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Analysis of the Impact of Governance on Company Value in Manufacturing Companies using Capital Structure Policy as a Mediating Variable

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ABSTRACT: This study focuses on the analysis of how governance and company value are influenced by capital structure policy as a mediating variable within manufacturing firms. It investigates the impact of corporate governance on company value via capital structure policy. The study focuses on industrial firms that are listed between 2020 and 2024 on the Indonesia Stock Exchange. Following the established criteria, a total of 142 manufacturing companies were selected as samples. A purposive sampling technique was employed, and the analysis was conducted using panel data methods with Eviews software. The results indicate that corporate governance, particularly in the form of institutional ownership, significantly affects company value.

KEYWORDS: Company Value, Corporate Governance, Board of Directors Size, Ownership Managerial, Institutional Ownership, capital structure

INTRODUCTION

In today's conditions, every business entity must find ways to increase company value in order to remain relevant and survive. The goal of a firm's performance and success evaluation is firm value. This is because a high firm valuation can attract investors and increase the wealth of shareholders. (Purnama Sari et al.,2018).

According to PD Wida and Suartana, (2014). While working toward good corporate value differences in interests often occur between owners and managers, which is called agency problems. This situation occurs because company owners want to maximize company profits, while managers have personal interests, namely increasing power to achieve their personal goals. So a manager may not act in the best way or even abuse the trust that has been given to them. The result is costs that must be borne by the company to minimize agency problems that occur.

Suzan and Amara Dini, (2022) define corporate governance mechanisms as a system that regulates and manages companies with the hope that supervision of company management can provide confidence to shareholders that they will get optimal results from invested capital. The main objective of Governance (CG)
is to guarantee that the business operates openly, responsively, and in line with the needs of shareholders and other stakeholders, it can be ensured that managers behave in the best interests of the business and its investors (Suhadi, 2014).
This will increase the company's value in the eyes of potential investors. Corporate governance is also an important factor in company management which influences various operational and financial aspects of the company. Variables including the size of the board of directors, management ownership and institutional ownership will proxy corporate governance in this study.

Therefore, one crucial factor in corporate governance procedures is determining the appropriate size of the board of directors. On the one hand, a smaller board can enhance coordination and enable members to participate more in decision-making. Because the board of directors has an important role in monitoring and making strategic decisions, including decisions related to selecting funding sources. A larger board of directors size can provide tighter supervision of financial policies, but can also create additional costs that must be incurred by the company according to Sari and Ardiana, (2014). According to Azis and Hartono, (2017) a smaller board size tends to build more effective communication and coordination among board members, but a board size that is too small is considered to lack a variety of views and experiences. A lack of diversity can hinder the board's ability to provide a comprehensive view and consider various points of view when making decisions Permono and Puspaningsih, (2022). Corporate decisions related to capital structure can also be influenced by dynamics within the board of directors, especially if the board has a strong influence in the selection of executive management. Some research shows that a larger board size can reduce company value, because the larger the number of members on the board, the more difficult it is to reach consensus in decision making. Slow and difficult decision-making processes can hinder a company's response to changes in the market or business circumstances., research by Carolina et al., (2020) found that companies with large board sizes tend to experience worse performance. However, research conducted by Kurniawati and Setiawan, (2022) found that companies with a larger board of directors have a higher company value.. Therefore, one crucial factor in corporate governance procedures is determining the appropriate size of the board of directors. On the one hand, a small board size can allow board members to be more involved in the decision-making process and improve coordination. On the other hand, a large board of directors can bring benefits in the form of a wider diversity of opinions and knowledge, as well as allowing for better representation of the interests of the company's various stakeholders.

Managerial ownership, namely share ownership by company management, is also an important variable in corporate governance research. Managerial ownership is considered important because it can align the interests of managers with shareholders and can have implications for company performance and value. Managers who own company shares may be more careful in using debt, because they have a personal incentive to maintain the company's financial health and increase the value of their shares. Ayu and Soebagyo, (2022). As a result, companies that have high levels of managerial ownership tend to use less debt. Previous studies show that managerial ownership has a complex effect on firm value. By bringing managers' and shareholders' interests into alignment, high managerial ownership can increase a company's value.

Suzan and Amara Dini, (2022) discovered that a high level of managerial ownership has a positive correlated with company value. However, excessive managerial ownership can also cause conflicts of interest and harm other shareholders. Therefore, it is important to find the ideal degree of managerial ownership that eliminates any conflicts and considers interest alignment.

Institutional ownership is an ownership structure that involves institutions or institutions that own shares in the company. Institutional investors are considered to have an advantage in predicting company performance because they can use current earnings information to predict the future. Institutional ownership can also influence a company's capital structure through pressure or preferences exerted by institutional investors. Some institutional investors may encourage companies to use more or less debt, depending on their investment goals. Institutional ownership is also considered to be able to increase company value by monitoring company activities and reducing agency conflicts Fauzan and Khairunnisa, (2019). Several studies have found a positive relationship between institutional ownership and firm value, as well as a positive influence on financial performance. However, research findings are not always consistent, with some studies showing different results, such as studies showing no effect on company value or a negative relationship. This may depend on the context and characteristics of the company in question.

The second element that affects ,Capital structure is a measure of a company's financial performance. The outcomes or repercussions of funding decisions are referred to as capital structure namely whether the company will use debt or equity as a source of funds to support its operations. Ayu and Soebagyo, (2022). According to trade-off theory, an increase in the level of long-term debt in a company can lead to an increase in debt interest expenses, which in turn can result in tax savings. The effect of these tax savings can affect the company's profitability and financial performance. The capital structure that is considered optimal is a capital structure that can achieve an optimal balance between risk and return, thereby providing maximum returns on share prices.

In this research, we will use capital structure policy which is proxied by the debt equity ratio (DER).. debt equity ratio DER is a metric that assesses the extent to which total debt is supported by total equity. A lower ratio suggests that a greater amount of funding from a company's owner positively affects its financial outcomes, and the opposite is also true. Saefulloh, (2022). According to a study by Komara et al. , (2016), it was found that a company's financial performance improves positively when its capital structure is evaluated through the DER metric.The possibility of profit for the company can occur when the debt-equity ratio is high, because the company can effectively utilize the turnover of funds from long-term liabilities. This aims to increase the company's profitability by maximizing the use of funds obtained from this funding source. As the debt equity ratio increases, a company can have greater access to financial resources, which can be used for investments or other financial strategies to improve overall performance and profitability. Research conducted by Rahman, (2020) argues that the use of the DER proxy has a negative affect on the company's financial performance. Dana et al.'s research from 2021, which found that capital structure has a detrimental impact on a company's financial performance, supports the findings of this study.

The greater the amount of debt a company has, the company's financial performance will decline, this is caused by an increase in the debt interest burden which is getting higher. In this context, an increase in debt levels can have a negative impact on a company's ability to achieve optimal financial performance. Azis and Hartono, (2017) stated that DER has no effect on the company's financial performance. The company's long-term debt level has no influence on the company's financial performance. Another factor that can influence a company's financial performance is the level of debt.

According to Kijkasiwat et al., (2022) When a company builds its capital, fixed income assets like debt and preferred shares make up a big part of its financial leverage According to the pecking order theory People who work for companies that make a lot of money tend to have little debt.they have quite abundant internal funding sources. When the leverage ratio is higher, the interest costs that the company must pay also increase. This condition can then have a negative effect on the company's financial performance, considering that increasing interest expenses can reduce the company's profitability and overall performance.

According to research by Agustin et al. (2022), DER improves the financial performance of businesses. When a company's debt-to-equity ratio rises, it indicates that its leverage is growing. Return on Equity (ROE) can be raised by leverage. A ratio called return on equity (ROE) gauges how well a business uses its equity to produce profits. Increasing leverage can enlarge ROE because companies can use debt to fund investments and projects that can generate higher rates of return. This finding is supported by the results of research conducted by Dana et al., (2021) which states that the influence of DER on company financial performance is positive. This shows that the higher the DER, the greater the trust of external parties to provide funding, which in turn contributes to improving the company's financial performance.

However, research conducted by Wijoyo, (2018) states that DER has a negative influence on company financial performance. DER is a crucial factor that influences profitability, an increase in DER will cause a decrease in the company's financial performance, and vice versa. Nurwahidah et al., (2019) in their research revealed that DER has no influence on the company's financial performance. The DER level, whether high or low, will not have an influence on the company's financial performance.

The findings obtained from the research of several previous researchers may vary depending on the company that is the object of research. Therefore, this research was conducted with the aim of investigating the extent of the influence of the implementation of corporate governance, especially in manufacturing companies in Indonesia, on capital structure and leverage and their influence on company value. It is hoped that the research results can provide a meaningful contribution to various parties in designing appropriate governance policies to achieve optimal company value

LITERATURE REVIEW

Agency Theory

An agreement between the principle (shareholder) and the agent (manager) is what Jensen and Meckling (1976) characterize as an agency relationship. Shareholders delegate power to company management regarding management and decision making within the organization. The emergence of differences in interests between shareholders and managers causes agency conflicts. This difference in interests can arise due to two main factors. First, related to the use of earnings information as a tool for assessing management performance. Second, related to the lack of direct influence of decision-making errors made by management, Buallay et al., (2017).

Agency theory relies on three assumptions regarding human nature Ochego et al., (2019). First, humans tend to prioritize their own personal interests. Second, humans have limitations in predicting future conditions. Third, humans have a tendency to avoid risks. Therefore, potential agency problems arise when managers do not have full share ownership in the company, so that managers may take actions that prioritize their personal profits over the interests of shareholders, as explained by Jensen and Meckling, (1976). This situation is a result of the separation of functions between ownership and management, where company management does not experience direct risk from errors in decision making, while the risk of loss is borne by shareholders Hassan and Marimuthu, (2016).

According to Jensen and Meckling, (1976), agency costs emerged as an effort to reduce agency conflicts that arise within the company. The concept of agency costs is defined as the total costs incurred to resolve the conflict, which include residual loss, bonding charges, and monitoring costs.. To reduce differences in interests between shareholders and managers, providing appropriate incentives to managers and spending monitoring costs designed to control manager behavior can be carried out. Managers must also cover bonding costs to ensure that they do not take action that is detrimental to shareholders or to provide compensation guarantees to shareholders if managers violate the agreement. Bonding costs can include an audit of financial statements by a public accountant and approval of decision restrictions taken by managers Alodat et al., (2022). Approving these restrictions not only limits actions that are detrimental to shareholders, but also limits managers' ability to make decisions regarding profitable opportunities.

However, on the contrary, differences in decision making between shareholders and managers sometimes result in a decrease in shareholder welfare, known as residual loss. In research by Alodat et al., (2022), It is clarified that agency costs fall into two categories: agency costs of debt and agency costs of equity. Because managers and stockholders have different interests, equity agency costs result.In the context of a company that is privately owned and managed by the owner, it is assumed that the owner will run the company carefully because this will increase his own welfare.

On the other hand, in public companies where shares are traded to outside parties, differences in interests become more apparent. Managers may not have the same incentives to maximize shareholder welfare because their ownership in company assets may decrease. Ruan et al., (2011). A decrease in managerial ownership can result in a lack of dedication to activities that benefit the company. Agency costs of debt arise because of differences in interests between shareholders and debt holders.

Debt holders focus on the company's ability to pay off its debt obligations, while shareholders pay more attention to the company's ability to achieve maximum profits. Debt is used by companies as a source of funding for investment projects. Increased investment through debt also contributes to increased returns that can be enjoyed by shareholders. Therefore, utilizing debt can provide benefits for shareholders. Debt holders are aware of this possibility, so they require interest payments, which can reduce the amount of profits that can be distributed to shareholders

Corporate governance

Hadiwijaya et al., (2016) describe corporate governance as a monitoring and control process which aims to ensure that company management actions are in line with shareholder expectations.

In this research, two internal mechanisms of corporate governance are used, namely the size of the board of directors (board of directors) and managerial ownership. There is also an external mechanism for corporate governance, namely institutional ownership. The relationship between agency theory and variables such as board size, managerial ownership, and institutional ownership is:

1. Size of the Board of Directors
   The size of the board of directors refers to the number of board members who guide and supervise management policies and actions in a company. Ben Fatma and Chouaibi, (2021). The main function of the size of the board of directors is to provide adequate representation of the various interests of shareholders and ensure the effectiveness of monitoring of management. According to agency theory, the size of the board of directors is correlated with company value because it creates a monitoring mechanism that can reduce potential conflicts of interest between management and shareholders. A larger board can provide more perspective and control over management actions, thereby mitigating the risk of decisions that benefit management alone Carolina et al., (2020). This is expected to improve company performance and shareholder value. The way to calculate the size of the board of directors involves adding up the active members of the board of directors. This measurement can provide an overview of the extent to which the board of directors reflects diversity, oversight, and shareholder representation in the company's decision-making process.
2. Managerial Ownership
   Management share ownership is the total management shares in the company. Management, who are also shareholders, immediately feel the consequences of their decisions. The existence of managerial ownership in the company can ensure management is more careful in making decisions that can provide shareholder harmony. PD Wida and Suartana, (2014) calculate management ownership by comparing the number of shares owned by all management and the total shares outstanding
3. Institutional Ownership
   Institutional shareholders are owners of shares owned by financial institutions, governments, trust funds, foreign institutions, legal entities and other institutions. The existence of institutional share ownership in a company can increase supervisory control over management performance. Institutional share ownership is useful as monitoring for management, so that more effective supervision can reduce the potential for fraudulent acts that may be committed by managers. Institutional share ownership can be calculated by dividing the total of all institutional shares by the number of outstanding shares Kosasih and Mungniyati, (2022).

Capital Structure

Capital structure reflects the relative proportions of liabilities, equity, and other securities held by a company. Funding can be obtained through equity, a combination of equity and liabilities Azis and Hartono, (2017). Capital structure is one of the main elements in financial management, and can play a key role in reducing agency conflicts. The interests of management who may be more inclined to choose funding with lower costs and higher risks can be a point of tension with the interests of shareholders who are more focused on risk and investment returns. In this case, the application of good corporate governance principles can help ensure that decisions regarding capital structure are more in line with shareholders' long-term goals.

According to research by Onasis and Robin, (2016) good corporate governance, as contained in practices such as transparency, accountability and shareholder participation, can help reduce information asymmetry between management and shareholders. By having clearer and more accurate information regarding capital structure decisions, shareholders can more effectively monitor and manage management behavior, thereby reducing the potential for financial sustainability to be detrimental to the company. In addition, good corporate governance can be an instrument to prevent the risk of being in significant debt. By having a strong monitoring mechanism, companies can avoid capital structure decisions that are excessive or inconsistent with actual financial conditions. This creates an effective protective umbrella against financial risks that could endanger a company's long-term stability.

Company Value

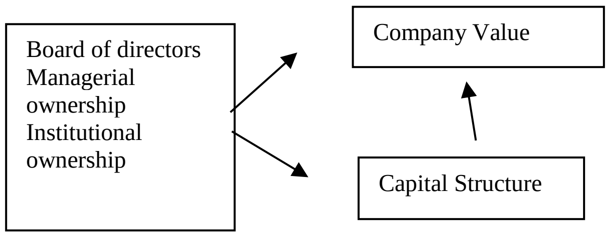
Company value can be interpreted as an indicator of how successful the company is in creating added value for shareholders. Evaluation of company value can be done through two main approaches:

a. Company market value (using share price)
b. Company book value (based on equity in financial statements).

Tobin's Q, which is used as a representation of firm value in this study, is calculated as the ratio between the market value of the firm's total equity and the book value of the firm's total assets. The choice of Tobin's Q as an indicator of firm value reflects the research focus on the extent to which market value reflects a firm's book value.

Agency conflicts arise when management interests do not always align with the interests of shareholders. The increase in company value, especially as reflected through Tobin's Q, can be considered as the company's efforts to overcome agency conflicts by providing significant added value for shareholders. The harmony between high company value and shareholder satisfaction is a positive signal for management effectiveness in minimizing agency conflicts and maximizing company value.

Conceptual Research



Hypothesis Development

Size of the Board of Directors on Company Value

The agency theory put forward by Jensen and Meckling, (1976) states that agency conflicts occur because of differences in interests between company managers and shareholders. Differences in interests can occur due to two factors. The first factor is the use of earnings information to measure management performance. The second factor is that management does not feel directly the consequences of the decision-making mistakes they make Hassan and Marimuthu, (2016).

The size of the board of directors can influence the dynamics of decision making within the company. Because the board of directors has an important role in monitoring and making strategic decisions, including decisions related to selecting funding sources. A larger board of directors size can provide tighter supervision of financial policies, but can also create additional costs that must be incurred by the company according to Sari and Ardiana, (2014). This description allows for the formulation of the hypothesis that the size of the board of directors positively affects the value of the company. This hypothesis is supported by the research results of Kurniawati and Setiawan, (2022) which provide empirical evidence that the board of directors' size has a beneficial impact on company value.

The aforementioned description allows for the formulation of the following hypothesis: H 1a: Firm value is positively impacted by the size of the board of directors.Based on the description above

Managerial Ownership of Company Value

There are three assumptions about human nature that result in conflict between managers and shareholders , namely that humans tend to prioritize their own interests, humans have limited ability to think about future conditions, and humans tend to avoid risks. Jensen and Meckling, (1976) stated that agency conflict occurs when managers do not fully own shares in the company so that managers act to maximize their profits. The separation of ownership and management functions means that company management does not directly bear the risk of decision making errors. The risk of loss is borne entirely by shareholders.

The percentage of shares held by managers of a corporation is known as managerial ownership. Because managers own shares, managerial ownership helps balance the interests of managers and shareholders. and directors indicates a reduction in the tendency for earnings manipulation. Managerial ownership also encourages management to work better because they feel they take ownership and make decisions in the company as shareholders. Improving management performance also increases company value. Therefore, the hypothesis that can be formulated is that managerial ownership has a positive effect on company value.

This is supported by research by Suzan and Amara Dini, (2022) which provides empirical evidence that managerial ownership has a positive effect on company value.

Based on the description above, the following hypothesis can be formulated: H_{1b} : Managerial ownership has a positive effect on company value

Institutional Ownership of Company Value

According to Jensen and Meckling (1976), agency conflicts arise from the divergent interests of corporate managers and shareholders. Managers tend to try to prioritize their own interests. Therefore, effective supervision is needed to encourage management to work well. The existence of share ownership by institutional investors, such as banks and other institutions, can increase the effectiveness of supervision of management performance.

Supervision carried out by institutional investors can encourage management to act according to shareholder expectations. Shareholders expect asset management to be carried out efficiently and effectively so that shareholder welfare also increases. Investments made by institutional investors cause them to have better access to information. This means that institutional investors have better knowledge about company performance Fauzan and Khairunnisa, (2019). The greater the percentage of institutional ownership, the optimal monitoring activities can be carried out PD Wida and Suartana, (2014).

The high level of supervision by institutional investors also influences the process of preparing financial reports so that they can provide positive reactions to potential investors in assessing the company. The hypothesis that can be formed from this description is that institutional ownership has a positive effect on company value.

This hypothesis is supported by research conducted by Isnawati and Widjajanti, (2019) providing empirical evidence that institutional ownership has a positive effect on company value. Based on the description above, the following hypothesis can be formulated: H_{1c} : Institutional ownership has a positive effect on company value.

Capital Structure Policy on Company Value

Trade-off theory states that the optimal capital structure can be achieved when the value of tax savings through current debt is equal to the costs of financial difficulties and agency problems. The additional debt provides tax benefits for the company. Interest on debt reduces company profits, which means it also reduces company tax payments and makes the after-tax cash flow value higher. The use of debt in the capital structure can reduce unnecessary expenses and give managers encouragement to manage the company efficiently Komara et al., (2016). This means that the use of debt can reduce agency costs in the company. Additional debt by the company used to expand its business can increase profitability in the future and convince investors that the company can pay its debts. Therefore, the use of debt can increase company value. Based on this description, a hypothesis that can be formed is that capital structure has a positive effect on company value Dana et al., (2021).

This is consistent with Burhanudin and Nuraini's (2018) research findings, which offer empirical support for the idea that capital structure increases a company's value. The aforementioned description allows for the formulation of the following hypothesis: H 2: Company value is positively impacted by capital structure

Size of the board of directors on Capital Structure Policy

The board of directors has two main functions, namely monitoring activities and making management decisions. The monitoring function is applied to supervise managerial actions, with the aim of preventing self-serving actions by managers. This activity is very important because such actions can harm shareholders and give rise to agency conflicts.

According to Kurniawati and Setiawan, (2022), a large board size is effective in monitoring management actions and producing better management practices. From these results, it is proven that the existence of a board of directors can solve and prevent agency problems. Osvald et al., (2019) support this idea by stating that increasing board size can create extensive monitoring, become an effective controlling body, and provide responsibility big in improving the capital structure

Based on the description above, the following hypothesis can be formulated:

H_{3a} : The size of the board of directors has a positive effect on capital structure.

Managerial Ownership of Capital Structure Policy

Managerial ownership, as an important governance mechanism, is considered to have a significant influence on decision making regarding capital structure. Managerial shareholders, including directors and commissioners, who are actively involved in company decision making, play a key role in this process.

Share ownership by management can influence funding decisions, because managers with share ownership are more likely to issue policies that encourage growth and achieve high profits. Choosing external funding sources, such as issuing shares, is a commonly used strategy. With managerial ownership, the company's debt levels tend to be lower, because managers who own shares do not want to face reduced dividends due to interest charges from debt. This statement is supported by Rahadian and Hadiprajitno, (2014) who show that managerial ownership has a negative effect on capital structure

H_{3b} : Managerial ownership has a negative effect on capital structure .

Institutional Ownership of Capital Structure Policy

Institutional ownership, as another element in the ownership structure, is considered to reduce agency conflicts. Institutional ownership is able to control and guide managers in making decisions regarding debt and dividends, which supports the interests of institutional shareholders. Effective supervision by institutional shareholders can help build creditor confidence in the company. Institutional ownership provides great authority and the ability to choose riskier projects in the hope of high returns. Institutional shareholders also prefer high levels of debt because it can reduce corporate taxes. Although the risk of bankruptcy is high, institutional shareholders diversify their investments to manage this risk. Consequently, companies with high institutional ownership have a tendency to have a higher proportion of liabilities. This finding is supported by research by Putri and Zulvia, (2019) who found that institutional ownership has a positive effect on capital structure.

Based on the description above, the following hypothesis can be formulated:

H_{3c} : Institutional ownership has a negative effect on capital structure

The Mediating Effect of Capital Structure on the Influence of Board of Directors Size on Firm Value

The size of the board of directors can influence company value through the mediating effect of capital structure. The large size of the board of directors may reflect the complexity in the company's decision-making and policy-setting processes. By having a large board, a company may be inclined to adopt a different capital structure to meet its financial needs. The mediating effect of capital structure occurs when a large board of directors size triggers the use of a more complex capital structure, involving components such as long-term debt, preferred shares, and equity. This capital structure, in turn, can mediate the direct effect of board size on firm value. For example, a large board of directors may require different funding strategies to achieve corporate objectives, and capital structure provides a means to achieve this. Thus, it can be concluded that the size of the board of directors can influence company value through the mediation of capital structure, where board size triggers certain capital structure adaptations which ultimately influence company value Isnawati and Widjajanti, (2019).

Based on the description above, the following hypothesis can be formulated:

H_{4a} : Capital structure is thought to be able to mediate the effect of board of directors' size on company value.

The Mediating Effect of Capital Structure on the Influence of Managerial Ownership on Firm Value

Managerial ownership can influence firm value by involving the mediating effect of capital structure. High managerial ownership indicates management involvement in company share ownership, which in turn can influence capital structure policy. The mediating effect of capital structure arises when significant managerial ownership motivates management to take decisions regarding capital structure in order to increase the value of their shares. Capital structure, with its proportion of debt and equity, is an introduction that mediates the relationship between managerial ownership and firm value. Thus, it can be concluded that managerial ownership can influence company value through capital structure intervention, where management's interest in share ownership encourages the adoption of certain capital structures to increase company value Nurwahidah et al., (2019) .

Based on the description above, the following hypothesis can be formulated:

H_{4b} : Capital structure is thought to be able to mediate the influence of managerial ownership on firm value

The Mediating Effect of Capital Structure on the Influence of Institutional Ownership on Firm Value

Institutional ownership plays an important role in increasing firm value through the mediating effect of capital structure. High institutional ownership reflects institutional shareholders' confidence in the company's performance and long-term goals. The mediating effect of capital structure occurs when significant institutional ownership encourages a company to adopt a particular capital structure. Institutional investors who have long-term goals can influence company policies regarding funding and investment through capital structure. Therefore, it can be concluded that institutional ownership can influence company value through capital structure. Institutional shareholders play an important role in shaping company policies regarding capital structure, which ultimately contributes to increasing company value Isnawati and Widjajanti, (2019).

Based on the description above, the following hypothesis can be formulated:

H_{4c} : Capital structure is thought to be able to mediate the effect of institutional ownership on firm value.

RESEARCH METHODS

Population and Sampling

The population used in this research is all manufacturing companies registered on the IDX in 2020 - 2024. The number of companies registered is 178 manufacturing companies.

The sample was determined using *purposive sampling* , that is, the company sample was determined using certain criteria.

The criteria for determining the sample in this research are:

1. Manufacturing sector companies that have been registered on the IDX and have submitted complete Annual Reports and Financial Reports as of 31 December 2020 - 2024
2. Companies that submit complete data and data for variable calculations that are in accordance with the required information.

Method collection data

Method collection data in the documentation approach was used to conduct this study, which involved downloading the financial and annual reports of businesses listed on the IDX for the years 2020–2024. and tabulating them in a format that can be processed.

Variable Measurement and Operational Definitions

1. Company Value

   Company value can be interpreted as an indicator of how successful the company is in creating added value for shareholders. Evaluation of company value can be done through two main approaches: company market value (using share prices) and company book value (based on equity in financial statements).

   Tobin's Q, which is used as a representation of firm value in this study, is calculated as the ratio between the market value of the firm's total equity and the book value of the firm's total assets. The choice of Tobin's Q as an indicator of firm value reflects the research focus on the extent to which market value reflects a firm's book value.
2. Size of the Board of Directors

   The size of the board of directors refers to the number of members on a company's board of directors. The size of the board of directors is considered an important aspect of a company's structure because it can influence the complexity of decision making and the effectiveness of internal control. The larger the board size, the more complex the corporate policy dynamics, and this can play a key role in the relationship between corporate structure and shareholder welfare.
3. Managerial Ownership

   Managerial ownership refers to the extent to which corporate managers or executives own shares or equity interests in the companies for which they work. This mechanism is considered an effort to align management interests with the interests of shareholders, where managers have personal interests that are in line with the company's success.
4. Institutional Ownership

   Institutional ownership reflects the extent to which a company's shares are owned by financial institutions or large institutions. The influence of these institutions on share ownership can shape corporate governance and manage potential agency conflicts between management and shareholders.
5. Capital Structure

   Debt policy refers to a company's approach to accessing external funding sources taken by management to support its operational activities. Determining debt policy is closely related to the company's capital structure, because how the company chooses to use debt can affect the company's value. A high proportion of debt in the capital structure can potentially reduce company value, conversely, a low capital structure can contribute to increasing company value. In this research, the mediating variable used to measure capital structure policy is the Debt to equity ratio (DER). DER is a ratio that reflects the composition or structure of a company's capital, which in turn is used as a source of funding for business activities. The debt to equity ratio describes the extent to which a company relies on debt compared to equity in financing its operations.

6. *Market to book*
   Market to book is a ratio that measures the comparison between market value *(market value)* company shares with book value (*book value*) of shares. M/B reflects how much investors value a company's performance and growth potential compared to its book value. In the research context, M/B can act as a control factor that influences company value.
7. Profitability
   Profitability is a ratio that measures a company's ability to generate net profits from the assets it owns. ROA provides an overview of the efficiency of using company assets in achieving profits. As a control variable, ROA can provide an overview of how a company's operational efficiency can influence company value.
8. Company Size
   Firm size indicates the size of the company, often measured by the total market value or total assets of the company. Company size can influence company value, where companies with larger sizes may have access to larger resources and markets. In the context of control variables, company size helps control the influence of company size on the relationship between the independent variable and the dependent variable.

RESULTS

Hypothesis Test Results Table

Hypothesis	Independent	Dependent	Mediation	Coefficient	Sig.	Decision
H1	BS	TOBIN'Q	-	-0.032	0.42	H_1 is accepted
	M.O			0.469	0.575	
	IO			0.967	0.007***	
H2	DER	TOBIN'Q	-	-0.01	0.616	H_2 is rejected
H3	BS	DER	-	0.095	0.413	H_3 is rejected
	M.O			-0.532	0.827	
	IO			0.309	0.767	
H4	BS	TOBIN'Q	DER	-0.431	0.231	H_4 is rejected
	M.O			0.195	0.423	
	IO			-0.244	0.279	

Source: data processed using eviews

The influence of the size of the board of directors on company value

Based on the results above, the variable size of the board of directors has no effect on company value because it has a significance value of 0.4205, this figure is greater than 0.10. This shows that the dimension of the number of members of the board of directors in a company does not affect company value. One of the main functions of the corporate governance mechanism is the involvement of the board of directors in company management. Each board of directors has the right to make decisions in accordance with its duties and authority, but every decision taken is the collective responsibility of all members of the board of directors in the company. The duties and responsibilities of each member of the board of directors involve carrying out company operations in accordance with established directions and policies. The results of this research imply that high or low number of members of the board of directors does not affect the level of supervision, decision-making process, or efforts to minimize information asymmetry. Therefore, the size of the board of directors has no effect on increasing company value. The results of this research are not consistent with the research results of Sari and Ardiana, (2014), but are in line with research conducted by Azis and Hartono, (2017).

Managerial Ownership's Effect on Business Value

The results show that managerial ownership has no effect on the company because the significance value is 0.57, from this figure it appears to be greater than 0.10. The results of the hypothesis evaluation in this study state that managerial ownership does not have a real influence on company value. The insignificant amount of ownership owned by the managerial party shows that the profits obtained by the managerial party also do not reach a substantial level. Therefore, managerial ownership which has an insignificant proportion will not affect managerial performance and motivation in an effort to increase company value.

According to Onasis and Robin, (2016) managerial ownership variables will have a significant effect if ownership is concentrated. The results of this study do not match the hypothesis but are consistent with research. Research conducted by Rahmawati. LF and Hermanto. SB, (2017) Based on the assumption that share ownership by the management board can reduce agency problems and increase the implementation of more effective corporate governance mechanisms and was then re-examined by Kosasih and Mungniyati, (2022) and found consistent results, where managerial ownership did not have influence on company value.

The Influence of Institutional Ownership on Company Value

The table above shows that institutional ownership has an effect on company value with a significance value of 0.0072, which is a figure smaller than 0.10. Based on these results, it can be stated that the hypothesis which states that corporate governance influences company value is accepted. Where greater institutional ownership will result in management making decisions that will benefit certain individuals. With the increasing level of institutional ownership, investors are worried because if the level of institutional ownership increases, their voting rights at the GMS will also increase, so that the rights and obligations of minority capital owners cannot be protected. This happens because the majority will only make decisions that are useful for themselves without paying attention to the minority party's influence on the value of the company. The results of this research can be said to be in line with research conducted by PD Wida and Suartana, (2014) which explains that institutional ownership influences company value. And this is different from research conducted by Hasanah, (2016) which concluded that institutional ownership does not have a significant effect on company value.

The Influence of Corporate Governance on Capital Structure

The results show that the variables BS, MO and IO as proxies for corporate governance have no effect on DER. This is shown by the BS significance value of 0.4126, the MO variable which has a significance value of 0.8275 and the IO variable which has a significance value of 0.7670, where this figure is more than 0.10 (10%). Based on these results, it can be stated that the second hypothesis (H2) which states that corporate governance influences capital structure policy is rejected.

The results of this research are in line with research conducted by Isnawati and Widjajanti, (2019) which states that corporate governance has no effect on capital structure policy. In contrast to the research conducted by them, they concluded that corporate governance has a significant influence on capital structure policy. By looking at the results of the calculations above, it can be seen that H2 is rejected, which happens because there are differences in the company samples and the time span of the research data taken. This research shows that variables such as BO, MO and IO as proxies for corporate governance are not the main factors in making funding policies. The existence of a high level of debt can have a negative impact on the company, where if the company is unable to pay off its debt, the company will be threatened with bankruptcy. This ultimately becomes a negative signal for investors. The use of debt will also give rise to conflicts between shareholders and debt holders. Increasing the use of debt will increase the risk of the company's cash flow, where the company's cash flow is influenced by external factors. In fact, existing debt creates a permanent obligation in the form of interest that must be paid without regard to the company's earnings. Finally, the company's policy of choosing to use more debt as a capital structure will affect the decline in company value, which can ultimately reduce the company's share price

The Influence of Capital Structure Policy on Company Value

The test results show that the DER variable, a proxy for capital structure, has no effect on company value. This is shown by the significance value of 0.6164, where this figure is more than 0.10 (10%). Based on these results, it can be stated that the second hypothesis (H3) which states that capital structure policy has an effect on company value is rejected. The results of this research are in line with research conducted by Nurwahidah et al., (2019) which states that capital structure has no effect on company value. In contrast to research conducted by Burhanudin and Nuraini, (2018) they concluded that capital structure has a significant influence on company value. By observing the calculation results above, it can be identified that the rejection of hypothesis H3 occurs because the company's capital structure is a source of long-term financing involving debt, preferred shares and shareholder capital. Therefore, a company's capital structure is only part of its overall financial framework. The findings of this research, which are in accordance with the Modigliani-Miller (MM) theory with very limited assumptions, show that a company's value is not influenced by its capital structure.

The Mediating Effect of Capital Structure on the Influence of Board of Directors Size on Firm Value

From the results of the analysis in the table, it can be observed that capital structure does not succeed in mediating the effect of board of directors' size on company value. Rejection of this hypothesis can be explained through the details of the significance values in table 4.6, which shows that the size of the board of directors does not have a significant influence on company value ($p = 0.4205 > 0.10$). In simple terms, the size of the board of directors does not have a large enough influence on company value directly, so it does not require capital structure mediation. Corporate governance theory emphasizes that the size of the board of directors can be an important indicator in the decision-making process and managerial supervision. Nevertheless, the results of this study show that in the context of the companies studied, strategic decisions and managerial control are more influenced by factors other than the size of the board of directors, such as the expertise and composition of board members. Therefore, the inability of capital structure to mediate the relationship between board size and firm value may be due to the lack of a significant direct effect of board size on firm value in the context of this study. Based on these results, it can be stated that the fourth hypothesis (H4a) which states that capital structure policy mediates the relationship between board of directors size and firm value is rejected. The research results are in line with those conducted by Isnawati and Widjajanti, (2019)

The Mediating Effect of Capital Structure on Company Size on Company Value

The results of the analysis show that capital structure does not act as an intermediary between managerial ownership and company value. The rejection of this hypothesis can be explained by detailing the significance value in table 4.6, which shows that managerial ownership does not have a significant effect on company value ($p = 0.57 > 0.10$). In other words, managerial ownership does not have a significant influence on company value directly, so it does not require capital structure mediation. Managerial ownership theory states that share ownership by management can reduce agency problems and increase company efficiency. However, in the context of this research, managerial ownership is not proven to have a significant influence on firm value. Possibly, this is due to the fact that managerial ownership is not concentrated or large enough to exert significant influence. In this situation, the absence of significant leverage makes the capital structure unnecessary as an intermediary. Based on these results, it can be stated that the fourth hypothesis (H4b) which states that capital structure policy mediates the relationship between managerial ownership and firm value is rejected. The research results are in line with those conducted by Nurwahidah et al., (2019)

The Mediating Effect of Capital Structure on the Influence of Institutional Ownership on Firm Value

The analysis results indicate that capital structure does not act as an intermediary between institutional ownership and company value. The rejection of this hypothesis can be explained by paying attention to the significance value in table 4.6, which shows that institutional ownership has a significant influence on company value ($p = 0.0072 < 0.10$). In other words, institutional ownership has a significant influence on company value directly, so capital structure is not needed as an intermediary. Corporate governance theory implies that institutional ownership can improve company performance and value. In the context of this research, a high level of institutional ownership directly contributes to increasing company value without involving capital structure as an intermediary. This factor may be explained by the high level of trust given by institutional investors, so that capital structure is no longer a significant mediator in the relationship between institutional ownership and firm value. Based on these results, it can be stated that the fourth hypothesis (H4c) which states that capital structure policy mediates the relationship between institutional ownership and firm value is rejected. The research results are in line with those conducted by Isnawati and Widjajanti, (2019).

CONCLUSION

Based on the previous results and discussion, the results of this research can be concluded as follows:

1. Institutional ownership affects corporate value, while management ownership and the size of the board of directors have little effect.
2. The second finding of this study is that capital structure has no bearing on the value of a company. This demonstrates that the company's worth is unaffected by its capacity to employ debt for investments.
3. The third conclusion, in this research it was found that the variables of board of directors size, managerial ownership and nstitutional ownership have no influence on funding decision making.
4. Fourth conclusion, in this research it was found that capital structure does not mediate the correlation between corporate governance and company value.

SUGGESTION

The following are some recommendations that can be made in light of the analysis's findings and conclusions:

1. The results of this research can provide additional information to potential investors before deciding to invest in manufacturing sector companies by first looking at the governance mechanisms, especially institutional ownership. For companies, the funds obtained from the IPO must be properly managed for working capital and to be able to find good land for mining. So it can create large profits for the company.
2. For the academic world, in future research researchers can use variables other than the size of the board of directors,

managerial ownership, institutional ownership which are expected to influence company value. To get a more complete picture, it is recommended that future research add proxy variables for company value, such as price book value (PBV), which can provide a more comprehensive perspective regarding shareholder welfare.

3. Other variables that can be included in further research include independent board of commissioners, family ownership, foreign ownership and other variables that have the potential to influence company value. This research can explore the possibility of mediation by capital structure policy on the relationship between these variables.

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