

ANALYSIS OF THE EFFECTS OF GOOD CORPORATE GOVERNANC MECHANISM ON COMPANY VALUE

(Study On Banks on BEI Period 2012-2016)



**FACULTY OF ECONOMICS
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With this I mention this research really own works. As far as I know there are no works written or published by others except with the usual grammatical references of scientific papers.



Semarang 12 Feb 2018,

Maliha Zalmi

141020116

DEDICATION

Every challenging work needs self efforts as well as guidance of elders specially those who are very close to one's heart.

My humble effort is dedicated to my sweet & loving

FATHER & MOTHER & ENTIRE FAMILY

Whose affection, love, encouragement and prayers of day & night enabled me to be successfull and honored.



ABSTRACT

Good corporate governance mechanism is a step to enhance firm value. This study was conducted to obtain evidence regarding the effect of good corporate governance mechanisms (institutional ownership, quality auditor, independent board of commissioners, audit committees and the size of the board of directors) firm value.

Objects in this study were manufacturing companies listed in Indonesia Stock Exchange during the years 2012-2016. Based on purposive sampling, acquired 20 companies in the sample, so as long as 5 years observation. Tool is the statistical analysis used multiple regression, where the dependent variable is firm value (measured by Tobin's Q), and the independent variable is institutional ownership, quality auditor independent board of commissioners, audit committees and the size of the board of directors.

The results of this study indicate that institutional ownership, quality auditor, size of the board of directors, independent board and audit committee affects firm value.

Key words: firm value, Tobin's Q, institutional ownership, quality auditor, independent board of commissioners, audit committees and the size of the board of directors.



ABSTRAK

Mekanisme *good corporate governance* merupakan suatu langkah untuk meningkatkan nilai perusahaan. Penelitian ini dilakukan untuk memperoleh bukti mengenai pengaruh mekanisme *good corporate governance* (kepemilikan institusional, Kualitas auditor, dewan komisaris independen, komite audit dan ukuran dewan direksi) terhadap nilai perusahaan.

Objek dalam penelitian ini adalah perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia selama tahun 2012-2016. Berdasarkan metode *purposive sampling*, diperoleh 20 perusahaan sebagai sampel, sehingga selama 5 tahun. Alat analisis yang digunakan adalah statistik regresi berganda, dimana variabel dependen adalah nilai perusahaan (diukur dengan Tobin's Q), dan variabel independennya adalah kepemilikan institusional, Kualitas auditor, dewan komisaris independen, komite audit dan ukuran dewan direksi.

Hasil penelitian ini menunjukkan bahwa kepemilikan institusional, komite audit dan ukuran dewan direksi berpengaruh terhadap nilai perusahaan. Akan tetapi, dewan komisaris independen dan Kualitas auditor tidak berpengaruh terhadap nilai perusahaan.

Kata kunci: nilai perusahaan, Tobin's Q, kepemilikan institusional, Kualitas auditor, dewan komisaris independen, komite audit dan ukuran dewan direksi.



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Semarang 12 Feb 2018,

Maliha Zalmi

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CHAPTER I

PRELIMINARY

1.1. Background Issues

Maximizing the value of the company is one of the company's goals to be achieved (Anggraini, 2012). The value of the firm shows investors' perceptions of the success rate of companies that are often associated with stock prices (Kusumajaya, 2011). The value of the company also reflects the performance of the company that can affect investors' perceptions of the company. The higher the value of the company, the happier its shareholders (Julianti, 2015). The high corporate value will make investors interested in investing in the company. Before an investor makes a stock investment in a company, they will make stock valuations in advance based on information they get from the capital market (Julianti, 2015). An attempt by an owner or shareholder to maximize a company's value is to turn the company's management into an expert or professional called manager. However, in an effort to increase the value of the firm there will be a conflict of interest between the agent (manager) and the principal (shareholder) called agency conflict.

Agency theory explains the problems that arise when shareholders rely on managers to provide services on their behalf (Jensen and Meckling in Muryanti, 2014). The manager (agent), With the authority it possesses can act in the interest Personality and sacrifice the interests of shareholders (Trisnantari, 2010). The emergence of differences of interests between principals and this

agent is the necessity of managing the company well. Jensen and Meckling in Muryanti (2014) argue that The interests of the agent must be in harmony with the principal to solve agency problems. Such conflicts of interest can be minimized by a mechanism capable of aligning the interests of shareholders with the interests of management (Purwaningtyas, 2011). According to Faqidkk (2013), to overcome the problem the company needs to apply the Corporate Governance or Good Corporate Governance (GCG).

Good corporate governance is a form of good company management inside which includes a form of protection of the interests of shareholders (public) as the owner of the company, and creditor as an external funder. In a Corporate governance system, the goodwill of a company provide effective protection to the holder's shares, and to the creditors to recover upon investment reasonably, Precise and efficient, as possible, and ensure that management acts as good as can be done for the benefit of the company (www.Fogi.com in Sukamulja, 2004). Inescu's research in Muryanti (2014) states that Companies in Venezuela can reduce the cost of capital and Increase market value when improving corporate governance practices.

The concept of corporate governance came into existence when two legal experts, Adolf Augustus Berle and Gardiner C. Means published their monographs entitled "The Modern Corporation and Private Property", followed by Eugene Fama and Michael Jensen in "Separation of Ownership and Control" with Principal Agency Theory. The issue of corporate governance is growing when several important economic events occur. The Asian Financial Crisis of 1997, continued with the downfall of major corporations such as Enron and Worldcom in 2002, and the latest issue of the subprime mortgage crisis in the United States in 2008 (Purwaningtyas, 2011). The economic crisis in Asia and Latin America is believed to have arisen due to the failure of

GCG implementation (Daniri, 2005, in Kaithatu, 2006). These events awaken the world to the importance of implementing good corporate governance.

Corporate governance began to become an interesting topic in Indonesia in 1998 when Indonesia was in crisis. One of the causes of the crisis in Indonesia is the weak supervision of the board of directors of companies that should be the responsibility of the board of commissioners. Many banks are bankrupt (liquidated) because their survival is untenable. One of the causes of bankruptcy is the lack of implementation of the principles of corporate governance in the banking environment (Effendi, 2008, in Muryanti, 2014). Therefore, the government including Bank Indonesia has made various efforts to encourage the realization of GCG in the environment banking. In the Bank Indonesia Regulation No.8 / 4 / PBI / 2006 dated January 30, 2006, realizations regarding to the implementation of GCG for commercial banks are made.

Corporate governance, in general, is a set of mutually balancing mechanisms between actions and managers' choices with the interests of shareholders (Susanti, 2011). Zhuang, et al (2000) in Husnan (2001) explains that the corporate governance system consists of (1) various regulations that explain the relationship between shareholders, managers, creditors, government and other stakeholders, and (2) Directly or indirectly enforce these rules or internal and external corporate governance mechanisms. Banhart and Rosenstein (1998) in Lastanti (2004) corporate governance mechanism is divided into two groups. First, the internal mechanisms, such as the composition of the board of directors or commissioners, managerial ownership, and executive compensation. Second, external mechanisms, such as market control, and debt financing levels. The Forum for Corporate Governance in Sukamulja (2004), states that the main goal of corporate governance is to create added value for all stakeholders. Corporate governance mechanisms are

expected to reduce agency conflicts that occur between agents and principals, which further impact on the increase in corporate value.

According to The Indonesian Institute for Corporate Governance, corporate governance is defined as a set of mechanisms for Directing and controlling a company, so that the company's operations run in accordance with the expectations of the stakeholders. Corporate governance is a concept that regulates the alignment of the relationships of corporate organs, between shareholders, the board of commissioners and the board of directors that administrates the company. This relationship is governed by the principles of corporate governance such as accountability, responsibility, transparency, fairness, and independence (Purwaningtyas, 2011).

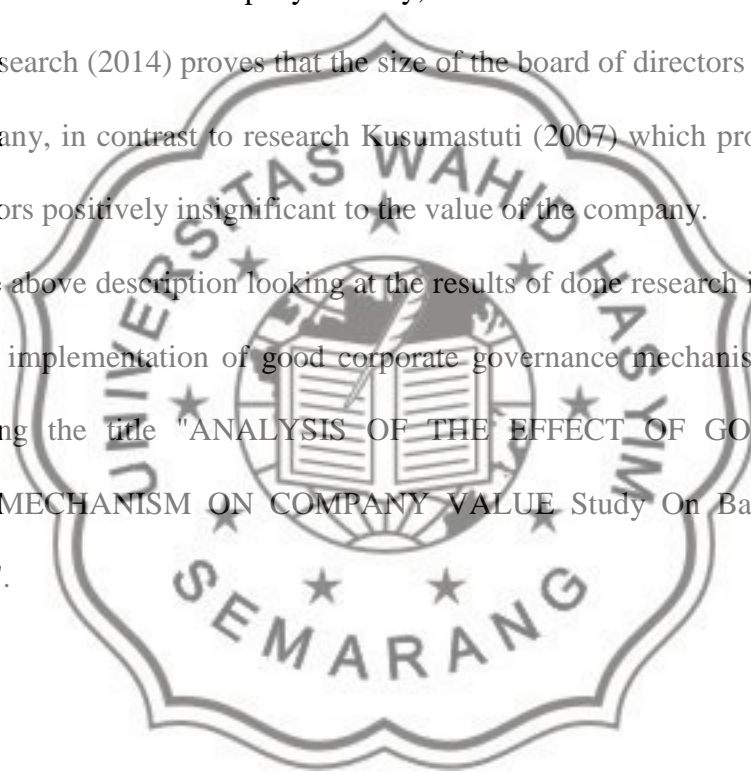
Implementation of the principle of good corporate governance concretely has several objectives, such as facilitating access to domestic and foreign investment, obtaining cheaper cost of capital, giving better decisions in improving the company's economic performance, increasing stakeholder confidence and trust in the company, protecting directors And commissioners of lawsuits as well as protecting the rights of minority shareholders. Companies that implement good corporate governance will be more efficient and increased competitive, which in turn makes it sustainable company (Purwaningtyas, 2011).

Research on audit quality is done by Dewata, et al. (2015) stated that the auditor quality variables show the quality of audit does not significantly affect the value of companies that were audited by KAP Big 4 and KAP non Big 4. Contradictions with research conducted by Siallagan and Machfoedz (2006) is that the quality of auditors does not affect the value of the company. Other research is shown by research conducted by Afiah (2015) which says that many local public accountant qualities do not meet international competency standard because accounting

services market is dominated by The Big 4, so the majority of local KAP is unable to provide a programs to improve the quality of accountant.

Research on the influence of the audit committee on the value of the company conducted by Thaharah (2016) proves that audit committee has a significant positive effect on the value of the company, while Muryati (2014) proves that audit committee negatively influence the value of the company. In contrast to research Sari (2014) found evidence that audit committees positively insignificant to the value of the company. Finally, on research that has been done by Muryati (2014). Muryati research (2014) proves that the size of the board of directors positively affect the value of the company, in contrast to research Kusumastuti (2007) which proves that the size of the board of directors positively insignificant to the value of the company.

Based on the above description looking at the results of done research is still diverse in the importance of the implementation of good corporate governance mechanism. The authors are interested in taking the title "ANALYSIS OF THE EFFECT OF GOOD CORPORATE GOVERNANCE MECHANISM ON COMPANY VALUE. Study On Banks Listed on BEI Period 2012-2016".



1.2. Problem Formulation

The inconsistency of the research results in the influence of good corporate governance mechanism on company value that becomes the background in this research. The inconsistency of the research results is in the variables used by the previous researchers. Research conducted by Azzahrah (2014), Purwaningtyas (2011), Rahmawati and Hanung (2007) stated that independent board of commissioner variables have no effects on firm value, but Muryanti (2014), Anggraini (2013), Siallagan and Machfoedz (2006) research pointed out its positive effects. In a study conducted by Azzahrah (2014) and Wulandari (2005), it is also said that institutional variable ownership did not affect the value of the company. This contradicts the research conducted by Muryanti (2014), Purwaningtyas (2011) and Susanti (2009) who said that it has a positive effect. Finally, on research that has been done by Dewata, et al. (2015) clearly says that the variable quality of auditors showed the quality of audit does not significantly influence the value of companies that were audited by Big 4 KAP and KAP non Big 4. Contradiction with research conducted by Siallagan and Machfoedz (2006) that the quality of auditors does not affect the value of the company. Research on the influence of the audit committee on the value of the company conducted by Thaharah (2016) proves that audit committee has a significant positive effect on the value of the company, while Muryati (2014) proves that audit committee negatively influence the value of the company. In contrast to research Sari (2014) found evidence that audit committees positively insignificant to the value of the company. Finally, on research that has been done by Muryati (2014) Muryati research (2014) proves that the size of the board of directors positively affect the value of the company, in contrast to research Kusumastuti (2007) which proves that the size of the board of directors positively insignificant to the value of the company.

From the above, then the problem formulation in this research is to re-examine whether the mechanism of good corporate governance affect the value of the company, then spelled out into several research questions as follows:

1. Does the independent board of commissioners influence the value of the company?
2. Does institutional ownership affects company value?
3. Does the quality of the auditor affects the company's value?
4. Dose the audit committee affects the value of the company?
5. Does the size of the board of directors affects the company's value?

1.3. Research Objectives and Benefits

1.3.1. Research Objectives

This study aims to analyze the influence of good corporate governance mechanism on company value, which is described as follows:

1. To analyze and prove the effect of an independent board of commissioners on company value.
2. To analyze and prove the influence of institutional ownership on corporate value.
3. To analyze and prove the influence of auditor quality on company value.
4. To analyze and prove the affect of the audit committee on company value.
5. To analyze and prove the size of the board of directors on company value.

1.3.2. Research Benefits

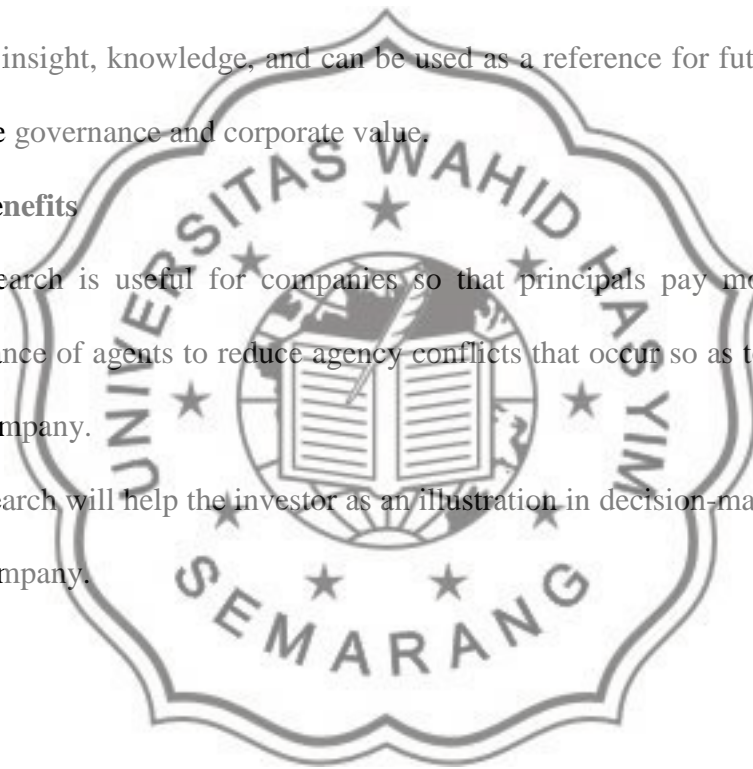
In line with the purpose of this study, the usefulness derived from this research can be described as follows:

1. Theoretical benefits

- a. This research can develop insight, be critical and scientifically associated with the theory of good corporate governance based on agency theory.
- b. This research is useful to develop science about good corporate governance and company value.
- c. For comparison and development, as well as refinement of previous studies on company value.
- d. Can add insight, knowledge, and can be used as a reference for future studies on good corporate governance and corporate value.

2. Practical Benefits

- a. This research is useful for companies so that principals pay more attention to the performance of agents to reduce agency conflicts that occur so as to increase the value of the company.
- b. This research will help the investor as an illustration in decision-making to invest funds in the company.



1.4. Systematic Writing

This system contains an explanation of the content contained in each chapter briefly from the entire proposal of this study. This research proposal is presented with systematic as follows:

CHAPTER I INTRODUCTION

In this chapter, we describe the background, problem formulation, research objectives and usefulness of the research.

CHAPTER II LITERATURE REVIEW

This chapter contains an explanation of the foundations of previous theories and research, the formulation of hypotheses and frameworks that are the result of literature review and theory relating to the issues to be studied.

CHAPTER III RESEARCH METHOD

This chapter describes research variables and operational definitions, sample determination, data types and sources, data collection methods, and analytical methods.

CHAPTER IV RESULTS AND DISCUSSION

This chapter will be presented with a description of the research object as well as the analysis of data and language that is done, in accordance with the analytical tools used.

CHAPTER V CLOSING

In this chapter, the authors provide conclusions from the results of research conducted and suggestions along with limitations that are useful for similar research purposes in the future.

CHAPTER II

LITERATURE REVIEW

2.1. Theoretical Basis

2.1.1. Agency Theory

Agency theory is the basis used to understand corporate governance. Jensen and Meckling (1976) in Randy (2013) state that agency relationships arise when one or more people (principal) hire another person (agent) to provide a service and then delegate decision-making authority to the agent. As an agent, managers are responsible for optimizing the benefits of the owners (principal), but on the other hand, managers also have the interest to maximize their welfare. There is a conflict of interest so there is a possibility that the agent does not always act in the best interests of the principal (Jensen and Meckling, 1976, in Randy, 2013).

Agency theory can explain how the parties involved in the company will behave, because basically between agents and principals have different interests that cause the occurrence of agency conflict (agent conflict). Basically, agency conflict occurs because of the separation between ownership and control of the company (Purwaningtyas, 2011). The existence of a conflict of interest between investors and managers leads to the emergence of agency cost of monitoring costs (monitoring cost) Issued by principals such as auditing, budgeting, controlling systems and compensation of the bonding expenses incurred by agents and residual losses associated with the divergence of interests between principals and agents.

According to Jensen and Meckling (1976) the existence of agency problems led to agency costs consisting of:

- 1 The monitoring expenditure by the principle (monitoring cost), which is the cost of supervision issued by the principal to oversee the behavior of agents in managing the company.
- 2 The bounding expenditure by the agent (bounding cost), which is the cost incurred by the agent to ensure that the agent does not act that is detrimental to the principal.
- 3 Residual Loss is the decrease of principal and agent utility rates due to agency relations.

Conflicts of interest occur not only between investors and managers but also between majority and minority shareholders. Controlling shareholders usually control management decisions and tend to ignore the interests of minority shareholders. The company is seen as a set of contracts between company managers and shareholders. The principal or company owner hands over the management of the company to the management. Managers as parties, who are authorized for the activities of the company and are obliged to provide financial reports will tend to report something that maximizes its utility and sacrifices the interests of shareholders. As Managers, managers will know more internal information and prospects than owners (shareholders). The manager is obliged to give a signal about the company's condition to the owner as a manifestation of responsibility for the management of the company, but the information submitted is sometimes received not in accordance with the actual company conditions, so this spurred the agency conflict.

Based on agency theory, the problem can be overcome with good corporate governance (GCG). With GCG is expected to provide confidence in management in managing the wealth of owners (shareholders), so as to minimize conflicts of interest and agency costs. The concept of GCG is concerned with how principals that managers will benefit them, that managers will not

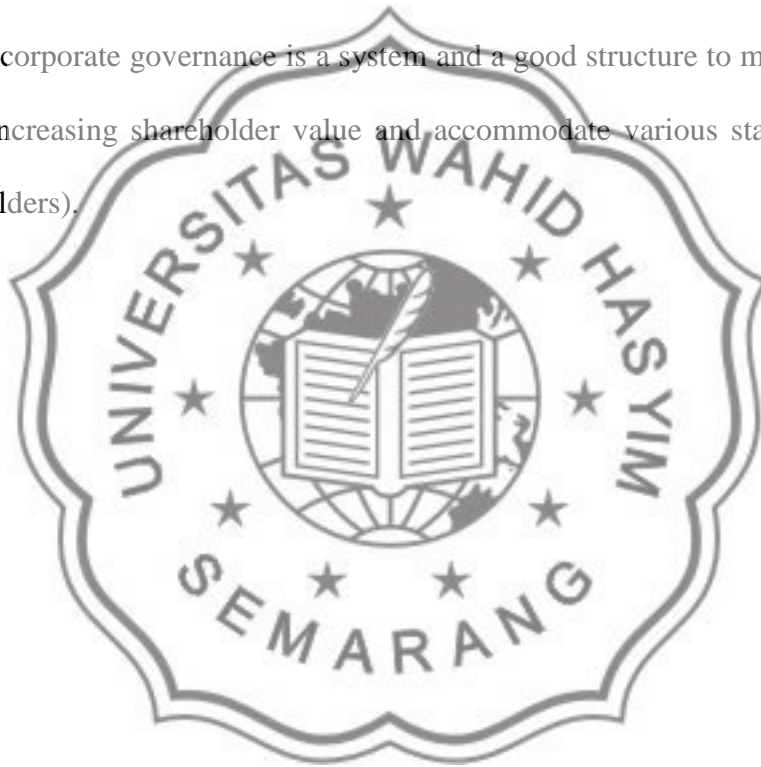
commit frauds that would harm shareholders. In other words, the implementation of good corporate governance is expected to serve to reduce or emphasize agency costs (Nisa,2014).

2.1.2. Good Corporate Governance

The Indonesian Institute for Corporate Governance (IICG) defines good corporate governance as the structures, systems, and processes used by corporate organs in an effort to provide long-term value-added for the company, while taking into account the interests of other stakeholders, Based on legislation and prevailing norms (CGPI, 2008, in Pratiwi, 2013). Corporate governance is defined by the Forum for Corporate Governance in Indonesia (FCGI) as a set of rules that establishes relationships between shareholders, managers, creditor, government, employees and other inter- and external interests with respect to their rights and obligations or in words another system that directs and controls the company.

According Sedamaryanti (2007) good corporate governance is a system, process, and set of rules governing relations between various parties concerned especially in the narrow sense, the relationship between shareholders, the board of commissioners and board of directors for the achievement of organizational goals. Another opinion says good corporate governance (GCG) is a system that regulates and controls companies that create value added for all stakeholders (Monks, 2003, in Kaihatu, 2006). There are two points emphasized in this concept. First, the importance of shareholder rights to obtain information correctly and in a timely manner. Second, the company's obligation to conduct disclosure accurately, timely, transparent to all company performance information, ownership and stakeholders. The implementation of corporate governance aims to optimize the level of profitability and value of the company in the long term without ignoring the interests of other stakeholders.

According to the Coordinating Minister for Economic Affairs of the Republic of Indonesia (2006) In the Good Corporate Governance Guidelines (GCG) in Indonesia, GCG is one of the pillars of the market economy system closely related to the trust of both companies that implement it and the business climate in a country. The implementation of GCG encourages the creation of healthy competition and a conducive business climate. Therefore, the implementation of GCG by companies in Indonesia is very important to support sustainable economic growth and stability (Azzahrah, 2014). Thus from several definitions of corporate governance above can be concluded that corporate governance is a system and a good structure to manage the company with the aim of increasing shareholder value and accommodate various stakeholders with the company (stakeholders).



2.1.2.1 Principles of Good Corporate Governance

According to the Decree of the Minister of SOE Number: Kep. 117 / M-MBU / 2002 on the Implementation of Good Corporate Governance Practices in Sedarmayanti (2007) stated that GCG principles include:

- 1 Transparency: is openness in carrying out the process of decision-making and openness in expressing material and relevant information about the company.
- 2 Independence: is a situation where the company is managed professionally without any impact of kepengtingan and influence / pressure from any party that is not in accordance with applicable laws and principles of healthy corporations.
- 3 Accountability: is the clarity of the function, implementation, and accountability of organs so that the management of the company implemented effectively.
- 4 Responsibility: namely, conformity in the management of the company against applicable laws and principles of healthy corporations.
- 5 Fairness: which is justice and equality in fulfilling the rights of stakeholders arising based on the agreement and the prevailing laws and regulations.

In fact, three of the four GCG principles that include transparency, accountability and responsibility have a very close and overlapping meaning. A complete and correct financial report (accountability principle) is one of the responsibility tools (principles of responsibility) of managers (management, directors) to the stakeholders. However, it should be understood that the manifestation of management accountability is not limited only in the form of financial statement submission (economic dimension) only, but also includes four other dimensions of law, moral, social, spiritual (SukrisnoAgus, 2003, in Utami, 2012).

According Utami (2012) the implementation of the principles of good corporate governance must be at least realized in:

1. Implementation of duties and responsibilities of the Board of Commissioners and Board of Directors.
2. Completeness and execution of duties of committees and work units that perform bank internal control functions.
3. Implementation of compliance functions, internal auditors and external auditors; Implementation of risk management, including internal control systems.
4. Provision of funds to related parties and provision of substantial funds.
5. Bank's strategic plan.
6. Transparency of bank financial and non financial condition.

The above concept is not much different from the goal of implementing good corporate governance in banking, that is creating added value for all stakeholders as a form of implementation in realizing healthy banking (Priambon and Supriyatno, 2007) in (Utami, 2012).

The essence of corporate governance is the improvement of company performance through supervision or monitoring of management performance and the existence of management accountability to other stakeholders, based on the applicable rules and regulations (Kaihatu, 2006).

2.1.2.2 Benefits and Objectives of Good Corporate Governance

The implementation of GCG is expected to provide the following benefits (Priambodo and Supriyatno, 2007, in Utami, 2012):

- 1 Protecting the rights and interests of shareholders.
- 2 Protecting the rights and interests of non stakeholder members.

- 3 Increase company value and increase shareholder.
- 4 Improve the efficiency and effectiveness of the board or top management and corporate management.
- 5 Improve the quality of top management relationships with the company's senior management.

The purpose of corporate governance is to create added value for all stakeholders. According to Endri (2011) in Nisa (2014) and the purpose of applying good corporate governance:

- 1 Improving the efficiency, effectiveness, and sustainability of an organization that contributes to the creation of shareholder, employee and other stakeholder welfare and is an elegant solution in the face of future organizational challenges.
- 2 Enhance the legitimacy of organizations that are managed in an open, fair and accountable manner.
- 3 Recognize and protect the rights and obligations of stakeholders.
- 4 An integrated approach based on the principles of democracy, organizational management and participation in a legitimate way.
- 5 Minimize agency cost by controlling conflicts of interest that may arise between the principal and the agent.
- 6 Minimize the cost of capital by providing a positive signal to the providers of capital. Increase company value resulting from lower capital costs, improve financial performance And better perception of the stakeholders on the company's future performance.

The Indonesian Institute for Corporate Governance (IICG), established on June 2, 2000, is an independent organization that conducts dissemination and development of Good Corporate

Governance (GCG) in Indonesia. The main activity undertaken is to conduct research on the implementation of GCG, which results in Corporate Governance Perception Index (CGPI). CGPI is a research and ranking of GCG implementation in listed public companies (Utami, 2012).

2.1.2.3 Good Corporate Governance Relation with Company Value

Corporate governance is a mechanism for managing the business, as well as to improve the company's prosperity. The main goal of good corporate governance is to increase added value for all stakeholders. A sound corporate governance mechanism will provide protection to shareholders and creditors to get back on investment as reasonably, appropriately and efficiently as possible, and to ensure that management performs as well as it does for the company. The success of good corporate governance is influenced by many factors, which in general can be grouped into two, namely macro factors (regulation and state conditions), and micro factor (corporate governance mechanism) within the company from the company's internal point of view, the success of good corporate governance is influenced By proportion share ownership, the proportion of the board of directors and the role of audit committees in good corporate governance mechanism. Implementation of good corporate governance is good and in accordance with applicable regulations, will make investors give a positive response to the company's performance, that the funds invested in the company concerned will be managed properly and the interests of public investors will be safe. Public investor confidence in company management provides benefits to the company in the form of cost of capital reduction (capital cost).

The good corporate performance with low capital costs will encourage investors to invest in the company. A large number of interested investors will increase the investment demand, so 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 company's value (Purwaningtyas, 2011).

2.1.2.4 Good Corporate Governance Mechanism

Mechanisms are the way things work systematically to meet certain requirements. The mechanism of corporate governance is a clear rule of law, procedures, and relations between those who make good decisions that exercise oversight control over those decisions. Corporate governance mechanisms are directed to ensure and oversee the running of governance systems within an organization (Utami, 2012). Corporate governance mechanisms are conducted to ensure that financial suppliers, such as shareholders and bondholders of the company, receive returns from activities performed by the manager, or in other words how the company's financial suppliers control the manager (Midiastuty and Machfoedz, 2003, in Yuliana, 2013).

According to Kresnohadi (2000) in Febriyanto (2013) corporate governance mechanism is divided into two groups, namely:

- 1 Internal corporate governance is an element that is always required in the company and is very instrumental in managing the company. If the internal corporate governance performance is good then the company's performance is good and vice versa. The corporate internal corporate governance elements are shareholders, managerial ownership, directors, commissioners, employees, systems, and audit committees.
- 2 External corporate governance is an element that is always needed or needed outside the company and has an influence on the financial performance of the company. The elements of corporate external corporate governance are the adequacy of laws and legal instruments, investors, institutional ownership, public accountants, lenders, and legality certifiers. In this research, good corporate governance mechanism will be proxied with an independent

board of commissioner variable, institutional ownership, and auditor quality. Here is an explanation of two mechanisms Internal and external good corporate governance related to research variables:

2.1.2.4.1 Independent Board of Commissioners

An independent commissioner is a member of the board of commissioners who is not affiliated with the board of directors, other members of the board of commissioners and the controlling shareholder, and is free from any business relationship or other relationship which may affect his ability to act independently or not solely for the benefit of the company (Nisa, 2014). The increasing number of independent board of commissioners indicates that the independent board of commissioners performs better oversight and coordination functions within the company. In order to empower the supervisory function of the board of commissioners, the existence of an independent commissioner is indispensable. Directly the existence of independent commissioners becomes important because in practice there are often found transactions containing conflict of interest that ignore the interests of public shareholders (minority shareholders) as well as other stakeholders, especially in companies in Indonesia who use public funds in the financing of their business. 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 tasked with ensuring corporate strategy, overseeing managers in managing the company, and requiring accountability. Since the board of commissioners is responsible for overseeing management in charge of improving the efficiency and competitiveness of the company, the board of commissioners is a center of endurance and success of the company. Independent Commissioners have a fundamental responsibility to encourage the implementation of good corporate governance principles within the company

through the empowerment of the board of commissioners in order to perform the task of supervising and giving advice to directors effectively and more value-added for the company.

Herawati (2008) said that independent commissioners are measured based on the percentage of total independent commissioners to the total number of existing commissioners in the composition of the company's board of commissioners.

$$\text{Independent Commissioner} = \frac{\sum \text{Independent Commissioner}}{\sum \text{Board Member of Commissioners}}$$

2.1.2.4.2 Institutional Ownership

The concentration of institutional ownership is the stock of the company owned by institutions or institutions such as insurance companies, investment companies and other institutional ownership (Tarjo, 2008).

Institution is an institution that has great importance to the investments made including stock investment (Purwaningtyas, 2011). Institutions typically can control majority shares because they have greater resources when compared to other shareholders (Pratiwi, 2013). So the institution usually assigns responsibility to a certain division to manage the company's investment. Because the institution professionally monitors the development of its investment, the level of control over management actions is very High so that the financial potential can be suppressed (Lastanti, 2004). The existence of this institution is capable of being an effective monitoring tool for the company.

Jensen and Meckling (1976) argue that institutional ownership has a very important role in minimizing agency conflicts 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. Institutional ownership is indicated by the high percentage of shares

owned by the institution. The meaning of the institution in this case in the form of non-governmental organizations, insurance companies, investment companies and private companies. Institutional ownership generally has a large proportion of ownership so that the monitoring process of the manager gets better (Azzahrah, 2014). The higher the level of institutional ownership, the stronger the control of the company. This is because the institution usually has a considerable right, so take a large proxy also on the ownership of shares of a company. The role of institutional owners in good corporate governance is to (a) direct and monitor business activities in which they invest their funds, (b) as sources of corporate information, and (c) have substantial voting rights and obligations in the General Meeting of Shareholders (Purwakarta), 2011).

According to Boediono (2005) institutional ownership can be measured by dividing the number of shares owned by the institution by the number of shares outstanding.

$$\text{Institutional Ownership} = \frac{\sum \text{Shares owned}}{\sum \text{Shares Outstanding}}$$

2.1.2.4.3 Auditor Quality

Parties who can provide a statement of reliability of financial statements that have been made by managers as a solution of agency problems owned by agents and principals, namely public accountants. A public accountant as a trusted party to provide an assessment of a financial report is required by parties requiring information in the financial statements. Through auditing, parties with an interest in the company can verify the reliability of the financial statements. Qualified, relevant and reliable financial reports are generated from audits effected effectively by qualified auditors. Users of financial statements are more confident in the audited financial statements of qualified auditors than with less qualified auditors, because they assume that in order to maintain their credibility the auditor will be more careful in conducting the audit process

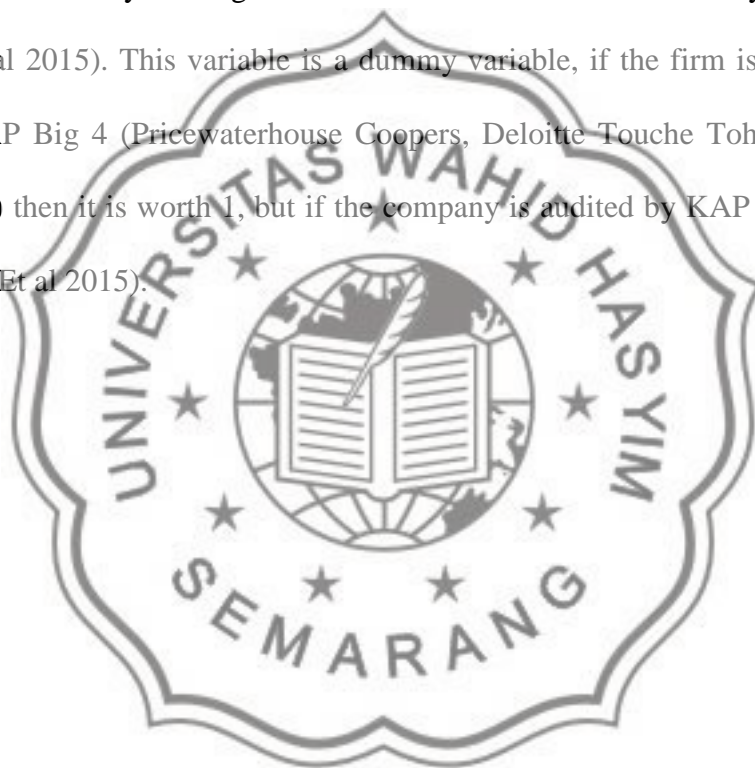
to detect misstatements or fraud (Nisa, 2014) . Qualified auditors will conduct quality audits as well. Meutia (2004) in Nisa (2014) said that the larger public accounting firm, the quality of audits produced is also better. KAP(A Knowledge, Attitude, and Practice) survey is a quantitative method(Predefined questions formatted in standardized questionnaires) that provides access to quatitative and qualitative information. KAP sizes are categorized into 4 following: International KAP, National KAP, local and regional KAP, and small local KAP. This KAP measure can indicate the level of audit quality that KAP has. In International KAP there are four KAP that controls most of the market which is often called the big four KAP. Big four KAP or The Big Four Auditors is a group of four largest professional and accounting firms that handle the majority of audit work for both public and private companies. Here's a list of KAP incorporated in KAP big four:

1. Price water house Cooper (PWC)
2. Deloitte Touché Tohmatsu
3. Ernst & Young (EY)
4. KPMG

Large KAPs (big four) have better audit quality than smaller-size KAPs (non big four). This is because a large KAP will try to protect its reputation in order to maintain public confidence in the KAP. The difference in the quality of services offered by the public accountant office shows the identity of the public accounting firm. To maintain its reputation, KAP is required to work more competent and independent.

According to Christiawan (2003) that the quality of audit is determined by two things: independence and competence. Independence is an ethic that must be maintained by auditors who are required to be honest and objective in conducting the audit. Independence will be lost if

the auditor has a relationship (family or financial) with his client (Nasser et al, 2006). Auditor independence is demonstrated through audit opinion which is one of the useful sources of information in making investment and funding decisions (Guillamon, 2003, in Dewata, et al., 2015). The use of highly qualified auditors will also reduce the company's chances of cheating in presenting inaccurate information to the public. Thus potential investors have information that is not misleading about the prospect of the company. The quality of the auditor can be measured by classifying the audit done by the Big Four KAP and the audit conducted by the KAP non Big Four (Dewata, et al 2015). This variable is a dummy variable, if the firm is audited by a KAP affiliated with KAP Big 4 (Pricewaterhouse Coopers, Deloitte Touche Tohmatsu, KPMG and Ernest and Young) then it is worth 1, but if the company is audited by KAP non big 4 then it is worth 0 (Dewata , Et al 2015).



2.1.2.4.4 Audit Committee

The audit committee works with the auditors to make sure that the books are correct and that there are no conflicts of interest between the auditors and the other consulting firms employed by the company. Ideally, the chair of the audit committee is a Certified Public Accountant (CPA). Often, a CPA is not on the audit committee, let alone on the board. The New York Stock Exchange (NYSE) requires that the audit committee include a financial expert, but this qualification is typically met by a retired banker, even though that person's ability to catch fraud may be questionable. The audit committee should meet at least four times a year in order to review the most recent audit. An additional meeting should be held if there are other issues that need to be addressed.

1. In a U.S. publicly traded company, an audit committee is an operating committee of the board of directors charged with oversight of financial reporting and disclosure. Committee members are drawn from members of the company's board of directors, with a Chairperson selected from among the committee members. A qualifying (cf. paragraph "Composition" below) audit committee is required for a U.S. publicly traded company to be listed on a stock exchange. Audit committees are typically empowered to acquire the consulting resources and expertise deemed necessary to perform their responsibilities.
2. The role of audit committees continues to evolve as a result of the passage of the Sarbanes-Oxley Act of 2002. Many audit committees also have oversight of regulatory compliance and risk management activities.
3. Not for profit entities may also have an audit committee.
4. Internationally, the audit committee is a committee of the board of directors responsible for oversight of the financial reporting process, selection of the independent auditor, and

receipt of audit results both internal and external. The committee assists the board of directors fulfill its corporate governance and overseeing responsibilities in relation to an entity's financial reporting, internal control system, risk management system and internal and external audit functions. Its role is to provide advice and recommendations to the board within the scope of its terms of reference / charter. Terms of reference and requirements for an audit committee vary by country, but may be influenced by economic and political unions capable of passing legislation. The European Union directives are applied across Europe through legislation at the country level. Although specific legal requirements may vary by country in Europe, the source of legislation on corporate governance issues is often found at the European Union level and within the non-mandatory corporate governance codes that cross national boundaries.

The audit committee, measured by dummy variables, of which 1 for companies with audit committees and 0 for companies that do not have audit committees (Siallagan and Machfoedz, 2006).

2.1.2.4.5 The Size of the Board of Directors

Board of directors is a party in a corporate entity in charge of performing the operation and management of the company. Members of the board of directors are appointed by the GMS. The Board of Directors is fully responsible for all operational and corporate stewardship in order to implement the interests in achieving the company's objectives. The board of directors is also responsible for corporate affairs with external parties such as suppliers, consumers, regulators and legal parties. With such a large role in the management of this company, the board of directors basically has significant controlling rights in the management of corporate resources

and funds from investors. Directors' functions, powers and responsibilities are explicitly regulated in Law no. 40 Year 2007 About Limited Liability Company:

1. Leading the company by issuing company policies,
2. Choosing, assigning, overseeing the duties of the employee and the chief (manager)
3. Approve the company's annual budget,
4. Deliver report to shareholders on company performance.

In this study the size of the board of directors, measured by the number of members of the board of directors in the company (Suranta and Machfoedz, 2003).

2.1.3. Company Value

The value of the firm is a value that represents a reflection of the equity and book value of the firm, whether it be the market value of equity, the book value of the total debt and the book value of the total equity. According to Sukamulja (2004), one of the ratios considered to provide the best information is Tobins Q, because this ratio can explain various phenomena in the company's activities, such as cross-sectional differences in investment decision making as well as the relationship between management stock ownership and firm value (Onwioduokit, 2002, in Purwaningtyas, 2011).

Tobins Q as an indicator of corporate value has been widely used in financial research, especially research that takes the value of the company (Sudiyatno, 2010). Tobins Q is an indicator for measuring company performance, especially about company value, which shows a management Performa in managing company assets. The value of Tobins Q describes a condition of investment opportunities owned by the company (Lang, et al 1989) or growth potential of the company (Tobin & Brainard, 1968; Tobin, 1969, in Sudiyatno, 2010). The value

of Tobins Q results from the sum of the market value of all outstanding stock and the market value of all debt compared to the value of all capital placed in the production assets (replacement value of all production capacity). The Tobins Q Can be used to measure the company's performance, which is from the potential side of a company's market value (Sudiyatno, 2010). Tobins Q includes all the elements of debt and equity capital of the company, not just elements of common stock. Brealey and Myers (2000) in Sukamulja (2004) mentioned that companies with high Tobins Q usually have a very strong corporate brand image. The company as an economic entity not only uses its equity in funding its operations, but also from other sources such as debt, both long-term and short-term. Therefore, the assessment required by the company is not only from the investors, but also from the creditors. The greater the loan granted by creditors, indicating that the higher the trust given, this indicates the company has greater corporate value (Purwaningtyas, 2011). The research on firm value as described above was done by Lastanti (2004) which states that corporate governance structure positively influences firm value, where company value is provide by Tobins Q. The determinant factor of calculating corporate value with Tobins Q is variable of market value of equity, The book value of total debt and book value of total equity in which these variables are considered significant in calculating the value of the company.

Herawaty (2008), explains the value of the company can be calculated using the formula Tobins Q as follows:

$$\text{Company Value} = \frac{\text{EquityMarketValua} + \text{TotalDebt}}{\text{EquityBookValue} + \text{TotalDebt}}$$

or

$$\text{Company Value} = \frac{EMV + D}{EBV + D}$$

Information :

Tobins Q: Company Value

EMV: (Equity Market Value)

EBV: (Equity Book Value)

D: Total debt

Market Value Equity (MVE) is obtained from the closing of stock price and closing (closing price) at the end of the year with the number of shares outstanding at the end of the year. EBV is derived from the difference between the total assets of the company and its total liabilities.

2.2. Previous Research

Based on previous research, the present study is intended to examine the effect of good corporate governance mechanisms of independent board of commissioners, institutional ownership and auditor quality on the value of companies provide by Tobins Q. Some previous studies that have conducted research on the mechanism of good corporate governance are as follows:

Table 2.1
Previous Research Summary

No.	Name of Researcher	Research Title	Variables	Research result
1	Kusumastuti (2007)	Influence of Board Diversity To Corporate Value in Perspective of Corporate Governance	board diversity, corporate governance, firm value, tobin's Q	the size of the board of directors positively insignificant to the value of the company

2	ZantisyaAzzahrahdan Willy S Yuliandhari (2014).	The Influence of Good Corporate Governance Mechanism on Corporate Value	Managerial ownership, institutional ownership, independent board of commissioners and Tobin's Q.	The Effect of Managerial Ownership, Institutional Ownership, Independent Board of Commissioners has no effect on company value.
3	Ni Nyoman Tri S Muryantidan I Made SadhaSuardikha (2014).	The Influence of Corporate Governance on Corporate Value	Managerial ownership, institutional ownership, independent board of commissioners, boards of directors, audit committee and Tobin's Q.	Managerial Ownership Variables, Institutional Ownership, Independent Board of Commissioners, Board of Directors have a positive effect on corporate value but on audit committee variables have negative effect of company value.
4	Sari (2014)	The Effect Of Board Size On The Value Of The Company	audit committee, board size, company age, profitability, value of the company	audit committees positively insignificant to the value of the company
	Frysa PradithaPurwaningtyasdan Irene Rini Demi Pengestuti (2011).	Analysis of the influence of Good Corporate Governance Mechanism on Corporate Value	Institutional ownership, managerial ownership, audit committee board, audit committee, board size and Tobin's Q.	Variables of Institutional Ownership, Managerial Ownership and Board of Directors Size show significant value to company value while Independent Board of Commissioner and Committee Audit shows insignificant results against value company.
5	Eva Dewata, dkk (2015)	The Influence of Board Size and Quality of Audit To The Value Of Coal Mining Companies Listed In BEI	Board Size, Auditor Independence, Auditor Competence, Firm Size and Capitalization Market	Variables Boar size and Firm sizenunjukkan positive significant while the variable independence of auditors and auditor competence has no effect on the value of the company.

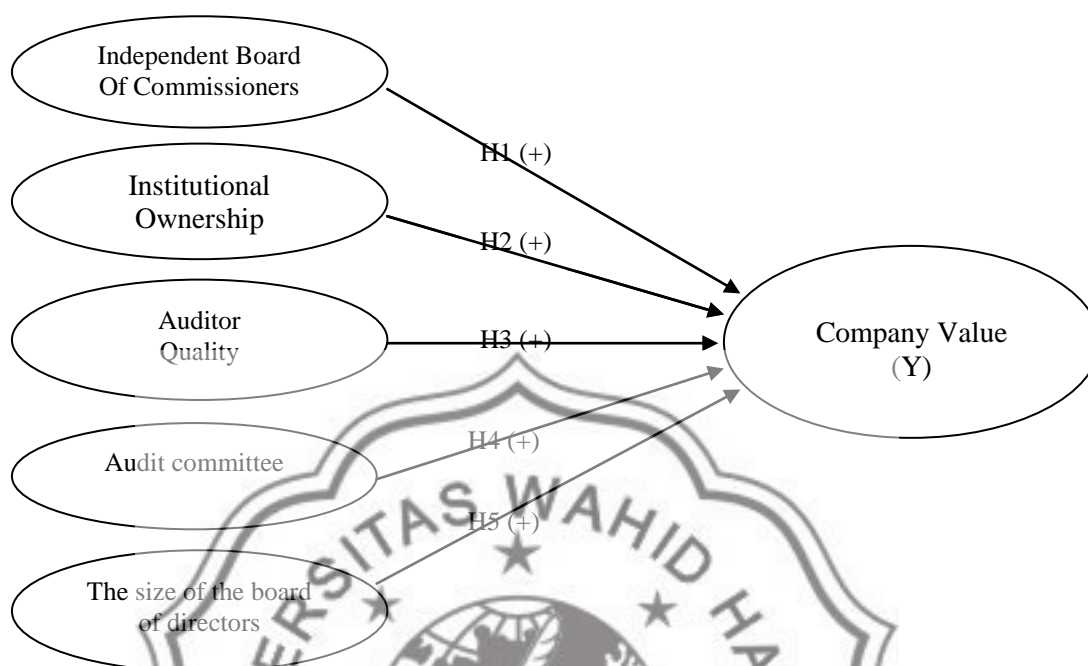
6	Thaharah (2016)	The Effect Of Corporate Governance Mechanisms And Financial Performance To The Value Of The Company Lq 45	Good Corporate Governance, Financial Performance, Firm Value	the managerial ownership has no influence to the firm value, Institutional ownership has an influence to the firm value, the board of independent commissioner has an influence on the firm value, the audit committee has an influence to the firm value, return on asset does not have any influence to the firm value, return on equity has an influence on firm value
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Source: Collection of various journals processed, 2016

2.3. Theoretical Thinking Framework

Based on the previous theoretical and research foundation that has been described, the framework in this study is the existence of indicators in the banking entry and listed in the BEI period 2012-2016; Independent board of commissioners, institutional ownership, and quality of auditors who have a good or bad influence on the value of the company. In measuring company value, the measuring tool used is Tobins Q. Tobins Q is used to calculate the value of the company or show the company's market performance. So the framework of this research can be described in the following figure:

Figure 2.1
Theoretical Thinking Framework



2.4. Hypothesis

Hypothesis is basically a temporary answer (preposition) that is considered true and made the basis for decision making (Nisa, 2014).

2.4.1. Effect of Independent Board of Commissioners on Corporate Value

Independent commissioners have a fundamental responsibility to encourage the implementation of good corporate governance principles within the company through the empowerment of the board Independent Variables Independent Board of Commissioners in Institutional Ownership Dependent Variables Company Value: Tobins Q (Y) Quality Auditor commissioner in order to perform the task of supervision and giving advice to the directors effectively and more value-added for the company. 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 tasked with ensuring corporate strategy, overseeing managers in managing the company, and requiring accountability. Since the board of commissioners is responsible for overseeing management in charge of improving the efficiency and competitiveness of the company, the board of commissioners is a center of endurance and success of the company. The board of commissioners must also monitor the effectiveness of good corporate governance practices adopted by the company, and make adjustments where necessary. The demand for transparency and independence is evident from the demand that the company has more independent commissioners overseeing the actions of executives (Lastanti, 2004). The higher the representation of the independent commissioner, the higher the independence and effectiveness of the corporate board, thereby increasing the value of the company (Barnhart and Rosenstein, 1998 in Purwaningtyas, 2011). This is consistent with research conducted by Muryanti (2014) and Dewata, et al. (2015) which shows a significant positive influence between independent board of commissioners against company value. Therefore the hypothesis is proposed as follows:

H₁: Independent board of commissioners positively affects the value of the company.

2.4.2. Effect of Institutional Ownership on Corporate Value

Institutional ownership has an important role in minimizing agency conflict that occurs between managers and shareholders. The existence of institutional investors is considered capable of being an effective monitoring mechanism in every decision taken by the manager. Institutional ownership has important meaning in monitoring management, because with the existence of institutional ownership will encourage more optimal supervision on management performance, so management will be more careful in making decision. Monitoring will certainly ensure prosperity for shareholders.

Institutional ownership has important meaning in monitoring management, because with the existence of institutional ownership will encourage more optimal supervision on management performance, so management will be more careful in making decision. Monitoring will certainly ensure prosperity for shareholders. Monitoring by the institution is able to substitute other agency costs, so the agency cost decreases and the company value increases (Purwaningtyas, 2011).

Institutional ownership generally has a large proportion of ownership so that the monitoring process of managers gets better (Azzahrah, 2014). The higher the level of institutional ownership, the stronger the control of the company, this is because the institution usually has a considerable right, so take a large proxy also on the ownership of shares of a company. This is consistent with research conducted by Muryati (2014) and (Purwaningtyas, 2011) which shows a positive influence between institutional ownership and firm value. Therefore the hypothesis is proposed as follows:

H₂: Institutional ownership positively affects company value

2.4.3. Effect of Auditor Quality on Company Value

The signaling theory states that audit quality can be information that gives positive and negative signals. Quality audit as one of the information that can weaken and strengthen the effect of the announcement of fair audit report without exception to stock price. When the auditor provides a going concern opinion of a company, this will have an impact on investment decisions of potential investors as well as for investors who have previously invested in the company (Dewata, et al., 2015). Christiawan (2003) shows that audit quality can be determined by two things: independence and competence. To produce a quality audit, a public accountant is required to have sufficient competence and good independence. The internal auditor's independence is particularly important in providing impartial / neutral assessments (Hery, 2010,

in Dewata, et al., 2015). Unqualified opinion is the most expected opinion by the client because this opinion is able to ensure that the financial statements prepared by management. The company does not contain material misstatements and complies with the applicable Financial Accounting Standards. Wang (2005) in Dewata, et al (2015) found that the market responded negatively to the company's stock price with an unqualified audit opinion with explanatory language and opinions other than unqualified audit opinions. The higher level of auditor independence will increase the credibility of the financial statements, with the increased credibility of the financial statements will be expected to affect the stock price of the company, and increase the value of the company. Therefore, the hypothesis of auditor independence influence on company value can be formulated as follows:

H₃: Auditor quality positively affects company value.

2.4.4. Effect of audit committee on company value

The audit committee is a group of persons selected from the board of commissioners of the company responsible for assisting the auditor in maintaining his or her independence from management. In the attachment letter of the board of directors of PT. Jakarta Stock Exchange Kep-315 / BEJ / 06-2000 point 2f, the rules on establishing audit committee stated that "Audit Committee is a committee established by the board of commissioner of the Listed Company whose members are appointed and dismissed by the board of commissioner of the Listed Company to assist the board of commissioners of the Listed Company to conduct inspection or research deemed necessary for 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, then the transparency of corporate management accountability can be trusted, thereby increasing the confidence 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.

McMullen (1996) in Siallagan and Machfoedz (2006) states that investors, analysts and regulators consider the audit committee to contribute to the quality of financial reporting. This proves the existence of the audit committee positively and significantly affects the value of the company. This audit committee is an effort to improve the way the management of the company, especially the way of oversight of the management company, because it will be a liaison between the management company with the board of commissioners and other external parties. The audit committee also plays a role in overseeing the company's financial reporting process aimed at realizing the financial statements prepared through the audit process with the integrity and objectivity of the auditor. The audit committee will play an effective role in enhancing the credibility of the financial statements and helping the board of commissioners gain the trust of shareholders to fulfill the obligation to deliver the information.

Based on the Circular Letter from the Board of Directors of PT. Jakarta Stock Exchange SE-008 / BEJ / 12-2001 dated December 7, 2001 regarding membership of the audit committee, stated that:

Audit Committee members must have at least 3 (three) members, including the chair of the audit committee. Audit committee members who come from commissioners, only 1 (one) person. The members of the audit committee from the commissioner must be an independent commissioner of the Listed Company which also becomes the chairman of the audit committee.

The other members of the audit committee are from independent external parties. The external party is a party outside the Listed Company which is not a commissioner, board of director and employee of the Listed Company, while the independent is a party outside the Listed Company that has no business relationship and affiliation relationship with the Listed Company,

commissioner, board of director and Main Shareholder The Company is listed and able to provide opinion professional freely in accordance with his professional ethics, has no interest to anyone. Thaharah (2016) proves that audit committee has a significant positive effect on the value of the company, so can the result hypothesis as follow:

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

2.4.5. Effect of the size the board of directors on company value.

Board size or board size is the number of boards in the company, the more councils in the company will provide a form of supervision on the performance of the company the better, with good performance and controlled company, it will produce a good profitability and will be able to increase the company's stock price and company value will also increase. This is in line with research conducted by Isshaq, et al (2009), the results of his research indicate that there is a significant positive relationship between the board size with the value of the company.

S. Beiner, et al (2003) asserted that the board of directors is an economic institution that helps solve the problems of the agency inherent in public companies. The board of directors is responsible to the commissioners (governance) of their company (Adrian Cadbury in Cadbury Committee, 1992). The board of directors is in charge of running the company's management. Cadbury advised the CEO to be separate from the members of the board of commissioners.

The size and composition of the board of directors can influence 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 benefit the company because of the creation of networks with outsiders and ensuring the availability of resources. A large number of boards benefit the company from a resource dependence point of view that the company will depend on its board to better manage its resources.

According to Hermalin and Weisbach (2003) in Beiner S., et al (2003) the number of boards of directors usually relates to the policy implications of the limit on the number of boards of directors. Conversely, if there is no policy regarding the limit of the number of boards of directors, then the company will choose the most optimal amount. Beiner S., et al (2003) affirms that the board of directors is an important governance mechanism, as the board of directors can ensure that managers following the board's interests. The minimum number of provisions required by Law no. 1 Year 1995 concerning Limited Liability Company (PT) that must be implemented that is minimal for the board of directors is 2 people.

The board of directors in a company will determine the policy to be taken or the company's strategy in the short term and long term. The Board of Directors shall ensure that the Company has fully implemented all the provisions stipulated in the Articles of Association and prevailing laws and regulations.

The structure of corporate governance in Indonesia in accordance with the Act. No. 1 of 1995 on Limited Liability Companies, in which the General Meeting of Shareholders (GMS) is the highest body consisting of shareholders who have the right to vote for members of the board of commissioners and the board of directors (Wulandari, 2006). The board of directors is fully responsible for the management of the company in two respects for the interests and purposes of the company, as well as representing the company both inside and outside the court. Muryati (2014) proves that the size of the board of directors positively affect the value of the company, so can the result hypothesis as follow:

H₅: The size of the board of directors positively affects the firm's value.

CHAPTER III

RESEARCH METHODOLOGY

3.1. Variable Research and Definition of Operational Variables

Research variable is an attribute or the nature or value of people, objects or activities that have certain variations set by the researchers to be studied and drawn conclusions (Sugiono, 2009). Variables in this research are conceptually there are two types of variables are dependent variable and independent variable.

3.1.1 Dependent Variable (Y): The value of the company

Dependent variable is a variable that is influenced or become a result because of the independent variables (Sugiono, 2009). The dependent variable in this study is firm value measured using Tobins Q. Tobins Q measures performance by comparing two valuations of a firm's assets as measured by the market value of the number of outstanding shares and the debt (enterprise value) on the replacement cost of the firm's assets. Herawaty (2008), explains the value of the company can be calculated using the formula Tobins Q as follows:

$$\text{Company Value} = \frac{\text{Equity Market Value} + \text{Total Debt}}{\text{Equity Book Value} + \text{Total Debt}}$$

Information :

Tobins Q : Company Value

EMV : The market value of equity (Equity Market Value)

EBV : The book value of total equity (Equity Book Value)

D : Total debt

Market Value Equity (MVE) is obtained from the price multiplication Shares and closing (closing price) end of the year with the number of shares that Outstanding at the end of the year. EBV is derived from the difference in total assets of the company with total obligations.

3.1.2 Independent Variable (X)

Independent variables are often referred to as stimulus variables. Also called the independent variable, the independent variable is a variable that affects or causes change or dependence (Sugiono, 2009). Independent variable to be tested in this research is a good corporate governance (GCG) mechanism that is available in the form of financial statements contained in the financial statements published. This research uses several GCG mechanisms among others: Managerial ownership, institutional ownership, board of commissioners, independent and auditor quality. However, in chapter V it is explained that the variable Managerial ownership is eliminated because there is a suspected correlation relationship which is high between managerial ownership variable and variable Other independent agents. So in this study the independent variable only uses independent board of commissioners, institutional ownership and auditor quality.

3.1.2.1 Independent Board of Commissioners

Agency theory states that conflict of interest between agents with principal can be reduced with proper supervision. There, an independent board of commissioners will improve the quality of the oversight function within the company. The greater the proportion of independent commissioners indicates that supervisory functions will be better (Noviawan and Septiani, 2013). Herawati (2008) said that independent commissioners are measured based on the percentage of total independent commissioners to the total number of existing commissioners in the composition of the company's board of commissioners.

$$\text{Independent Commissioner} = \frac{\sum \text{Independent Commissioner}}{\sum \text{Board Member of Commissioners}}$$

3.1.2.2 Institutional Ownership

Institutional ownership is the percentage of shares owned by the institution in the form of NGOs, insurance companies, investment companies and private companies (Nisa, 2014). Institutional ownership generally acts as a party to monitor the company. Institutional ownership generally has a large proportion of ownership so that the monitoring process of managers is better. According to Boediono (2005) institutional ownership can be measured by dividing the number of shares owned by the institution by the number of shares outstanding:

$$\text{Institutional Ownership} = \frac{\sum \text{Shares owned}}{\sum \text{Shares Outstanding}}$$

3.1.2.3 Auditor Quality

Audit is a process to reduce the misalignment of information between managers and shareholders by using outside parties to authorize financial statements (Meutia, 2004, in Nisa, 2014). This means the auditor has an important role in the ratification of a company's financial statements. Therefore, the quality of audits is a matter of concern to auditors in the auditing process. The quality of the auditor can be measured by classifying the audit done by the Big Four KAP and the audit conducted by the KAP non Big Four (Dewata, et al 2015). This variable is a dummy variable, if the firm is audited by a KAP affiliated with KAP Big 4 (Pricewaterhouse Coopers, Deloitte Touche Tohmatsu, KPMG, and Ernest and Young) then it is worth 1, but if the company is audited by KAP non big 4 then it is worth 0 (Dewata , Et al., 2015).

3.1.2.4 Committee Audit

The audit committee, measured by dummy variables, of which 1 for companies with audit committees and 0 for companies that do not have audit committees (Siallagan and Machfoedz, 2006).

3.1.2.5 Size of the Board of Directors

In this study the size of the board of directors, measured by the number of members of the board of directors in the company (Suranta and Machfoedz, 2003).

3.2. Sample Determination

3.2.1. Population

Population is a generalization region consisting of objects or subjects that have certain qualities set by researchers to be studied and then drawn conclusions (Sugiono, 2009). The population of this research is banking in Indonesia Stock Exchange year 2012-2016 as much 43 banking companies. This is based on several reasons concerning the availability of data, differences in characteristics, and sensitivity to events, so selected companies that publish the financial statements completely.

3.2.2. Sample

The sample is part of the number and characteristics possessed by that population. Sampling in this study using purposive sampling, according to Sugiono (2009). Technical purposive sampling Is a sample determination technique with special consideration. The sampling technique was conducted by purposive sampling with the aim of obtaining representative samples in accordance with the criteria specified. The criteria used to select the sample are as follows:

1. Banks listed on the Indonesia Stock Exchange 2012-2016. Consideration for choosing a banking company because based on Bank Indonesia Circular Letter which obliges banks to apply good corporate governance.
2. Banks listed on the Indonesia Stock Exchange 2012-2016

3. The banking company has consecutive earnings during 2012-2016
4. Have complete data related to the variables used in the research.

Based on the criteria that have been determined above by pursuant to the technique of purposive sampling, obtained as many as 20 banks in accordance with the criteria as samples in this study. Here is a sample determination table

Tabel 3.2
Sample Determination

No.	Criteria	Total
1	Population: Banking companies listed in BEI 2016	43
2	Criteria: Banking companies not listed in BEI during 2012-2016	(13)
	Banking companies not get earning during 2012-2016	(10)
3	Total sample research	20

Source: Secondary Data Processed, 2017

Based on the sample determination table above, the data that meet the criteria of sampling that have been determined based on purposive sampling method is as follows

Table 3.3
Names of Sample Companies

No	Company Code	Company name
1	AGRO	Bank Rakyat Indonesia Agroniaga Tbk
2	BABP	Bank MNC Internasional Tbk
3	BACA	Bank Capital Indonesia Tbk
4	BBCA	Bank Central Asia Tbk
5	BBKP	Bank Bukopin Tbk
6	BBNI	Bank Negara Indonesia (Persero) Tbk
7	BBNP	Bank Nusantara Parahyangan Tbk
8	BBRI	Bank Rakyat Indonesia (Persero) Tbk
9	BBTN	Bank Tabungan Negara (Persero) Tbk
10	BDMN	Bank Danamon Indonesia Tbk
11	BJBR	Bank Pembangunan Daerah Jawa Barat dan Banten

		Tbk
12	BKSW	Bank QNB Indonesia Tbk
13	BMRI	Bank Mandiri (Persero) Tbk
14	BNBA	Bank Bumi Arta Tbk
15	BNGA	Bank CIMB Niaga Tbk
16	BNII	Bank Maybank Indonesia Tbk
17	BNLI	Bank PermataTbk
18	BSIM	Bank Sinarmas Tbk
19	BSWD	Bank Of India Indonesia Tbk
20	BTPN	Bank Tabungan Pensiunan NasionalTbk
21	INPC	Bank Artha Graha Internasional Tbk
22	MAYA	Bank Mayapada Internasional Tbk
23	MCOR	Bank Windu Kentjana International Tbk
24	MEGA	Bank Mega Tbk
25	NISP	Bank NISP OCBC Tbk
26	PNBN	Bank Pan Indonesia Tbk
27	SDRA	Bank Woori Saudara Indonesia 1906 Tbk

Source: Secondary data processed, 2017



3.3. Types and Data Sources

The type of data obtained is the data of the document, the data that the researchers are implicated indirectly through intermediate media (obtained and recorded by other parties), generally in the form of evidence records or historical reports that have been compiled in archives (data documents) published and unpublished .

Sources of data in this study are secondary data, data that has been processed by the primary data collector, and through study libraries that have to do with the problems faced and analyzed presented in the form of information. Secondary data is used data of annual banking year 2012-2016. Data obtained from the annual report obtained through the website of Indonesia Stock Exchange (BEI), namely www.idx.co.id.

3.4. Data Collection Method

Methods of data collection in this study was conducted using documentary data that is secondary data in the form of published company annual report. Financial statement data is cross section data from all banks that entered in Indonesia Stock Exchange and time series data for year 2012-2016. Data collection during 2012-2016 is intended to test the stability between the regression of 2012-2016.

Data collection procedure is done based on documentary technique that is data collection method by recording data from reports, notes and archives exist in some sources such as; BEI,

Libraries, internet and other sources relevant to the data required. Information on accounting data, institutional share ownership data, number of independent board of commissioners and auditor quality obtained from soft copy of financial report 2012-2016 and BEI homepage, on www.idx.co.id.

3.5. Data Analysis Method

Data analysis was done by using several statistical techniques including descriptive statistical analysis, classical assumption test, normality test, multicollinearity test, heteroscedasticity test, autocorrelation test and then continued by using multiple linear regression analysis.

3.5.1. Descriptive Statistics

Descriptive statistics are used to provide an overview or description of data viewed from the mean, standard deviation, variance, maximum, minimum, sum, range, kurtosis and skewness (Ghozali, 2013).

3.5.2. Classic Assumption Test

The classical assumption test aims to find out whether the model of the regression equation really shows a significant and representative relationship. Therefore, a classical assumption test is required to test the formulated model which includes the following tests:

3.5.2.1. Normality Test

Normality test aims to test whether in the regression model, the intruder or residual variable has a normal distribution (Ghozali, 2013). A good regression model is one that has normal or near-normal data distribution. Normality test in this study is based on a simple statistical test by looking at the value of kurtosis and skewness for all dependent and independent variables.

3.5.2.2. Multicollinearity Test

Multicollinearity test aims to test whether the regression model found the existence of correlation between independent variables (Ghozali, 2013). A good regression model should not

be correlated among independent variables. Multicollinearity can be seen from the value of tolerance and the opposite is Variance Inflation Factor (VIF). For decision stewardship in determining the presence or absence of multicollinearity with the following criteria:

- a. If the value of $VIF > 10$ or if the tolerance value < 0.1 then there is multicollinearity in the regression model.
- b. If the VIF value < 10 or if the tolerance value > 0.1 then there is no multicollinearity in the regression (Ghozali, 2013).

3.5.2.3. Heteroscedasticity Test

The heteroscedasticity test aims to test whether in the regression model there is a variance inequality of the residual one observation to another observation (Ghozali, 2013). A good regression model is homoskedastisitas or does not occur heteroskedastisitas. In this study to test hereroskesdatisitas by looking at the scatterplots chart. If in the scatterplots chart it appears that the points are spreading randomly as well Spread either above or below the number 0 on the Y axis. It can be concluded that there is no heteroscedasticity.



3.5.2.4. Autocorrelation Test

The autocorrelation test aims to test whether in the linear regression model there is a correlation between the confounding error in period t with the intruder error in period $t-1$ (previous) (Ghozali, 2013). To test whether or not the autocorrelation is present, this study uses the Durbin-Watson test (Ghozali, 2013). Decision-making whether or not symptoms of autocorrelation are based on the following:

- 1 When DW count lies between the upper bound (du) and $(4-du)$ then the autocorrelation coefficient is equal to zero, meaning free from autocorrelation.
- 2 If DW count is greater than the lower limit (dl), then the autocorrelation coefficient is greater than zero, meaning positive autocorrelation.
- 3 Does DW count larger than the lower limit ($4-dl$), then the autocorrelation coefficient is less than zero, meaning there is negative autocorrelation.
- 4 Does DW count lies between the upper bound (du) and the lower limit (dl) or lies between $(4-du)$ and $(4-dl)$. Then the result can not be concluded.

3.5.3. Multiple Linear Regression Analysis

In an effort to answer the problem in this research, we use multiple regression analysis. Multiple linear regression analysis is used to determine the positive or negative effects of independent variables (institutional ownership, board of commissioners.

Independent and auditor quality) with the dependent variable (firm value). Dependent variable is variable which act as predictor or influencing variable, while dependent variable is influenced variable. The linear regression equation is as follows:

$$FV = \alpha + \beta_1 KI + \beta_2 DKI + \beta_3 KA + \beta_4 CA + \beta_5 BD + \varepsilon \dots$$

Where :

A: Constants

β : regression coefficient

FV: Firm Value (Tobins Q)

KI: Institutional ownership

DKI: Independent Board of Commissioners

KA: Auditor Quality

CA: Committee Auditee

BD: size of the board of directors

3.6. Hypothesis Testing (T-test)

Hypothesis testing in this study using partial test (T test). T test is done to know the influence of each independent variable individually (partial) to the dependent variable is done by t-test. T test is done by comparing the value of t arithmetic with t table or compare between t stat with significant tariff ($\alpha = 0,05$). Criteria for decision making as follows:

- 1 If $t_{\text{arithmetic}} > t_{\text{table}}$ or $t_{\text{stat sign}} < 0,05$ then H_0 rejected and H_a accepted. This means there is a significant influence of the independent variable on the dependent variable.
- 2 If $t_{\text{arithmetic}} < t_{\text{table}}$ or $t_{\text{stat sign}} > 0,05$ then H_0 accepted and H_a rejected. This means there is no significant influence of the independent variable on the dependent variable.

CHAPTER IV

RESEARCH RESULT AND DISCUSSION

4.1. Research result

4.1.1. Description of Research Object

Object used in this research is a banking company that consistently, registered and has been go public in Indonesia Stock Exchange in 2012 until 2016. Number of companies that meet the sample research by using purposive sampling method amounted to 20 companies that can be seen in the following table this:

Table 4.1
Company Name and Code Sample

NO	Code	Issuer
1	AGRO	Bank Rakyat Indonesia Agroniaga Tbk
2	BABP	Bank MNC Internasional Tbk
3	BACA	Bank Capital Indonesia Tbk
4	BBCA	Bank Central Asia Tbk
5	BBKP	Bank Bukopin Tbk
6	BBNI	Bank Negara Indonesia (Persero) Tbk
7	BBNP	Bank Nusantara Parahyangan Tbk
8	BBRI	Bank Rakyat Indonesia (Persero) Tbk
9	BBTN	Bank Tabungan Negara (Persero) Tbk
10	BDMN	Bank Danamon Indonesia Tbk
11	BMRI	Bank Mandiri (Persero) Tbk
12	BNGA	Bank CIMB Niaga Tbk
13	BNII	Bank Maybank Indonesia Tbk
14	BNLI	Bank PermataTbk

15	BTPN	Bank Tabungan Pensiunan Nasional Tbk
16	MAYA	Bank Mayapada Internasional Tbk
17	MEGA	Bank Mega Tbk
18	NISP	Bank NISP OCBC Tbk
19	PNBN	Bank Pan Indonesia Tbk
20	SDRA	Bank Woori Saudara Indonesia 1906 Tbk

Source: secondary data processed, 2018

4.1.2. Description of Research Variables

4.1.2.1. Independent Commissioner

Independent Commissioners are members of the board of commissioners who have no financial, management, share ownership and/or family relationships with other members of the board of commissioners, directors and/or controlling shareholders or other relationships that may affect their ability to act independently. The results of independent commissioners calculations from banking companies listed on the Stock Exchange during the period 2012-2016 can be seen in the following table:

Table 4.2
Independent Commissioner of Banking Companies for the Period 2012-2016

NO	Code	INDEPENDENT COMMISSIONERS				
		2012	2013	2014	2015	2016
1	AGRO	0,50	0,60	0,60	0,40	0,40
2	BABP	1,00	0,50	0,67	0,67	0,67
3	BACA	0,33	0,33	0,33	0,33	0,33
4	BBCA	0,60	0,60	0,60	0,60	0,60
5	BBKP	0,60	0,67	0,57	0,50	0,50
6	BBNI	0,57	0,57	0,50	0,63	0,50
7	BBNP	0,50	0,50	0,50	0,50	0,50

8	BBRI	0,50	0,50	0,50	0,50	0,44
9	BBTN	0,57	0,57	0,57	0,57	0,57
10	BDMN	0,57	0,57	0,57	0,57	0,57
11	BMRI	0,50	0,50	0,50	0,50	0,50
12	BNGA	0,50	0,50	0,50	0,50	0,50
13	BNII	0,57	0,50	0,50	0,50	0,50
14	BNLI	0,56	0,50	0,50	0,50	0,50
15	BTPN	0,56	0,50	0,43	0,50	0,60
16	MAYA	0,40	0,40	0,40	0,40	0,40
17	MEGA	0,50	0,50	0,67	0,50	0,50
18	NISP	0,50	0,50	0,50	0,50	0,50
19	PNBN	0,50	0,50	0,60	0,67	0,50
20	SDRA	0,67	0,67	0,75	0,75	0,75
	Min	0,33	0,33	0,33	0,33	0,33
	Max	1,00	0,67	0,75	0,75	0,75
	Avr	0,55	0,52	0,54	0,53	0,52

Source: financial report data in 2018.

Based on the above table it can be seen that the highest Independent Commissioner's value is at Bank MNC International Tbk that is equal to 1. Independence of corporate board will reduce fraud in financial reporting. The existence of independent commissioners is expected to increase the effectiveness of supervision and strive to improve the quality of the financial statements. The presence of good supervision will minimize the fraud committed by management in financial reporting. That way, the quality of financial statements is also getting better and cause investors believe to invest in the company, so

generally the company's stock price will be higher and the value of the company is increasing.

4.1.2.2. Institutional ownership

Institutional ownership is the percentage of shares held by institutional investors. Institutional investors can play a role in monitoring agency (manager) companies. In addition, institutional investors have better information access because of their investment activity, which means better knowledge of the company's performance. The results of the calculation of institutional ownership of banking companies listed on the Stock Exchange during the period 2012-2016 can be seen in the following table:

Table 4.3
Institutional Ownership of Banking Companies for the Period 2012-2016

NO	CODE	INSTITUTIONAL OWNERSHIP				
		2012	2013	2014	2015	2016
1	AGRO	79,78	80,42	80,42	87,23	87,23
2	BABP	86,77	75,36	45,26	68,54	61,67
3	BACA	61,17	61,18	54,15	53,48	45,93
4	BBCA	47,15	47,15	47,15	47,15	47,15
5	BBKP	59,71	28,38	59,40	59,40	59,40
6	BBNI	96,38	96,05	96,59	95,23	95,62
7	BBNP	85,36	85,36	85,36	81,97	86,22
8	BBRI	56,75	56,75	56,75	56,75	56,75
9	BBTN	60,04	60,04	60,04	60,04	60,00
10	BDMN	99,59	99,59	99,59	99,59	99,61
11	BMRI	60,00	60,00	60,00	60,00	60,00
12	BNGA	96,92	96,92	96,92	96,92	91,48

13	BNII	97,29	97,29	97,29	97,29	97,29
14	BNLI	89,34	89,34	89,32	89,32	89,23
15	BTPN	89,34	89,34	65,88	68,38	68,38
16	MAYA	95,68	95,68	95,68	95,68	83,72
17	MEGA	57,82	57,82	57,82	57,82	57,82
18	NISP	85,08	85,08	85,08	85,08	85,08
19	PNBN	84,76	84,85	84,85	84,85	84,85
20	SDRA	63,95	63,95	77,95	77,95	77,95
	Min	47,15	28,38	45,26	47,15	45,93
	Max	99,59	99,59	99,59	99,59	99,61
	Avr	77,64	75,53	74,78	76,13	74,77

Source: financial report data in 2018

Based on the above table it can be seen that the highest institutional ownership value is at PT. Intan Wijaya International T Bank Danamon Indonesia Tbk amounted to 99.61 in 2016, while the lowest institutional ownership is Bank Bukopin Tbk of 28.38 in 2013. The greater the institutional ownership the more efficient the utilization of company assets and with effective supervision by institutions against the company, is expected to act as a deterrent to waste made by management that could harm shareholders. That way, it can minimize the costs incurred by managers for personal interests that can harm shareholders.

4.1.2.3. Quality Auditor

Quality, relevant and reliable audit finance reports result from audits conducted effectively by qualified auditors. Users of financial statements will be more confident in audited financial statements that are considered high quality auditors compared to a less qualified auditor because they assume that in order to maintain their credibility, the auditor

will be more careful in conducting the audit process to detect misstatements or cheats that will happen. Audit quality is measured by dummy, where 0 is a company not audited with KAP non the big four, whereas 1 is a company audited with KAP the big four. The results of the auditor quality calculations from banking companies listed on the Stock Exchange during the period 2012-2016 can be seen in the following table:

Table 4.4
Quality Auditor Banking Company Period 2012-2016

NO	CODE	Quality Auditor				
		2012	2013	2014	2015	2016
1	AGRO	1	1	1	1	1
2	BABP	1	1	1	1	1
3	BACA	0	0	0	0	0
4	BBCA	1	1	1	1	1
5	BBKP	1	1	1	1	1
6	BBNI	1	1	1	1	1
7	BBNP	0	0	0	0	0
8	BBRI	1	1	1	1	1
9	BBTN	1	1	1	1	1
10	BDMN	1	1	1	1	1
11	BMRI	1	1	1	1	1
12	BNGA	1	1	1	1	1
13	BNII	1	1	1	1	1
14	BNLI	1	1	1	1	1
15	BTPN	1	1	1	1	1
16	MAYA	1	1	1	1	1
17	MEGA	1	1	1	1	1

NO	CODE	Quality Auditor				
		2012	2013	2014	2015	2016
18	NISP	1	1	1	1	1
19	PNBN	1	1	1	1	1
20	SDRA	1	1	1	1	1
Min		0	0	0	0	0
Max		1	1	1	1	1
Avr		1	1	1	1	1

Source: financial report data in 2018.

Based on the above table can be seen that the average of banking companies listed on the Stock Exchange during the period 2012-2016 using the services of auditors in the category of the big four, KAP the big four category in Indonesia, namely: (1) KAP Price Waterhouse Coopers, in collaboration with KAP Tanudireja, Wibisana and colleagues. (2) KAP Klynveld Peat Marwick Goerdeler (KPMG) International, in cooperation with KAP Sidharta and Wijaya. (3) KAP Ernst and Young Global, in collaboration with KAP Purwanto, Sarwoko and Sandjaja. (4) KAP Deloitte Touche Thomatsu, who collaborated with KAP Osman Bing Satrio and colleagues.

4.1.2.4. Audit Committee

The Audit Committee is an audit committee whose members are elected members of the board of commissioners whose responsibilities include: establishing an independent auditor of the management proposal. Most audit committees consist of 3 to 5 even sometimes up to 7 people who are not part of management company. The results of audit committee calculations from banking companies listed on the Stock Exchange during the period 2012-2016 can be seen in the following table:

Table 4.5
Banking Company Audit Committee for the 2012-2016 Period

NO	CODE	AUDIT COMMITTEE				
		2012	2013	2014	2015	2016
1	AGRO	3	3	3	3	3
2	BABP	3	3	4	4	4
3	BACA	3	3	3	3	4
4	BBCA	3	3	3	3	3
5	BBKP	4	4	4	5	5
6	BBNI	4	3	3	4	3
7	BBNP	3	3	3	3	3
8	BBRI	4	4	4	4	6
9	BBTN	3	3	3	3	3
10	BDMN	5	5	5	5	5
11	BMRI	5	5	5	6	11
12	BNGA	6	6	6	6	4
13	BNII	5	4	3	3	3
14	BNLI	4	4	3	3	4
15	BTPN	4	4	4	3	4
16	MAYA	3	3	3	3	3
17	MEGA	3	3	3	3	3
18	NISP	4	4	4	4	3
19	PNBN	4	4	4	4	4
20	SDRA	3	3	3	5	5
Min		3	3	3	3	3
Max		6	6	6	6	11

Avr	4	4	4	4	4
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Source: financial report data in 2018.

Based on the above table can be seen that the average of banking companies listed on the Stock Exchange during the period 2012-2016 has an audit committee of 4 people. The more audit committees the company's performance will be more controlled and controlled in carrying out its duties, which will increase investor confidence that impact on increasing stock prices and company value.

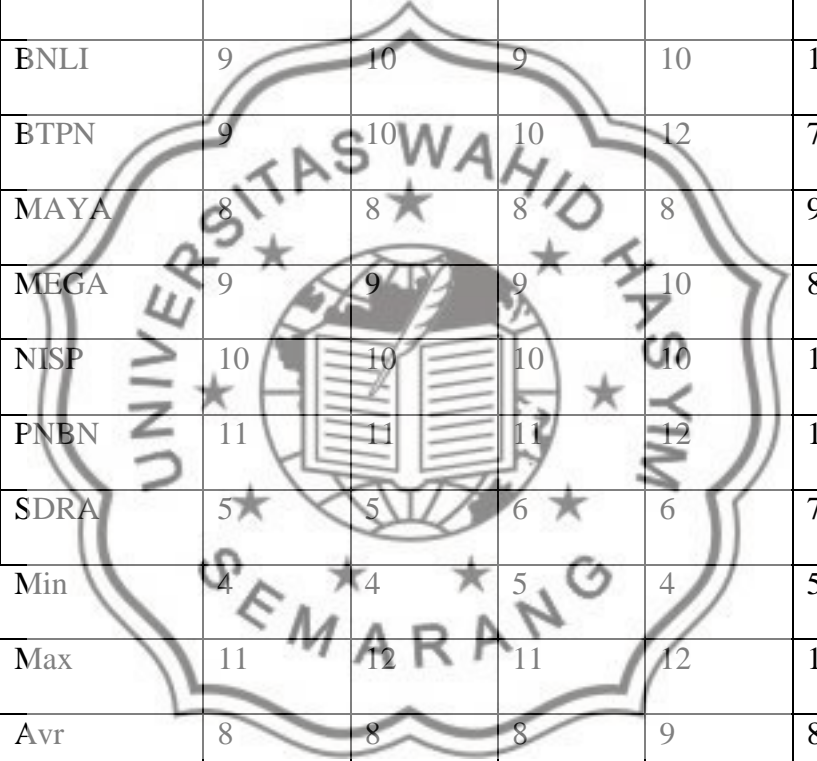
4.1.2.5. Number of Directors

The Board of Directors as a corporate organ duty and responsible collegial in managing the company. The results of the calculation of the number of directors of banking companies listed on the Stock Exchange during the period 2012-2016 can be seen in the following table:

Table 4.6

Number of Directors of Banking Companies for the Period 2012-2016

NO	CODE	NUMBER OF DORECTORS				
		2012	2013	2014	2015	2016
1	AGRO	5	5	5	5	5
2	BABP	5	5	6	5	5
3	BACA	4	4	5	5	5
4	BBCA	10	10	10	10	11
5	BBKP	7	7	7	7	7
6	BBNI	10	10	10	9	10



7	BBNP	5	5	5	4	5
8	BBRI	11	11	11	11	11
9	BBTN	8	8	8	8	8
10	BDMN	7	7	7	7	9
11	BMRI	11	11	11	11	10
12	BNGA	11	12	11	11	10
13	BNII	9	8	8	9	8
14	BNLI	9	10	9	10	10
15	BTPN	9	10	10	12	7
16	MAYA	8	8	8	8	9
17	MEGA	9	9	9	10	8
18	NISP	10	10	10	10	10
19	PNBN	11	11	11	12	12
20	SDRA	5	5	6	6	7
	Min	4	4	5	4	5
	Max	11	12	11	12	12
	Avr	8	8	8	9	8

Source: financial report data in 2018

Based on the above table it can be seen that the average of banking companies listed on the BEI during the period 2012-2016 has 8 boards of directors. The size of a small board of directors is believed to increase the value of the firm because the size of the board of directors is not great in effective communication in the board and make decisions in management.

4.1.2.6. The value of the company

The value of the company is "a picture of the financial condition in a certain period whether it involves the aspect of fund raising and the channeling of funds. The company's value is measured by profit growth. Growth indicates the percentage increase or decrease in the value of net income generated by the company in a period. The calculation of earnings growth of banking companies listed on the Stock Exchange during the period 2012-2016 can be seen in the following table:

Table 4.7
Value of the Banking Company for the Period 2012-2016

NO	CODE	VALUE OF THE COMPANY				
		2012	2013	2014	2015	2016
1	AGRO	1.04	1.01	0.98	0.97	1.35
2	BABP	1.030	0.997	1.019	0.970	0.965
3	BACA	0.975	0.952	0.961	1.021	1.009
4	BBCA	1.389	1.351	1.448	1.401	1.398
5	BBKP	0.991	0.986	1.000	0.988	0.965
6	BBNI	1.076	1.067	1.127	1.029	1.023
7	BBNP	1.022	0.995	1.045	1.007	1.012
8	BBRI	1.193	1.159	1.236	1.192	1.141
9	BBTN	1.045	0.982	1.003	0.999	0.997
10	BDMN	1.163	1.025	1.055	0.981	0.995
11	BMRI	1.177	1.129	1.171	1.046	1.054
12	BNGA	1.025	0.987	0.968	0.943	0.946

NO	CODE	VALUE OF THE COMPANY				
		2012	2013	2014	2015	2016
13	BNII	1.113	1.046	0.997	0.974	1.023
14	BNLI	0.201	0.166	1.004	0.958	0.958
15	BTPN	1.818	1.517	1.148	1.001	0.990
16	MAYA	1.681	1.371	1.137	1.080	1.139
17	MEGA	1.226	1.123	1.105	1.165	1.078
18	NISP	1.107	1.006	1.007	0.985	1.031
19	PNBN	0.989	0.978	1.029	0.940	0.919
20	SDRA	1.133	1.180	1.127	1.080	1.070
	Min	0.201	0.166	0.961	0.940	0.919
	Max	1.818	1.517	1.448	1.401	1.398
	Avr	1.120	1.051	1.078	1.037	1.053

Source: financial report data in 2018.

Based on the above table it can be seen that the highest value of the company is Bank Tabungan Pensiunan Nasional Tbk that is equal to 1,818 in 2012 and the lowest value at Bank Permata Tbk in 2013 of 0.166. The high value of the company to the wishes of the owners of the company, because with a high value shows shareholder wealth also high. The wealth of shareholders and the company is presented by the market price of the stock which is a reflection of investment decisions, financing, and asset management.

4.1.3. Descriptive Statistics Variable Research

Data object taken in this penetration is a banking company listed on the BEI in the period 2012-2016. The number of samples in this study are 20 companies that have met the sample criteria while the method used in this analysis is with pooled cross sectional system that is by combining the cross section data for 5 consecutive years from the sample period, it is obtained as much as $20 \times 5 = 100$ observation data. Description of the variables in the descriptive statistics used in this study include the minimum, maximum, mean and standard deviations of one variable related to data collection and ranking to illustrate the sample character used in this study.

The results of statistical descriptive test using SPSS can be seen in the following table:

Table 4.8
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Institusional	100	28,38	99,61	75,7706	17,73667
Kom_Indep	100	0,33	10,00	0,5316	0,09900
Kualitas_Auditor	100	0,00	10,00	0,9000	0,30151
Komite_Audit	100	3,00	11,00	3,8200	1,15802
Jumlah_Direksi	100	4,00	12,00	8,3400	2,30160
Nilai_Perusahaan	100	0,17	1,82	1,0679	0,20023
Valid N (listwise)	100				

Source: secondary data processed, 2018.

Based on the results of the table above can be explained as follows:

1. Average institutional ownership of 75.7706. The lowest institutional ownership value (minimum) is 28.38 and the highest institutional ownership (maximum) is 99.61. The standard deviation value of 17.73667 is smaller than the average value of 75.7706 which means that the mean is greater than the standard deviation, thus indicating that the results of institutional ownership are quite good. This is because the standard deviation is a very high deviation irregularities, so the dissemination of data shows normal results and does not cause bias.
2. The average Independent Commissioner is 0,5316. The value of standard deviation of Independent Commissioner is 0.09900 less than the average value of 0,5316 which means that the mean value is greater than the standard deviation, thus indicating that the result of the independent commissioner is quite good. This is because the standard deviation is a very high deviation irregularities, so the dissemination of data shows normal results and does not cause bias.
3. Average auditor quality of 0.9000. The standard deviation value of 0.30151 is smaller than the average value of 0.9000 which means that the mean is greater than the standard deviation, thus indicating that the result of the auditor's quality is quite good. This is because the standard deviation is a very high deviation irregularities, so the dissemination of data shows normal results and does not cause bias.
4. The average audit committee is 3.8200. The standard deviation value of 1.15802 is smaller than the mean value of 3.8200 which means that the mean is greater than the standard deviation, thus indicating that the results of the audit committee are quite

good. This is because the standard deviation is a very high deviation irregularities, so the spread of data shows normal results and does not cause bias ..

5. Average number of directors amounted to 8.3400. The standard deviation value of 2.30160 is smaller than the mean value of 8.3400 which means that the mean is greater than the standard deviation, thus indicating that the results of the number of directors are quite good. This is because the standard deviation is a very high deviation irregularities, so the dissemination of data shows normal results and does not cause bias.

6. Average company's value of 1.0679. The value of the standard deviation of firm value of 0.20023 is smaller than the average value of 1.0679 which means that the mean is greater than the standard deviation, thus indicating that the result of the firm's value is quite good. This is because the standard deviation is a very high deviation irregularities, so the dissemination of data shows normal results and does not cause bias.

4.2. Data analysis

4.2.1. Classic assumption test

Classical assumption test is conducted to find out whether the regression obtained can produce good and unbiased estimation of linear. a regression model can be said to be good if it meets several classical assumptions such as the following:

4.2.1.1. Normality test

The normality test of the data can be determined by looking at the residual distribution of the regression model. Normality testing was performed with Kolmogorov Smirnov. Data is normally distributed when the significant value is greater than alpha 0.05. Here's the calculation for the residual normality test:

Table 4.9
Normality test
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		100
Normal Parameters ^a	Mean	.0000000
	Std. Deviation	.19291261
Most Extreme Differences	Absolute	.194
	Positive	.180
	Negative	-.194
Kolmogorov-Smirnov Z		1.943
Asymp. Sig. (2-tailed)		.001

a. Test distribution is Normal.

Source: secondary data processed, 2018

Based on calculations obtained significant value of unstandardized residual of 0.001 less than the value of 0.05. So it can be concluded that the distributed residual is not normal. A good regression model requirement is that the residual must be normally distributed. To achieve the normal distributed data, it must eliminate the value that is too extreme (outlier) as much as 4 data observations.

According Ghozali (2011) to eliminate the value of outlier is data that has zres value more than 2.5. In the results of this study the value of outliers can be seen in Table 4.8

Tabel 4.10
Extreme Values

			Case Number	Value
Zscore: Residual	Unstandardized Highest	1	15	4.00500
		2	16	3.14420
	Lowest	1	34	-4.63658
		2	14	-4.37815

Source: secondary data processed, 2018

Here are the results of data analysis after eliminating values that are too extreme.

Tabel 4.11
Uji Normalitas (Data Normal)
One-Sample Kolmogorov-Smirnov Test

	Zscore: Unstandardized Residual
N	96
Normal Parameters ^a	
Mean	.0194326
Std. Deviation	.58374079
Most Extreme Differences	
Absolute	.100
Positive	.100
Negative	-.080
Kolmogorov-Smirnov Z	.980
Asymp. Sig. (2-tailed)	.292

One-Sample Kolmogorov-Smirnov Test

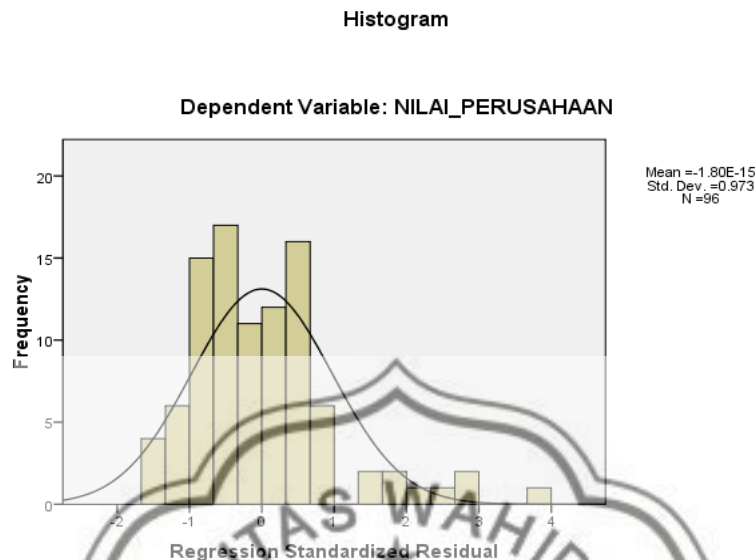
		Zscore:
		Unstandardized Residual
N		96
Normal Parameters ^a	Mean	.0194326
	Std. Deviation	.58374079
Most Extreme Differences	Absolute	.100
	Positive	.100
	Negative	-.080
Kolmogorov-Smirnov Z		.980
Asymp. Sig. (2-tailed)		.292

a. Test distribution is Normal.

Source: secondary data processed, 2018

Based on calculations obtained significant value of unstandardized residual of 0.292 more than the value of 0.05. So it can be concluded that the residuals are normally distributed. Normality test can also be seen in chart diagram of Histogram and Normal P-P Plot as follows.

Figure 4.1
Figure Histogram Diagram

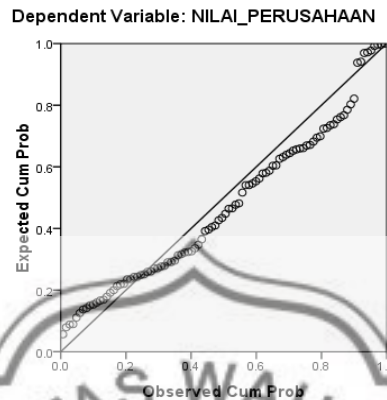


Source: secondary data processed, 2018

In Figure 4.1 above, it can be seen that the histogram graphic image shows normal distributed data, the histogram graph has the same curvature point on the right and left side, while the normality test with Normal P-P Standard plot of regression standardized residual can be seen in Figure 4.2

Figure 4.2
Normal Picture P-P Plot

Normal P-P Plot of Regression Standardized Residual



Source: secondary data processed, 2018

On the P-P chart The plot shows the data spreading around the diagonal line and follows the direction of the histogram line toward the normal distribution pattern then the dependent variable Y meets the assumption of normality.

4.2.1.2. Multicollinearity Test

A good regression model should not occur collation between independent variables or free from multicollinearity. Detection of symptoms of multicollinearity can be known from the number of Variance Inflation Factor (VIF) or Tolerance in the Coefficient section. The regression model is freed from multicollinearity if it has VIF value below 10 and Tolerance value is close to 1.

Based on the test results using SPSS obtained correlation value between independent variables as follows:

Table. 4.12
Multicollinearity Test Results
Coefficients^a

Model	Collinearity Statistics	
	Tolerance	VIF
1 (Constant)		
INSTITUSIONAL	.976	1.025
KOM_INDEP	.723	1.383
KUALITAS_AUDITOR	.521	1.918
KOMITE_AUDIT	.882	1.134
JUMLAH_DIREKSI	.582	1.717

a. Dependent Variable: THE VALUE OF THE COMPAN

Source: secondary data processed, 2018.

Based on the above table the Tolerance value of the independent variable is close to 1 and the VIF indicates that no independent variable has a value of more than 10. This means that in the resulting regulatory model there is no multicollinearity among independent variables.

4.2.1.3. Autocorrelation Test

The autocore test aims to test whether in a linear regression model there is a correlation between the confounding error in period t and the error in period t-1 (previous). To diagnose an autocorrelation in a regression model, a Durbin-Watson test (DW test) is performed.

Based on the test results using SPSS obtained DW value as follows:

Table 4.13
Autocorrelation Test
Model Summary^b

Model	R	R Square	Adjusted Square	R Std. Error of the Estimate	Durbin-Watson
1	.433 ^a	.188	.143	.11491	1.995

a. Predictors: (Constant), INSTITUSIONAL ownership, independent commissioner, audit comittee, auditor quality

b. Dependent Variable: The value of the market

Source: secondary data processed, 2018

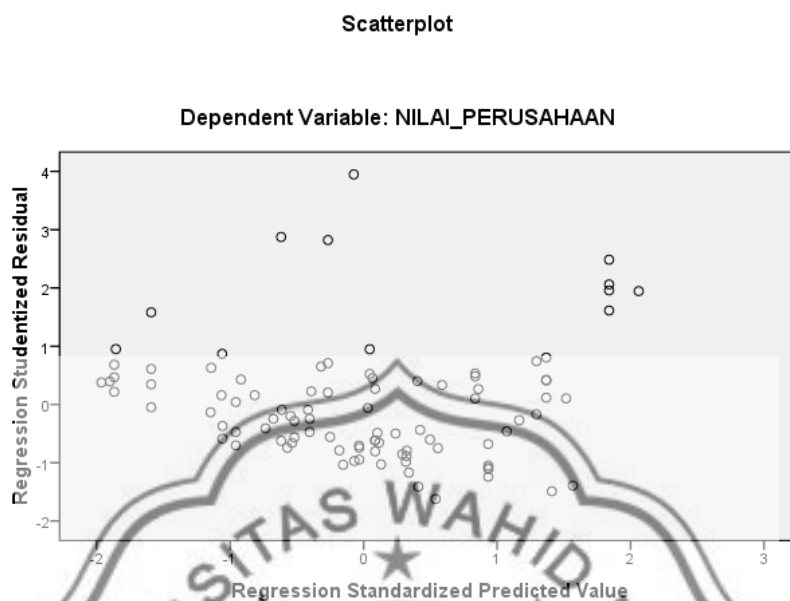
Based on the test results obtained DW value of 1.995. The figure is at 1.78 (DU) up to 2.22 (4-DU), so it is concluded that the regression model is not an autocorrelation problem.

4.2.1.4. Heteroscedasticity Test

The deviation of classical assumptions occurs when there is homocedastic occurrence of the residual value of one observation to another observation in the same model (koston). To determine heteroskedastisitas can use the scatterplot graph, by looking at the points formed on the graph whether it spreads randomly below and above the axis 0 on the Y axis or form a straight gate on the axis 0, if the resulting image is formed randomly then no heteroscedasticity on a regression model.

Heteroskedastisitas test results using SPSS can be seen through the Scatterplot graph, shown in Figure below:

Figure 4.3
Image Scatterplot



Source: secondary data processed, 2018.

Based on the scatterplot graph above, it can be seen that the spots are spread randomly and spread either above or below zero (0) on the Y axis, not forming a straight line in one place, and not forming a certain ploa so it can be concluded that there is no heteroscedasticity on the regression model.

To test the test graph in this research, then tested statistic by using Test Glesjer. The Glesjer test is just a park test, which is used to regulate residual absolute values against independent variables (Gujarati 2003 in Ghazali 2011). Regression model is free from heteroscedasticity if the significance value is greater than 0.05. Glesjer Test results conducted by using SPSS can be seen from the table below:

Table 4.14
Test Glejser
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.151	.062		2.432	.017
INSTITUSIONAL	.000	.000	-.209	-2.051	.053
KOM_INDEP	-.022	.086	-.030	-.254	.800
KUALITAS_AUDITOR	.044	.033	.187	1.344	.182
KOMITE_AUDIT	-.010	.007	-.164	-1.527	.130
JUMLAH_DIREKSI	.001	.004	.035	.268	.789

a. Dependent Variable: ABSUT

Source: secondary data processed, 2018.

Based on regression analysis results obtained significance value of all variables more than 0.05. Thus it shows that the regression model by using glesjer test is in free area of heterokedastisitas.

4.2.2. Multiple Liner Regression Analysis

The analytical method used to obtain a comprehensive picture of the relationship between one variable with another variable. By using SPSS program as data pegolah to know whether there is significant influence between independent variable with dependent

variable. the dependent variable in this study is the firm's corporate value while the independent variables are institutional ownership, independent commissioner, auditor quality, audit committee and number of directors. The results of multiple linear regression analysis in this study can be seen in the following table:

Table 4.15
Multiple Linear Regression Test Results
Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.171	.101		11.647	.000
	INSTITUSIONAL	.002	.001	.289	3.004	.003
	KOM_INDEP	-.042	.139	-.034	-.300	.765
	KUALITAS_AUDITOR	.067	.053	.165	1.257	.212
	KOMITE_AUDIT	.022	.011	.210	2.078	.041
	JUMLAH_DIREKSI	.012	.007	.226	2.014	.043

a. Dependent Variable: The value of the company

Source: secondary data processed, 2018.

Based on the results of multiple regression analysis in the table above can be made regression equation as follows:

$$Y = 1,171 + 0,002 X1 - 0,042 X2 + 0,067 X3 + 0,022 X4 + 0,012 X5$$

The regression equation above means:

- a. The value of Y is 1,171, the figure indicates the company's corporate value level of 1,171 if institutional ownership, independent commissioner, auditor quality, audit committee and number of directors are ignored.
- b. The regression coefficient of X_1 (institutional ownership) to the positive is 0.002. It can be assumed if the other independent variable is constant, it means that each increase of institutional ownership is 1 percent, then the company's value will increase by 0,002.
- c. The regression coefficient of X_2 (independent commissioner) to negative is -0,042. This can be assumed if other independent variables are constant, meaning that each increase of independent commissioners by 1 percent then the value of the company will decrease by 0.042.
- d. The regression coefficient of X_3 (auditor quality) to negative is 0,067. This can be assumed if the other independent variable is constant, it means that every auditor quality increase of 1 percent then the value of the company will increase by 0.067.
- e. The regression coefficient of X_4 (audit committee) to negative is 0,041. This can be assumed if another independent variable is constant, meaning that each audit committee increases by 1 percent then the value of the firm will increase by 0.041.
- f. The regression coefficient of X_5 (number of directors) to negative is 0,012. This can be assumed if other independent variables are constant, meaning any increase in the number of directors by 1 percent then the value of the company will increase by 0.012.

4.2.3. Hypothesis testing (t test)

Hypothesis test in this research is done to know how big influence of independent variable that is institutional ownership, independent commissioner, auditor quality, audit committee and number of directors to related variable that is company value. Decisions

are taken by looking at the value of the significance of each variable. If the value of significance is more than 0.05 then the hypothesis is rejected, and vice versa if the significance value is less than or equal to 0.05 then the hypothesis can not be rejected (accepted). The results of tests conducted using SPSS can be obtained as follows:

Table 4.16
Hypothesis Test Results
Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.171	.101		11.647	.000
	INSTITUTIONAL	.002	.001	.289	3.004	.003
	KOM_INDEP	-.042	.139	-.034	-.300	.765
	KUALITAS_AUDITOR	.067	.053	.165	1.257	.212
	KOMITE_AUDIT	.022	.011	.210	2.078	.041
	JUMLAH_DIREKSI	.012	.007	.226	2.014	.043

a. Dependent Variable: The value of the company

Source: secondary data processed, 2018.

Based on the above table data processed by using SPSS program, it can be seen that t test results for institutional ownership variables obtained significant value of 0.003 < 0.05, then H_0 is rejected and H_a accepted. So it can be said that there is a significant positive influence between institutional ownership of corporate value.

Result of t test for independent commissioner variable obtained significant value equal to $0,765 > 0,05$, hence thus H_0 accepted and H_a rejected. So it can be said that the independent commissioner has no significant effect on the value of company's company.

Result of t test for auditor quality variable obtained significant value equal to $0,212 > 0,05$, hence hence H_0 accepted and H_a rejected. So it can be said that the quality of auditors does not significantly affect the value of corporate companies.

Result of t test for audit committee variable obtained significant value equal to $0,041 < 0,05$, hence so H_0 rejected and H_a accepted. So it can be said that there is a significant positive influence between the audit committee on the value of the company.

Result of t test for variable of number of directors obtained significant value equal to $0,043 < 0,05$, hence so H_0 rejected and H_a accepted. So it can be said that there is a significant positive influence between the number of directors to the value of the company.

4.3. Discussion

Based on the results of data analysis in this study along with processing derived from the financial statements of each of the banking companies listed on the Stock Exchange year 2012-2016, it can be explained things as follows:

4.3.1 Effect of Institutional Ownership on Corporate Value

The test results give the result that institutional ownership has a significant positive effect on firm value, so the first hypothesis is accepted. This can be seen from the results of t test with a significant value of 0.003. The probability value is less than 0.05 ($0.003 < 0.05$). This means that higher institutional ownership, will have an impact on increasing the value of the company.

Institutional ownership has a very important role in minimizing agency conflict that occurs between managers and shareholders. The existence of institutional investors is considered capable of being an effective monitoring mechanism in every decision taken by managers. This is because institutional investors are involved in the company's strategic taking. The greater the ownership of the institution the greater the power of voice and encouragement of the institution to oversee management. As a result, it will provide a greater boost to optimize corporate value so that company performance will improve (Patricia, 2014). The results of this study are in line with research conducted by Muryanti (2014), Purwaningtyas (2011), and Susanti (2009) proves that institutional ownership positively affects the value of the company.

4.3.2 Effect of Independent Commissioners on Company Value of Company

The test results give the result that the Independent Commissioner has no effect on the company's value of the company, so the second hypothesis is rejected. It can be seen from the result of t test for Independent Commissioner variable obtained significant value equal to 0,765. The probability value is greater than 0.05 ($0.765 > 0.05$).

The independent board of commissioners as measured by the composition of independent board of commissioner against the composition of the board of commissioners has no effect on the performance of the company, because the number of independent board of commissioners in the average sample company is already high, thus less affecting the performance of the company. Theoretically an independent commissioner may act as a mediator in a dispute between internal managers and oversee the policies of the board of directors and serve as advisor to the board of directors. Independent Commissioner is a good position to carry out the supervisory function on the management of the company in order to

create a good corporate governance company, so that it can improve the company performance. The results of this study are in line with Azzahrah (2014), Purwaningtyas (2011), Rahmawati and Hanung (2007) which proves that Independent Commissioners have no effect on company value.

4.3.3 Effect of Auditor Quality on Company Value

The test results give the result that the quality of the auditor does not significantly influence the company's value of the company, so the third hypothesis is rejected. This can be seen from the results of t test with a significant value of 0.212. The probability value is greater than 0.05 ($0.212 > 0.05$).

Audit quality that is proxy to the audit market share by KAP Big Four does not affect or does not reflect the high market value of stock at company companies listed on BEI in 2012-2016. In other words the quality of the audit does not affect the market reaction at the time of the announcement of financial statements. This finding means that investors in considering their investment decisions still do not fully maximize the information derived from the audited financial statements, but investors also consider other factors such as macro and micro economic conditions, political issues, leadership changes, and technical analysis. The results of the study are consistent with Rosner's findings (2003) which conclude that audit quality has no effect on stock prices. This study is in line with that done by Siallagan and Machfoedz (2006) found evidence that auditor quality has no significant effect on firm value.

4.3.4 Effect of the Audit Committee on Corporate Value

The test results give the result that audit committee has positive significant effect to firm value, so Hypothesis four accepted. This can be seen from the results of t test with a significant value of 0.041. The probability value is less than 0.05 ($0.041 < 0.05$). This means that more audit committees, will have an impact on increasing the value of the company.

The presence of an audit committee that oversees the performance of the board of commissioners and improves the quality of information flow between shareholders and managers thereby helping to reduce agency problem and increase the value of the company (Obradovich and Gill, 2013). The audit committee plays a role in overseeing the company's financial reporting process that has been developed through an audit process with the integrity and objectivity of the auditor. The audit committee will effectively improve the credibility of the financial statements and assist the board of commissioners to gain the trust of shareholders. In terms of financial data manipulation, the audit committee contributes to assisting in examining the data on financial statements so that it can be accounted for. Having clear and transparent financial information will reduce misinformation and increase company value (Rouf, 2011). This research is in line with that conducted by Thaharah (2016) found evidence that audit committee has a significant positive effect on company value.

4.3.5 Influence of Number of Directors to Corporate Value

The test result gives result that the number of directors have a significant positive effect on company value, so Hypothesis five is accepted. This can be seen from the results of t test with a significant value of 0.043. The probability value is less than 0.05 (0.043

<0.05). This means more and more number of directors, will have an impact on the increase in corporate value.

The size of the board of directors is the number of boards within the company. More and more board members within the company will provide a form of oversight of the company's better performance. With a good company performance and controlled, it will result in good profitability. Increased profitability will indirectly increase the company's stock price and the company's value will increase (Isshaaq et al., 2009). According to Sulong and Nor (2008) the size of the board of directors can increase the value of the company because the large number of directors can increase control and monitor the value of dividends, government policies affecting the company and foreign ownership, which can increase the value of the company. The large number of board members will lead to a large variety of opinions in decision making, so the decision is believed to be the best decision that will increase the value of the company (Beiner et al., 2004). This study is in line with that conducted by Muryati (2014) found evidence that audit committee has a significant positive effect on company value.

CHAPTER V

CLOSING

5.1 Conclusions

Based on the results of hypothesis testing, it can be concluded as follows:

1. T test result for institutional ownership variable obtained significant value of $0.003 < 0.05$, then H_0 is rejected and H_a accepted. The existence of institutional investors is considered capable of being an effective monitoring mechanism in every decision taken by managers. This is because institutional investors are involved in the company's strategic taking. The greater the ownership of the institution the greater the power of voice and encouragement of the institution to oversee management. As a result, it will give a bigger boost to optimize the value of the company so that the company's performance will increase.
2. Result of t test for independent commissioner variable obtained significant value equal to $0.765 > 0.05$, hence thus H_0 accepted and H_a rejected. So it can be said that independent commissioners have no significant effect on the value of company companies, because the number of independent board of directors on the sample company average is already high, thus less affect the company's performance
3. Result of t test for auditor quality variable obtained significant value equal to $0.212 > 0.05$, hence hence H_0 accepted and H_a rejected. So it can be said that the quality of auditors does not significantly affect the value of corporate companies. This finding means that investors in considering their investment decisions still do not fully maximize the information derived from the audited financial statements, but investors also consider other factors such as macro and micro economic conditions, political issues, leadership changes, and technical analysis.

4. Result of t test for audit committee variable obtained significant value equal to $0,041 < 0,05$, hence H_0 is rejected and H_a accepted. So it can be said that there is a significant positive influence between the audit committee on the value of the company.

5. The result of t test for the variable number of directors obtained significant value of $0.043 < 0.05$, then H_0 is rejected and H_a accepted. So it can be said that there is a significant positive influence between the number of directors to the value of the company. The presence of an audit committee that oversees the performance of the board of commissioners and improves the quality of information flow between shareholders and managers thereby helping to reduce agency problems and increase company value. The audit committee will effectively improve the credibility of the financial statements and assist the board of commissioners to gain the trust of shareholders. In terms of financial data manipulation, the audit committee contributes to assisting in examining the data on financial statements so that it can be accounted for. Having clear and transparent financial information will reduce misinformation and increase company value.

5.2 Limitations of Research

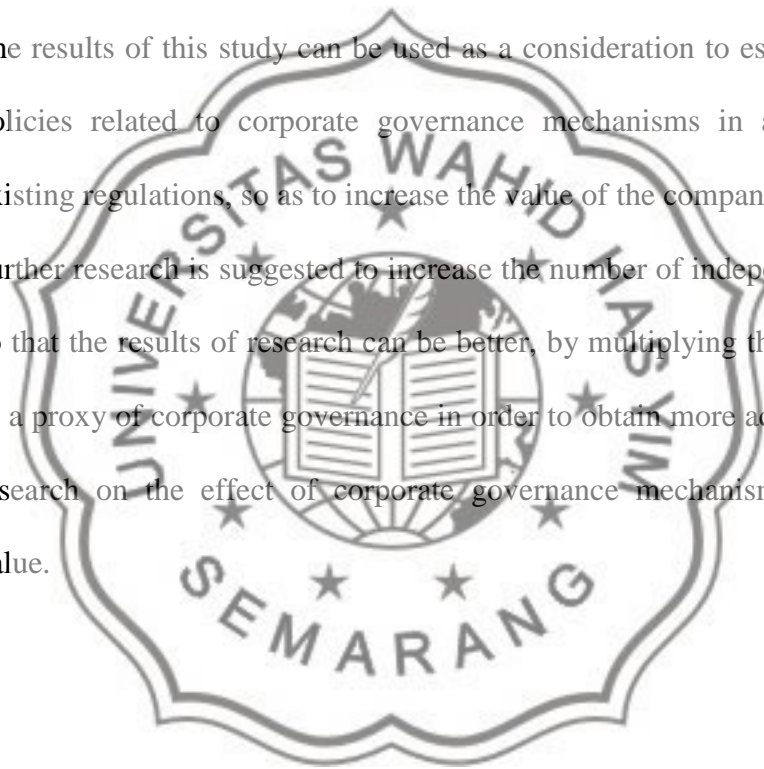
1. Population in this research is only limited to one type of company that is banking company. This resulted in this study being non-generalizable for all types of companies.

2. The value of determination coefficient (R^2) produced is very small (14,3%), which means fit model in research still not good, because coefficient value of determination less than 50%.

5.3 Suggestions

Some suggestions addressed to further researchers from this research include:

1. The results of this study can be used as a consideration to establish company policies related to corporate governance mechanisms in accordance with existing regulations, so as to increase the value of the company.
2. Further research is suggested to increase the number of independent variables, so that the results of research can be better, by multiplying the variables used as a proxy of corporate governance in order to obtain more accurate results of research on the effect of corporate governance mechanisms on corporate value.

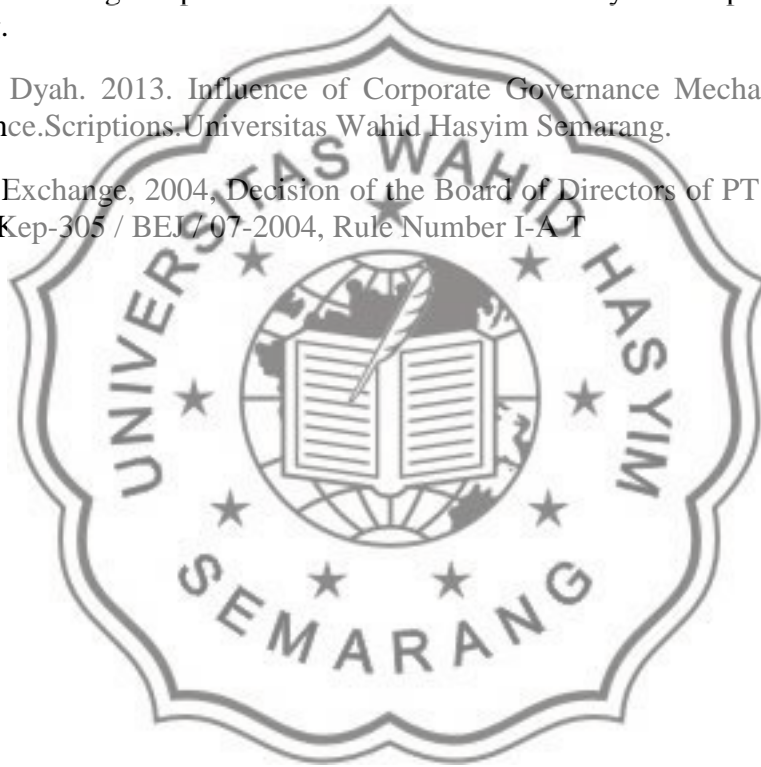


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ANALYSIS OF THE EFFECTS OF GOOD CORPORATE GOVERNANC MECHANISM ON COMPANY VALUE STUDY ON BANKS ON BEI PERIOD 2012-2016

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ABSTRACT

Good corporate governance mechanism is a step to enhance firm value. This study was conducted to obtain evidence regarding the effect of good corporate governance mechanisms (institutional ownership, quality auditor, independent board of commissioners, audit committees and the size of the board of directors) firm value.

Objects in this study were manufacturing companies listed in Indonesia Stock Exchange during the years 2012-2016. Based on purposive sampling, acquired 20 companies in the sample, so as long as 5 years observation. Tool is the statistical analysis used multiple regression, where the dependent variable is firm value (measured by Tobin's Q), and the independent variable is institutional ownership, quality auditor independent board of commissioners, audit committees and the size of the board of directors.

The results of this study indicate that institutional ownership, quality auditor ,size of the board of directors, independent board and audit committee affects firm value.

Key words: firm value, Tobin's Q, institutional ownership, quality auditor, independent board of commissioners, audit committees and the size of the board of directors.

PRELIMINARY

Maximizing the value of the company is one of the company's goals to be achieved (Anggraini, 2012). The value of the firm shows investors' perceptions of the success rate of companies that are often associated with stock prices (Kusumajaya, 2011). The value of the company also reflects the performance of the company that can affect investors' perceptions of

the company. The higher the value of the company, the happier its shareholders (Julianti, 2015). The high corporate value will make investors interested in investing in the company. Before an investor makes a stock investment in a company, they will make stock valuations in advance based on information they get from the capital market (Julianti, 2015). An attempt by an owner or shareholder to maximize a company's value is to turn the company's management into an expert or professional called manager. However, in an effort to increase the value of the firm there will be a conflict of interest between the agent (manager) and the principal (shareholder) called agency conflict.

Agency theory explains the problems that arise when shareholders rely on managers to provide services on their behalf (Jensen and Meckling in Muryanti, 2014). The manager (agent), With the authority it possesses can act in the interest Personality and sacrifice the interests of shareholders (Trisnantari, 2010). The emergence of differences of interests between principals and this agent is the necessity of managing the company well. Jensen and Meckling in Muryanti (2014) argue that The interests of the agent must be in harmony with the principal to solve agency problems. Such conflicts of interest can be minimized by a mechanism capable of aligning the interests of shareholders with the interests of management (Purwaningtyas, 2011). According to Faqidkk (2013), to overcome the problem the company needs to apply the Corporate Governance or Good Corporate Governance (GCG).

Good corporate governance is a form of good company management inside which includes a form of protection of the interests of shareholders (public) as the owner of the company, and creditor as an external funder. In a Corporate governance system, the goodwill of a company provide effective protection to the holder's shares, and to the creditors to recover upon investment reasonably, Precise and efficient, as possible, and ensure that management acts as

good as can be done for the benefit of the company (www.Fcgi.com in Sukamulja, 2004). Inescu's research in Muryanti (2014) states that Companies in Venezuela can reduce the cost of capital and Increase market value when improving corporate governance practices.

The concept of corporate governance came into existence when two legal experts, Adolf Augustus Berle and Gardiner C. Means published their monographs entitled "The Modern Corporation and Private Property", followed by Eugene Fama and Michael Jensen in "Separation of Ownership and Control" with Principal Agency Theory. The issue of corporate governance is growing when several important economic events occur. The Asian Financial Crisis of 1997, continued with the downfall of major corporations such as Enron and Worldcom in 2002, and the latest issue of the subprime mortgage crisis in the United States in 2008 (Purwaningtyas, 2011). The economic crisis in Asia and Latin America is believed to have arisen due to the failure of GCG implementation (Daniri, 2005, in Kaithatu, 2006). These events awaken the world to the importance of implementing good corporate governance.

Corporate governance began to become an interesting topic in Indonesia in 1998 when Indonesia was in crisis. One of the causes of the crisis in Indonesia is the weak supervision of the board of directors of companies that should be the responsibility of the board of commissioners. Many banks are bankrupt (liquidated) because their survival is untenable. One of the causes of bankruptcy is the lack of implementation of the principles of corporate governance in the banking environment (Effendi, 2008, in Muryanti, 2014). Therefore, the government including Bank Indonesia has made various efforts to encourage the realization of GCG in the environment banking. In the Bank Indonesia Regulation No.8 / 4 / PBI / 2006 dated January 30, 2006, realizations regarding to the implementation of GCG for commercial banks are made.

Corporate governance, in general, is a set of mutually balancing mechanisms between actions and managers' choices with the interests of shareholders (Susanti, 2011). Zhuang, et al (2000) in Husnan (2001) explains that the corporate governance system consists of (1) various regulations that explain the relationship between shareholders, managers, creditors, government and other stakeholders, and (2) Directly or indirectly enforce these rules or internal and external corporate governance mechanisms. Banhart and Rosenstein (1998) in Lastanti (2004) corporate governance mechanism is divided into two groups. First, the internal mechanisms, such as the composition of the board of directors or commissioners, managerial ownership, and executive compensation. Second, external mechanisms, such as market control, and debt financing levels. The Forum for Corporate Governance in Sukamulja (2004), states that the main goal of corporate governance is to create added value for all stakeholders. Corporate governance mechanisms are expected to reduce agency conflicts that occur between agents and principals, which further impact on the increase in corporate value.

According to The Indonesian Institute for Corporate Governance, corporate governance is defined as a set of mechanisms for Directing and controlling a company, so that the company's operations run in accordance with the expectations of the stakeholders. Corporate governance is a concept that regulates the alignment of the relationships of corporate organs, between shareholders, the board of commissioners and the board of directors that administrates the company. This relationship is governed by the principles of corporate governance such as accountability, responsibility, transparency, fairness, and independence (Purwaningtyas, 2011).

Implementation of the principle of good corporate governance concretely has several objectives, such as facilitating access to domestic and foreign investment, obtaining cheaper cost of capital, giving better decisions in improving the company's economic performance, increasing

stakeholder confidence and trust in the company, protecting directors And commissioners of lawsuits as well as protecting the rights of minority shareholders. Companies that implement good corporate governance will be more efficient and increased competitive, which in turn makes it sustainable company (Purwaningtyas, 2011).

Research on audit quality is done by Dewata, et al. (2015) stated that the auditor quality variables show the quality of audit does not significantly affect the value of companies that were audited by KAP Big 4 and KAP non Big 4. Contradictions with research conducted by Siallagan and Machfoedz (2006) is that the quality of auditors does not affect the value of the company. Other research is shown by research conducted by Afiah (2015) which says that many local public accountant qualities do not meet international competency standard because accounting services market is dominated by The Big 4, so the majority of local KAP is unable to provide a programs to improve the quality of accountant.

Research on the influence of the audit committee on the value of the company conducted by Thaharah (2016) proves that audit committee has a significant positive effect on the value of the company, while Muryati (2014) proves that audit committee negatively influence the value of the company. In contrast to research Sari (2014) found evidence that audit committees positively insignificant to the value of the company. Finally, on research that has been done by Muryati (2014). Muryati research (2014) proves that the size of the board of directors positively affect the value of the company, in contrast to research Kusumastuti (2007) which proves that the size of the board of directors positively insignificant to the value of the company.

Based on the above description looking at the results of done research is still diverse in the importance of the implementation of good corporate governance mechanism. The authors are interested in taking the title "ANALYSIS OF THE EFFECT OF GOOD CORPORATE

GOVERNANCE MECHANISM ON COMPANY VALUE Study On Banks Listed on BEI Period 2012-2016".

LITERATURE REVIEW

AGENCY THEORY

Agency theory is the basis used to understand corporate governance. Jensen and Meckling (1976) in Randy (2013) state that agency relationships arise when one or more people (principal) hire another person (agent) to provide a service and then delegate decision-making authority to the agent. As an agent, managers are responsible for optimizing the benefits of the owners (principal), but on the other hand, managers also have the interest to maximize their welfare. There is a conflict of interest so there is a possibility that the agent does not always act in the best interests of the principal (Jensen and Meckling, 1976, in Randy, 2013).

Agency theory can explain how the parties involved in the company will behave, because basically between agents and principals have different interests that cause the occurrence of agency conflict (agent conflict). Basically, agency conflict occurs because of the separation between ownership and control of the company (Purwaningtyas, 2011). The existence of a conflict of interest between investors and managers leads to the emergence of agency cost of monitoring costs (monitoring cost) Issued by principals such as auditing, budgeting, controlling systems and compensation of the bonding expenses incurred by agents and residual losses associated with the divergence of interests between principals and agents.

According to Jensen and Meckling (1976) the existence of agency problems led to agency costs consisting of:

- 4 The monitoring expenditure by the principle (monitoring cost), which is the cost of supervision issued by the principal to oversee the behavior of agents in managing the company.

- 5 The bounding expenditure by the agent (bounding cost), which is the cost incurred by the agent to ensure that the agent does not act that is detrimental to the principal.
- 6 Residual Loss is the decrease of principal and agent utility rates due to agency relations.

Conflicts of interest occur not only between investors and managers but also between majority and minority shareholders. Controlling shareholders usually control management decisions and tend to ignore the interests of minority shareholders. The company is seen as a set of contracts between company managers and shareholders. The principal or company owner hands over the management of the company to the management. Managers as parties, who are authorized for the activities of the company and are obliged to provide financial reports will tend to report something that maximizes its utility and sacrifices the interests of shareholders. As Managers, managers will know more internal information and prospects than owners (shareholders). The manager is obliged to give a signal about the company's condition to the owner as a manifestation of responsibility for the management of the company, but the information submitted is sometimes received not in accordance with the actual company conditions, so this spurred the agency conflict.

Based on agency theory, the problem can be overcome with good corporate governance (GCG). With GCG is expected to provide confidence in management in managing the wealth of owners (shareholders), so as to minimize conflicts of interest and agency costs. The concept of GCG is concerned with how principals that managers will benefit them, that managers will not commit frauds that would harm shareholders. In other words, the implementation of good corporate governance is expected to serve to reduce or emphasize agency costs (Nisa,2014).

Good Corporate Governance

The Indonesian Institute for Corporate Governance (IICG) defines good corporate governance as the structures, systems, and processes used by corporate organs in an effort to provide long-term value-added for the company, while taking into account the interests of other stakeholders, Based on legislation and prevailing norms (CGPI, 2008, in Pratiwi, 2013). Corporate governance is defined by the Forum for Corporate Governance in Indonesia (FCGI) as a set of rules that establishes relationships between shareholders, managers, creditor, government, employees and other inter- and external interests with respect to their rights and obligations or in words another system that directs and controls the company.

Company Value

The value of the firm is a value that represents a reflection of the equity and book value of the firm, whether it be the market value of equity, the book value of the total debt and the book value of the total equity. According to Sukamulja (2004), one of the ratios considered to provide the best information is Tobins Q, because this ratio can explain various phenomena in the company's activities, such as cross-sectional differences in investment decision making as well as the relationship between management stock ownership and firm value (Onwioduokit, 2002, in Purwaningtyas, 2011).

Good Corporate Governance Relation with Company Value

Corporate governance is a mechanism for managing the business, as well as to improve the company's prosperity. The main goal of good corporate governance is to increase added value for all stakeholders. A sound corporate governance mechanism will provide protection to

shareholders and creditors to get back on investment as reasonably, appropriately and efficiently as possible, and to ensure that management performs as well as it does for the company. The success of good corporate governance is influenced by many factors, which in general can be grouped into two, namely macro factors (regulation and state conditions), and micro factor (corporate governance mechanism) within the company from the company's internal point of view, the success of good corporate governance is influenced By proportion share ownership, the proportion of the board of directors and the role of audit committees in good corporate governance mechanism. Implementation of good corporate governance is good and in accordance with applicable regulations, will make investors give a positive response to the company's performance, that the funds invested in the company concerned will be managed properly and the interests of public investors will be safe. Public investor confidence in company management provides benefits to the company in the form of cost of capital reduction (capital cost).

Good Corporate Governance Mechanism

Mechanisms are the way things work systematically to meet certain requirements. The mechanism of corporate governance is a clear rule of law, procedures, and relations between those who make good decisions that exercise oversight control over those decisions.

According to Kresnohadi (2000) in Febriyanto (2013) corporate governance mechanism is divided into two groups, namely:

1. Internal corporate governance is an element that is always required in the company and is very instrumental in managing the company. If the internal corporate governance performance is good then the company's performance is good and vice versa. The

corporate internal corporate governance elements are shareholders, managerial ownership, directors, commissioners, employees, systems, and audit committees.

2. External corporate governance is an element that is always needed or needed outside the company and has an influence on the financial performance of the company. The elements of corporate external corporate governance are the adequacy of laws and legal instruments, investors, institutional ownership, public accountants, lenders, and legality certifiers.

Effect of Independent Board of Commissioners on Corporate Value

Independent commissioners have a fundamental responsibility to encourage the implementation of good corporate governance principles within the company through the empowerment of the board Independent Variables Independent Board of Commissioners in Institutional Ownership Dependent Variables Company Value: Tobins Q (Y) Quality Auditor commissioner in order to perform the task of supervision and giving advice to the directors effectively and more value-added for the company. 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 tasked with ensuring corporate strategy, overseeing managers in managing the company, and requiring accountability. Since the board of commissioners is responsible for overseeing management in charge of improving the efficiency and competitiveness of the company, the board of commissioners is a center of endurance and success of the company. The board of commissioners must also monitor the effectiveness of good corporate governance practices adopted by the company, and make adjustments where necessary. The demand for transparency and independence is evident from the demand that the company has more independent commissioners overseeing the actions of executives (Lastanti, 2004). The higher the

representation of the independent commissioner, the higher the independence and effectiveness of the corporate board, thereby increasing the value of the company (Barnhart and Rosenstein, 1998 in Purwaningtyas, 2011). This is consistent with research conducted by Muryanti (2014) and Dewata, et al. (2015) which shows a significant positive influence between independent board of commissioners against company value. Therefore the hypothesis is proposed as follows:

H₁: Independent board of commissioners positively affects the value of the company.

Effect of Institutional Ownership on Corporate Value

Institutional ownership has an important role in minimizing agency conflict that occurs between managers and shareholders. The existence of institutional investors is considered capable of being an effective monitoring mechanism in every decision taken by the manager. Institutional ownership has important meaning in monitoring management, because with the existence of institutional ownership will encourage more optimal supervision on management performance, so management will be more careful in making decision. Monitoring will certainly ensure prosperity for shareholders.

Institutional ownership has important meaning in monitoring management, because with the existence of institutional ownership will encourage more optimal supervision on management performance, so management will be more careful in making decision. Monitoring will certainly ensure prosperity for shareholders. Monitoring by the institution is able to substitute other agency costs, so the agency cost decreases and the company value increases (Purwaningtyas, 2011).

Institutional ownership generally has a large proportion of ownership so that the monitoring process of managers gets better (Azzahrah, 2014). The higher the level of institutional ownership, the stronger the control of the company, this is because the institution usually has a considerable right, so take a large proxy also on the ownership of shares of a company. This is

consistent with research conducted by Muryati (2014) and (Purwaningtyas, 2011) which shows a positive influence between institutional ownership and firm value. Therefore the hypothesis is proposed as follows:

H₂: Institutional ownership positively affects company value.

Effect of Auditor Quality on Company Value

The signaling theory states that audit quality can be information that gives positive and negative signals. Quality audit as one of the information that can weaken and strengthen the effect of the announcement of fair audit report without exception to stock price. When the auditor provides a going concern opinion of a company, this will have an impact on investment decisions of potential investors as well as for investors who have previously invested in the company (Dewata, et al., 2015). Christiawan (2003) shows that audit quality can be determined by two things: independence and competence. To produce a quality audit, a public accountant is required to have sufficient competence and good independence. The internal auditor's independence is particularly important in providing impartial / neutral assessments (Hery, 2010, in Dewata, et al., 2015). Unqualified opinion is the most expected opinion by the client because this opinion is able to ensure that the financial statements prepared by management. The company does not contain material misstatements and complies with the applicable Financial Accounting Standards. Wang (2005) in Dewata, et al (2015) found that the market responded negatively to the company's stock price with an unqualified audit opinion with explanatory language and opinions other than unqualified audit opinions. The higher level of auditor independence will increase the credibility of the financial statements, with the increased credibility of the financial statements will be expected to affect the stock price of the company, and increase the value of the company. Therefore, the hypothesis of auditor independence influence on company value can be formulated as follows:

H₃: Auditor quality positively affects company value.

Effect of audit committee on company value

The audit committee is a group of persons selected from the board of commissioners of the company responsible for assisting the auditor in maintaining his or her independence from management. In the attachment letter of the board of directors of PT. Jakarta Stock Exchange Kep-315 / BEJ / 06-2000 point 2f, the rules on establishing audit committee stated that "Audit Committee is a committee established by the board of commissioner of the Listed Company whose members are appointed and dismissed by the board of commissioner of the Listed Company to assist the board of commissioners of the Listed Company to conduct inspection or research deemed necessary for 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, then the transparency of corporate management accountability can be trusted, thereby increasing the confidence 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.

Audit Committee members must have at least 3 (three) members, including the chair of the audit committee. Audit committee members who come from commissioners, only 1 (one) person. The members of the audit committee from the commissioner must be an independent commissioner of the Listed Company which also becomes the chairman of the audit committee.

The other members of the audit committee are from independent external parties. The external party is a party outside the Listed Company which is not a commissioner, board of director and employee of the Listed Company, while the independent is a party outside the Listed Company that has no business relationship and affiliation relationship with the Listed Company, commissioner, board of director and Main Shareholder The Company is listed and able to

provide opinion professional freely in accordance with his professional ethics, has no interest to anyone. Thaharah (2016) proves that audit committee has a significant positive effect on the value of the company, so can the result hypothesis as follow:

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

Effect of the size the board of directors on company value.

Board size or board size is the number of boards in the company, the more councils in the company will provide a form of supervision on the performance of the company the better, with good performance and controlled company, it will produce a good profitability and will be able to increase the company's stock price and company value will also increase. This is in line with research conducted by Isshaq, et al (2009), the results of his research indicate that there is a significant positive relationship between the board size with the value of the company.

The size and composition of the board of directors can influence 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 benefit the company because of the creation of networks with outsiders and ensuring the availability of resources. A large number of boards benefit the company from a resource dependence point of view that the company will depend on its board to better manage its resources.

According to Hermalin and Weisbach (2003) in Beiner S., et al (2003) the number of boards of directors usually relates to the policy implications of the limit on the number of boards of directors. Conversely, if there is no policy regarding the limit of the number of boards of directors, then the company will choose the most optimal amount. Beiner S., et al (2003) affirms that the board of directors is an important governance mechanism, as the board of directors can

ensure that managers following the board's interests. The minimum number of provisions required by Law no. 1 Year 1995 concerning Limited Liability Company (PT) that must be implemented that is minimal for the board of directors is 2 people.

The structure of corporate governance in Indonesia in accordance with the Act. No. 1 of 1995 on Limited Liability Companies, in which the General Meeting of Shareholders (GMS) is the highest body consisting of shareholders who have the right to vote for members of the board of commissioners and the board of directors (Wulandari, 2006). The board of directors is fully responsible for the management of the company in two respects for the interests and purposes of the company, as well as representing the company both inside and outside the court. Muryati (2014) proves that the size of the board of directors positively affect the value of the company, so can the result hypothesis as follow:

H₅: The size of the board of directors positively affects the firm's value.

RESEARCH METHODOLOGY

Dependent Variable (Y): The value of the company

Dependent variable is a variable that is influenced or become a result because of the independent variables (Sugiono, 2009). The dependent variable in this study is firm value measured using Tobins Q. Tobins Q measures performance by comparing two valuations of a firm's assets as measured by the market value of the number of outstanding shares and the debt (enterprise value) on the replacement cost of the firm's assets. Herawaty (2008), explains the value of the company can be calculated using the formula Tobins Q as follows:

$$\text{Company Value} = \frac{\text{EquityMarketValue} + \text{TotalDebt}}{\text{EquityBookValue} + \text{TotalDebt}}$$

Information :

Tobins Q : Company Value

EMV : The market value of equity (Equity Market Value)

EBV : The book value of total equity (Equity Book Value)

D : Total debt

Independent Variable (X)

Independent Board of Commissioners

Agency theory states that conflict of interest between agents With principal can be reduced with proper supervision. There An independent board of commissioners will improve the quality of the oversight function within the company. The greater the proportion of independent commissioners indicates that supervisory functions will be better (Noviawan and Septiani, 2013).

$$\text{Independent Commissioner} = \frac{\sum \text{Independent Commissioner}}{\sum \text{Board Member of Commissioners}}$$

Institutional Ownership

Institutional ownership is the percentage of shares owned by the institution in the form of NGOs, insurance companies, investment companies and private companies (Nisa, 2014). Institutional ownership generally acts as a party to monitor the company.

$$\text{Institutional Ownership} = \frac{\sum \text{Shares owned}}{\sum \text{Shares Outstanding}}$$

Auditor Quality

This variable is a dummy variable, if the firm is audited by a KAP affiliated with KAP Big 4 (Pricewaterhouse Coopers, Deloitte Touche Tohmatsu, KPMG, and Ernest and Young) then it is worth 1, but if the company is audited by KAP non big 4 then it is worth 0 (Dewata , Et al., 2015).

Committee Audit

The audit committee, measured by dummy variables, of which 1 for companies with audit committees and 0 for companies that do not have audit committees (Siallagan and Machfoedz, 2006).

Size of the Board of Directors

In this study the size of the board of directors, measured by the number of members of the board of directors in the company (Suranta and Machfoedz, 2003).

Sample Determination

5. Banks listed on the Indonesia Stock Exchange 2012-2016. Consideration for choosing a banking company because based on Bank Indonesia Circular Letter which obliges banks to apply good corporate governance.
6. Banks listed on the Indonesia Stock Exchange 2012-2016
7. The banking company has consecutive earnings during 2012-2016
8. Have complete data related to the variables used in the research.

Data Analysis Method

Descriptive Statistics

Descriptive statistics are used to provide an overview or description of data viewed from the mean, standard deviation, variance, maximum, minimum, sum, range, kurtosis and skewness (Ghozali, 2013).

Classic Assumption Test

Normality Test

Normality test aims to test whether in the regression model, the intruder or residual

variable has a normal distribution (Ghozali, 2013). A good regression model is one that has normal or near-normal data distribution. Normality test in this study is based on a simple statistical test by looking at the value of kurtosis and skewness for all dependent and independent variables.

Multicollinearity Test

Multicollinearity test aims to test whether the regression model found the existence of correlation between independent variables (Ghozali, 2013). A good regression model should not be correlated among independent variables. Multicollinearity can be seen from the value of tolerance and the opposite is Variance Inflation Factor (VIF). For decision stewardship in determining the presence or absence of multicollinearity with the following criteria:

- c. If the value of $VIF > 10$ or if the tolerance value < 0.1 then there is multicollinearity in the regression model.
- d. If the VIF value < 10 or if the tolerance value > 0.1 then there is no multicollinearity in the regression (Ghozali, 2013).

Heteroscedasticity Test

The heteroscedasticity test aims to test whether in the regression model there is a variance inequality of the residual one observation to another observation (Ghozali, 2013). A good regression model is homoskedastisitas or does not occur heteroskedastisitas. In this study to test hereroskedastisitas by looking at the scatterplots chart. If in the scatterplots chart it appears that the points are spreading randomly as well Spread either above or below the number 0 on the Y axis. It can be concluded that there is no heteroscedasticity.

Autocorrelation Test

The autocorrelation test aims to test whether in the linear regression model there is a

correlation between the confounding error in period t with the intruder error in period $t-1$ (previous) (Ghozali, 2013). To test whether or not the autocorrelation is present, this study uses the Durbin-Watson test (Ghozali, 2013). Decision-making whether or not symptoms of autocorrelation are based on the following:

- 5 When DW count lies between the upper bound (du) and $(4-du)$ then the autocorrelation coefficient is equal to zero, meaning free from autocorrelation.
- 6 If DW count is greater than the lower limit (dl), then the autocorrelation coefficient is greater than zero, meaning positive autocorrelation.
- 7 Does DW count larger than the lower limit $(4-dl)$, then the autocorrelation coefficient is less than zero, meaning there is negative autocorrelation.
- 8 Does DW count lies between the upper bound (du) and the lower limit (dl) or lies between $(4-du)$ and $(4-dl)$. Then the result can not be concluded.

Multiple Linear Regression Analysis

In an effort to answer the problem in this research, we use multiple regression analysis. Multiple linear regression analysis is used to determine the positive or negative effects of independent variables (institutional ownership, board of commissioners).

Hypothesis Testing (T-test)

Hypothesis testing in this study using partial test (T test). T test is done to know the influence of each independent variable individually (partial) to the dependent variable is done by t-test. T test is done by comparing the value of t arithmetic with t table or compare between t stat with significant tariff ($\alpha = 0,05$). Criteria for decision making as follows:

- 3 If $t \text{ arithmetic} > t \text{ table}$ or $t \text{ stat sign} < 0,05$ then H_0 rejected and H_a accepted. This means there is a significant influence of the independent variable on the dependent variable.

- 4 If $t_{\text{arithmetic}} < t_{\text{table}}$ or $t_{\text{sign}} > 0.05$ then H_0 accepted and H_a rejected. This means there is no significant influence of the independent variable on the dependent variable.

RESEARCH RESULT

Descriptive Statistics Variable Research

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Institusional	100	28,38	99,61	75,7706	17,73667
Kom_Indep	100	0,33	10,00	0,5316	0,09900
Kualitas_Auditor	100	0,00	10,00	0,9000	0,30151
Komite_Audit	100	3,00	11,00	3,8200	1,15802
Jumlah_Direksi	100	4,00	12,00	8,3400	2,30160
Nilai_Perusahaan	100	0,17	1,82	1,0679	0,20023
Valid N (listwise)	100				

Source: secondary data processed, 2018.

Based on the results of the table above can be explained as follows:

1. Average institutional ownership of 75.7706. The lowest institutional ownership value (minimum) is 28.38 and the highest institutional ownership (maximum) is 99.61. The standard deviation value of 17.73667 is smaller than the average value of 75.7706 which means that the mean is greater than the standard deviation, thus indicating that the results of institutional

ownership are quite good. This is because the standard deviation is a very high deviation irregularities, so the dissemination of data shows normal results and does not cause bias.

2. The average Independent Commissioner is 0,5316. The value of standard deviation of Independent Commissioner is 0.09900 less than the average value of 0,5316 which means that the mean value is greater than the standard deviation, thus indicating that the result of the independent commissioner is quite good. This is because the standard deviation is a very high deviation irregularities, so the dissemination of data shows normal results and does not cause bias.

3. Average auditor quality of 0.9000. The standard deviation value of 0.30151 is smaller than the average value of 0.9000 which means that the mean is greater than the standard deviation, thus indicating that the result of the auditor's quality is quite good. This is because the standard deviation is a very high deviation irregularities, so the dissemination of data shows normal results and does not cause bias.

4. The average audit committee is 3.8200. The standard deviation value of 1.15802 is smaller than the mean value of 3.8200 which means that the mean is greater than the standard deviation, thus indicating that the results of the audit committee are quite good. This is because the standard deviation is a very high deviation irregularities, so the spread of data shows normal results and does not cause bias ..

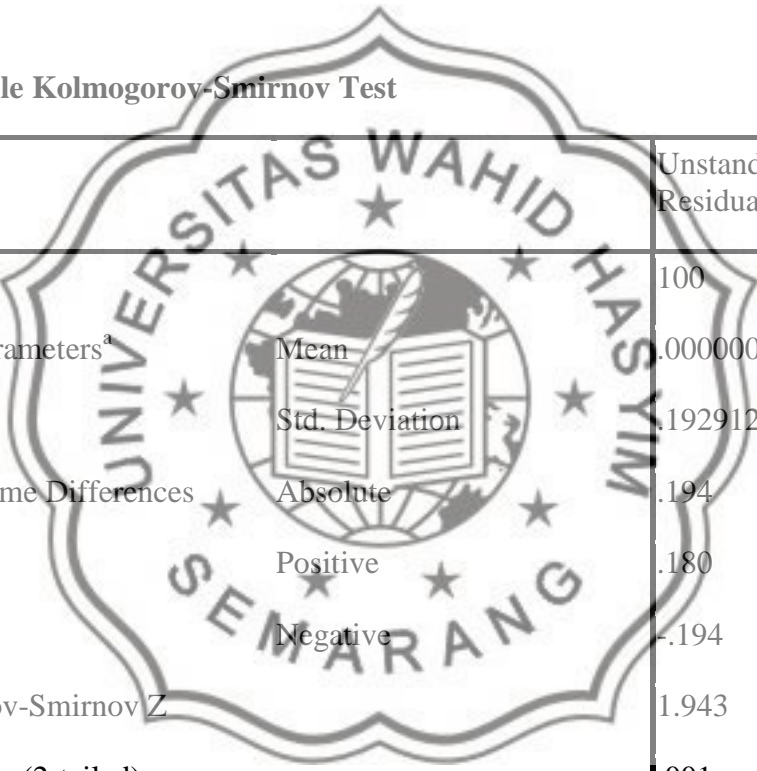
5. Average number of directors amounted to 8.3400. The standard deviation value of 2.30160 is smaller than the mean value of 8.3400 which means that the mean is greater than the standard deviation, thus indicating that the results of the number of directors are quite good. This is because the standard deviation is a very high deviation irregularities, so the dissemination of data shows normal results and does not cause bias.

6. Average company's value of 1.0679. The value of the standard deviation of firm value of 0.20023 is smaller than the average value of 1.0679 which means that the mean is greater than the standard deviation, thus indicating that the result of the firm's value is quite good. This is because the standard deviation is a very high deviation irregularities, so the dissemination of data shows normal results and does not cause bias.

Classic assumption test

Normality test

One-Sample Kolmogorov-Smirnov Test



	Unstandardized Residual
N	100
Normal Parameters ^a	
Mean	.0000000
Std. Deviation	.19291261
Most Extreme Differences	
Absolute	.194
Positive	.180
Negative	-.194
Kolmogorov-Smirnov Z	1.943
Asymp. Sig. (2-tailed)	.001

a. Test distribution is Normal.

Source: secondary data processed, 2018

Based on calculations obtained significant value of unstandardized residual of 0.001 less than the value of 0.05. So it can be concluded that the distributed residual is not normal. A good regression model requirement is that the residual must be normally distributed. To achieve the

normal distributed data, it must eliminate the value that is too extreme (outlier) as much as 4 data observations.

According Ghozali (2011) to eliminate the value of outlier is data that has zres value more than 2.5. In the results of this study the value of outliers can be seen in Table 4.8

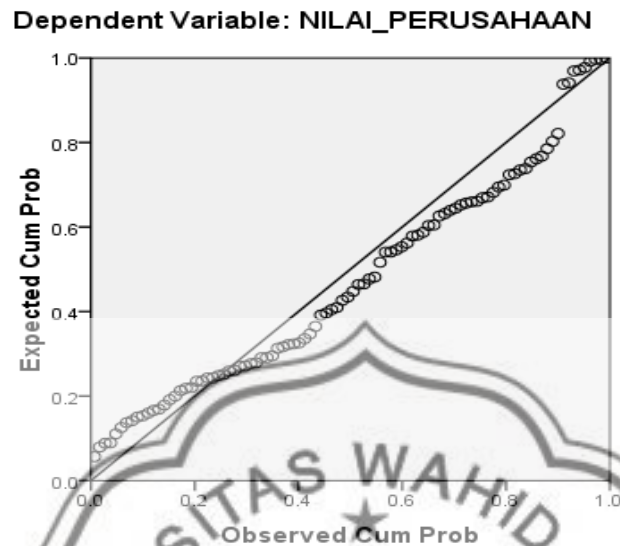
Uji Normalitas (Data Normal)

One-Sample Kolmogorov-Smirnov Test

	Zscore:
	Unstandardized
	Residual
N	96
Normal Parameters ^a	
Mean	.0194326
Std. Deviation	.58374079
Most Extreme Differences	
Absolute	.100
Positive	.100
Negative	-.080
Kolmogorov-Smirnov Z	.980
Asymp. Sig. (2-tailed)	.292

Based on calculations obtained significant value of unstandardized residual of 0.292 more than the value of 0.05. So it can be concluded that the residuals are normally distributed. Normality test can also be seen in chart diagram of Histogram and Normal P-P Plot as follows

Normal P-P Plot of Regression Standardized Residual



On the P-P chart The plot shows the data spreading around the diagonal line and follows the direction of the histogram line toward the normal distribution pattern then the dependent variable Y meets the assumption of normality.

Multicollinearity Test

A good regression model should not occur collation between independent variables or free from multicollinearity. Detection of symptoms of multicollinearity can be known from the number of Variance Inflation Factor (VIF) or Tolerance in the Coefficient section. The regression model is freed from multicollinearity if it has VIF value below 10 and Tolerance value is close to 1.

Based on the test results using SPSS obtained correlation value between independent variables as follows:

Multicollinearity Test Results

Coefficients^a

Model	Collinearity Statistics	
	Tolerance	VIF
1 (Constant)		
INSTITUSIONAL	.976	1.025
KOM_INDEP	.723	1.383
KUALITAS_AUDITOR	.521	1.918
KOMITE_AUDIT	.882	1.134
JUMLAH_DIREKSI	.582	1.717

a. Dependent Variable: THE VALUE OF THE COMPAN

Source: secondary data processed, 2018.

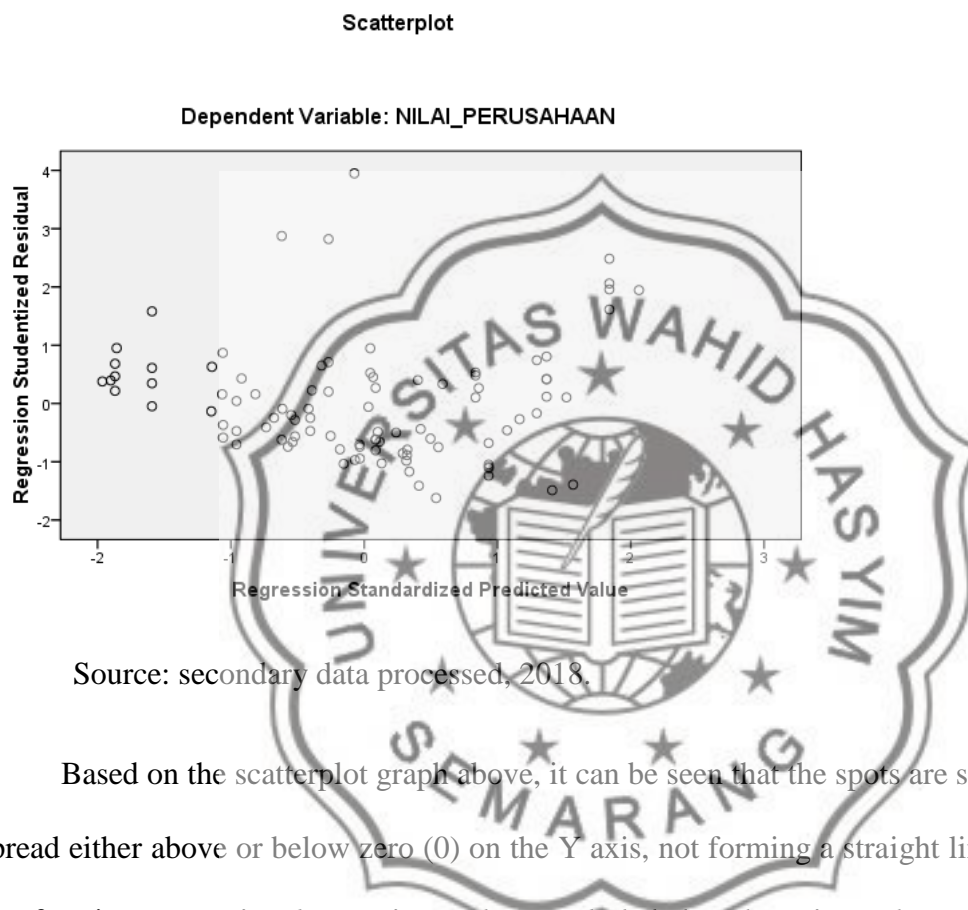
Based on the above table the Tolerance value of the independent variable is close to 1 and the VIF indicates that no independent variable has a value of more than 10. This means that in the resulting regulatory model there is no multicollinearity among independent variables.

Heteroscedasticity Test

The deviation of classical assumptions occurs when there is homocedastic occurrence of the residual value of one observation to another observation in the same model (kostan). To determine heteroskedastisitas can use the scatterplot graph, by looking at the points formed on the graph whether it spreads randomly below and above the axis 0 on the Y axis or form a straight gate on the axis 0, if the resulting image is formed randomly then no heteroscedasticity on a regression model.

Heteroskedastisitas test results using SPSS can be seen through the Scatterplot graph, shown in Figure below:

Image Scatterplot



Source: secondary data processed, 2018.

Based on the scatterplot graph above, it can be seen that the spots are spread randomly and spread either above or below zero (0) on the Y axis, not forming a straight line in one place, and not forming a certain ploa so it can be concluded that there is no heteroscedasticity on the regression model.

Effect of Institutional Ownership on Corporate Value

The test results give the result that institutional ownership has a significant positive effect on firm value, so the first hypothesis is accepted. This can be seen from the results of t test with a

significant value of 0.003. The probability value is less than 0.05 ($0.003 < 0.05$). This means that higher institutional ownership, will have an impact on increasing the value of the company.

Institutional ownership has a very important role in minimizing agency conflict that occurs between managers and shareholders. The existence of institutional investors is considered capable of being an effective monitoring mechanism in every decision taken by managers. This is because institutional investors are involved in the company's strategic taking. The greater the ownership of the institution the greater the power of voice and encouragement of the institution to oversee management. As a result, it will provide a greater boost to optimize corporate value so that company performance will improve (Patricia, 2014). The results of this study are in line with research conducted by Muryanti (2014), Purwaningtyas (2011), and Susanti (2009) proves that institutional ownership positively affects the value of the company.

Effect of Independent Commissioners on Company Value of Company

The test results give the result that the Independent Commissioner has no effect on the company's value of the company, so the second hypothesis is rejected. It can be seen from the result of t test for Independent Commissioner variable obtained significant value equal to 0,765. The probability value is greater than 0.05 ($0.765 > 0.05$). The independent board of commissioners as measured by the composition of independent board of commissioner against the composition of the board of commissioners has no effect on the performance of the company, because the number of independent board of commissioners in the average sample company is already high, thus less affecting the performance of the company. Theoretically an independent commissioner may act as a mediator in a dispute between internal managers and oversee the policies of the board of directors and serve as advisor to the board of directors. Independent Commissioner is a good position to carry out the supervisory function on the management of the

company in order to create a good corporate governance company, so that it can improve the company performance. The results of this study are in line with Azzahrah (2014), Purwaningtyas (2011), Rahmawati and Hanung (2007) which proves that Independent Commissioners have no effect on company value.

Effect of Auditor Quality on Company Value

The test results give the result that the quality of the auditor does not significantly influence the company's value of the company, so the third hypothesis is rejected. This can be seen from the results of t test with a significant value of 0.212. The probability value is greater than 0.05 ($0.212 > 0.05$).

Audit quality that is proxy to the audit market share by KAP Big Four does not affect or does not reflect the high market value of stock at company companies listed on BEI in 2012-2016. In other words the quality of the audit does not affect the market reaction at the time of the announcement of financial statements. This finding means that investors in considering their investment decisions still do not fully maximize the information derived from the audited financial statements, but investors also consider other factors such as macro and micro economic conditions, political issues, leadership changes, and technical analysis. The results of the study are consistent with Rosner's findings (2003) which conclude that audit quality has no effect on stock prices. This study is in line with that done by Siallagan and Machfoedz (2006) found evidence that auditor quality has no significant effect on firm value.

Effect of the Audit Committee on Corporate Values

The test results give the result that audit committee has positive significant effect to firm value, so Hypothesis four accepted. This can be seen from the results of t test with a significant

value of 0.041. The probability value is less than 0.05 ($0.041 < 0.05$). This means that more audit committees, will have an impact on increasing the value of the company.

The presence of an audit committee that oversees the performance of the board of commissioners and improves the quality of information flow between shareholders and managers thereby helping to reduce agency problem and increase the value of the company (Obradovich and Gill, 2013). The audit committee plays a role in overseeing the company's financial reporting process that has been developed through an audit process with the integrity and objectivity of the auditor. The audit committee will effectively improve the credibility of the financial statements and assist the board of commissioners to gain the trust of shareholders. In terms of financial data manipulation, the audit committee contributes to assisting in examining the data on financial statements so that it can be accounted for. Having clear and transparent financial information will reduce misinformation and increase company value (Rouf, 2011). This research is in line with that conducted by Thaharah (2016) found evidence that audit committee has a significant positive effect on company value.

Influence of Number of Directors to Corporate Value

The test result gives result that the number of directors have a significant positive effect on company value, so Hypothesis five is accepted. This can be seen from the results of t test with a significant value of 0.043. The probability value is less than 0.05 ($0.043 < 0.05$). This means more and more number of directors, will have an impact on the increase in corporate value.

The size of the board of directors is the number of boards within the company. More and more board members within the company will provide a form of oversight of the company's better performance. With a good company performance and controlled, it will result in good profitability. Increased profitability will indirectly increase the company's stock price and the

company's value will increase (Isshaaq et al., 2009). According to Sulong and Nor (2008) the size of the board of directors can increase the value of the company because the large number of directors can increase control and monitor the value of dividends, government policies affecting the company and foreign ownership, which can increase the value of the company. The large number of board members will lead to a large variety of opinions in decision making, so the decision is believed to be the best decision that will increase the value of the company (Beiner et al., 2004). This study is in line with that conducted by Muryati (2014) found evidence that audit committee has a significant positive effect on company value.

CONCLUSIONS

Based on the results of hypothesis testing, it can be concluded as follows:

1. T test result for institutional ownership variable obtained significant value of 0.003 < 0.05, then H_0 is rejected and H_a accepted. The existence of institutional investors is considered capable of being an effective monitoring mechanism in every decision taken by managers. This is because institutional investors are involved in the company's strategic taking. The greater the ownership of the institution the greater the power of voice and encouragement of the institution to oversee management. As a result, it will give a bigger boost to optimize the value of the company so that the company's performance will increase.

2. Result of t test for independent commissioner variable obtained significant value equal to 0.765 > 0.05, hence thus H_0 accepted and H_a rejected. So it can be said that independent commissioners have no significant effect on the value of company companies, because the number of independent board of directors on the sample company average is already high, thus less affect the company's performance

3. Result of t test for auditor quality variable obtained significant value equal to 0,212 > 0,05, hence hence H_0 accepted and H_a rejected. So it can be said that the quality of auditors does not significantly affect the value of corporate companies. This finding means that investors in considering their investment decisions still do not fully maximize the information derived from the audited financial statements, but investors also consider other factors such as macro and micro economic conditions, political issues, leadership changes, and technical analysis.

4. Result of t test for audit committee variable obtained significant value equal to 0,041 < 0,05, hence H_0 is rejected and H_a accepted. So it can be said that there is a significant positive influence between the audit committee on the value of the company.

5. The result of t test for the variable number of directors obtained significant value of 0.043 < 0.05, then H_0 is rejected and H_a accepted. So it can be said that there is a significant positive influence between the number of directors to the value of the company. The presence of an audit committee that oversees the performance of the board of commissioners and improves the quality of information flow between shareholders and managers thereby helping to reduce agency problems and increase company value. The audit committee will effectively improve the credibility of the financial statements and assist the board of commissioners to gain the trust of shareholders. In terms of financial data manipulation, the audit committee contributes to assisting in examining the data on financial statements so that it can be accounted for. Having clear and transparent financial information will reduce misinformation and increase company value.

