THE INFLUENCE OF GOOD CORPORATE GOVERNANCE TOWARDS COMPANY VALUE WITH PROFITABILITY AS INTERVENING VARIABLE IN MANUFACTURING COMPANIES

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Abstract

Good corporate governance and profitability are efforts to increase company value. The company was established to increase the company value to provide prosperity for the owners or shareholders. This study aims to determine the effect of corporate governance on company value with profitability as an intervening variable in manufacturing industries in manufacturing companies. The data research is taken from the financial reports of 19 selected companies on the Indonesia Stock Exchange for 2015-2020 using quantitative research. The independent variables are proxied by institutional ownership, audit committee, managerial ownership, independent Board of Commissioners, and Board of Director. Return on equity is a proxy of the profitability as an intervening variable and Tobin's q as a dependent variable. The method of data analysis used in this research is multiple linear regression analysis using statistical software. The data results show that the independent Board of commissioners and directors significantly influences ROE. The other three variables are not significant in predicting ROE. The audit committee and independent panel of commissioners do not affect the company's value. On the other hand, company value is affected by institutional ownership, managerial ownership, and the Board of directors. Those five variables of good corporate governance and ROE simultaneously effectively predict company value with a 75.17% contribution. Profitability mediates the relation between good corporate governance and company value

Keywords: Good Corporate Governance, Company Value, Profitability, Manufacturing Companies, IDX

Introduction

Manufacturing is one of the business sectors developing quite rapidly and has good prospects in the future. The processing industry still provides the most considerable contribution to the national gross domestic product (GDP) structure, up to 19.86 percent throughout 2018 (Kemenperin.go.id, 2019). According to Industrial Research and Development Agency, the manufacturing sector is often referred to as the spearhead of the economy. Purchasing Manager Index-Bank Indonesia (PMI-BI) data shows the optimism of the manufacturing business sector regarding the future economic prospects.

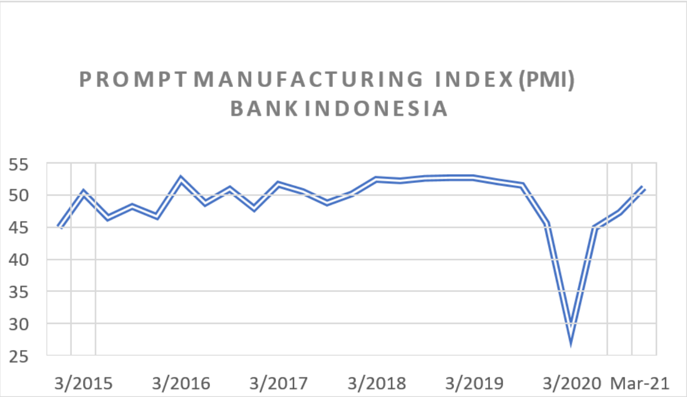


Figure 1. Prompt Manufacturing Index (PMI) Bank Indonesia Source: Bank Indonesia, 2021

Based on Figure 1, it can be seen that the manufacturing sector's performance fluctuates variously from year to year but continues to increase from 2015 to the highest point in the second quarter of 2019 at 52.66. Despite experiencing a very significant contraction in 2020, the manufacturing industry continued to expand in 2021. In the third quarter of 2020, it was recorded at 44.91%, up from 28.55% in the second quarter of 2020. In the fourth quarter of 2020, the PMI-BI performance improvement is listed in almost all subsectors of the processing industry. It shows the optimism of the manufacturing business sector regarding the future economic prospects, thereby attracting investors to enter this sector. If the index number > 50.0, then the industry is experiencing expansion (growth); whereas if the index number is < 50.0, it means that it is experiencing contraction (slowing down)(seputarforex.com, 2014).

In implementing and developing the manufacturing industry, companies need capital from internal and external financing. The capital market is a means for companies to obtain funds from investors. The funds are used for company activities such as business development, expansion, or additional working capital. Before investing, investors consider several things first. One of the considerations investor's perception is company value because if the company's value is high, the level of prosperity of shareholders will also be increased (Jessica & Mindosa, 2018). The price of shares traded on the stock exchange reflects the value of a company because the stock price is an indicator of the high or low value of a company (Purwanto, 2020).

Corporate governance (CG) refers to the policies, procedures, and laws that prescribe how businesses are run, managed, and governed (Purwanto & Nandita, 2020). A well-defined CG system is structured to serve all corporation owners by ensuring that the company acts legally and ethically, in line with best practice, and in compliance with company laws (Gitman & Zutter, 2015). The concept is conducted to achieve more transparent company management for stakeholders. Initially, GCG was motivated by financial scandals in various developed countries; with business complexity, corporate governance developed in multiple countries such as Indonesia. The monetary crisis that has occurred in Indonesia since 1997 has grown into a multidimensional problem, including the economy, causing many banks and large companies to go bankrupt. A study conducted by the World Bank shows that one of the causes of the crisis that hit Asia, including Indonesia, is the poor execution of good corporate governance (GCG) as the key cause of economic insecurity, which causes the company's financial condition to worsen.

Good company value can be interpreted as having good corporate governance. It can increase profits and reduce the risk of company losses in the future to increase company value (Tanasya & Handayani, 2020). Previous research done by Sunardi (2019) states that basically, the issue of corporate governance is motivated by agency theory, which states that the problem of the agency is arises when the management of a company is separated from its owner where there is a different purpose of shareholder, investor, director, and manager in a business. Agency theory regulates the relationship between owners and managers; this relationship must be controlled so that managers will decide and act in the interests of the owners or shareholders (Cardilla et al., 2019). The institution's existence can optimally monitor the performance of management so that the company can provide high profits. The high profitability of a company will affect the value of the company.

Profitability is used to measure the extent to which the company generates profits, and return to equity (ROE) is used to measure the return obtained from the investment of the company's owner (Purwanto & Bilian, 2017). ROE is the percentage of the earnings after tax to equity ratio. The signaling theory states that company executives who have more information about their company will be encouraged to convey to investors where the company can increase its value by sending signals through its annual report (Scott, 2012). Supported by previous studies, this study was undertaken to find out the impact of corporate governance as measured by a variable of institutional ownership (IO), audit committee (AC), managerial ownership (MO), independent board of commissioners (IBoC), and Board of directors (BoD) towards company value as calculated by Tobin's q with profitability measured by ROE as intervening variable.

The economic crisis in 1997 had an impact on the Indonesian economy, as seen in the turmoil in the capital and money markets. The rise and fall of the company's stock price will affect its company's value. According to agency theory, there is a separation of interests between agents and principals, called agency conflict, Jensen & Meckling (1976) in Tanasya & Handayani (2020). The existence of good corporate governance can lead to good cooperation. It can unite the interests of both parties to achieve company goals, especially for manufacturing industries that have good prospects in the future, although it has experienced fluctuations from year to year, as seen in figure 1.1. In addition, the desire of investors to implement CG in the company makes management demand to be better in carrying out their duties so that it affects profitability which can increase the value of the company. The profitability of a company for investors, shareholders, and stakeholders is often used to assess the quality of a company (Rumapea, 2017). High or low profitability will affect the stock price of a company. Therefore, researchers are encouraged to analyze whether profitability can mediate good corporate governance to increase company value in manufacturing companies in 2015-2020.

Literature Review

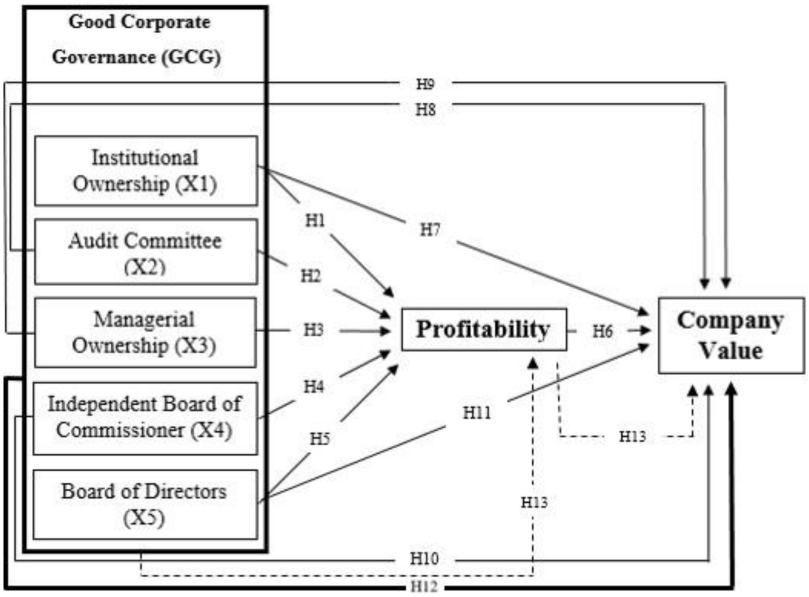
Agency theory pressured the company to get the maximum possible profit in the most efficient way possible. According to Jensen & Meckling (1976), agency theory represents owners as principals while managers are agents. When the parties involved have different goals, an agency theory could become a point of conflict (Fressilia & Pratiwi, 2017). Investors want to increase the wealth and prosperity of the owners of capital. At the same time, managers raise the welfare for managers so that interest contradictions exist between shareholders (investors) and managers (agents). The signal theory showed that companies had an incentive to provide positive signals in the form of information to stakeholders. According to Budiharjo (2016), a signal is an activity done by firm management; it gives instructions to stakeholders about how management views the company's future situation.

According to the forum for Corporate Governance Indonesia (2001), "CG represented as a collection of laws that established relationship among owners, managers, creditors, states, workers including stakeholders in terms of their interest level and responsibility, or that is to say, the management and control system of the company." According to Mukhtaruddin et al. (2014), the GCG mechanism was the methodology that affected the manager's decision if there was a gap between ownership and control.

Jensen & Meckling (1976) said that institutional ownership is critical for mitigating tensions between management and shareholders in the agencies. Institutional ownership holds the capacity to supervise and discipline management to influence its performance in accomplishing its objectives (Ichsani et al., 2021). A large proportion of ownership can make the process of monitoring managers better (Anjani & Yadnya, 2017). According to Nurwahidah et al. (2019), managerial ownership is management, and the shareholders play an active role in making company decisions. Managerial ownership refers to the percentage of shares owned by management that is actively engaged in decision-making or the entire capital in the company (Syafitri et al., 2018). Control of the company's stock ownership is seen as reconciling possible conflicts of interest between external owners and management. The agency's issues are expected to vanish if the boss is still the owner (Shleifer & Vishny, 1997). According to

Hussain et al. (2018), the smaller the board size would increase the workload for each board member. The existence of a board of directors will optimize the value proposition and minimize agency expenditures, resulting in improved company performance. The Board of directors was re sponsible for managing the business to fulfill its objectives, including improving its financial performance (accounting) and stock market valuation (Yuniarti & Syaichu, 2018). The Board of directors must determine the direction of the company's resource policies and strategies, both short and long term (Alkhairani et al., 2020).

Profitability reflects a business's ability to generate revenue to influence investment decisions. According to Rumapea (2017), profitability refers to a valuable metric for investors in measuring the success of a business since it indicates the capability of the company to make money and the rate of return that investors will get. According to Jensen & Meckling's (1976) firm theory, the primary objective of a business is "to maximize profits or company value.” Improving the firm's value is critical for a business since it also implies maximizing the prosperity of shareholders, which is the primary objective of the trade; firm value is an indicator for investors to evaluate the market of a company as a whole (Zuhroh, 2019). Bellow the framework of this study.



Source: Adjusted by Researcher, 2022

Figure 2. Theoretical Framework

Methods

This research used the quantitative method and secondary data. The population for this analysis was manufacturing businesses listed on the IDX between 2015 and 2020. The industry group was chosen because manufacturing companies are among the most significant industrial groups. This study's population consists of 180 companies. The sampling criteria are as follows: 1) Manufacturing companies were not delisted during the observation period of 2015-2020. 2) Manufacturing companies published their complete audited financial report from 2015-to 2020. 3) The manufacturing company was partially owned by management and institutions from 2015-to 2020. 4) During 2015-2020, the manufacturing company has an audit committee, a board of directors, and an independent board of commissioners. According to the criteria mentioned above, the identified manufacturing companies for this research are 19 companies. There are 114 data observations selected. Data from time series, cross-sectional studies, and panels are extensively employed in research (Gujarati, 2012). As a rule of thumb, a time series is a set of data that spans a period longer than one year. Unlike time series data, however, cross-section data comprises a high number of observation objects simultaneously (Neuman, 2014).

Model I

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

Model II

$$Z = \alpha + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8 + \beta_9 X_9 + \beta_{10} X_{10} + \beta_{11} X_{11} + e$$

Hypothesis 1 : There is an influence of institutional ownership on profitability
Hypothesis 2 : There is an influence of audit committee on profitability.
Hypothesis 3 : There is an influence of managerial ownership on profitability.
Hypothesis 4 : There is an influence of independent board of commissioners on profitability.
Hypothesis 5 : There is an influence of board of directors on profitability.
Hypothesis 6 : There is an influence of profitability on company value.
Hypothesis 7 : There is an influence of institutional ownership on company value.
Hypothesis 8 : There is an inluence of audit committee on company value.
Hypothesis 9 : There is an influence of managerial ownership on company value.
Hypothesis 10 : There is an influence of independent board of commissioners on company value.
Hypothesis 11 : There is an influence of board of director on company value.
Hypothesis 12 : There is an influence of the entire independent variables on forecasting the company value simultaneously.
Hypothesis 13 : There is an influence of profitability to mediate GCG on company value.

Result and Discusssion
Normality Test

Table 1. Normality Test Result (ROE)

Series: Standardized Residuals	
Sample 2015 2020	
Observations 114	
Mean	2.82e-17
Median	0.001040
Maximum	0.255838
Minimum	-0.234811
Std. Dev.	0.084516
Skewness	-0.041999
Kurtosis	3.308449
Jarque-Bera	0.485433
Probability	0.784494

Source: Proceed data by EViews 11

Table 2. Normality Test Result (Tobin's Q)

Series: Standardized Residuals	
Sample 2015 2020	
Observations 114	
Mean	1.15e-16
Median	0.140134
Maximum	2.912891
Minimum	-2.787175
Std. Dev.	1.234246
Skewness	-0.141286
Kurtosis	2.632097
Jarque-Bera	1.022196
Probability	0.599837

Source: Proceed data by EViews 11

In terms of statistical analysis, the normality test result, as shown in Table 1 and 2 above, the probability result of 0.784494 and 0.599837, which is more than the significance level utilized in this study, α = 5% or 0.05, meaning that the distribution is normal and have passed the normality requirement.

Multicollinearity Test

Table 3. Multicollinearity Test with Correlation (ROE)

	IO	AC	MO	IBoC	BoD
IO	1.000000	0.018248	-0.510115	0.325171	0.147917
AC	0.018248	1.000000	-0.060456	-0.054277	-0.150058
MO	-0.510115	-0.060456	1.000000	-0.225574	-0.158014
IBoC	0.325171	-0.054277	-0.225574	1.000000	0.117284
BoD	0.147917	-0.150058	-0.158014	0.117284	1.000000

Source: EViews 11

Table 4. Multicollinearity Test with Correlation (Tobin's Q)

	IO	AC	MO	IBoC	BoD	ROE
IO	1.000000	0.018248	-0.510115	0.325171	0.147917	-0.083255
AC	0.018248	1.000000	-0.060456	-0.054277	-0.150058	0.160946
MO	-0.510115	-0.060456	1.000000	-0.225574	-0.158014	-0.065251
IBoC	0.325171	-0.054277	-0.225574	1.000000	0.117284	-0.123144
BoD	0.147917	-0.150058	-0.158014	0.117284	1.000000	0.149900
ROE	-0.083255	0.160946	-0.065251	-0.123144	0.149900	1.0000

Source: EViews 11

Each independent variable has a coefficient value < 0.8, as indicated by the multicollinearity test results in table 3 and table 4 above. It may be found that the results do not exhibit multicollinearity.

Heteroscedasticity Test

Table 5. Heteroscedasticity Test with White

F-statistic	1.524991	Prob. F(20,93)	0.0913
Obs*R-squared	28.15372	Prob. Chi-Square(20)	0.1058
Scaled explained SS	33.38033	Prob. Chi-Square(20)	0.0306

Source: Proceed data by EViews 11

Table 6. Heteroscedasticity Test with White

F-statistic	1.317575	Prob. F(27,86)	0.1699
Obs*R-squared	33.35810	Prob. Chi-Square(27)	0.1855
Scaled explained SS	23.98790	Prob. Chi-Square(27)	0.6310

Source: Proceed data by EViews 11

According to tables 5 and 6, the values of Prob. Chi-Square for Obs*R-squared are 0.1058 and 0.1855, correspondingly. It stated that the result is greater than 0.05, implying that the homoscedasticity condition is satisfied. In other words, this research is not heteroscedastic.

Panel Data Selection Model

Table 7. Hausman Test Result (ROE)

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	12.806946	5	0.0253

Source: Proceed data by EViews 11

Table 8. Lagrange Multiplier Test (Tobin's Q)

	Cross-section	Test Hypothesis Time	Both
Breusch-Pagan	19.86660 (0.0000)	2.069881 (0.1502)	21.93648 (0.0000)
Honda	4.457196 (0.0000)	-1.438708 (0.9249)	2.134393 (0.0164)
King-Wu	4.457196 (0.0000)	-1.438708 (0.9249)	0.805423 (0.2103)
Standardized Honda	5.875634 (0.0000)	-1.266733 (0.8974)	-0.937511 (0.8258)
Standardized King-Wu	5.875634 (0.0000)	-1.266733 (0.8974)	-1.990686 (0.9767)
Gourieroux, et al.	--	--	19.86660 (0.0000)

Source: Proceed data by EViews 11

According to Table 7, the Hausman test result is 0.0253. This means the likelihood is less than 5% or 0.05. This means that the fixed effect model is the best model for analyzing the data model 1 (ROE). While, according to lagrange multiplier test in Table 8 above, the value of both Breussch-Pagan is at 0.0000, which is less than the significant value, is 5% or 0.05. So the lagrange multiplier test shows that rejecting Ho and accepting Ha means the best estimation method is a random effect on model 2 (tobin's q).

Table 9. Multiple Regression Analysis (ROE)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.030588	0.022115	1.383137	0.1695
IO	0.007918	0.022128	0.357804	0.7212
AC	0.001212	0.003761	0.322198	0.7479
MO	-0.011134	0.020253	-0.549764	0.5836
IBoC	-0.104142	0.027645	-3.767137	0.0003
BoD	0.007899	0.002415	3.270907	0.0014

Source: EViews 11

Multiple regression is used to explain the estimated coefficients in the fixed effect model, as shown in Table 9 above. Each independent variable's regression analysis is used as the regression coefficient in this model. This can be used to demonstrate the cumulative influence of independent variables on the dependent variables, which will be represented as follows

ROE = 0.030588 + 0.007918*IO + 0.001212*AC - 0.011134*MO -0.104142*IBoC + 0.007899*BoD

Table 10. Multiple Regression Analysis (Tobin's Q)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	5.179216	0.743251	6.968330	0.0000
IO	-1.447165	0.723906	-1.999106	0.0486
AC	-0.003364	0.056057	-0.060004	0.9523
MO	1.168269	0.444685	2.627181	0.0101
IBoC	-0.064763	0.639282	-0.1013007	0.9195
BoD	0.331550	0.092288	3.592549	0.0005
ROE	3.783397	1.355457	2.791233	0.0064

Source: EViews 11

Table 10 shown random effect model of multiple regression analysis. Thiscan be used to demonstrate the cumulative influence of independent variables on the dependent variables, which will be represented as follows:

TOBINS'Q = 5.179216 – 1.447165*IO - 0.003364*AC + 1.168269*MO -0.064763*IBoC + 0.331550*BoD + 3.783397*ROE

Mediation Variable Test (Sobel test)

The Sobel test provides further proof of the mediating variable's causal linkage between the independent and dependent variables. If the z count > 1.96, it proves that the relationship is significant and can mediate. Meanwhile, if the calculated z value < 1.96, then the relationship is not effective and cannot intervene. The formula for the Sobel test is as follows:

Table 11. Mediation Test

Variable	ROE	Company Value
IO	Not Significant	Significant
AC	Not Significant	Not Significant
MO	Not Significant	Significant
IBoC	Significant	Not Significant
BoD	Significant	Significant
ROE	-	Significant

Source: Researcher, 2022

To continue mediation test by Sobel test using the 1986 Baron and Kenny model, there is a mediating effect if the following conditions are met:

1. The independent variable is significantly related to the profitability variable.
2. The independent variable is significantly related to the intervening company value variable.
3. The intervening variable of profitability is significantly related to the dependent variable of company value.

Table 12. Sobel Test

Variable	Coefficient	Std. Error	a x b	Sab	z
BoD	0.007899	0.002415	0.02646	0.01213	2.18
ROE	3.783397	1.355457			

Source: Eviews 11 and Sobel test calculation

The influence of institutional ownership toward profitability

The first hypothesis states that Institutional Ownership affects the profitability of Indonesia's manufacturing companies. There is a significant value of 0.7212 in Table 9, indicating a rejection of this hypothesis. With a coefficient regression of 0.007918, institutional ownership has a positive and negligible impact on forecasting profitability. Referring to Subagyo et al. (2017), a company's institutional ownership will improve management performance, and asset utilization since share ownership represents a power source that supports or opposes management performance. Institutional ownership does not influence profitability because the majority owner of the institution participates in controlling the company, so they tend to act in their own or their institutions' interests without regard for the interests of other shareholders. The findings of this study are consistent yet at the same time contradictory to earlier research on the GCG assessment of institutional ownership and its influence on profitability. According to Septiana et al. (2016) and Jessica & Mindosa (2018) found a positive and insignificant influence of institutional ownership on profitability. Conversely, the research found Ichsani et al. (2021) a significant influence.

The influence of audit committee toward profitability

The second hypothesis states that the audit committee has affected the profitability of Indonesia's manufacturing company. According to Table 9, which shows a significance value of 0.7479, this hypothesis is rejected. With a coefficient regression of 0.001212, the audit committee's effect on forecasting profitability is positive but minor. Profitability can be maximized if a company's performance has to be closely monitored by an audit committee (Anjani & Yadnya, 2017). the audit committee has little influence on profitability, and this research supports this conclusion. ROE is unaffected by the company's audit committees. Because the audit committee serves to assist the Board of commissioners, it cannot directly supervise its management. Meanwhile, Hamim (2019) found a positive and significant relationship with profitability. It means that increasing the number of audit committee non-executive directors and shareholder representatives will significantly increase return on equity. An ineffective audit committee may contribute to management fraud (Hamid, 2009).

The influence of managerial ownership toward profitability

The third hypothesis states that managerial ownership affects the profitability of Indonesia's manufacturing companies. Table 9, which shows a significance value of 0.5836, indicates that this hypothesis is rejected. Managerial ownership has a negative coefficient regression of -0.011134 and insignificant influence in predicting profitability. A manager who serves as the company's owner is expected to solve agency issues since the manager's ownership of the company's stock helps balance any possible conflicts of interest among shareholders outside of management. Share ownership by the manager is considered as aligning the potential disparities in interests amongst shareholders outside of control; hence agency concerns are expected to vanish. Otherwise, the results of this study are supported by the results of research by Ichsani et al. (2021) and Oktaryani et al. (2020). The low managerial ownership causes the management not to feel that they own the company because the manager only gets a small profit. So that management works for its interests.

The influence of independent board of commissioners toward profitability

The fourth hypothesis states that an independent Board of commissioners affects the profitability of Indonesia's manufacturing companies. This hypothesis is supported based on Table 9, which has a significance value of 0.0003. In terms of estimating profitability, the independent commissioners' coefficient regression is -0.104142, which is very negative. There is a negative influence that can be explained, the greater the proportion of the Board of commissioners who come from outside the company with diverse expertise and experience, it is possible to cause a decrease in the ability of the Board of commissioners to carry out supervision due to problems in coordination, communication and decision making. In addition, the role of the independent Board of Commissioners, which should act independently by putting aside personal or management interests and acting only for the benefit of the company, has not been carried out properly. The company only fulfills compliance without optimizing the role of the independent Board of commissioners as supervisor of management performance in managing the company. This research is contrary to Jessica & Mindosa (2018), with the result that an independent board of commissioners has a positive and significant effect on profitability. The higher the proportion of independent commissioners from outside the company, the greater the ability to monitor.

The influence of board of directors toward profitability

The fifth hypothesis states that the Board of directors affects the profitability of Indonesia's manufacturing company. Table 9, which shows a significance value of 0.0014, indicates that this hypothesis is accepted. The Board of directors has a positive coefficient regression of 0.007899 and significantly influences predicting profitability. Public companies must have at least two members on the Board of directors (Rumapea, 2017). A large number of the Board of directors is expected to help organize the company according to the company's operational standards effectively and efficiently (Simon & Kurnia, 2017). The Board of directors manages the company well and does their job and authority by utilizing decisions that can benefit and increase company assets (Hendro & Rahardja, 2014). The research is in line with Septiana et al. (2016), Hamim & Azmy (2019), and Violita & Diana (2020) with the result of the study that the board of directors is positively significant to profitability. With a higher number of qualified and appropriate boards of directors, the company will be able to determine the optimal composition of capital because management expertise is the main factor in determining the company's profitability. The result of the study that is different from Ichsani et al. (2021) states that the Board of directors does not affect profitability. The problems that can arise are poor communication among directors, ineffective coordination, and long actions in overcoming management problems within the company.

The influence of profitability toward company value

The sixth hypothesis states that profitability affects the company value of Indonesia's manufacturing company. Table 10, which shows a significance value of 0.0064, indicates that this hypothesis is accepted. Profitability has positive with the coefficient regression of 3.783397 and a significant influence on predicting the company value. If investors buy many company shares, the share price will be high, so the company value will also be higher. The study found that profitability proxy by ROE is positively significant to company value. This research aligns with Tanasya & Handayani (2020), who showed that ROE is positive for company value. This result aligns with the signal theory, where high profits provide a positive signal for users of financial statements that the company has good performance and can compete with other companies.

The influence of institutional ownership toward company value

The seventh hypothesis states that Institutional Ownership affects the company value of Indonesia's manufacturing company. Table 10, which shows a significance value of 0.0486, indicates that this hypothesis is accepted. Institutional ownership has a negative coefficient regression of -1.447165 and significantly influences predicting the company value. Khaira & Bernawati (2019) stated that when Institutional Ownership is high, the company's value will decrease. This research aligns with Suhartanti & Asyik's (2015) study results that Institutional Ownership has been negatively related to company value. It can be interpreted that if the level of institutional ownership increases, the company's value decreases, and vice versa. This shows that a high proportion of Institutional Ownership in a company creates more pressure and desire from various institutional investors.

The influence of audit committee toward company value

The eighth hypothesis states that the audit committee affects the company value of Indonesia's manufacturing company. Table 10, which shows a significance value of 0.9523, indicates that this hypothesis is rejected. The audit committee has a negative coefficient regression of -0.003364 and insignificant influence on predicting the company value. Companies with a higher audit committee structure have better management performance (Wahyudi et al. 2021). However, the audit committee in a company is limited by its function to help the Board of commissioners, so the audit committee does not have direct authority to supervise its management. The result of this research is in line with research by Gosal et al. (2018), were found a negative and insignificant influence of AC on company value. Conversely, a study of Syafitri et al. (2018) found audit committees' positive and significant influence on company value. The number and quality of directors determine the company's worth. This either demonstrates significant investor trust in the Board or positively impacts the company's capital.

The influence of managerial ownership toward company value

The ninth hypothesis states that managerial ownership affects the company value of Indonesia's manufacturing company. This hypothesis is accepted according to Table 10, which shows a significance value of 0.0101. Managerial ownership has a positive coefficient regression of 1.168269 and a significant influence on predicting the company value. The managerial party that invests in shares is also trying to achieve the company's goals; this is in line with the contracting theory approach, where the optimization of managerial ownership in the company will overcome the agency problem (Zeitun & Tian, 2007). This research aligns with Wahyudi et al. (2021), which shows that MO has positive significance to company value. The higher the managerial ownership, the higher the sense of ownership that can motivate management to work better, thus increasing the company's value.

The influence of independent board of commissioner toward company value

The tenth hypothesis states that the independent Board of commissioners affects the company value of Indonesia's manufacturing company. Table 10, which shows a significance value of 0.9195, indicates that this hypothesis is rejected. Independent commissioners have a negative coefficient regression of -0.064763 and a significant influence on predicting the company value. The results of this study are not in line with agency theory which states that the control function performed by an independent board of commissioners can increase firm value. This study also does not support Khaira & Bernawati's (2019) research, which concluded that the higher the IboC, the higher the firm value. This study is more in line with Tanasya & Handayani (2020) and Budiharjo (2021), which found independent commissioners' negative and insignificant effect on firm value. The number of independent commissioners has not been fully effective in carrying out their duties. The company only complies with the regulations regarding its independent commissioner without considering their abilities, so the monitoring function does not run optimally.

The influence of board of director toward company value

The eleventh hypothesis states that the Board of directors affects the company value of Indonesia's manufacturing company. Table 10, which shows a significance value of 0.0005, indicates that the hypothesis is accepted. The Board of directors has positive coefficient regression of 0.331550 and a significant influence on predicting the company value. A large number of the Board of directors is expected to help organize the company according to the company's operational standards effectively and efficiently (Simon & Kurnia, 2017). The number and quality of directors determine the company's worth. This either demonstrates significant investor trust in the Board or positively impacts the company's capital. This research aligns with Syafitri et al. (2018), where BoD significantly influences company value with a positive regression coefficient.

The influence of institutional ownership, audit committee, managerial ownership, independent board of commissioner, board of director on predicting the company value simultaneously

The twelve hypotheses stated for this research that there is a significant influence of the entire independent variables on predicting the company value of Indonesia's Manufacturing companies. This result indicates that all independent variables determine the dependent variable simultaneously, indicating that the hypothesis is accepted, which revealed the result of the F-test, which revealed the f-statistic value of 0.000000. The value of the adjusted R-squared shows that IO, AC, MO, IBC, BoD, and ROE can influence company value by 75.1701%. Other variables not examined in this study influenced the remaining 24.8299%.

The influence of profitability as mediating variables

Profitability can mediate the relationship of the Board of directors to company value. In Table 11, the direct influence of the good corporate governance variable on company value, which is proxied by institutional ownership, and managerial ownership, significantly affects company value. However, the indirect effect does not significantly affect when mediated by profitability. Meanwhile, the direct and indirect effects on the Board of directors showed a significant result. Table 12 revealed the result Z value of 2.18. This result indicates that indirectly Board of directors, through the profitability, has a positive effect on company value. The Board of directors runs the firm well carry out its responsibilities as authorities by making choices that benefit the company and expand its assets (Hendro & Rahardja, 2014). Both direct and indirect influence, the Board of directors, has a significant influence, meaning that the number of the Board of directors has complied with the regulations and carried out their duties to affect the company's value.

Conclusion and Recommendation

Conclusion

Institutional ownership has an insignificant positive influence on profitability. Due to a conflict of interest that causes agency costs, increasing institutional ownership is an alternative to providing supervision over management performance. The audit committee has an insignificant positive influence on profitability. The audit committee in a company is limited by its function as a tool for the Board of commissioners, so the audit committee does not have direct authority to supervise its management. Managerial ownership has an insignificant negative influence on profitability. The low managerial ownership makes the management not feel like they fully own the company because the manager thinks they only make a small amount of money from the company. So that management works for its good. The Independent Board of commissioner has a negative and significant influence on profitability. In companies, this position tends to be only a formality in complying with regulations, so the lack of supervision negatively affects performance. The Board of Directors has a positive and significant influence on profitability. The more qualified and appropriate the Board of directors, the better the company's ability to establish the optimal capital composition because management expertise is the most important component in determining the company's profitability.

Profitability proxied by ROE has a positive and significant influence on company value. This shows that profitability can increase firm value. The higher the level of profitability, the higher the company's value so that it will attract investors to own company shares. Institutional ownership has a negative and significant influence on company value. Institutional ownership is profit-focused. When profits are not profitable, they will withdraw their shares, which causes the stock market to react negatively. This means that the higher the level of institutional ownership, the lower the firm value. The audit committee has a negative and insignificant influence on company value. The number of members of the audit committee must be adjusted to the company's complexity by looking at the element of effectiveness in carrying out its function to make decisions so that it can contribute to company value. Managerial ownership has a positive and significant influence on company value. The higher the share ownership by management, the management has a sense of belonging to the company, so that management is motivated to work better, to make the company's value higher. Independent Board of commissioner has a negative and insignificant influence on company value. The number of independent commissioners has not been fully effective. When the Board of directors has a considerable beneficial impact on the company's value, the quality and size of a company's Board of directors are critical for successful communication between board members and minimizing opportunity management behavior; the larger the Board of directors, the more effective communication between management.

According to F-test, there is an effect institutional ownership, audit committee, managerial ownership, independent Board of Commissioners, Board of directors, and profitability have a significant influence on company value prediction by 75.1701%. Other variables not examined in this study influenced the remaining 24.8299%. According to the Sobel test, profitability can mediate the influence of corporate governance proxied on company value. This indicates that even if a company's ROE is high, the influence of GCG on its value will be unaffected if corporate governance is implemented ineffectively and inefficiently.

Recommendation

The researcher would like to provide the following recommendations based on a thorough analysis of the research:

1. Indonesia’s Manufacturing Industry. In this research, variables that influence company value in manufacturing companies with significant results are profitability, managerial ownership, and Board of directors. It is recommended that the Board of directors, who are authorized and fully responsible for leading the company's management following the aims and objectives of the company, can monitor and consider various actions or policies that may impact the company. To continue to actively supervise and monitor the company's finances to increase profits to be greater. All company management is expected to implement good corporate governance policies that comply with regulations and are implemented because most of the GCG variables used in this study do not affect the profitability or firm value. Also, the company's management is expected to continue to prioritize the welfare of investors, which can be realized by increasing the company's value because raising the company's value can increase the confidence of shareholders in the company.
2. Investors. In carrying out investment activities on shares traded on the stock exchange, investors should be more observant and careful in analyzing the company's financial condition not only from the company's financial statements to avoid financial statement manipulation but also from how much GCG implementation is.
3. Future Researchers. This study has various limitations, including financial, input, and output variables. As a result, the following research is expected in the future:
   1) From the results of this study, it is known that profitability has not been able to contribute significantly and mediate the influence of GCG on firm value so that profitability can be replaced with

other variables, such as earnings quality. The independent variable can add additional variables such as CSR, DER, and other predicted variables to affect the company's value.

2) In addition, as the next researcher, it is recommended to add the year of the research period so that the analysis results can be clearer and more complete. For example, the data for the last ten years, to see the differences each year in more detail.

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