

# CHAPTER I

## INTRODUCTION

### 1.1 Background

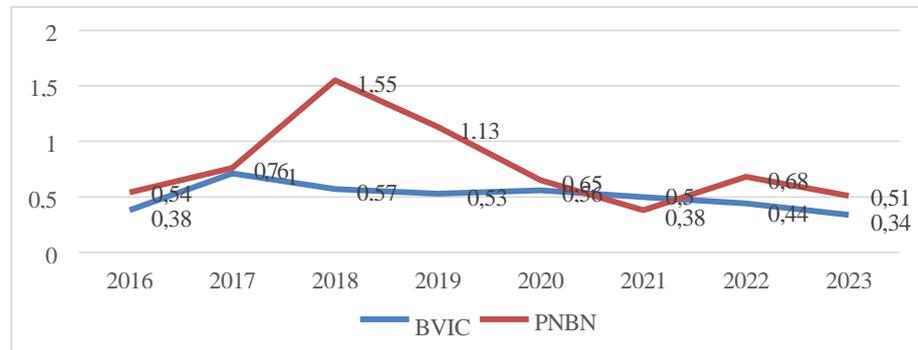
The effects of the Covid-19 pandemic have had a significant negative consequences. Impacting not only the Indonesian economy, but also the global economy. Social restrictions and lockdowns imposed to combat the spread of the virus have resulted in many business sectors, such as tourism, aviation and manufacturing, experiencing drastic declines. This has intensified in the downturn, especially in the small and medium enterprise (SME) sector, which has struggled to survive without adequate financial support. In addition, the pandemic caused a decrease in demand and supply of consumable products and services, as well as disruption to global supply chains that hampered production.

The spread of Covid-19 virus resulted in various sectors. This has experiencing a decline in company value, including in the banking sector. Economic instability caused a decline in the banking share price index of 5.93% in 2020 due to the global outbreak. The banking industry, as an influential sector, is experiencing pressure due to the pandemic which is affecting operational activities, profitability and financial stability. This pandemic has led to an increase in non-performing loans (NPL) and reduced demand for credit, in line with weakening people's purchasing power (Obadire et al., 2022). Investment Director Hans Kwee stated that the decline in share prices occurred in Indonesia due to the weakening of the Indonesian-

European capital market as a forthright influence of the Covid-19.

Company value is an important indicator in assessing the health and performance of a business entity. In the midst of global economic uncertainty and changing market dynamics, understanding company value is becoming increasingly relevant. Company value is often related to investors' views on the level of success of a company which is highly dependent on the value of its shares. So there is a very linear alignment between the stock price and the value of the company (Brata & Soge, 2020). Price to book value (PBV) is one tool for its measuring. This will show how much a bank's market value is compared to its book value.

It is known that the decline in the value of the company has been experienced by a number of banks that are listed on the IDX, some even had a value below one, measured by PBV (Rahmi et al., 2023). A company value below one indicates that investors are less interested and reflects investors' pessimism towards the company's shares. However, investors will be optimistic about a high PBV because it reflects the issuer's future business prospects and profitability. The decline in banking is apparent on the graph of Bank Victoria Tbk (BVIC) and Bank Panin Bank (PNBN) from 2016 to 2023 below.



Source: IDX.co.id

**Figure 1. 1 Company Value of Bank Victoria (BVIC) and Bank Panin Bank (PNBN) 2016-2023**

The graph above shows the value of Bank Victoria Tbk (BVIC) and Bank Panin Bank (PNBN) from 2016 to 2023, reflecting a downward trend in the company value of each bank, measured by PBV. From this data, it is obvious that Bank Victoria Tbk (BVIC) experienced a consistent decline in value from 2016 (PBV 0.38) to 2023 (PBV 0.34), with some minor fluctuations between these years. Meanwhile, Bank Panin Bank (PNBN) shows a more varied trend, starting from PBV 0.54 in 2016, increasing to 1.55 in 2018, before experiencing a sharp decline again to reach 0.38 in 2021, and recovering slightly to 0.68 in 2022 but continuing to decline until 2023 it is 0.51. The decline in value is a strong reason to conduct research on company value in the banking industry. This trend indicating performance and market perception of banks can change significantly over time. In the current context, economic challenges such as changes in interest rates, strict regulations, and the influence of technology on financial services are increasingly adding complexity to the banking industry. This results in investors becoming more careful in assessing bank prospects, which can

influence their investment decisions. Armed with the ability to understand matters that affect the company value, the results of this research will be very relevant for the development of managerial strategies and policies in the banking sector.

The declining company value is not only caused by the pandemic, but one external factor that greatly influences company value is macroeconomic conditions. This includes how much inflation, interest rates, as well as economic growth. Spikes in inflation affect people's purchasing power and can reduce consumption, which in turn reduces company income. High inflation can cause economic instability which impacts various sectors, including the banking sector (Bagaskara et al., 2020).

In the banking context, high inflation is also directly related to interest rates. For example, high inflation can cause price instability which affects people's purchasing power and company profitability. Research by Permana & Rahyuda (2019) shows that companies operating in industries that are highly dependent on public consumption tend to experience a decline in value when inflation increases, due to higher operational expenses and reduced consumer purchasing power. When inflation increases, the real value of banking assets, especially those in the form of cash and financial instruments with fixed returns, tends to decrease because the purchasing power of money decreases. High inflation also erodes the value of bank equity by increasing operational costs and interest faster than income growth from existing assets, thus creating market uncertainty which can reduce the value of bank shares

(Dithania & Suci, 2022). High interest rates, especially in the banking sector, can reduce a company's ability to obtain cheap financing, which ultimately affects its expansion and profitability (Hutabarat & Sedana, 2017). Although banks may try to raise loan interest rates to keep up with inflation, this can reduce loan demand and depress net interest income. In response to surging inflation, Bank Indonesia often takes steps to increase interest rates through monetary operations policy, as reflected in the cost of funds theory. This policy aims to reduce the amount of money in circulation and control the rate of inflation, but has a direct impact on the banking industry, especially on loan and deposit interest rates (Pangaribuan et al., 2024).

The increase in loan interest rates resulting from this policy has the potential to increase the financial burden for debtors. This is because debt installment payments become more expensive, which ultimately reduces the borrower ability accomplish their obligations. As a result, the risk of non-performing loans (NPL) increases. When the number here increases, banks will face losses due to non-payment of credit, which has a bad effect on the financial performance of banks (Fitriyani & Hetika, 2016). Its inability to manage NPLs will affect company value, because investors tend to reduce their investment interest in banks that face high credit risks. This decline in financial performance can worsen market perceptions of the bank's growth potential and profitability, which in turn reduces the company's overall market value. These factors are interrelated, and poor management of inflation and interest rate risks can cause a significant decline in company

value in the long term (Andriyani & Armereo, 2016).

These external factors can be related to economic conditions, government policies, industry regulations, and broader market situations. Changes in tax regulations, environmental regulations, or international trade policies can affect a company's operating costs and growth prospects. For example, research by Triyana & Ayem (2021) reveals that strict regulations regarding environmental protection and corporate social responsibility can increase a company's costs. After all, it gives a good image and the value of its shares in the long term. Therefore, government policies that influence company operations, both directly and indirectly, must be an important consideration in evaluating company value.

Furthermore, competitive market situations also affect company value. Intense competition in the market can reduce a company's market share, affect revenue, and increase the costs of retaining customers. A study by Almacitra et al. (2023) emphasizes that intense competition in the banking sector, for example, can reduce bank profit margins, which ultimately affects the market's perception of the bank's financial stability.

In an effort to gain a deeper understanding of the factors that influence company value, this research uses the Tobin's Q approach to analyze the value of banking companies. In contrast with the previous research by Rahmi et al. (2023) which measures company value using a PBV approach, Tobin's Q offers a more specific perspective by comparing a company's market value with the replacement cost of its assets. The use of Tobin's Q is expected to

provide more accurate insight into how the market perceives a bank's growth potential and profitability, as well as being more effective in identifying factors that influence company value. Company value refers to the market's perception of the wealth and potential profits that a company can generate. This assessment is very important for investors, because it can influence their investment decisions. Company value is often measured using indicators; Tobin's Q. This can later give an overview of company management efficiency in managing assets so that can create additional value for shareholders (Irmalsari et al., 2022). According to Ayu & Sumadi (2019), Tobin's Q can be said to be the best ratio and it is said to be able to present the most needed information. This is due to ability to select and calculate each important element, including related to the loans made and all capital and assets.

Internal factors which includes institutional and managerial ownership, independent board of commissioners, and audit committee have crucial uses that determine the value of the company. The decline in income, asset and equity ratios that occur in the banking sector will certainly influence investors' investment decisions. So, in response to this, Indonesian government again emphasized the importance of implementing GCG. As its explained by the Coordinating Minister for Economic Affairs of the Republic of Indonesia, Airlangga Hartanto in an official press release which said that companies must be able to respond to changes which happened quickly and pushed back the need for GCG as the main foundation for making better decisions for

business sustainability and efforts to attract investment (Coordinating Ministry for Economic Affairs, 2023).

Good Corporate Governance (GCG) plays crucial functions that help companies adapt to external changes through implementing principles that increase organizational responsiveness. One of the main principles is transparency, which encourages the delivery of clear and accurate information to stakeholders, thereby helping companies be better prepared to face changes in the business environment (Fung, 2014). Transparency ensures that companies can respond to changes in policy or market dynamics effectively and efficiently (Herlina, 2018).

Accountability as another principle in GCG also contributes to strengthening the company's adaptability. By ensuring that every decision can be accounted for, companies are able to act quickly in overcoming external challenges, such as economic instability or technological change (Kusmiarti, 2020). A collaborative decision-making process by the board of directors with shareholders allows companies to formulate fast and targeted strategic solutions.

In addition, GCG encourages the implementation of a structured risk management system, which allows companies to anticipate potential threats and mitigate their impact. According to research by Zega (2023) companies that implement GCG well have superior risk mitigation capabilities, such as in dealing with regulatory changes or market volatility. This is also supported by proactive and adaptive leadership, which is able to direct the company to

innovate and adapt strategies in facing uncertain situations. By prioritizing long-term sustainability, GCG principles also provide protection for stakeholder rights, ensuring company stability even in the midst of stressful external conditions (Tadjuddin et al., 2016).

The implementation of GCG is also regulated by banking companies which in carrying out their business activities are very dependent on public trust, where banks play a major role in becoming a public institution to collect fund and channels them back in the form of credit with the aim of improving community welfare and equitable development (J. Nasution et al., 2022). Apart from that, GCG also functions to create transparency, accountability and responsibility within the company, which ultimately can increase stakeholders' trust in the company's operations (Effendi, 2016). Consistent implementation of GCG is not only beneficial for capital owners, but also encourages the company's competitiveness to be able to face the challenges economic globalization (Arifin, 2020).

GCG refers to a system that regulates how a company is run, with the aim of ensuring that the interests of shareholders and other related parties are protected fairly, as well as encouraging transparency, accountability and responsibility in company decision making (Sari, 2021). Good implementation of GCG can increase investor confidence, which in turn can contribute to increasing company value (Nasution, 2021). This is because companies that implement GCG tend to have more efficient management, more controlled risks, and more stable growth prospects.

In the context of this research, several aspects of GCG that are the main focus are institutional ownership, managerial ownership, independent board of commissioners and audit committee. Each of these elements have significant role in the supervision and management. It has a direct influence on company values.

Institutional ownership refers to shares of companies owned by banking bodies, pension funds, and insurance companies. Research by Candradewi & Sedana (2016) shows that institutional ownership will make better manager supervision performance and reduce potential conflicts of interest. This is because institutions have a long-term interest in the stability and profitability of the company, which can encourage wiser decision making based on long-term value. Thus, the presence of significant institutional ownership can increase investor confidence and also company value will be more reckoned.

Managerial ownership, which refers to shares quantity owned by institutions managers, can influence company value by increasing the manager's sense of responsibility for the company's success. Based on research by Asnawi et al. (2019), when managers own company shares, they tend to focus more on achieving long-term performance that can increase company value, because they also feel the benefits. Higher managerial ownership can reduce agency costs (costs that arise due to differences in interests between managers and shareholders), which in turn can increase operational efficiency and company value.

The independent board of commissioners functions is a supervisor for

management and ensure that decisions taken by management do not conflict with the interests of shareholders. In this case, an independent board of commissioners can increase value of supervision as well as diminish possibility of making decisions that are detrimental to shareholders. A study by Ardianto (2023) found that a larger board of independent commissioners will foster transparency and accountability, which ultimately increases company value because shareholders are more likely to have a higher likelihood of investing their funds in companies that have strong oversight.

The function of the audit committee is to ensure transparency and the status of the company's financial reports. This committee also functions to check compliance with internal company regulations and policies. According to research by Sagala & Jumiadi (2020), the presence of effective audit committee will reduce fraud risk and errors in financial reports, which increases investor confidence and company value. A well-functioning audit committee can also enhance quality of risk management and minimize the possibility of legal or financial problems that could be detrimental to the company.

Thus, GCG implementation involving institutional ownership, managerial ownership, independent board of commissioners and audit committee has influential role in raising company value. Each of these elements contributes to better corporate governance, greater transparency and more responsible decision making. Along with that, company value will obtain positive perception in market by company's growth potential and

sustainability.

Implementing GCG can help companies overcome the crisis from Covid-19 pandemic. To be able to survive the Covid-19 pandemic situation, various institutions need boost its performance, one of which is the need to implement GCG. Darwis (2019) stated that the basic principles of GCG can provide a basis and build company systems such as enforcing performance compliance, clear duties and responsibilities, as well as evaluations that are useful for improving company performance.

Apart from that, weak corporate governance in the midst of the pandemic is also one aspect causing a decline in company value in the banking sector (Darniaty et al., 2023). Banking faces challenge of maintaining company value through strengthening good corporate governance (GCG). Implementing GCG is the key to increasing investor confidence, managing risk, and maintaining stability amidst uncertainty (Effendi, 2016).

An example of a case regarding the implementation of GCG occurred in the case of Bank Bukopin, as reported by CNBC Indonesia, reflecting problems in implementing Good Corporate Governance (GCG), especially related to the internal monitoring function as well as audit committee functions. The bank faces accusations of credit card data manipulation and unfair credit restructuring practices, reflecting weak supervision and transparency. GCG requires banks to have strong internal controls, but this failure shows that this mechanism is not working optimally, thus opening up

opportunities for manipulative actions.

The GCG proxies applied in this research include institutional ownership, managerial ownership, independent board of commissioners and audit committees containing research gaps in research results. The previous research shows there is inconsistency towards the influence of these variables towards Company Value. Research results from Dewi & Abundanti (2019) found that institutional ownership had a negative. On the other hand, the positive impact of managerial ownership to value of the company. For example, research findings from Sari & Wulandari (2021) show that institutional ownership has no effect. On the other hand, managerial ownership had a positive influence to company value. Meanwhile, research results from Hadiansyah et al. (2022) found that managerial ownership and institutional ownership has no effect to the dependent variable. And then, research findings of Gosal et al. (2018) also show that institutional ownership has a significant effect to company. On the other hand, Managerial Ownership, Independent Board of Commissioners and Audit Committee do not have a significant influence on company value. It is recommended for companies to do this by implementing GCG mechanisms very well and consistently with applicable regulations. This must be implemented seriously, not just a formality so that the company can continuously develop.

Other research shows that managerial ownership and audit committees influence company value, but the size of the board of commissioners does not influence company value (Obradovich & Gill, 2012). Research from Romania

provides results, managerial ownership as well as independence of the board of commissioners does not impacting company value (Gherghina, 2015). Research by Tunpornchai & Hensawang (2018) conducted in Thailand shows that found significant positive correlation between Audit Committee and Company Value, and found no significant correlation between board independence and company value. Research on good corporate governance on company value has been widely carried out, both in Indonesia and in other countries. However, the research results show inconsistent results and show differences in research results.

Several previous studies found varying results, indicating that there was a research gap in similar research, thus attracting researchers' interest in carrying out research again so that consistent results could be found. The explanation of the background problem and the research gap from several studies, researcher want to carrying out research with the title, **“THE INFLUENCE OF INSTITUTIONAL OWNERSHIP, MANAGERIAL OWNERSHIP, INDEPENDENT BOARD OF COMMISSIONERS, AUDIT COMMITTEE ON COMPANY VALUE (STUDY OF BANKING COMPANIES LISTED ON THE IDX FOR THE 2020-2023 PERIOD)”**.

## **1.2 Formulation of The Problems**

Based on the background stated above, this research intends to examine The Influence of Institutional Ownership, Managerial Ownership, Independent Board of Commissioners, Audit Committee on Company Value.

Thus, this research question can then be formulated as follows:

1. Is there an influence between institutional ownership on the value of banking companies listed on the IDX for the 2020-2023 period?
2. Is there an influence between managerial ownership on the value of banking companies listed on the IDX for the 2020-2023 period?
3. Is there an influence between the independent board of commissioners on the value of banking companies listed on the IDX for the 2020- 2023 period?
4. Is there an influence between the audit committee on the value of banking companies listed on the IDX for the 2020-2023 period?
5. Is there an influence between institutional ownership, managerial ownership, independent board of commissioners, the audit committee on the value of banking companies listed on the IDX for the 2020-2023 period?

### **1.3 Research Objectives**

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

1. To determine the influence of institutional ownership on the value of banking companies listed on the IDX for the 2020-2023 period.
2. To determine the influence of managerial ownership on the value of banking companies listed on the IDX for the 2020-2023 period.
3. To determine the influence of the independent board of commissioners on the value of banking companies listed on the IDX for the 2020- 2023 period.
4. To determine the influence of the audit committee on the value of banking companies listed on the IDX for the 2020-2023 period.
5. To determine the influence of institutional ownership, managerial ownership,

independent board of commissioners, the audit committee on the value of banking companies listed on the IDX for the 2020-2023 period.

#### **1.4 Research Benefits**

Research becomes useful in increasing knowledge and as proof of the GCG impact on company value. Apart from that, researchers hope that it will also be useful for the following parties:

1. For Writers

This research can provide additional insight for researchers, especially regarding the implementation of GCG in banking and its influence on company value.

2. For Academics

As a form of contribution and hoped to be useful in the development of Business Administration regarding GCG and can provide new references in further research about (GCG) and company value

3. For Companies

Become an insight into decision making and evaluation materials for banking companies in improving GCG practices and company value in order to attract investors

4. For Investors

Become a reference information regarding manufacturing investment decisions through variable analysis used in this research.

5. For the Community

This research can increase insight and motivation of the community controls

company activities, especially in terms of Good Corporate Governance (GCG).

## **1.5 Theoretical Study**

A theoretical framework is a methodical examination of concepts, definitions, and proportions that serve as the foundation for the explanation of a phenomenon or research (Sugiyono, 2018). The grand theory that serves as the foundation for research is delineated in the theoretical framework. The theory in this investigation is explicated as follows:

### **1.5.1 Agency Theory**

This elucidates relationship of the company proprietors who are in the position of key figures and management as agents. Asserted in reference from Jensen & Meckling (1976) asserted that an agency relationship created by an agreement between a manager and a shareholder. Company proprietors assigns responsibilities to an agent, who is responsible for overseeing all company operations on behalf of the principal. Nevertheless, this division between ownership and management has the potential to result in agency conflict.

The company proprietor, as principal, is motivated by prosperity (shares), while the manager, as agents, is motivated by profit. These discrepancies in interests result in agency issues, particularly in the context of company financing with respect to the decision to utilize debt or own capital.

Managers, acting as agents, presume that they possess more information than principals, necessitating that the organization incur monitoring expenses.

The expansion of a business and the distribution of shares can be expensive. The potential that agents may act not only tends to benefit principal is the catalyst for the emergence of agency costs.

Hamdani (2018) categorizes agency costs into three categories:

1. Monitoring costs, which are expenses that the principal incurs and bears in order to monitor the agent's conduct.
2. Bonding costs are the expenses that the agent incurs to ensure that the mechanism is enforced and that the agent is acting in the best interest of the principal.
3. Residual costs, which refers to the expenses that are incurred as a result of discrepancies in the decisions made by the principal and the agent.

### **1.5.2 Signaling Theory**

Here is theory that is employed to identify indicators of a company's health. In the signal theory that Spence (1973) permits, the party with the information (sender) transmits information that serves as a signal to the recipient party (investor) regarding company's condition, which is beneficial for decision-making.

In providing investors with an overview of organization's prospects, this signal is implemented by management. In comparison to investors, management has access to a broader range of information regarding the company's prospects and conditions, resulting in information asymmetry. With the intention to prevent information asymmetry, companies must provide investors with knowledge that serves as a signal (Steven &

Suparmun, 2019).

How necessary information from companies is for investors that will influence their investment decisions is underscored by signal theory. Important analytical information is utilized by investors to make investment decisions, including comprehensive, relevant, accurate, and timely information. The signals provided can elicit a specific response, which in turn affects the desire of investors to invest.

### **1.5.3 Company Value**

Harmono (2017) defines company value as a representation of company performance that is manifested in share prices as a result of the supply and demand dynamics that occur in the capital market. This is a reflection of the public's evaluation of the company's performance. According to Anggraini (2021) value of a company is explained as an investor's comprehension of how success a company as evidenced by its performance. Hery (2015) elucidates that company value is the sum of the company's accomplishments, which serve as an illustration of the extent of investor confidence in the company throughout its business trajectory, from its inception to the present.

Sugeng (2017) asserts that the primary objective of business proprietors is to increase the value of their company, as it indicates their net worth. Stock market prices, which are indicative of the outcomes of investment decisions, financing policies, and asset management, serve as indicators of shareholder wealth. The company's market value is determined by the purchasing as well as selling, which results in the share market price (Herninta, 2019).

Share prices and company management are indicators of company value (Noviani et al., 2019). Rising share prices suggest that investors are receiving a substantial return and that the company is valued highly. Additionally, the value of a company can be influenced by the character of its management. Therefore, it is crucial for organizations to preserve and prioritize their company value, as it is associated with the public's perception of the organization's potential by demonstrating growth in its operations.

Pamungkas (2019) categorizes company value into five categories, which include:

1. Face Value

The value is explained in more detail in the financial balance account and collective share document, and it is expressed clearly in the company's articles of association.

2. Market Value

This value, called price that is established by the exchange of shares, is also known as the exchange rate. Only after the company's shares will be launched, it will be certain it be ascertained.

3. Intrinsic Value

This value is ethereal in nature, as it pertains to the actual estimation of a company. The concept of companies value encompasses ability of companies in achieve profotability, in addition to value of its assets.

4. Book Value

Since it relates to the true assessment of a business, this value is ethereal

in nature. Not only the worth of the company's assets, the concept of company value also includes the ability of the business to turn a profit.

#### 5. Liquidation Value

The value of selling all corporate assets after deducting all outstanding commitments. The acquisition of this value is similar to the computation of book value, which is the performance balance sheet generated throughout the liquidation process.

According to Herninta (2019) measurement of company value can be done using the following formula calculation:

##### 1. Price to Book Value (PBV)

PBV is the value of the share price to its book value. The high PBV reflects the level of market confidence in the company's prospects. The PBV value also shows the company's ability to create company value relative to the amount of capital invested. The formula for measuring PBV is:

$$PBV = \frac{\text{Current Share Price}}{\text{Book Value Per Share (BV)}}$$

$$BV = \frac{\text{Company Equity Value}}{\text{Number of Outstanding Shares}}$$

##### 2. Price Earning Ratio (PER)

The PER ratio is obtained from calculating the share price divided by earnings per share. The amount earnings ratio value functions to find out how worthy the shares are to be purchased by investors. The PER formula is:

$$\text{PER} = \frac{\text{Stock Price per Share}}{\text{Earnings per Share}}$$

### 3. Tobin's Q

Tobin's Q is obtained from calculating the ratio of the stock market worth to all its total assets. This ratio helps investors to get idea of company's fundamental condition and its market's view. Not only that, Tobin's Q value can reflect how company management manages company assets.

Tobin's Q calculation is as follows:

$$Q = \frac{\text{MVE} + \text{D}}{\text{TA}}$$

Where:

MVE = share price x number of shares outstanding

D = Total Debt

TA = Total Assets

#### 1.5.4 Good Corporate Governance

Kusmayadi et al. (2015) define that GCG can be defined in the form of a system in which the company is organized and controlled so that generate additional worth for stakeholders. This is due to the encouragement that GCG can foster the development of cleanliness, transparency, as well as professional managerial work patterns. Implementing GCG in companies will pique the interest of both domestic and global investors. This is critical for businesses that seek to expand their operations, such as through additional investments.

Based on the explanation of Corporate Governance, comprehensively interpreted as Good Corporate Governance as a systematic managerial of an organization to introduce company performance, ensure the achievement of stakeholder interests, increase compliance with rules as well as widely accepted ethical ideals. GCG is a subject with numerous elements. One of the primary subjects is mandate accountability and responsibility, namely the development of norms as well as processes in promoting better behavior and preserve shareholders' interests. Another main focus is economic efficiency which states that corporate governance systems should be aimed at optimizing economic outcomes, with a strong emphasis on the welfare of shareholders.

Another thing about corporate governance is how stakeholders see it, namely they want a sense of security because management shows a great sense of responsibility to internal parties outside shareholders. Implementing good corporate governance can also help to avoid harmful behaviors. For example, conducting transactions that shake non-dominant shareholders, to internal acquisitions. Furthermore, excellent corporate governance promotes the development of a culture of healthy competition in an environment of open information. Thus, if all companies implement Good Corporate Governance processes, it is expected that corporate performance in Indonesia will improve. Finally, this will undoubtedly influence investors' perceptions of investment opportunities in Indonesia, as well as the premium that investors ready to paying companies that practice

GCG. Reporting on the application of Corporate Governance is an important component that any corporation should reveal. As a result, each corporation must include a statement in its annual report about how it has implemented the GCG Guidelines. Thus, stakeholders, especially regulators and investors, can examine the extent to which the company has adopted the GCG Guidelines..

According to Prabowo (2018), corporate governance explained as management system that provides regulation of connections between all parties involved in a corporation. This control supports in the achievement of corporate objectives by protecting company assets and increasing the investment worth of shareholders who emphasize long-term returns. As a result, companies must have effective corporate governance, sometimes known as "good corporate governance".

Suroso (2022) posits that GCG is perceived as a tool or mechanism that assists companies in the enforcement of laws and regulations that clarify the relationship between stakeholders. GCG is a system that ensures that shareholders and companies are treated equally. Additionally, GCG can serve to foster the development of a competitive business environment and a favorable climate. GCG regulating relationships between stakeholders in order to direct and control the company so that can achieve organizational objectives, as evidenced by the various concepts regarding GCG that have been clarified.

The National Committee for Governance Policy or KNKG established

the principles of good corporate governance known as the TARIF concept, including the following:

- a. Transparency, the organization's readiness to share relevant and important information and to be open and honest during the decision-making process. The goal is protect stakeholders' interests and guarantee that corporate operations are carried out with professional, impartial manner.
- b. Accountability, clarity regarding roles and responsibilities in the organizational structure. Accountability is a necessary prerequisite for achieving sustainable performance and being able to be held accountable in a transparent and accountable manner
- c. Responsibility, conformity of company management to applicable laws and good organizational management principles. This is useful for maintaining long-term company sustainability.
- d. Independence, managing the company independently without any intervention from other parties so that it is able to functionalize the company's value.
- e. Fairness, maintaining equality for all stakeholders according to their respective portions in order to maintain company stability.

Every company must guarantee that GCG concepts are applied to all aspects of the business and throughout the organization. GCG principles, such as transparency, accountability, responsibility, independence, equality, and fairness, are required to accomplish long-term performance while still

paying attention to stakeholders.

Suroso (2022) asserts that the implementation of the principles of sound corporate governance offers numerous advantages to companies, including:

1. Decrease the cost of capital and agency costs.
2. In the long term, enhance the company's reputation and the value of its shares.
3. Secure the backing of interested parties within the organization for the sustainability strategies and policies that have been implemented.

There are four parameters that can be used to measure good corporate governance, namely the proportion of independent commissioners, number of audit committees, share ownership by management, and share ownership by institutions.

1. Proportion of Independent Commissioners

Independent commissioners who are not connected to the company's management make up the board of commissioners. Maintaining equilibrium between the interests of majority and minority stakeholders is the responsibility of independent commissioners. In addition, independent commissioners establish and review the company's long-term strategy on a regular basis (Yuliyanti & Cahyonowati, 2023).

2. Number of Audit Committees

An audit committee is established by the board of commissioners to support and enhance the board's supervisory role in the financial

reporting process, risk management, audit implementation, and GCG implementation, as per the Indonesian Audit Committee Association. According to SE Board of Directors of PT BEJ No. SE-008/12-2001, the audit committee is composed of a minimum of three members, with one from an independent commissioner who functions as the committee's chairman.

### 3. Institutional Ownership

Institutional ownership is the percentage of shares that are possessed by institutions such as banks, insurance companies, foreign institutions, and other entities. Sukma Perdana (2014) stated that businesses with a high level of institutional ownership (above 5%) claim to be able to oversee management. The wellbeing of shareholders is undoubtedly ensured by this oversight.

### 4. Managerial Ownership

Managerial ownership is the proportion of company shares that are possessed by management in relation to the total number of shares. The percentage of managerial ownership indicates that stakeholders and management share similar interests (Yuliyanti & Cahyonowati, 2023). There will be more managers acting opportunistically if they own fewer shares. The purpose of a company's management ownership principle is to enable managers to optimize performance and reduce agency disputes (Anggraini, 2021).

## **1.6 Influence Between Research Variables**

### **1.6.1 Influence of Institutional Ownership on Company Value**

High institutional ownership indicates that monitoring of management performance will increase and management's opportunistic attitude will decrease, so that company management acts in the interests of investors. Institutions can control the majority of shares because they have more resources than individual shareholders. Institutional ownership is one of the elements that might have an impact on company performance because it helps to monitor the company's managers. Institutional ownership will encourage increased oversight of better management performance since share ownership represents a source of power that can be utilized to support or undermine manager performance. This is in accordance with the agency cost component, namely monitoring costs. Costs used to supervise management in order to increase the company's wealth so that the company value can increase (Wardhani et al., 2017). Research findings of Gosal et al. (2018) also show that institutional ownership has a significant effect to company.

### **1.6.2 Influence of Managerial Ownership on Company Value**

Managerial ownership is company shares owned by company management, where directors and commissioners have share ownership in the company they run, not only as managers but also as owners. Managerial ownership is able to align the interests of shareholders with company management. Managers play a vital role since they plan, organize, direct,

supervise, and make decisions. The presence of significant management ownership in terms of economic value will aid in monitoring firm actions and can reduce conflicting interests between investors and managers. Management's large share ownership requires extreme caution while making choices or expanding corporate earnings. If the firm generates a huge profit, the profit obtained by the management will also be large; nevertheless, if the company's earnings drop, the manager also feels the repercussions (Muvidha & Suryono, 2017). Research findings from Sari & Wulandari (2021) show that managerial ownership had a positive influence to company value

### **1.6.3 Influence of Independent Board of Commissioners on Company Value**

The board of commissioners serves to supervise, guide, and lead company managers. The Board of Commissioners is extremely crucial to the corporation, particularly in developing corporate governance systems. Independent commissioners serve as a balancer in decision-making, and their members are a board of commissioners from outside the firm. The presence of independent commissioners is expected to improve the effectiveness of supervision and the quality of financial reporting. Good supervision will reduce fraudulent acts taken by management in financial reporting. This will improve the quality of financial reports and encourage investors to invest in the company, resulting in a better stock price and increased value (Kusumaningtyas & Andayani, 2015).

### **1.6.4 Influence of Audit Committee and Company Value**

The audit committee serves as a bridge between company management

and the company, specifically external parties and the board of commissioners. The audit committee manages and supervises the company in order to improve its performance. Members of the audit committee evaluate the company's financial reports as a contribution to the corporation in order to account for them. Increasing company value can be achieved by providing clear and transparent company information. This can reduce errors in the information provided (Onasis & Robin, 2016). Research by Tunpornchai & Hensawang (2018) conducted in Thailand shows that found significant positive correlation between Audit Committee and Company Value.

#### **1.6.5 Influence of institutional ownership, managerial ownership, independent board of commissioners, the audit committee and company value**

Research conducted by Nuryono et al (2019) that Institutional Ownership, Managerial Ownership, Independent Board of Commissioners, the Audit Committee simultaneously have an effect on company value. The implementation of GCG can help companies overcome the crisis caused by the Covid-19 pandemic. In order to survive the Covid-19 pandemic situation, companies need to improve their performance, one of which is the need to implement GCG. The implementation of GCG involving institutional ownership, managerial ownership, an independent board of commissioners and an audit committee has a very important role in increasing the value of the company. Each of these elements contributes to better corporate governance, greater transparency and more responsible decision-making. At the same time, the value of the company will be

reflected in the positive market perception of the company's growth potential and sustainability.

Managerial ownership and institutional ownership have the same role, where the higher the shares that managers and companies have, the better and have an optimal impact on company performance. Not only that, the role of the audit committee, which is very important in the company's internal control, greatly influences the value of the company, where their duties and responsibilities must be carried out in full in accordance with applicable requirements. The audit committee has the task of providing independent professional input to the board of commissioners regarding reports submitted by the board of directors to the board of commissioners. In addition, the audit committee is also tasked with reviewing matters that require attention from the board of commissioners and is responsible for overseeing the company's financial statements, overseeing external audits and observing the company's internal control system (Saragih & Tampubolon, 2023).

The greater the proportion of independent commissioners, the more it will encourage the creation of good corporate governance, thereby increasing positive investor reactions to make stock requests. Increased stock demand will have an impact on increasing stock prices and this reflects an increase in the company's value (Sugiarti et al., 2023). The existence of independent commissioners has the responsibility to encourage the

implementation of good corporate governance principles, because in practice transactions containing elements of differences of interest are often found in public companies. The independent board of commissioners is considered the highest internal control mechanism responsible for monitoring top management policies. According to agency theory, the number of independent board of commissioners can make it easier to control top management, and can increase the monitoring function so that the company's value increases.

### 1.7 Previous Research

Previous research becomes a reference and support in conducting research. Previous research that has one or more variables in common with the research being studied can be used as support in a research (Sujarweni, 2017). This research and previous research have differences regarding GCG indicators where this research uses institutional ownership, managerial ownership, independent board of commissioners and audit committee. Then this research uses the company value variable which is measured by Tobin's Q. The following is previous research related to GCG and company value.

**Table 1. 1 Previous Research**

No.	Title and Researcher	Variable	Sample and Analysis Method	Research Results
1.	The Influence of Institutional Ownership, Managerial Ownership, and Dividend Policy on Company Value (Sari & Wulandari, 2021)	<b>Variable Independent</b> -Institutional Ownership -Managerial Ownership -Dividend Policy (Dividend Payout Ratio)	<b>Sample</b> Companies in the basic and chemical sectors listed on the Indonesia Stock Exchange in 2017-2019. <b>Analysis Technique</b> Multiple regression	-Institutional ownership has no effect on company value -Managerial ownership has a positive and significant effect on company value -Dividend policy has a negative and significant effect on company value.

No.	Title and Researcher	Variable	Sample and Analysis Method	Research Results
		<b>Variable Dependent</b> Company Value (Tobin's Q)	analysis.	
2.	The Influence of Managerial Ownership and Institutional Ownership on Company Value (Empirical Study of Banking Sector Companies Listed on the Indonesian Stock Exchange for the 2017-2021 Period) (Hadiansyah et al., 2022)	<b>Variable Independent</b> -Managerial Ownership -Institutional Ownership  <b>Variable Dependent</b> Company Value (PBV)	<b>Sample</b> Banking Sector Companies Listed on the Indonesian Stock Exchange for the 2017-2021 Period)  <b>Analysis Technique</b> Multiple regression analysis.	-Managerial ownership and institutional ownership have no effect on company value.
3.	The Influence of Profitability, Liquidity, Institutional Ownership and Managerial Ownership on Company Value (Dewi & Abundanti, 2019)	<b>Variable Independent</b> -Profitability (ROA), -Liquidity (CR), -Institutional Ownership (KI), -Managerial Ownership (KM).  <b>Variable Dependent</b> Company Value (PBV)	<b>Sample</b> Property and real estate sector companies listed on the IDX for the 2014 – 2017 Period  <b>Analysis Technique</b> Multiple regression analysis.	-Profitability and managerial ownership have a positive and significant effect on company value - Liquidity and institutional ownership have a negative effect on company value

No.	Title and Researcher	Variable	Sample and Analysis Method	Research Results
4.	The Influence of Good Corporate Governance on Firm Value: Empirical Study of Companies Listed in IDX30 Index Within 2013-2017 Period. (Gosal et al., 2018)	<p><b>Variable Independent</b> -GCG (Managerial Ownership, Institutional Ownership, Independent Commissioners, and Audit Committee)</p> <p><b>Variable Dependent</b> Company Value (Tobin's Q)</p>	<p><b>Sample</b> Companies listed on the IDX30 index in the 2013-2017 period.</p> <p><b>Analysis Technique</b> Linear regression</p>	<p>-GCG mechanisms significantly and simultaneously influence company value.</p> <p>-Institutional ownership significantly influences company value.</p> <p>-Managerial Ownership, Independent Board of Commissioners and Audit Committee do not have a significant influence on company value</p>
5.	The Impact of Corporate Governance and Financial Leverage on the Value of American Firms. (Obradovich & Gill, 2012)	<p><b>Variable Independent</b> -Corporate governance -Financial leverage</p> <p><b>Variable Dependent</b> American firms: Tobin's Q</p>	<p><b>Sample</b> 333 firms listed on New York Stock Exchange (NYSE) for a period of 3 years from 2009-2011</p> <p><b>Analysis Technique</b> Multiple Regression Analysis</p>	<p>- Larger board size negatively impacts the Value of American firms, and CEO duality, audit committee, financial leverage, firm size, return on assets, and insider holdings positively impact the value of American firms.</p> <p>-Board size negatively impacts the Value of American manufacturing firms, and CEO duality, audit committee, financial leverage, firm size, and insider holdings positively impact the value of American manufacturing firms.</p> <p>-Board size negatively Impacts the value of American service firms, and financial leverage and return on assets positively impact the value of American service firms</p>

No.	Title and Researcher	Variable	Sample and Analysis Method	Research Results
6.	Corporate governance ratings and firm value: Empirical evidence from the Bucharest stock exchange. (Gherghina, 2015)	<b>Variable Independent</b> -Corporate Governance  <b>Variable Dependent</b> Firm Value (ROA, ROE, EPS)	<b>Sample</b> 68 companies listed on the Bucharest Stock Exchange (BSE) over the year 2011.  <b>Analysis Technique</b> multivariate linear regression models	No statistically significant relationship between the corporate governance global rating and firm value as proxied by ROA, ROE, and EPS.
7.	Effects of Corporate Social Responsibility and Corporate Governance on Firm Value: Empirical Evidences of the Listed Companies on the Stock Exchange of Thailand in the SET100. (Tunpornchai & Hensawang, 2018)	<b>Variable Independent</b> -CSR (CSR Index) -Corporate governance (proportion of ownership structure, institutional ownership structure, and board structure)  <b>Variable Dependent</b> Firm Value (Tobin's Q)	<b>Sample</b> CSR data was gathered through 2014 corporate annual reports, 56-1 Forms and Sustainability Reports of these companies in the SET100.  <b>Analysis Technique</b> Multiple Regression Analysis	-Positive overall effects of CSR and CG on FV. All six areas of CSR demonstrated consistent results with positive significant effects. -Significant positive relationship between Audit Committee Independence and Company Value, - No significant relationship between board independence and company value

No.	Title and Researcher	Variable	Sample and Analysis Method	Research Results
8.	The Influence of Managerial Ownership, Institutional Ownership, Independent Commissioners, Audit Committee, and Audit Quality on Company Value (Nuryono et al, 2019)	<b>Variable Independent</b> Managerial Ownership, Institutional Ownership, Independent Commissioner s, Audit Committee, and Audit Quality  <b>Variable Dependent</b> Company Value	<b>Sample</b> The research sample consists of 63 issuers listed on the Indonesia Stock Exchange (IDX) during 2015-2017.  <b>Analysis Technique</b> Multiple linear regression analysis.	-Simultaneously, managerial ownership (MOWN), institutional ownership (INST), independent commissioners (KI), audit committees (KA) and audit quality (KuA) have an effect on firm value (PBV). -Partially, institutional ownership has a significant positive effect on firm value, while other independent variables (managerial ownership, independent commissioners, audit committees and audit quality) have a positive but insignificant effect on firm value.

Source: Processed Secondary Data, 2024

## 1.8 Hypothesis Research

A hypothesis is an answer to a research problem formulation that is based on relevant theory and has yet to be proven correct or is still temporary (Sugiyono, 2018).

The hypothesis in this research include:

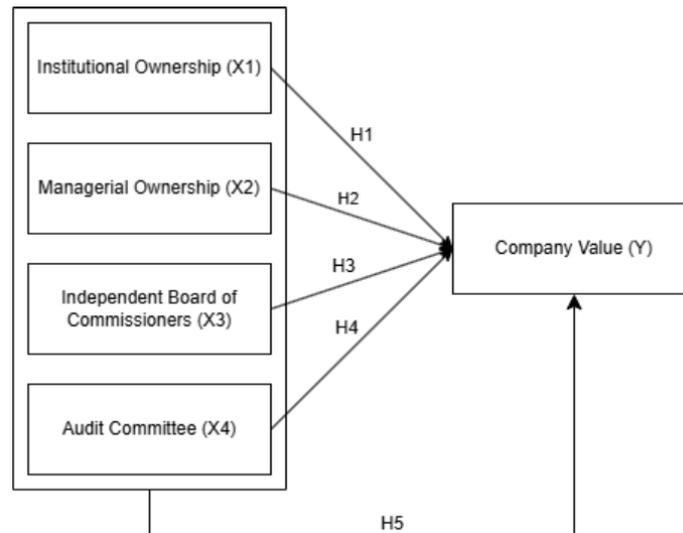
**H1: Institutional ownership influences company value**

**H2: Managerial ownership influences company value**

**H3: An independent board of commissioners influences company value**

**H4: Audit committee influences company value**

**H5: Institutional ownership, managerial ownership, independent board of commissioners, audit committee influence simultaneous impact on company value**



**Figure 1. 2 Hypothesis Model**

Source: Processed by researchers, 2024

Where:

X = Independent Variable

Y = Dependent Variable

## 1.9 Conceptual Definition

Concept definition is a brief explanation of variable concepts in order to clarify the variables to be studied. The following is the definition of the concept from this research:

### 1.9.1 Good Corporate Governance

Suroso (2022) expressed the view that good corporate governance is considered as a mechanism that supports companies in enforcing laws and

regulations that regulate relationships between parties involved in the company or stakeholders.

### **1.9.2 Company Value**

Company value is a description of the company's performance as reflected by the share price, which is determined through supply and demand in the capital market which reflects the public's assessment of the company's performance (Harmono, 2017).

### **1.9.3 Operational Definition**

The operational definition is the description of research variables in a specific and measurable form. The following is the operational definition in this research:

### **1.9.4 Good Corporate Governance (GCG)**

The Good Corporate Governance variable in this research is measured based on the number of members responsible for the company as well as the share ownership structure of banking sub-sector companies, which consists of:

a. **Institutional Ownership**

Institutional ownership structure is the number of outstanding shares owned by institutions or bodies. The institutions in question are other business entities, both domestic and foreign, financial institutions, foundations, and the government. Institutional ownership structure is assessed using the formula:

$$\frac{\text{Number of Shares Owned by Institutions}}{\text{Number of Shares Outstanding}} \times 100\%$$

b. Managerial Ownership

The presence of managerial ownership in a company will generate intriguing allegations that the company's value will increase as a consequence of the increase in managerial ownership. The company's activities will be effectively monitored by the substantial proportion of ownership held by managers. The formula is employed to evaluate the managerial ownership structure:

$$\frac{\text{Number of Share Owned by Management}}{\text{Number of Shares Outstanding}} \times 100$$

c. Independent Board of Commissioner

The calculation of the board of commissioners is measured using the number of independent commissioners in the company compared to the total number of commissioners in the company. The formula for measuring the proportion ratio of the independent board of commissioners is:

$$\frac{\text{Number of Independent Commissioners}}{\text{Total Number of Members of Board of Commissioners}} \times 100$$

d. Audit Committee

Main responsibilities of the audit committee include the supervision and examination of internal controls and the financial reporting process. The audit committee must be composed of a minimum of three members, with

the majority of the members being independent, and must be appointed from members of the board of commissioners who do not perform executive duties. The audit committee formula is as follows:

$$\sum \text{Audit Committee Members}$$

### **1.9.5 Company Value**

In this research, the Tobin's Q ratio is used to calculate company value. The Tobin's Q ratio describes the Total Market Value and Total book value of liabilities compared to the total book value of assets. This ratio is considered relevant to the actual situation because it provides the best information because it includes all elements of debt, company share capital and all company assets. The following are indicators of the company value of this research:

$$Q = \frac{\text{MVE} + \text{DEBT}}{\text{TA}}$$

## **1.10 Research Methodology**

### **1.10.1 Type of Research**

Associative quantitative research with a conclusive research design is employed in this study to ascertain the influence or relationship between two or more variables through numerical data. The hypothesis will subsequently be tested or proven. Quantitative research is a method that involves the examination of relationships between variables in order to verify specific theories. In order to facilitate statistical analysis of numerical data, these variables are quantified using research instruments (Creswell, 2016).

## 1.10.2 Population and Sample

### 1.10.2.1 Population

The population refers to the total group of people, events, or objects of interest that the researcher desires to be examined (Sekaran & Bougie, 2016). During the 2020-2023 research period, this study employed banking companies that were listed on the Indonesia Stock Exchange (BEI) as its population. The rationale behind the selection of research objects within the banking industry category as one of the company industries that offer significant investment opportunities. The Indonesian Stock Exchange (BEI) has a total of 47 corporations listed. This is the list of the population as shown in the table:

**Table 1. 2 List of Population**

No.	Emiten	Name
1	AGRO	PT Bank Raya Indonesia Tbk
2	AGRS	PT Bank IBK Indonesia Tbk
3	AMAR	PT Bank Amar Indonesia Tbk
4	ARTO	PT Bank Jago Tbk
5	BABP	PT Bank MNC Internasional Tbk
6	BACA	PT Bank Capital Indonesia Tbk
7	BANK	PT Bank Aladin Syariah Tbk
8	BBCA	PT Bank Central Asia Tbk
9	BBHI	PT Allo Bank Indonesia Tbk
10	BBKP	PT Bank KB Bukopin Tbk
11	BBMD	PT Bank Mestika Dharma Tbk
12	BBNI	PT Bank Negara Indonesia (Persero) Tbk
13	BBRI	PT Bank Rakyat Indonesia (Persero) Tbk
14	BBSI	PT Krom Bank Indonesia Tbk
15	BBTN	PT Bank Tabungan Negara (Persero) Tbk
16	BBYB	PT Bank Neo Commerce Tbk
17	BCIC	PT Bank Jtrust Indonesia Tbk
18	BDMN	PT Bank Danamon Indonesia Tbk
19	BEKS	PT Bank Pembangunan Daerah Banten Tbk
20	BGTG	PT Bank Ganesha Tbk

No.	Emiten	Name
21	BINA	PT Bank Ina Perdana Tbk
22	BJBR	PT Bank Pembangunan Daerah Jawa Barat Tbk
23	BJTM	PT Bank Pembangunan Daerah Jawa Timur Tbk
24	BKSW	PT Bank QNB Indonesia Tbk
25	BMAS	PT Bank Maspion Indonesia Tbk
26	BMRI	PT Bank Mandiri (Persero) Tbk
27	BNBA	PT Bank Bumi Arta Tbk
28	BNGA	PT Bank CIMB Niaga Tbk
29	BNII	PT Bank Maybank Indonesia Tbk
30	BNLI	PT Bank Permata Tbk
31	BRIS	PT Bank Syariah Indonesia Tbk
32	BSIM	PT Bank Sinarmas Tbk
33	BSWD	PT Bank of India Indonesia Tbk
34	BTPN	PT Bank BTPN Tbk
35	BTPS	PT Bank BTPN Syariah Tbk
36	BVIC	PT Bank Victoria International Tbk
37	DNAR	PT Bank Oke Indonesia Tbk
38	INPC	PT Bank Artha Graha Internasional Tbk
39	MASB	PT Bank Multiarta Sentosa Tbk
40	MAYA	PT Bank Mayapada Internasional Tbk
41	MCOR	PT Bank China Construction Bank Indonesia Tbk
42	MEGA	PT Bank Mega Tbk
43	NISP	PT Bank OCBC NISP Tbk
44	NOBU	PT Bank Nationalnobu Tbk
45	PNBN	PT Bank Pan Indonesia Tbk
46	PNBS	PT Bank Panin Dubai Syariah Tbk
47	SDRA	PT Bank Woori Saudara Indonesia 1906 Tbk

Source: Processed Secondary Data, 2024

### 1.10.2.2 Sample

The sample is a component of the population. Due to several limitations, the sample can be used by researchers whose results can be used as a population. Therefore, the specified sample must truly represent the population (Sugiyono, 2018). This is the list of the sample as shown in the table:

**Table 1. 3 List of Samples**

No.	Emiten	Name
1	AGRO	PT Bank Raya Indonesia Tbk
2	ARTO	PT Bank Jago Tbk
3	BACA	PT Bank Capital Indonesia Tbk
4	BBCA	PT Bank Central Asia Tbk
5	BBMD	PT Bank Mestika Dharma Tbk
6	BBNI	PT Bank Negara Indonesia (Persero) Tbk
7	BBRI	PT Bank Rakyat Indonesia (Persero) Tbk
8	BBTN	PT Bank Tabungan Negara (Persero) Tbk
9	BDMN	PT Bank Danamon Indonesia Tbk
10	BJBR	PT Bank Pembangunan Daerah Jawa Barat Tbk
11	BJTM	PT Bank Pembangunan Daerah Jawa Timur Tbk
12	BMRI	PT Bank Mandiri (Persero) Tbk
13	BNBA	PT Bank Bumi Arta Tbk
14	BNGA	PT Bank CIMB Niaga Tbk
15	BRIS	PT Bank Syariah Indonesia Tbk
16	BSIM	PT Bank Sinarmas Tbk
17	INPC	PT Bank Artha Graha Internasional Tbk
18	MAYA	PT Bank Mayapada Internasional Tbk
19	MCOR	PT Bank China Construction Bank Indonesia Tbk
20	NISP	PT Bank OCBC NISP Tbk
21	PNBN	PT Bank Pan Indonesia Tbk
22	SDRA	PT Bank Woori Saudara Indonesia 1906 Tbk

Source: Processed Secondary Data, 2024

### 1.10.3 Sampling Techniques

The sample is a component of the population's size and characteristics (Sugiyono, 2018). Purposive sampling was implemented in this investigation. Purposive sampling is a sampling method that is subject to specific criteria and considerations. The following are the sample criteria for this research:

1. Banking companies listed on the Indonesia Stock Exchange (BEI) for the 2020-2023 period.
2. Companies that consistently disclose annual and financial

reports for the 2020- 2023 period.

3. Companies that have managerial ownership for the 2020-2023 period.

**From the required sample criteria, there are 88 who meet the requirements.**

**Table 1. 4 Sample of Criteria**

1	Banking companies listed on the Indonesia Stock Exchange for the 2020-2023 period	47
2	Companies that do not consistently disclose savings and financial reports for the period 2020-2023	0
3	Companies that do not have managerial ownership for the period 2020-2023	25
3	Number of Samples: 22 companies x 4 years	88
4	Sample Total	88

Source: Processed Secondary Data, 2024

#### **1.10.4 Types of Data and Data Sources**

The data in this study is quantitative data, which means it may be calculated as information in numbers or as numbers themselves. Secondary data is collected by third parties for purposes other than the research being done. Secondary data sources include statistics bulletins, government publications, organization-related information, whether published or unpublished, company websites, and the internet (Sekaran & Bougie, 2016). This information is supplied in the form of a documented annual report, which is available on the official websites of pharmaceutical businesses as well as the Indonesian Stock Exchange.

#### **1.10.5 Measurement Scales**

**Table 1. 5 Measurement Scale**

No	Variable	Measurement
1	Company Value	$Tobin's Q = \frac{MVE + DEBT}{TA}$
2	Institutional Ownership	$\frac{Number\ of\ Shares\ Owned\ by\ Institutions}{Number\ of\ Shares\ Outstanding} \times 100\%$
3	Managerial Ownership	$\frac{Number\ of\ Share\ Owned\ by\ Management}{Number\ of\ Shares\ Outstanding} \times 100\%$
4	Independent Board of Commissioner	$\frac{Number\ of\ Independent\ Commissioners}{Total\ Number\ of\ Members\ of\ Board\ of\ Commissioners} \times 100\%$
5	Audit Committee	$\sum Audit\ Committee\ Members$

Source: processed by researchers, 2024

### 1.10.6 Data Collection Techniques

This study uses the documentation technique to collect data according to the source and type of data necessary. The documentation approach involves gathering information from documents. Annual reports for the period 2020-2023 are available on each company's official website as well as the Indonesian Stock Exchange (BEI).

#### 1.10.6.1 Data Processing Techniques

All data presentation and analysis used in this research uses the SPSS (Statistical Package for Social Science) program.

#### 1.10.6.2 Descriptive Statistical Analysis

Descriptive statistical analysis is useful in describing or explaining data on the variables studied. The data description can be seen from the maximum value, minimum value, average and standard deviation of the variables studied (Ghozali, 2018). Descriptive statistics offer a broad

overview or description of a method from the perspective of the average value (mean), standard deviation, variance, maximum, minimum, sum, range, and skewness (distribution differences) (Sarafina & Saifi, 2017). SPSS 26 software is employed to implement a multiple regression analysis model in this investigation.

#### **1.10.6.3 Classic Assumption Test**

Prior to conducting this analysis, researchers must initially evaluate classical assumptions that are beneficial for the generation of accurate parameter values for prediction models. This value will be achieved if the classical assumption test results satisfy the assumptions of normality, heteroscedasticity, autocorrelation, and multicollinearity. The objective of this research was to develop a regression equation model that is capable of producing unbiased and dependable estimates, satisfies the criteria for an unbiased linear estimator, and has a minimum variance, also known as the "Best Linear Unbiased Estimator" (BLUE). SPSS software was employed to execute this examination. Which encompasses:

##### **a. Normality Test**

The test is used with the aim of studying whether the data distribution for each variable is normally distributed or not. If the results of this test are not met, it will result in incorrectness (invalidity) in the research sample used (Ghozali, 2018). The normality test in this research applies a test tool called the "Kolmogorov-Smirnov Normality Test" using the SPSS 26 application. In determining the normality test results, consider the

probability, as follows:

- A) If the sig value  $> 0.05$  then the data is normally distributed
- B) If the sig value  $< 0.05$  then the data is not normally distributed

b. Multicollinearity Test

According to Ghozali & Ratmono (2017), the multicollinearity test was performed to see whether the regression model revealed a high or perfect correlation between the independent variables. A regression model is regarded good if there is no association between the independent variables. The strong correlations between independent variables will have an impact on the research findings. If the relationship between two independent variables exceeds 0.80, it may indicate multicollinearity in the research.

c. Heteroscedasticity test

The heteroscedasticity test is designed to evaluate the presence of substantial differences in residuals between observations in a regression model. Heteroscedasticity is a term used to describe the phenomenon of residuals that differ from one observation to another. The Spearman's Rho test is one way to accurately detect symptoms of Heteroscedasticity. The Spearman's Rho test is performed by correlating the independent variables with the residuals. If symptoms or problems of heteroscedasticity occur, it will cause doubt (inaccuracy in a regression analysis result). A good regression model is that no Heteroscedasticity symptoms occur.

1) Sig value. 2-tailed ( $>0.05$ ) then the conclusion is that there are no symptoms of Heteroscedasticity

2) Sig value. 2-tailed ( $<0.05$ ) then the conclusion is that there are symptoms of Heteroscedasticity

d. Autocorrelation Test

The autocorrelation test was conducted to determine whether there was a correlation between residual errors in the observation period and errors in the preceding observation period in the study. Symptoms of autocorrelation are uncommon in cross-sectional data due to interference from various observational data sources that originate from distinct individuals or groups. The Durbin-Watson test is employed in this study to ascertain whether the regression model is devoid of autocorrelation, with the condition that  $du < DW < 4-du$ .

#### **1.10.6.4 Data Analysis Technique**

In order to ascertain the impact of corporate governance on the value of banking companies listed on the Indonesian Stock Exchange during the 2020-2023 period, hypothesis testing was implemented. The level of significance is initially established prior to conducting hypothesis testing. In the disciplines of social sciences or economics, the standard level of significance is  $\alpha = 5\%$  or  $95\%$  and  $\alpha = 10\%$  or  $90\%$ . In this regard, the standard for the level of significance that will be employed in this investigation is  $\alpha = 10\%$  or  $90\%$ . By employing a significance level of  $\alpha = 10\%$  or  $90\%$ , the probability of rejecting or supporting the null hypothesis is  $10\%$ , and the confidence level

to do so is 90%.

In addition, the selection of the significance level in a study is based on the sample size. If you use a small significance level, you will need more data and vice versa. If a study uses a large significance level, less data is needed.

### **1. Multiple Linear Regression Test**

This analysis methodology is a testing method to determine the direction of influence and the magnitude of the influence of all dependent variables on the independent variables (Ghozali, 2018). In this study, multiple regression analysis was used with the following research equation:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + z + e$$

Informations:

Y= Company Value

a= Constant

$\beta$ = Regression Coefficient

X1= Institutional Ownership

X2= Managerial Ownership

X3= Independent Board of Commissioners

X4= Audit Committee

e= Error

### **2. Partial Test (T test)**

The t-statistical test, as per, demonstrates the partial explanation of variations in the dependent variable by one independent variable. The significance level selected for this investigation was 10% ( $\alpha = 0.10$ ). The

hypotheses for hypothesis testing are as follows:

- a.  $H_0$  = partially the independent variable does not have a significant influence on the dependent variable.
- b.  $H_a$  = The independent variable partially has a significant influence on the dependent variable.
- c. According to the criteria for accepting and rejecting the t test are as follows ( $\alpha = 10\%$  or 0.10):
- d.  $H_a$  is accepted if the probability value of the t-statistical test  $< \alpha$ , meaning that the independent variable partially influences the dependent variable.
- e.  $H_0$  is accepted if the probability value of the t-statistical test is  $> \alpha$ , meaning that the independent variable partially has no effect on the dependent variable.

### **3. Simultaneous Test (F test)**

The simultaneous test (F test) was implemented to ascertain the influence of all independent variables utilized in the research model simultaneously on the dependent variable. The F test is conducted with the following hypothesis:

- a.  $H_0$  = the independent variable does not have a significant impact on the dependent variable simultaneously.
- b.  $H_a$  = The independent variable has a significant impact on the dependent variable simultaneously.

The criteria for acceptance and rejection in the F test are as follows

( $\alpha = 10\%$  or 0.10):

- a.  $H_a$  is accepted if the probability value of the F-statistic test is  $< \alpha$ , meaning that the independent variable partially influences the dependent variable.
- b.  $H_o$  is accepted if the probability value of the F-statistical test is  $> \alpha$ , meaning that the independent variable partially has no effect on the dependent variable.

#### **4. Testing the Coefficient of Determination (Adjusted R-squared)**

According to Ghozali & Ratmono (2017), the coefficient of determination is used to assess the research model's ability to explain variations in the dependent variable. The coefficient of determination is a number between 0 and 1. The independent variable's ability to elucidate the dependent variable is severely restricted if the Adjusted R-squared value is low. The ability of the independent variable to explain the dependent variable is severely limited if the Adjusted R-squared value is low. If the Adjusted R-squared value is close to one, the independent variable has virtually all of the information required to predict the variation of the dependent variable..