00097	0,00073	0,00085	0,00082
28	MPPA	0,00000	0,00000	0,00000	0,00000	0,00000
29	PGAS	0,00007	0,00001	0,00001	0,00001	0,00001
30	PPRO	0,00000	0,00000	0,00000	0,00000	0,00037
31	PTBA	0,00000	0,00000	0,00006	0,00002	0,00002
32	PTPP	0,00000	0,00000	0,00000	0,00003	0,00013
33	PWON	0,00000	0,00000	0,00000	0,00000	0,00000
34	SMGR	0,00007	0,00035	0,00035	0,00035	0,00031
35	SMRA	0,00003	0,00003	0,00003	0,00002	0,00002
36	TLKM	0,00000	0,00000	0,00000	0,00000	0,00000
37	UNTR	0,00057	0,00057	0,00001	0,00001	0,00000

38	UNVR	0,00000	0,00000	0,00000	0,00000	0,00000
39	WIKA	0,01613	0,01230	0,01095	0,01067	0,00688
40	WSKT	0,00074	0,00119	0,00651	0,00325	0,00391

APPENDIX 4

Independent of Commissioners Data Period 2013- 2017

		Independent of Commissioners				
No.	CODE	2013	2014	2015	2016	2017
1	AALI	43	33	40	40	40
2	ADHI	33	33	33	33	33
3	AKRA	33	33	33	33	33
4	ANTM	33	33	33	33	17
5	ASII	30	36	36	33	50
6	ASRI	40	40	40	40	40
7	BBCA	60	60	60	60	60
8	BBNI	57	50	56	63	45
9	BBRI	50	38	63	50	50
10	BBTN	33	50	57	57	50
11	BJBR	67	57	57	57	57
12	BMRI	57	50	50	36	50
13	BSDE	38	38	40	40	25
14	CPIN	40	50	50	50	50
15	CTRA	50	50	33	33	43
16	ELSA	25	0	0	25	0
17	EXCL	33	33	29	38	38
18	HMSP	50	50	50	40	40
19	ICBP	43	43	50	50	50
20	INDF	38	38	38	38	38
21	INTP	43	43	43	43	43
22	JSMR	33	33	33	33	33
23	KLBF	33	33	43	43	43
24	LPKR	75	67	63	67	80
25	LPPF	33	33	33	38	33
26	LSIP	38	38	33	33	33
27	MNCN	40	40	40	33	33
28	MPPA	43	43	43	43	43
29	PGAS	33	33	17	17	33
30	PPRO	50	50	50	50	50
31	PTBA	17	17	33	33	33
32	PTPP	40	40	33	33	33
33	PWON	67	67	67	67	67
34	SMGR	50	50	40	40	40
35	SMRA	33	29	29	29	29
36	TLKM	33	43	43	43	43
37	UNTR	43	43	33	33	33
38	UNVR	80	80	80	80	80

39	WIKA	33	33	33	33	33
40	WSKT	33	33	33	33	33

APPENDIX 5

Audit Committee Data Period 2013- 2017

		Audit Committee				
No.	CODE	2013	2014	2015	2016	2017
1	AALI	3	3	3	3	3
2	ADHI	3	2	3	3	0
3	AKRA	3	3	3	4	4
4	ANTM	6	6	4	4	5
5	ASII	4	4	4	4	4
6	ASRI	3	3	3	3	3
7	BBCA	3	3	3	3	3
8	BBNI	2	2	2	2	2
9	BBRI	6	6	6	6	6
10	BBTN	3	3	4	4	4
11	BJBR	5	5	5	5	5
12	BMRI	6	6	6	6	6
13	BSDE	3	3	4	4	4
14	CPIN	5	5	5	5	5
15	CTRA	3	3	3	3	3
16	ELSA	3	3	3	3	3
17	EXCL	3	3	5	5	5
18	HMSP	3	3	3	3	3
19	ICBP	3	3	3	3	3
20	INDF	3	3	3	3	3
21	INTP	3	3	3	3	3
22	JSMR	3	3	3	3	3
23	KLBF	3	3	3	3	3
24	LPKR	3	3	3	3	3
25	LPPF	3	3	3	3	3
26	LSIP	3	3	3	3	3
27	MNCN	3	3	3	4	4
28	MPPA	2	2	2	2	2
29	PGAS	5	5	5	5	5
30	PPRO	2	2	2	2	2
31	PTBA	2	2	2	2	2
32	PTPP	3	3	3	3	3
33	PWON	3	3	3	3	3
34	SMGR	2	2	2	2	2
35	SMRA	3	3	3	3	4
36	TLKM	2	2	2	2	2
37	UNTR	3	4	4	4	4
38	UNVR	4	5	5	5	5

39	WIKA	4	3	3	3	3
40	WSKT	4	4	4	4	5

APPENDIX 6

Size of Directors Data Period 2013- 2017

		Size of Directors				
No.	**CODE**	**2013**	**2014**	**2015**	**2016**	**2017**
1	AALI	6	6	6	6	7
2	ADHI	5	5	6	6	6
3	AKRA	7	7	8	8	8
4	ANTM	6	6	6	6	6
5	ASII	8	9	10	11	9
6	ASRI	5	5	5	4	4
7	BBCA	10	10	10	11	11
8	BBNI	10	10	9	10	11
9	BBRI	11	11	11	11	11
10	BBTN	7	6	7	8	8
11	BJBR	6	7	7	7	7
12	BMRI	11	11	10	11	10
13	BSDE	10	9	9	8	8
14	CPIN	7	7	7	7	7
15	CTRA	8	8	8	5	5
16	ELSA	4	5	5	5	5
17	EXCL	7	7	5	4	4
18	HMSP	7	7	7	7	8
19	ICBP	9	9	9	9	9
20	INDF	8	9	10	10	10
21	INTP	9	9	9	9	10
22	JSMR	5	5	6	6	6
23	KLBF	5	5	5	5	5
24	LPKR	8	6	8	8	8
25	LPPF	6	6	5	4	5
26	LSIP	8	7	6	5	5
27	MNCN	4	4	8	8	8
28	MPPA	5	6	6	5	4
29	PGAS	6	6	6	6	6
30	PPRO	5	4	4	4	4
31	PTBA	6	6	6	6	6
32	PTPP	5	5	6	6	6
33	PWON	6	7	7	7	6
34	SMGR	5	5	4	4	5
35	SMRA	7	7	7	7	7
36	TLKM	8	8	8	8	7
37	UNTR	6	5	5	6	7
38	UNVR	10	10	9	10	10

39	WIKA	6	6	6	7	6
40	WSKT	6	6	6	6	6

APPENDIX 7

Tobin's Q Data Period 2013- 2017

		Tobin's Q				
No.	CODE	2013	2014	2015	2016	2017
1	AALI	3.8	2.03	1.11	1.35	1.07
2	ADHI	2.99	1.07	2.03	2.03	2.03
3	AKRA	2.03	1.11	1.35	1.07	2.99
4	ANTM	1.07	1.06	3.10	2.45	1.55
5	ASII	1.69	2.59	1.23	3.10	2.45
6	ASRI	2.02	1.81	1.43	1.73	3.91
7	BBCA	1.07	1.55	1.71	2.80	2.06
8	BBNI	1.21	1.90	2.33	2.10	2.09
9	BBRI	1.15	2.45	1.55	1.69	2.59
10	BBTN	1.23	3.10	2.03	1.11	1.35
11	BJBR	1.02	2.03	1.11	1.35	1.71
12	BMRI	2.80	2.06	1.21	1.90	3.09
13	BSDE	3.09	2.26	1.77	7.42	6.90
14	CPIN	6.51	4.85	5.14	2.97	1.71
15	CTRA	2.80	2.09	1.15	2.45	2.97
16	ELSA	7.42	6.90	4.52	3.71	3.09
17	EXCL	4.76	1.55	1.71	2.80	2.06
18	HMSP	1.21	1.90	2.33	2.10	2.09
19	ICBP	2.03	1.11	1.35	3.19	2.97
20	INDF	1.65	1.12	3.19	1.65	1.02
21	INTP	2.20	3.19	2.97	1.65	2.03
22	JSMR	6.09	3.09	2.26	1.77	2.97
23	KLBF	2.26	1.77	3.71	3.09	1.24
24	LPKR	2.26	1.90	1.69	1.55	1.50
25	LPPF	8.61	7.95	6.09	6.36	5.04
26	LSIP	1.69	2.59	1.23	2.09	1.15
27	MNCN	3.10	2.80	2.03	1.11	1.35
28	MPPA	2.03	1.02	2.20	1.35	1.55
29	PGAS	1.73	1.07	1.55	3.91	1.71
30	PPRO	2.80	2.06	1.21	1.90	2.33
31	PTBA	2.10	2.33	1.02	2.03	1.11
32	PTPP	1.35	1.21	1.90	2.33	2.10
33	PWON	5.46	5.54	2.26	3.09	1.90
34	SMGR	8.88	8.61	7.95	7.44	5.54
35	SMRA	1.07	1.02	1.05	1.00	2.33
36	TLKM	1.02	2.03	1.11	1.35	1.24
37	UNTR	1.07	1.02	1.05	1.00	3.09

38	UNVR	4.00	5.54	8.88	7.23	8.61
39	WIKA	5.05	4.22	3.90	3.04	4.66
40	WSKT	4.89	2.59	3.91	3.27	4.73

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APPENDIX 8

Multiple Linier Regresion Analysis

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,227[a]	,052	,027	1.811	1,957

a. Predictors: (Constant), INOWN, SIZED, MGOWN, AC, INCOM

b. Dependent Variable: TOBINSQ

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	34,667	5	6,933	2,114	,045[b]
	Residual	636,418	194	3,281		
	Total	671,085	199			

a. Dependent Variable: TOBINSQ

b. Predictors: (Constant), INOWN, SIZED, MGOWN, AC, INCOM

Collinearity Diagnostics[a]

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions					
				(Constant)	SIZED	AC	INCOM	MGOWN	INOWN
1	1	4,359	1,000	,00	,00	,00	,00	,01	,01
	2	,897	2,204	,00	,00	,00	,00	,92	,04
	3	,586	2,726	,00	,00	,01	,01	,05	,83
	4	,083	7,238	,00	,00	,52	,44	,02	,00
	5	,042	10,185	,00	,89	,22	,36	,00	,03
	6	,032	11,671	1,00	,10	,25	,19	,00	,09

a. Dependent Variable: TOBINSQ

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	1.45	3.50	2.68	.417	200
Residual	-2.483	5.804	.000	1.788	200
Std. Predicted Value	-2,944	1,971	,000	1,000	200
Std. Residual	-1,371	3,205	,000	,987	200

a. Dependent Variable: TOBINSQ