

Determinant of The Firm Value and Good Corporate Governance as A Moderating Variable: Empirical Evidence in Indonesia and Singapore Companies

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Abstract: Company value is the value used by investors to compare the market value of a company's stock with its book value. In 2015-2018 company value as measured by Price to Book Value (PBV) on the LQ45 Index in Indonesia experienced a downward trend, while during the same period company values in the Singapore STI experienced a fluctuating trend. This study aims to evaluate published explanatory findings regarding the determinants of company value in the LQ45 and STI indices during the 2015-2018 period with Good Corporate Governance as a moderating variable. The research sample of 47 companies consisted of 21 companies in the LQ45 index and 26 companies in STI. The data analysis technique used in this study is Moderated Regression Analysis (MRA). The results showed that both Return on Equity (ROE), Institutional Ownership (INST) and Debt to Equity Ratio (DER) had significant effects on company value in LQ45, while Dividend Payout Ratio (DPR) and Company Size had no effect. In the STI, ROE, DER, DPR and Company Size has no effect on firm value, while INST has a significant effect. Finally, the INST variable can moderate the effect of the ROE variable on firm value in both countries and it can be moderate the effect of the DER variable on firm value in Indonesia, but it cannot moderate the effect of the DER variable on firm value in Singapore.

Key Word: Price to Book Value, Return on Equity, Debt to Equity Ratio, Dividend Payout Ratio, Firm Size, Good corporate governance.

Date of Submission: 05-09-2020

Date of Acceptance: 20-09-2020

I. Introduction

From the perspective of financial management, the primary purpose of a company is the maximization of its value. The higher the value of the company, the greater the returns that will be received by the owners of the company. Accordingly, Brigham & Houston (2012: 7), argue that maximizing shareholder wealth is the main objective of managerial decisions. In order for shareholders (principals) to achieve company goals, they submit the running of the company to managers (agents). As a consequence of the structure of this delegation of authority, many conflicts of interest are generated between shareholders and company managers. These agency conflicts carry agency costs.

Suprayitno (in Wibowo, 2016) claims that one way to reduce agency costs is to implement Good Corporate Governance. According to Rusdiyanto (2019: 45), Good Corporate Governance is "a system that regulates and controls companies to create added value for all stakeholders". It has been argued the implementation of Good Corporate Governance (GCG) in Indonesia has not been optimal. SigitPramono, Chairman of the Indonesian Institute for Corporate Directorship (IICD), stated at the 10th CG Conference & Award that Indonesia still lags behind a number of ASEAN countries in terms of implementing GCG (<https://liputan6.com/bisnis>). In this regard Indonesia is currently in the fourth position behind Thailand, Malaysia and Singapore.

Poluan and Nugroho (2015) revealed that corporate governance mechanisms are divided into two groups; firstly, internal company mechanisms such as the structure of the board of directors and managerial ownership, and secondly, external mechanisms such as markets for corporate control, institutional ownership, and debt funding levels. According to Setiyawati, Wahyudi, Mawardi (2017), institutional ownership, which is one of the mechanisms of corporate governance, is believed to have a better ability than individual investors in monitoring management actions in managing a company. Institutional ownership encourages oversight of managers so that they can align interests between managers and shareholders. According to Rusdiyanto (2019: 80), the higher the level of institutional ownership, the greater the strength of the institutional oversight of management operations in ensuring that company value is maximised.

Singapore is a developed country that has some marked differences with developing countries such as Indonesia. A primary difference that is clear from World Bank figures is that Singapore has higher market capitalization than other ASEAN countries (<https://databank.worldbank.org/>). Another difference is that Singapore applies the lowest business entity tax amongst the ASEAN countries (kemenkeu.go.id/publikasi-pajak). Business tax in Singapore is 17%, whereas in Indonesia according to Law Number 36 of 2008, it is 25%. Another difference is the Governance and Transparency Index (GTI). Singapore's GTI is on average higher than that of Indonesia. The average value of the Singapore GTI in 2015 was 78.14%, increasing to 78.45% in 2017, while the average value of the Indonesian GTI in 2015 was 62.68%, increasing to 70.59% in 2017 (<https://www.sid.org.sg/>).

Previous research into the factors that influence company value, namely Return on Equity, Debt to Equity, Dividend Payout Ratio, and Firm Size, shows inconsistent results. Research by Lestari, Armayah (2016), Apsari, Dwiatmanto, Azizah (2015), and Gunawan, Pituringsih, Widyastuti (2018) found that Return on Equity had a significant positive effect on firm value. However, in research by Astuti, Wahyudi, Mawardi (2018), it was argued that profitability, proxied by Return on Equity, has no effect on firm value. Research by Susanti, Sudarma, Nidar, and Mulyana (2017), Meizari, Viani (2017), and Setiyawati, Wahyudi, Mawardi (2017) argued that Debt to Equity Ratio has a significant positive effect on firm value, while by contrast research by Suta, Agustina, Sugiarta (2016) and Fatah, Amboningtyas, Fathoni (2018) found that Debt to Equity Ratio had no effect on firm value. Research by Anton (2016), and Novita, Rahardjo, Suyadi (2019), and Sari, Patricia (2019) argued that Dividend Payout Ratio has a significant positive effect on firm value, while Husna, Satria (2019) and Lumapow, Tumiwa (2017) claimed that Dividend Payout Ratio has no effect on firm value. Inconsistent results were also found in relation to the impact of firm size. Gill, Obradovich (2012), Pratama, Wiksuana (2016), Fauzan, Yulianeu, Fathoni (2018) and Khasanah, Aryati (2019), found that company size had a significant positive effect on firm value, while Astuti, Wahyudi, Mawardi (2018), and Rahmantio, Saifi, Nurlaily (2018), found that company size has no effect on firm value. Finally, Hamdiah (2015), Hariati, Rihatiningtyas (2015), and Ratnawati, Freddy, Hardi (2018), attempted to demonstrate that institutional ownership has a positive effect on firm value, while by contrast the research conducted by Bemby S, Mukhtaruddin, Hakiki, Ferdianti (2015), as well as by Sholihah, Wahyudin (2017) claimed to demonstrate that institutional ownership has no effect on firm value.

II. Material and Methods

2.1 Company Value

According to Keown (2018: 35) company value is the market value of a company's equity plus the market value of its debt. The value of a company will be reflected in its share price (Hardiningsih, 2009). According to Brigham & Houston (2012: 7), company value is maintained by managerial decisions which balance the risks associated with increasing earnings per share against the losses in value imposed by time through inflation. Company value in this study is proxied by price to book value (PBV), which following Sutrisno (2013: 231) is the ratio of the stock price in the market compared to the book value of its total shares.

2.2 Agency theory

Agency theory according to Jensen & Meckling in Moeljadi (2006: 3) is concerned with the tensions in relationships that arise following the separation between ownership and management. This separation occurs because the owners of capital, who may be managing a number of funds and diverse portfolios, delegate authority and decision making to managers. This relationship is prone to conflicts which occur because the capital owner (principal) tries to use funds as efficiently as possible with the smallest possible risk, while managers (agents) tend to make decisions that focus on maximizing profits. Thus agency decisions which may be in conflict with the broader interests of the principal owners of the capital are made by managers as they prioritize their own interests (Meyers in Moeljadi, 2006).

2.3 Signaling Theory

Ross (1977) argues that as insiders who have relatively complete information about a company's cash flow, managers will provide clear signs which signal a company's survival going forward. These signals can be in the form of promotions or other information stating that the company is better placed than competitor companies. Signalling theory can help agents, principals, and outsiders to reduce information asymmetry by producing quality or integrity of financial statement information. To ensure that interested parties believe in the reliability of financial information submitted by the agent, it is necessary to obtain an opinion from an independent party regarding the financial statements.

2.4 Trade off Theory

Brigham and Houston (2014: 183) state that according to the theory of exchange, or trade-off theory, companies exchange the tax benefits of debt financing with problems caused by potential bankruptcy.

2.5 Pecking Order Theory

Pecking Order Theory implies that there is no optimal capital structure. The company is assumed to prefer internal funding sources (in the form of retained earnings) rather than Gumanti's external funding sources (2017: 75). Myers and Majluf (1984) in Harjito (2011) stated that the main source of company capital must first come from the company's operating results in the form of net profits after tax that are not distributed to shareholders. Company profits will be reinvested in profitable company projects. If retained earnings are not enough to finance the project, the company can increase its capital by seeking funds from debt and equity.

2.6 Return on Equity

Profitability ratio is a ratio which measures the level of effectiveness of a company's management in generating profits. According to Kasmir (2016: 196), the profitability ratio is used to assess the ability of a company to seek profits as well as to assess the level of effectiveness of management within the company. Reference to profitability ratios imposes goals and benefits not only for the owners and management of the company but also for parties outside the company, especially those who have a relationship or interest with the company. One indicator that can be used to measure profitability is Return on Equity (ROE). According to Kasmir (2016: 204), ROE is a ratio which measures net income after tax, with own capital. This ratio reflects the level of efficiency in the use of own capital. As ROE shows the ratio of results (return) on the use of company equity in creating net income (Herry, 2016: 144), the higher the ratio the stronger the position of the owner of the company. According to Amalya in Lathifa (2018), a high ROE can mean that shareholders will get a high dividend as well, so that an increase in ROE will cause an increase in share prices. Lestari, Armayah (2016), Apsari, Dwiatmanto, Azizah (2015), and Gunawan, Pituringsih, Widyastuti (2018), revealed that Return on Equity had a significant positive effect on firm value. Based on the theory and previous research, hypotheses can be formulated as follows:

H1 = Return on Equity has a significant effect on firm value.

2.7 Debt to Equity Ratio

Solvency is the ratio of the extent to which a company is financed by debt. The indicator to measure the solvency ratio is the Debt Equity Ratio (DER). According to Herry (2016: 168), DER is a ratio used to measure the proportion of debt to capital by dividing total debt by capital. Weston and Copeland (1992) revealed that the value of a company is related to the company's liquidity in returning loans to creditors. The use of high debt will make it difficult for companies to meet their obligations, causing a decline in the value of the company. Research by Susanti, Sudarma, Nidar, and Mulyana (2017), Meizari, Viani (2017), and Setiyawati, Wahyudi, Mawardi (2017), revealed that Debt to Equity Ratio had a significant positive effect on firm value. Based on the theory and previous research, hypotheses can be formulated as follows:

H2 = Debt to Equity Ratio has a significant effect on firm value

2.8 Dividend Payout Ratio

Miller and Moldigani argue that an increase in dividends above the normal increase is usually a signal to investors that the company's management predicts a good income in the future, and vice versa. An indicator of the value of dividends distributed by companies is the Dividend Payout Ratio (DPR). Sartono (2001: 491) states that the ratio of dividend payments is the percentage of profit paid in the form of dividends, or the ratio between earnings paid in the form of dividends and the total profit available to shareholders. Sutrisno (2013: 277) states that the policy of providing stable dividends to shareholders will increase share prices. Anton (2016), and Novita, Rahardjo, Suyadi (2019), and Sari, Patricia (2019)), revealed that Dividend Payout Ratio has a significant positive effect on firm value. Based on the theory and previous research, hypotheses can be formulated as follows:

H3 = Dividend Payout Ratio has a significant effect on firm value

2.9 Firmz size

Brigham and Houston (2011: 4) refer to Company size as the size of a company in terms of assets, total sales, total profits, tax expenses, etc. According to Riyanto (2008: 313), company size is to be considered from the point of view of value of equity, sales value or asset value. Companies are described as large or small, depending on their size. Sartono (2012: 249) postulates that a company that is large and well-established in all respects will find it easier to obtain capital in the capital market compared to a small company. Research by

Gill, Obradovich (2012), Pratama, Wiksuana (2016), Fauzan, Yulianeu, Fathoni (2018) and Khasanah, Aryati (2019), revealed that company size had a positive effect on firm value. Based on the theory and previous research, hypotheses can be formulated as follows:

H4 = Company size has a significant effect on firm value

2.10 Good Corporate Governance

Rusdiyanto (2019: 45) describes Good Corporate Governance as "a system that regulates and controls companies to create added value for all stakeholders". The implementation of good corporate governance in a company will increase the company's value and corporate image, protect the rights of shareholders and improve the efficiency and effectiveness of the work of the board of management and company management. One indicator to measure Good Corporate Governance is institutional ownership. According to Rusdiyanto (2019: 80), an institutional shareholding may include a wide range of institutions outside of the company, inter alia government corporations, financial institutions, legal entities, foreign institutions, and trust funds. He further argues that the higher the level of institutional ownership, the greater the ability of the institution to oversee management so as to optimize the value of the company. Research by Hamdiah (2015), Hariati, Rihatiningtyas (2015), and Ratnawati, Freddy, Hardi (2018), revealed that institutional ownership has a significant effect on firm value. Based on the theory and previous research, hypotheses can be formulated as follows:

H5 = Institutional ownership has a significant effect on firm value

2.11 The influence of Institutional ownership can moderate the effect of Return on Equity on firm value

Using ROE and ROA as indicators, research conducted by Romadhona, Ahmar, Darmansyah (2018) revealed that institutional ownership is able to moderate the effect of profitability on corporate value in Singapore. Similarly, research with the moderation type being apure moderator, undertaken by Lathifa, Ahmar, Mulyadi (2018), revealed that institutional ownership is able to moderate the effect of profitability on firm value. Research by Putri, Ahmar (2019), demonstrates that institutional ownership is able to moderate the effect of profitability on firm value in Indonesia and the Philippines. Based on previous research, the following hypothesis can be formulated:

H6 = Institutional ownership can moderate the effect of Return on Equity on firm value

2.12 The influence of Institutional ownership can moderate the effect of Debt to Equity Ratio on firm value

Suta, Agustina, Sugiarta (2016) demonstrated that institutional ownership has a strongly significant influence on the relationship between debt policy and corporate value. Lathifa, Ahmar, Mulyadi (2018), revealed that institutional ownership was able to moderate the effect of solvency on firm value in Thailand. It can thus be concluded that institutional ownership is able to moderate the effect of debt policy on the value of a company. Based on previous research, the hypothesis can be formulated as follows:

H7 = Institutional ownership can moderate the effect of Debt to Equity Ratio on firm value

The research model is presented in Figure 1.

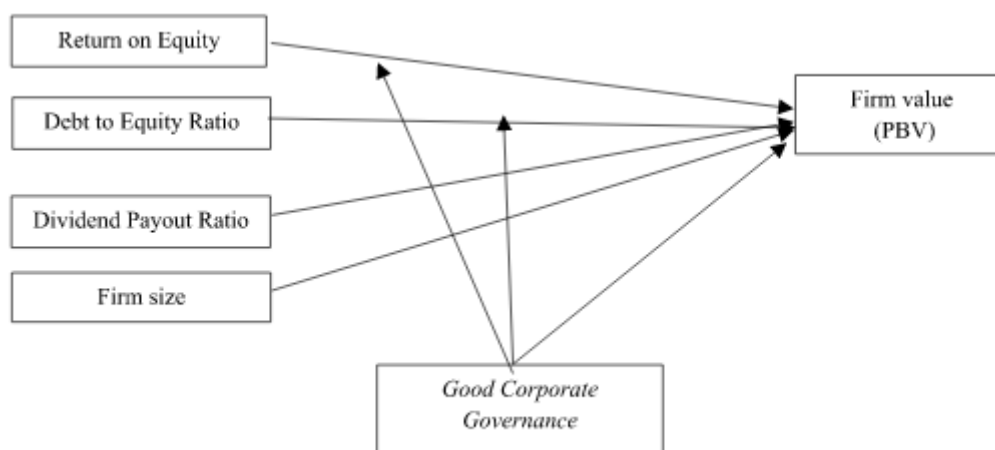


Figure 2. Research model

Methods

This study uses Moderated Regression Analysis (MRA) to establish the level of influence the independent variable as well as the level of influence of moderating variables on the dependent variable. It further seeks to establish whether the variable of Good Corporate Governance can moderate (either strengthen or weaken) the relationship between the independent variables and the dependent variable. The population in this study amounted to 95 companies consisting of 61 companies listed on the LQ45 index, and 34 companies listed on the STI. The sampling technique used was purposive sampling. The number of samples in this study amounted to 47 companies consisting of 21 companies in the LQ45 index and 26 companies in STI. The research period covers the 4 years from 2015-2018, amounting to 188 observations in total. The regression model equation used in the research for models in Indonesia and Singapore are

III. Result and Discussion

The variables used in this study are Return on Equity, Debt Equity Ratio, Dividend Payout Ratio, and Firm Size. Good Corporate Governance variables are proxied by Institutional Ownership, while Company Value variables are proxied by Price to Book Value. Statistical description of the research variables are provided in Table 1 below.

Table 1: Descriptive Statistics of Variables on The LQ45 and STI Index

| | Variabel | N | Minimum | Maximum | Mean | Std. Deviasi |
|------|----------|-----|---------|---------|---------|--------------|
| LQ45 | DPR | 84 | -0,84 | 160,99 | 23,9465 | 32,17937 |
| | DER | 84 | 0,15 | 5,60 | 1,0610 | 1,03868 |
| | DPR | 84 | 0,00 | 138,55 | 36,6157 | 32,66747 |
| | Ln SIZE | 84 | 15,17 | 20,53 | 17,3001 | 1,19546 |
| | INST | 84 | 17,48 | 84,99 | 56,9167 | 14,18042 |
| | PBV | 84 | 0,23 | 82,44 | 6,5058 | 14,14573 |
| STI | DPR | 104 | -21,96 | 198,45 | 14,5548 | 26,25274 |
| | DER | 104 | 0,19 | 10,27 | 2,0877 | 3,02447 |
| | DPR | 104 | -336,89 | 240,77 | 53,6252 | 57,43067 |
| | LnSIZE | 104 | 14,32 | 20,13 | 16,6657 | 1,50858 |
| | INST | 104 | 22,77 | 94,27 | 70,8265 | 15,05072 |
| | PBV | 104 | 0,12 | 39,20 | 2,3046 | 4,98635 |

Hypothesis Test Results in Table 2 (below) show that the ROE variables in models without institutional ownership variables shows different results. In the LQ45 Index (model 4.12), ROE has a significant positive effect on firm value while in STI (model 4.14) ROE has no effect on firm value. Both models show contradictory results, in this case, model 4.12 confirms Signaling Theory (as presented by Ross (1997), where a company provides a signal to users of financial statements. The high ROE value is responded to as a good signal to users of financial statements (including investors) that the company's sustainability will be guaranteed. This good signal increases investors' confidence in the company so that the company's value will increase. Model 4.14 on STI shows that ROE does not affect firm value. ROE is not considered a signal of the company's future prospects so that the results of ROE analysis in model 4.14 are not in line with Signaling Theory. When viewed from the description of ROE statistics from 2015-2018, the trend of the standard deviation of ROE shows a downward trend. This means that in STI, it shows that the variability of ROE data is getting narrower, so it can be interpreted that the rate of return generated for shareholders on average STI has a tendency to approach the average rate of return. In a model with institutional ownership variables (namely the 4.13 model and 4.15 model), ROE has a significant positive effect on firm value. This shows that with institutional ownership, the effectiveness of companies in managing equity is higher so that the ability to generate profits using equity is also higher. The higher the ROE level, the higher the firm value, and vice versa. Both models indicate that institutional ownership is able to encourage supervision of managers so that the interests between managers and shareholders are aligned. This is in line with what has been stated by Moeljadi (2006: 4), where the difference in interests between managers and shareholders must be reduced so that agency costs incurred by the company can be lower so that it can increase company value. Models with interaction variables show different results. In Model 4.3, ROE has a significant positive effect on firm value. The coefficient value in model 4.3 shows a smaller value than that in model 4.12. This means that in model 4.3 the presence of interaction variables will weaken the effect of ROE on firm value, whereas in a model without interaction the company's ability to manage its capital can have a greater effect on firm value. the higher the institutional ownership followed by the higher the rate of return and debt will weaken the effect of ROE on firm value. In STI (model 4.16), ROE has no effect on firm value. The coefficient value in the 4.16 model is smaller than the coefficient value in the 4.14 model, but ROE in both models has no effect on firm value. The existence of interaction variables, any changes that occur in ROE have no effect on firm value at STI. The results of this study are consistent with research

conducted by Lestari, Armayah (2016), Apsari, Dwiatmanto, Azizah (2015), Gunawan, Pituringsih, Widyastuti (2018), revealing that Return on Equity has a significant positive effect on firm value.

Table 2:Hypothesis Test Results on the LQ45 and STI Index

| Variabel dependen: PBV | | | | | | |
|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|--------------------|
| Variabel Independen | Indeks LQ45 | | | STI | | |
| | Model 4.12 | Model 4.13 | Model 4.3 | Model 4.14 | Model 4.15 | Model 4.16 |
| ROE | 0,341*** (8,713) | 0,363*** (15,068) | 0,238*** (5,130) | 0,047 (1,278) | 0,170*** (7,121) | -0,076 (-1,487) |
| DER | -1,100*** (-4,347) | -0,528*** (-3,616) | -6,543** (-2,271) | -0,095*** (-3,441) | -0,062** (-2,048) | -0,111 (-1,398) |
| DPR | 0,018*** (6,012) | 0,019*** (17,513) | 0,012 (1,006) | 0,001** (2,449) | 0,000*** (2,827) | 0,002 (0,891) |
| LnSIZE | -0,077*** (-2,758) | -0,242*** (-5,229) | 0,357 (0,899) | 0,049*** (9,227) | 0,109*** (13,750) | 0,002 (0,044) |
| INST | | 0,041*** (4,546) | -0,144*** (-2,823) | | -0,018*** (-8,508) | 0,066** (2,166) |
| ROE*INST | | | 0,003*** (3,354) | | | 0,003** (4,889) |
| DER*INST | | | 0,122** (2,245) | | | 0,001 (0,441) |
| Number of Observation | 80 | 77 | 84 | 102 | 101 | 100 |
| R ² | 0,909 | 0,997 | 0,956 | 0,996 | 0,995 | 0,922 |

Note: (*) Significance of 10%, (**) Significance of 5%, (***) Significance of 1%

The results of the analysis on the model without institutional ownership variables (namely the 4.12 model and the 4.14 model) show that DER has a significant negative effect on firm value on the LQ45 and STI indices. This means that when the DER increases, the firm value will decrease, and vice versa. Model 4.12 and model 4.14 confirm Signaling Theory Ross (1997) where the high level of debt to finance company operations will give negative signals to investors to buy company shares. Investors assume that high levels of debt will increase the burden on the company so that the risk of company bankruptcy is getting bigger. Investors who are reluctant to buy company shares will reduce the demand for shares owned by the company, thereby reducing the value of the company. Models with institutional ownership variables (namely the 4.13 model and 4.15 model) it shows that DER has a significant negative effect on firm value on the LQ45 and STI indices. This means that with the institutional ownership variable, each increase in DER will decrease the firm's value, and vice versa. Model 4.13 and model 4.15 confirm Pecking Order Theory, where companies are assumed to prefer internal sources of funds in the form of retained earnings than external sources of funds (in the form of debt), Gumanti (2017: 75). The source of funding in the form of debt will cause a burden on the company so that it will reduce the prosperity of institutional shareholders. As much as possible, institutional shareholders use their authority to encourage managers to be more effective in making the right decisions in finding sources of funding so that it will increase company value. Models with interaction variables show different results. In model 4.3, DER has a significant negative effect on firm value, while in model 4.16, DER has no effect on firm value. In the LQ45 Index, the coefficient value of model 4.3 is greater than the coefficient value in model 4.12. This means that the interaction variable strengthens the effect of DER on firm value. The higher the institutional ownership, the greater the supervision of management in determining the optimal debt policy so that it will reduce the risk of company bankruptcy. The high level of supervision and optimal debt policy is a positive signal for investors to dare to invest in the company so that it will increase company value. Different results are seen in the 4.16 model on the STI. The DER interaction variable has no effect on firm value. The coefficient value in model 4.16 is greater than that of model 4.14. This means that the interaction variable strengthens the effect of DER on firm value but is not significant. Investors assess that high institutional ownership followed by rates of return and debt does not affect investors to invest in STIs. Investors assess that the increase in debt has no effect on the value of the company at STI, because Singapore applies the lowest corporate tax rate among other ASEAN countries, (kemenkeu.go.id/publikasi-pajak). The corporate tax in Singapore is 17%, while in Indonesia according to Law Number 36 Year 2008 it is 25%. The application of low taxes has caused Foreign Direct Investment (FDI) to increase in Singapore. This is in line with the trade off theory as presented by Brigham and Houston (2014: 183), where companies exchange tax benefits from debt financing with problems caused by

potential bankruptcy. DER has an effect on firm value in line with research conducted by Susanti et al (2017), Meizari, Viani (2017), and Setiyawati et al (2017). However, different results shown by Suta et al (2016) and Fatah et al (2018) found that DER had no effect on firm value.

The results of the analysis on the model without institutional ownership variables (namely the 4.12 model and the 4.14 model) show that the DPR has a significant positive effect on firm value on the LQ45 and STI indices. This may imply that when the DPR has increased, the company value will increase, and vice versa. Model 4.12 and model 4.14 confirm the Bird in the Hand Theory that has been presented by Myron Gordon (1959) and John Lintner (1956), where investors prefer companies to distribute dividends compared to profits in the form of capital gains. Companies that distribute high dividends will increase the welfare of shareholders so that the company value will increase. Models with institutional ownership variables (namely 4.13 models and 4.15 models) it shows that DPR has a significant negative effect on firm value on the LQ45 and STI indices. This shows that with the institutional ownership variable, any increase in dividend payments by the company will decrease the value of the company, and vice versa. The existence of institutional ownership in both models indicates that models 4.13 and 4.15 confirm the Tax Preference Theory as stated by Miller and Scholes (1978), where investors do not like companies to distribute dividends due to the high tax imposed on these dividends. Managers in making decisions in terms of dividend distribution are controlled and supervised by institutional shareholders. Institutional shareholders assume that by distributing dividends to shareholders it will actually harm investors (including institutional shareholders). This is due to the large amount of tax on dividends that must be paid by investors so that the welfare of shareholders decreases and causes a decrease in the value of the company. Model 4.3 and 4.16 with interaction variables show that the DPR does not affect firm value. This means that with the interaction variable, every change in dividend distribution by the company does not affect the welfare of shareholders. In the LQ45 index the coefficient value in model 4.3 is smaller than the coefficient value in model 4.12. This means that the interaction variable weakens the influence of the DPR on firm value. the higher the proportion of institutional share ownership in the company, the greater the supervision of management in making dividend distribution policies. Institutional shareholders view that dividend distribution will reduce shareholder wealth because of the tax on dividends that must be paid. So that the distribution of dividends will reduce the value of the company. At STI, the model coefficient value is 4.16 greater than the model coefficient value 4.14. This means that the interaction variable strengthens the influence of the DPR on firm value, but the effect is not significant. High supervision of management in dividend distribution is considered to strengthen the influence in increasing company value, but it is not significant compared to dividend policy without supervision by institutional shareholders. DPR has an effect on firm value in line with research conducted by Anton (2016), and Novita et al (2019), and Sari, Patricia (2019). However, different results are shown by Husna, Satria (2019) and Lumapow, Tumiwa (2017) that the DPR has no effect on company value.

The results of the analysis on the model without institutional ownership variables (namely the 4.12 model and the 4.14 model) show different results. Model 4.12 on the LQ45 Index company size has a significant negative effect on firm value, while in the STI model 4.14 company size has a significant positive effect on firm value. Model 4.12 on the LQ45 Index, the greater the size of the company, the lower the firm's value. Managers assume that the larger the size of a company is used as a guarantee for obtaining outside sources of funding to finance the company's operations. However, investors consider that the higher the debt the company has, the greater the assets used as collateral to borrowers. If the company later cannot fulfill its obligations, the assets that are used as collateral will be taken by the debtor so that the company's value will decrease. Model 4.14 in STI shows that company size has a significant positive effect on firm value. This means that the greater the size of the company as measured by total assets, the greater the company value. Companies that have a large size will generally have easier access to the capital market, so that the opportunity to get outside funding will be even higher. Companies that have large sizes will be more trusted by creditors to provide loans because these companies have large assets as collateral. The results of the analysis on the model with institutional ownership variables (namely the 4.13 model and the 4.14 model) also show different results. In the LQ45 Index (model 4.12), firm size has a significant negative effect on firm value. This means that with the institutional ownership variable, any increase in firm size will decrease firm value, and vice versa. Whereas in STI (model 4.14) company size has a significant positive effect on firm value. This means that with the institutional ownership variable, any increase in company size will increase company value, and vice versa. Models 4.3 and 4.16 with the interaction variable show the results that firm size has no effect on firm value. This shows that every change that occurs in the interaction variable, firm size does not affect firm value. The results of research that show company size affect firm value are in line with research conducted by Gill, Obradovich (2012), Pratama, Wiksuana (2016), Fauzan et al (2018) and Khasanah, Aryati (2019). However, different research results were found in Astuti, Wahyudi, Mawardi (2018), and Rahmantio, Saifi, Nurlaily (2018), that company size has no effect on firm value.

The results of the analysis show that the influence of Institutional Ownership on firm value in model 4.13 and model 4.15 shows different results. In the LQ45 Index (model 4.13) the institutional ownership variable has a significant positive effect on firm value, while on the STI (model 4.15) institutional ownership variable has a significant negative effect on firm value. Model 4.13 confirms Agency Theory as stated by Jensen and Meckling (1976), where the greater the proportion of institutional ownership, the higher the supervisory activities for managers in managing the company. This is because the supervision of individual investors is considered not optimal in monitoring the opportunistic behavior of managers in managing the company. STI (model 4.15) shows that the higher institutional ownership, the firm value will decrease, and vice versa. Large institutional ownership turns out to be ineffective in controlling and supervising the behavior of managers in managing the company, so that the greater the proportion of institutional share ownership will reduce the value of the company. This is because the large amount of institutional ownership used in making decisions regarding company policies at meetings is not necessarily good for minority shareholders or for the company's future prospects. Majority shareholders (institutional ownership) tend to make decisions that are favorable to institutional investors compared to minority investors. This makes minority investors and potential investors rethink in investing in companies that have a large proportion of institutional shares, Hariyati and Rihatiningtyas (2015). The decline in investor interest in investing in a company will reduce the value of the company. Institutional ownership has an effect on firm value in line with research conducted by Hamdiah (2015), Hariati, Rihatiningtyas (2015), and Ratnawati et al (2018). However, different results are shown by research by Bemby et al (2015), and, Sholihah, Wahyudin (2017) showing that institutional ownership has no effect on firm value.

The results of the analysis of the ROEINST variable models 4.3 and 4.16 indicate that ROEINST has a significant positive effect on firm value. This means that the Institutional Ownership variable is able to moderate the effect of ROE on firm value on the LQ45 and STI indices. The higher the ROE value followed by an increase in the percentage of institutional ownership, the higher the company value. A large percentage of institutional ownership encourages higher supervision of managers in managing company capital to make it more effective and coupled with high rates of return will increase company productivity. This provides a positive signal for investors and potential investors to invest in the company. The high interest of investors to invest causes the high demand for stocks so that the company's value will increase. Institutional ownership is able to moderate the influence of ROE on firm value in line with research conducted by Putri, Ahmar (2019). However, different results are shown in the research of Lathifa et al (2018), that Institutional ownership is not able to moderate the effect of profitability on firm value.

The results of the DERINST variable analysis models 4.3 and 4.16 show different results. Model 4.3 on the LQ45 Index shows that the DERINST variable has a significant positive effect on firm value. This means that institutional ownership is able to moderate the influence of DER on firm value. The higher the DER value followed by an increase in the percentage of institutional ownership, the higher the company value. Meanwhile, model 4.16 shows that the DERINST variable has no effect on firm value. This means that institutional ownership is not able to moderate the influence of DER on firm value at STI. Model 4.3 indicates that an increase in the percentage of institutional ownership in a company can be used as supervision to management in making decisions in managing funds originating from debt. Management will make the right decisions in terms of debt policy because of the high institutional ownership that controls and oversees management. The optimal use of debt policies and the supervisory role of institutional ownership will reduce the risk of corporate bankruptcy. This is in accordance with the trade-off theory which explains that optimal use of debt will reduce bankruptcy costs and this debt policy has of course been monitored by institutions, Suta et al. (2016). Model 4.16, DERINST variable has no effect on firm value. This means that institutional ownership is not able to moderate the influence of DER on firm value at STI. Every change in the DER value followed by a change in the percentage of institutional ownership has no effect on firm value. Investors investing in STIs do not see the high percentage of institutional ownership followed by high debt. Investors still want to invest because they believe that despite the high level of debt at STI, Singapore has good corporate governance that gives investors the confidence to invest their capital. This can be seen from the value of Singapore's Governance and Transparency Index (GTI) which has a higher average than Indonesia. The existence of good governance will minimize the asymmetric information between managers and shareholders. So that any information held by managers will be in line with what investors receive. Institutional ownership is able to moderate the effect of DER on firm value in line with research conducted by Suta et al (2016). However, Romadhona et al (2018), INST was unable to moderate the effect of solvency on firm value.

IV. Conclusion

The aim of this study is to obtain tested explanative findings regarding the determinants of company value in the LQ45 and STI indices during the 2015-2018 period with Good Corporate Governance as a moderating variable. The results showed that both Return on Equity (ROE), Institutional Ownership (INST) and

Debt to Equity Ratio (DER) had significant effects on company value in LQ45, while Dividend Payout Ratio (DPR) and Company Size had no effect. In the STI, ROE, DER, DPR and Company Size has no effect on firm value, while INST has a significant effect. Finally, the INST variable can moderate the effect of the ROE variable on firm value in both countries and it can be moderate the effect of the DER variable on firm value in Indonesia, but it cannot moderate the effect of the DER variable on firm value in Singapore. This study shows that as companies in the LQ45 and STI strive to increase their value, they have to consider the proportion of share ownership by institutional parties because it has effect on company value in either index. Institutional ownership can, however, encourage company decisions which strengthen the efficiency of using their own capital, and thereby optimize company performance in generating profits.

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