DO CORPORATE GOVERNANCE AND FINANCIAL PERFORMANCE REFLECT VALUE OF COMPANY?

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Abstract
The discourses on the role of Corporate Governance in company have been widely carried out. This proves that the importance of this role cannot be ignored even though in practice it is very dependent on how the company to implement it. Corporate Governance is also one of the most important factors in increasing the value of the company in addition to other factors such as the company's financial performance itself. This study aims at assessing corporate governance by the instrumentality of ratings for a sample of 42 banking sector companies listed on the Indonesia Stock Exchange (IDX) with annual reports in 2012-2016 with a purposive sampling method. This study used multiple regression analysis and the results noticed the lack of a statistically significant relationship between the corporate governance was proxied by managerial ownership and audit committees, and firm value. Meanwhile institutional ownership, independent board of commissioners have significant positive effects on firm value. Financial performance that is proxied by Net Interest Margin does not affect the value of the company, while the Capital Adequacy ratio and Return on Asset have a significant positive effect on firm value. The implication of this research is that investors and stakeholders should be aware that there is no strong relationships among quality of corporate governance, financial performance and value of firm.

Keywords: Financial performance, capital adequacy ratio, net interest margin, return on assets, good corporate governance, managerial ownership, ownership

Introduction
Banking companies can be interpreted as financial institutions which activities collect funds from the public and redistribute the funds to the public or other bank services. In addition, banking is also a financial intermediary between parties who have capital and those who need capital. Institutions that conduct supervision in Indonesia, including those carried out by Bank Indonesia as the Central Bank, OJK1 (Financial Services Authority), BAPEPAM-LK (Capital Market Supervisory Agency), LPS2 (Deposit Insurance Agency), and Director General of Taxes.

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1 The OJK is an autonomous agency designed to be free from any interference, having functions, duties, and powers to regulate, supervise, inspect, and investigate. The agency was established in 2011 to replace the role of Bapepam-LK in regulating and supervising the capital market and financial institutions, as well as that of Bank Indonesia in regulating and supervising banks, and to protect consumers of financial services industry.

2 LPS IDIC was established by the Government of Indonesia to insure depositor’s fund and to actively participate in promoting stability for the country’s financial system in accordance with its authorized mandate.
National supervisory authorities have a legal mandate to supervise financial institutions and thereby protect the financial interests of the community by promoting safe and sound institutions, safeguarding continuity in the provision of financial services, protecting the interests of deposit holders and maintaining the stability of the financial system (BIS, 2015).

The purpose of banking companies is not only as a provider of funds but also to maximize the value of the company as reflected in the price of the shares they have. Usually investors see the value of the company generally related to investor perceptions of the company, which is often associated with stock prices. High stock prices make the value of the company also high (Sidhu, 2016). With the high value of the company, it will attract investors to invest in the company. Before investors make a stock investment in a company, they will first make a stock valuation based on the information they get from the capital market. This stock price is a reflection of overall investor valuations of each equity owned by the company.

There are three types of valuation related to stocks, namely book value, market value and intrinsic value. Book value is the value of shares according to the issuer's bookkeeping. The market value is the bookkeeping of the value of shares in the stock market while intrinsic value is the true value of the stock. The company's stock valuation aims to let investors know and understand these three values as important information in stock investment decision making because it can help investors to know which stocks can be profitable and which are not profitable.

Of the various financial ratios that exist, one of the ratios that are widely used in investment decision making is the ratio of stock prices to the company's book value, which the book value is calculated as a share of shareholders' equity with the number of shares outstanding. This ratio shows how far a company is able to create company value relative to the amount of capital invested. The higher the ratio, the more successful the company creates value for shareholders. Price Book Value (PBV) also shows how far the company is able to create corporate value. Companies that run well generally have PBV above 1, which shows market value is higher than the value of the book. The higher PBV, the higher the stock return. The higher stock returns will increase the company's revenue, which means will increase the company's ability to distribute dividends.

Determination of Price Book Value as a proxy in a study is to follow research on corporate value conducted by several previous researchers including Akademia Baru, Shittu, Ayoib & Ishak (2016). Price Book Value reflects the investor's assessment of each equity owned by the company. The greater the PBV ratio, the higher the company is valued by investors, relative to the funds invested in the company (Husnan, 2001).

Along with the increasing of profitability, the value of the company will also increase. Increasing the value of the company is an achievement of the results of the company's financial performance in accordance with the wishes of the owners because with the increase in the value of the company, the welfare of the owners will also increase. This level of financial performance is usually reflected in the level of profitability of the company. Prasetyorini (2013) argued that profitability could affect company value. Similarly, the research of Rahayu and Asandimitra
(2014) stated that profitability had a positive effect on firm value. While Moniaga (2013) suggested that profitability did not affect the value of the company. Financial performance is a reflection of the company's ability to manage capital for operational activities in order to generate profits. Financial performance is also the end result of a series of management policies and decisions, which these policies and decisions relate to the sources and uses of funds in carrying out company operations summarized in the balance sheet (Agustina and Yulius, 2015). According to Prasinta (2012), the policies and decisions of investors in investing their capital into companies are more influenced by the ratio of financial performance owned by a company compared to other ratios. Several ratios can be used to measure banking financial performance in this study illustrated by Return on Asset, Capital Adequacy Ratio, Net Interest Margin.

Other financial performance factors that can affect the value of the company is the Capital Adequacy Ratio (CAR), which is a financial ratio that shows how far all bank assets that contain risks (credit, securities, bills on other banks) is financed from bank capital funds itself, besides obtaining funds from outside sources such as public funds, loans and others (Dendawijaya, 2005). Dendawijaya's research was also supported by research conducted by Kusuma and Musaroh (2012) which stated that CAR had a positive effect on firm value. This Capital Adequacy Ratio (CAR) can reflect the ability of banks to cover the risk of losses from their activities and the ability of banks to fund their operational activities (Idroes, 2008).

Net Interest Margin (NIM) is also one of other performance factors that affect company value. In the banking world, Net Interest Margin (NIM) is a measure to distinguish between interests earned by banks or financial institutions, with the amount of interest given to lenders. NIM is used to evaluate banks in managing various risks that may occur in interest rates. According to Kusuma and Musaroh (2012) stated that NIMs could affect company value. The high profits usually obtained from the banking market in Indonesia are one of the factors triggering the acquisition of local banks by foreign banks because the NIMs of banks in Indonesia are the highest in Asia. Thus, the amount of NIM will affect the profit and loss of the bank, which ultimately affects the performance of the bank.

In addition, other financial performance factors that influence the value of the company are Return on Assets (ROA). ROA is the ratio between pre-tax profit to total assets. The greater the ROA shows the better financial performance, because the rate of return is greater. If ROA increases, it means that the profitability of the company increases, so that the final impact is an increase in profitability enjoyed by shareholders (Husnan, 2001). Thus, if a company has a high ROA, the company has a big chance to increase growth. However, if the total assets used by the company do not provide profits, the company will suffer losses and will inhibit growth. Profitability is important in an effort to maintain its survival in the long run, because profitability shows whether the business entity has good prospects in the future (Hermuningsih, 2013).

Research on Return on Assets (ROA) on firm value still shows inconsistent results. Research conducted by Ulupui (2007) found that ROA had a significant positive effect on stock returns over the next period and also research done by Kusuma and Musaroh (2012) found that ROA has a positive effect on firm value and on stock prices (Dini and Indarti, 2012). However, different result was obtained by Hermawan and Ma'ulah (2014), their research found that partially ROA
did not significantly influence the value of the company. It supported research done by Febrina and IGN Agung (2011) that ROA does not have an influence on company value. This shows the existence of other factors that also influence ROA with company value.

In addition, investors also assess the company's prospects in the future. The value of a company can be argued to be good if corporate governance is good (Ammann, 2010). To get good management, the company must implement Good Corporate Governance (GCG). Good corporate governance can increase profits and reduce the risk level of corporate losses so that it can increase the value of the company in the future.

As business complexity develops in various countries in the world, Good Corporate Governance also develops in developing countries such as Indonesia. Indonesia has experienced economic crisis twice in 1997 and 2008. This has spurred the government to issue regulations regarding the implementation of Good Corporate Governance for companies in Indonesia. Thus, it hoped that with good management it would avoid the occurrence of an economic crisis as has happened before. Large corporate failures, financial scandals and economic crises in several countries, have focused attention on the importance of Good Corporate Governance. Indonesia the government has implemented regulations through the regulation of the Minister of State Owned Enterprises No. PER-01.MBU 2011 that aims to all SOEs to implement Good Corporate Governance. The presence of Good Corporate Governance in the recovery of the crisis in Indonesia was necessary, considering that Good Corporate Governance requires a good management in an organization (Hastuti, 2005).

Bank Indonesia Economic Research Bureau (2009) stated that the world financial crisis had an impact on the Indonesian economy as reflected in the turmoil in the capital market and money market. This fluctuation in the capital market reflected in the fluctuation of the company's stock price so that it will affect the value of the company because the company's value is measured by the company's stock price in the capital market. This also reflects in the number of companies that experienced a decline in profits until they suffered losses and even went bankrupt. Not only domestically, the problems surrounding the global market also add to the consideration of investors to put their funds on the Indonesian stock exchange. This has become an interesting phenomenon to discuss with regard to the issue of fluctuations in the value of the company.

Good Corporate Governance is corporate governance that explains the relationship between various parties in the company that determines the direction and performance of the company (Setyawan and Putri, 2013). A good company direction and performance will show the success of a company so that it will increase the value of the company. The emergence of the problem of Good Corporate Governance is due to the dependence on external capital (equity, loan capital) which is used to finance company activities, investment and company growth. Chrisdianto (2013) stated that Good Corporate Governance arises as a result of agency problems that arise, where there are behaviours to bring personal benefits, especially from agents by harming the interests of other parties (principals). As the demand for company shares increases, the value of the company will increase. In this study, researchers used four mechanisms to measure Good Corporate Governance, namely managerial ownership, institutional ownership, independent commissioners and audit committees. The four mechanisms of Good Corporate Governance are expected to make the management of the company better. So that it will improve company
performance and become an added value for the company. Management ownership plays a role as a party that unites interests between managers and shareholders. With managerial ownership, managers will feel they have a company that has an impact on the actions of managers in managing the company. Therefore, ownership by managers is an important consideration when trying to increase the value of the company (Rustendi and Jimmi, 2008). Institutional ownership is the party that monitors the performance of the company, mainly being an effective monitoring mechanism in every decision that will be taken by management. An independent commissioner is the best position to carry out the monitoring function in order to create a company that is Good Corporate Governance (Suyanti, Niken and Anni, 2010). Whereas the existence of the audit committee has the role of giving an independent opinion to the board of commissioners regarding financial statements and other matters submitted by the board of directors to the board of commissioners. The existence of an audit committee, the control of financial statements will be better. So that it can help the company’s management in making decisions that have an impact on increasing profitability.

Besides that there are several studies that explain the influence of Good Corporate Governance on company value. Perdana and Raharja (2014) examined the Analysis of the Effect of Good Corporate Governance on Company Values and the result stated that the mechanism of Good Corporate Governance has a significant effect on firm value. Furthermore, Nazir and Afza (2018) noticed that corporate governance significantly and positively influences firm value. However, in contrast, Suyanti et al., (2010), Mukhtaruuddin et al., (2014) Gherghina (2015), and Zhussupova, Zhanat, Irina and Mohamed (2018) concluded the different results, there was noticed the lack of a statistically significant relationship between the governance global rating and firm value. Even Nguyen and Robert (2007), Gupta, Kennedy and Weafer (2009) and Wha and Zhang (2011) proved that Factors of ownership governing structures, such as state ownerships, largest shareholder ownership, and managerial ownership gave negatively affect the firms' values. The existence of these very varied research results shows inconsistencies. It is still needed a proof of research related relationship among corporate governance and financial performance and firm value.

**Literature Review**

*Agency Theory*

Jensen and Meckling (1976) defined agency theory as the relationship between agents (management of a business) and principal (business owner). In the agency relationship there is a contract whereby one person or more (principal) rules another person (agent) to do a service on behalf of the principal and authorizes the agent to make the best decision for the principal. Agency theory perspective is the basis used to understand the issue of Good Corporate Governance. The theoretical agency results in an asymmetrical relationship between owner and manager, to avoid a relationship that is asymmetry requires a concept that is the concept of Good Corporate Governance which aims to make the company healthier. The implementation of Good Corporate Governance is based on agency theory, namely agency theory can be explained by the relationship between management and the owner, management as an agent is morally responsible
for optimizing the profits of the owners (principal) and in return will receive compensation in accordance with the contract.

The agency theory also explains the importance of the owner of the company giving up the management of the company to professionals called agents, to run their business. The agents are responsible for the company's interests and have the freedom to run the company's management. The shareholders have the duty to monitor and monitor the agents in managing the company. One of the main assumptions of agency theory is that the principal goals and objectives of different agents can lead to conflict because company managers tend to pursue personal goals. This can lead to managers' tendency to focus on projects and company investments that generate high returns in the short term rather than maximizing shareholder welfare through investment in long-term profitable projects.

In a company, one of the conflicts of interest between the principal and the agent can arise because of the excess cash flow. Excess cash flows tend to be invested in things that have nothing to do with the company's main activities. This causes a difference of interests because shareholders prefer high-risk investments that also generate high returns, while management prefers lower risk investments.

According to agency theory, conflicts between principals and agents can be reduced by aligning interests between principals and agents. The presence of managerial ownership (insider ownership) can be used to reduce the agency cost that has the potential to arise, because by owning company shares it is expected that the manager feels the benefits directly from each decision made. This process is called bonding mechanism, a process to equalize the interests of management through a binding program of management in the company's capital.

There are also direct ways used by shareholders to monitor company management so that it helps solve agency conflicts. First, shareholders have the right to influence the way the company is run through voting in the general meeting of shareholders, the voting rights of shareholders are an important part of their financial assets. Second, shareholders make a resolution where a group of shareholders collectively lobby the manager (representing the company) regarding issues that do not satisfy them.

Stakeholder Theory

Freeman (1984:25) defined stakeholders are groups and individuals who can influence or being influenced by the process of achieving the goals of an organization. The assumption of stakeholder theory is built on the statement that the company develops to be very large and causes the community to become related and pay attention to the company. So that the company needs to show accountability and responsibility more broadly and not limited to shareholders. This means that companies and stakeholders form relationships that influence each other.

Stakeholder theory is a collection of policies and practices that relate to stakeholders, values, fulfilment of legal provisions, respect for society and the environment, and commitment to the business community to contribute to sustainable development. Jones (1995) explained that stakeholders were divided into two categories:
a. Inside stakeholders, consisting of people who have interests and demands on company resources and are within the company organization. The parties included in the category of inside stakeholders are shareholders, managers and employees.

b. Outside stakeholders, consisting of people and parties who are not company owners, not company leaders and not company employees, but having an interest in the company are influenced by decisions and actions taken by the company. The parties included in the category of outside stakeholders are customers, suppliers, government, local communities and society in general.

Based on the explanation from stakeholder theory, the company not only operates for its own sake, but also must provide benefits to stakeholders (shareholders, creditors, consumers, suppliers, government, societies).

**Research Hypothesis**

*Effect of Managerial Ownership on Company Values*

Jansen and Meckling (1976) stated that conflict between principal and agent can be reduced by aligning interests between the principal and the agent. Principals can limit deviations from their interests by establishing appropriate incentives for agents and by generating 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 this agency conflict will lead to agency costs. Agency theory explains that the increase in share ownership by managers (insider ownership) can be a control for agency cost arising from an agency minimizing the mechanism of conflict that occurs between owners and managers.

Insider ownership is the owner of a company that also serves as a company manager. The greater the insider ownership, the smaller the interest between the shareholders (owners) and the company management because they will act more cautiously in making a decision because the results of decisions taken not only affect the owner, but the manager also bears the consequences of the decisions he/she has taken. The small ownership of insider ownership shows that there are only small number of shareholders who are involved in managing the company. So that the agency problems are also higher. This policy regarding managerial ownership 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 alignment and the ability to control the interests of the principal and agent. Here managers are treated the same as shareholders not only as external parties employed to implement the interests of the company, but participate in the decision-making process to achieve the objectives of the company.

With the involvement of managers in share ownership, it is expected to increase the value of the company. Theoretically, when management ownership is low, the incentives for the possibility of opportunistic behavior of managers will increase. By increasing share ownership by managers, it is expected that managers will act in accordance with the wishes of the principals because managers will be motivated to improve performance in order to create high corporate value (Perdana and Raharja, 2014).
Managerial ownership is the proportion of shares held by managers or directors and board of commissioners. In other words, managerial ownership is the proportion of shareholders from management who actively participate in corporate decision making. Managerial ownership will align the interests of management and shareholders. So that they will be a benefit directly from decisions taken and bear losses as a consequence of wrong decision-making (Suyanti et al., 2010). The company's goal is to increase managerial ownership so that managers act in accordance with the wishes of the shareholders. Increasing managerial ownership will have an impact on companies and shareholders. In this case management has the responsibility to increase the prosperity of the shareholders so that management will be more careful in making a decision, because in addition to having an impact on shareholders, management will share the benefits directly from the decisions taken. If the decision taken by management is wrong then they will accept the consequences by taking part in the loss of the decision and vice versa, if the decision taken by management is correct then they will receive the results in accordance with what was previously expected to receive benefits for the decisions that have been taken.

The proportion of managerial ownership that is quite high causes managers to feel that they have ownership of the company, so that they will have more responsibility for the company by making every effort to take actions that can maximize their prosperity. Assuming that increasing the proportion of shares held by managers will reduce the tendency of managers to take actions that are not in line with shareholders. With the same goal between managers and shareholders it will unite the interests of managers and shareholders, this has a positive impact on increasing the value of the company. Rupilu's research (2011) proved that managerial ownership had a negative effect on firm value. This indicates that the greater management ownership in the company, the management tends to be less able to try to improve its performance.

Unlike the case with the research was done by Mukhtaruddin et al., (2014) which proved that managerial ownership had 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 these studies are in accordance with the research of Perdana and Raharja (2014) which show that managerial ownership has a positive effect on firm value. As with the results of the research by Haruman (2010) managerial ownership has a negative effect on firm value.

Based on the explanation above, the hypothesis can be formulated as follows:

H1: Managerial ownership has a positive effect on firm value.

Effect of Institutional Ownership on Corporate Values

Jensen and Meckling (1976) stated that institutional ownership had a very important role in minimizing agency conflict. Agency conflict is a conflict of interest that occurs between managers and shareholders. This agency conflict will cause agency cost for the company. 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 that occur within the company can be minimized and the value of the company will increase (Suyanti et al., 2010). This agency
approach explains the company's main goal, namely maximizing the prosperity of shareholders through maximizing the value of the company. Institutional ownership is considered capable of being an effective monitoring mechanism in every decision taken by the manager. Such monitoring will certainly guarantee prosperity for shareholders, the influence of institutional ownership as a supervisory agent is suppressed through their considerable investment in the capital market (Sukirni, 2011). Managements will carry out their work as well as possible so that it will improve company performance. Institutional ownership is the company's shares owned by institutions such as insurance companies, banks, investment companies, and ownership of other institutions (Tarjo, 2008).

An institution is an institution that has a great interest in investments made including stock investment so that the institution will usually give up responsibility and entrust its investment to the management of the company to manage its investment as much as possible. The influence of institutional ownership as a supervisory agent can be seen from the amount of stock investment he/she does in the capital market. The greater the amount of stock investment in the capital market, the more effective the supervision of the company will be. This is because when shareholders have a high amount of stock investment, indirectly shareholders will expect a high return as indicated by the level of profitability obtained by the company. A high level of institutional ownership will lead to greater oversight efforts by institutional investors so that it can hinder opportunistic behaviour of managers (Wiranta and Nugrahanti, 2013).

Opportunistic behaviour is behaviour that utilizes the opportunities that exist to fulfil their own interests. In this case, the manager utilizes existing facilities in the company for his sake such as increasing profits in the company without the knowledge of the shareholders because the manager who manages and knows more about everything of the company so that the company's profits indirectly will decrease. This is done by managers to achieve the expected target so that the action as if the company's profits to increase.

Thus it will attract investors to invest in the company so that managers will get compensation for their performance. With the supervision of shareholders, the manager's opportunistic behaviour will not occur because the manager will feel supervised in every action he takes 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 due to the role of the institution as a monitoring or control tool in increasing the value of the company. Suyanti et al., (2010) stated that the greater institutional ownership, the more efficient utilization of company assets. This is in accordance with the research she has done by proving that institutional ownership has a positive effect on firm value. Research was conducted by Mukhtaruddin et al., (2014), proved that institutional ownership had a positive and not significant effect on firm value. While the results of Perdana and Raharja's research (2014) proved that institutional ownership did not affect the value of the company. This is possible because the institution as the owner of the company has not been effective in implementing control and monitoring of management. Based on the description, the hypotheses to be tested in this study is:

H2: Institutional Ownership has a positive effect on firm value.
Effect of Independent Commissioners on Company Values

Independent Commissioners are members of the board of commissioners who do not have financial, management, share ownership and/or family relations 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. The independent commissioner acts neutrally and encourages the implementation of the principles of good corporate governance so that it will reduce fraud that may be carried out by management in presenting financial statements. Independent commissioners are the best position to carry out monitoring functions to create companies that are good corporate governance (Suyanti et al., 2010). The higher the proportion of independent commissioners in the company, it is expected that the empowerment of the board of commissioners can carry out supervisory duties and provide advice to directors more effectively and more efficiently so as to provide added value to the company. In addition, the existence of independent commissioners is expected to be able to enhance the role of the board of commissioners so that good corporate governance is expected by the company.

Septiputri and Mutmainah (2013) also stated that the greater the number of independent commissioners, the higher the independence of the board of commissioners. So that the supervision carried out will be more objective in managing management related to profitability. If profitability increases, the value of the company will also increase. Thus, the existence of independent commissioners is very necessary in the board of commissioners of a company. Independent commissioners must be proportional to the number of shares held by non-controlling shareholders and have a minimum amount of 30% of the total number of commissioners. As independent commissioners, they have a function and position representing the interests of independent shareholders.

The Independent Commissioner serves 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 that apply in a country's economic system. The independent commissioner responsible for ensuring that the company is running well. Thus when the company is running well, investors will be interested in investing in the company assuming that the company will have a good performance reflected in the level of profitability produced, which in turn will increase the value of the company so that the shareholders' prosperity will be achieved.

The board of commissioners in which there are independent commissioners is the party that has an important role in overseeing reliable reports so that the financial statements reported by management are expected to be accountable. Suyanti et al., (2010) proved that the composition of independent commissioners had no effect on firm value. Research with similar results was carried out by Rupilu (2011). He proved that independent commissioners did not influence the value of the company. Because the average composition of independent commissioners was currently less efficient in carrying out its supervisory function, this was due to the 30% minimum requirement of independent commissioners it may not be high enough to cause the independent commissioners to dominate the policies taken by the board of commissioners.
While Perdana and Raharja (2014) succeeded in proving that independent commissioners had a significant positive effect on the value of the company. This shows that the more members of independent commissioners, the more effective the process of monitoring financial reporting by the board of commissioners can improve the performance of the company. With the increase in company performance due to the effective supervision of independent commissioners, of course investors are willing to pay more and more high value for the company's shares. However, Mukhtaruddin et al., (2014) research showed different results, namely independent commissioners had a negative and not significant effect on firm value. Based on the description, the hypothesis to be tested in this study is:

H3: Independent Commissioners have a positive effect on company value

Effect of the Audit Committee on Company Values

The audit committee is a group of people selected from the board of commissioners who are responsible for overseeing the financial reporting process and disclosure. The Audit Committee is formed by the board of commissioners to assist the board of commissioners in carrying out the supervisory 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 that the audit committee must be independent. Audit committee from outside is able to protect the interests of shareholders from fraud committed by management. With the independence of the audit committee, it is expected that there will be transparency in the accountability of the company's management that can be trusted. So that it will increase the trust 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 to the company. This proves the existence of the audit committee positively and significantly affects the value of the company (Perdana and Raharja, 2014).

The existence of an audit committee should be maximally utilized in the context of implementing good corporate governance, because the audit committee is able to provide a large role in the implementation of good corporate governance (Chrisdianto, 2013). The audit committee is basically able to encourage company management to carry out various performance developments related to efforts to meet the principles of good corporate governance. Therefore, the audit committee monitors corporate governance mechanisms that can improve the quality of information for company owners and company management, because both parties have different information.

In order for the implementation of corporate governance in Indonesia to run well, the government has issued several regulations, among others, by the decision of the chairman of BAPEPAM (2012) in LK No: Kep - 643 / BL / 2012 stating that there are several requirements that must be met to become an audit committee. One of these requirements is the obligation to have high integrity, ability, knowledge, experienced in accordance with the field of work, and be able to communicate well. These requirements aim to increase the transparency of corporate management's accountability for financial reporting, so that it will increase the confidence of capital market players. Thus, the audit committee has a direct contribution in the quality of
financial reporting. The audit committee also enhances the integrity and credibility of financial reporting through: supervision of the reporting process including the internal control system and the use of accounting principles in general, and oversees the overall audit process. The results indicate that the existence of an audit committee has consequences on financial statements, namely: reduced accounting measurement that is not appropriate, reduced accounting disclosure that is not appropriate and reduced management fraud and illegal actions. Obradovich and Gill (2012) in their research proved that audit committees had a positive and not significant effect on firm value. The results of the study support the results of Perdana and Raharja (2014) research and Mukhtaruddin et al., (2014) research that proved that audit committees had a positive and not significant effect on firm value. While Rupilu (2011) proved that the audit committee had a positive and significant effect on firm value. Thus, the increase in the audit committee will encourage an increase in the value of the company. So that the existence of an audit committee is needed in the application of good corporate governance. Based on the description, the hypothesis that will be tested in this study is
H4: The Audit Committee has a positive effect on company value.

Effect of CAR on company value
Similar to other companies, banks have capital that can be used for bank operations. Bank capital consists of two types, namely core capital and supplementary capital. The capital adequacy ratio, (CAR), reflects the ability of banks to cover the risk of losses from their activities and the ability of banks to fund their operations (Idroes, 2008: 69). Capital Adequacy Ratio (CAR), which is a financial ratio that shows how far all risk-bearing bank assets (credit, investment in securities, bills in other banks) are also financed from the bank's own capital funds, in addition to obtaining funds from outside sources banks such as public funds, loans and others (Dendawijaya, 2005).
Capital Adequacy Ratio (CAR) According to Dendawijaya (2005), shows how far all bank assets containing risks (credit, securities, bills on other banks) are also financed from the bank's own capital funds besides obtaining funds from sources outside the bank, such as public funds, loans (debt), and others. In other words, CAR is a bank's performance ratio to measure the capital adequacy of a bank to support assets that contain or produce risks, for example loans given. Based on BI (Indonesia Central Bank) regulations, banks that are declared to be healthy banks must have CAR of at least 8% This is based on the conditions stipulated by BIS (International Settlement Bank). Based on the capital theory presented by Dendawijaya above it is said that if a large CAR ratio means it can support the adequacy of capital and assets that have risks. In other words, CAR ratios can minimize the occurrence of risks so that they can improve financial performance.
H5: CAR has a positive effect on firm value

Effect of Net Interest Margin (NIM) on Company Values
The definition of Net Interest Margin (NIM) according to Bank Indonesia Economic Research Bureau (2009) of Circular Letter No 6/23 / DPNP dated 31 May 2004 is as follows: "Net Interest Margin (NIM) is a comparison between net interest incomes to the average of earning assets."
The NIM ratio reflects market risk arising from changing market conditions, where it can harm
the bank. The NIM ratio is also used to measure the ability of bank management to generate interest income by looking at the performance of banks in channelling loans, considering that bank operating income is highly dependent on the difference in interest from loans channelled. In the banking, Net Interest Margin (NIM) is a measure to distinguish between interest earned by banks or financial institutions, with the amount of interest given to lenders. NIM aims to evaluate banks in managing various risks that may occur in interest rates.

Net Interest Margin (NIM) reflects the risk that arises due to changing market conditions, which can be detrimental to the bank. The greater the ratio, the higher the interest income on productive assets managed by the bank. So that the possibility of banks in problematic conditions is getting smaller (Almilia and Herdingtyas, 2005). Based on the theory of anticipated income and an explanation of interest income delivered by Almilia and Herdingtyas, it can be said that if the NIM ratio increases, the risk experienced by the bank will decrease, thus increasing financial performance.

H6: NIM has a positive effect on firm value.

Effect of Return on Assets (ROA) on Company Values

Return on Assets (ROA) is one of the forms of profitability ratios intended to measure the company's ability to fund all invested in the company's operations with the aim of generating profits by utilizing the assets it has. Return on Assets (ROA) is a profitability ratio used to measure a company's financial performance. Increasing the company's profitability shows that the company's performance is getting better and the company's prospects are getting better as well. ROA is the ratio between pre-tax profits to total assets. The greater the ROA shows the better financial performance, because the rate of return is greater. If ROA increases, it means that the profitability of the company increases. So that the final impact is an increase in profitability enjoyed by shareholders (Husnan, 2001). Thus, if a company has a high ROA, the company has a big chance to increase growth. However, if the total assets used by the company do not provide profits, the company will suffer losses and will inhibit growth. There is an inconsistent relationship of financial performance in banks from year to year so that research is conducted on the effect of financial performance on firm value. Profitability is important in an effort to maintain its survival in the long run, because profitability shows whether the business entity has good prospects in the future (Hermuningsih, 2013).

Companies that have good prospects are very favored by investors because they are considered to provide good returns. So that, investors capture an increase in ROA as a positive signal that can increase the value of the company. So that, the higher the ROA, the higher the value of the company. Retention on Asset is obtained by comparing net income to total assets.

Return on Assets (ROA) ratio is used to measure management's ability to obtain profits or profits as a whole. The greater the ROA of a bank, the greater the level of profit achieved by the bank and the better the bank's position in terms of asset use (Dendawijaya, 2003). Increasing the company's profitability shows that the company's performance is getting better and the company's prospects are getting better as well. Companies that have good prospects are very favored by investors because they are considered to provide good returns. So that, investors
capture an increase in ROA as a positive signal that can increase the value of the company. Thus, the higher the ROA, the higher the value of the company.

H7: ROA has a positive effect on firm value.

**Research Methods**

**Population**
The population in this study are all banking companies listed on the Indonesia Stock Exchange for the period 2012-2016. While the samples obtained in this study were obtained through purposive sampling method.

**Data Sources and Data Collection Techniques**
The data used in this study are secondary data and obtained from the annual financial statements of banking companies listed on the Stock Exchange through the website www.idx.co.id starting from 2012-2016.

**Independent Variables**
1. Institutional Ownership = (Number of Shares Owned by Institutional Investors / Total Circulating Stock Capital of the Company) x 100%
2. Independent Board of Commissioners = (Number of Independent Board of Commissioners / Total Board of Commissioners) x 100%
3. Audit Committee = \( \sum \) Audit Committee in the company
4. Managerial Ownership = (Number of Shares Owned by Management / All Circulating Banking Capital Shares) x 100%
5. Capital Adequacy Ratio (CAR) = (Capital / Weighted Assets at Risk) x 100%
6. Net Interest Margin (NIM) = (Net Interest Income / Operating Assets) x100%
7. Return On Assets (ROA) = (Net Incomes / Total Assets) x 100%

**Dependent Variable**
Company value is measured using PBV = (Stock Price / Book Value of Shares)

**Analysis Method**
Hypothesis testing uses multiple regression as follows:

\[ Y = \alpha + \beta_1 \text{MO} + \beta_2 \text{IO} + \beta_3 \text{IBC} + \beta_4 \text{AC} + \beta_5 \text{ROA} + \beta_6 \text{CAR} + \beta_7 \text{NIM} + e \]

Where:
- \( Y \) = Company value
- \( \alpha \) = constant
- \( \beta_1-7 \) = Regression coefficient of independent variable (coefficient)
- \( \text{MO} \) = Managerial Ownership
- \( \text{IO} \) = Institutional Ownership
- \( \text{IBC} \) = Independent Board of Commissioners
- \( \text{AC} \) = Audit Committee
- \( \text{CAR} \) = Capital Adequacy Ratio
- \( \text{NIM} \) = Net Interest Margin
ROA = Return On Asset
e = epsilon (error rate)

Research Results

Regression Analysis Results

<table>
<thead>
<tr>
<th>Variabel Independen</th>
<th>Unstandardized Coefficients</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
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<td>0.019</td>
</tr>
<tr>
<td>MO</td>
<td>0.351</td>
<td>0.802</td>
</tr>
<tr>
<td>IO</td>
<td>2.673</td>
<td>0.026</td>
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<td>IBC</td>
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<tr>
<td>AC</td>
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</tr>
<tr>
<td>CAR</td>
<td>13.041</td>
<td>0.021</td>
</tr>
<tr>
<td>ROA</td>
<td>36.923</td>
<td>0.003</td>
</tr>
<tr>
<td>NIM</td>
<td>-7.316</td>
<td>0.353</td>
</tr>
</tbody>
</table>

Source: Secondary data processed, 2017

From the results of the multiple regression analysis above, the regression equation models developed in this study are as follows:

PBV = -4.024 + 0.351MO + 2.673IO + 4.741IBC - 0.334AC + 13.041CAR - 7.316NIM + 36.923ROA

The results of hypothesis testing in this study are as follows:

Testing the First Hypothesis
Testing of this hypothesis is done through testing the significance of the regression coefficients of managerial ownership variables. The first hypothesis of this study states that managerial ownership has a positive effect on firm value. The amount of managerial ownership regression coefficient is 0.351 and the significance value is 0.802. At the level of significance α = 5%; then the regression coefficient is not significant because the significance is 0.802 > 0.05 so it can be concluded that managerial ownership does not have a significant effect on firm value so the first hypothesis of this study is not proven.

Testing of the Second Hypothesis
Testing of this hypothesis is done through testing the significance of the regression coefficients of institutional ownership variables. The second hypothesis of this study states that institutional ownership has a positive effect on firm value. The magnitude of the regression coefficient of institutional ownership is 2.673 and the significance value is 0.026. At the level of significance α = 5%; then the regression coefficient is significant because the significance is 0.026 < 0.05 so that it can be concluded that institutional ownership has a significant positive effect on firm value so the second hypothesis of this study is proven.
Testing the third hypothesis
Testing of this hypothesis is done through testing the significance of the regression coefficient from the independent board of commissioners variable. The third hypothesis of this study states that independent commissioners have a positive effect on firm value. The magnitude of the regression coefficient of the independent board of commissioners is 4.741 and the significance value is 0.011. At the level of significance $\alpha = 5\%$, then the regression coefficient is significant because the significance of 0.011 <0.05 so it can be concluded that the independent board of commissioners has a significant positive effect on firm value so that the third hypothesis of this study is proven.

Testing of the Fourth Hypothesis
Testing of this hypothesis is done through testing the significance of the regression coefficient from the audit committee variable. The fourth hypothesis of this study states that the audit committee influences the value of the company. The magnitude of the regression coefficient of the audit committee is -0.333 and the significance value is 0.062. At the level of significance $\alpha = 5\%$, then the regression coefficient is not significant because the significance is 0.062 > 0.05 so it can be concluded that the audit committee has no significant effect on firm value so that the fourth hypothesis of this study is not proven.

Testing the Fifth Hypothesis
Testing of this hypothesis is done through testing the significance of the regression coefficient from the CAR variable. The fifth hypothesis of this study states that CAR has a positive effect on firm value. The magnitude of the CAR regression coefficient is 13.041 and the significance value is 0.021. At the level of significance $\alpha = 5\%$, then the regression coefficient is significant because the significance is 0.021 <0.05 so that it can be concluded that CAR has a significant positive effect on firm value so that the fifth hypothesis of this study is proven.

Testing of the Sixth Hypothesis
Testing of this hypothesis is done through testing the significance of the regression coefficient from the ROA variable. The fifth hypothesis of this study states that ROA has a positive effect on firm value. The amount of ROA regression coefficient is 36.923 and the significance value is 0.003. At the level of significance $\alpha = 5\%$, then the regression coefficient is significant because the significance is 0.003 <0.05 so it can be concluded that ROA has a significant positive effect on firm value so that the sixth hypothesis of this study is proven.

Testing of the Seventh Hypothesis
Testing of this hypothesis is done through testing the significance of the regression coefficients of the NIM variable. The seventh hypothesis of this study states that NIM has a positive effect on firm value. The amount of NIM regression coefficient is -7.316 and the significance value is 0.353. At the level of significance $\alpha = 5\%$, then the regression coefficient is not significant because the significance is 0.353 > 0.05 so it can be concluded that the NIM does not have a significant effect on firm value so that the seventh hypothesis of this study is proven.
From the results of the F test above, the calculated F value is 4.559 with a significance value of 0.000. Because the significance value produced is <0.05, it can be concluded that the model used is feasible for testing the hypothesis or the research model has a good level of conformity.

**Discussion**

*Effect of Managerial Ownership on Corporate Values*

The results of this study proved that managerial ownership did not have a significant effect on firm value. This indicates that the existence of managerial ownership cannot fully increase the value of the company. This is because managerial ownership in companies in Indonesia tend to be very low, which can be seen from the average percentage of the company's ownership of the company which only ranges from 2% -3% each year. As Jensen and Meckling said when share ownership by management is low, there will be a tendency for opportunistic behaviour of managers that can reduce the value of the company.

This result is also due to an increase in the number of managerial ownership not being able to reduce agency conflicts arising from agency relationships. The large number of managerial ownership is not able to align the interests of management and shareholders, so that the company's goal of achieving high corporate values cannot be achieved. Managers have interests that tend to be fulfilled compare to achieving overall corporate goals. This supports research done by Ruan, Tian and Ma (2011), the results of the study showed that Managerial ownership did not have effect on firm value.

However, this result is different from the results of the research done by Perdana and Raharja (2014) which showed that managerial ownership had a positive effect on firm value. Likewise with research Wahyudi and Pawestri (2006) who found that managerial ownership had a positive effect on firm value. Similarly, research conducted by Randy (2013) and Retno (2012) found that the implementation of GCG in banks in Indonesia tended to improve company performance so that there was an increase in stakeholder assessment of the company. Gherghina (2015) concluded that the GCG rating given to companies going public in Colombia could influence the increase in company value. While the results of the research done by Haruman (2010) found that managerial ownership had a negative effect on firm value.

*Effect of Institutional Ownership on Corporate Values*

The results of this study proved that institutional ownership had a positive effect on firm value which mean that the higher institutional ownership results in the increasing the value of the company. Jensen and Meckling (1976) stated that institutional ownership had a very important role in minimizing agency conflict. Agency conflict is a conflict of interest that occurs between managers and shareholders. This agency conflict will cause agency cost for the company. 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 that occur within the company can be minimized and the value of the company will increase (Suyanti et al., 2010).

This agency approach explains the company's main goal, namely maximizing the prosperity of shareholders through maximizing the value of the company. Institutional ownership is considered as capable of being an effective monitoring mechanism in every decision taken by the manager. Such monitoring will certainly guarantee prosperity for shareholders, the influence of institutional ownership as a supervisory agent is suppressed through their considerable investment in the capital market (Sukirni, 2011). Managements will carry out their work as well as possible so that it will improve company performance. Institutional ownership is the company's shares owned by institutions such as insurance companies, banks, investment companies, and ownership of other institutions (Tarjo, 2008). An institution is an institution that has a great interest in investments made including stock investment so that the institution will usually give up responsibility and entrust its investment to the management of the company to manage its investment as much as possible. The influence of institutional ownership as a supervisory agent can be seen from the amount of stock investment he does in the capital market. The greater the amount of stock investment in the capital market, the more effective the supervision of the company will be. This is because when shareholders have a high amount of stock investment, indirectly shareholders will expect a high return as indicated by the level of profitability obtained by the company. A high level of institutional ownership will lead to greater oversight efforts by institutional investors so that it can hinder opportunistic behaviour of managers (Wiranta and Nugrahanti, 2013).

Opportunistic behaviour is behaviour that utilizes the opportunities that exist to fulfil their own interests. Regarding with this, the manager utilizes existing facilities in the company for his sake such as increasing profits in the company without the knowledge of the shareholders because the manager who manages and knows more about everything of the company. So that the company's profits indirectly will decrease. This is done by managers to achieve the expected target so that the action as if the company's profits to increase. Thus, it will attract investors to invest in the company so that managers will get compensation for their performance. With the supervision of shareholders, the manager's opportunistic behaviour will not occur because the manager will feel supervised in every action he takes 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 due to the role of the institution as a monitoring or control tool in increasing the value of the company.

This result is consistent with the research done by Suyanti et al., (2010) stated that the greater the institutional ownership, the more efficient utilization of company assets. This is in accordance with the research she has done by proving that institutional ownership had a positive effect on firm value. Similarly, in the research of Lestari (2017) which stated that the greater the institutional ownership, the more efficient utilization of company assets and was expected to also be able to act as a prevention of waste carried out by management.

Effect of the Independent Board of Commissioners on Company Values

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The results of this study proved that the independent board of commissioners had a significant positive effect on firm value. It means that the higher the independent board of commissioners will increase the value of the company. Independent Commissioners are members of the board of commissioners who do not have financial, management, share ownership and/or family relations 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. The independent commissioner acts neutrally and encourages the implementation of the principles of good corporate governance so that it will reduce fraud that may be carried out by management in presenting financial statements. Independent commissioners are the best position to carry out monitoring functions to create companies that are good corporate governance (Suyanti et al., 2010). The higher the proportion of independent commissioners in the company, it is expected that the empowerment of the board of commissioners can carry out supervisory duties and provide advice to directors more effectively and more efficiently so as to provide added value to the company.

In addition, the existence of independent commissioners is expected to be able to enhance the role of the board of commissioners so that good corporate governance is expected by the company. Septiputri and Mutmainah (2013) also stated that the greater the number of independent commissioners, the higher the independence of the board of commissioners, so that the supervision carried out will be more objective in managing management related to profitability. If profitability increases, the value of the company will also increase. Thus, the existence of independent commissioners is very necessary in the board of commissioners of a company.

Independent Commissioners must be proportional to the number of shares held by non-controlling shareholders and have a minimum amount of 30% of the total number of commissioners. As independent commissioners, they have a function and position representing 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 applicable provisions in a country's economic system.

The independent commissioner is responsible for ensuring that the company is well run. Thus when the company is run well, investors will be interested in investing in the company assuming that the company will have a good performance reflected in the level of profitability produced, which in turn will increase the value of the company so that the shareholders’ prosperity will be achieved. The board of commissioners in which there are independent commissioners is the party that has an important role in overseeing reliable reports so that the financial statements reported by management are expected to be accountable.

These results, according to the research of Perdana and Raharja (2014), have proven that independent commissioners had a significant positive effect on the value of the company. This shows that the more members of independent commissioners, the more effective the process of monitoring financial reporting by the board of commissioners can improve the performance of the company. With the increase in company performance due to the effective supervision of
independent commissioners, of course investors are willing to pay more and more high value for the company's shares.

**Effect of the Audit Committee on Company Values**
The results of this study proved that the audit committee did not affect the value of the company. It means that the higher the audit committee will not increase the value of the company. The role of the audit committee is very necessary in terms of corporate supervision. The results of this study are due to the fact that the BAPEPAM regulation has not explained what criteria an audit committee must have in order to be declared to have financial literacy. Every company has different criteria in selecting audit committee members. This is thought to result in the size of the audit committee not having an effect on the value of the company. The results of this study are also due to the increasing number of audit committee members not a guarantee that a company's performance also increases. Too many audit committee members are not good for the company because there will be many tasks or jobs that are divided. This causes the audit committee members to be less focused in carrying out their duties so that the company's performance will worsen. In addition, many of the audit committees have not yet understood the main role. These results are in accordance with Obradovich's and Gill (2013) research in their research proving that audit committees have a positive and not significant effect on firm value. Likewise with the research of Suyanti et al., (2010) explaining the different results, namely the existence of an audit committee does not affect the value of the company. The Mukhtaruddin et al. (2014) study shows different results, namely the audit committee does not affect the value of the company. Research is also supported by the research of Muryati (2014) which shows that the audit committee has a negative effect on firm value.

**The Effect of Capital Adequacy Ratio Disclosures on Company Values**
The results of this study proved that CAR had a positive effect on firm value. According to Dendawijaya (2003), the CAR shows how far all bank assets containing ratios show how far all bank assets that contain risk (credit, securities, bills on other banks) are also financed from the bank's own capital funds in addition to obtaining funds from sources outside the bank, such as public funds, loans (debt), and others. In other words, CAR is a bank's performance ratio to measure the capital adequacy of a bank to support assets that contain or produce risks, for example loans given. The results of the CAR ratio are a good signal for stakeholders in assessing bank performance. Based on BI regulations, banks that are declared to be healthy banks must have CAR of at least 8%. This is based on the provisions stipulated by BIS (international bank settlement). Based on the capital theory presented by Dendawijaya above it is said that if a large CAR ratio means it can support the adequacy of capital and assets that have risks. The results of this study are not consistent with the results of Indriani and Dewi's study (2016) which explained that there was no significant relationship between CAR and changes in stock prices. This result is also in accordance with the research of Hartono and Sihotang (2009). In line with the research conducted by Kusuma & Musaroh (2014), it was found that banking capital was assessed from CAR as being able to increase company value. This is because
stakeholders assess the company's capital which is quite likely to be able to cover the decline in assets and generate higher profits. When banks have sufficient capital to cover their asset risks, investors receive this information as good news from banking performance. The company's assessment of stakeholder perceptions will increase as reflected in the banking stock price. Likewise with Dini and Indarti’s (2012) research which stated that the assessment of financial performance had a positive effect on firm value.

Effect of Net Interest Margin Disclosures on Company Values
The results of this study proved that NIM did not affect the value of the company. It is also means that the higher the NIM will not increase the value of the company. NIM is a component of bank income from interest income, which is the net income obtained by the bank from the interest difference between the interest paid by the loan interest. In full competition, banks tend to be more careful in lending and managing their portfolios, besides it is to increase profits Banking in Indonesia relies heavily on the service sector outside of credit (fee based income) such as telephone payment services, electricity, transfer fees, clearing, and other administrative costs. So that NIM has no influence on the value of the company.

The reason for the insignificance of the NIM ratio to company value, namely the NIM, reflects market risk arising from changing market conditions, which will harm the bank. One risk of the market itself is interest rates. If interest rates change, interest income and bank interest costs will change. This has led to the bank's prudence in giving credit to its customers, who have various high risks such as non-performing loans and bad credit. This shows that net interest income as a driver of corporate value cannot always be expected with the provision of loans that have a high risk due to changes in Bank Indonesia interest rates

The results of this study are consistent with the results of research by Indriani and Dewi (2016) and Wang (2016) which explained that there was no significant relationship to the value of the company and to stock prices.

The Effect of Return On Asset Disclosures on Company Values
The results of this study proved that ROA had a significant positive effect on firm value. It means the higher the ROA will increase the value of the company. Return on Assets (ROA) also shows the ability of banks to measure the effectiveness of company performance in gaining profits by maximizing the use of assets owned. The higher the ROA ratio indicates that the bank is more efficient and able to generate greater profits, and vice versa the lower the bank’s ROA ratio illustrates that the bank is increasingly inefficient and tends to reduce profits. Thus it can be concluded that ROA has a positive effect on firm value.

These results are in accordance with the research of Ulupui (2007) which proved that ROA had a positive and significant effect on firm value. Further, It is stated that company value is determined by earnings power from company assets. Positive results indicate that the higher earnings power the more efficient asset turnover and / or the higher the profit margin the company gets. This will have an impact on the value of the company.

Research conducted by Ulupui (2007) found that ROA had a significant positive effect on stock returns over the next period. Therefore, ROA is one of the factors that influence the value of the
company. Yuniasih and Wirakusuma (2009) also stated that Return On Asset proved to have a statistically positive effect on firm value. In addition, Kusumawardani (2010) argued that Return On Asset has a significant effect on stock prices. The higher the value of the ratio, it will have an impact on the size of the company's profit. This can signal investors to invest in companies in getting returns. The high and low value of return received by this investor reflects the value of the company. Yuniarsih and Wirakusuma (2011) also state that ROA has a positive effect on firm value.

**Conclusion, Implication and Recommendation**

**Conclusion**
This research proves that not all elements in corporate governance can affect the value of a company. This can be due to the characteristics of company ownership in Indonesia which does not place management as the owner. The selection of an audit committee by a company will not affect a company's value. This is possible because there are no criteria or standards set by policy-making institutions for the criteria for selecting an audit committee. Besides that not all components of financial ratios are directly proportional to the value of a company.

**Implication**
The results of this study prove that one component in corporate governance, namely the audit committee does not have an influence on company performance, one of the causes is the absence of regulations or criteria in selecting audits by policy makers so that the selection of audit committees is intended only for management. Therefore, policy makers are expected to be able to enforce regulations related to the criteria for selecting audit committees for public companies. For the investors should be more careful to choose company to invest their fund. This is because having better value of company will not guarantee of having good corporate governance and vice versa.

**Recommendation**
Future research is expected to add several other independent variables such as leverage, operating profit, retained earnings, operating cash flow, total assets, company activities, investment decisions, market value ratio. The characteristics of the company are expected to be able to improve the development and sustainability of long-term companies to be the main factors that need to be considered in an effort to maintain the existence of companies in competition in the era of globalization. Continuous improvement and improvement efforts are needed to increase company value.
REFERENCES


