THE INFLUENCE OF THE IMPLEMENTATION OF GOOD CORPORATE GOVERNANCE ON COMPANY VALUE WITH PROFIT MANAGEMENT AS MODERATING VARIABLES

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ABSTRACT

This research aims to determine the influence of good corporate governance (institutional ownership, managerial ownership, independent board of commissioners and audit committee) on company value in property & real estate sector companies on the Indonesia Stock Exchange. Apart from that, this research also aims to find out whether earnings management can be used as a moderating variable in the model. The research design carried out was causal relationship research with a quantitative approach. The sample in this research is 26 property & real estate companies listed on the IDX from 2016 to 2022. The type of data used in this research is secondary data. The sampling technique uses purposive sampling. And the data analysis technique uses multiple linear regression analysis and interaction testing (moderating) which is carried out with the help of Eviews 9 software. The results of this research show that partially institutional ownership, independent board of commissioners and audit committee have a positive and significant influence on company value. As well as other results which show that earnings management is not a moderating variable in the influence of institutional ownership, managerial ownership, independent board of commissioners and audit committee on company value in property & real estate sector companies listed on the Indonesia Stock Exchange

Keywords: Good Corporate Governance, Institutional Ownership, Managerial Ownership, Independent Board of Commissioners, Audit Committee, Company Value, and Profit Management.

INTRODUCTION

The value of the company is reflected in the company's share price, the higher the share price, the signal an increase in the value of the company. The higher the value of the company, the more it will attract the attention of investors to invest their shares in the company. The GCG concept also concerns the company's structure, which consists of the elements of the GMS, directors and commissioners. It is hoped that with GCG there will be good governance between work mechanisms, harmonious division of tasks, authority and responsibilities, both internally and externally with the aim of increasing company value for the benefit of shareholders and stakeholders. Several good corporate governance mechanisms include managerial ownership, institutional ownership, the number of independent commissioners and an independent audit committee. The relationship between GCG and company value proves that corporate governance influences company value, but not all corporate governance components have a significant and positive effect on company value.

Earnings management is a common phenomenon that occurs in companies. Practices carried out to influence profit figures can occur legally or illegally. This legal practice in earnings management means that efforts to influence profit figures do not conflict with the rules for preparing financial reports, namely by taking advantage of opportunities to make accounting estimates, making changes to accounting methods, and shifting income or cost periods. Meanwhile, illegal earnings management practices are carried out in ways that are contrary to the rules for preparing financial reports, namely by reporting income or cost transactions fictitiously by adding (mark up) and subtracting (mark down) the transaction value, or perhaps by not reporting a number of transactions, so that it will produce profits at a certain value/level.

The property and real estate business is a business that is known to have fast-changing (volatile) characteristics, persistent and complex competition. Company value is reflected in the market value (share price) and book value of the company. The value of wealth can be seen through the development of the company's common stock price in the market. In this case, the share value can reflect the company's financial investment and dividend policy. Company value can be influenced by managerial ownership, institutional ownership, dividend policy, leverage, company size and also influenced by financial performance, good corporate governance.

In developed and developing countries, property and real estate development and businesses are experiencing rapid growth, this is also happening in Indonesia. Shares of property and real estate companies in Indonesia started to become popular in 2000, this also caused many companies to list on the Indonesian Stock Exchange so that company shares could be purchased by investors. The significant increase in property development indicates that significant economic improvements are starting towards a better future. Economic growth in Indonesia continued to increase until 2016 but decreased in 2017. This is also what makes researchers interested in making property and real estate companies the object to be researched. So the researcher intends to conduct research with the title "The Effect of Implementing Good Corporate Governance on Company Value with Profit Management as a Moderating Variable"

LITERATURE REVIEW

A. Agency Theory (Agency Theory)

In agency theory, it is stated that there are two individuals who are related to each other, namely the agent and the principal. This theory describes the relationship between shareholders as principals and management as agents. social and economic fields.

B. Signal Theory (Signaling Theory)

Signal theory is based on the assumption that the information received by each party is not the same. In other words, signal theory is concerned with information asymmetry. Signal theory shows that there is information asymmetry between company management and parties with an interest in information.

C. Good Corporate Governance

The principle of corporate governance applied in Indonesia is Good Corporate Governance. The Forum for Corporate Governance in Indonesia (FCGI) defines good corporate governance as a system that directs and controls a company. GCG is a set of regulations that determine the relationship between shareholders, management, creditors, the government, employees and other internal and external stakeholders regarding their rights and obligations, or in other words, the system that directs and controls the company ((FCGI, 2000).

Corporate governance arises because there is a separation between ownership and control of the company, or what is often known as agency problems. The agency problem in the relationship between capital owners and managers is how difficult it is for owners to ensure that the funds invested are not taken over or invested in profitable projects so that they do not bring returns. Therefore, corporate governance is needed to reduce agency problems between owners and managers. And the aim of Corporate Governance is to increase value for shareholders.

D. Institutional Ownership

In relation to the monitoring function, institutional investors are believed to have the ability to monitor management actions better than individual investors. Institutional ownership represents a source of power that can be used to support or oppose the existence of management.

E. Managerial ownership

In accounting theory, earnings management is largely determined by the motivation of company managers. Different motivations will result in different levels of earnings management, such as managers who are also shareholders and managers who are not shareholders. These two things will influence earnings management, because a manager's ownership will also determine policies and decision making regarding the accounting methods applied to the company being managed.

F. Number of Board of Commissioners

Apart from managerial ownership, the role of the board of commissioners is also expected to improve earnings quality by limiting the level of earnings management through the monitoring function of financial reporting. The influence of the number of board of commissioners on company performance has obtained mixed results.

G. Audit committee

In accordance with Kep.29/PM/2004, the audit committee is a committee formed by the board of commissioners to carry out supervisory duties on company management. The existence of an audit committee is very important for company management. The audit committee is a new component in the company's control system. Apart from that, the audit committee is considered as a liaison between shareholders and the board of commissioners and management in handling control issues. Based on the BEJ Circular, SE-008/BEJ/12-2001, the audit committee membership consists of at least three people including the chairman of the audit committee. There is only one member of this committee who comes from the commissioners, the committee member who comes from the commissioners is an independent commissioner of the listed company and is also the chairman of the audit committee. Other members who are not independent commissioners must come from independent external parties.

H. The value of the company

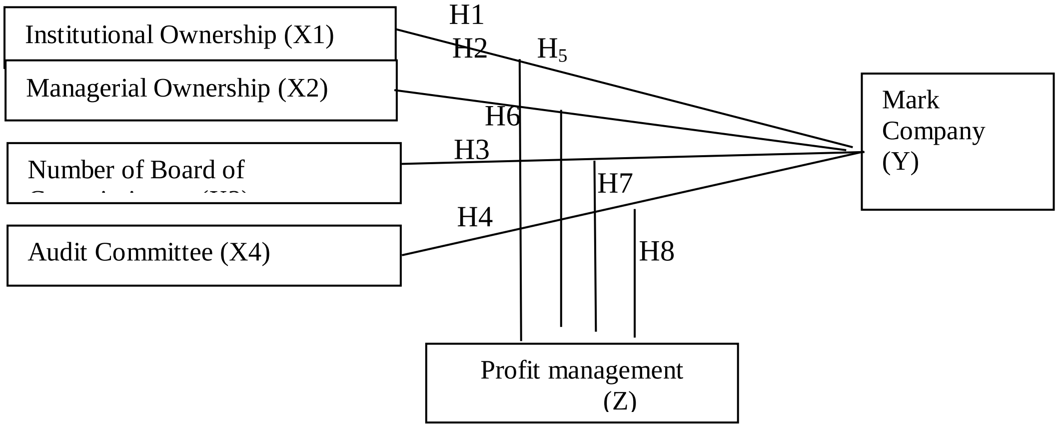
A company is said to have good value if the company's performance is also good. The company's value can be reflected in its share price. If the share value is high, it can be said that the company value is also good. Because the company's main goal is to increase company value through increasing the prosperity of the owner or shareholders

I. Profit management

Earnings management is the selection of accounting policies by management from existing accounting standards and can naturally maximize their utility and/or the company's market value. Understanding earnings management can be divided into two points of view. First, earnings management is seen as the opportunistic behavior of managers to maximize their utility in dealing with compensation contracts, debt contracts and political costs. Second, earnings management is viewed from an efficient contracting perspective, where earnings management provides managers with flexibility to protect themselves and the company in anticipating unexpected events for the benefit of the parties involved in the contract.

J. conceptual framework

The conceptual framework in this research is as follows:



Based on the background, theoretical basis and conceptual framework, the form of this research hypothesis includes:

Hypothesis 1 :Institutional ownership has a positive effect on company value in property & real estate sector companies on the Indonesia Stock Exchange.

Hypothesis 2 : Managerial ownership has a positive effect on company value in property & real estate sector companies on the Indonesian Stock Exchange.

Hypothesis 3 : The number of independent board of commissioners has a positive effect on company value in property & real estate sector companies on the Indonesian Stock Exchange.

Hypothesis 4 : The audit committee has a positive influence on company value in property & real estate sector companies on the Indonesian Stock Exchange.

Hypothesis 5 : Earnings management moderates the influence of institutional ownership on company value in property & real estate sector companies on the Indonesia Stock Exchange.
Hypothesis 6 : Earnings management moderates the influence of managerial ownership on company value in property & real estate sector companies on the Indonesia Stock Exchange.
Hypothesis 7 : Earnings management moderates the influence of the number of independent board of commissioners on company value in property & real estate sector companies on the Indonesia Stock Exchange.
Hypothesis 8 : Earnings management moderates the influence of the audit committee on company value in property & real estate sector companies on the Indonesia Stock Exchange.

METHOD

This type of research is included in causal associative research. According to Erlina (2011), causal research is research that identifies causal relationships between various variables.
The population in this research is property & real estate companies on the Indonesia Stock Exchange from 2016 to 2022. To take a sample that is representative of the population studied, a purposive sampling technique was used. In this study, the sample was determined as 26 companies multiplied by 7 years so that the total sample was 182.

To test the data, data analysis methods were used, namely; descriptive statistical analysis, selection of estimation models (Chow test, Hausman test, and Lagrange Multiplier test), and research hypothesis testing (regression analysis with panel data, simultaneous statistical test (F), partial statistical test (t), coefficient of determination test (R2), and moderation test).

RESULTS AND DISCUSSION

Contents Results and Discussion

A. Research result

1. The results of this F test show that the independent variables together (simultaneously) have a significant influence on the dependent variable, namely company value with a significant value of 0.000 < 0.05

Variable	Coefficient	Std. Error	t-Statistics	Prob.
KI	4.420012	0.917867	4.815526	0.0000
KM	-0.946880	0.563500	-1.680357	0.0947
DKI	0.155306	0.055736	2.786460	0.0059
KA	0.213546	0.101396	2.106046	0.0366

2. The results of this t test state that institutional ownership, the number of independent board of commissioners and the audit committee partially (individually) have a significant influence on company value because the sig value is < 0.05, while partial managerial ownership does not have a significant effect on company value because it has a sig value > 0.05.

	Cross-section Fixed	
1	R-squared	0.212
2	Adjusted R-squared	0.194
3	SE of regression	0.443

3. The value of R Square (R2) is 0.212, which means 0.212 or (21.2%) of the independent variables, namely institutional ownership, managerial ownership, number of independent board of commissioners and audit committee are able to explain the value of the company. Meanwhile, the remaining 78.8% is described or explained by other variables not included in this research model.

Variables	Coefficient	Std. Error	t-Statistics	Prob.
KI_MNL	-0.375540	0.525720	-0.714334	0.4760
KM_MNL	15.74776	18.51515	0.850534	0.3962
DKI_MNL	-0.002070	0.399003	-0.005188	0.9959
KA_MNL	0.609844	0.690932	0.882639	0.3787

4. From the results above, it can be concluded that the moderating variable, namely earnings management, cannot moderate the variable x, namely (institutional ownership, managerial ownership, independent board of commissioners, and audit committee) on variable y, namely (company value) because the significance value is greater than 0 .05.

B. Discussion

1. The Influence of Institutional Ownership on Company Value

Institutional ownership coefficient (KI) = 4,259, meaning that based on this research, if the values of other variables remain constant and institutional ownership increases by 1 unit, the company value will increase by 4,259 (425.9%). The Unstandardized Coefficients B value is positive, indicating that there is a positive relationship between institutional ownership (KI) and company value (NP). This means that if institutional ownership increases, the company value will also increase.

2. The Influence of Managerial Ownership on Company Value

Managerial ownership coefficient (KM) = -0.681, meaning that based on this research, if the values of other variables remain constant and managerial ownership increases by 1 unit, the company value will decrease by 0.681 (68.1%). The value of Unstandardized Coefficients B is negative, indicating that there is a negative relationship between managerial ownership (KM) and company value (NP). This means that if managerial ownership increases, the company value will actually decrease.

3. The Influence of the Independent Board of Commissioners on Company Value

The coefficient for the number of independent board of commissioners (DKI) = 0.228, meaning that based on this research, if the values of other variables remain constant and the number of independent board of commissioners increases by 1 unit, the company value will increase by 0.228 (22.8%). The Unstandardized Coefficients B value is positive, indicating that there is a positive relationship between the number of independent board of commissioners and company value (NP). This means that if the number of independent commissioners increases, the company value will also increase.

4. The Influence of the Audit Committee on Company Value

The fourth hypothesis in this research states that the audit committee has a positive effect on company value in property & real estate sector companies on the Indonesia Stock Exchange. The test results in this research show that the audit committee partially has a positive and significant influence on company value in property & real estate sector companies listed on the Indonesia Stock Exchange.

5. Earnings Management moderates the influence of Institutional Ownership on Firm Value.

This research states that earnings management can moderate the influence of institutional ownership on company value in property & real estate sector companies listed on the Indonesia Stock Exchange. The test results in this study show that the interaction between earnings management and institutional ownership does not have a significant influence on company value because the significance value is greater than 0.05.

6. Earnings Management moderates the influence of Managerial Ownership on Company Value.

This research states that earnings management can moderate the influence of managerial ownership on company value in property & real estate sector companies listed on the Indonesia Stock Exchange.

7. **Earnings Management moderates the influence of the Number of Board of Commissioners on Company Value.**

   This research states that earnings management can moderate the influence of the number of independent commissioners on company value in property & real estate sector companies listed on the Indonesia Stock Exchange. The test results in this study show that the interaction between earnings management and the number of independent board of commissioners does not have a significant influence on company value because the significance value is greater than 0.05.

8. **Earnings Management moderates the influence of the Audit Committee on Company Value.**

   This research states that earnings management can moderate the influence of the audit committee on company value in property & real estate sector companies listed on the Indonesia Stock Exchange. The test results in this study show that the interaction between earnings management and the audit committee does not have a significant influence on company value because the significance value is greater than 0.05.

CLOSING

Conclusion

The conclusions from this research include:

1. Institutional ownership has a positive and significant influence on company value in property & real estate sector companies listed on the Indonesia Stock Exchange. So H1 is accepted.
2. Managerial ownership does not have a significant influence on company value in property & real estate sector companies listed on the Indonesia Stock Exchange. So H2 is rejected.
3. The number of independent board of commissioners has a positive and significant influence on company value in property & real estate sector companies listed on the Indonesia Stock Exchange. So H3 is accepted.
4. The audit committee has a positive and significant influence on company value in property & real estate sector companies listed on the Indonesia Stock Exchange. So H4 is accepted.
5. Earnings management cannot moderate the influence of institutional ownership on company value in property & real estate sector companies listed on the Indonesia Stock Exchange. So H5 is rejected.
6. Earnings management cannot moderate the influence of managerial ownership on company value in property & real estate sector companies listed on the Indonesia Stock Exchange. So H6 is rejected.
7. Earnings management cannot moderate the influence of the number of independent commissioners on company value in property & real estate sector companies listed on the Indonesia Stock Exchange. So H7 is rejected.
8. Earnings management cannot moderate the influence of the audit committee on company value in property & real estate sector companies listed on the Indonesia Stock Exchange. So H8 is rejected.

Suggestions and Acknowledgments

Based on the conclusions in this research, several suggestions can be made, namely as follows:

1. From the research results, it can be seen that institutional ownership, the number of independent board of commissioners and audit committees are able to have a significant influence on company value in property & real estate sector companies, moreover it can be seen that partially institutional ownership, the number of independent board of commissioners and audit committees have an influence which is positive for company value, so it is hoped that companies in the property & real estate sector will continue to pay attention to the level of institutional ownership, the number of independent board of commissioners and audit committees they have each year. Because with increasing levels of institutional ownership, the number of independent boards of commissioners and audit committees will be able to increase company value.
2. It is hoped that future research will re-examine the influence of other variables that can influence company value in property & real estate sector companies listed on the IDX. Several variables that can be studied include leverage, liquidity, operating cash flow and so on.
3. From the results of this research, it can be seen that earnings management cannot be used as a moderating variable in the influence of institutional ownership, managerial ownership, the number of independent board of commissioners and audit committees on company value in property & real estate sector companies listed

on the IDX. So in future research it is hoped that earnings management will be tested again in the research model, whether as an independent variable or as an intervening variable.

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