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How Good Corporate Governance, Financial Performance and External Factors Influence Company Value

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ABSTRACT

The purpose of this study is to examine and explain the effect of good corporate governance on company value, the effect of financial performance on company value, and the influence of external factors on company value. In addition, many previous studies explored good corporate governance using ownership structure indicators, and this study also aims to reexamine the theory that has been used The model used in data analysis in this study is the PLS model by going through four stages of testing, namely individual item reliability, internal consistency reliability, average variance extracted, and discriminant validity. The results of the study show that: 1) Good Corporate Governance has a significant effect on Corporate Value; 2) Financial Performance does not have a significant effect on Company Value; 3) External Factors do not have a significant effect on Company Value. The resulting Termination Test (R2) was 29.3%, meaning that the contribution of the influence of Good Corporate Governance, Financial Performance, and External Factors variables on Company Value was 29.3% including moderate categories, while the remaining 70.7% was influenced by other variables that were not included in this model.

Keywords: Company Value, Corporate Governance, External Factors, Financial Performance

INTRODUCTION

The main goal that the company wants to achieve is to maximize the wealth of shareholders. This goal is used because by maximizing the value of the company, the owner of the company will become more prosperous or become richer (Husnan, 2019) . In practice, this goal is difficult to achieve in relation to agency problems. This agency problem arises as a result of the separation of ownership and management of the company. Large companies are usually run by professional managers who have no or little ownership of the company in question. This separation often makes managers feel free, and truly acts freely according to their interests, and is certainly not in line with the principle of maximizing shareholder wealth. Management often demands large rewards, both in the form of salaries and other facilities.

According to Cornell & Shapiro, (1987), Agency problems depart from three main sources, the first source of conflict is the tendency of top managers to ask for various facilities and conditions, not only luxurious facilities, but also sometimes feel entitled to make various strategic decisions. The second source of conflict is the fact that managers often do not own a certain amount of stock in the company, so the sense of belonging is reduced, this encourages managers to be too risk-brave, and not hesitate to use profits to finance various investment projects. The standard salary system and limited share ownership make management not optimally exert energy and attention to maintain the company as a company owner does. The third source of conflict, managers tend to go the safe way, that is, worrying too much about risk, this results in the loss of investment opportunities that are actually profitable. Many factors can affect company value, but in this study only use good corporate governance (GCG) variables, financial performance variables and external factors as factors that can affect company value.

Many factors can affect company value, but in this study only use good corporate governance (GCG) variables, financial performance variables and external factors as factors that

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can affect company value. GCG is a combination of laws, laws and practices carried out by the private sector on a voluntary basis that can enable companies to attract financial capital and labor, work more efficiently, and with all that is expected to sustainably generate long-term economic values for its shareholders, while at the same time paying attention to the interests of stakeholders and society as a whole (Maassen, 2000).

The influence of GCG on company value is based on agency theory (Jensen & Meckling, 1976) With the basic principle of thinking that states the separation of functions between company ownership and managerial which can potentially cause agency problems. The implementation of GCG is expected to reduce agency problems so as to increase company value, while protecting the interests of stakeholders, increasing compliance with applicable laws and regulations and thus expected to increase public and investor confidence.

Several studies examine the relationship between good corporate governance and corporate values. (Wahab et al., 2007a) A study of 440 companies listed on Bursa Malaysia found that significant improvements in corporate governance index can exert a major influence on shareholder wealth as measured using Market to book value of equity. Connelly et al., (2012) found that corporate governance (Board Size, Board Independence) negatively affects company value (ROA, Firm Size,Tobin's Q). Arifin et al., (2014) found that corporate governance (Proportion of Independent Audit committees, Proportion of Independent Commissioners) has a significant positive effect on company value (MBR, Tobin's Q, dan Closing Price). In contrast to Arifin et al., (2014; Ferial et al., 2016; Sulong & Mat Nor, 2008; Wulandari, (2006) which states that Good Corporate Governance does not have a significant effect on the value of the company.

Financial performance is a company's ability to manage and control its resources will affect the value of the company based on signaling theory (Ross, 1977), regarding how a company should provide signals to the market such as information on the company's financial performance. According to Eugene & Houston, (2011) if the company wants to maximize the value of the company, management must take advantage of its strengths and improve weaknesses in the company. Financial performance analysis can evaluate the company's financial condition so far and investors who want to buy shares of the company with a long-term orientation will look at the company's ability to generate profits, future prospects and investment risks.

Ferial et al. (2016) in his research found that financial performance has a significant effect on firm value, this is consistent with research from Ghosh (2008) which found that profitability ratios positively had a significant effect on company value. But it is different from the results of research carried out by Manaje Jr, (2012) which shows the result that financial performance has a negative relationship with the value of the company. In addition to conducting fundamental analysis, in subsequent developments not only solely using company financial data, but also using data derived from the company's economic environment, such as inflation rates, interest rates, and foreign exchange rates.

Bodie et al. (2006) Fundamental analysis must also consider the business environment in which the company is located because macroeconomics and industry conditions will have a greater influence on profits than the company's performance. Further Bodie et al., (2006) reveals several factors that reflect macroeconomic conditions, including: a) gross domestic product (GDP), b) unemployment rate, c) inflation rate, d) interest rate, d) government budget deficit, and e) sentiment from consumers and producers. Related to this study, macroeconomic factors (such as: changes in interest rates, inflation and taxes from capital gains) will be able to influence investors' preference for dividends. Gan et al., 2006) It also found indications that external factors affect company value (the study found evidence of: inflation; interest rates; foreign exchange rates have a significant influence on the direction of negative relationships with stock returns). But it is different from the results of research conducted by Sukma Prasitadewi & Wijana Asmara Putra (2020) which shows the results that external factors have an insignificant effect on the value of the company. In this study, the external factors that are the focus of attention are: a) inflation rate, and b) sunga rate. The underlying argument is that these two things are very important components to control the economy.

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LITERATURE STUDY

Many previous studies have explored good corporate governance using ownership structure indicators. Corporate ownership structure has been a major topic of modern corporate theory since it was first presented by Berle and Means in 1932, and later developed by Jensen and Meckling in 1976. The concept of ownership structure is used to show that the important factors forming a company's capital structure are only determined by the amount of own capital (equity) and the amount of debt (debt) but also determined by the percentage of ownership of institutions and managers (Jensen & Meckling, 1976). Institutional ownership and manager ownership can influence capital structure decisions in meeting fund needs, whether to use capital and debt.

There are two aspects regarding the company's shareholding structure, namely the composition aspect and the spread aspect. The composition aspect describes who is a shareholder, both as individuals and institutions. The distribution aspect describes the pattern of distribution of shares among shareholders. Through this structure, it can be examined the possible forms of agency problems that will occur. There are several important things that need to be considered in other ownership structures; partial ownership of shares by management affects the tendency to maximize shareholder prosperity rather than simply achieving corporate goals (profitability), concentrated ownership incentivizes shareholders to actively participate in the company, identity prioritizes social goals and maximizes shareholder prosperity, e.g. government-owned companies tend to follow political goals rather than corporate goals.

With regard to the aspect of distribution, the ownership structure can be divided into two types, namely scattered ownership and concentrated ownership. The spread of this aspect of ownership distribution will have different implications on the company's controque mechanism. The scattered ownership structure shows weak corporate control mechanisms over managers' decisions.

A dispersed ownership structure will make it difficult for shareholders to effectively coordinate the actions of managers. This argument certainly ignores the possibility that small, dispersed shareholders could form coalitions and gain enough control to create benefits on their own. This is in contrast to a concentrated ownership structure, where shareholders have more control over managers' decisions.

Cole & Mehran (1998) explain that to assess the ownership structure can be done by looking at (a) the largest percentage of ownership by a director, (b) the largest percentage of ownership by a particular company or institution, (c) the largest percentage of ownership by non-institutions, and (d) the largest percentage of ownership of company employees. In addition, Cole and Mehran also revealed that the ownership structure besides being able to be measured by the percentage of ownership by the president director, can also be measured by calculating the percentage of shares owned by the family of the director.

Good Corporate Governance

The World Bank defines good corporate governance as a combination of laws, laws and practices that have been carried out by the private sector on a voluntary basis and enable companies to attract financial capital and employees, perform efficiently and effectively, so as to sustainably generate economic value for the long term for its shareholders, while at the same time also paying attention to stakeholders and society as a whole (Maassen, 2000). Forum for Corporate Governance in Indonesian (FCGI) defines good corporate governance as a set of rules that can regulate the relationship between the government, management, shareholders, creditors, and other stakeholders related to their rights and obligations or in other words GCG is a system that is able to control the company.

Good Corporate Governance Implementation Framework

The Indonesia Stock Exchange as a regulator and facilitator in the capital market is determined to make the stock exchange in Indonesia fundamentally sound and globally competitive. The manifestation of this determination is by incorporating the implementation of Good Corporate Governance into a part of the mission of the Indonesia Stock Exchange in increasing

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competitiveness in order to attract investors, in addition to the implementation of Good Corporate Governance is expected to have a positive impact on the creation of accountability, fair and independent transactions, and the quality of financial information for the public. The key to the successful implementation of Good Corporate Governance on the Indonesia Stock Exchange is the effective functioning of the Company's main organs, namely the General Meeting of Shareholders, the Board of Commissioners, and the Board of Directors. Then this organ will be greatly helped if the supporting organs of Good Corporate Governance are also functioning effectively.

Principles of Good Corporate Governance

According to the corporate governance guidelines of the Indonesia Stock Exchange (2011) Good Corporate Governance is a system or structure that has applied the principles of; Transparency is openness in conveying relevant information including in the implementation of decision making, accountability is about clarity of functions, duties and responsibilities of company organs so that the company can run effectively, responsibility is the compatibility between the management of the company and the prevailing laws and regulations and the principles of sound management of the company, independency is the management of a company professionally without intervention, pressure, and influence and conflict of interest, and fairness, namely providing fair and balanced treatment to shareholders and other stakeholders.

Main Organs of Corporate Governance

Based on Law Number 40 of 2007 concerning limited liability companies, the company's organs are the General Meeting of Shareholders, the Board of Commissioners and the Board of Directors. This company organ is influential in determining the direction and controlling a company. Thus, these three organs are also very influential in the implementation of GCG so that these organs are also known as the main organs of GCG.

Financial Performance

Performance is a description of the level of achievement of the implementation of a company's activities in realizing the goals, objectives, vision and mission of the organization contained in the strategic planning of a company. While financial performance is work performance that has been achieved by the company concerned (Munawir, 2001). While according to Eugene & Houston, (2011) , Financial performance is the company's ability to generate profits which is the net result of policies and management decisions, both in managing liquidity, assets and debts of the company.

Financial performance is important for some parties. For company management, profit is an indication of the company's achievements in managing existing resources. For shareholders, profit is one of the factors that determine dividend policy, the greater the profit obtained, it is expected that dividends will also rise, and usually will be responded well by the market so that the stock price will also rise. For investors, profit is an attraction to invest their funds in the company. For creditors, profit is a source of funds for debt repayment. The financial statements published by the company are a reflection of the company's financial performance. The financial performance of companies in this study is measured using Return On Assets (ROA), and Return On Equity (ROE).

***Return On Assets* (ROA)**

Return on Assessment (ROA) is the ability of capital invested in all assets to generate profits for all investors (bondholders and stocks). From an investor's point of view, one of the important factors to assess a company's future prospects is to look at the extent of the company's profitability growth. Ratio. This is important to note to find out the extent to which the investment made by investors in a company is able to provide profits in accordance with the level required by investors. This makes this ratio one of the ratios that potential investors always pay attention to before investing their funds in the company. The higher this ratio, the better the state of a company and shows that the company is more effective in utilizing its assets to generate net profit after tax.

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Return On Equity **(ROE)**

According to Eugene & Houston, (2011), ROE is the ratio of net profit after tax to own capital. In other words, ROE is the ability of own capital to generate profits for preferred and common stock holders. The higher the ROE, the greater the return on own capital for investors.

External factors

Jogiyanto (2003) Revealing there are two analyses used to determine the true value of stocks, namely: a) fundamental security analysis, and b) technical analysis. Further, Jogiyanto (2003) Fundamental analysis uses fundamental data, i.e. data derived from company financials, while technical analysis uses market data from stocks (e.g. stock prices and transaction volumes) to determine the value of stocks. Bodie et al., (2006) Fundamental analysis must also consider the business environment in which the company is located, because macroeconomics and the state of the industry will have a greater influence on profits than the company's performance. Further Bodie et al., (2006) reveals several factors that reflect macroeconomic conditions, including: a) gross domestic product (GDP), b) unemployment rate, c) inflation rate, d) interest rate, d) government budget deficit, and e) sentiment from consumers and producers. This study uses: inflation rate, interest rate and foreign exchange rate as factors that form external factors of the company. Related to this study, (White et al., 2002) Bringing up macroeconomic factors (such as: changes in interest rates, inflation and taxes from capital gains) will be able to influence investor preferences for dividends. (Gan et al., 2006) It also found indications that external factors affect company value (the study found evidence of: inflation; interest rates; foreign exchange rates have a significant influence on the direction of negative relationships with stock returns). In this study, external factors that are the center of attention are: a) inflation rate, b) interest rate. The underlying argument is that these two things are very important components to control the economy.

Inflation Rate

The inflation rate, which is the percentage of the speed at which prices increase in a given year, is usually used as a measure to show the extent to which economic problems are faced (Sukirno, 2015). Inflation is an economic problem faced by every country because it has an impact on the economy. (Ewing & Payne, 2005) states that: a) inflation affects input and output prices so that it can affect firm performance, company profitability and people's purchasing power, b) the expected inflation rate also affects real borrowing costs and real returns from loans, and c) the presence of unanticipated inflation causes volality and uncertainty in price changes, thus ultimately limiting and changing economic activity. Therefore, a high inflation rate is not liked by the public and companies (McEachern, 2000) Because a high inflation rate will have a detrimental impact on economic activity for a long time (K. Barnes et al., 2006). This argument is reinforced by research conducted by Bleaney (1996) found indications that in the short-term time period, inflation has a negative relationship with the per capita output growth rate. Inflation also has a negative reaction in the capital market. (Nelson & Schwert, 1977) Finding indications that inflation has a negative relationship to the rate of return of stocks. Tsoukalas & Sil (1999) Finding evidence that inflation has a significant influence on the direction of the negative relationship to stock prices.

The existence of a high inflation rate can also have a negative impact on the company, including: a) a decrease in the company's production level caused by a decrease in people's purchasing power, and b) an increase in wage costs given to company employees if employee wages adjust to the inflation rate. (K. Barnes et al., 2006) Inflation has a strong influence on the economy, because: a) declining real returns occur not only in money but also in assets, b) decreases in real returns, causing further exacerbation of opposition in the credit market [debtors prefer low interest rates, while creditors set interest rates adjusted for changes in inflation], c) high inflation rates will ultimately reduce credit offers investment financing.

Interest Rate

Interest rates are one of the most closely watched variables in the economy because they can directly affect people's daily lives and have important consequences for the economy (Mishkin

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& Eakins, 2012). Interest rate is the price to be paid for borrowing money for a certain period of time, usually expressed as a percentage of the principal per loan per year (Samuelson and Nordhaus, 1996: 485). Changes in interest rates are basically caused by changes in the inflation rate. (Apergis & Eleftheriou (2002) Disclose nominal changes in interest rates to keep them at a distance from changes in inflation in order to compensate lenders for changes in the real value of the nominal value of interest rates, although empirically they show different indications. Research from M. Barnes et al., 1999) Finding indications of changes in interest rates does not keep pace with changes in the inflation rate. Further (Apergis & Eleftheriou, 2002) It also states that changes in the face value of interest rates do not exactly match changes in inflation because interest rates reflect expectations about future inflation rates compared to current inflation rates. (Samuelson & Nordhaus, 2011) Revealing that if inflation occurs in the long term, people will anticipate it and the market will immediately make adjustments.

The adjustment of interest rates to changes in inflation is called the real interest rate. The real interest rate is the nominal interest rate minus the inflation rate (Mishkin & Eakins, 2012; Samuelson & Nordhaus, 2011) The nominal interest rate is the interest rate on money in the value of money (Samuelson & Nordhaus, 2011) . Further Mishkin & Eakins, (2012) Disclosing the existence of real interest rates will reflect the true cost of borrowing (Mishkin & Eakins, 2012). Mankiw, N (2007) Revealing that using the Fisher equation, we can see the nominal interest rate. The fisher equation is:

$$\mathbf{i=r+\pi}$$

(remarks: i is the nominal interest rate, r is the real interest rate, π is the inflation rate)

According to the fisher equation, a 1 (one) percent increase in the inflation rate will cause a 1 percent increase in the nominal interest rate and the relationship between the inflation rate and the nominal interest rate is called the fisher effect (Mankiw, N., 2007). Changes in interest rates have an important impact or influence on daily life and the national economy as a whole. Mishkin & Eakins, (2012) Disclosing interest rates affects the economic decisions of a society or company. High interest rates will encourage people to increase their savings at banks. On the other hand, high interest rates cause companies to rethink to carry out their investment projects which are funded mostly from debt because the more interest rates, the greater the cost of capital that must be borne by the company. High interest rates are also reacted negatively by the capital market.(Tsoukalas & Sil, 1999) Finding evidence that interest rates have a negative influence on stock prices.

High interest rates are synonymous with high inflation rates, this also causes the risk level of the company's investment projects to be higher. This is because the higher the inflation rate, it causes a decrease in people's purchasing power, especially in people with a fixed nominal income. This decrease in people's purchasing power may have an influence on the income obtained by the company because of the decrease in people's purchasing power to buy products or services produced by the company.

Company Value

Company value according to Husnan (2019) is the price that prospective buyers are willing to pay if the company is sold. Company value is important for various parties, such as: company management, company shareholders, and potential investors. Company value can be used as an indicator of the performance of company management in a period. The higher the value of the company, indicating the performance of the company's management is good. On the shareholder side, the higher the value of the company will indicate the higher the welfare for shareholders. For potential investors, company value can be used as an indicator of assessment of the company's condition. Management is an important component in the achievement of company goals. Management plays an important role in maximizing company value. The existence of the capital market causes the term company value to be equated with the company's market value. This assumption is based on the efficient market hypothesis. The efficient capital market hypothesis states that if the securities market is efficient, it will not be possible to profit by transacting in the

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capital market using available information (Ackert & Smith, 1993). Company Value in this study is measured by Market to Book Value of Equaity (MBE) indicator, and Price Earning Ratio (PER).

***Price* to Book Value of Equity (PBV)**

Market to book value of equity reflects that the market return on a company's investment in the future will be greater than the expected return on its equity. Companies that have a high PBV ratio will have large asset and equity growth. Formula used to calculate PBV according to Roberts et al., (2003) be:

Σ Outstanding shares X Stock closing price
PBV = Σ Own Capital

***Price Earning Ratio* (PER)**

The price earning ratio indicates that investors will pay how many dollars the stock price for every one dollar of profit for the current period, or means what investors think about the past performance and future prospects of the company. Formula used to calculate P/E byRoberts et al., (2003) be:

$$\text{PER} = \frac{Price}{Earning\ per\ Share}$$

METHOD

The type of data used in this study is secondary data taken from annual reports, annual financial statements, and ICMDs of food and beverage companies listed on the Indonesia Stock Exchange from 2016-2020. The company's financial data is obtained from the Indonesian Capital Market Directory (ICMD), the company's website and the Indonesia Stock Exchange website. This study uses three variables, namely: Good Corporate Governance, Financial Performance, External Factors and Company Value. The variables in this study are divided into 2 Independent variables (Good Corporate Governance, Financial Performance and external factors) and one Dependent variable (Company Value). An independent variable is a variable that affects the dependent variable, both those whose influence is positive and those whose influence is negative. The independent variables used in this study are as follows: Good Corporate Governance, Financial Performance and external factors as follows; (X1) Good Corporate Governance, using the total indicators of Proportion of Independent Commissioners, Institutional Ownership, Managerial Ownership, and Public Ownership. (X2) Financial Performance, using ROA and ROE. (X3) External factors, using indicators of the inflation rate, and interest rate. The dependent variables used in this study are: Company Value as follows: (Y1) Company Value, using 2 indicators, namely Market to book ratio (PBV) and Price earning ratio (PER).

Research Hypothesis

H1: Good Corporate Governance affects Corporate Value
H2: Financial Performance Affects Company Value
H3: External factors significant to the value of the company

Data Analysis Techniques

Measurement Model Analysis Results

Data analysis techniques in this research using Smart PLS, the measurement of this model is carried out through four stages of testing, namely individual item reliability, internal consistency reliability, average variance extracted and discriminant validity (Hair et al., 2012; Henseler et al., 2009)

Test Individual Item Reliability

This test is carried out by looking at the value of the standardized loading factor. The

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value describes the magnitude of the correlation between each indicator measurement item and its latent variable. The value of loading factor 0.6 and above can be said to be valid as an indicator that measures latent variables (Hair et al., 2012; Henseler et al., 2009; Subiyakto et al., 2015)

Discriminant Validity Test

This test is done by looking at the cross loading value then comparing it with the AVE root value. The size of cross loading is by comparing the indicator's correlation with its construct and other blocks, this shows that the construct predicts the size of their block better than other blocks. Another measure of discriminatant validity is that the AVE root value must be higher than the correlation between the construct and the other construct (Hair et al., 2012; Henseler et al., 2009; Subiyakto et al., 2015). The following are the test results

Internal Consistency Reliability Test

This test is performed using a Composite Reliability (CR) value with a threshold of 0.7. CR is better at measuring internal consistency than Cronbach's alpha for SEM models because CR does not assume all indicators are equal in a variable (Irawati & Putra, 2014; Yamin & Kurniawan, 2011) . The following are the test results

Average Variance Extracted (AVE) Test

The next test is to look at the AVE value, this value describes the magnitude of variance or diversity of manifest variables that can be contained by latent variables. The minimum AVE value of 0.5 indicates a good measure of convergent validity. The following are the test results

RESULTS AND DISCUSSION

Results

Data Analysis With Smart PLS

Measurement Model Analysis Results (*Outer Loading*)

Analysis of the measurement model is carried out through four stages of testing, namely individual item reliability, internal consistency reliability, average variance extracted and discriminant validity (Hair et al., 2012; Henseler et al., 2009)

Test Individual Item Reliability

This test is carried out by looking at the value of the standardized loading factor. The value describes the magnitude of the correlation between each indicator measurement item and its latent variable. The value of loading factor 0.6 and above can be said to be valid as an indicator that measures latent variables (Hair et al., 2012; Henseler et al., 2009; Subiyakto et al., 2015) . The following are the test results

Loading Factor Test Results

From the results of the outer loading factor test, it can be seen that there are indicators whose values are below 0.60, namely indicators X1.1, X1.2, X3.1 and Y2 so that these indicators must be dropped and retested

Loading Factor Test Results

After being retested From the results of the outer loading factor test, it can be seen that all indicators are above 0.60 so that all indicators are considered capable enough to construct existing variables

Discriminant Validity Test

This test is done by looking at the cross loading value then comparing it with the AVE root value. The size of cross loading is by comparing the correlation of the indicator with its construct

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and other block constructs, this shows that the construct predicts the size of their block better than other blocks. Another measure of discriminatant validity is that the AVE root value must be higher than the correlation between the construct and the other construct (Hair et al., 2012; Henseler et al., 2009; Subiyakto et al., 2015). The following are the test results

Cross Loading Validity Results

Discriminant Validity Test Results

From the Discriminant Validity Test on the data in the table above, it shows that the loading value on the intended construct is all greater than the loading value on other constructs, so it can be concluded that there are no problems in testing discriminant validity.

Internal Consistency Reliability Test

This test is performed using a Composite Reliability (CR) value with a threshold of 0.7. CR is better at measuring internal consistency than Cronbach's alpha for SEM models because CR does not assume all indicators are equal in a variable (Irawati & Putra, 2014; Yamin & Kurniawan, 2011) The following are the test results

Composite Reliability Test Results

From the table it can be seen that all Composite Reliability (CR) values are above 0.7 and Cronbach's Alpha is above 0.5 so that it can be concluded that there are no problems in testing internal consistency reliability tests or it can be stated that the indicators used in each variable have good reliability or are able to measure the construct.

Average Variance Extracted (AVE) Test

The next test is to look at the AVE value, this value describes the magnitude of variance or diversity of manifest variables that can be contained by latent variables. The minimum AVE value of 0.5 indicates a good measure of convergent validity. The following are the test results

Average Variance Extracted Test Results

From the table it can be seen that all AVE values are not below 0.5 so it can be concluded that there is no problem in testing average variance extracted

Results of Structural Model Analysis (Inner Model)

This analysis is carried out with several stages of testing, namely path coefficient (β), coefficient of determination (R^2), t-test with bootstrapping method (Hair et al., 2012; Henseler et al., 2009; Nugroho, 2014)

Path Coefficient Test

This test is done by looking at the threshold value above 0.1 to state that the path in question has an influence in the model. The results of the path coefficient can be seen in the following table; From the results above, it can be seen that there is no path whose value is above 0.1

Coefficient of Determination (R2) Test

This test is performed to explain the variance of each endogenous target variable (endogenous variables are variables that are influenced by other variables in the model) with a measurement standard of about 0.670 expressed as strong, 0.333 moderate, and 0.190 or below is weak. The following are the measurement results that can be seen in the table below: The results above show that the Company Value variable has an R Square value of 0.293 (29.3%) this means that the ability to explain the dependent variable Company Value is moderate at a level of 29.3%, or in other words the Company Value model is explained by GCG, Financial Performance, and External Factors by 29.3% the rest is explained by other variables outside the research model.

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T-test

This test was carried out by bootstrapping method using a two-tailed test with a significance level of P Values 0.05 (5%) to test the hypotheses in this study. The hypothesis will be accepted if it has a t-test greater than 1.96 and a P value below 0.05 (Maria et al., 2016; Nugroho, 2014; Subiyakto et al., 2015) . Here are the results of the t-test in the following table:

The t-test results show that there is one path whose t-test value is greater than 1.96 and P Values below 0.05, namely the influence of GCG on Company Value. Thus it can be said that there is 1 hypothesis accepted and 2 hypotheses not accepted.

Hypothesis Testing

Hypothesis testing is done to see the level of significance and whether the hypothesis can be accepted or rejected and look at the research model (model path). Hypnotic testing requires that the significance level can be seen in the P value at a significance level below 0.05 and a t-test result above 1.96. The following is a Table describing the path diagram from the research model to hypothesis testing.

Hypothesis Testing

Interpretation of Research Results

H1: GCG has a significant effect on Company Value. Based on the results of the analysis of the model structure, it can be seen that the hypothesis (H1) is accepted with a t-test value of 5.680 with a significance level of P Value of 0.000. H2: Financial Performance has a significant effect on Company Value. Based on the results of the analysis of the model structure, it can be seen that the hypothesis (H2) is rejected with a t-test value of 0.071 with a significance level of P Value of 0.943. H3: External Factors have a significant effect on Company Value. Based on the results of the model structure analysis, it can be seen that the hypothesis (H3) is rejected with a t-test value of 1.012 with a significance level of P Value of 0.312.

Discussion

The Effect of Good Corporate Governance (GCG) on Corporate Value

Hypothesis 1 which states that GCG has a significant effect on the value of the company is accepted with a significance value of 0.000 and less than 0.05 and t count 5.680 greater than t table 1.96. These results are in accordance with agency theory (Jensen & Meckling, 1976) With the basic principle of thinking that states the separation of functions between company ownership and managerial which can potentially cause agency problems. The implementation of GCG is expected to reduce agency problems so as to increase company value, while protecting the interests of stakeholders, increasing compliance with applicable laws and regulations and thus expected to increase public and investor confidence. This study supports several previous studies that examine the effect of good corporate governance on corporate value. (Wahab et al., 2007b) A study of 440 companies listed on Bursa Malaysia found that significant improvements in corporate governance index can have a major impact on shareholder wealth as measured using Market to book value of equity. (Arifin et al., 2014) found that coporate governance (Proportion of Independent Audit committee, Proportion of Independent commissioners) has a significant positive effect on company value (MBR, Tobin's Q, and Closing Price).

The Effect of Financial Performance on Company Value

Hypothesis 2 which states that Financial Performance has a significant effect on Company Value is rejected with a significance value of 0.943 greater than 0.05 and t count 0.071 smaller than t table 1.96. Financial performance is the company's ability to generate profits which is the net result of policies and management decisions, both in managing liquidity, assets and debts of the company. Financial performance is important for some parties. For company management, profit is an indication of the company's achievements in managing existing resources. For shareholders, profit is one of the factors that determine dividend policy, the greater the profit obtained, it is expected that dividends will also rise, and usually will be responded well by the market so that the

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stock price will also rise. For investors, profit is an attraction to invest their funds in the company. For creditors, profit is a source of funds for debt repayment. The financial statements published by the company are a reflection of the company's financial performance. However, in this study, Financial Performance is influential but not significant. Dividend policy is a decision taken by the company regarding the distribution of the company's net profit to shareholders in the form of dividends or holding in the form of retained earnings to finance future investments. If the company chooses to withhold the profits earned to reinvest in profitable projects to increase the company's growth, then the profits that will be distributed to shareholders will be reduced.

Dividend policy is still a debate. Clearly, there are three basic views on dividend policy: First, dividend policy is irrelevant, or something that does not need to be taken into account specifically. Second, the size of the dividend has a linear relationship with the high and low stock price. For companies that go public, the value of the company is reflected in its share price. The higher the stock price, the higher the value of the company. Third, dividend policy has a negative relationship with stock prices. That is, the lower the dividend, the higher the company's stock price.

To maximize shareholder prosperity and increase company value, companies are faced with making decisions about the dividend policy to be given to shareholders, which in turn affects the value of the company. The higher the value of the company, the greater the prosperity that will be received by the owner of the company or investors (Husnan, 2019)

The Influence of External Factors on Company Value

Hypothesis 3 which states that External Factors have a significant effect on Company Value is rejected with a significance value of 0.312 greater than 0.05 and t. count 1.012 is less than 1.96. The argument that can explain this indication is that companies that have low inflation rates and have high profitability are companies that fund dividend payments and fund high amounts of investment. Companies that pay dividends and fund high investments are companies that have high corporate value. On the other hand, the results of this study also found indications that companies that have high profitability reflect companies that have low company value. This is because there are indications that companies that have high profitability tend to be used to fund investments, so this indicates that the risk of investment failure will mostly be borne by the company's shareholders. The higher the risk borne by the company's shareholders will be able to have a negative impact on the value of the company. Company shareholders will favor companies that fund investments using leverage, due to motives: a) transfer of risk from shareholders to creditors, and b) transfer of welfare from creditors to shareholders of the company. Based on this explanation, it can be possible as a cause of insignificant influence between external factors on company value.

CONCLUSION

Based on the results of the analysis and discussion described in the previous chapter, the following conclusions are obtained: Good corporate governance has a significant effect on the value of the company with a significance value of 0.000 less than 0.05 and t count 5.680 greater than t table 1.96. Financial Performance has an insignificant effect on Company Value with a significance value of 0.943 greater than 0.05 and t count 0.071 smaller than t table 1.96 External factors have an insignificant effect on the Company's Value with a significance value of 0.312 greater than 0.05 and t. count 1.012 is less than 1.96. The results of the Coefficient of Determinantion (R2) test show that the Company Value variable has an R Square value of 0.293 (29.3%) this means that the ability to explain the dependent variable Company Value is moderate at a level of 29.3%, or in other words the Company Value model is explained by GCG, Financial Performance and External Factors of 29.3% the rest is explained by other variables outside the research model.

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