



The Relationship Between Good Corporate Governance Mechanisms, (Independent Commissioners, Managerial Ownerships, Foreign Ownership, Debt and Audit Quality) and The Performance of Shares in Conventional Banking Sector Companies Listed On The Indonesia Stock Exchange (IDX) for the 2019-2022 Period

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Abstract

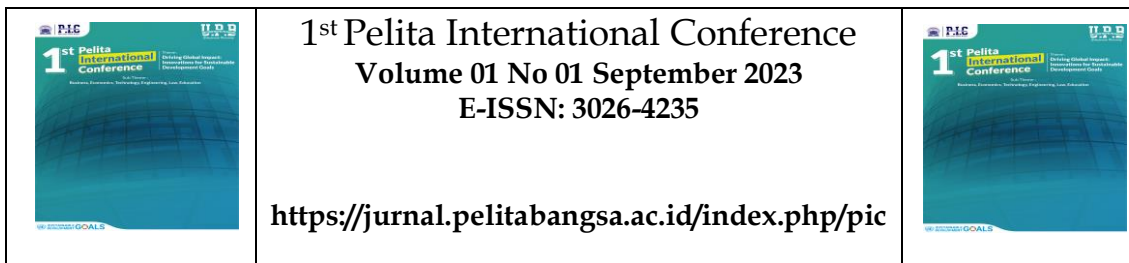
Good Corporate Governance is a company control system that can be seen from the relationship mechanism between the various parties who take care of the company. The bigger the company, the more problems and aspects that need to be considered by management if they want to achieve maximum performance. This study aims to examine the influence of corporate governance mechanisms on company performance. The corporate governance mechanisms studied in the study include the board of commissioners, managerial ownership, foreign ownership, debt financing, audit quality and company stock performance. The sample of this study was 96 conventional banking companies registered in Bursa Efek Indonesia in the 2019-2022 period, the sampling method used in this study was purposive sampling. The results showed that the proportion of independent commissioners had no effect on stock performance. Managerial ownership has no influence on the performance of the stock. Foreign ownership has an influence on the performance of shares, the greater the foreign ownership. The quality of the audit has an influence on the performance of the stock. Debt has an influence on the performance of stocks. Independent commissioners, managerial and foreign ownership, audit quality and debt have a significant influence on the performance of stocks. This study used a Tobin's Q.

Keywords: Corporate Governance Mechanism, Independent Commissioner, Managerial Ownership, Foreign Ownership, Debt Financing, Audit Quality, Company Performance.

INTRODUCTION

The company's goal by adding stockholders or capital owners is to increase the value of the company. When that goal is achieved, the owner of capital usually hands over the management of the company to experts who are considered internal or managerial parties. Managers are appointed by capital owners using the firm value development method so that the welfare of capital owners can be realized (Fatmawati & Faculty, 2023). However, management often has other goals that are contrary to the primary goals so that there will be a conflict of interest between managers and stockholders. Stockholders become facilitators for the running of the company's operations and managers become managers of the company who can receive income and other forms of compensation. The best decision for stockholders is to increase their prosperity (Monica & Dewi, 2019).

Good corporate governance can be described as a method needed to control and manage company activities. The system has a major impact in determining business targets and in achieving these goals. The target of this business is one of them to develop company value, and likewise the application of GCG can develop company value (Karim & Purwanto, 2020).



Foreign ownership is claimed to be a way to increase enterprise and technology in developing countries by directly importing new capital and technology (Pujiyanti & Purwanti, 2022). In Indonesia, there has been no research on the effects of foreign ownership in many research publications. However, because the presence of a foreign company will increase competition in the Indonesian market, foreign ownership is suspected to be one of the supporters of corporate governance procedures (Purwanti, 2022).

Foreign share ownership, namely shares owned by individuals, legal entities, the government and the status of branch tribes abroad. Foreigners who invest their shares have relatively good management systems, technology, inventions, skills, and marketing that can have a positive impact on company performance (Sulastiningsih, Yoga Pradita, 2022).

Related to the structure of debt financing as a corporate governance procedure, debt as a private funding tool for investors to increase company value. The use of debt when investing is an increase in order to be able to fund company assets which can increase profits, because company assets are used to make profits. However, if the port of the debt decreases each period. The highest DER means the company can provide higher returns to stockholders if the cost of debt decreases from the previous period.

(Purwanti & Seltiva, 2022) Audit is a key element that comes from the stock market, because audits can improve and can be trusted financial news, provide exclusive support for the implementation of good corporate governance through the delivery of honest financial reports (Anik et al., 2021).

The results of the study did not find a significant correlation between corporate governance using financial reports or financial reporting provisions. However, company management has a significant impact on company performance (Masitoh & Hidayah, 2018). The result obtained is that the disclosure and achievement of timely financial reports do not have a significant correlation with financial performance (Shahwan, 2021). This study includes five characteristics of GCG, namely independent commissioners, managerial and foreign ownership, audit quality, and debt (Meidona et al., 2018).

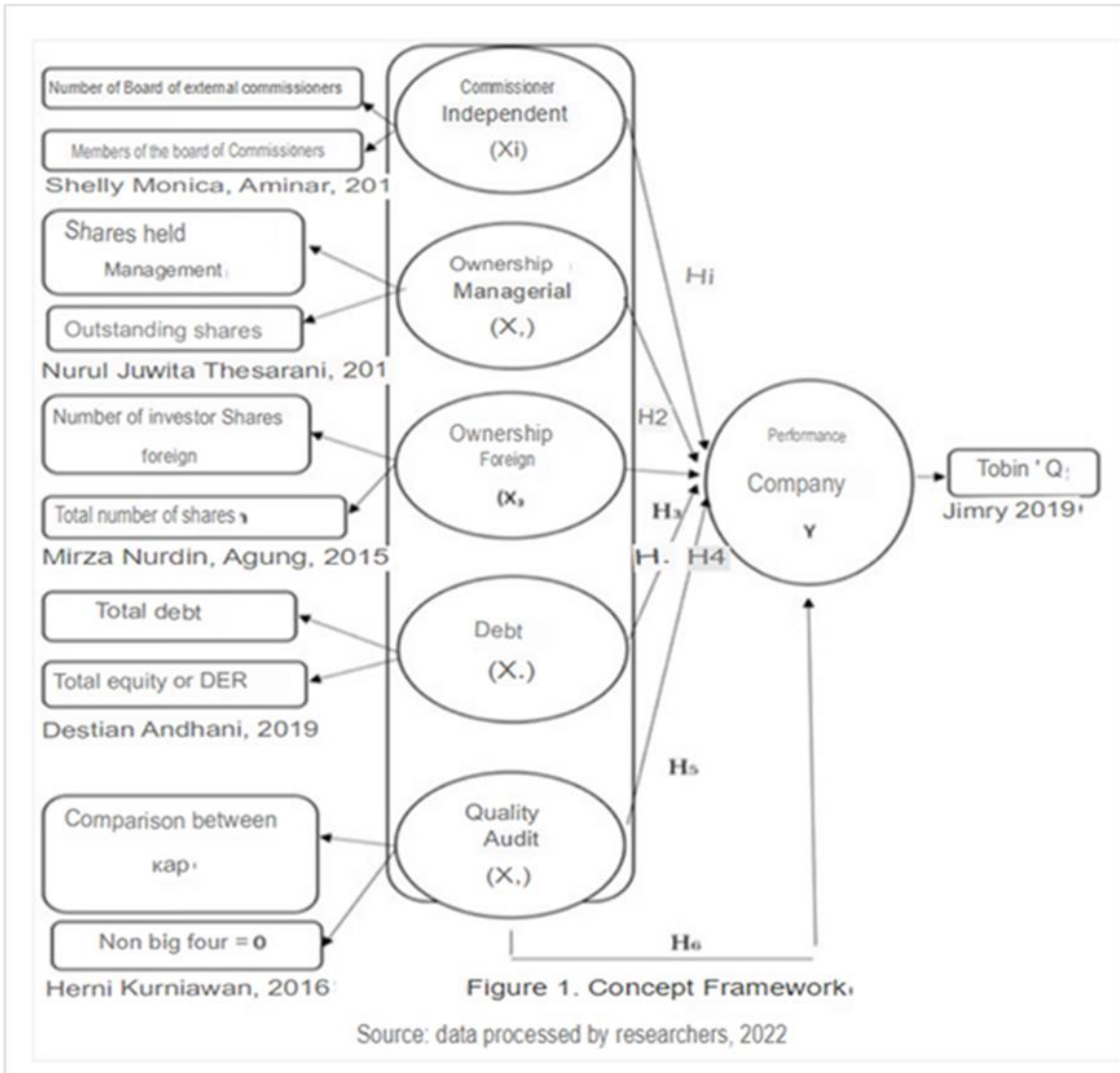
RESEARCH METHOD

This study utilizes secondary and associative data, which describes the correlation between variables by analyzing data using audit committees, managerial ownership, the board of commissioners, and debt to examine how they affect the company's stock performance (Kristiana, 2014).

Data based on its origin can be defined in external, internal, primary, and secondary data. Secondary data obtained by researchers using media intermediaries (obtained and recorded by other parties). (Supradnya & Ulupui, 2016) The type of data needed in this study is secondary data in the form of financial reports through balance sheets, income statements, cash flow, and changes in capital for the 2019-2022 financial year in conventional banking sector companies listed on the IDX.

The population used is conventional bank companies that are included in the IDX in 2019-2022. The sampling technique used is purposive sampling technique, namely selecting a sample with a certain standard according to what you want, then choosing according to certain considerations that are in sync with the research objectives (Onasis & Robin, 2016).

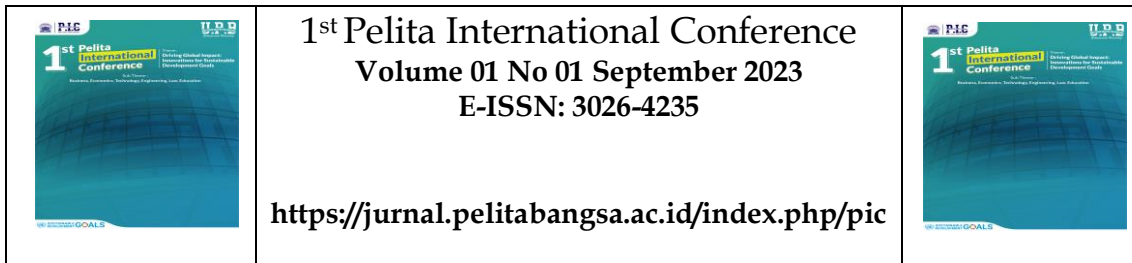
Then the sample criteria to be taken are: a) Conventional banks listed on the IDX in 2019-2022, b) Conventional banks that released financial reports for 2019-2022 c) Financial report data and independent variable calculation data Referring to data from the IDX for 2019-2022, the population of conventional banking companies is 131 companies. Based on these criteria, only 24 companies were used in this study with a 4 year period, so the total is $24 \times 4 \text{ years} = 96 \text{ data}$.



RESULTS AND DISCUSSIONS

Descriptive Statistical Analysis, Based on the sampling method using the purposive sampling method, a sample of 24 manufacturing companies was obtained with a total sample of 96 samples (Nugroho & Yulianto, 2015).

the results of data processing with a sample of 96 companies have obtained that: 1. Independent Commissioner Where the independent commissioners have a mean of 2.94, with a maximum value of 6%. The minimum value is 1% with a standard deviation of 1.064, meaning that the maximum increase in the average independent commissioner variable is +1.064, while the maximum decrease in the average independent commissioner variable is -1.064 or it can be said that the average deviation value of the independent commissioner variable at conventional banking companies is 1.064%. 2. Managerial Ownership, Where managerial ownership has a



mean of 0.8011 with a maximum value of 1% (Thesarani, 2013). The minimum value is 0.06% with a standard deviation of 0.2155, meaning that the maximum increase in the average managerial ownership variable is +0.2155, while the maximum decrease in the average independent commissioner variable is -0.2155 or it can be said that the average -the average deviation value of the managerial ownership variable in conventional banking companies is 0.2155%. 3. Foreign Ownership Where foreign ownership has a mean of 0.1991 with a maximum value of 0.94%. The minimum value is 0.00% with a standard deviation of 0.21596, meaning that the maximum increase in the average foreign ownership variable is +0.21596, while the maximum decrease in the average independent commissioner variable is -0.21596 or it can be said that the average -the average deviation value of foreign ownership variable in conventional banking companies is 0.21596%. 4. Audit Quality

Where audit quality has a mean of 0.73 with a maximum value of 1%. The minimum value is 0.00% with a standard deviation of 0.21596. This means that the maximum increase in the average audit quality variable is +0.447, while the maximum decrease in the average audit quality variable is -0.447 or it can be said that the mean deviation value of the audit quality variable in conventional banking companies is 0.447%. 5 Debt, Where debt has an average value, namely 0.2702 with a maximum value of 71.08%. The minimum value is 0.01% with a standard deviation of 0.40619. This means that the maximum increase in the average audit quality variable is +0.40619, while the maximum decrease in the average audit quality variable is -0.40619 or it can be said that the mean deviation value of the audit quality variable in conventional banking companies is 0.40619%. 6 Stock Performance, Where stock performance has an average value of 7.4469 with a maximum value of 71.08%. The minimum value is 0.06% with a standard deviation of 14.883. This means that the maximum increase in the average stock performance variable is +14.883, while the maximum decrease in the average stock performance variable is -14.883 or it can be said that the mean deviation value of the stock performance variable in conventional banking companies is 14.883%. (Pratama et al., 2021)

Normalist Test, H_0 : Normal distribution, H_a : Not normally distributed, a. If the significant value $< \alpha$, then H_0 is rejected b. If the significant value $> \alpha$, then H_a is accepted

The significance value is 0.238, which is > 0.05 . This is in sync with the basis of decision making in the Kolmogorov-Smirnov normality test so that it can be concluded that the data is normally distributed. (Listyaningsih et al., 2018)

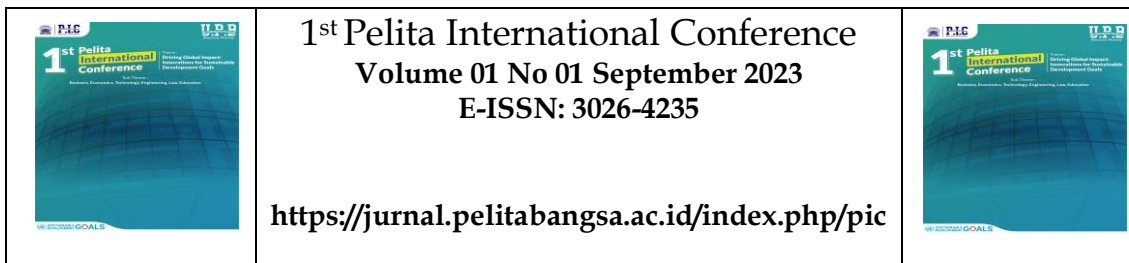
Multicollinearity Test, There are several variables with tolerance values > 0.1 and VIF values < 10 , and there are 2 variables that have tolerance values < 0.1 and VIF values > 10 so it can be concluded that the regression model does not experience multicollinearity because there are 3 variables that are in accordance with the multicollinearity test. (Andrean Agasva & Budiantoro, 2020)

Autocorrelation Test

The results of the autocorrelation test using the Durbin-Watson test obtained a DW value of 2.028. Then this value is compared with the DW table value at 5% significance with the formula $(k; N)$. The number of independent variables is 3 or "k" - 5, while the number of samples or "N" = 96, then $(k; N) = (5; 96)$. The DU value at $df 1 = 1.5600$ and the DU value is 1.7785. Durbin Watson value $(dW) >$ upper limit (dU) , namely $2.028 > 1.5600$ and less than $(4-Du) 4 - 1.785 = 2.215$. So, it can be concluded that there is no autocorrelation. (Asyati & Farida, 2020)

$$\text{Multiple Linear Regression Analysis } Y=0.496 - 0.017X_1 - 0.914X_2+0,906X_3+0,595X_4+0,756X_5$$

Which means the constant value, which is 0.496, reveals that if the independent variable is zero or fixed, then the stock performance is 0.496. The positive sign means between the



independent variable and the dependent variable. This shows that if all the independent variables which include independent commissioners (X_1), managerial ownership (X_2), foreign ownership (X_3), debt (X_4) and audit quality (X_5) are 0 or do not change, then the value of the company's stock performance is 0.0496 units. (Andhani, 2019)

The regression coefficient X_1 is -0.017 . This value indicates a negative (opposite) effect between the independent commissioner variable and the company's stock performance. This reveals that if every time there is 1 unit increase from the independent commissioner, the stock performance will decrease by 0.017 units. Assuming that the other variables are held constant

The regression coefficient X_2 , namely -0.914 . This value indicates a negative effect (opposite direction) between managerial ownership variables and company stock performance. This reveals that if there is an increase of 1 unit in managerial ownership, the stock performance will decrease by 0.914 units. Assuming that other variables are held constant. (Widyaningsih, 2017)

The regression coefficient X_3 , which is 0.906, has a positive value. This indicates that if foreign ownership increases by 1 unit, the company's stock performance will increase by 0.906 units. Assuming other variables are held constant. The positive sign means that it shows a unidirectional influence between the independent variable and the dependent variable. (Listyaningsih, 2018)

The regression coefficient X_4 is 0.595. This shows that if debt increases by 1 unit, the company's stock performance will increase by 0.595 units. Assuming the independent variables and other dependent variables are considered constant. The positive sign means that it shows a unidirectional influence between the independent variable and the dependent variable. (Oktari, 2019)

The regression coefficient of X_5 is 0.765. This shows that if audit quality experiences an increase of 1 unit, then the company's stock performance increases by 0.765 units. Assuming the independent variables and other dependent variables are considered constant. The positive sign means that it shows a unidirectional influence between the independent variable and the dependent variable. (Nurianti, 2020)

CONCLUSION

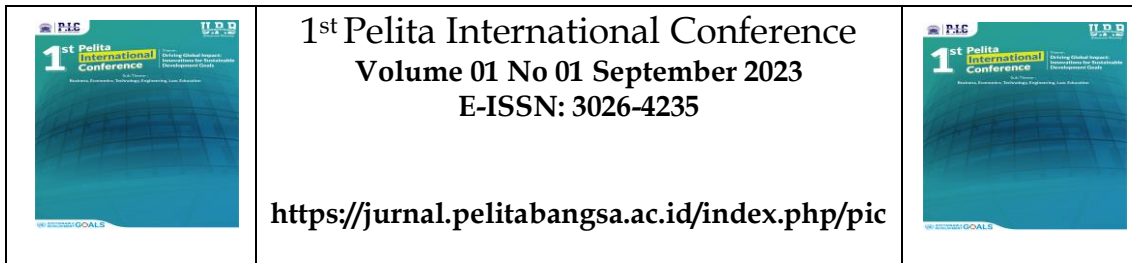
Based on this research was conducted to determine the effect of independent commissioners, managerial and foreign ownership, audit quality, and debt to shares. The analysis and data presented can be drawn several conclusions. The results of the study show that the proportion of independent commissioners has no effect on stock performance. Managerial ownership has no influence on stock performance. Foreign ownership has an influence on stock performance. Audit quality has an influence on stock performance. Debt has an influence on stock performance. Independent commissioners, managerial and foreign ownership, audit quality and debt have a significant influence on stock performance.

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