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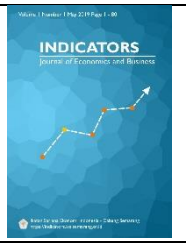

THE EFFECT OF CORPORATE GOVERNANCE ON FIRM PERFORMANCE

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Abstract

This study aims to analyze the effect of corporate governance mechanisms on firm performance. The sample used in this study were companies listed on the Indonesia Stock Exchange (IDX) during the period of 2016 to 2019. The number of samples used in this study was 100 samples. The sampling technique used is purposive sampling method. The research data was obtained from the company's annual report. This study uses multiple regression analysis method which operated through data processing program IBM SPSS Statistics 25. The results of this study showed that the proportion of independent commissioner, audit committee, and institutional ownership had a positive and significant effect on Adjusted Tobin's Q. Meanwhile, size of board of directors and managerial ownership found to had no effect on Adjusted Tobin's Q. Firm size and firm age as control variables found to had a positive effect on Adjusted Tobin's Q, while leverage found to had no effect on Adjusted Tobin's Q.

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INTRODUCTION

As a business entity that runs the business sustainably, a firm has the main goal to maximize its profits or profits. It is is an important aspect for the firm's future viability because through these profits the firm can improve the welfare of its stakeholders and can develop its business.

In order to achieve the goal that has been set, a firm is required to have a good firm performance. Firm's performance is important for the company since it can reflect the firm ability to manage its resources effectively and efficiently over a certain period of time. The firm's performance is used as a benchmark for the firm's success in carrying out all of the firm's operational activities.

One of the firm strategies to create an optimal and sustainable firm performance is through the implementation of good corporate governance (CG) to be able to survive in the business competition and keep the pace with current changes. Corporate governance can be defined as the legal system, rules, and elements that control a firm's activities (Gillan & Starks, 1998).

According to the *2018 Asian Corporate Governance Association* (ACGA) survey report, Indonesia ranks last after the Philippines and China in terms of implementing good corporate governance. With a score of 34%, Indonesia's CG macro category scores is below the average regional score of 52%. This indicates that in general the implementation of corporate

governance in Indonesia has not been implemented optimally. In this regard, the Financial Services Authority (OJK) as a pioneer in the corporate governance reform agenda as well as the capital market regulator has refined the rules regarding the implementation of good corporate governance through the Indonesian Corporate Governance Roadmap in 2014 and the Corporate Governance Guidelines for Open Companies in 2015. Although the requirements for corporate governance disclosure has increased firm transparency, some firms still have not reported wisely which still a challenge to improve the implementation of corporate governance in Indonesia.

Research on the relationship between corporate governance and firm performance has become a widely debated and well-researched topic in developed countries. However, elsewhere, especially in Asia, companies operate with different cultures, legal frameworks, and institutions which may have other influences on the relationship of corporate governance and firm performance (Kao et al., 2019). The structure and corporate governance implementation difference causes research in developed countries cannot be generalized to other countries.

Based on the annual report of listed manufacturing company in Indonesia, the average firm performance reflected in Adjusted Tobin's Q ratio shows a downward trend throughout 2017 to 2019. Although the rasio show a positive value but the problem of declining performance is one of the challenges faced by companies in the manufacturing sector in Indonesia. In this case, the downward trend in performance will have an impact on the firm's reputation and investors' decisions in investing in the firm. This is because Tobin's Q ratio is widely used as a proxy related to investment opportunities in financial literacy (Fu et al., 2016). In addition, there is also an inconsistent movement in the relationship between the decrease in firm performance which followed by a fluctuating direction on corporate governance variables.

This study also found a research gap in this research that examines the effect of corporate governance on firm performance. The measurement of the firm's performance based on market-based measure using Adjusted Tobin's Q ratio for emerging markets has still not been done in Indonesia. In addition, there is still no research that uses external corporate governance mechanisms variables to investigate the firm performance measured using Adjusted Tobin's Q.

This study aims to determine the effect of corporate governance on firm performance with the control variables of firm size, firm age, and leverage which carried out on manufacturing companies listed on the Indonesian Stock Exchange (IDX) for the period of 2016 – 2019.

LITERATURE REVIEW

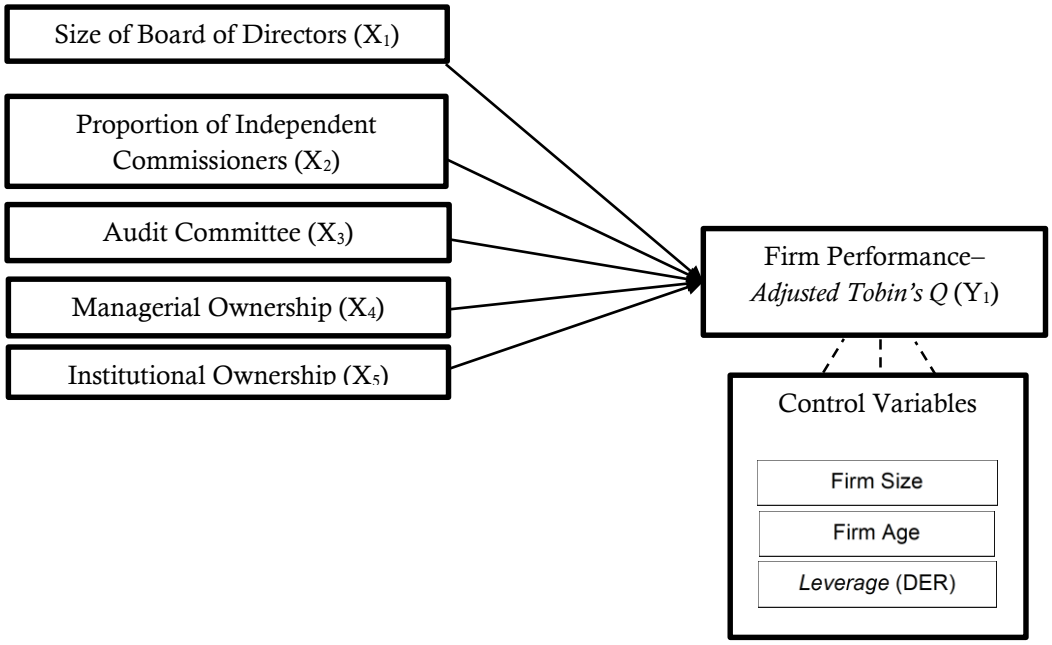
The agency theory is a theory that explains the agency relationship between principal and agent. In the context of a firm, the principal is the owner of the fund or the shareholder, while the agent is the manager. Agency theory defines agency relationship as a contract that occurs when one or more parties, namely the principal, involves another party, namely the agent, to perform a service on behalf of the principal and delegates the decision-making authority to the agent (Jensen & Meckling, 1976). It means that shareholders as the principals delegate the authority to the managers as agents to act as representatives in decision making.

The development of corporate governance concept is inseparable from agency theory which regulated the agency relationship between owners and managers in an effort to achieve firm goals to gain profits through increased firm performance. The agency theory states that the principal (owners) and agent (managers) relationship can cause agency problems due to conflicts of interest between shareholders and management. Therefore, corporate governance is needed to align the various interests between principals and agents.

Firm performance is the result of the firm's achievements that represent the firm's ability to carry out all of the firm's operational activities through managing the firm's resources effectively and efficiently over a certain period of time in order to achieve firm goals. In general, firm performance can be measure by 2 (two) types of performance

measures, the accounting-based masure and market-based measure. In this study, firm performance is measured based on market performance measures using the Adjusted Tobin's Q ratio for emerging markets.

Figure 1. Model Test



Firm performance is the result of the firm's achievements that represent the firm's ability to carry out all of the firm's operational activities through managing the firm's resources effectively and efficiently over a certain period of time in order to achieve firm goals. In general, firm performance can be measure by 2 (two) types of performance measures, the accounting-based measure and market-based measure. In this study, firm performance is measured based on market performance measures using the Adjusted Tobin's Q ratio for emerging markets.

Forum for Corporate Governance in Indonesia (FCGI), 2002 defines corporate governance as a set of regulations that arrange the relationship between shareholders, managers, creditors, government, employees, and other internal and external stakeholders relating to the rights and obligations of other parties. Corporate governance is a system that built to direct and control the firm in order to create good relations between internal parties in charge of managing the firm, external parties, such as shareholders, creditors, and others, as well as stakeholders. In this study, there are 2 (two) corporate governance mechanisms used to improve the firm performance, the internal mechanisms and external mechanisms.

The Effect of Size of Board of Directors on Firm Performance

The existence of the board of directors is considered to be able to mitigate agency problems among owners and managers. Therefore, an optimal board of directors measure is required to influence the effectiveness of management in order to achieve the firm's goals and provide protection for shareholders. In the perspective of agency theory, large board sizes lead to low corporate performance due to lack of communication and coordination within the board (Jensen, 1993) thus slowing down the decision-making process and lead to higher agency costs (Cheng, 2008). Several studies by Asghar et al. (2020), Bhat et al. (2018), dan Shao (2019) found that the size of the board of directors has a negative effect on firm performance as proxied by the Tobin's Q ratio. Based on this explanation, the following hypotheses can be developed:

H_1. Size of board of directors has a negative effect on firm performance (Adjusted Tobin's Q).

The Effect of the Proportion of Independent Commissioners on Firm Performance

Referring to agency theory, the existence of an independent board of commissioners will monitor the behavior of management to protect the interests of shareholders (Fama & Jensen, 1983; Jensen & Meckling, 1976). Mahrani & Soewarno (2018) and Sarafina & Saifi (2017) find that the proportion of independent commissioners has a positive influence on the performance of companies in Indonesia as measured by the Tobin's Q ratio. A large proportion of independent commissioners will increase objectivity in decision making so as to improve firm performance (Mahrani & Soewarno, 2018). The independent board of commissioners ensures that the decisions taken by the management are not in the interests of certain parties but for the firm and its stakeholders. Based on this explanation, the following hypotheses can be developed:

H_2. Proportion of Independent Commissioners has a positive effect on firm performance (Adjusted Tobin's Q).

The Effect of Audit Committee on Firm Performance

In order to create a good corporate governance internal control system and apart from deviant actions, an audit committee is needed whose task is to assist the board of commissioners in supervising the performance of the firm's management. In accordance with agency theory, the existence of an audit committee is important to minimize agency problems by preventing financial and operational problems (Hussain & Hadi, 2019). Sarafina & Saifi (2017) and Syafitri et al. (2018) argues that the audit committee can affect the improvement of firm performance and finds a positive and significant relationship between the audit committee and firm performance as measured using the Tobin's Q ratio. Based on this explanation, the following hypotheses can be developed:

H_3. Audit committee has a positive effect on firm performance (Adjusted Tobin's Q).

The Effect of Managerial Ownership on Firm Performance

According to Jensen & Meckling (1976), in the perspective of agency theory, the separation between ownership and control of the firm encourages shareholder and management relationships based on utility maximization. Managerial ownership can be one of the internal control mechanisms to harmonize the differences in interests between management and shareholders. This is because the shares owned by the management can be an incentive in maximizing the firm's performance so as to reduce agency problems. This statement is also supported by Al Farooque et al. (2020), Saputra (2010), and Susanto & Subekti (2012) which state that a higher level of managerial ownership has a positive effect on improving firm performance as measured by the Tobin's Q ratio. Based on this explanation, the following hypotheses can be developed:

H_4. Managerial ownership has a positive effect on firm performance (Adjusted Tobin's Q).

The Effect of Institutional Ownership on Firm Performance

Shleifer & Vishny (1997) state that institutional ownership can overcome agency problems by reducing management's opportunistic behavior and protecting shareholders from managerial exploitation. As one of the important elements in corporate governance, institutional shareholders provide additional oversight mechanisms in the firm's operational activities so that they can contribute to improving firm performance. This statement is also supported by several other studies, such as, Arora & Sharma (2016) and Kao et al. (2019) which states that institutional ownership has a positive effect on firm performance as measured using the Tobin's Q ratio. Based on this explanation, the following hypothesis can be developed:

H_5. Institutional ownership has a positive effect on firm performance (Adjusted Tobin's Q).

RESEARCH METHOD

This study uses Adjusted Tobin's Q to measure firm performance based on market-based measures as the dependent variable.

The independent variables in this study include the size of the board of directors, the

proportion of independent commissioners, audit committees, managerial ownership, and institutional ownership. Meanwhile, the control variables in this study include firm size, firm age, and leverage.

Population and Samples

The population of this study is all manufacturing companies listed on the Indonesia Stock Exchange during 2016 to 2019 with a total population of 178 companies.

The sample used in this study is 100 manufacturing companies listed on the Indonesia Stock Exchange for the period 2016 to 2019 and have complete data needed in the study. In this study, the researcher used a purposive sampling technique. This technique pays attention to certain considerations that will be made by researchers by selecting samples based on special criteria to be studied in accordance with the objectives and problems in the study.

Methods

This study uses multiple linear regression analysis method consisting of descriptive statistical analysis, multiple linear regression analysis, classical assumption test, and hypothesis testing. This analysis is used to determine the effect of corporate governance on the performance of manufacturing companies listed on the Indonesia Stock Exchange for the period 2016 to 2019 using the IBM SPSS Statistics 25 data processing program. The regression model in this study can be expressed in the following equation:

$y = \alpha + \beta_1 BS + \beta_2 PI + \beta_3 AC + \beta_4 MO + \beta_5 IO + \beta_6 SIZE + \beta_7 AGE + \beta_8 LEV + \varepsilon_i$

where:

y	= Adjusted Tobin's Q
α	= constant (intercept)
$\beta_1, \beta_2, \ldots, \beta_8$	= regression coefficient (slope)
BS	= size of board of directors
PI	= proportion of independent commissioners
AC	= audit committee
MO	= managerial ownership
IO	= institutional ownership
SIZE	= firm size
AGE	= firm age
LEV	= leverage
ε_i	= error terms for i-individual

RESULT AND DISCUSSION

Descriptive Statistics

Table 1. Descriptive Statistics

	Min.	Max.	Mean	Std. Dev.
TQ	.304	23.286	1.836	2.404
BS	.693	2.773	1.504	.459
PI	25.00%	83.33%	40.86%	9.93%
AC	.693	1.609	1.111	.120
MO	0.00%	87.33%	7.70%	.165
IO	0.67%	99.71%	66.95%	.215
SIZE	1.172	1.256	1.208	.016
AGE	-.367	1.291	.987	.359
LEV	-7.024	39.486	1.273	2.950

Valid N (list-wise) 400

Descriptive statistics of the firm's performance (Adjusted Tobin's Q) has a minimum value of 0.304, a maximum value of 23.286, an average value of 1.836, and a standard deviation of 2.404. Thus, it can be seen that overall manufacturing companies listed on the IDX were able to create added value for shareholders during 2016 to 2019.

The descriptive statistic of the size of the board of directors (BS) has a minimum value of 0.693 (2 members of the board of directors) and a maximum value of 2.773 (16 members of the board of directors). The average value of size of board of directors is 1.504 (5 members of the board of directors) and the standard deviation is 0.459. Manufacturing companies listed on the IDX during 2016 to 2019 have implemented good corporate governance in accordance with the minimum criteria for the number of members of the board of directors as many as 2 people.

Descriptive statistics of the proportion of independent commissioners has a minimum value of 25.00%, a maximum value of 83.33%, an average value of 40.86%, and a standard deviation of 0.099. Most of the manufacturing companies listed on the IDX during 2016 to 2019 have implemented good corporate governance in accordance with the minimum criteria for the proportion of independent commissioners of 30% of the total members of the board of commissioners.

The descriptive statistic of the audit committee has a minimum value of 0.693 (2 members of the audit committee) and a maximum value of 1.609 (5 members of the audit committee). The average value of the

audit committee is 1.111 (3 members of the audit committee) and the standard deviation is 0.120. Most of the manufacturing companies listed on the IDX during 2016 to 2019 have implemented good corporate governance in accordance with the minimum criteria of 3 members of the audit committee.

The descriptive statistic of the managerial ownership has a minimum value of 0.00% and a maximum value of 87.33%. The average value of the managerial ownership is 7.70% and the standard deviation is 0.165. Most of the management (commissioners, directors, and managers) are not significant shareholders in manufacturing companies listed on the IDX during 2016 to 2019.

The descriptive statistics of the institutional ownership have a minimum value of 0.67%, a maximum value of 99.71%, an average value of 66.95%, and a standard deviation of 0.215.

Classic Assumption Test

Normality Test

Table 2. Normality Test Using 1-*Sample* K-S

One-Sample Kolmogorov-Smirnov Test		
		Unstan-dardized Residual
N		400
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.44107655
Most Extreme Differences	Absolute	.037
	Positive	.037
	Negative	-.026
Test Statistic		.037
Asymp. Sig. (2-tailed)		.194[c]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.

The results of the analysis of the normality test on the regression model show the Kolmogorov-Smirnov statistical test value of 0.037 and significant at 0.194 or greater than the 0.05 significance level, it can be concluded that the regression model meets the assumption of normality and the residual variables are normally distributed.

Table 3. Multicollinearity Test Results

Coefficients[a]

		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	-13.383	2.085		-6.419	.000		
	BS	-.085	.100	-.047	-.851	.395	.655	1.526
	PI	14.829	4.288	.158	3.458	.001	.952	1.051
	AC	.605	.208	.136	2.913	.004	.906	1.104
	MO	-.035	.059	-.029	-.591	.555	.831	1.203
	IO	1.707	.398	.199	4.285	.000	.916	1.092
	SIZE	15.854	2.581	.349	6.143	.000	.614	1.628
	AGE	.337	.147	.103	2.291	.022	.977	1.023
	LEV	.089	.458	.009	.195	.846	.995	1.005

a. Dependent Variable: TQ

Multicollinearity Tests

Based on Table 3, it can be seen that BS, PI, AC, MO, IO, SIZE, AGE, and LEV have a tolerance value of more than 0.10 and a Variance Inflation Factor (VIF) value of less than 10.00 which indicates that there is no correlation between independent variables. Thus, it can be concluded that the regression model does not have symptoms of multicollinearity between independent variables.

Table 4. Heteroscedasticity Test using Glejser Test Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1515.219	1137.688		1.332	.184
	BS	-2.166	54.602	-.002	-.040	.968
	PI	-2059.428	2339.911	-.045	-.880	.379
	AC	34.042	113.372	.016	.300	.764
	MO	13.790	32.252	.024	.428	.669
	IO	-22.323	217.409	-.005	-.103	.918
	SIZE	-1706.858	1408.299	-.078	-1.212	.226
	AGE	-86.056	80.327	-.054	-1.071	.285
	LEV	-46.544	250.187	-.009	-.186	.853

a. Dependent Variable: ABS_RES_1

Heteroscedasticity Tests

The results of the heteroscedasticity test using the Glejser test in Table 4 show a significance value greater than 0.05 on the variables of BS, PI, AC, MO, IO, SIZE, AGE, and LEV so it can be concluded that heteroscedasticity does not occur in the regression model so that the regression model is feasible. to be used to predict the TQ variable with the input of the independent variables BS, PI, AC, MO, IO, SIZE, AGE, and LEV.

Autocorrelation Tests

The results of the autocorrelation test using the Durbin-Watson test in Table 5 in this study were carried out by comparing the DW value of 2.103 with the DW value for a significance level of 5% (α), the number of samples 400 (n), and the number of independent variables 8 (k = 8) . Thus, the limit for du is 1.87158 and the limit for 4-du is 2.12842, so it can be concluded that du < d < 4-du, that is, there is no positive or negative autocorrelation in the regression model.

Table 5. Autocorrelation Test using Durbin-Watson Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.475[a]	.226	.210	.44557	2.103

a. Predictors: (Constant), LEV, AC, IO, AGE, BS, PI, MO, SIZE

b. Dependent Variable: TQ

Coefficient of Determination

In Table 6, the Adjusted R^2 value is 0.210 or 21.0%. This shows that the independent variables are the size of the board of directors (BS), the proportion of independent commissioners (PI), the audit committee (AC), managerial ownership (MO), and institutional ownership (IO) as well as the control variables firm size (SIZE), firm age (AGE), and leverage (LEV) affect Adjusted Tobin's Q (TQ) by 21.0%, while other effects of 79.0% (100.0% - 21.0%) are other factors outside the research variables.

Table 6. Coefficient of Determination (R^2)

Model Summary

Model	R	R Square	Adjusted Square	RStd. Error of the Estimate
1	.475[a]	.226	.210	.44557

a. Predictors: (Constant), LEV, AC, IO, AGE, BS, PI, MO, SIZE

b. Dependent Variable: TQ

Table 7. Simultaneous Significance Test (F-Tests) Results

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	22.659	8	2.832	14.267	.000[b]
	Residual	77.625	391	.199		
	Total	100.283	399			

a. Dependent Variable: TQ

b. Predictors: (Constant), LEV, AC, IO, AGE, BS, PI, MO, SIZE

Simultaneous Significance Test (F-Tests)

Based on Table 7, it can be seen that the results of the F statistical test have an $F_{arithmetic}$ value of 14.267 (greater than F_{table} of 2.04) with a significance probability of 0.000 (less than the 0.05 significance level), then the independent variables BS, PI, AC, MO, and IO and control variables SIZE, AGE, and LEV simultaneously have an effect on Adjusted Tobin's Q (TQ). Thus, it can be concluded that the regression equation model formed has a goodness of fit or good model accuracy.

Individual Parameter Significance Tests (t-Tests)

Effect of Size of Board of Directos on Firm Performance (Adjusted Tobin's Q)

Based on the results of the study, it can be seen that size of the board of directors (BS) has a regression coefficient of -0.085 which indicates a negative relationship between the size of the board of directors (BS) and Adjusted Tobin's Q (TQ). The results also show that the size of the board of directors has no effect on firm performance as measured using Adjusted Tobins' Q in manufacturing companies listed on the Indonesia Stock Exchange during 2016 to 2019 with a significance level of 0.395 (greater than a significance level of 0.05). the first hypothesis or H_1 is rejected. This means that the number of members of the board of directors has no effect on increasing or decreasing the firm's performance.

The non-significant findings on the relationship between the size of the board of directors and firm performance may be due to the fact that the firm only includes the minimum number of members of the board of directors as a fulfillment of obligations to government policies. However, in practice the members of the council have not carried out their responsibilities and functions to the fullest. Meanwhile, the negative direction of the coefficient gives a positive value to agency theory because the market assumes that a larger board size tends to slow down the decision-making process so that it can increase coordination costs and reduce management's ability to effectively supervise. Increasing the number of boards of directors to a certain level can create more challenges related to coordination and communication problems that can hinder the firm's successful performance.

Effect of Proportion os Independent Commissioners on Firm Performance (Adjusted Tobin's Q)

Based on the results of the study, it can be seen that the proportion of independent commissioners (PI) has a regression coefficient value of 3.458 and a significance level of 0.001 (less than a significance level of 0.05). This shows that the proportion of independent commissioners has a positive and significant effect on firm performance as measured using Adjusted Tobin's Q in manufacturing companies listed on the Indonesia Stock Exchange during 2016 to 2019 so the second hypothesis or H_2 is accepted. That is, the greater the proportion of independent commissioners, the higher the firm's performance. On the other hand, the smaller the proportion of independent commissioners, the lower the firm's performance.

The results of the study indicate that the independent board of commissioners can act independently in monitoring the behavior of the management so as to make an effective contribution to improving the firm's performance, especially performance based on market size. Thus, shareholders can rely on an independent board of commissioners to protect the interests of shareholders because the

management can make more objective decisions.

Effect of Audit Committee on Firm Performance (Adjusted Tobin's Q)

Based on the results of the study, it can be seen that the audit committee (AC) has a regression coefficient value of 2.913 and a significance level of 0.004 (less than a significance level of 0.05). This shows that the audit committee has a positive and significant effect on firm performance as measured using Adjusted Tobin's Q on manufacturing companies listed on the Indonesia Stock Exchange during 2016 to 2019 so the third hypothesis or H_3 is accepted. That is, the more the number of audit committee members will increase the firm's performance. On the other hand, the smaller the number of audit committees, the lower the firm's performance. The results of this study indicate that the audit committee is one of the important elements that need to be considered by shareholders to improve firm performance through internal corporate governance mechanisms. The audit committee is considered to be able to make an effective contribution in improving the firm's performance through the quality of the presentation of the firm's financial statements that are reasonable and have complied with the applicable accounting principles.

Effect of Managerial Ownership on Firm Performance (Adjusted Tobin's Q)

Based on the results of the study, it can be seen that the managerial ownership (MO) has a regression coefficient value of -0.591 which indicates a negative direction of the relationship between managerial ownership (MO) and Adjusted Tobin's Q (TQ). The results also show that managerial ownership has no effect on firm performance as measured using Adjusted Tobin's Q in manufacturing companies listed on the Indonesia Stock Exchange during 2016 to 2019 with a significance level of 0.555, so the fourth hypothesis or H_4 is rejected. That is, the proportion of share ownership by the management has no effect on the increase or decrease in the firm's performance.

The results show that increasing the proportion of managerial ownership cannot reduce agency problems that arise due to agency relationships. In this case, the management is considered unable to act in the interests of the firm and shareholders by effectively integrating the interests of owners and managers. Meanwhile, the findings are not significant because the level of managerial ownership in Indonesia is still relatively small with an average managerial ownership proportion of 7.70% and is dominated by family-owned shares. This causes the possibility that shareholders cannot fully rely on managerial ownership as an incentive to improve firm performance.

Effect of Institutional Ownership on Firm Performance (Adjusted Tobin's Q)

Based on the results of the study, it can be seen that the institutional ownership (IO) has a regression coefficient value of 4.258 and a significance level of 0.000 (less than a significance level of 0.05). This shows that institutional ownership has a positive and significant effect on firm performance as measured using Adjusted Tobin's Q in manufacturing companies listed on the Indonesia Stock Exchange during 2016 to 2019 so the fifth hypothesis or H_5 is accepted. That is, the greater the proportion of share ownership by the institution will increase the firm's performance. On the other hand, the smaller the proportion of share ownership by the institution will reduce the firm's performance. The results showed that institutional ownership has the most dominant influence on firm performance with a standardized beta coefficient of 0.199. This proves that institutional ownership is one of the effective external corporate governance mechanisms to monitor the behavior of the management in improving firm performance. It also shows that institutional shareholders in Indonesia have incentives to act as active shareholders and have a significant influence on firm performance. Thus, it can be concluded that institutional ownership can make a positive contribution in improving firm performance.

Effect of Control Variables on Firm Performance (Adjusted Tobin's Q)

Firm size has a positive effect on firm performance as measured using Adjusted

Tobin's Q on manufacturing companies listed on the Indonesia Stock Exchange for the period 2016 - 2019. This means that companies with large asset values will improve firm performance. On the other hand, companies with small asset values will reduce the firm's performance.

Firm age has a positive effect on firm performance as measured using Adjusted Tobin's Q on manufacturing companies listed on the IDX 2016 - 2019. This means that companies that have been in the market for a long time will improve firm performance. On the other hand, companies that are new to the market will reduce the firm's performance.

Leverage found to has no effect on firm performance as measured using Adjusted Tobin's Q on manufacturing companies listed on the IDX for the 2016 - 2019 period. This means that the debt to equity ratio has no effect on increasing or decreasing firm performance.

CONCLUSION

Based on the regression analysis and discussion of the hypotheses developed and tested, it is concluded that the size of the board of directors and managerial ownership has no effect on firm performance as measured using Adjusted Tobin's Q in manufacturing companies listed on the IDX for the period 2016 – 2019. Meanwhile, the proportion of independent commissioners, audit committee, and institutional ownership have a positive and significant effect on firm performance as measured using Adjusted Tobin's Q in manufacturing companies listed on the IDX for the period 2016 – 2019.

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