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THE EFFECT OF CORPORATE GOVERNANCE ON COMPANY VALUE IN THE INDONESIA STOCK EXCHANGE AND SHARIA STOCK IN INDONESIA

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Abstract: This study analyzes the effect of corporate governance on a firm value on the Indonesian stock exchange and Islamic stocks in Indonesia. We conducted this study because it is still very rare to research by adding Islamic stock variables as a moderating variable. Many studies on the influence of corporate governance on firm value have been carried out, but there are inconsistencies in the results. Corporate governance, in this case, the ownership structure is assessed by the ownership structure. This study uses 150 manufacturing companies listed on the Jakarta Stock Exchange during 2002 - 2005 as a sample with 600 observations. The hypothesis is tested using regression analysis. Firm value is measured using Tobin's Q. The results show that institutional ownership has no significant effect on firm value. significant effect on firm value due to the development of the Indonesia Stock Exchange in terms of the development of the LQ45 stock index performance increasing, not proven. However, managerial ownership has a significant and positive effect on firm value. What is known from the analysis of this research is (1) the development of the Indonesia Stock Exchange as seen from the growth in the performance of the LQ45 stock index, (2) the growth of sharia shares, (3) the comparison of the LQ45 stock index performance scheme with the JII stock index performance is known to have a slight difference in the growth of the Stock Exchange. Indonesia is seen from the growth in the performance of the LQ45 stock index. And in terms of the development of the JII stock index performance.

Keywords: corporate governance, institutional ownership, managerial ownership, LQ45, sharia shares

Abstrak: *Penelitian ini menganalisis pengaruh corporate governance terhadap nilai perusahaan pada bursa efek Indonesia dan saham syariah di Indonesia. Kami melakukan penelitian ini karena masih sangat jarang penelitian dengan menambahkan variabel saham syariah sebagai variabel moderasi. Banyak penelitian tentang pengaruh corporate governance terhadap nilai perusahaan telah dilakukan, namun terdapat ketidak konsistenan dalam hasilnya. Tata kelola perusahaan, dalam hal ini struktur kepemilikan dinilai dari Penelitian dengan menggunakan 150 perusahaan manufaktur yang terdaftar di Bursa Efek Jakarta selama tahun 2002 - 2005 sebagai sampel dengan 600 observasi. Hipotesis diuji dengan menggunakan analisis regresi. Nilai perusahaan diukur dengan menggunakan Tobin's Q. Hasil penelitian menunjukkan bahwa kepemilikan institusional tidak berpengaruh signifikan terhadap nilai perusahaan. berpengaruh signifikan terhadap nilai perusahaan karena perkembangan Bursa Efek Indonesia dalam hal perkembangan kinerja indeks saham LQ45 meningkat, tidak terbukti. Namun kepemilikan manajerial berpengaruh signifikan dan positif terhadap nilai perusahaan. Adapun yang diketahui dari analisis penelitian tersebut (1) perkembangan Bursa Efek Indonesia dilihat dari pertumbuhan kinerja indeks saham LQ45, (2) pertumbuhan saham syariah, (3) Perbandingan skema kinerja indeks saham LQ45 dengan kinerja indeks saham JII diketahui terdapat sedikit perbedaan pertumbuhan Bursa Efek Indonesia dilihat dari pertumbuhan kinerja indeks saham LQ45. Serta ditinjau dari perkembangan kinerja indeks saham JII.*

Kata kunci: *corporate governance, kepemilikan institusional, kepemilikan manajerial, LQ45, saham syariah*

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INTRODUCTION

The implementation of GCG in Indonesia has not yet met expectations, therefore the implementation of GCG requires a strong commitment to make it happen (Suwandi, 2020). Implementation in Indonesia is still facing extraordinary obstacles. Until now, GCG has not provided a good governance solution for companies, when compared to other Asian countries, Indonesia is still lagging behind in the implementation of corporate governance. Wulandari conveyed in a panel discussion between Trisakti University and OJK that the reality related to the implementation of GCG in Indonesia shows that the results of the assessment of Indonesian corporate governance have not been satisfactory and that efforts to improve corporate governance have not been carried out comprehensively (Febrianti and Uswati, 2019). If you recall the economic crisis in Indonesia that occurred towards the end of the 20th century, which began with the monetary crisis that hit the Indonesian banking sector, it shows that corporate governance in Indonesia is still weak.

Weak corporate governance in the banking and government sectors in Indonesia causes no checks and balances between policy formulation and implementation of these policies. This can be seen in the absence of supervision on exceeding and or violating the minimum lending limit (BMPK), so when a crisis occurs, banks are faced with a fairly large (BMPK), problem (Suwandi, 2020). Realizing this, Bank Indonesia in its efforts to reorganize banking management and activities in Indonesia has issued Bank Indonesia Regulation Number 8/4/PBI/2006 dated January 30, 2006 concerning the implementation of GCG by Commercial Banks which is expected to improve company performance, including the company's financial performance. According to (Suwandi, 2020) the company's financial performance is determined from the extent to which the company is serious in carrying out good corporate governance, the more serious the company is in implementing GCG, the company's financial performance will increase (Dzahabiyya et al. 2020).

In this modern era, business development is increasing in all respects, especially in the field of sharia shares, including Corporate Governance on the value of companies on the Indonesian stock exchange. The large number of new graduates who understand and even go deep into Sharia sharess have resulted in many entrepreneurs investing in sharia-based companies. With the existence of sharia shares, Indonesia can greatly stabilize the inflation that will occur in Indonesia. Because the Sharia shares system prioritizes ethical aspects and increases stable profits in managing investors (Sholihah, 2017).

Talking about stocks can create wealth for every investor, when the stock increases, and vice versa if the stock experiences disturbances or decreases, investors will experience a loss of a percentage (Damayanti and Kusumaningtias, 2020). Stocks are one of the most potential investment tools, the purpose of those who invest is to make money and earn profits or get a return of more than the assets that have been distributed (Sunardi, 2019). In investing greetings, three things must be considered before starting to play stocks, namely: the expected rate of return, the level of risk, and finally the availability of the number of funds to be invested. Risk is the risk or storage of the desired return with the actual return. While return is profit or can be interpreted as the rate of return on the investment itself (Suwandi, 2020).

The phenomenon of the crisis in Indonesia began solely as a contagion of the Thai currency crisis in early July 1997. Before Indonesia was hit by the crisis, Indonesia's system and the economy were quite good with an average growth of 7% per year (Rahim, 2020). There are several Deregulation packages since the 1980s which have greatly helped and increased Indonesia's competitiveness, both the macro condition of Indonesia was also shaken by the decline in the rate of economic growth (Santosa et al. 2020). Only then did Indonesia use a credit tightening policy, but this action prevented foreign investments and capital inflows (Meilinda et al. 2013).

From the Table 1, we can find out some information about the loss and decline in the value of the company. The value of the JSE company has decreased every year. The results of data processing using Tobin's can be found in Table 1, which is the value is less than 1.00, it can be seen that there is an increase from 36% in 2004 to 42% experienced in 2005. Meanwhile, we see the ratio of Tobin's Q which is greater than 2, is found decreased from the initial 14% in 2004 to 10% which occurred in 2005 (Meilinda, Maria; Cahyonowati, 2013).

Table 1. Tobin-Q Manufacturing Companies in Indonesia

Tobin-Q	Year 2004		Year 2005	
	Number of companies	%	Number of companies	%
>1	55	36%	63	42%
1.01-1.50	60	40%	51	34%
1.51-2.00	23	15%	20	13%
<2	22	14%	16	10%
Total	150	100%	150	100%

The decline in the value of the rupiah which has slumped greatly has caused companies to experience difficulties and can even be said to be bankrupt, especially companies that are related to the dominance of large foreign loans at certain exchange rates and are highly dependent or oriented to the domestic market (Sholihah, 2017). The biggest impact was experienced by the manufacturing sector. This can be indicated by the number of companies experiencing losses and a decrease in the value of the company.

Stocks are one of the potential investment facilities, the purpose of people investing is to make money or get a return of more than the assets that have been issued. However, investing, of course, has elements of profit and loss, so in investing someone will definitely find ways to avoid losses from these investments. In investing in stocks, there are three things that need to be considered, namely: the expected rate of return, the level of risk (rate of risk), and the availability of the amount of funds to be invested. Risk is the risk or deviation from the expected return with the actual return. While return is the profit or rate of return from the investment itself (Basri and Mayasari, 2019)

As a country with a majority Muslim population, Indonesia has great potential to be able to develop sharia economic activities, including a capital market based on sharia product integration. In addition, the flow of funds from Muslim countries that are ready to be placed in Islamic financial instruments is also a huge potential for the capital market. As for the supply side, many companies that need funds offer sharia-based capital market products (Basri and Mayasari, 2019). In line with the development of the Indonesian capital market in general, the sharia-based capital market industry is believed to be one of the pillars of the strength of the Indonesian capital market industry (Basri and Mayasari, 2019)

The results of this study will use the Composite Stock Price Index (CSPI) as a representative of conventional stocks and the Jakarta Islamic Index (JII) index as a representative of Islamic stocks during the 2011-2015 period. and conventional (Wau and Purwanto, 2021).

METHODS

The population of this research is companies in the scope of the manufacturing industry which are listed on the Stock Exchange as well as sharia shares that already have licenses that are in Indonesia. Then the calculation of corporate governance on the value of the company on the Indonesian stock exchange using Tobin's q and sharia shares on the Stock Exchange using LQ45.(Febrianti and Uswati, 2019) The selection of this research sample is based on the non-probability sampling method, especially the purposive method. There are criteria for selecting samples in this study are as follows. 1. The company used must be listed on the Jakarta Stock Exchange in 2002-2005 as well as sharia shares in which the manufacturing industry group within the company publishes an annual report continuously. (Purnamawati et al. 2017); 2. Companies that used as a sample to have financial statements ending December 31 and apply rupiah as reporting; 3. The sample companies have all data related to complete financial reporting. Based on these criteria, the sample obtained in this study was 150 companies with 600 observations and Islamic stock companies in Indonesia.

The object of research used in this study includes secondary data, namely the financial statements and sharia shares of companies that have met the requirements that have been applied or have been determined. As for the data obtained using RTI Business and accessing the Indonesian Capital Market Directory (ICMD) and IDX (Indonesia Stock Exchange) from 2013 to 2018.

Hypothesis

H1. There is a positive relationship between institutional ownership and firm value

Darwis (2009) states that there is an influence of institutional ownership with company value. Institutional ownership of company shares is considered can improve the supervisory function of the company, to practice Good Better Corporate Governance. Increasing institutional ownership, expected to provide pressure so that the company can continue to implement the practice of Good Corporate Governance as expected by institutional investors. Therefore, The company's performance will be better and further increase the value of the company. This statement is supported by research by (Setyawan, 2017) which states that institutional ownership has a positive effect on firm value at the level of low ownership.

H2. There is a positive relationship between managerial ownership and firm value

According to agency theory, the separation between ownership and management of a company can create agency conflicts. (Darwis, 2009) Agency conflict is caused by the principal and agent having their conflicting interests because the agent and the principal trying to maximize their respective utility. According to differences in interests between management and management shareholders behave fraudulently and unethically, to the detriment of shareholders. Therefore a control mechanism is needed that can create differences in interests between management and stock. (Helena and Saifi, 2018) stated that there was a significant influence between managerial ownership on firm value.

Management ownership of shares companies can align the potential of various interests between outside shareholders with management (Setyawan, 2017). With increase share ownership by managers, it is expected that managers will act accordingly with the wishes of the principals because managers will sell to increase performance. Performance managers will get better and further increase the value of the company.

H3. There is a positive relationship between Islamic stocks and firm value

Sholihah (2017) In their research show that JII's performance is better than LQ45 by using risk-adjusted performance because the screening process carried out by the Indonesia Stock Exchange on the sharia index produces good performance when economic conditions decline. However, the decline in yields from sharia shares resulted in a worsening of the sharia index during normal economic conditions. So that the results of the value of companies listed on the Indonesian stock exchange and also we can see the lowest value that occurred in 2015 which was -11.8% and the highest value that occurred in 2014 was 26.37%. Based on this, it can be said that the development of the Indonesia Stock Exchange in terms of the performance of the LQ45 index is still volatile.

RESULTS

Institutional Ownership on Company Value

Institutional Ownership is share ownership in companies owned by institutions such as insurance companies, banks, investment companies, and other institutional ownership. Institutional ownership can usually be given in the form of pensions and insurance to be able to maximize their investment in companies that implement corporate governance (Febrianti and Uswati, 2019). Institutional investors often make up the majority in share ownership. The higher and greater the institutional ownership, the greater the encouragement and motivation from management to optimize the values of the company. Institutional ownership of investors raises thinking and produces management that focuses on company performance (Helena and Saifi, 2018). In this study, the indicator used to measure institutional ownership is the percentage of shares owned by the institution of the total shares in outstanding companies (Helena and Saifi, 2018). Institutional ownership is greatly increased when the firm value is measured by Tobin's Q (Meilinda et al. 2013).

Managerial Ownership on Company Value

Ownership is the number of shares owned by the company's management who actively participates in making all decisions in the company. Its existence in managerial ownership can connect and link potential differences in interests between shareholders and outside management (Febrianti and Uswati, 2019). Companies led by a manager who also includes shareholders are better because IC managers are more careful in taking actions that may hurt the company and shareholders (Febrianti and Uswati, 2019). Managerial ownership shows that the relationship between points and firm value and internal ownership in firms is not linear for the sample in the United States. In terms of numbers, the first is that the value of the company decreases when ownership in the company increases. In the second number, there is an increase in management ownership which is associated with a reduction in value within the company (Meilinda et al.2013). When inside the company, agency costs increase as management ownership decreases. This is because managers have the motivation to use company resources that are used for self-interest. Under any circumstances, empirical research fails to provide consistent results on the relationship between management ownership and the value of the company (Putra and Nuzula, 2017).

The Relationship Between Institutional Ownership and Managerial Ownership to Company Value

In these two variables, Institutional Ownership and Managerial Ownership have a very strong relationship between firm value, because both of them benefit from each other. As Jensen and Mecklin (1976) explain that agency costs increase when management ownership decreases. This happens because managers have the motivation to use company resources for self-interest. However, empirical research has failed to provide consistent results on the relationship between management ownership and firm value. (Suwandi, 2020) Seifert, Gonenc and Wright (2005), Short and Keasey (1999), Crasswell et al. (1997), Hermalin and Weisbach (1991), McConnel and Servaes (1990; 1995) and Morck et al.(1998) show that the relationship between between firm value and internal ownership is not linear for the US sample. (Basri and Mayasari, 2019) In terms of numbers, first, the value of the company decreases when ownership increases. In the second number, the increase in management ownership is associated with a reduction in firm value. Han and Suk (1998) found that institutional ownership is positively related to stock returns. They assert that institutional ownership effectively monitors firm management to maximize revenue. They also found a positive relationship between firm value and the fraction of shares held by institutional investors. (Setyawan, 2017) shows that institutional ownership increases firm value as measured by Tobin's Q.

Sharia Shares

Stocks Stocks are part of a very popular instrument in the financial market. Many entrepreneurs play their fortunes in stock management. On the other hand, stocks are an investment instrument that is much in demand by investors, because stocks provide many benefits and very attractive advantages (Winata, 2014). Stock investments can be made in the short term or the long term, according to the wishes of the investors themselves. The investors who choose to make short-term investments are traders (Febriani and Sa'diyah, 2021).Meanwhile, investors who often make long-term investments generally buy shares to be kept for at least one year. (Candraning and Muhammad, 2017) These long-term investors expect a lot of the companies they invest in to experience continuous development so that they get very high and satisfying returns from their investments.

Sharia shares can be understood that these sharia shares are traded in a sharia-based capital market. In essence, sharia shares are the same as shares in the capital market in general (conventional). (Darwis, 2009) It's just that anything traded in sharia shares must come from issuers who must meet sharia criteria (Sharia Compliance). Sariah shares are tangible evidence of ownership of companies whose types of products and services are provided and their contracts and management procedures are not at all contrary to principles outside of sharia. Sometimes shares become halal if the shares issued are by companies whose business activities are in the halal field and the intention to purchase these shares is for investment, not for speculation (gambling) (Suwandi, 2020).

This study intends to analyze the development of the Indonesia Stock Exchange (IDX) which is represented by the development of the LQ45 Index from the development of Islamic stocks represented by the Jakarta Islamic Index (JII). Meanwhile, JII is an index consisting of 30 company shares that meet investment criteria based on Islamic sharia. LQ45 is a conventional stock group which has been traded on the IDX since the beginning, while JII is a sharia stock group that has been officially traded since 2003. Analyzing the development of the IDX and sharia shares, it also means comparing the performance of the conventional stock index on the IDX with the Islamic stock index.

As a relatively recently traded stock, the growth of the sharia stock index represented by the JII index was able to match the growth of the conventional stock index represented by the LQ45 stock, along with data on the growth of the LQ45 index and the growth of the JII index in the last 2 years. The Table 2 shows a comparison of the growth of the LQ45 index with the JII index where in 2017 the JII index performance was better than the LQ45 index although in 2018 it experienced a slight decline, this reflects that the existence of the sharia index on the Indonesia Stock Exchange must be given special attention so that it can be more profitable.

developing with the hope of increasing the number of stock investors in Indonesia, where the majority of the population is Muslim and wants Islamic sharia in all their actions.

Table 2. Comparison of LQ45 Index and JII

Indexs	Growth	
	Year 2017	Year 2018
LQ45	9,67 %	26,07%
JII	12,5%	10,11%

There are several studies that aim to compare the performance of conventional stocks with Islamic stocks, including (Basri and Mayasari, 2019) whose research results show that the performance of conventional stocks is higher than the performance of Islamic stocks. The results of this study indicate that there is a difference between the performance of conventional stocks and the performance of Islamic stocks. The results of this study are consistent with the results of research by (Basri and Mayasari, 2019) which shows that the performance of conventional stocks is higher than the performance of Islamic stocks. This also means that there is a difference between the performance of conventional stocks and the performance of Islamic stocks. Subsequent research by (Setiawan et al. 2020) compares the performance of Islamic and conventional capital markets using the JII index and the Jakarta Composite Index (JCI) and shows the results that the performance of conventional stocks shows better performance than Islamic stocks. It also states that there is a difference between the performance of conventional stocks and the performance of Islamic stocks.

Data Analysis

Variable Measurement

Dependent

Variablesvariables in this study are the values of the company measured using Tobin's Q. In this study, firm value is measured using Tobin's q as a measure of market valuation (Febrianti and Uswati Dewi, 2019). Tobin's q is calculated using the formula developed by (Chung and Pruitt, 1994), namely: MVE (closing price of shares at the end of the financial year x number of common shares outstanding); PS (Liquidation value of the outstanding preferred shares); DEBT ((current debt-current assets) + book value of inventories + long-term debt); TA (Book value of total assets). Researchers adjust the formula to the condition of the company's financial transactions in Indonesia. Thus, the formula used to measure Tobin's q uses the following formula (Chung and Pruitt, 1994).

Independent

Variables The independent variable in this study is corporate governance which consists of the ownership structure and size of the directors in the company (Assrianti, Sinaga and Bandono, 2021). The indicators in the ownership structure are Manufacturing ownership, institutional ownership, family ownership, and foreign ownership. The four indicators are measured as shown:

1. Institutional Ownership Institutional

Ownership is the percentage of voting rights owned by the institution (Meilinda et al. 2013). In this study, it is measured by using the percentage of the number of shares owned by the institution from the company's total outstanding share capital. Share ownership of other institutions is the meaning of institutional ownership (Helena and Saifi, 2018). This variable is then calculated by using the number of shares owned by the institution with the total number of outstanding shares of the company.

KEPINST= (Number of institutional shares) / (Number of outstanding shares) x 100

2. Managerial Ownership

The number of shares owned by commissioners and directors is the meaning of managerial share ownership. This variable is shown by using the percentage of shares by managers of the company's total outstanding shares (Dzahabiyya et al. 2020).

KEPMAN = (Number of management shares) / (Total shares outstanding) x 100

3. Sharia Shares

Is a stock index formed from the 45 most actively traded shares with consideration of liquidity and the largest market capitalization (Winata, 2014).

Research Discussion Results

Ownership structure

The table below shows the percentage of total ownership structure owned by each shareholder of 150 public companies on the Jakarta Stock Exchange from 2002 to 2005. Table 3 shows the distribution of share ownership with a total of 23 observations on the Stock Exchange. Jakarta effect. The biggest ownership is held by the managerial, which is 13 (2.27%). and institutional ownership of 10 (1.70%). This study finds that managers are very dominant in their share ownership in the Jakarta Stock Exchange. This finding is consistent with previous studies (Meilinda et al. 2013).

Table 3. Panel a distribution of largest ownership

Panel A Distribution of Largest Ownership	Number of observation	Percentage
Institutional Ownership (IO)	10	1.70
Managerial Ownership (MO)	13	2.27
Total	23	3.97

Descriptive Statistics

Table 4 shows that the largest asset owned by the company on the Jakarta Stock Exchange is Rp. 2,174.28 billion and the smallest company asset is Rp. 11.86 billion. Table 4 show the average number of assets owned by the company. Share ownership by institutional ownership (FO) is the largest owner in the company, which is 54.57% between the range of 5.38% and 0%. The largest managerial ownership (MO) is 25.61%, the range is 1.30% and 0%. The development of the LQ45 stock index from 2013 to 2018 can be seen in Figure 1.

The Figure 1 shows that the LQ45 stock index from 2013 to 2018 fluctuated. The lowest value occurred in 2015 which was -11.8% and the highest value occurred in 2014 which was 26.37%. Based on this, it can be concluded that the development of the Indonesia Stock Exchange in terms of the performance of the LQ45 stock index is still fluctuating. Thus, the first hypothesis which reads that the development of the Indonesia Stock Exchange in terms of the development of the LQ45 stock index performance is increasing is not proven. The Figure 2 that the capitalization of LQ45 shares from 2013 to 2018 increased steadily from 2,547.06 in 2013 to 4,989.32 in 2018 (Verkino et al. 2020).

The Development of Sharia Stocks in View of the Performance Development of the JII Stock Index

The Figure 3 shows that the JII stock index from 2013 to 2018 fluctuated. The lowest value occurred in 2015 which was -12.69% and the highest value occurred in 2014 which was 18.62%. Based on this, it can be concluded that the development of the Indonesia Stock Exchange in terms of the performance of the JII stock index is still fluctuating (Suwandi, 2020). Thus the second hypothesis which reads that the development of sharia shares in terms of the development of the performance of the JII stock index is increasing. This is not proven.

Table 2. The largest asset owned by the company on the Jakarta Stock

Variabel	Minimum	Maximum	mean	Std.Dev
This table presents descriptive statistics of 150 (600 total panels balanced observations) Jaka rta stock exchange-listed firms from 2002 to 20 05 . Total asset is the total asset of the company on December 31st for each year of research periods. Leverage is total liabilities divided by total equity. Board size (BS) is the size of the board of commissioners. Independent board is the percentage of the board of commissioners is made up of dependent commissioners. Family board is the percentage of the board of commissioners that have family relationships. AMTB is the number of outstanding shares time average stock price during 3 months (April 1st to June 30th next year) divided by book value of equity. Statistical significance at the 1percent level are denoted by ***				
Total Asset	11.86	46986.00	46986.00	5232.34
IO	0.00	54.57	5.38	11.56
MO	0.00	25.61	1.30	4.00

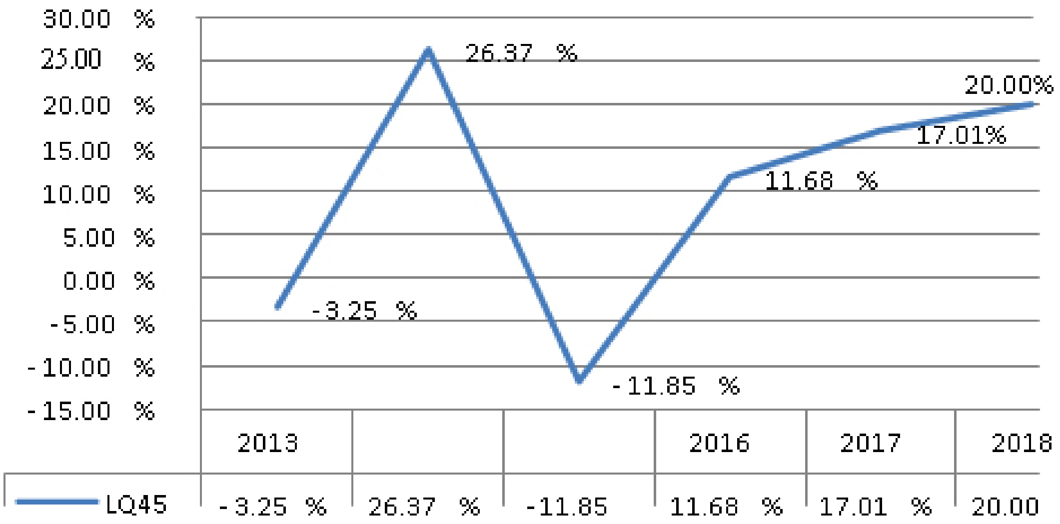

Figure 1. LQ45 Index from 2013 to 2018

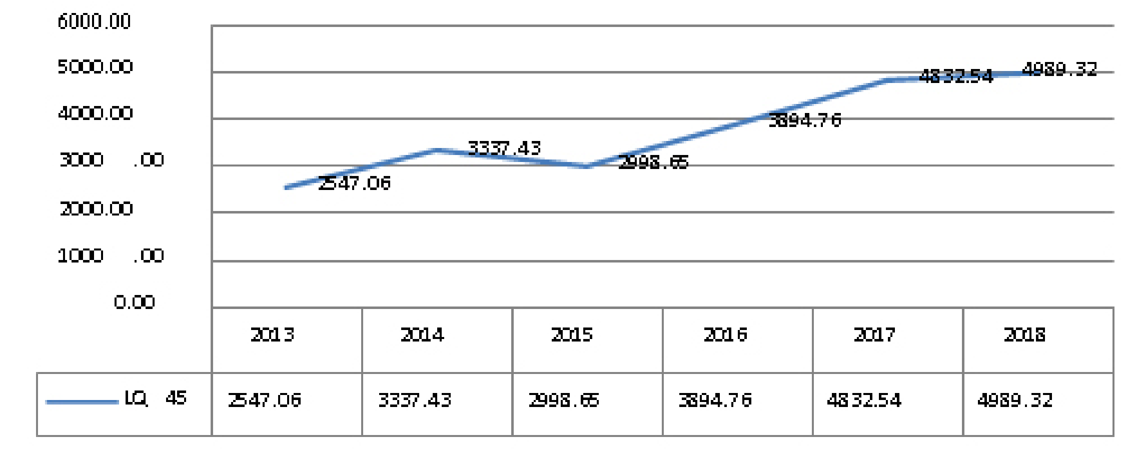

Figure 2. LQ45 Stock Capitalization from 2013 to 2018

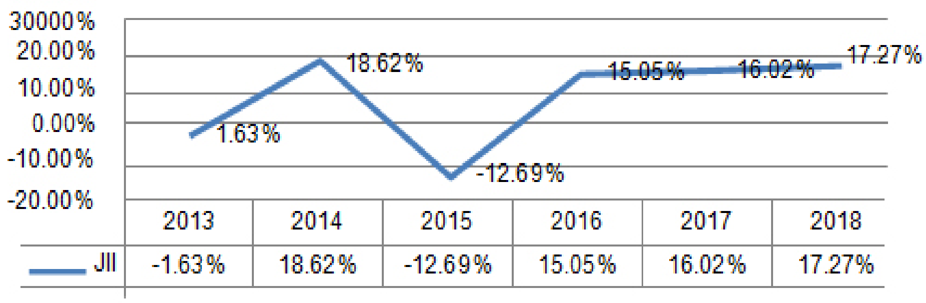

Figure 3. JII Share Capitalization from 2013 to 2018

The development of JII's share capitalization performance from 2013 to 2018 can be seen in Figure 4. The figure shows that JII's share capitalization from 2013 to 2018 increased steadily from 1,671.96 in 2013 to 2,329.22 in 2018.

Furthermore, the stock index capitalities of LQ45, JII and IHSG can be seen in Figure 5. Based on statistical data on the market capitalization of the Indonesia Stock Exchange which includes JII and LQ45 against the IHSG for the 2013-2018 period, it shows that the low contribution and difference in the development of the Jakarta Islamic Index (JII) stock is quite high when compared to the conventional LQ45 business index, so the Islamic capital market requires a strategy. performance development in order to accommodate faster growth.

Correlation among independent variables

Multicollinearity analysis is very important in a study to see whether or not there is a correlation between independent variables. (Bayu Ganar et al. 2018) states that the problem of multicollinearity occurs when there is a correlation between the independent variables. The table above presents the Pearson correlation matrix between the independent variables, namely managerial ownership (MO) and institutional ownership (IO) from 150 samples starting from 2002 to 2005. The table above shows the correlation matrix between the independent managerial ownership variable (FMO) which has a negative correlation with ownership. institution (IO) (r = -0.24 p-value < 0.01), FO (r = -0.77, p-value)

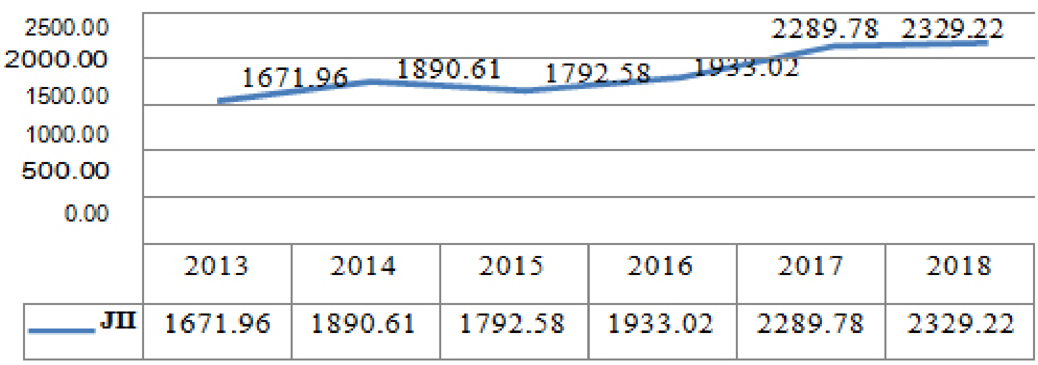

Figure 4. The development of JII's share capitalization performance from 2013 to 2018

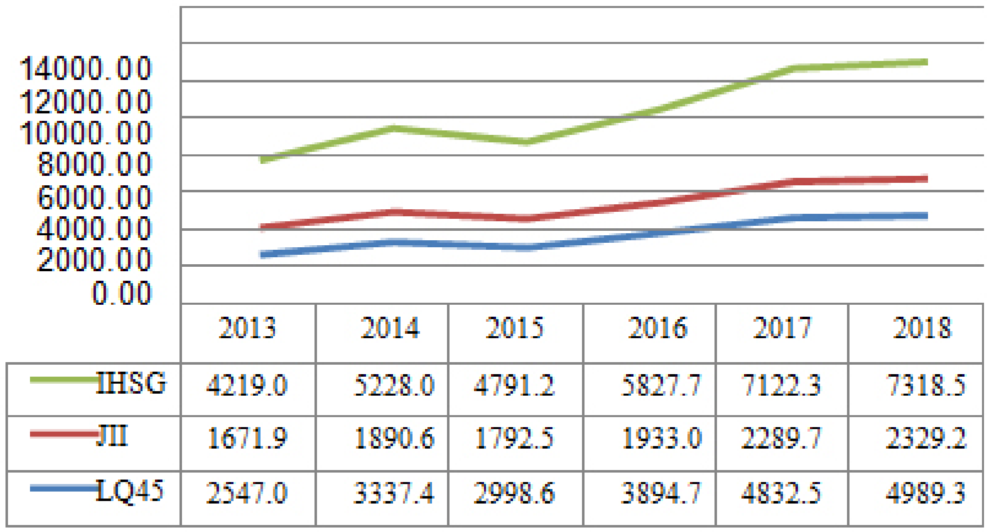

Figure 5. Stock index capitalities of LQ45, JII and IHSG

Correlation between independent

variables and dependent variables The purpose of the correlation test between the independent variable and the dependent variable is to identify the relationship between the independent variable and the dependent variable (Verkino et al. 2020). The table above shows the correlation between the dependent variables (FV) and the independent variables (IO, MO, dan Sharia shares). In this study, it was found that FV had a positive relationship with MO (r = 0.11, p-value <0, 01).

Managerial Implications

in order to increase profitability on the company's value, which is included in the LQ45 index on the company's condition. It is recommended to improve the implementation of corporate governance, reduce operating expenses, and increase the total assets of the company by increasing managerial ownership and institutional ownership. Then, for the Sariah stock investors, investors are advised to apply prudential principles in determining investment decisions. In addition, investors are also advised to increase their awareness of Islamic companies that implement corporate governance. Then provide incentives/ sweeteners for companies that have implemented high-value corporate governance.

Then, when viewed from the statistical data above, the value of a good company is largely determined by its institutional ownership and managerial ownership. This research is expected to provide many benefits for the parties involved in this research. The identification of various obstacles or problems faced by the company can be used as a good reference material for improvement and more innovative development of corporate governance, institutional ownership, managerial ownership, as well as for sharia stock investors.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

Based on the formulation of the problem and the results of the discussion, the conclusions in this study are as follows. Institutional Ownership This study finds that institutional ownership does not have a significant effect on firm value. This finding is inconsistent with (Setyawan, 2017). which states that institutions benefit positively from takeover transactions. This finding shows that many institutions in essence do not carry out full supervision of public companies so that managers can make decisions that are more flexible in managing company management. As a result, these institutional investors fail to make a positive contribution to increasing firm value. It also shows that Indonesian institutional investors have no incentive to act as active investors. And most importantly in this study, managerial ownership variable as a component of corporate governance has a significant positive effect on firm value.

Meanwhile, managerial ownership in this study shows that managerial ownership positively affects firm value. This finding is consistent with research conducted by (Putra and Nuzula, 2017). which found that managerial ownership is positively related to firm value. As for sharia shares, the development of the Indonesian stock exchange in terms of the performance development of the LQ45 stock index is still fluctuating. Thus, from the results of the study that the author put forward which reads that the development of the Indonesia Stock Exchange in terms of the development of the LQ45 stock index performance increasing, it is not proven. The development of Islamic stocks in terms of the development of stock index performance is still fluctuating. Thus the development of sharia shares in terms of the development of the performance of the stock index is increasing, it is not proven.

Recommendations

The companies involved in this research are expected to be able to make improvements in every small aspect of the important aspect, so that it can add progress to the value of the company and create a high profitability cycle for each sharia stock. as well as a review of the implementation of governance in their respective companies. If the level of implementation of the company is low, it should increase the implementation of the governance of institutional ownership and managerial ownership in the company by being creative and innovative. For further research, adding other variables to measure the influence of corporate governance can increase firm value and can reveal the constraints of investors on Islamic stocks. After that, the number of samples in each study was expanded. Then another suggestion is to try to use other research methods to get broader and more varied information. And they must have a longer duration of research so that more comprehensive research analysis results can be obtained.

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