

**THE INFLUENCE OF GOOD CORPORATE GOVERNANCE, COMPANY CHARACTERISTICS, AND PROFITABILITY ON COMPANY VALUES  
(Case Study on Non-Financial State-Owned Enterprises Listed on The Indonesia Stock Exchange for the 2018-2021 Period)**

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**Abstract:** *Company value is the investor's perception of the company formed through stock market indicators. High company value indicates that the company has good performance and future prospects that can be trusted by investors. This study aims to determine the factors that influence company value, including good corporate governance, company characteristics and profitability. This research is a quantitative study. The population used in this study is data on non-financial state-owned companies listed on the IDX during the 2018-2021 period. Sampling in this study used the purposive sampling method, obtaining 62 research samples. Multiple linear regression analysis (multiplier linear regression method) was used in this study as an effort to answer the problems in the study. The results showed that managerial ownership, independent commissioners, audit committees, institutional ownership, company size and profitability simultaneously had a significant effect on the company value variable in non-financial state-owned companies listed on the IDX during the 2018-2021 period. While partially, only the audit committee and institutional ownership influenced the company value. The variables of managerial ownership, independent commissioners, company value, and profitability did not affect the company value.*

**Keywords:** *Good corporate governance, Company characteristics, Company value, Profitability*

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## **1. Introduction**

Company value can be influenced by many factors, one of which is GCG (Wahyuni, 2022). Guidelines for actualizing GCG elements will affect the company's value in the form of adjustments to the control of the company's separation of powers to shareholders in particular, and stakeholders in general. High company value will attract investors to invest in the company. One part of the GCG mechanism is the Commissioners Committee. The Commissioners Committee generally receives support in terms of services and administrative functions from the Board of Commissioners. The service function shows that the board can provide advice to management (board of directors) and by emphasizing functionality, the role of expertise or counseling provided by board members is a quality service for management and the company that cannot be provided by the market (Dalton and Daily, 1999). Board members with expertise in certain fields can also provide valuable advice in formulating the company's organizational strategy. The control function carried out by the board of commissioners comes from agency theory which is the main internal mechanism for controlling opportunistic management behavior so that it can help align the interests of shareholders and managers (Young et al., 2001).

The existence of Independent Commissioners who can convey management objectives to shareholders is also one of the methods of good corporate governance. Independent Commissioners can be employed to resolve agency conflicts. The existence of Independent Commissioners continues to be strengthened so that their work results remain high with the support of the audit committee (Syakhroza, 2004). The Audit Committee, which functions as an extension of the Board of Commissioners, can assist it in carrying out its duties by providing an overview of accounting, internal control procedures, and financial reporting systems.

Company value can also be increased by going public. Companies that have gone public and are listed on the IDX can make public offerings to the public and allow them to access information on the movement of the company's value. The publication of information carried out by companies varies according to their respective characteristics. Company characteristics are one of the factors that affect company value besides GCG.

Companies that have high value will foster a sense of trust from parties related to the company and from the wider community, because high value indicates good company performance. Public companies listed on the stock exchange or that have gone public are required to submit annual reports to the stock exchange, investors and the public every year (Meli, 2020).

Another factor that affects the value of the company is profitability. High profitability is the hope of investors and shareholders, because with high profitability it will be able to increase the stock price as a measure of the company's value. The theory of profitability as one of the references in measuring the amount of profit is very important to know whether the company has run its business efficiently. This is indicated by the profit generated from sales and investment income (Agustia and Suryani, 2018). The level of return on investment to shareholders depends on the profit generated by the company. Investors assume that the company obtains net profit from managing its equity efficiently so that it has a positive impact on the potential market value of a company, research (Rahmawati et al., 2015).

In recent years, many companies have experienced a decline in profitability ratios, which is caused by declining company profits due to the Covid-19 pandemic. The decline in the company's profitability ratio causes shareholders to consider many things to make investments. The ratio used to measure profitability is Return On Asset (ROA). According to Eston and Brigham (2001) a high ROA reflects a good company position so that the value that the market will give to the company will also be good. Profitability can be used to measure the success of a company in carrying out its operations, if the company experiences an increase in profits every year, it indicates that the company has succeeded in running its operations well, so that Profitability is expected to increase, with the hope of increasing the value of a company (Wiguna and Yusuf, 2019). Meli's research (2020) found that profitability has a significant influence on company value.

Based on this background, the author is interested in further studying the influence of GCG, company characteristics, and profitability on company value, with a case study of non-financial State-Owned Enterprises (BUMN) listed on the IDX for the 2018-2021 period.

## **2. Research Method**

This type of research is quantitative research. The population used in this study is data on non-financial state-owned companies listed on the IDX during the 2018-2021 period. Sampling in this study used the purposive sampling method, which is a sampling technique with certain considerations (Sugiyono 2019: 144). The data used in this study is secondary data, which is data obtained indirectly or through third parties such as books, journals, and the company's official

website (Sugiyono, 2019: 223). The secondary data used are the annual financial reports of non-financial state-owned companies and listed on the IDX in 2018-2021 as many as 16 companies. The research data was obtained through internet access at [www.idx.co.id](http://www.idx.co.id), the official website of each company, and for the population through [www.stockbit.com](http://www.stockbit.com). The analysis of this study includes descriptive statistical analysis, classical assumption tests consisting of normality tests, multicollinearity tests, and heteroscedasticity tests. Hypothesis testing is carried out using multiple linear regression tests.

### 3. Results and Discussion

#### 3.1. Results

##### a. Multiple Linear Regression Analysis

In this study, hypothesis testing was conducted using multiple linear regression analysis. This analysis was conducted because this study has one dependent variable and more than one dependent variable. From the statistical analysis using the SPSS program, the results of the multiple linear regression equation were obtained, which can be seen in the following table 1.

Table 1. Multiple Linear Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
		B	Std. Error			
1	(Constant)	1,878	3,578		,525	,602
	X1	-444,323	575,165	-,100	-,773	,443
	X2	-1,792	1,453	-,154	-1,233	,223
	X3	,367	,164	,302	2,237	,029
	X4	2,503	,973	,322	2,571	,013
	X5	-,082	,112	-,102	-,735	,465
	X6	,705	1,080	,082	,653	,516

Source: Data processed in 2024

Table 1. shows the multiple linear regression equation as follows:

$$Y = 1.878 - 0.444323X1 - 1.792X2 + 0.367X3 + 2.503X4 - 0.82X5 + 0.705X6$$

From the results of the linear regression equation model above, the conclusions obtained are as follows: (1) The regression coefficient value on managerial ownership shows a negative relationship between managerial ownership and company value, (2) The regression coefficient value on independent commissioners shows a negative relationship between independent commissioners and company value, (3) The regression coefficient value on the audit committee shows a positive relationship between the audit committee and company value, (4) The regression coefficient value on institutional ownership shows a positive relationship between institutional ownership and company value. (5) The regression coefficient value on company size shows a positive relationship between company size and company value. (6) The regression coefficient value on profitability shows a negative relationship between profitability and company value.

In measuring the regression model, a determination coefficient ( $R^2$ ) test is required. The determination coefficient ( $R^2$ ) is used to measure the level of suitability or perfection of the regression model. Table 2 below shows the results of the determination coefficient test.

Table 2. Results of the Determination Coefficient Test ( $R^2$ )**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,449a	,201	,114	1.13153	2,266

a. Predictors: (Constant), X6 , X4, X2, X3, X1, X5

b. Dependent Variable: Y

Source: data processed in 2024

The results of the determination coefficient test ( $R^2$ ) show the influence of independent variables of managerial ownership, independent commissioners, audit committees, institutional ownership, company size and client profitability on the dependent variable of company value. Based on the determination coefficient test, the value ( $R^2$ ) obtained is 0.201. Thus, the independent variables of managerial ownership, independent commissioners, audit committees, institutional ownership, company size and profitability affect the company value by 20.1%. While 79.9% of the company value is influenced by other factors.

**b. F Test**

The F test is conducted to see the influence of independent variables simultaneously on the dependent variable. The results of data processing using SPSS can be seen in table 3, below.

Table 3 F Test  
**ANOVA**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	17,735	6	2,956	2,309	,046b
	Residual	70,420	55	1,280		
	Total	88,156	61			

a. Dependent Variable: Y

b. Predictors: (Constant), X6 , X4, X2, X3, X1, X5

Source: processed data in 2024

Table 3 shows the F valuecount= 2.309 with sig = 0.46 <5%, so it can be interpreted that the calculated F value is significant, which means that the variables of managerial ownership, independent commissioners, audit committees, institutional ownership, company size and profitability simultaneously have a significant effect on the company value variable in non-financial state-owned companies listed on the IDX during the 2018-2021 period.

**c. t-test**

The t-test is conducted to determine whether individually (partially) the independent variables significantly affect the dependent variable or not. The results of statistical analysis with SPSS show the results of partial hypothesis testing (t-test), that the significance value of the managerial ownership variable is  $0.443 > 0.05$ , so  $H_0$  is accepted and  $H_a$  is rejected, namely the managerial ownership variable does not affect the company's value. The significance value of the independent commissioner variable is  $0.223 > 0.05$ , so  $H_0$  is accepted and  $H_a$  is rejected, namely the independent commissioner variable does not affect

the company's value. The significance value of the audit committee is  $0.029 < 0.05$ , so  $H_0$  is rejected and  $H_a$  is accepted, namely the audit committee variable affects the company's value. The significance value of the institutional ownership variable is  $0.013 < 0.05$ , so  $H_0$  is rejected and  $H_a$  is accepted, namely the institutional ownership variable affects the company's value. The significance value of the company size variable is  $0.465 > 0.05$ , so  $H_0$  is accepted and  $H_a$  is rejected, namely the company size variable does not affect the company's value. The significance value of the profitability variable is  $0.516 > 0.05$ , so  $H_0$  is accepted and  $H_a$  is rejected, namely the profitability variable has no effect on company value.

### **3.2. Discussion**

#### **1. The Influence of Managerial Ownership on Company Value**

Based on the results of partial testing (t-test), managerial ownership does not affect company value so that the hypothesis in this study is not proven. Managerial ownership is the percentage of a company's shares owned by top managers and directors. Managerial ownership is an important corporate governance mechanism to reduce agency problems.

Large managerial ownership is unable to align the interests of management and shareholders. Low share ownership by management also tends to make management performance low so that it does not affect the value of the company. The results of this study are in line with the research of Royani (2020) and Ernawati (2022), showing that managerial ownership does not affect the value of the company. This is because the managerial party who is also a shareholder will try to work optimally, and always try to improve the performance and value of the company, because by improving the performance and value of the company, their income as shareholders will increase, so that the welfare of other shareholders will also increase.

#### **2. The Influence of Independent Commissioners on Company Value**

Based on the results of hypothesis testing, independent commissioners do not affect the company's value, so the hypothesis in this study is not proven. Independent commissioners are members of the board of commissioners who do not have financial relationships, share ownership, management, and/or family relationships with members of the board of commissioners, members of the board of directors, and/or controlling shareholders. The main task of independent commissioners is to encourage the implementation of good corporate governance principles and practices, or known as good corporate governance.

Based on these results, this study is consistent with research by (Amaliyah & Herwiyanti, 2019), Sari (2020), Laiya (2023) which proves that an independent board of commissioners does not have a significant effect on company value. This is because the large or small number of independent board of commissioners in a company does not guarantee that the company's value will improve and there will be no fraud in the company's financial reporting. This shows that an independent board of commissioners is able to carry out its monitoring function to oversee policies and activities carried out by the board of directors. The presence of an independent board of commissioners in a company can provide an effective contribution to the process of preparing higher quality financial reports.

#### **3. The Influence of the Audit Committee on Company Value**

Based on the results of hypothesis testing, the audit committee has an effect on company value, so the hypothesis in this study is proven. The results of this study are in



line with research (Amaliyah & Herwiyanti, 2019) which proves that the audit committee has an effect on company value. Where these results indicate that the audit committee has a role that can increase supervision of financial reporting made by managers. In addition, the audit committee has a role in inhibiting management behavior in suppressing earnings management. The existence of the audit committee also plays an important role in ensuring the creation of good corporate governance in the company. The audit committee has the task of providing independent professional input to the board of commissioners on reports submitted by the board of directors to the board of commissioners. In addition, the audit committee is also tasked with reviewing matters that require attention from the board of commissioners and is responsible for overseeing the company's financial statements, overseeing external audits and observing the company's internal control system. According to research by Permatasari & Yuliandhari (2019), the audit committee also has a significant influence and value on company value.

#### **4. The Influence of Institutional Ownership on Firm Value**

Based on the results of hypothesis testing, institutional ownership has an effect on company value, so the hypothesis in this study is proven. Institutional Ownership is a proportion of institutional share ownership in this case, namely the company's founding institution, not a public shareholder institution measured by the percentage of the number of shares owned by internal institutional investors. The influence of institutional ownership is used as a supervisory agent that is suppressed through quite large investments in the capital market. With high institutional ownership, it can also lead to greater supervision by institutional investors so that it can hinder opportunistic managers (Amrizal, 2016).

Institutional ownership is considered to be able to provide an impact on the value of the company because it can generally act as a party that supervises the company. According to Amrizal (2016) the greater the institutional ownership in the company, the greater the drive to optimize the value of the company. Institutional ownership has the ability to control and monitor management effectively in order to improve management performance.

The results of this study support Riyanti's research (2021), showing that managerial ownership has an effect on company value. With high institutional ownership, the greater the supervision given to management. High supervision will minimize the level of fraud that occurs on the part of management which could potentially reduce the value of the company. In addition to supervising management. Institutional ownership also does positive things to increase the value of the company.

#### **5. The Influence of Company Size on Company Value**

Based on the results of the hypothesis test, company size does not affect the company's value, so the hypothesis in this study is not proven. The results of this study support the research of Sari (2019), Heliani (2023) showing that company size does not affect the company's value. Company size is assessed from the total assets owned by the company for its operational activities, the larger the company size, the greater the funds needed for its operational activities. Debt withdrawals made by large companies should be able to make the company obtain large returns in the form of assets. The assets used as collateral to obtain debt are worth more than the return on assets received by the company. This shows a lack of solvency between assets and debts which raises concerns for investors. The high risk in the company is considered to increase the potential for bankruptcy (Suryandani, 2018).

## **6. The Influence of Profitability on Company Value**

Based on the results of the hypothesis test, profitability does not affect the value of the company, so the hypothesis in this study is not proven. This shows that investors or the market see the company's growth potential and its future sustainability as the main reference. However, profitability is considered very important for the company because the company must be in a profitable state in order to survive. Without profit, the company will have difficulty attracting capital from outside.

The results of this study support Hidayat's research (2022), profitability does not affect company value. The results of the study show that profitability does not have a positive effect on company value. This is because investors may assume that the company uses its profits for operational activities and will not always distribute profits in the form of dividends to investors.

## **4. Conclusion**

### **4.1 Conclusion**

Based on the overall results of this study, the following conclusions can be drawn:

1. The variables of managerial ownership, independent commissioners, audit committees, institutional ownership, company size and profitability simultaneously have a significant effect on the company value variable in non-financial state-owned companies listed on the IDX during the 2018-2021 period.
2. The results of partial hypothesis testing (t-test) show that:
  - a. Managerial ownership variables do not affect firm value.
  - b. The independent commissioner variable does not affect company value.
  - c. The audit committee variable influences company value.
  - d. Institutional ownership variables influence firm value.
  - e. The company size variable does not affect the company value.
  - f. Profitability variables do not affect company value.

### **4.2 Suggestion**

Based on the conclusions that have been produced in this study, for the purpose of improvement in future research, the researcher provides several suggestions that may need to be considered:

1. For company management, they should maintain and increase profitability values so that they can influence investment in making decisions to increase capital.
2. For further researchers, with this research, it is expected that further researchers can conduct further research related to the measurement of factors that influence company value. By adding the research year period, replacing the research object in a particular sector or index, replacing the proxy used, and adding research variables such as managerial ownership, industrial sector and other fundamental factors.
3. For investors, in order to pay more attention to fundamental factors such as debt ratio and company growth in investing without ignoring other factors in the market such as risk, profit fluctuations, and trading volume. Investors must be aware that the possibility of the issuing company making an investment, based on the results of this study, especially for companies that have unstable fluctuating levels of profitability and financial leverage, investors must be more careful in conducting fundamental analysis before making an investment.

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