

The Influence of Good Corporate Governance and Profitability on Firm Value of Banking Sub Sector Companies

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Abstract: Firm value is the investor's perception of the company's level of success in providing maximum prosperity to shareholders. This research aims to determine and analyze the influence of managerial ownership, institutional ownership, independent commissioner, audit committees, and profitability on firm value either partially or simultaneously. The object used in this research are Banking Sub Sector Companies which are listed on the Indonesia Stock Exchange for the 2019-2022. The sampling technique uses purposive sampling. The sample consisted of 11 companies from the Banking Sub Sector Companies for the 2019-2022 period. The data analysis techniques used were descriptive statistics, classical assumption tests, and panel data regression analysis using EViews software version 12. Based on the results of panel data regression analysis, it shows that partially, the good corporate governance proxied by managerial ownership, institutional ownership, independent commissioners and audit committees has no effect on firm value, while the profitability proxied by return on assets has an effect on firm value. Simultaneously, managerial ownership, institutional ownership, independent commissioner, audit committees, and profitability influence on firm value with a significance level of 0,000 and Adjusted R2 value of 97,42%.

Introduction

The spread of Covid-19 which has hit almost all countries in the world, including Indonesia, has had a big impact on life. Indonesia, through a statement delivered by President Joko Widodo, confirmed the spread of the corona virus since 2nd March 2020. At first the status and severity of Covid-19 was still unclear to stock market traders, so it had not yet affected the stock market. However, the increasing number of confirmed victims has given the stock market a negative reaction (Khanh et al., 2020). Until March 11 2020, the World Health Organization (WHO) declared Covid-19 a pandemic, this also caused prices on the stock market to decrease (AlAli, 2020).

Indonesia, as one of the countries where the Covid-19 pandemic spread, is a country that is actively implementing development, both in terms of infrastructure and non-infrastructure. In this case the banking sector plays a very important role in the country's overall economic development (Apriyanti et al., 2023). In accordance with banking objectives in Law of the Republic of Indonesia No. 10 of 1998 namely to support the implementation of national development in order to increase equality, economic growth and national stability towards increasing prosperity. Especially during and after the Covid-19 pandemic, the role of banking is very much needed in turning the wheels back on.

The company as an organization has common goals, both short and long term. Where the company's short-term goal is to obtain maximum profit with existing resources. The long-term goal is to increase the prosperity of parties related to company activities. One way to increase investor prosperity is by increasing the firm value. The firm value, which is the company's long-term goal, can be assessed from the price per share which can be observed through share price movements on the stock exchange for companies that have gone public (Hidayat et al., 2021). A stable share price can indicate that the company is in great condition.

One of the indicators in measuring the firm value according to (Fahmi, 2015) is price to book value (PBV). The price to book value ratio of companies in Indonesia varies greatly due to the level of market perception of the company's future prospects. In general, the firm value is reflected in the company's share price which is formed from the demand and supply of shares by market players. When a company releases the latest information regarding the company's condition, there will be a response from market players which will ultimately lead to changes in share prices. The formation of demand and supply of shares greatly influences share prices.

It was recorded that there was a decline in share prices in several banking companies which contributed to the decline in the Indonesia Composite Index. Based on statistical data from the Indonesian Stock Exchange, in the fourth quarter of 2019, the issue began to emerge spread of the Covid-19 virus, Bank Negara Indonesia (Persero) Tbk has a share price of IDR 7.775. In the fourth quarter of 2020, namely after the announcement of Covid-19 as a pandemic, the share price of Bank Negara Indonesia (Persero) Tbk fell by 20,58% to IDR 6.175. Apart from that, the decline in share prices in 2020 was also experienced by Bank Mestika Dharma Tbk, Bank Rakyat Indonesia (Persero) Tbk, PT Bank Tabungan Negara (Persero) Tbk, PT Bank Danamon Indonesia Tbk, and Bank Mandiri (Persero) Tbk respectively amounting to

46,43%; 5,44%; 19,01%; 20,96%; and 18,39% from the previous year. Meanwhile, Bank Rakyat Indonesia (Persero) Tbk and PT Bank Danamon Indonesia Tbk are still experiencing a decline in share prices until the end of 2021. Below is data that reflects changes in share prices as investors react during and after the Covid-19 pandemic.

Table 1. Share Prices of Banking Companies Listed on the IDX for 2019-2022

| No | Code | Company Name | Year | | | |
|-----|------|--|--------|--------|-------|-------|
| | | | 2019 | 2020 | 2021 | 2022 |
| 1. | BBCA | Bank Central Asia Tbk | 33.450 | 33.850 | 7.300 | 8.550 |
| 2. | BBMD | Bank Mestika Dharma Tbk | 2.800 | 1.500 | 2.000 | 2.120 |
| 3. | BBNI | Bank Negara Indonesia (Persero) Tbk | 7.775 | 6.175 | 6.750 | 9.225 |
| 4. | BBRI | Bank Rakyat Indonesia (Persero) Tbk | 4.410 | 4.170 | 4.110 | 4.940 |
| 5. | BBTN | PT Bank Tabungan Negara (Persero) Tbk | 2.130 | 1.725 | 1.730 | 1.350 |
| 6. | BDMN | PT Bank Danamon Indonesia Tbk | 3.960 | 3.130 | 2.350 | 2.730 |
| 7. | BJTM | Bank Pembangunan Daerah Jawa Timur Tbk | 680 | 680 | 750 | 710 |
| 8. | BMRI | Bank Mandiri (Persero) Tbk | 7.750 | 6.325 | 7.025 | 9.925 |
| 9. | BNGA | Bank CIMB Niaga Tbk | 965 | 995 | 965 | 1.185 |
| 10. | PNBN | Bank Pan Indonesia Tbk | 1.370 | 1.065 | 770 | 1.540 |
| 11. | SDRA | Bank Woori Saudara Indonesia 1906 Tbk | 830 | 740 | 565 | 570 |

Source: Indonesia Stock Exchange, 2024

Based on table 1. Share Prices of Banking Companies Listed on the IDX for 2019-2022, it shows that most banking sub-sector companies experienced a decline in share prices during the Covid-19 pandemic. Statistical data IDX, share prices which show the value of Top Ten Bank companies before Covid-19, when the first Covid-19 case was announced, and three months after the announcement of the Covid-19 case showed a downward trend (Putri, 2020). The decline in share prices causes the value of banking companies to also decline because share prices are used to calculate the firm value. According to Apriantini et al. (2022), the firm value can be seen from the company's price to book value. The following picture shows the decline in the price to book value of the banking sub-sector from the beginning until after the Covid19 pandemic:

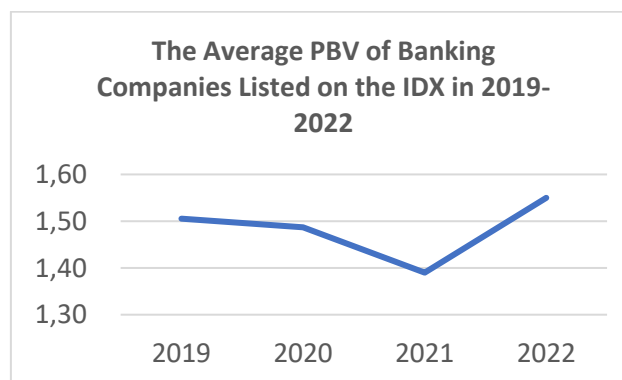


Figure 1. The Average PBV of Banking Companies Listed on the IDX in 2019-2022

Source: Processed data, 2024

The high share price of a company will encourage high firm value (Laksitaputri, 2012). However, if the share price decreases, the firm value will decrease further, which means the company's performance will be less good (Japhar et al., 2020). The firm value is an investor's perception of the company's level of success in providing maximum prosperity to shareholders by increasing the company's share price (Indasari & Yadnyana, 2018). A high PBV makes the market confident in the company's future prospects. Therefore, it is important to carry out research to find out the factors that influence the firm value in order to achieve an increase in firm value. Research by Saragih & Tampubolon (2023) and Lestari & Zulaikha (2021) shows that Managerial Ownership, Institutional Ownership and the Audit Committee are factors that influence firm value. Meanwhile, research by Mustaman & Annisa (2022) and Irawan & Ruslim (2023) states that firm value is influenced by profitability.

In running a business, shareholders hand over company management to managers and commissioners (Widyaningsih, 2018). Managers are obliged to provide financial reports, tending to report something that maximizes their utility and sacrifices the interests of shareholders. This conflict is caused by differences in interests and asymmetric information on both parties. One mechanism that is expected to reduce this is by implementing good corporate governance (Fauzi et al., 2016). Good Corporate Governance provides good performance towards the firm value (Mustaman & Annisa, 2022).

Managerial ownership is one part of the Good Corporate Governance mechanism, managerial ownership can unite the interests of managers and shareholders so that it has a positive impact on increasing the firm value (Muryati & Suardikha, 2014). Manager involvement in share ownership will encourage managers to act with caution as they will bear the consequences of any decisions that have been taken (Wahyudin et al., 2020). Involvement in share ownership will increase manager motivation in achieving optimal performance. The influence of managerial ownership on the firm value can be a signal for investors, this is reflected in changes in share prices (Lestari & Zulaikha, 2021). The results of research conducted by Saragih & Tampubolon (2023), Apriantini et al. (2022), and Nadhiyah (2021) state that managerial ownership influences the firm value. Based on the explanation above, the hypotheses to be tested are:

H1: Managerial ownership influences firm value in banking sub-sector companies listed on the Indonesia Stock Exchange in 2019-2022

Lestari & Zulaikha (2021), Firm value will increase with high institutional ownership of a company. Institutional ownership is expected to act as the party that monitors the company's performance (Saragih & Tampubolon, 2023). The greater the institutional ownership, the stronger the control over the company so that the company owner can control management behavior so that it acts in accordance with the company's objectives which ultimately increases the firm value (Hidayat et al., 2021). Institutional investors can monitor or supervise management to increase the company's market value to the maximum, so that institutional ownership can be a signal for investors. The results of research conducted by Saragih & Tampubolon (2023), Manurung (2022), and Wiariningsih et al. (2019), state that institutional

ownership influences firm value. Based on the explanation above, the hypotheses to be tested are:

H2: Institutional ownership influences firm value in banking sub-sector companies listed on the Indonesia Stock Exchange in 2019-2022

Khanh et al. (2020), independent commissioners have a positive influence on firm value in Vietnam. Independent board members make a significant contribution to board decision making, because of their independent nature, objective assessments can be given to evaluate the performance of the board and management so as to increase firm value (Hidayat et al., 2021). The greater the number of the board of commissioners indicates that it is better and more independent so that it can increase the firm value (Lestari & Zulaikha, 2021). The existence of independent commissioners who come from outside the company's shareholders are able to act independently thereby increasing the firm value (Fauzi et al., 2016). The results of research conducted by Saragih & Tampubolon (2023), Hernandez & Nariman (2023), and Nadhiyah (2021) state that independent commissioners have an influence on firm value. Based on the explanation above, the hypotheses to be tested are:

H3: Independent commissioners influences firm value in banking sub-sector companies listed on the Indonesia Stock Exchange in 2019-2022

The audit committee is able to reduce manipulation and fraudulent practices by upholding corporate governance principles (Widyaningsih, 2018). The presence of an audit committee that supervises the performance of the board of commissioners and improves the quality of information flow between shareholders and managers so that it will increase firm value. Lestari & Zulaikha (2021), the audit committee's increasingly intense supervision of companies is a signal that the company is implementing good governance, so that investors will respond to this through changes in firm value. The results of research conducted by Wiariningsih et al. (2019) and Hidayat et al. (2021) states that the audit committee has an influence on the firm value. Based on the explanation above, the hypotheses to be tested are:

H4: Audit committee influences firm value in banking sub-sector companies listed on the Indonesia Stock Exchange in 2019-2022

A high level of profit will increase investor confidence and this will result in the firm value increasing (Nadhiyah, 2021). Manurung (2022), based on signal theory, profitability can be a good (positive) signal for investors, because positive profitability reflects the company's good prospects, thereby increasing investor confidence in the company's performance, which ultimately contributes to increasing the firm value. The increase in profits by the company invites potential investors to buy company shares so that this can increase the firm value (Suyitno & Djawoto, 2017). The higher the level of profitability, the higher the firm value because the greater prosperity will be distributed to shareholders. The results of research conducted by Hernandez & Nariman (2023), Irawan & Ruslim (2023), and Febiantoro & Khuzaini (2022) state that profitability influences the firm value. Based on the explanation above, the hypotheses to be tested are:

H5: Profitability influences firm value in banking sub-sector companies listed on the Indonesia Stock Exchange in 2019-2022

Even though there has been a lot of research on the firm value in companies listed on the Indonesia Stock Exchange, there are still differences in results. Various research results may be due to differences in the use of the independent variables studied, the observation period, or the methodology used. Therefore, the researcher is interested in raising this issue as material for writing a thesis with the title "The Influence of Good Corporate Governance and Profitability on Firm Value in Banking Sub-Sector Companies".

Research Method

The population used in this research is Banking Sub Sector Companies that are listed on the Indonesia Stock Exchange in 2019-2022. The sampling technique for this research using purposive sampling method with the characteristic of sample selection being Banking Sub Sector companies that are listed on the Indonesia Stock Exchange, have positive profits, and submit annual financial reports that have been audited consecutively during 2019-2022 and have the information that needed in this research.

This Research data uses secondary data that originates from financial reports from companies that are listed on the Indonesia Stock exchange in 2019-2022 which have been audited and published. The source of data is a collection obtained through the website idx.co.id, journals, other literature and other references that support this research. The techniques for this analysis are used in descriptive statistical analysis, regression model estimation, regression model selective, classical assumption testing, panel data regression analysis, and hypothesis testing.

Result and Discussion

The object of this research is Good Corporate Governance and profitability and firm value in banking sub sector companies that are listed on Indonesia Stock Exchange in 2019-2022. The techniques of sampling research used a purposive sampling method, from 46 banking sub sector companies, 11 companies were obtained that met the sample selection criteria in this research. The following list of banking sub sector company names used as sample in the research:

Table 2. List of Banking Sub Sector Companies as Research Samples

| No. | Code | Company Name |
|-----|------|--|
| 1 | BBCA | Bank Central Asia Tbk |
| 2 | BBMD | Bank Mestika Dharma Tbk |
| 3 | BBNI | Bank Negara Indonesia (Persero) Tbk |
| 4 | BBRI | Bank Rakyat Indonesia (Persero) Tbk |
| 5 | BBTN | PT Bank Tabungan Negara (Persero) Tbk |
| 6 | BDMN | PT Bank Danamon Indonesia Tbk |
| 7 | BJTM | Bank Pembangunan Daerah Jawa Timur Tbk |
| 8 | BMRI | Bank Mandiri (Persero) Tbk |

| No. | Code | Company Name |
|-----|------|---------------------------------------|
| 9 | BNGA | Bank CIMB Niaga Tbk |
| 10 | PNBN | Bank Pan Indonesia Tbk |
| 11 | SDRA | Bank Woori Saudara Indonesia 1906 Tbk |

Source: Data that has been processed, 2024

Descriptive Statistics

In this research, descriptive statistical analysis is used to show the maximum, minimum, average, and standard deviation values of Good Corporate Governance and profitability as independent variables and firm value as the dependent variable. The results of descriptive statistical data processing using Eview 12 can seen in the following table:

Table 3. Descriptive Statistics

| | KPM | KPI | KI | KA | ROA | PBV |
|--------------|----------|----------|----------|----------|----------|----------|
| Mean | 0.037442 | 0.774651 | 0.536977 | 4.651163 | 1.643953 | 1.471163 |
| Median | 0.020000 | 0.850000 | 0.500000 | 4.000000 | 1.660000 | 1.020000 |
| Maximum | 0.190000 | 0.960000 | 0.750000 | 8.000000 | 3.250000 | 4.970000 |
| Minimum | 0.010000 | 0.530000 | 0.330000 | 3.000000 | 0.070000 | 0.390000 |
| Std. Dev. | 0.047162 | 0.154632 | 0.118151 | 1.461958 | 0.778736 | 1.228247 |
| Observations | 43 | 43 | 43 | 43 | 43 | 43 |

Source: Eviews output processed 2024

The test result in table 3 obtain the managerial ownership variable (KPM) has a mean value of 0,037442 a maximum value of 0,19 a minimum value of 0,01 and a standard deviation value of 0,047162. The institutional ownership value (KPI) has a mean value of 0,774651 a maximum value of 0,96 a minimum value of 0,53 and a standard deviation value of 0,154632. The independent commissioner (KI) variable has a mean value 0,536977 a maximum value of 0,75 a minimum value of 0,33 and a standard deviation of 0,118151. The audit committees (KA) variable has a mean value of 4, a maximum value of 8, a minimum value of 3, and standard deviation of 1,461958. The profitability variable (ROA) variable has a mean value 1,643953 a maximum value of 3,25 a minimum value of 0,07 and standard deviation 0,778736. The firm value variable (PBV) has a mean value of 1,471163 a maximum value of 4,97 a minimum value of 0,39 and standard deviation of 1,228247.

Selection of Panel Data Regression Models

Chow Test

According to Maulana & Widyasari (2023), the chow test aims to find out which model is better between the common effect and fixed effect models by looking at the probability cross section chi-square. The following are the results of the chow test using EViews12:

Table 4. Chow Test

| Redundant Fixed Effects Tests | | | |
|----------------------------------|-----------|---------|----------|
| Pool: POOL | | | |
| Test cross-section fixed effects | | | |
| Effects Test | Statistic | d.f. | Prob. |
| Cross-section F | 18.834596 | (10,28) | 0.0000 |
| Cross-section Chi-square | 89.965669 | | 100.0000 |

Source: Eviews output processed 2024

The test result in table 4 obtain, the Chi-Square cross section probability value is 0.0000 $< \alpha = 5\%$ and the statistical F Value is 18,834596 $>$ table F value $\{0,05;(10,28)\}$ is 2,46255. It can be concluded that H_0 is rejected or the model selected based on the chow test for panel data regression is the fixed effect model.

Hausman Test

The Hausman Test aims to find which model is better between the two panel models, the fixed effects model and the random effect model Maulana & Widyasari (2023). The test result in table 5 obtain, the random cross section probability value is 0,0000 $< \alpha = 5\%$, and the chi square statistic value is 31,007603 $<$ chi square table value (0,05;43) is 59,3035, so it can be concluded that H_0 accepted or model selected based on the Hausman test for panel data regression is the fixed effect model. The following are the result of the Hausman test using EViews12:

Table 5. Hausman Test

| Correlated Random Effects - Hausman Test | | | |
|--|-------------------|--------------|--------|
| Pool: POOL | | | |
| Test cross-section random effects | | | |
| Test Summary | Chi-Sq. Statistic | Chi-Sq. d.f. | Prob. |
| Cross-section random | 31.007603 | 5 | 0.0000 |

Source: Eviews output processed 2024

From the results of the Chow test and the Hausman test, the fixed effect models has been selected as the best model to use for panel data regression analysis in determining the influence of Good Corporate Governance and Profitability on Firm Value in Banking Sub Sector Companies listed on the Indonesia Stock Exchange in 2019-2022. So the Lagrange test doesn't need to be carried out.

Panel Data Regression Analysis

Panel data regression analysis is used to determine the influence of Good Corporate Governance and profitability on firm value in Banking Sub Sector Companies listed on the

Indonesia Stock Exchange in 2019-2022. Constant value and regression coefficients for each independent variable in the regression equation can be obtained bellow:

$$\begin{aligned}
 \text{PBV BBCA} &= 3.910485 - 0.845442 - 1.684663 \text{ KPM} + 2.778180 \text{ KPI} - 0.335440 \text{ KI} + 0.011595 \\
 &\quad \text{KA} + 0.227017 \text{ ROA} + e \\
 \text{PBV BBMD} &= -0.437410 - 0.845442 - 1.684663 \text{ KPM} + 2.778180 \text{ KPI} - 0.335440 \text{ KI} + 0.011595 \\
 &\quad \text{KA} + 0.227017 \text{ ROA} + e \\
 \text{PBV BBNI} &= -0.681244 - 0.845442 - 1.684663 \text{ KPM} + 2.778180 \text{ KPI} - 0.335440 \text{ KI} + 0.011595 \\
 &\quad \text{KA} + 0.227017 \text{ ROA} + e \\
 \text{PBV BBRI} &= 1.511290 - 0.845442 - 1.684663 \text{ KPM} + 2.778180 \text{ KPI} - 0.335440 \text{ KI} + 0.011595 \\
 &\quad \text{KA} + 0.227017 \text{ ROA} + e \\
 \text{PBV BBTN} &= 0.152951 - 0.845442 - 1.684663 \text{ KPM} + 2.778180 \text{ KPI} - 0.335440 \text{ KI} + 0.011595 \\
 &\quad \text{KA} + 0.227017 \text{ ROA} \\
 \text{PBV BDMN} &= -1.219348 - 0.845442 - 1.684663 \text{ KPM} + 2.778180 \text{ KPI} - 0.335440 \text{ KI} + 0.011595 \\
 &\quad \text{KA} + 0.227017 \text{ ROA} \\
 \text{PBV BJTM} &= -0.453337 - 0.845442 - 1.684663 \text{ KPM} + 2.778180 \text{ KPI} - 0.335440 \text{ KI} + 0.011595 \\
 &\quad \text{KA} + 0.227017 \text{ ROA} \\
 \text{PBV BMRI} &= 0.614516 - 0.845442 - 1.684663 \text{ KPM} + 2.778180 \text{ KPI} - 0.335440 \text{ KI} + 0.011595 \\
 &\quad \text{KA} + 0.227017 \text{ ROA} \\
 \text{PBV BNGA} &= -1.233730 - 0.845442 - 1.684663 \text{ KPM} + 2.778180 \text{ KPI} - 0.335440 \text{ KI} + 0.011595 \\
 &\quad \text{KA} + 0.227017 \text{ ROA} \\
 \text{PBV PNBN} &= -1.128004 - 0.845442 - 1.684663 \text{ KPM} + 2.778180 \text{ KPI} - 0.335440 \text{ KI} + 0.011595 \\
 &\quad \text{KA} + 0.227017 \text{ ROA} \\
 \text{PBV SDRA} &= -1.036168 - 0.845442 - 1.684663 \text{ KPM} + 2.778180 \text{ KPI} - 0.335440 \text{ KI} + 0.011595 \\
 &\quad \text{KA} + 0.227017 \text{ ROA}
 \end{aligned}$$

The following are the results of panel data regression test using the fixed effect model obtained from the EViews12, which can be seen in the table below:

Table 6. Panel Data Regression Test Results

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|-----------------------|-------------|------------|-------------|--------|
| C | -0.845442 | 2.123867 | -0.398067 | 0.6936 |
| KPM? | -1.684663 | 2.576386 | -0.653886 | 0.5185 |
| KPI? | 2.778180 | 2.615182 | 1.062327 | 0.2972 |
| KI? | -0.335440 | 0.608733 | -0.551045 | 0.5860 |
| KA? | 0.011595 | 0.054019 | 0.214637 | 0.8316 |
| ROA? | 0.227017 | 0.077330 | 2.935676 | 0.0066 |
| Fixed Effects (Cross) | | | | |
| __BBCA—C | 3.910485 | | | |
| __BBMD—C | -0.437410 | | | |
| __BBNI—C | -0.681244 | | | |
| __BBRI—C | 1.511290 | | | |
| __BBTN—C | 0.152951 | | | |
| __BDMN—C | -1.219348 | | | |

| | |
|----------|-----------|
| __BJTM—C | -0.453337 |
| __BMRI—C | 0.614516 |
| __BNGA—C | -1.233730 |
| __PNBN—C | -1.128004 |
| __SDRA—C | -1.036168 |

Source: Eviews output processed 2024

Hypothesis Test

Partial Test (t test)

The t-statistical test was conducted to see whether there was an influence of each independent variable on the dependent variable. The following are partial test result using EViews12:

Table 7. t Test Results

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|----------|-------------|------------|-------------|--------|
| C | -0.845442 | 2.123867 | -0.398067 | 0.6936 |
| KPM? | -1.684663 | 2.576386 | -0.653886 | 0.5185 |
| KPI? | 2.778180 | 2.615182 | 1.062327 | 0.2972 |
| KI? | -0.335440 | 0.608733 | -0.551045 | 0.5860 |
| KA? | 0.011595 | 0.054019 | 0.214637 | 0.8316 |
| ROA? | 0.227017 | 0.077330 | 2.935676 | 0.0066 |

Source: Eviews output processed 2024

The result of the t test in table 7 which are described in this study are as follows:

1. Probability (t-Statistic) value of managerial ownership is 0,5185 with a t-Statistic value of -0,653886 and t_{table} value of 2,02269 so the value $-t_{table} < t\text{-Statistic} < t_{table}$. Which means that managerial ownership has no influence on the firm value of banking sub sector companies listed on the Indonesia Stock Exchange in 2019-2022.
2. Probability (t-Statistic) value of institutional ownership is 0,2972 with a t-statistic value of 1,062327 and t_{table} value of 2,02269 so the value $-t_{table} < t\text{-Statistic} < t_{table}$. Which means that institutional ownership has no influence on the firm value of banking sub sector companies listed on the Indonesia Stock Exchange in 2019-2022.
3. Probability (t-Statistic) value of independent commissioners is 0,5860 with a t-Statistic value of -0,551045 and t_{table} value of 2,02269 so the value $-t_{table} < t\text{-Statistic} < t_{table}$. Which means that independent commissioners has no influence on the firm value of banking sub sector companies listed on the Indonesia Stock Exchange in 2019-2022.
4. Probability (t-Statistic) value of audit committees is 0,8316 with a t-Statistic value is -0,214637 and t_{table} value of 2,02269 so the value $-t_{table} < t\text{-Statistic} < t_{table}$. Which means that audit committees has no influence on the firm value of banking sub sector companies listed on the Indonesia Stock Exchange in 2019-2022.
5. Probability (t-Statistic) value of profitability (Return on Assets) is 0,0066 with a t-Statistic value of 2,935676 and t_{table} value of 2,02269 so the value $t\text{-Statistic} > t_{table}$ which means

that profitability has an influence on the firm value of banking sub sector companies listed on the Indonesia Stock Exchange in 2019-2022.

Simultaneous Test (F Test)

The F-statistic test is used to determine whether the independent variable together have an effect on the dependent variable. The result of the F Test in the table 8 obtained an F value of 109,2211 with probability (F-statistic) of 0,000000 is smaller than 0,05. It can be concluded that the variables of managerial ownership, institutional ownership, independent commissioners, audit committees, and profitability have an effect on firm value simultaneously. The following are the results of the simultaneous test (F test) using EViews12:

Table 8. F Test Result

| | | | |
|-----------------------|-----------|--------------------|----------|
| Root MSE | 0.155890 | R-squared | 0.983196 |
| Mean dependent var | 1.483182 | Adjusted R-squared | 0.974195 |
| S.D. dependent var | 1.216497 | S.E. of regression | 0.195419 |
| Akaike info criterion | -0.152056 | Sum squared resid | 1.069278 |
| Schwarz criterion | 0.496740 | Log likelihood | 19.34524 |
| Hannan-Quinn criter. | 0.088549 | F-statistic | 109.2211 |
| Durbin-Watson stat | 2.027760 | Prob(F-statistic) | 0.000000 |

Source: Eviews output processed 2024

Coefficient Of Determination

Ghozali (2016), the coefficient of determination (R^2) essentially measures how far the model's ability is to explain variations in the dependent variable. Based on the output results in table 9, the adjusted R2 value is 0,974195. This shows that the contribution of the independent variables, like managerial ownership, institutional ownership, independent commissioners, audit committees and profitability in explaining the dependent variable which price to book value is 97,42% while the remaining 2,58% is contribution of other independent variables outside the research. The coefficient of determination test results (R^2) obtained from the EViews 12 can be seen in the table below:

Table 9. Coefficient Of Determination

| | | | |
|-----------------------|-----------|--------------------|----------|
| Root MSE | 0.155890 | R-squared | 0.983196 |
| Mean dependent var | 1.483182 | Adjusted R-squared | 0.974195 |
| S.D. dependent var | 1.216497 | S.E. of regression | 0.195419 |
| Akaike info criterion | -0.152056 | Sum squared resid | 1.069278 |
| Schwarz criterion | 0.496740 | Log likelihood | 19.34524 |
| Hannan-Quinn criter. | 0.088549 | F-statistic | 109.2211 |
| Durbin-Watson stat | 2.027760 | Prob(F-statistic) | 0.000000 |

Source: Eviews output processed 2024

Classical Assumptions

Multicollinearity Test

Ghozali (2016), the multicollinearity test aims to test whether in the regression model a correlation is found between the independent variables. The result carried out by using EViews12 and be seen on table below:

Table 10. Multicollinearity Test Result

| | KPM | KPI | KI | KA | ROA |
|-----|-----------|-----------|-----------|-----------|-----------|
| KPM | 1.000000 | -0.463349 | 0.203901 | -0.341670 | 0.429066 |
| KPI | -0.463349 | 1.000000 | -0.144682 | -0.384196 | -0.177788 |
| KI | 0.203901 | -0.144682 | 1.000000 | 0.090904 | 0.240825 |
| KA | -0.341670 | -0.384196 | 0.090904 | 1.000000 | -0.171544 |
| ROA | 0.429066 | -0.177788 | 0.240825 | -0.171544 | 1.000000 |

Source: Eviews output processed 2024

Based on the results on table 10, it shows that the correlation matrix value of the independent variable shows a value smaller than 0,90 for each variable, so the independent variables used in the regression model are free from multicollinearity or there's no correlation between the independent variables in this researcher.

Heteroscedasticity Test

This test aims to test whether in a regression model there is an inequality of variance from the residuals of one observation to another observation (Ghozali, 2016). Based on the result on table 11, shows the Obs*R-squared chi-square probability value is 0,1287 > 0,05 so the concluded that heteroscedasticity symptoms don't occur in the regression model. The result carried out by EViews12 and can be seen on table below:

Table 11. Heteroscedasticity Test

| Heteroskedasticity Test: Breusch-Pagan-Godfrey | | | |
|--|----------|---------------------|--------|
| Null hypothesis: Homoskedasticity | | | |
| F-statistic | 1.831454 | Prob. F(5,38) | 0.1299 |
| Obs*R-squared | 8.544175 | Prob. Chi-Square(5) | 0.1287 |
| Scaled explained SS | 7.559949 | Prob. Chi-Square(5) | 0.1822 |

Source: Eviews output processed 2024

Autocorrelation Test

Ghozali (2016), autocorrelation test aims to test whether in the linear regression model there is a correlation between confounding errors in period t or in period t-1 (previous). The Durbin Watson (calculated DW) value is 2,027760 with dL and dU value of 1,27692 and 1,77772. The obtained value is $dL < dW < 4-dU$ ($1,27692 < 2,027760 < 2,22228$) which means

there isn't autocorrelation. The result carried out by EViews12 and can be seen on table below:

Table 12. Autocorrelation Test

| | | | |
|-----------------------|-----------|--------------------|----------|
| Root MSE | 0.155890 | R-squared | 0.983196 |
| Mean dependent var | 1.483182 | Adjusted R-squared | 0.974195 |
| S.D. dependent var | 1.216497 | S.E. of regression | 0.195419 |
| Akaike info criterion | -0.152056 | Sum squared resid | 1.069278 |
| Schwarz criterion | 0.496740 | Log likelihood | 19.34524 |
| Hannan-Quinn criter. | 0.088549 | F-statistic | 109.2211 |
| Durbin-Watson stat | 2.027760 | Prob(F-statistic) | 0.000000 |

Source: Eviews output processed 2024

Normality test

Based on the results of the normality test using probability value and Jarque-Bera value on figure 2, it shows that probability value is 0,538235 > 0.05 and Jarque-bera value is 1.238919 < Chi Square table value of 59.3035 which means the data in regression model is distributed normally. The result carried out by EViews12 and can be seen on table below:

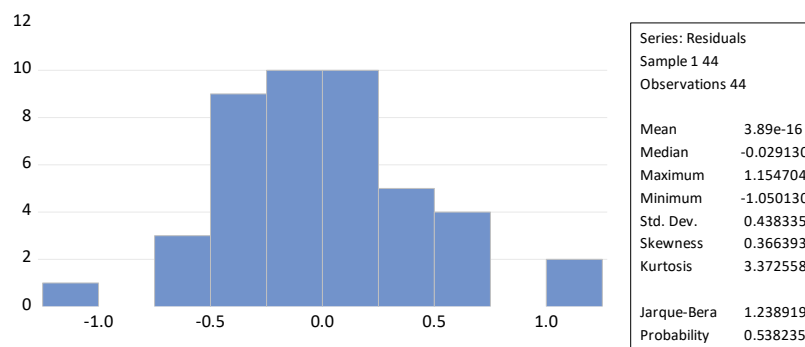


Figure 2. Normality Test Result

Source: Eviews output processed 2024

Discussion

a. The Influence of Management Ownership on Firm Value

Good Corporate Governance Proximity by managerial ownership, has no influence on firm value in Banking Sub Sector Companies listed on the Indonesia Stock Exchange in 2019-2022. The large proportion of managerial ownership hasn't been able to equalise the interest of the managerial with shareholders, so it can't achieve high firm value. Companies tend to continue to provide welfare to shareholders/investors without considering the amount managerial share ownership. Companies have committed to continuing to increase firm value. The results are consistent with the result of research by Saragih & Tampubolon (2023), Apriantini et al. (2022), and Nadhiyah (2021). However, this results is not consistent with the results of research by Lestari & Zulaikha (2021) which states that managerial ownership has an influences on firm value.

b. The Influence of Institutional Ownership on Firm Value

Good Corporate Governance proximity by institutional ownership, has no influence on firm value in Banking Sub Sector Companies listed on the Indonesia Stock Exchange in 2019-2022. Institutional investors who have capabilities in finance and business aren't yet involved in decision making and tend to rely on managers. The lack of involvement of institutional investors means that supervision and control from institutional investors can't be felt by managers so they don't show any influence on firm value. In addition, investors tend to compromise and side with management and ignore minority shareholders. This causes the institutional monitoring function didn't go well, which can give rise to agency problems. The results are consistent with the result of research by Saragih & Tampubolon (2023), Manurung (2022), and Wiariningsih et al., 2019. However, this results is not consistent with the results of research by Hidayat et al. (2021) which states that institutional ownership has an influence on firm value.

c. The Influence of Independent Commissioners on Firm Value

Good Corporate Governance Proximity by independent commissioners has no influence on firm value in Banking Sub Sector Companies listed on the Indonesia Stock Exchange in 2019-2022. The number of independent commissioners can't guarantee the company's performance will be better and there wouldn't be fraud in financial reports. Because the existence of an independent commissioners is a form of formality for a company to fulfil its obligation from the financial services authority in accordance with Otoritas Jasa Keuangan regulation number 33/POJK.04/2014. Apart from that, there are independent commissioners who come from outside companies, so their knowledge about the company is very limited and the board of directors less responsive to suggestions given by them. The results are consistent with the result of research by Saragih & Tampubolon (2023), Hernandez & Nariman (2023), and Nadhiyah (2021). However, this results is not consistent with the results of research by Khanh et al. (2020) which states that independent commissioners have an influence on firm value.

d. The Influence of Audit Committees on Firm Value

Good Corporate Governance proxied by the audit committees has no influence on firm value in Banking Sub Sector Companies listed on the Indonesia Stock Exchange in 2019-2022. The company will still try to provide welfare for investors without considering the number of audit committees and because the existence of an audit committees in the company is seen as a form to fulfilling the company obligation in Otoritas Jasa Keuangan regulation Number 55/POJK.04/2015. So investors don't need to look at the audit committees in a company because companies that go public will fulfil these regulations. The result of this research shows that the audit committees has not been able to influence the firm value. The results are consistent with the result of research by Wiariningsih et al. (2019) and Hidayat et al.

(2021) . However, this results is not consistent with the results of research by Saragih & Tampubolon (2023) which states that audit committees have an influence on firm value.

e. The Influence of Profitability on Firm Value

Profitability proxied by return On Assets (ROA) has an influence on firm value in Banking Sub Sector Companies listed on the Indonesia Stock Exchange in 2019-2022. The greater ROA, the greater the firm value as a proxy for price to book value. In accordance with signal theory which states that companies with high profitability give signals to investors to invest in the company and results in firm value increase. The higher the profit, the greater the profit available to be distributed to shareholders. Thus, investors will be interested in investing because of the high return on investment from the company. The results are consistent with the result of research by Hernandez & Nariman (2023), Irawan & Ruslim (2023), and Febiantoro & Khuzaini (2022). However, this results is not consistent with the results of research by (Maulana & Widyasari, 2023) which states that ROA has no influence on firm value.

f. The Influence of Management Ownership, Institutional Ownership, Independent Commissioners, Audit Committees, and Profitability on Firm Value

Based on the results of the test that have been carried out, the results show that firm value as proxied by price to book value in banking sub sector companies in 2019-2022 takes into account the factors of managerial ownership, institutional ownership, independent commissioner, audit committees, and profitability simultaneously. The existence of share ownership on the managerial side makes managers more responsible and making decisions more carefully. Increasing managerial ownership will have an influence on firm value, because the supervisory function of management activities also increases. The greater the institutional ownership, the stronger the control over the company so the owner of the company can control the management behaviour so they can act according to company goals, which ultimately aims to increase the firm value. The existence of an independent commissioners can reduce fraud in financial reports because an independent commissioners can reduce fraud in financial reports because they will supervise and guarantee the transparency of the company financial reports. The presence of an audit committees that supervises the performance of the board of commissioners and improves the quality of information flow between shareholders and managers thereby helping reduce agency problems, and increasing firm value. Profitability can indicate the increase of company profits, so profitability becomes one of the measures for investors to invest in shares which will have an influence on increasing the firm value.

Conclusion

The aim of this research is to determine and analyze the influence of managerial ownership, institutional ownership, independent commissioner, audit committees, dan profitability to firm value either partially or simultaneously of Banking Sub Sector Companies

which are listed on the Indonesia Stock Exchange for the 2019-2022. Based on the data that has been collected and the test that have been carried out on the problem using the panel data regression analysis method, the following conclusions can be drawn: 1) managerial ownership has no influence on firm value. 2) institutional ownership has no influence on firm value. 3) independent commissioners have no influence on firm value. 4) audit committees have no influence on firm value. 5) profitability has influence on firm value. 5) simultaneously, managerial ownership, institutional ownership, independent commissioner, audit committees, and profitability have influence on firm value.

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