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The Effect of Corporate Governance on Firm Value in Non-Financial Companies Listed on the Indonesia Stock Exchange for the 2017-2019 Period

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Abstract

This study aims to analyze the effect of the implementation of corporate governance on the firm value of non-financial companies listed on the Indonesia Stock Exchange (IDX) during 2017-2019. The research data was obtained from the company's annual reports through the Indonesia Stock Exchange website, and the Diponegoro University Bloomberg Laboratory for the period 2017 to 2019. The final sample used in the study came from 85 companies with 126 data observations. The research sample was analyzed using multiple linear regression with SPSS version 25 and the method used was Ordinary Least Square(OLS). The results show that board size, board meetings, institutional ownership have a positive effect on firm value, audit committee meetings and managerial ownership have a negative effect on firm value, while public ownership and ownership concentration have no effect to value of a company.

Keywords
Corporate governance; Ownership structure; Agency theory; Tobin's Q; Non-financial firm

I. Introduction

Corporate governance and issue of ownership structure that has an influence on firm value has attracted the attention of business researchers in recent years. Public companies are divided into company owners and company managers. The existence of a separation between the owner of the company and the manager of the company can cause agency problems that can affect the value of a company because the company manager feels more aware of the company's condition than the company owner (investor). The implementation of corporate governance in a company is expected to reduce the agency problem so as to create an increase in the value of a company. System implementation on good corporate governance is expected to increase the level of trust, generate transparency, and can reduce agency problems between shareholders and managerial parties in order to increase firm value.

Corporate governance is a system in which the company is directed and controlled (Cadbury Committee, 1992). Corporate governance is related to three aspects of the decision-making process. First, who is given the authority to make a decision. Second, whose interests are prioritized when making certain decisions. Third, whether (and how) the contextual factors such as social, political, economic and legal institutions influence the process and outcome of a decision (Mishra and Kapil, 2018). The Indonesian Institute for Corporate Governance (IICG) revealed that corporate governance is a series to direct and control the company so that it can run according to the wishes of stakeholders. The implementation of good corporate governance can bring a fairer and more transparent business climate and all activities can be properly accounted for. The separation between ownership and control in the decision control system in an organization/company is in the hands of the board (Rusdiyanto et al., 2019). Board is an aspect of the implementation of corporate governance that acts as a bridge between the shareholders (owner) and management (Fama & Jensen, 1983).

Research on the influence of corporate governance components on firm value has been carried out previously (Buachoom, 2018; Ciftci et al., 2019; Saidat, Silva and Seaman, 2019; Al Farooque, Buachoom, and Sun, 2020; Puni and Anlesinya, 2020; Din et al., 2021; Queiri et al., 2021). But they had not thoroughly explained the types of ownership structure and corporate governance components that affect firm value with Tobin's Q value as a proxy. There were also inconsistent research results. Therefore, we were doing this research.

In 2017 the average value of Tobin's Q in non-financial companies listed on the Indonesia Stock Exchange was 2.07, then decreased in 2018 to 1.75. In 2019 the average value of Tobin's Q has decreased again to 1.66, the average value of Tobin's Q should have increased every year. This causes a gap phenomenon that occurs due to a decrease in the average value of Tobin's Q and the average value related to corporate governance components including the ownership structure, and several variables that are fluctuating control variables. Therefore, a study is needed to provide the latest findings related to the implementation of corporate governance that affects the value of companies in Indonesia, especially in the non-financial sector on the Indonesia Stock Exchange (IDX) because this sector ranks the largest at around 62.9% in the ICI (Indonesia Composite Index). Due to the phenomena gap and inconsistent research results, a study was conducted to understand the impact of the implementation of corporate governance on firm value in non-financial companies listed on the Indonesia Stock Exchange (IDX) during 2017-2019.

II. Literature Review

2.1 Agency Theory and Corporate Governance

The agency theory proposed by Jensen and Meckling (1976) explains about the separation between the management of the organization/company (agent) and company owners/shareholders (principal) which can lead to agency conflicts (the existence of conflicting interests) on the parties involved, including one of them is excessive resource exploitation by company managers and there is an inaccuracy in making an investment decision. The existence of asymmetric information and separation of ownership causes a mismatch of interests between owners and managers (Löhde et al., 2020). This asymmetric information is based on the knowledge of the manager who is more dominant than the owner/shareholder. So that the agent or manager tends to hide or cover up some unknown information that is not even conveyed to the principal or shareholders.

Two aspects that are the main points in agency conflict according to Eisenberg, Sundgren and Wells (1998) namely Moral Hazard which refers to a lack of effort on the part of management. This means that management may not carry out the efforts previously agreed with the owner of the company. And Adverse Selection, which refers to the wrong representation of abilities by agents/management. This agency problem can be handled by various mechanisms, one of which is an effective board in a company through the implementation of a corporate governance system. Rather than that, the board's role as a mediator between the owner and manager of the company is expected to minimize agency conflicts (Fama & Jensen, 1983).

2.2 Signaling Theory and Firm Value

Signaling theory is based on the existence of asymmetric information, where there is and imbalance of information between the signaling party and the signal receiver. Companies with high firm value will use financial information to provide positive signals to the market (Spence, 1973). Through financial reports issued by public companies, this can make companies issue information which is also a signal to shareholders. Based on signal theory, it can be said that companies with good quality intentionally give signals to the market, so that the market is expected to be able to distinguish between good and bad quality companies. An effective signal is a signal that the market can capture and perceive well. Good company quality is shown through the implementation of good corporate governance.

2.3 Corporate Governance

In order to resolve agency conflicts that occur, effective and efficient control is needed, which is then known as corporate governance. The implementation of corporate governance in the company will form a clear performance measure in the mechanism for assessing accountability and transparency in achieving company goals, so that it will improvethe company's welfare and the formation of an increase in firm value (Rusdiyanto et al., 2019). The implementation of corporate governance is divided into principles, structures, and mechanisms.

2.4 Ownership Structure

The structure of a company's share ownership in the implementation of corporate governance in the company is an important component (Rashid, 2020). The existence of a share ownership structure by stakeholders is believed to be able to reduce agency problems, as stated by Jensen and Meckling (1976). The existence of agency conflicts that arise between shareholders/owners and company management, investors/owners try to maintain the ownership structure into one form. The ownership structure consists of managerial ownership, institutional ownership, public ownership, and concentration of ownership that allows investors to monitor the actions of managers who can take actions to benefit themselves.

2.5 The Firm Value

Firm value is an illustration of the value of the stock price as a result of the company's success in running a business (Dzahabiyya et al., 2020). The implementation of corporate governance in the company is expected to increase and maximize the value of the company. The basic principles that exist during the implementation of corporate governance in companies are expected to increase the confidence of creditors and investors, both domestic and foreign.

2.6 Hypothesis Preparation

a. The Effect of Board Size on Firm Value

Shareholders will delegate responsibility for supervising, compensating, authority to change managers and approving key strategic projects in the company to the board of directors (Alareeni, 2018). Board size or the number of directors is also considered an internal procedure in reducing agency conflicts (Jensen & Meckling, 1976), so that the board size is an important component in the implementation of corporate governance in the company can increase the value of the company. The large number of directors in the company gives a positive signal to the market that if there are problems in the company it will be easier to solve and resolve. Thus, the following hypothesis can be formulated: H1: Board Size positively affects the Firm Value.

b. The Effect of Board Meetings on Firm value

The effectiveness of the responsibilities and functions of the board of directors can be determined by the frequency of board of directors meetings (Lipton & Lorsch, 1992). Decisions that come out of the board of directors meeting can reduce conflicts of interest thereby reducing agency conflicts (Jensen & Meckling, 1976). The high frequency of board meetings also allows the board of directors to evaluate and improve corporate strategy and executive management performance (Vafeas, 1999). The higher the frequency of board of directors' meetings, the company's plans and strategies will be more carefully prepared so that an increase in firm value can be created. The high frequency of meetings by the board of directors will produce a positive signal for investors, this means that there is a discussion about the company's planning and strategy that is mature by utilizing resources so that an increase in firm value will be created. Thus, the following hypothesis can be formulated: H2: Board Meetings positively affect the Firm Value.

c. Effect of Audit Committee Meetings on Firm Value

In Indonesia, the authority and duties of the audit committee are regulated in the Financial Services Authority Regulation Number 15/POJK.04/2015, which states that the audit committee is responsible to the board of commissioners. The more frequency of audit committee meetings will result in a better supervisory mechanism so as to motivate executives to work optimally, thus leading to an increase in firm value (Al Farooque et al., 2020). Investors will see the high frequency of audit committee meetings as a sign of good supervision by the board of commissioners and their supporting committees in improving the integrity of the company's financial statements and reducing risk and improving reporting quality (Contessotto & Moroney, 2014), so the higher the frequency of meetings by the audit committee in the company will show a positive signal to the market. Thus, the following hypothesis can be formulated: H3 : Audit Committee Meetings affect the Firm Value.

d. The Effect of Managerial Ownership on Firm Value

Share ownership by the board of directors (representatives of the board) and the company's executive manager/CEO can trigger the company's management to make maximum use of resources with the aim of increasing the firm value. The form of an internal corporate governance mechanism through supervision by the board (board of directors) which is the mediator between the owners (shareholders) and company managers in overcoming asymmetric information (Jensen & Meckling, 1976; Rusdiyanto et al., 2019). The executive can make decisions fairly so as to minimize agency problems. Thus, the following hypothesis can be formulated: H4: Managerial Ownership affects the Firm Value.

e. The Effect of Institutional Ownership on Firm Value

Institutions that also own shares can function as an external supervisor in the implementation of corporate governance mechanisms. Institutional shareholders can be a mitigator of agency problems caused by differences in objectives and asymmetric information between shareholders and company management (Chen, 2001). The higher the institutional ownership in the company, there will be supervision of the performance of managers from external parties of the company, thus encouraging the management to utilize resources optimally which in turn will have an effect on increasing the firm value. Thus, the following hypothesis can be formulated: H5: Institutional Ownership affects the Firm Value.

f. Effect of Public Ownership on Firm value

Share ownership by the public is a manifestation of the implementation of external corporate governance mechanisms. One of the principles in implementing corporate governance in the company is transparency, namely the delivery of the latest developments and conditions of the company to the public (Rusdiyanto et al., 2019). The higher the percentage of share ownership by the public in a company, it will give a positive signal to the public the public that the company. The company cares and believes in the community by providing the opportunity to become the owner of the company. Thus, the following hypothesis can be formulated: H6: Public Ownership affects the Firm Value.

g. The Effect of Ownership Concentration on Firm Value

According to agency theory by Jensen and Meckling (1976), shareholders with a concentrated percentage can monitor the company's operations management effectively, reduce agency costs, and minimize misinformation (Shao, 2019). The higher the share ownership concentration, the higher the positive signal to the public. This means that the company's external supervision of the manager's performance is carried out properly and strictly so as to produce optimal firm value. Thus, the following hypothesis can be formulated: H7: Ownership Concentration affects the Firm Value.

III. Research Methods

The sample used in this study focuses on non-financial companies listed on the Indonesia Stock Exchange (IDX) as in previous research conducted by Queiri et al. (2021). The method used for sampling is purposive sampling. After going through the selection process, 85 companies have obtained the appropriate data used in the study. The data used in this study is secondary data obtained from the company's annual report through the Indonesia Stock Exchange website (www.idx.co.id), and also data retrieval through the Bloomberg Laboratory of Diponegoro University with the year period used from 2017 to 2019. Overall this study used 255 observational data, after going through the outlier process, 126 observation data were obtained.

Variable Measurement

Table 1. Variable Measurement

Label	Variables	Measurement
Dependent variable		
TBQ	Tobin's Q (Firm value)	Total of market value of all outstanding shares and firm's debts, divided by book value of total assets.
Independent variables		
BSZ	Board size	Number of Directors in the company
NBM	Board Meetings	Number of meetings or meetings of members of the Board of Directors for a period of one year
ACM	Audit Committee Meetings	Number of meetings held by the Audit Committee for a period of one year
MAN	Managerial ownership	Percentage of share ownership owned by one or more members of the Board of Directors and manager/CEO in the company
INS	Institutional ownership	Percentage of share ownership by institutions, both government and private (other than individuals) at domestic and abroad
PUB	Public ownership	Percentage of public share ownership (not an institution andcontroller)

KOK	Ownership concentration	Percentage of share ownership above 5% by individuals/institutions (outsiders of the company) of the total number of shares offered by the company
Control variables		
LEV	Leverage	Percentage of total debt to company assets
FSZ	Firm size	Natural logarithm of the company's total assets
SGW	Sales growth	The company's sales growth as measured by total sales for the current year reduced by total sales in the previous year and divided by total sales for the current year.
FCF	Free cash flow	The amount of cash held by the company after the issuance of a certain amount of cash to support operations and is used to maintain assets and capital.
SECTOR	Dummy variable	Dummy value: 0 for manufacturing and 1 for service

Data Analysis

Data were analyzed using multiple linear regression with SPSS version 25, and the method used was Ordinary Least Square (OLS). Prior to multiple linear regression analysis, the data first went through the outlier selection process and was confirmed to pass the classical assumption test (normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test), as well as preliminary testing on the control variables used in the study to ensure control variables used has a significant effect on the dependent variable.

IV. Results and Discussion

4.1 Results

a. Descriptive Statistics

Table 2. Descriptive Statistics for All Variables

Variable	Minimum	Maximum	Mean	Std. Deviation
Tobin's Q	0.76	2.35	1.3333	0.36387
Board Size	3.00	15.00	5.8175	1.92832
Board Meetings	4.00	72.00	23.4762	15.71431
Audit Committee Meetings	3.00	52.00	10.9683	10.96171
Managerial ownership	0.00	60.80	4.3286	10.10455
Institutional Ownership	30.60	99.99	84.7333	17.20329
Public Ownership	2.24	98.87	28.8878	17.35395
Ownership Concentration	28.30	97.76	71.5198	16.54065
Leverage	0.18	69.00	28.8046	15.38653
Firm Size	11.98	14.00	12.9132	0.56152
Sales Growth	-19.74	155.76	12.2375	21.11209

Free Cash Flow (Rp Billion)	-3,374	19,741	843	3.132
Sector	0.00	1.00	0.3651	0.48337

Table 3. Number of Observations Made

Industrial Sector	**Number**
Service	108
Manufacture	147
Total	255

Table 3 describes descriptive statistics for all variables used in the study after going through the outlier process. Tobin's Q scores ranged from 0.76 to 2.35, with an average of 1.33. The number of company directors used in this study has an average value of 5.82. The average meeting held by the board of directors is 23.48 times a year, and the audit committee meetings are held an average of 10.97 times a year. The largest ownership structure is in the ownership of shares by the institution, which is 84.73% with a minimum value of 30.60% anda maximum value of 99.99%. Meanwhile, the smallest percentage of share ownership structure is managerial ownership. The average percentage of managerial ownership in the sample companies in this study is very small, namely 4.33%, with a maximum value of 60.80%. The control variable that has the largest average value is free cash flow, which is 843 billion rupiah. Then followed by the leverage value of 28.80% with a minimum value of 0.18% and a maximum value of 69%.

Table 4 shows the number of observations in this study. In total there are 255 observations. Companies in the service sector have 108 observations from 36 companies, while companies in the manufacturing sector have 147 observations from 49 companies.

b. The Results of Data Processing

Table 4. The Results of t-test on Control Variables

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-0.208	0.561		-0.371	0.711
	Leverage	-0.006	0.001	-0.377	-4.765	0.000
	Firm Size	0.088	0.037	0.190	2.410	0.017
	Sales Growth	0.003	0.001	0.246	3.170	0.002
	Free Cash Flow	-0.017	0.007	-0.177	-2.264	0.025
	Sektor	-0.048	0.042	-0.090	-1.159	0.249

Dependent Variable: Tobin's Q
Significant level at 5%

Table 5. The Results of t-test on Model 1 (Without Using Control Variables)

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-0.605	0.247		-2.451	0.016
	Board Size	0.047	0.011	0.350	4.382	0.000
	Board Meetings	0.002	0.001	0.115	1.321	0.189

Model		B	Std. Error	Beta	t	Sig.
		Unstandardized Coefficients		Standardized Coefficients		
	Audit Committee Meetings	-0.007	0.002	-0.288	-3.438	0.001
	Managerial Ownership	-0.004	0.002	-0.163	-1.833	0.069
	Institutional Ownership	0.006	0.001	0.377	4.109	0.000
	Public Ownership	-0.001	0.002	-0.084	-0.607	0.545
	Ownership Concentration	0.003	0.002	0.163	1.134	0.259
	Adjusted R^2	0.325 (32.5%)				

Dependent Variable: Tobin's Q
Significant level at 5%

Table 6. The Results of t-test on Model 2 (Using Control Variables)

Model		B	Std. Error	Beta	t	Sig.
		Unstandardized Coefficients		Standardized Coefficients		
2	(Constant)	-1.002	0.549		-1.827	0.070
	Board Size	0.035	0.009	0.258	3.944	0.000
	Board Meetings	0.003	0.001	0.169	2.312	0.023
	Audit Committee Meetings	-0.010	0.002	-0.419	-5.652	0.000
	Managerial Ownership	-0.005	0.002	-0.200	-2.755	0.007
	Institutional Ownership	0.004	0.001	0.260	3.197	0.002
	Public Ownership	-0.002	0.002	-0.126	-1.127	0.262
	Ownership Concentration	0.002	0.002	0.115	0.938	0.350
	Leverage	-0.006	0.001	-0.371	-5.667	0.000
	Firm Size	0.104	0.038	0.224	2.723	0.007
	Sales Growth	0.002	0.001	0.192	3.007	0.003
	Free Cash Flow	-0.016	0.006	-0.166	-2.699	0.008
	Adjusted R^2	0.566 (56.6%)				

Dependent Variable: Tobin's Q
Significant level at 5%

Table 7. Summary of Research Results

Variable	**Hypothesis**	**Without Using Control Variables**	**Using Control Variables**	**Conclusion**
Board Size	Positive and significant	Positive and significant	Positive and significant	Accepted
Board Meetings	Positive and significant	Positive and insignificant	Positive and significant	Accepted

Variable	Hypothesis	Without Using Control Variables	Using Control Variables	Conclusion
Audit Committee Meetings	Positive and significant	Negative and significant	Negative and significant	Not supported
Managerial Ownership	Positive and significant	Negative and insignificant	Negative and significant	Not supported
Institutional Ownership	Positive and significant	Positive and significant	Positive and significant	Accepted
Public Ownership	Positive and significant	Negative and insignificant	Negative and insignificant	Not supported
Ownership Concentration	Positive and significant	Positive and insignificant	Positive and insignificant	Not supported

Based on table 5 which explains the results obtained from regressing model 1 (not using control variables). Several variables appear to have a significant effect and there are also variables that are not significant to Tobin's Q value. Board size and institutional ownership have a positive and significant effect on Tobin's Q value. Furthermore, audit committee meetings have a negative and significant effect on Tobin's Q value. As well as several variables found do not have significant effect on Tobin's Q value, namely board meetings which have a positive but not significant effect, managerial ownership which has a negative and insignificant effect, public ownership which has a negative but not significant effect, and ownership concentration which has a positive but not significant effect.

After multiple linear regression was performed on model 1, then multiple linear regression was carried out on model 2, namely all independent variables used in the study were regressed with control variables that had a significant effect on the Tobin's Q value. According to table 6, it can be seen that some of the variables resulting from the regression in model 1, which had insignificant results, became significant when they were regressed together with the control variables (model 2). Based on the results obtained, namely board size, board meetings, and institutional ownership have a positive and significant effect on the value of Tobin's Q. Then, several variables have a negative and significant effect on the value of Tobin's Q, namely audit committee meetings and managerial ownership. However, there are several variables that have no effect on the value of Tobin's Q, those variables are public ownership and ownership concentration. Public ownership has a negative but not significant effect on the value of Tobin's Q, and the ownership concentration has a positive but not significant effect on the value of Tobin's Q.

Table 7 is a summary of the proposed hypothesis and the research results obtained. Several hypothetical variables were accepted because the hypotheses proposed and the research results were in line, such as board size, board meetings, and institutional ownership. Meanwhile, for variables that are not in line or the research results are different from the hypothesis proposed before the study was done, means that the hypothesis is not supported by the research results, the variables included are audit committee meetings, managerial ownership, public ownership, and ownership concentration.

4.2 Discussion

a. Effect of Board Size on Firm Value

Board size has a positive effect on firm value, this means that a high frequency of board meetings in the company will be followed by an increase in firm value. The Board of Directors, which is the structure and mechanism of corporate governance, has responsibility to the shareholders in supervising, compensating, and have the authority to replace and supervise the performance of managers and approve major strategic projects in the company. The high number of directors also shows that the company really pays attention to solving problems that arise. This can be seen by the high number of directors, thus creating an increase in firm value. The results of this study are in line with research conducted by Ciftci et al. (2019); Al Farooque, Buachoom and Sun (2020); Puni and Anlesinya (2020) which explained that increasing board size would increase firm value.

b. Effect of Board Meetings on Firm Value

Board meetings conducted by the board of directors has a positive effect on the value of the company, this means that the higher the frequency of meetings held by the board of directors, the higher the value of the company. The meeting held by the board of directors will discuss decision making related to the strategic plan carried out by the company's management to advance the company and discuss the company's interests in order to balance the interests between the owner and management so that the board of directors meeting becomes an alternative in reducing agency conflict, thus creating increase in firm value. This result is consistent with previous research conducted by Buachoom (2018); Mishra and Kapil (2018); Al Farooque, Buachoom and Sun (2020); Puni and Anlesinya (2020) where they suggested that a high frequency of board meetings resulted in an increase in firm value.

c. Effect of Audit Committee Meetings on Firm Value

Audit committee meetings or meetings conducted by the audit committee have a negative effect on firm value, this means that the higher the frequency of meetings held by the audit committee, the lower the firm value and vice versa. The audit committee is a committee formed by and responsible to the board of commissioners who holds regular meetings with internal auditors to assess financial statements and implement policies to assess management performance. The high frequency of audit committee meetings indicates that the audit committee must work hard in ensuring the conformity of financial reports with applicable accounting standards and there are indications that the company's internal controls are not running optimally. The high frequency of audit committee meetings also indicates that there is a potential lack of independence of the company's management in preparing financial reports due to their lack of expertise in understanding financial management and company accounting, as well as the lack of expertise of the directors in choosing the executive management or CEO of the company, so that some of these things can reduce the value of the company. This is aligned with the research result by Puni and Anlesinya (2020) that a high frequency of audit committee meetings reduced firm value.

d. The Effect of Managerial Ownership on Firm Value

Managerial Ownership has a negative effect on the value of the company, this means that the higher the percentage of share ownership by the directors and executive managers (CEO) of the company will decrease the value of the company and vice versa. Managerial Ownership is the percentage of share ownership by the board of directors and also the executive management of the company. High managerial ownership in a company can trigger the management to maximize their own profits regardless of company profits, so this action can have an impact on decreasing the value of the company. A high percentage of share ownership by the company's management can give an indication that the management can take actions to benefit themselves by obtaining personal gain and sacrificing the interests of other shareholders. In particular, company managers and directors who have share ownership in the companies where they work will have the right to greater control and therefore have theability to influence the company in conducting self-serving transactions, so that management can expropriate wealth from other shareholders' shares. The result is supported with previous research conducted by Jusoh et al. (2013); Shao (2019); Fabis et al.

(2021) which stated that a high percentage of share ownership by the directors and executive managers of the company reduced the value of the company.

e. The Effect of Institutional Ownership on Firm Value

Institutional ownership has a positive effect on the firm value, this means that the higher the percentage of share ownership by both domestic and foreign institutions will increase the value of the company. Institutional ownership is the percentage of share ownership owned by institutions (not individuals) where these institutions can be government institutions, insurance companies, investment companies, banks, and institutions which have a large percentage of share ownership. Institutional shareholders are the mitigator of agency problems caused by differences in objectives and asymmetric information between shareholders and company management (agency conflict) due to institutional ownership as oversight by external parties of the company in supervising management performance. The existence of supervision by the institution will encourage the management to utilize resources optimally which in turn will have an effect on increasing the value of the company. The result of this study is in line with previous studies conducted by Arouri et al. (2014); Din et al. (2021); Queiri et al. (2021) which stated that an institution would actively monitor the company's activities and played a role in increasing firm value and supervision by external parties. Thus, reducing problems between the owner and manager (agency conflict).

f. The Effect of Public Ownership on Firm Value

Public ownership has no effect on the value of the company, this means that the higher the percentage of share ownership by the public/community in the company does not affect the decline in the value of the company and vice versa. Public ownership has a negative but not significant effect on the value of the company, this indicates that the high percentage of public ownership does not reflect the implementation of an optimal external monitoring mechanism to the company's management, so it does not affect the decline in firm value, and vice versa. A high percentage of share ownership by the public will cause share prices to tend to fluctuate/unstable and it is also difficult to make decisions at the General Meeting of Shareholders (GMS) because the voices of the small share ownership portion are more majority compared to non-public shareholders, so that This can reduce the value of the company. This argument is supported by Al-Saidi and Al-Shammari (2015), which reported an insignificant effect of the high percentage of share ownership owned by the public on the decline in firm value.

g. The Effect of Ownership Concentration on Firm Value

Concentration of ownership has no effect on firm value, this means that a high share of share ownership by shareholders of 5% or more in the company will not increase the firm value. Ownership concentration is the percentage of share ownership by individuals or institutions (outsiders of the company and not members of the board) of 5% or more of the total number of shares offered by the company. The concentration of ownership has a positive but not significant effect on firm value, this indicates that the high percentage of ownership concentration does not reflect the implementation of an optimal external control mechanism to the management of the company, so it has no effect on increasing firm value. This result is consistent with research conducted by Raja and Kumar (2007); Al-Saidi and Al-Shammari (2015); Al Farooque, Buachoom and Sun (2020); Puni and Anlesinya (2020), which stated that the presence of share ownership by concentrated parties did not significantly affect the value of the company.

V. Conclusion

Based on the existing literature and studies, seven hypotheses can be developed which give different results. Board size, board meetings, and institutional ownership have a positive effect on firm value, then audit committee meetings and managerial ownership have a negative effect on firm value. However, public ownership and ownership concentration have no significant effect on firm value.

The limitation in this study is that the time of the research carried out only revolves around 3 periods, namely during 2017 to 2019, while in companies, restructuring the directors are carried out every 5 years. Thus, the data used for the board size variable is less varied. Then, not all non-financial companies listed on the Indonesia Stock Exchange in 2017-2019 have data on the percentage of share ownership owned by the directors and company management (managerial ownership).

Suggestions for future research is that the researchers can the sample size of the study by adding a longer period of time for observation of research data in order to get more accurate and varied data. Then you can also use variables in other corporate governance components that are not used in this study, such as foreign ownership, risk management committees, or other variables included in the corporate governance component.

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