RESEARCH THESIS

THE EFFECT OF GOOD CORPORATE GOVERNANCE, LIQUIDITY AND RENTABILITY ON THE VALUE OF COMPANY

(Case Study of Companies Listed on Index LQ-45 in Indonesia Stock Exchange Period 2015-2019)

Complied and submitted by

WISNU MAHARDIKA RAMADHAN

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Submitted to

DEPARTMENT OF ACCOUNTING
FACULTY OF ECONOMICS AND BUSINESS
UNIVERSITAS HASANUDDIN
MAKASSAR
2020

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As one of the requirements to obtain
Bachelor of Economics Degree

complied and submitted by

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If in the future it turns out that in this manuscript script there can be proven elements of plagiarism, I am willing to accept sanctions for these actions and be processed in accordance with applicable laws and regulations (Law No. 20 of 2003, article 25 paragraph 2 and article 70).

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PREFACE

Praise and deep gratitude to Allah SWT for the abundance of grace, and guidance of Him given to the writer that made this thesis can be completed properly. Greetings and salawat may always be devoted to the Prophet Muhammad SAW. For the grace of Allah, the author finally able to complete the thesis entitled "**THE EFFECT OF GOOD CORPORATE GOVERNANCE, LIQUIDITY AND RENTABILITY ON THE VALUE OF COMPANY (Case Study of Companies Listed on Index LQ-45 in Indonesia Stock Exchange Period 2015-2019)".** This thesis is a requirement for achieving a Bachelor of Economics Department of Accounting at the Faculty of Economics and Business, Universitas Hasanuddin.

In the preparation of this thesis, support from various parties are inseparable. Researchers in particular would like to thank profusely to all those who have helped. Many researchers received guidance and assistance as well as encouragement from various parties, both moral and material. On this occasion the author would like to express his gratitude to:

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May all assistance and guidance from those who have been given to the researcher be rewarded with the kindness and merits of Allah SWT. Finally, the researcher hope this thesis can provide benefits to readers. However, the researcher is aware that this thesis is far from perfect. If there are mistakes in this thesis, it is entirely the responsibility of the researcher. Therefore, critics and suggestions from readers are highly expected by the researcher.

Makassar, 19th November 2020

Wisnu Mahardika R

ABSTRACT

THE EFFECT OF GOOD CORPORATE GOVERNANCE, LIQUIDITY AND RENTABILITY ON THE VALUE OF COMPANY

(Case Study of Companies Listed on Index LQ-45 in Indonesia Stock Exchange Period 2015-2019)

Wisnu Mahardika Ramadhan
Alimuddin
Syamsuddin

This study aims to determine the effect of good corporate governance (GCG), liquidity and rentability the value of companies listed on LQ-45 on the Indonesia Stock Exchange. The research methodology uses quantitative research with secondary data methods. The sampling technique used purposive sampling method with certain considerations with a total of 19 entities as the sample. The analytical method used is descriptive analysis and data analysis using multiple linear regression analysis. The results of this study indicate that good corporate governance, liquidity and rentability simultaneously have a positive effect on firm value. effect of managerial ownership, institutional ownership, and profitability, respectively, have a negative effect on firm value.

Keyword: Good Corporate Governance, Liquidity, Rentability, Company Value

ABSTRAK

PENGARUH *GOOD CORPORATE GOVERNANCE*, LIKUIDITAS DAN RENTABILITAS TERHADAP NILAI PERUSAHAAN

(Studi Kasus pada Perusahaan yang Terdaftar pada Indeks LQ-45 di Bursa Efek Indonesia Periode 2015-2019)

Wisnu Mahardika Ramadhan
Alimuddin
Syamsuddin

Penelitian ini bertujuan untuk mengetahui pengaruh *good corporate governance* (GCG), likuiditas dan rentabilitas terhadap nilai perusahaan yang terdaftar di LQ-45 di Bursa Efek Indonesia. Metodologi penelitian menggunakan penelitian kuantitatif dengan metode data sekunder. Teknik pengambilan sampel menggunakan metode *purposive sampling* dengan pertimbangan tertentu dengan jumlah sampel sebanyak 19 entitas. Metode analisis yang digunakan adalah analisis deskriptif dan analisis data menggunakan analisis regresi linier berganda. Hasil penelitian ini menunjukkan bahwa *good corporate governance,* likuiditas dan rentabilitas secara simultan berpengaruh positif terhadap nilai perusahaan. Pengaruh kepemilikan manajerial, kepemilikan institusional, dan profitabilitas masing-masing berpengaruh negatif terhadap nilai perusahaan.

Kata kunci: Good Corporate Governance, Likuiditas, Rentabilitas, Nilai Perusahaan

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

Figure **Pages**

LIST OF APPENDIXES

CHAPTER I

INTRODUCTION

1.1 Background

Company was founded aiming to get high profits and in its development is demanded to increase the value of the company. High company value can increase prosperity for stakeholders, especially shareholders, and increase investment, because shareholders will not hesitate to invest the capital they have in the company. Kusumadilaga (2010: 58) states that the value of a company's shares is the price a prospective buyer is willing to pay if the company is sold. The value of the company's shares can provide maximum prosperity for shareholders to the maximum if the stock price increases. The higher the share price of a company, the higher the prosperity of the shareholders. Enterprise value (EV) or also known as firm value (company value) is an important concept for investors, because it is an indicator for the market to assess the company as a whole.

According to Sagara (2017: 3) a company is founded with the aim of achieving maximum profit or maximum profit and optimizing the value of the company. Company value is the investor's perception of the level of success of the company which is related to the stock price. High stock prices make the value of the company is also high. High company value will make the market believe not only in the company's current performance but also in the company's future prospects. Company performance is the value produced by the company in a certain period based on a certain standard. Company performance can reflect work performance in a company period, this can be seen from how the operational process and the utilization of available resources. A good company performance will be directly proportional to a good company value, this is needed by investors as one indicator in making investment decisions.

According to Anthony Holly (2018: 102), there are three ways to value a company's stock, namelybook value,market valueand intrinsicvalue. The book value(bookvalue)is the value of the shares by a public company or issuer's bookkeeping. The market value(marketvalue)is the bookkeeping value of shares on the stock market.(Intrinsic valueintrinsic value) is the true value of shares. Investors need to know and understand these three values as important information in making stock investment decisions.

According to Haryanto (2014: 184) the value of a company that is often associated with shares, is the perception of investors towards the company. The higher the stock price, the higher the value of the company.

During 2019, the Composite Stock Price Index (CSPI) rose 1.7% to 6,299.54 from 6,194.49 at the close of the previous year. Even so, the JCI's performance ranked only fourth among the stock exchanges in the Southeast Asian region. The best performing markets in Southeast Asia in 2019 were Vietnam's VN index which rose to 8.12%, followed by the Singapore Strait Times (STI) which rose 5.01%, and Philippine PSEi rose 4.68%. In fifth place after IHSG, Thailand's SETi index rose 0.99%. In contrast, the Malaysian FTSE BM index this year was corrected to 4.43%. With this performance, the neighboring stock index became the worst performing index not only in Southeast Asia, but in the Asia Pacific (Katadata.co.id: 2020).

The data above shows that the increase in the Composite Stock Price Index (CSPI) in Indonesia is determined by the good value of companies in Indonesia. According to Brigham and Houston (2010: 8) the value of the company is the perception of investors about the company, which is often associated with stock prices, because current stock prices reflect investors' assessment of the company in the future. If the company makes a bad decision, the share price will go down. Therefore, the goal of management is to make decisions that can raise share prices, because this will generate wealth for shareholders, thereby increasing the value of the company.

The phenomenon of the declining value of shares occurred in SOEs, PT Garuda Indonesia, quoted from the dpr.go.id website (Wednesday, February 19, 2014), which is a company included in the CGPI (corporate governance perception index) ranking in 2011 with a score of 85 , 82% as a very trusted company. The State Personnel Administration Agency (BAKN), urges Garuda Indonesia to improve the performance of the Internal Control System (SPI) so that the accountability of this SOE (State-Owned Enterprise) company is more optimal. According to the Chairperson of the DPR's National Personnel Administration Agency (BAKN) Sumarjati Arjoso, after receiving an explanation from the board of directors of PT Garuda Indonesia on the BPK (Audit Board) audit report, it encouraged Garuda Indonesia to improve the implementation of SPI (internal control system), so that financial management accountability the company increased. So that in the future the BPK findings will not occur again.

A number of findings of Garuda's financial management weaknesses were revealed in a meeting between the State Civil Service Administration Agency (BAKN), the BPK auditor who was also attended by Garuda's Director Emirsyah Satar in Denpasar Bali, including an overpayment of PT Garuda Indonesia's ground handling service concession fees to PT Gapura Angkasa during 2008 -2012. The management of spare parts owned by PT Garuda by PT GMFAA which is not properly managed, resulting in the company having the potential to lose revenue, not only PT Garuda, from the review of the BPK report on semester 1 of 2013, found a number of cases of state financial irregularities in 14 state-owned companies. This is due to the fact that most of the BUMN companies do not yet have good corporate governance.

Some of the BUMNs that were included in the study were the State Electricity Administration (BAKN) including PT PLN, PT KAI, Bulog, PT Garuda Indonesia, PT Pelayaran Indonesia, PT Bank Mandiri, PT BTN, PT BNI, PT BRI, PT Biofarma, PT Pelabuhan Indonesia I-IV, PT Krakatau Steel, and PT Perum Perumnas. Overview of the results of the interim examination (IHPS) 1 of 2013 found 21 objects related to SOE examination. The results of the examination of the State Civil Service Administration Agency (BAKN) on the results of the BPK inspection related to SOEs, found 510 cases of state financial irregularities, 234 of them were related to weaknesses of SPI (internal control system) and as many as 276 cases related to non-compliance with statutory provisions, from a total of 510 cases, as many as 93 cases resulted in losses. The amount of potential state losses and lack of revenue in the SOE reached Rp 2.60 trillion. The State Administrative Agency (BAKN) also found irregularities due to the ineffectiveness of 28 cases whose value reached Rp 44.7 trillion in several SOEs. The high value of ineffectiveness in SOEs indicates the management of BUMN activities is not on target. So that the total potential loss of state money reached Rp 47.3 trillion (www.gresnews.com Saturday, February 22, 2014).

According to Yolanda (2016: 101) Good Corporate Governance which is proxied by Managerial Ownership, Institutional Ownership, Independent Commissioner Proportion, and Audit Committee, the calculation results show that managerial ownership and the proportion of independent directors have a significant effect on firm value. And According to Riny (2018: 141-142) Factors that can support the determination of good company value if liquidity and profitability are high.

The application of the principles of Good Corporate Governance, and taking into account the calculation of liquidity ratios as well as rentability ratios in the company is the company's efforts to increase the value of the company. Applying the principles ofgood corporate governancein the company is considered quite effective. According to Tumewu and Alexander (2014: 2) states that Good Corporate Governance is a concept proposed for the sake of improving company performance through supervision or monitoring management performance and ensuring management accountability and transparency towards stakeholders.

According to Cadbury (1992: 14), corporate governance is a system where companies are directed and controlled. The board of directors is responsible for their corporate governance. The role of shareholders in governance is to appoint directors and auditors and to convince themselves that there is an appropriate governance structure. Board responsibilities include setting the company's strategic goals, providing leadership to implement them, overseeing business management and reporting to shareholders about their stewardship. Board actions are subject to laws, regulations and shareholders in general meetings.

The results of Agung and Nila's research (2017) conclude that the proportion of independent commissioners, audit committees, managerial ownership, institutional ownership simultaneously influences ROA. While Saenong (2017) concluded that thevariable Good Corporate Governance with indicators of the Board of Commissioners and the Board of Directors has a positive and significant effect on company value. This means that the greater the size of the board of commissioners and the board of directors, the value of the company will increase, while the Independent Commissioner has a negative and significant effect on company value This means that the greater the independent commissioner the company value will decrease and vice versa.

Other previous studies Yolanda Sugiarto (2016), GCG (Good Corporate Governance) from the calculation results concluded that managerial ownership and the proportion of independent directors significantly influence the value of the company. While institutional ownership and audit committee do not have a significant effect on the value of the company, this is because potential investors at the time of investing do not see who their institutional investors are, but see the company's management and company value and also an increase or decrease in the number of members of the audit committee. guarantee that a company's performance will improve, so investors consider the existence of an audit committee is not a guarantee factor as a material consideration in increasing the value of the company.

Factors that can support the determination of good company value if liquidity and profitabilitas are high, Riny (2018: 141-142). One of the phenomena related to company value in mining companies in Indonesia is as follows. Head of Transaction Monitoring Division Irvan Susandy said that the average return on eight Bakrie Group shares listed on the Indonesia Stock Exchange reached 12.35% at the beginning of 2013. Bakrie Group stock returns in the last four years tend to be small, with a ratio the book value of the stock price or price to book value (PBV) is below one, indicating the level of investor confidence in the shares of this Group has decreased in PT Bumi Resources Tbk. (http; // www.iyaa.com).

In 2010 PT Bumi Resources Tbk at the point of Rp.2,425 / pershare, there was an increase in 2011 to Rp.3,025 / per share, but decreased in 2012 to Rp.2.175 / per share and experienced again a very significant decrease in 2013 of Rp.600 / per share.

Company value can be measured in several ways, one of which is by analyzing financial ratios, including liquidity ratios and profitability ratios (Harahap, 2010: 217). Liquidity ratios are ratios used to measure the level of a company's ability to meet short-term financial obligations on time, as measured by Current Ratio and Quick Ratio. And the other financial ratios are rentability ratios, this ratio shows the company's ability to generate profits (Simamora, 2000: 523), the ratio is measured by Gross Profit Margin and Net Profit Margin. (Munawir, 2001: 72).

Liquidity is also something that affects the value of the company. Companies generally have short-term and long-term goals. The company's goal in the short term to get maximum profit is to use the company's resources. Liquidity reflects the company's ability to meet short-term obligations that must be fulfilled immediately, and then relates to liquidity problems if the company is said to be able to meet financial obligations on time means the company is in astate liquid. Liquidity ratios are ratios used to interpret short-term financial positions. This ratio can measure how far the company's current assets can be used to meet its current liabilities. Current Ratio is a measure of a company's ability to meet its short-term obligations. If the higher the Current Ratio of a company means the less risk of failure of the company in meeting its short-term obligations. Then as a result the risk borne by the company is also getting smaller. With the growing size of the risk borne by the company, is expected to increase the interest of investors to invest capital in these companies, so investors prefer current ratio a high than the current lower ratio.

The company's ability to meet its short-term obligations will be responded positively by investors. If the company is able to meet its short-term obligations, it means that the company has the ability to fulfill its obligations using its current funds. By looking at a good level of company liquidity, of course investors will give a good valuation and have an impact on rising stock prices that can reflect the value of the company. This is confirmed by the results of Anzlina and Rustam's (2013) research which states that liquidity has a positive and significant effect on firm value. And Arif (2015) liquidity has a positive effect on Company Value. This indicates information about liquidity is responded to and considered by investors and external parties in assessing the financial performance of a company.

Financial performance can also be seen from rentability, this ratio shows the company's ability to generate profits (Simamora, 2000: 523), the ratio is measured by Gross Profit Margin and Net Profit Margin. (Munawir, 2001: 72). Rentability is the ability of a company to make a profit before tax with the average capital used. Therefore, high rentability reflects high company efficiency. Return on Equity (ROE) is used to measure the company's rate of return or the effectiveness of the company in generating profits by utilizing shareholders' equity owned by the company. Companies that are more efficient in using their own capital in generating profits will provide hope for the rising value of their shares. Thus, the rentability ratio has a positive effect on the value of shares. This is reinforced by the results of Arif's research (2015) Return on Equity has a positive effect on firm value. As well as Rompas (20013) which concluded that rentability based on Gross Profit Margin affects the Value of the Company.

The focus of this research is based on data from companies listed on the Indonesia Stock Exchange that are included in the LQ-45 index for the 2015-2019 period. The 2015-2019 election was the year of observation because it was the latest year when the study was conducted. In previous studies, there had never been a test of Good Corporate Governance, Liquidity, and rentability variables on firm value in one study. The variety of types of companies included in the LQ45 index also distinguishes this study from previous research that only focuses on a particular industry.

Based on the assumptions, phenomena, and description above, the concept of the relationship between Good Corporate Governance, Liquidity and rentability can provide a stimulus to increase the value of the company. This study will examine how much influence Good Corporate Governance, Liquidity and rentability has on increasing company value, so companies can pay more attention to these variables to be used as a basis for making decisions and ultimately expected to improve the Indonesian economy. As stated by the President of the Republic of Indonesia Ir. Jokowi "77% of the people who drive the Indonesian economy are business-driven by the private sector. We must understand all of this, how important the role of the private sector and the business world is to open jobs," (Kontan.co.id: 2020). So in this study the author will examine further on "**The Effect of Good Corporate Governance, Liquidity and Rentability on Company Value (Case Study of Companies Listed on the LQ-45 Index on the Indonesia Stock Exchange Period 2015-2019)**".

1.2 Formulation of Problem

Based on the description on the background of the problem above, the writer identifies the problem, namely:

1. How does Good Corporate Governance affect the value of companies listed on the LQ-45 index on the Indonesia Stock Exchange in the 2015-2019 period?
2. How does liquidity affect the value of companies listed on the LQ-45 index on the Indonesia Stock Exchange in the 2015-2019 period?
3. What is the effect of rentability on the value of companies listed on the LQ-45 index on the Indonesia Stock Exchange for the 2015-2019 period?
4. How does the effect of Good Corporate Governance, Liquidity and Rentability on the Value of Companies listed on the LQ-45 index on the Indonesia Stock Exchange 2015-2019 period simultaneously?

1.3 Research Objectives

In accordance with the background and formulation of the problem, the objectives of this study are:

1. To determine the effect of Good Corporate Governance on the value of companies listed on the LQ-45 index on the Indonesia Stock Exchange for the period 2015-2019.
2. To determine the effect of liquidity on the value of companies listed on the LQ-45 index on the Indonesia Stock Exchange for the period 2015-2019.
3. To determine the effect of rentability on the value of companies listed on the LQ-45 index on the Indonesia Stock Exchange in the 2015-2019 period.

4. To determine the effect of Good Corporate Governance, Liquidity and Rentability to the Value of Companies listed on the LQ-45 index on the Indonesia Stock Exchange in the 2015-2019 period simultaneously.

1.4 Benefits of Research

This research is expected to provide benefits including:

1. For academics

   The results of this study are expected to contribute to the development of studies on management accounting specifically regarding the Effects of Good Corporate Governance, Liquidity and Rentability on Company Value. This research is also expected to be used as a reference in further research besides as a means to mature insight.

2. For the organization

   This researchis hoped that it can contribute thoughts on the importance of the influence of good corporate governance, liquidity and Rentability on firm value.

3. For researchers

   This research is expected to provide input for other researchers in order to be able to compare theories obtained in college with the actual conditions in a company and add insight and knowledge and can be used as a reference or reference for subsequent research.

1.5 Writing Systematics

The systematic discussion contained in this study consists of several chapters, among other things as follows.

Chapter I Introduction. This chapter contains an overview of the research carried out. This section consists of the background of the research problem, the formulation of the research problem, the objectives and benefits of the research as well as the research systematic.

Chapter II Literature Review. This chapter contains the theories that underlie and relate to the problem under study. In this section also explained the previous research to help explain the problem to be studied. In addition, it also elaborates on the framework and formulation of research hypotheses to be tested.

Chapter III Research Methodology. This chapter contains a description of the methods used in this study and also discusses the research variables and their measurements, determination of population and research samples, types and sources of data, data collection methods, and analytical methods used in research.

Chapter IV Research Finding and Discussion. This chapter contains a general description of the research object, respondent's identity, validity and reliability test, multiple linear regression analysis, research instrument test, hypothesis test and discussion

Chapter V Conclusion and Suggestions. This chapter contains the results of drawing conclusions from the discussion of the previous chapter and suggestions given by the author related to the results of the study

CHAPTER II

LITERATURE REVIEW

2.1 The Theoretical Basis

According to Sugiyono (2012: 52) the theoretical foundation is very important in a study, especially in writing a thesis. Researchers can not develop problems that might be encountered in the study site if they do not have a theoretical basis that supports it. In a thesis the theoretical foundation is like a strong foundation, so is the writing of a thesis, without the foundation of research theory and the methods used will not run smoothly. Researchers also can not make measurements or do not have a measurement standard if there is no theoretical basis. The theoretical basis needs to be upheld so that the research has a solid foundation, and not just an act oftrial and error.

To support the making of this thesis, it is necessary to put forward matters or theories relating to the problem and scope of the discussion as the basis for making this thesis.

2.2 Agency Theory

Jensen and Meckling (1976) describe agency relationships as a contract under one or more (principal) involving other people (agents) to carry out some services for them by involving the delegation of decision making authority to agents. Berle and Means (1932) state that in theory the agency that owns the full shares is the owner (shareholder), and the manager is asked to maximize shareholder returns. Both the principal and agent are assumed to be rational economic people and are solely motivated by self-interest.

Eisendhart (1989) in Nuraeni (2010: 15) suggests several theories that underlie agency theory. The theories are divided into three types of assumptions namely assumptions about human nature, organizational assumptions, and information assumptions. The assumption of human nature emphasizes that humans have the nature to be selfish (self interest), have limited rationality (bounded rationality) and do not like risk (risk aversion). Organizational assumptions emphasize that there is conflict between members of the organization and information asymmetry between the principal and agent. While the information assumption emphasizes that information as a commodity that can be traded. So what is meant by agency theory is discussing the agency relationship between principal and agent.

According to Scott (1967) asymmetric information has two types. The first type, adverse selection. In this type, those who feel they have less information than others will not want to enter into agreements with other parties of any kind, and if they continue to enter into agreements, they will limit with very tight conditions and very high costs. For example, is the possibility of conflicts between insiders (managers) and outsiders (potential investors). Various ways can be done by managers to obtain more information than investors, for example by hiding, disguising, manipulating information provided to investors. As a result, investors are not sure about the quality of the company, or buy company shares at very low prices. Another example of asymmetric information is when creditors and minority shareholders have less information than managers and majority shareholders. The second type of asymmetric information is moral hazard. Moral hazard occurs when managers take action without the owner's knowledge for his personal benefit and reduce the welfare of the owner. For example, in a relatively large company, with separate ownership and management control, it is difficult for shareholders and creditors to see to what extent the manager's performance is in line with the objectives desired by shareholders, managers may tend to work less than optimal. Moral hazard also hinders the company's operations efficiently.

According to Yolanda (2016: 16-17) agency relationship is a contract between the shareholders and the owner manager of the company. Agency theory emerged based on the phenomenon of separation of company owners (shareholders) from managers managing the company. Agency theory views that company management as an agent for shareholders, will act with full awareness of self-interest (self-interest) not as a wise and fair party to shareholders. Differences in interests between the two parties can lead to agency conflict.

According to Febriani (2019: 10) agency theory (agency theory) seeks to answer agency problems caused by the parties that establish cooperation in a company have different goals, in carrying out their responsibilities in managing a company. This agency theory arises when a contract exists between the manager (agent) and the owner (principal). A manager (agent) will know more about the state of the company than the owner (principal).

According to Noorlaila (2011: 15) agency theory emerged based on the phenomenon of separation between company owners (shareholders / owners) and managers who manage the company. Empirical facts show that managers do not always act in the interests of company owners, but it often happens that company managers (directors and managers) act in pursuit of their own interests.

According to Meisser, et al., (2006: 7) "this agency relationship causes two problems, namely: (a) the occurrence of asymmetric information (information asymmetry), where management in general has more information about the actual financial position and the operating position of the entity from the owner;

and (b) the occurrence of a conflict of interest due to unequal goals, where management does not always act in the interests of the owner. "

According to Ulfa (2017: 21) perspective Agency relationship is the basis for understanding Good Corporate Governance. Mccording Julianti (2015: 18) the concept of good corporate governance is concerned with how the owners (shareholders) are confident that the manager will benefit them, confident that the manager will not commit fraud which would be detrimental to the shareholders.

Yolanda Sugiarto (2016) conducted a study on the analysis of the effect of corporate governance on the value of listed companies and entered the LQ-45 category on the Indonesia stock exchange period 2010-2014 using agency theory. The results showed that CSR and GCG had a positive but not significant effect on company value on companies listed on LQ-45 on the Indonesia Stock Exchange in the period 2010-2014. This shows that CSR disclosure and good GCG implementation can enhance the company's reputation. But more influential from the results of the study above is GCG because the results are more positive than CSR.

2.3 Good Corporate Governance

2.3.1 Definition of Good Corporate Governance

According to Cadbury (1992: 14) Corporate governance is a system where companies are directed and controlled. The board of directors is responsible for their corporate governance. The role of shareholders in governance is to appoint directors and auditors and to convince themselves that there is an appropriate governance structure. Board responsibilities include setting the company's strategic objectives, providing leadership to enforce it, overseeing business management and reporting to shareholders about their management. Board actions are subject to laws, regulations and shareholders in general meetings.

Corporate governance according to the Forum for Corporate Governance in Indonesia (FCGI) is defined as a set of regulations governing the relationship between shareholders, company managers, creditors, the government, employees and other internal and external stakeholders relating to their rights and obligations or in other words a system that regulates and controls the company. The purpose of corporate governance is to create added value for all stakeholders (Febriani, 2019: 12).

Corporate governance according to The Indonesian Institute for Corporate Governance (IICG) as a process and structure implemented in running a company, with the main objective of increasing shareholder value in the long run, while still paying attention to the interests of other stakeholders (Febriani, 2019: 13).

2.3.2 The Objectives of Corporate Governance

The aim of Corporate Governance in general is to create added value for all interested parties, which explicitly by global corporate governance is an important issue in the world. Organizations have a key role to play in promoting the development of the social economy. Good governance is the engine of global growth, accountability of work providers, public and private services, procurement of goods and services and infrastructure. At present, efficiency will be the responsibility of organizations no matter whether they are public or private. Good governance has become the main international agenda (Utami, 2011: 9).

The Indonesian Institute for Corporate Governance (IICG) reveals the objectives of Good Corporate Governance:

a. Regained the confidence of investors and national and international creditors.
b. Meet the demands of global standards.
c. Minimizing the costs of losses and the costs of prevention of abuse of management authority.
d. Minimize the cost of capital by reducing the risk faced by creditors.
e. Increase the value of company shares.
f. Raise the company's image in the public eye.

2.3.3 Principles of Good Corporate Governance

GCG principles in accordance with Article 3 of the Decree of the Minister of SOEs No. 117 / M-MBU / 2002 dated July 31, 2002 regarding the implementation of GCG there are SOEs as follows (Effendy, 2009: 4).

a. Transparency

   Openness in carrying out the decision making process and disclosure of relevant material information about the company

b. Disclosure

   Presentation of information to stakeholders, both requested and unsolicited, regarding matters relating to the company's operational performance, financial performance, and business risks.

c. Independence

   A situation in which a company is managed professionally without a conflict of interest and influence or pressure from any party that is not in accordance with applicable laws and regulations and sound corporate principles.

d. Accountability

Clarity of functions, implementation, and accountability of management so that company management is carried out effectively and economically.

e. Liability

Suitability of company management to the applicable laws and regulations and sound corporate principles

f. Fairness

Justice and equality in fulfilling the rights of stakeholders that arise as a result of the agreements and laws and regulations that apply.

2.3.4 Good Corporate Governance Practices

According to Utami (2011: 32) Corporate Governance is a system that regulates and controls companies that are expected to provide and increase company value to shareholders. Thus, the application of Good Corporate Governance is believed to increase the value of the company. Corporate governance practices include the existence of independent commissioners, managerial ownership, institutional ownership and audit quality.

The existence of Managerial Ownership, Institutional Ownership, Proportion of Independent Commissioners, The number of audit committee members according to Yolanda (2016: 38-40) as follows:

a. Managerial Ownership Managerial

Share of ownership can help the unification of interests between shareholders and managers, the more the proportion of managerial share ownership, the better the company's performance. In companies with managerial ownership, managers who are at the same time shareholders will certainly align their interests as managers with their interests as shareholders. While in companies without managerial ownership, managers who are not shareholders may only be concerned with their own interests.

Managerial ownership structure is the level of share ownership by management that is actively involved in decision making. The measurement can be seen from the large proportion of shares owned by management at the end of the year presented in the form of presentations.

b. Institutional

Ownership Another ownership structure is institutional ownership. Institutional shareholders usually take the form of entities such as banking, insurance, pension funds, and mutual funds. Institutional investors have the capability to analyze financial statements directly compared to individual investors. Institutional ownership can encourage increased oversight that is more optimal so that its existence has significance for monitoring management.

With this monitoring the shareholders will be more assured of their prosperity, the influence of institutional ownership which acts as a supervisory agent is suppressed by their sizable investment in the capital market. In Suranta and Midiastuty (2004) who found that monitoring by an institution was able to substitute other agency costs, so agency costs decreased and company value increased

c. Proportion of Independent

Commissioners An independent commissioner is a body within a company that usually consists of an independent board of commissioners from outside the company whose function is to assess the performance of the company more broadly and overall. Independent commissioners aim to balance decision making, especially in the context of protection of minority shareholders and other related parties.

d. Number of Audit Committee Members

BAPEPAM through Circular No. SE-03 / PM / 2000 calls on public companies to form an audit committee. Audit committee members are appointed from commissioners who do not carry out executive duties and consist of at least three independent members. The audit committee meets three to four times a year to carry out its obligations and responsibilities. The audit committee gives professional opinion to the board of commissioners to improve the quality of work and reduce company management irregularities. The audit committee has an important and strategic role in maintaining the credibility of preparing financial statements such as maintaining an adequate monitoring system. With the audit committee functioning effectively, control of the company will be better so that it is expected to reduce agency problems.

2.4 Liquidity

2.4.1 Definition of Liquidity

According Hudzaefa (2018: 15) liquidity is the company's ability to meet short-term obligations. In meeting the short term, the company's management must be careful in using the company's capital and the company's management must be careful in managing the risks that will arise in the company. In assessing a company's ability to pay short-term obligations in the future, company management often uses liquidity assessments.

According to Kasmir (2014: 110) liquidity ratios are ratios that illustrate the company's ability to meet short-term obligations. This means that if the company is billed, the company will be able to meet the debt, especially the debt is due. In other words, the liquidity ratio serves to show or measure the company's ability to meet its obligations that are past due, both obligations to outside parties (company liquidity) and within the company (company liquidity). Thus, it can be said that the use of this ratio is to find out the company's ability to finance and fulfill its obligations.

According to Subramanyan (2010: 10) liquidity is the company's ability to generate cash in the short term to fulfill its obligations and depends on the company's cash flow and its components of assets and current liabilities.

2.4.2 Objectives and Benefits of Liquidity

Objectives and benefits of liquidity according to Kasmir (2013: 132), are:

a. To reduce the company's ability to pay obligations or debts that are due soon when billed. That is, the ability to pay obligations that are due to be paid according to a predetermined deadline.
b. To measure a company's ability to pay short-term liabilities with overall current assets. That is, the amount of liabilities under one year old or equal to one year, compared with total current assets.
c. To measure the company's ability to pay short-term liabilities with current assets without calculating inventory or receivables. In this case, current assets are reduced by stocks and debt which are considered lower liquidity.
d. To measure or compare the amount of inventory available with the company's working capital.
e. To measure how much cash is available to pay debts
f. As a future planning tool, especially relating to cash and debt planning
g. To see the condition and liquidity position of the company from time to time by comparing it for several periods.
h. To see the weaknesses of the company, from each component in the current assets and current debt.
i. Becoming a trigger for management to improve their performance, by looking at the current liquidity ratios.

2.4.3 Method of Measuring Liquidity Ratios

According to Harahap (2018: 53-57) Liquidity shows the company's overall financial position. This ratio is very important because failure to meet short-term obligations will lead the company into bankruptcy. The types of ratios or measurement methods of liquidity ratios are Current Ratio, Quick Ratio, Cash Ratio, and Inventory Ratio to more working capital.

The types of liquidity ratios proposed by Kasmir (2014: 119) that can be used by companies to measure their capabilities are:

a. Current Ratio, is a ratio to measure the ability of companies to pay short-term liabilities or debt that are due immediately when billed as a whole. In other words, how much current assets are available to cover short-term liabilities that are due soon. The current ratio can also be said as a form of measuring the security level of a company.
b. Quick ratio or very smooth ratio or acid test ratio is a ratio that shows the ability of companies to meet or pay obligations or current debt (short-term debt) with current assets without taking into account the value of the stock (investory). That is, the value of our stocks is ignored, by subtracting the total value of current assets. This is done because the preparation is considered to require relatively longer time to be cashed, if the company needs funds to pay its obligations quickly compared to other current assets.
c. Cash Ratio is a tool used to measure how much cash is available to pay debt. The availability of cash can be demonstrated from the availability of cash funds or cash equivalents such as current accounts or savings accounts in banks (which can be withdrawn at any time using an ATM card). It can be said that this ratio shows the real ability of the company to pay its short-term debts.

The researchers chose the current ratio because the current ratio is used to measure the ability of companies to pay short-term liabilities using current assets owned. This ratio is calculated by dividing current assets with short-term liabilities. This ratio is often referred to as the working capital ratio which shows the amount of available current assets owned by the company to respond to business needs and continue its daily business activities.

According to Subramanyan (2010: 243), the reason for the widespread use of the current ratio as a measure of liquidity includes its ability to measure:

a. Ability to meet current obligations. The higher the number (multiples) of current assets against current liabilities, the lower the confidence that the current liabilities will be paid.
b. Buffer loss. The greater the buffer, the smaller the risk. Current Ratio shows the level of security available to cover a decline in the value of non-cash current assets when the assets are released or liquidated.
c. Current fund reserves. Current ratio is a measure of the level of security against uncertainty and surprises such as strikes and extraordinary losses, can endanger the cash flow temporarily and unexpectedly.

According to Irham Fahmi (2013: 121) the definition of current ratio is a measure commonly used for short-term solvency, the ability of a company. From the above understanding, it can be concluded that the current ratio is the ratio used to show the company's ability to meet all short-term obligations that will soon mature by using its current assets. This ratio shows the amount of current liabilities that are covered by current assets.

According to Kasmir (2013: 135) that: "If the current ratio is low it can be said that the company lacks capital to pay off debt. But if the results of high ratio measurements are not necessarily considered good. This can happen because cash is not used as well as possible. "

This opinion is in line with Irham Fahmi (2013: 124) which states that: "if the current ratio is too high it is considered not good because it can indicate cash accumulation, the number of uncollectible receivables and inventory buildup, but if the current ratio is low, relatively more risky, but shows that management has operated the current assets effectively. "

Previous research by Lidyasari (2019) proved that the liquidity variable (current ratio) had a significant positive effect on firm value. In other words, when liquidity increases, the value of the company also increases. High liquidity indicates that the company is in good condition so that it will increase the demand for shares and raise share prices. The higher the share price, the higher the company's value which reflects the prosperity of shareholders is also high. According to Van Horm and Watchowic (2012: 206), Current Ratio can be measured by the formula:

$$\text{Current Ratio } = \frac{\text{Current Assets}}{\text{Current Liabilities}} \text{x} 100\%$$

2.5 Rentability

2.5.1 Definition of Rentability

According to Harahap (2009: 304) rentability ratios or also referred to as profitability describe the company's ability to profit through all capabilities, and existing sources such as sales, cash, capital, number of employees, number of branches, and so on. Ratios that describe the company's ability to generate profits also called operating ratio.

According to Kasmir (2013: 196) profitability ratios are ratios to assess a company's ability to seek profits. In practice, the types of profitability ratios that can be used (Kasmir, 2013: 199-207), are:

a. Profit Margin (profit margin on sales)

   Profit Margin on Sales or Ratio Profit Margin or profit margin on sales is one of the ratios used to measure profit margin on sales.

b. Return on Investment (ROI)

   Return on Investment is a ratio that shows the return on the total assets used in a company. ROI is also a measure of the effectiveness of management in managing its investments.

c. Return on Equity (ROE)

   Return on Equity (ROE) is a ratio to measure net income after tax with own capital. This ratio shows the efficiency of using their own capital. The higher this ratio, the better. This means that the position of the owner of the company is getting stronger, and vice versa.

d. Earnings per share

   Earnings per share, also known as book value ratio, is a ratio to measure the success of management in achieving profits for shareholders.

From the following ratios above, the profitability ratio used in this study as a variable is Return on Equity (ROA). According to Utami (2017: 7) Ratio directly related to the interests of company performance analysis is Return On Assets (ROA) is one form of profitability ratios intended to measure the company's ability to overall funds invested in activities used for the company's operating activities with the purpose of generating profits by utilizing the assets it has.

According to Kasmir (2010: 202) Return on Assets (ROA) or often also called Return on Investment (ROI) is a ratio that shows the results (return) on the amount of assets used in the company. ROI is also a measure of the effectiveness of management in managing its investments. ROI can be obtained by comparing Earning after Tax with total assets. According to Kasmir (2010: 202) this ratio can be measured by the formula:

$$Return\ on\ Asset = \frac{Profit\ for\ the\ period}{Total\ Assets}\ x\ 100\%$$

Research Lidyasari (2019) profitability variable (ROA) has a significant positive effect on firm value. In other words, when profitability increases, the value of the company also increases. Because the company has a good performance and management in the company so that it has a level of profitability that continues to increase every year. So that investors are increasingly interested in investing in companies that have high profitability so that the company's value will increase. And Rajab (2017) profitability (ROA) has a positive and significant effect on the value of the company, or in other words the greater the profitability, the more increasing the value of the company.

2.6 Company Value

2.6.1 Definition of Company Value

One of the main objectives of a company is to maximize the value of the company, the value of the company is used as a measure of company success because increasing the value of the company means increasing the prosperity of the company owner or shareholder. The company's value can be seen from the value of shares of the company (Martono and Harjito 2012: 34)

According to Agus Sartono (2012: 9) the value of the company can be defined as follows:

"The purpose of maximizing the wealth of shareholders can be taken to maximize the present value of the present value of all profits holders shares will increase if the price of shares owned increases. "

According to Prasetyorini (2013: 186) high company value will be followed by high shareholder prosperity. The higher the share price the higher the value of the company, the high value of the company becomes the desire of the owners of the company because with a high value shows the prosperity of shareholders is also high.

According to Irham Fahmi (2013: 139) the value of the company is to provide information on how much the community appreciates the company, so they want to buy company shares at a price higher than the book value of shares.

According to Suad Husnan and Enny Pudjiastuti (2012: 6) the value of the company is the price that prospective buyers are willing to pay if the company is sold. The higher the value of the company the greater the prosperity received by the company owner.

Based on the above definition, it can be said that the value of the company is the investor's perception of the company that is often associated with stock prices, as stated by Suad Husnan and Enny Pudjiastuti (2012: 6) that: "Normatively the goal of financial decisions is to maximize the value of the company. The higher the value of the company, the greater the prosperity that will be received by the owner of the company. For companies that issue shares in the capital market, the price of shares traded in the stock market is an indicator of company value. "

According to Weston and Copeland (2008: 244) measurement of company value can be done using valuation ratios or market ratios. Rating ratios are the most comprehensive performance measures for a company. One alternative used in assessing the value of a company is Tobin's Q. Tobin's Q is the market value of a company by comparing the market value of a company listed on the financial market with the company'sasset replacement value.

According Prasetyorini (2013: 186) Indicators of company value can be seen from the company's stock price in the market. Company value can be calculated by Tobin's Q analysis. Tobin's Q analysis is also known as the Tobin's Q ratio. This ratio is a valuable concept because it shows the current financial market estimates of the return on each dollar of investment in the future.

According to Prasetyorini (2013: 186), Tobin's Q is calculated by the ratio of the market value of the company's shares plus debt and then compares it with the company's total assets. The formula is as follows:

$$\text{Tobin's Q} = \frac{\text{MVE} + \text{Debt}}{\text{TA}}$$

Where:

MVE = Market value of the number of shares outstanding obtained from the number of outstanding shares x closing price

Debt = Total value of the company's liabilities

TA = Total company assets

Previous research related to this is Syafitri and Nurlaily (2018) with the title Effect of Good Corporate Governance on Company Value (studies of metal industry sub-sector companies and the like listed on the Indonesia Stock Exchange for the period 2012-2016) which concluded there was a significant simultaneous influence between the Audit Committees, Managerial Ownership, Board of Directors and Board of Commissioners of Corporate Value (Tobins'Q).

2.7 Research Framework

Based on the description of the theoretical basis above in the literature review previously described, the frame of mind model used for understanding the concepts used is as follows;

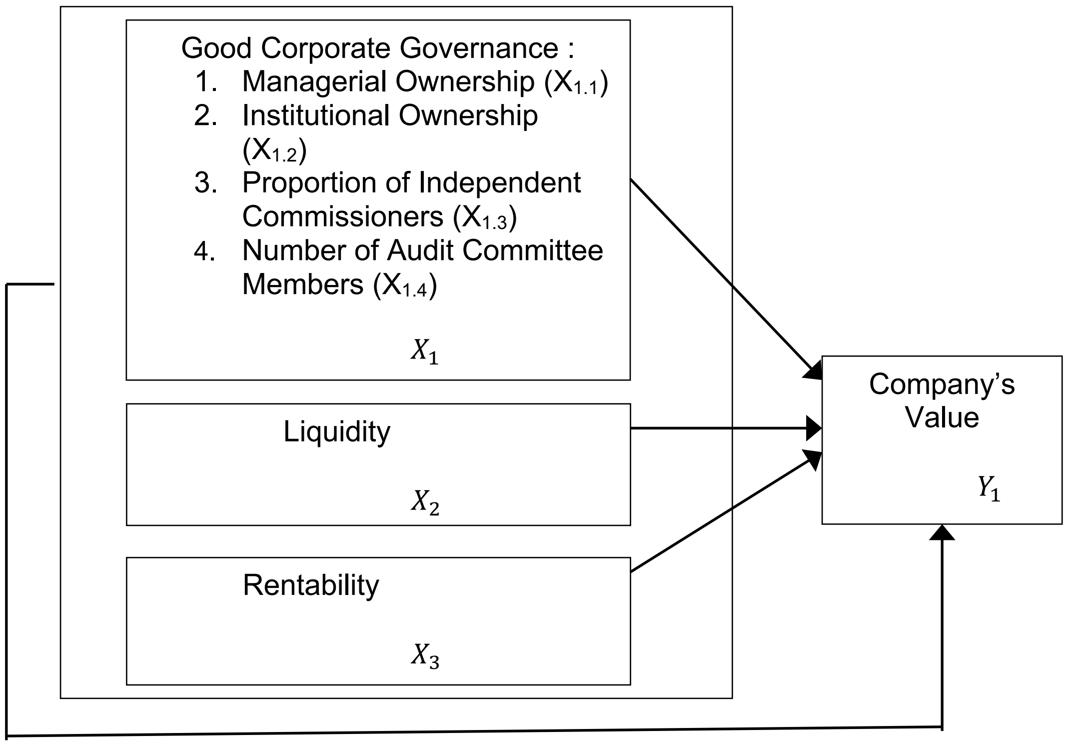

Figure 2.1
Conceptual Framework

From the picture of the conceptual framework above, it is explained that good corporate governance taking into account the existence of independent commissioners, managerial ownership, institutional ownership and audit quality as a measurement method will positively affect the value of the company. Likewise with the variables of liquidity and profitability, each of which uses the indicator Current ratio for liquidity and Return on Assets for rentability has a positive effect on firm value.

2.8 Hypothesis Formulation

2.8.1 Effect of Good Corporate Governance on Company Value

Good Corporate Governance is proxied by Managerial Ownership, Institutional Ownership, Proportion of Independent Commissioners, and Number of Audit Committee Members.

2.8.1.1 Effect of Managerial Ownership on Company Value

Jansen and Meckling (1976) state that conflicts between principals and agents can be reduced by aligning interests between principals and agents. Principals can limit deviations from their interests by establishing appropriate incentives for agents and by incurring monitoring costs designed to limit deviant activities from agents. Thus the agent will carry out orders in accordance with what has been mandated by the principle so that the interests of the principle will be fulfilled by the agent. The existence of agency conflict will lead to agency costs.

According to Julianti (2015: 50) Agency theory explains that with an increase in share ownership by managers (insider ownership) can be a control for agency costs that arise from the mechanism of minimizing agency conflict that occurs between owners and managers. Insider ownership is the owner of a company that doubles as the manager of the company. The greater the insider ownership, the difference in interests between shareholders (owners) and company managers (management) is smaller because they will act in tandem with more caution in making a decision because the results of decisions taken not only affect the owner, but the manager also bear the consequences of the decisions he has taken. Small insider ownership shows that only a small number of shareholders are involved in managing the company so the higher the possibility of agency problems. This managerial ownership policy will motivate management performance which is intended to align managers with shareholders. The greater the level of insider ownership of a company, the higher the level of harmony and control ability of the interests of the principal and agent. Here managers are treated the same as shareholders not only as external parties who are employed to carry out the interests of the company, but participate in the decision making process for the achievement of the objectives of the company.

The results of research from Perdana and Raharja (2014) concluded that the involvement of managers in the ownership of shares is expected to increase the value of the company. Theoretically, when management ownership is low, incentives for the possibility of managers' opportunistic behavior will increase. By increasing share ownership by managers, managers are expected to act in accordance with the wishes of the principals because managers will be motivated to improve performance in order to create high company value.

Rupilu's research (2011) proves that managerial ownership negatively influences firm value. This indicates that the greater management ownership in a company, then management tends to be less able to try to improve its performance. This is different from the research of Mukhtaruddin et al., (2014) which proves that managerial ownership has a positive and significant impact on firm value. This shows that the proportion of shares controlled by managers can influence company policy. Thus, the interests of managers and shareholders will unite so that it will have a positive impact in order to increase shareholder value. The results of the study are in accordance with the research of Perdana and Raharja (2014) which shows that managerial ownership has a positive effect on firm value.

And the research conducted by Julianti (2015) shows that managerial ownership has a positive and significant effect on firm value. This shows that managerial ownership is able to be a mechanism of Good Corporate Governance that can increase company value.

Based on the theory and supported by previous studies that have tested Managerial Ownership with results that tend to have a positive effect on firm value, the hypotheses to be tested in this study are:

$\mathrm{H}_{1\mathrm{A}}$: Managerial Ownership has a positive effect to the value of the company.

2.8.1.2 Effect of Institutional Ownership on firm value

Jensen and Meckling (1976) state that institutional ownership has a very important role in minimizing agency conflict. Agency conflict is a conflict of interest that occurs between managers and shareholders. The existence of agency conflict will cause agency costs for the company. According to Julianti (2015: 55) one way to minimize agency cost is to increase institutional ownership. In other words, the higher the level of institutional ownership, the stronger the level of supervision and control carried out by external parties to the company, so that agency costs incurred within the company can be minimized and the value of the company will increase.

According to Julianti (2015: 55) this agency approach explains the company's main goal of maximizing shareholder prosperity through maximizing corporate value. Institutional ownership is considered capable of being an effective monitoring mechanism in every decision taken by managers. Such monitoring will certainly guarantee prosperity for shareholders, the influence of institutional ownership as a supervisory agent is suppressed through their sizable investment in the capital market. With the supervision of shareholders, this manager's opportunistic behavior will not occur because the manager will feel supervised in every action he does so that the manager will not take actions that will harm the company in order to maintain its position in the company. High institutional share ownership can increase company value. This is caused by the institutional role as a monitoring or control tool in increasing company value. Research conducted by Mukhtaruddin et al., (2014), proves that institutional ownership has a positive and not significant effect on firm value. And the results of a study conducted by Julianti (2015) prove that institutional ownership has a positive and significant effect on firm value. This shows that institutional ownership can be a mechanism of Good Corporate Governance that can increase company value. While the results of the study of Perdana and Raharja (2014) prove that institutional ownership has no effect on firm value. This is possible because the institution as the shareholder of the company has not been effective in implementing control and monitoring of management.

Based on the theory and supported by previous studies that have tested Institutional Ownership with results that tend to have a positive effect on firm value, the hypotheses to be tested in this study are:

H_{1B}: Institutional ownership has a positive effect on firm value.

2.8.1.3 Effect of proportion of commissioners on company value

According to Julianti Julianti (2015: 60) Independent Commissioners are members of the board of commissioners who have no financial, management, share ownership and / or family relationship with other members of the board of commissioners, directors and / or controlling shareholders or other relationships that can affect their ability to act independently. The role of independent commissioners is expected to minimize agency problems that arise between the board of directors and shareholders. Independent commissioners act neutrally and encourage the implementation of the principles of good corporate governance so that it will reduce fraud that may be committed by management in presenting financial statements. Independent commissioners must be proportional to the number of shares owned by non-controlling shareholders and have a minimum amount of 30% of the total number of commissioners. As independent commissioners, they have the function and position to represent the interests of independent shareholders. The Independent Commissioner functions to oversee the running of the company by ensuring that the company has carried out the practices of transparency, disclosure, independence, accountability and fairness practices according to the provisions in force in a country's economic system.

Suyanti et al., (2010) prove that the composition of independent commissioners has no effect on company value. Research with similar results was carried out by Rupilu (2011), his research proves that independent commissioners have no effect on company value, because the average composition of independent commissioners is currently less efficient in carrying out the supervisory function, this is due to the minimum provisions of an independent board of commissioners of 30% it might not be high enough to cause the independent commissioners to dominate the policies taken by the board of commissioners.

Whereas Perdana and Raharja (2014) managed to prove that independent commissioners had a significant positive effect on company value. This shows that the more members of the independent commissioner, the financial reporting supervision process carried out by the board of commissioners will be more effective so that it can improve the performance of the company. With the increase in company performance due to effective supervision from independent commissioners, of course, investors are willing to pay more expensive and higher value of the company's shares. And research conducted by Anggraini (2013) shows that the independent board of commissioners has a significant effect on company value. The higher the proportion of independent commissioners in the company, it is hoped that the empowerment of the board of commissioners will be able to carry out supervisory duties and provide advice to directors effectively and provide added value to the company. Thus this will provide high benefits for the company so that the company's value can increase.

Based on previous research that has tested the Proportion of Commissioners with results that tend to have a positive effect on firm value, the hypotheses to be tested in this study are

H_{1C}: Proportion of commissioners has a positive effect on firm value.

2.8.1.4 The influence of the audit committee on company value

According to Julianti (2015: 65) the audit committee is a group of people chosen from the members of the board of commissioners who are responsible for overseeing the financial reporting and disclosure processes. The Audit Committee was formed by the board of commissioners to assist the board of commissioners in carrying out the oversight function of the company's performance carried out by management in accordance with the principles of good corporate governance. In general, the audit committee consists of representatives of the board of commissioners, especially the independent board of commissioners, so the audit committee must be independent. An external audit committee is able to protect the interests of shareholders from fraud committed by management. With the independence of the audit committee, it is expected that transparency in corporate management accountability can be trusted, thereby increasing the confidence of capital market players. In addition, the audit committee is responsible for protecting the interests of minority shareholders so as to convince the shareholders to entrust their investment in the company. This was proven by Perdana and Raharja (2014) the existence of the audit committee positively and significantly affected the value of the company.

According to Julianti (2015: 66) The existence of the audit committee should be maximally utilized in the framework of implementing good corporate governance, because the audit committee is able to provide a large role in the implementation of good corporate governance. The audit committee is basically able to encourage the management of the company to carry out various performance developments related to efforts to meet the principles of good corporate governance. Therefore the audit committee monitors the corporate governance mechanism that can improve the quality of information for company owners and company management, because both parties have different information.

Gill and Obradovich (2013) in their research prove that the audit committee has a positive and not significant effect on firm value. The results of this study support the results of the study of Perdana and Raharja (2014) and research by Mukhtaruddin et al., (2014) which proves that the audit committee has a positive and not significant effect on firm value. While Rupilu (2011) proved that the audit committee had a positive and significant effect on company value. Thus, an increase in the audit committee will encourage an increase in company value so that the existence of the audit committee is needed in the implementation of good corporate governance. And Isti'adah research results (2015) states that the audit committee has a positive effect on company value. This shows that the existence of the audit committee is a factor that can be considered in appreciating the value of the company.

Supported by previous research that has tested the audit committee with results that tend to have a positive effect on firm value, the hypotheses to be tested in this study are:

H_{1D}: Audit committee has a positive effect on firm value.

2.8.2 Effect of Liquidity on Company Value

According to Budi Rahardjo (2009: 120). financial performance that is assumed with a liquidity ratio illustrates the company's ability to meet financial obligations that must be fulfilled immediately in the short term or one year from the date of the balance sheet was made. Short-term liabilities or debts in the Balance Sheet can be fulfilled or closed from Current Assets which also revolve in the short term.

According to Luthfiana (2018: 43) the value of the company obtained from operational activities for several years is determined by the public's trust in the company. Increasing the value of a company is an achievement, because this means the welfare of the company and its owners are also increasing. While liquidity ratios that describe the company's financial performance in terms of liabilities can affect the valuation of the public, especially investors in order to give trust to the company to invest. If the company still has good ability to meet its short-term obligations (one year period) using current assets, the company can be said to be liquid. Thus investors do not need to worry about investing their funds, if one day something unexpected happens. Based on the description above, it can be concluded that the higher the liquidity ratio of a company, the higher the liabilities of the company that are covered with current assets, thus public trust will also increase, this means the value of the company is also getting better. In line with the results of Luthfiana's research (2018) states Liquidity has a positive and significant effect on the Value of Companies in the Property and Real Estate Sector that are listed on the Indonesia Stock Exchange in 2014-201. A company's liquidity is able to describe the company's ability to meet its short-term obligations to short-term creditors, the greater the ratio of cash to debt, the better.

Supported by previous studies that have tested Liquidity with results that tend to have a positive effect on firm value, the hypotheses to be tested in this study are

H_2 : Liquidity has a positive effect on Company Value..

2.8.3 Effect of rentability on company value

Measurement of Rentability is measured by the calculation of Return on Assets. According to Kasmir (2010: 202) Return on Assets (ROA) or often also called Return on Investment (ROI) is a ratio that shows the results (return) on the amount of assets used in the company. ROI is also a measure of the effectiveness of management in managing its investments. ROI can be obtained by comparing Earning after Tax with total assets.

According to Husnan (2001: 317) profitability will have a positive effect on the value of the company because the better the growth of profitability, it means that the company's prospects in the future are considered better as well, meaning that the better the value of the company in the eyes of investors. If the company's ability to generate profits increases, the share price will also increase. This is consistent with research conducted by Alfredo Mahendra (2011) showing that profitability has a positive effect on firm value. And the results of research Rahmadani and Rahayu (2017) states that profitability has a positive effect on firm value. The profitability variable in this study is proxied by Return On Assets.

Supported by previous research that has tested Profitability with results that tend to have a positive effect on firm value, the hypotheses to be tested in this study are

H_3: Rentability has a positive effect on Company Value.

2.8.4 Effect of Good Corporate Governance, Liquidity and Rentability on Company Value.

According to Utami (2011: 32) Corporate Governance is a system that regulates and controls companies that are expected to provide and increase company value to shareholders. Thus, the application of Good Corporate Governance is believed to increase the value of the company. Corporate governance practices include the existence of independent commissioners, managerial ownership, institutional ownership and audit quality. This is in line with Yolanda's (2016) GCG (Good Corporate Governance) research that is proxied by Managerial Ownership, Institutional Ownership, Proportion of Independent Commissioners, and Audit Committees. From the calculation results show that managerial ownership and the proportion of independent directors significantly influence the value of the company. And according to Riny (2018: 141-142) Factors that can support the determination of good company value if high liquidity and profitability. Proven by the results of Luthfiana's research (2018) states that Liquidity has a positive and significant effect on Company Value in the Property and Real Estate Sector that is listed on the Indonesia Stock Exchange in 2014-2017. And the results of research Rahmadani and Rahayu (2017) states that profitability has a positive effect on firm value. The profitability variable in this study is proxied by Return On Equity and Return On Assets.

Based on the theory and supported by previous research that has tested Good Corporate Governance with the proxy of Managerial Ownership, Institutional Ownership, Proportion of Independent Commissioners, and Number of Audit Committee Members with results that tend to have a positive effect on company value, as well as previous research that tests Liquidity and Rentability tends to affect positive on firm value, the hypotheses to be tested in this study are

H_4 : Good Corporate Governance, Liquidity and Rentability have a positive effect on Company Value.

CHAPTER III

RESEARCH METHOD

3.1 Research Design

This type of research used in this research is quantitative research with a descriptive approach. Quantitative research methods are one type of research whose specifications are systematic, planned and clearly structured from the beginning to the design of the research. According to Sugiyono (2013: 13), quantitative research methods can be interpreted as research methods based on the philosophy of positivism, used to examine populations or specific samples, sampling techniques are generally carried out randomly, data collection using research instruments, data analysis is quantitative / statistics in order to test the hypothesis that has been set. This research uses descriptive approach with the aim to describe the research object or research results. The descriptive understanding according to Sugiyono (2012: 29) is a method that serves to describe or give an overview of the object under study through data or samples that have been collected as they are, without conducting analysis and making general conclusions.

3.2 Research Place and Date

This research was conducted using secondary data from companies listed on the LQ-45 Index on the Indonesia Stock Exchange in the 2015-2019 period. Whereas the time of the study was conducted based on the length of the research carried out, namely starting from proposing the research title, writing a proposal, collecting, and managing the data to completing the research results.