FINANCIAL PERFORMANCE DETERMINATION, EARNINGS QUALITY, INTELLECTUAL CAPITAL AND COMPANY VALUE

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ABSTRACT

This study aims to determine the effect of financial performance, earnings quality, and intellectual capital on the company value and the influence of intellectual capital on the financial performance of the company. The research data is obtained from annual report and audit report of manufacturing companies taken from Indonesia Stock Exchange in the period of 2015 for 90 companies. The type of data used is secondary data. The empirical analysis for hypothesis testing was performed using Statistical Package for Social Science (SPSS). The results showed that the financial performance and intellectual capital have a significant positive effect and the quality of earnings has no significant effect on the company value, and intellectual capital also has a significant positive effect on the financial performance of the company. Control variables such as the proportion of independent commissioners, managerial ownership, institutional ownership, capital structure and age of firm have insignificant positive effect to company value. These control variables weaken the relation between the independent variable to the dependent variable.

Key words: Financial performance, earnings quality, intellectual capital, company value.

Introduction

The information presented during the preparation process of the company's financial statements should reflect the actual condition of the company, so that the profit reported in the financial statements has a quality that can reflect the true value of the company. The company value describes the investor's appreciation of the results of the management work in managing the company's assets. The company value is reflected in the stock price and reflects the well-being of shareholders and the prospect of the company in the future (Fama, 1978).

The financial statements are the final process of the accounting process that has an important role for the measurement and assessment of a company's financial performance. Measurement of financial performance, among others, can be measured by various ratios of accounts in the financial statements. The financial performance with return on assets (ROA) indicator has a significant positive effect on the company value projected with Tobin's Q (Uchida, 2006; Erik Syawal Alghifari, et al 2013). Other studies have found opposite results, ie, ROA negatively affects company value (Pratana, 2004, Kaaro (2002).

Several studies have shown that earnings quality correlates and positively affects company value (Li Jiujin, Wang Fusheng and Xu Chang, 2013; Lu, Wu Chia, 2012; Gaioa Cristina and Raposo Gaioa, 2011). While Kamil's research (2014) in Indonesia shows that the quality of earnings has no effect on the company value. A qualified accounting profit is accounting profit that has little perception disturbance in it and can reflect the actual financial performance of the company (Grahita, 2001: 1). The greater the perceptions that depend on accounting profit, the lower the quality of the accounting profit will be. The Company is given flexibility in the accounting process by accounting standards to select the accounting method as well as the estimates to be used.

Such flexibility will affect the quality of earnings generated by the company and provide an opportunity for managers to do earning management to raise or lower the accruals in the income statement. The earnings quality is the behavior of management to play with discretionary accrual components that determine the amount of earnings. Profits that are not reported in accordance with the facts that occur can be doubted in terms of the quality. Earnings can be said to be of high quality if the reported earnings can be used by users to make the best decision, which is the earnings that have the characteristics of relevance, reliability and comparability or consistency. The low quality of earnings will cause mistakes in the decision making of the users such as investors and creditors, so that the value of the company will decrease (Siallagan and Machfoedz, 2006).

Knowledge-based management systems, conventional capital such as natural resources, financial resources and other physical assets become less important than capital based on knowledge and technology. The use of science and technology will help to use other resources efficiently and economically, which in turn can create competitive advantage. Brandon & Dyrtina in Zumiati (2012) stated that in order to achieve excellence in competition, every organization, both private and public sectors, should have a competitive advantage compared to other organizations. These advantages can be realized in various ways, such as product innovation, organizational design, and the use of effective, efficient and economical resources. The role of knowledge as an asset is quite important for the company followed by the increasing importance of identification and management of intellectual capital.

Currently, in the market, there tend to be a gap between the market value of the company and book value (Cheng et al, 2010). According to Lev in Cheng et al, (2010), from 1977 to 2001, the ratio of market value to book value of Standard and Poors (S &

P) in 500 firms increased from slightly above one to more than five. This describes that the company's financial statements cannot represent actual company value. According to Fornell in Cheng et al. (2010) the gap indicates an intangible asset consisting of intellectual capital, which is often not reported in the financial statements, but the intangible asset is considered very important and may represent 80 percent of the market value of the company. Some research results show that intellectual capital has a significant positive effect on corporate value (Suhendra Euphrasia Susy, 2015).

Research Zerenler et al., (2008) examines the effect of intellectual capital on innovation performance. Zerenler et al., Proxies intellectual capital into its components which are the human capital, structural capital, and customer capital. The three components of intellectual capital have a positive effect on innovation performance. Therefore, it can be concluded that intellectual capital has a positive effect on innovation performance and is significant to customer capital. The last thing shown in this research is that structural capital has positive and significant effect on business performance. Cheng et al., (2010) has examined the effect of intellectual capital on firm performance. Cheng et al., Proxies intellectual capital into innovative capacities, efficient operation processes, customer relationship maintenance costs, and human resource added value. This research shows that innovative capacity has positive effect on customer relationship maintenance cost. Innovative capacity also has positive effect on human resource added value. Efficient operation process negatively affect customer relationship maintenance cost. Human resources added value positively affect customer relationship maintenance cost. And added value of human resources has a positive effect on company performance. Rehman et al., (2011) has examined the effect of intellectual capital on financial performance, using the VAICTM method. Rehman examines intellectual capital relationships with financial performance, where intellectual capital is proxied with corporate added value, human capital, structural capital, and customer capital, as well as financial performance measured through EPS, ROE, and ROI. The results of this study indicate a positive relationship between human capital, structural capital, and customer capital on financial performance, and a positive relationship between the added value of the company and financial performance. Therefore, it can be seen that the results of Zerenler et al. (2008), Cheng et al. (2010) and Rehman et al. (2011) showed a positive relationship between intellectual capital and financial performance.

Bontis et al., (2000) examines the influence of intellectual capital on business performance. In his research, Bontis et al., Proxies intellectual capital in its components which are human capital, structural capital, and customer capital. The results obtained from this study indicate that human capital has a positive and significant effect on customer capital, and has positive and insignificant effect on structural capital. Some researchers in Indonesia, Ulum (2008) and Kuryanto (2008), and research outside Indonesia such as Firrer and William (2003), Chen et al (2005), and Tan et al (2007) also studied the same topic. From these studies, mixed results are found regarding the relationship of intellectual capital with the company's financial performance.

As described above, previous research results show inconsistent results, not all studies provide the same empirical evidence. This led to the phenomenon of the gap. These different results may be caused by a variety of factors, e.g. social, cultural, and legal factors of each country. These different results encourage researchers to re-examine to see how financial performance, earnings quality and intellectual capital affect the company value, and how these factors are related to each other, by adding proportion of the board of commissioners, the managerial ownership structure, the institutional ownership structure , capital structure and firm age as a control variable. This research will be conducted at manufacturing companyies listed on the Indonesia Stock Exchange for the period of 2015 so the empirical evidence from this study will provide an overview of the influence of these factors on company value.

The purpose of this study is to determine the effect of financial performance, earnings quality, and intellectual capital on the company value and the effect of intellectual capital on the financial performance of the company. This research is expected to be useful for providing information that may be required for future research in the field of financial accounting, to strengthen previous research related to the effect of accounting-based financial performance, earnings quality and intellectual capital impact on company value, and to contribute to the theory of financial accounting system especially regarding the earnings quality and company value.

Literature Review and Hypothesis Development

Some theories underlying this research include: The agency theory developed in the 1970s, especially in the writings of Jensen & Meckling (1976). In the writings entitled "Theory of The Firm: Mangerial Behavior, Agency Cost, And Ownweship Structure" the concepts of agency theory are backgrounded by previous theories such as transaction cost concept theory (Coase, 1937), property right theory (Berle and Means, 1932) and the philosophy of utilitarianism (Ross, 1973). Agency theory is built as an attempt to solve the problems that arise when there is incompleteness of information at the time of contract (engagement). Agency theory explains the conflict of interest between agents (management or authorized by principal) who manages the company with principal (shareholder / investor), Jensen & Meckling (1976). The difference of interest between the Agent and the Owner raises the Agent's tendency to prosecute his own party, in the form of Profit Management. Earnings Management is an action to manipulate earnings, with the aim to prosper a particular party (Agent), and to increase the value of the company, although the increase in the value of this company is only temporary.

The signaling theory is an action taken by the company to provide guidance for investors about how management views the company's prospects (Brigham and Joel F. Houaton, 2001). The signaling theory suggests how a company should signal the users of financial statements. This signal is information about what has been done by the management to realize the desire of the owner. The signal theory explains that signaling is done by the manager to reduce asymmetric information.
Stakeholder theory is more concerned with the position of stakeholders who are considered powerful. This stakeholder group is the main consideration for the company in disclosing and / or not disclosing any information in the financial statements. In the

view of stakeholder theory, companies have stakeholders, not just shareholders (Riahi-Belkaoui, 2003). The 'stake' groups, according to Riahi-Belkaoui (2003) include shareholders, employees, customers, suppliers, creditors, government and the public. The consensus that develops in the context of stakeholder theory is that accounting earnings are only a measure of return for shareholders, while value added is a more accurate measure created by stakeholders and then distributed to the same stakeholders (Meek and Gray 1988). Value added that is considered to have a higher accuracy associated with returns that are considered as a measure for shareholders. So that both (value added and return) can explain the power of stakeholder theory in relation to the measurement of organizational performance.

Another theory underlying this research, is resource based theory (RBT) discusses the resources of the company, and how the company can develop a competitive advantage from its resources. Cheng et al, (2010) explains that in this RBT theory, to develop competitive advantage, firms must have superior resources and capabilities and exceed their competitors. Resource-Based Theory mentions that the company's competitive advantage is derived from the company's ability to assemble and utilize the right combination of resources (Cheng et al., 2010). Such resources may be tangible or intangible, and they represent inputs in the company's production process; capital, equipment, expertise of employees, patents, financing and talented managers. Along with the increasing effectiveness and capability of the company, the amount of resources needed tends to grow larger. Through continuous use, these capabilities, defined as the ability of some types of resources to do work or activity on an ongoing basis, will be increasingly difficult for competitors to understand and imitate. Peppard and Rylander (2001) add that in order to develop competitive advantage a company must have the resources and capabilities to be superior to competitors. RBT focuses on its resources and development on the organization, leading to value creation and strategic management discipline.

Company value is very important because with high corporate value will be followed by high shareholder wealth (Bringham Gapensi, 1996). The higher the stock price is, the higher the company value will be. High Company value is the desire of the company owners, because a high value shows that the shareholder prosperity is also high. The wealth of shareholders and the company is presented by the market price of the stock which is a reflection of investment decisions, funding, and asset management.

According to Fama (1978), the company value will be reflected from its share price. The market price of a company's stock formed between the buyer and the seller in the event of a transaction is called the market value of the firm, since the stock market price is considered a reflection of the true asset value of the firm. The value of a firm formed through an indicator of the market value of the stock is heavily influenced by investment opportunities. The existence of investment opportunities can provide a positive signal about the growth of the company in the future, so that will increase the stock price, with increasing stock prices then the value of the company will increase. The value of the firm represents the market value of the outstanding debt and equity securities of the company. The value of a company is the perception of the owner of capital to the level of success of the company that many connect it with the stock price. The market can believe that high corporate value is not merely the company's current performance, but also on the prospects of the company in the future (Keown, 2004).

Company value is basically measured from several aspects, one of which is the stock market price of the company, because the stock market price of the company reflects the investor's assessment of the overall equity (Wahyudi and Pawestri, 2006). Wahyudi and Pawestri (2006) define the value of the company as a market value, the reason being that the company value can provide maximum shareholder wealth or profits, if the company's stock price increases. The higher the stock price, the higher the shareholder's profit so that this condition will be favored by the investors because with the increasing demand of stock cause the value of the company will also increase.

Theoretically, the measurements of company value according to Weston and Copelan (2004 are: (1) Price Earnings Ratio (PER) is a comparison between stock price of company with earnings per share (Tandelilin, 2007). Then the greater the possibility of the company to grow, so as to increase the value of the company. (2) Price To Book Value (PBV) describes how much the market appreciates the value of a company's stock book. The higher the PBV is, the more the market believes in the prospect of the company. (3) Tobin's Q, This ratio shows the current financial market estimation of the return value of each incremental investment dollar (James Tobin, Weston and Copeland, 2004). This study uses the measurement of Tobin's Q as a measure of company value.

Performance is the work achieved by a person or group of persons within an organization, in accordance with their respective powers and responsibilities, in an effort to achieve the objectives of the organization in a legal, unlawful and moral and ethical manner. According to Horne (2005), performance is the result of achievement in a certain period. To produce good performance it is necessary to do positive efforts to achieve it. The determination of specific measures that can measure a company's success in generating profits is used as a general measure of a company's health condition over a period, and can be used as a comparison between companies in the same industry or different industries. Financial performance measures include: (1) Financial ratios from the balance sheet and income statement (e.g., Demsetz and Lehn 1985, Gorton and Rose 1995, Mehran 1995, Ang, Cole, and Lim 2000). (2) Stock Market returns and their volatility (e.g., Saunders, Strock, and Travlos 1990, Cole and Mehran 1998). (3) Tobin's Q, wich mixes market values with accounting value (e.g., Morck, Shlifer, and Vishny 1998, McConnel and Servaes 1990, 1995, Mehran 1995, Himmelberg, Hubbard, and Palia 1999, Zhou 2001).

The financial ratios used in this study to measure company performance is Return on Assets (Chen et al., 2005). Financial ratios are used to compare the risks and returns of various firms to help investors and creditors make sound investment and credit decisions (White et al., 2002). Venktraman and Ramanujam (1986) measure company performance through two approaches, namely financial performance and operational performance, specifically financial performance measurement is divided into two

measurements, namely accounting based measures and market based measures. This study uses measures of financial performance based on accounting

Companies are required to always pay attention to performance as a tool to measure the value of the company as a whole in the eyes of stakeholders. Company performance has a positive influence on company survival, and is an effective mechanism for maintaining or obtaining competitive advantage (Foburn et al., 2000).

The ratios derived from the financial statements have a significant relationship with the stock market indicators (Vishnany and Shah, 2008) that reflect the company value, meaning that information from the financial statements still has value relevant to investors in decision making and still has the ability to explain the size stock market. This indicates that financial ratios as a proxy of financial performance can be used to predict corporate value. The result of Ulupui (2007) study proves that ROA variable has positive and significant effect on stock return one period ahead, this result is consistent with Modigliani and Miller's theory and opinion which stated that company value is determined by earnings power from company asset. Positive results indicate that the higher the earning power is, the more efficient the asset turnover and or the higher profit margin obtained by the company, so that will affect the increase in company value, which in this case is the stock return one year ahead. This is the same with the results of research Carlson and Bathala (1997).

The main purpose of the company is to increase the company value. The low quality of profits will create mistake in the decision making process of the users such as investors and creditors, so that the value of the company will decrease (Machfoedz and Siallagan, 2006). Fama (1978) states that the value of the company will be reflected from the market price of its shares. Profits as part of financial statements that do not present the actual facts about the economic condition of a company can be doubted its quality. Profits that do not show actual information about management performance may mislead the users of the report. If such profits are used by investors to form the market value of the company then profit cannot explain the market value of the company.

Hodge (2003) defines earnings quality as the difference between the net income reported in the income statement and the actual profit. Penman and Zhang (2002) argue that the quality of profit comes from changing the level of corporate conservatism over a period of time. Schroeder et al. (2001) defines the quality of earnings as a correlation between accounting profit and economic profit. If the accounting profit is close to the economic profit, then the profit can be said to be qualified. Quality earnings are accounting profits that have little or no perceived impairment in them and may reflect the actual financial performance of the company (Chandrarin, 2003).

One of the indicators of the Increasing company value is the increase in corporate profits. The company earnings can be seen in the financial statements. The financial statements are a means of communicating financial information to parties outside the corporation. The financial statements have certain drawbacks, even though the financial reporting is governed by a predetermined standard, but it should be realized that the financial statements contain many assumptions, judgments, and the selection of calculation methods that can be used by the manufacturer. The existence of the selection of accounting policies in the standard that can be used to make management have enough flexibility to manipulate the financial statements. The choice of accounting methods intentionally chosen by management for a particular purpose is known as Profit Management. Earnings management emerges as a direct consequence of the efforts of managers or financial reporters to perform accounting information management, in particular earnings, for personal and / or corporate gain. Earnings management itself cannot be interpreted as an adverse negative effort because it is not always earnings management oriented to profit manipulation. In principle, earnings management is a way in presenting information to the public earnings that have been adjusted with the interests or interests of the manager itself or benefit the company.

In the perspective of investment decision making, profit information is important for investors to know the profit quality of a company so that they can reduce the risk of information. Therefore the quality of profit becomes the center of attention of investors, creditors, accounting policy makers and governments. Problems will occur when profit and book value as an important information tool for making economic decisions is distorted by managers' manipulation practices. The use of accrual basis can provide flexibility and opportunity for management for certain purposes known as earnings management. Earnings Management will add to the bias in the financial statements and can disrupt the users of financial statements that believe in the results of such engineering earnings as the number of unprofessional earnings.

Discretionary accruals (aggregate accruals) models are widely used in detecting earnings management practices. The use of the discretionary accruals model in earnings management detection reaps a lot of criticism from researchers, including Gomez, et al. (1999). The same is also expressed by Hansen (1999), which proves that there is a change of corporate structural variables that is not solely caused by manager discretion resulting in an error in the measurement of earnings management. Modified Jones models, and DeAngelo models and Kothari et al. (2002), also indicated a failure to estimate the total discretionary portion of accruals and may lead to serious problems in drawing conclusions (Kusuma: 2006).

The new model offered by Whelan and McNamara (2004) is the development of older models, such as Jones's (1991) and Dechow (1994) models, the difference with older models is that discretionary accruals are broken down into short-term discretionary accruals and long- term discretionary accruals. According to Dechow, short-term and long-term accruals have different characteristics. Short-term accruals have a relatively short period of time to be able to return. While long-term accruals have a period of more than one book year to return. The different characteristics that each market accrues to each type of accrual will be considered that the use of short-term discretionary accruals is for the purpose or motivation of signaling. In the meantime, the market may consider the use of long-term discretionary accruals to be the manager's attempt to fool the marketer, because of

the nature of the accruals which gives managers the opportunity to manipulate. Therefore, the separation is expected to further explain the role of each discretionary accruals component in earnings management. Evidence from Whelan and McNamara's (2004) study suggests that long-term and short-term discretionary accruals have different effects on the relevance of financial statement information. The effect cannot be revealed with the old model, thus further indicating the weakness of old models that are oriented only on short-term focus.

Schipper and Vincent (2003) classify the construct of profitability and measurement based on how to determine the quality of earnings based on: (1) Based on the time series of profit, the quality of profit includes: a, Persistence, i.e., continuous profits are not transitory, based on maturity perspective in decision making, especially in equity valuation. b, Predictability, i.e. the ability to profit capacity in predicting certain information, such as future earnings. c, Variablity, high quality earnings are profits that have relatively low variability or smooth profit. (2) Based on the profit-cash-accrual relationship, it can be measured in various sizes, ie the cash ratio of oprasi with profit, total accrual change, abnormal / discretionary accruals, here the qualified return is profit which has a small total accrual change.

Total accrual represents the difference between profit and cash flows arising from operating activities, this accrual has two parts, (Perry and William, 1994): (1) Normal Accrual / Non-Discretionary Accrual, which is the accrual that is naturally present in the process of preparing financial statements . (2) Abnormal Accrual / Discretionary Accrual, which is the manipulation of accounting data that is difficult to detect, such as increasing the cost of amortization and depreciation.

Asih et al. (2005) tested the management of earnings on the value and performance of the company at and after the company's initial public offering, the results showed that earnings management had a positive effect on the value of the company during initial public offering (IPO). Another study which provides evidence of a significant and positive relationship between earnings management against firm value ahead of IPO and after IPO is, Friedlan (1994).

IFRS implementation in Indonesia is expected to have an impact on accounting quality improvement as is the case in most European countries. Indonesia will get many benefits, some of which will increase the credibility and usefulness of financial statements, improve the relevance of financial statements and improve financial transparency. Barth, et al. (2008) and Bartov, et al. (2005) conducted a test to examine the effect of IFRS on the quality of accounting and the relevance of the value of financial statements to companies originating from different countries. The results show that after the adoption of IFRS, accounting quality has increased marked by decreased earnings management practices and the relevance of the value of accounting data that has increased. Research Ball, et al. (2003) suggest that high quality standards do not always result in high quality accounting information.

In accordance with the Statement of Financial Accounting Standard 19 concerning the nature of intangible assets, the characteristic of intangible assets is, first of all, the degree of uncertainty about the value and its benefits in the future. The intangible asset exists and has a value due to its existence relating to the company's tangible assets. Traditionally the intellectual capital recognized in the financial statements is intellectual property such as patents, trademarks and goodwill.

Brinker (2000) equates intellectual capital as the sum of human capital, customer capital and structural capital, all of which are related to knowledge and technology that can provide more value to the company in the form of an organizational competitive advantage. Stewart (1997) defines intellectual capital as knowledge and information that creates value-added efficiency to generate company wealth. Therefore, the creation of value added of an organization can measure tangible (Capital Employed) and intangible (Human and Structural Capital). Starting from the understanding that intellectual capital plays an important role in determining the value of a company, innovation becomes an important factor for companies to maintain long-term competitive advantage. Innovation capital leads to innovation results that are part of intellectual property, such as patents and licensing as a major factor for the company's ability to maintain long-term competition (Cheng et al., 2010).

Bontis et al. (2000) stated that in general, the researchers identified three main constructs of intellectual capital, namely: human capital (HC), structural capital (SC), and customer capital (CC). According to Bontis et al. (2000), HC simply represents the individual knowledge stock of an organization represented by its employees. HC is a combination of genetic inheritance; education; experience, and attitude about life and business. Furthermore Bontis et al. (2000) states that SC covers all non-human storehouses of knowledge within the organization. These include databases, organizational charts, process manuals, strategies, routines and everything that makes the value of a company greater than its material value. While the main theme of CC is the inherent knowledge in marketing channels and customer relationship that an organization develops through the business (Bontis et al., 2000).

The VAIC ™ method, developed by Pulic (1998), is designed to provide information about the value creation efficiency of tangible assets and intangible assets owned by the company. This model begins with the company's ability to create value added (VA). VA is the most objective indicator for assessing business success and demonstrating the company's ability in value creation (Pulic, 1998). VA is calculated as the difference between output and input (Pulic, 1999). Tan et al. (2007) states that output (OUT) represents revenue and covers all products and services sold in the market, while input (IN) includes all expenses used in generating revenue. According to Tan et al. (2007), the important point in this model is that the employee's burden is not included in IN. Because of its active role in the value creation process, intellectual potential (which is represented by labor expenses) is not calculated as cost and is not included in the IN component (Pulic, 1999). Therefore, the key aspect in the Pulic model is to treat labor as a value creating entity (Tan et al., 2007).

Previous research on intellectual capital mostly using the VAICTM method has some limitations. The method developed by Pulic (1997) focuses on value added which is the difference between input and output as well as measuring the company's intellectual capital as the existing value added efficiency as a result of the company's intellectual capability. Value added is influenced by the efficiency of human capital, structural capital, and capital employed.

The VAICTM model lacks the VAICTM measures for structural capital (SCVA) not being a complete measure of structural capital because it ignores the company's innovative capital (Chen et al., 2005). This method is not clear in calculating the structural capital because it only calculates from the difference of value added and human capital without calculating with specific structural capital component owned by the company. This method also does not take into account the form of innovative capital and customer capital owned by the company although the innovation made by the company and the cost of maintaining customer relationships is vital for the company today. Innovative capital can be proxied with R & D cost while customer capital can be proxied with advertising cost. R & D costs and advertising costs have a very important role in the business world today. R & D costs are generally considered to be a driving force in technological advances and company growth, and advertising costs aim to promote product and company brands.

Wang and Chang (2005) in his research revealed that much of the research focuses on the impact of individual intellectual capital on performance without looking into an integrated framework that describes the relationship between components of intellectual capital. Many factors, such as corporate strategy and industry characteristics, can influence the company's value drivers. Thus, it would be more appropriate to place emphasis on the interrelationship between intellectual capital elements from a more macroscopic perspective, rather than paying attention only to certain measurements of intellectual capital and performance when we examine the effect of intellectual capital on performance. If the relationship between components of intellectual capital can be understood more clearly, the improvement of company performance can be achieved by managing which components of intellectual capital are most influential on the company, for example by investing more resources on the component of intellectual capital.

An independent commissioner is a neutral party overseeing shareholders in connection with the activities of the company or persons outside the company selected to oversee the performance of the company. Canibano (2000) states that independent commissioners can signal the existence of an effective oversight mechanism in enhancing corporate value. Chtourou et al. (2001) concluded that the larger Board of Directors monitors the financial reporting process more effectively, these results indicate that the large Board of Director's size can monitor the financial reporting process more effectively than the small Board of Director's size. Barnhart & Rosenstein (1998) proves that the higher the representation of the outside director (independent commissioner) the higher the independence and effectiveness of the corporate board so as to increase the value of the company. There is a positive relationship between the boards of commissioners to the value of the company, which means the increase in board of commissioners then there is an increase in corporate value (Murwanigrum, 2008).

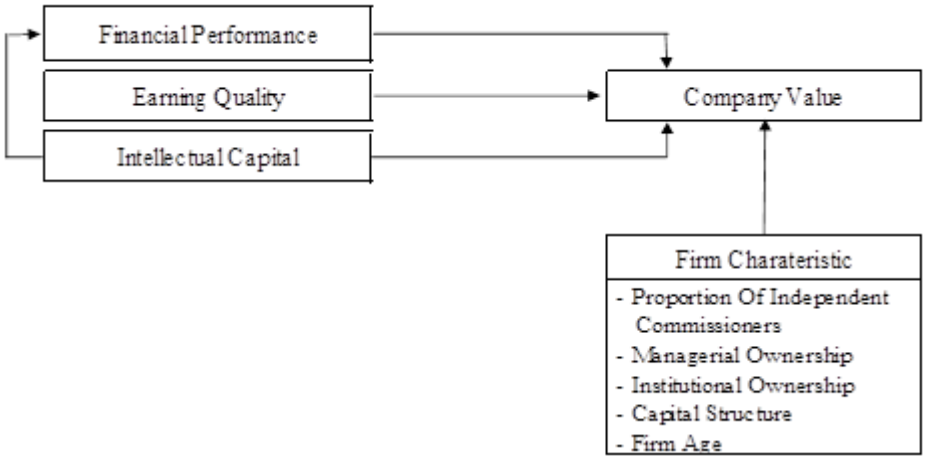
The separation of shareholding and control of the firm raises a conflict of interest between shareholders and management (Jansen and Meckeling, 1976), especially in the interest of increasing their own prosperity. As managerial ownership increases, the conflict of interest begins to diminish. On the other hand increasing the ownership of shares by management is an incentive for managers to improve company performance and be more careful. Insider ownership has a positive and significant impact on the value of the company (Euis Soliha & Taswan, 2002), thus the greater the insider ownership will raise the value of the company, and this finding indicates that insider ownership is an incentive for improving company performance. There is a negative correlation between managerial ownership of firm value, which means an increase in managerial ownership but a decline in firm value (Murwaningrum, 2008).

In stocks of shares ownership firms should also be owned by institutional investors, because they have the collective power to influence management actions, Moh'd et al. (1998) states that the distribution of shares between outside shareholders ie institutional investors and sahareholders dispersion reduce agency cost. Institutional investors are able to reduce incentives for opportunistic actors by providing a higher degree of monitoring of individual behavior than individual investors, meaning less earnings management practices (Bushee, 1998). Institutional investors are sophisticated investors who have better knowledge so managers cannot profit manipulation due to pressure from institutional investors who have large share proportions and active monitoring can suppress earnings management practices (Rajagopal et al, 1999). Xie et al (2001) finds the opposite relationship between stock performance and institutional share ownership. Companies with large institutional shareholdings (more than 5%) indicate their ability to monitor management. The greater the constitutional ownership the more efficient the utilization of company assets, thus the proportion of institutional ownership acts as a deterrent to waste management. The results of Merdiastuti and Machfoedz (2003) provide evidence that institutional ownership and firm value (Tobin's Q) have a significant relationship. Suranta and Machfoedz's (2003) study also concluded that institutional ownership positively affects firm value. There is a negative correlation between institutional ownership of firm value, which means an increase in institutional ownership but a decline in firm value (Murwaningrum, 2008).

According to Brealey, et al (2007) capital structure is a choice between debt financing or equity, based on the explanation, the capital structure shows how the company determines its capital, whether it is filled with debt funding or own capital by showing the advantages and disadvantages that can be determined how the structure which is best for the company. There are four factors influencing capital structure decisions (Brigham, 2001), namely (1) Business risk, (2) Company tax position, (3) Financial flexibility, (4) Conservatism. Several ways to measure the capital structure of an enterprise (John Wild, 2005), among others by calculating (1) Debt to Equity Ratio (DER). (2) Debt to Total Assets Ratio (DAR). (3) Interest Coverage Ratio (ICR).

One of the things that investors consider in making investment decisions is the age of the company. Bukh et al. (2005) suggests that the longer the corporation stands, the investor will assume the risk of the company is lower. Long-standing companies or companies with more experience will be more aware of the need for company information and have more publications than new ones (Lang, 1993).

Figure 1: Framework



Companies are required to always pay attention to performance as a tool to measure the value of the company as a whole in the eyes of stakeholders. Company performance has a positive influence on company survival, and is an effective mechanism for maintaining or obtaining competitive advantage (Foburn et al., 2000). Some studies have proven that financial performance with return on assets (ROA) indicator has a significant positive effect on company value which is proxied by Tobin's Q, that is Uchida, (2006); Erik Syawal Alghifari, et al (2013).

The ratios derived from the financial statements have a significant relationship with the stock market indicator (Vishnany and Shah, 2008) reflecting the value of the company, Ulupui (2007) result proves that the ROA variable has a positive and significant effect on the stock return of one future period, this result is consistent with Modigliani and Miller's theories and opinions stating that company value is determined by earning power of the firm's assets. Positive results indicate that the higher earning power the more efficient the asset turnover and or the higher profit margin obtained by the company, so that will affect the increase in company value, which in this case is the stock return one year ahead, this is the same with the results of research Carlson and Bathala (1997). Based on that, the first hypothesis that is built is the financial performance with the size of ROA has a positive effect on the value of the company.

One of the important goals of establishing a company is to increase the value of the company through increasing the prosperity of investors or shareholders. Increase in corporate value is one indicator is the increase in corporate profits. But profit in the financial statements have a certain weakness because in the process many contain assumptions so that there is the possibility of earnings management. The way that can be used to find a quality profit is to make measurements that actually have predictive power on future movements in stock prices (Chen et al., 2001). Companies with high accruals show the quality of the company's earnings is low, and the company will experience a decline in stock returns in the future. The results of Chan et al's study indicate that the quality of earnings contained in financial reporting will increase the value of the firm reflected in the stock return, from the argument it can be expected that the quality of earnings affects the firm's value. Several studies have shown that earnings quality correlates and positively affects company value (Li Jiujin, Wang Fusheng and Xu Chang, 2013; Lu, Wu Chia, 2012; Gaioa Cristina and Raposo Gaioa, 2011). Based on the above, the second hypothesis is proposed that the quality of earnings has a positive effect on the value of the company.

The relationship of intellectual capital to the company's financial performance has been empirically verified by several researchers in various approaches in several countries. IC (VAIC ™) has not only positively affected the company's performance during the year, even IC (VAIC ™) can also predict future financial performance (Chen et al., 2005; Tan et al., 2007; Bontis and Fitz-enz, 2002). Wang and Chang, 2005 stated that human capital (intellectual capital) has an indirect impact on performance, but it can directly affect the innovation capital and process capital that will ultimately affect the company's performance. Intellectual capital (IC) is believed to play an important role in improving financial performance. The results of Zerenler et al. (2008), Cheng et al. (2010) and Rehman et al. (2011) show that there is a positive relationship between intellectual capital and financial performance. Based on the results of these studies can be expected that the higher the value added human resources, the higher the performance of the company. Based on the above explanation of the third hypothesis proposed is intellectual capital has a positive effect on company performance.

Intellectual capital (IC) is believed to play an important role in improving corporate value and financial performance. Currently, in the market tend to occur gap between the market value of the company and book value (Cheng et al, 2010). According to Lev

in Cheng et al, (2010), from 1977 to 2001, the ratio of market value to book value of Standard and Poors (S & P) in 500 firms increased from slightly above one to more than five, that the company's financial statements cannot represent actual company value. According to Fornell in Cheng et al. (2010) gap indicates an intangible asset consisting of intellectual capital, which is often not reported in the financial statements, but the intangible asset is considered very important and may be 80 percent of the market value of the company. Research shows that intellectual capital has a significant positive effect on corporate value (Suhendra Euphrasia Susy, 2015). Based on the above explanation, the fourth hypothesis proposed is intellectual capital positively affect the value of the company.

Research Methods

This study selected manufacturing companies listed on the BEI in 2015, the reason for the selection of manufacturing companies is because the industry is more easily affected by the global economic turmoil or they have a more complex accounting system. The sample of this research is 90 companies that have been selected by using purposive sampling.
Financial performance in this research use ROA ratio. Return on total assets (ROA) reflects the business benefits and efficiency of the company in the utilization of total assets (Chen et al., 2005). ROA is calculated by the formula:

$$\mathbf{ROA_{it} = NI_{it} / TA_{it}}$$

Where :
- ROA_{it} is Return on assets of company i in period t.
- NI_{it} is the net profit of company i in period t.
- NI_{it} is total assets of company i in period t.

The quality of earnings in this study is proxied with earnings management measured using discretionary accrual (DACC), the reason the researchers chose the modified Jones model because this model is regarded as one of the best models in detecting earnings management compared to other models and gives the strongest results (Dechow et al., 1995).

$$\mathbf{TAC_{it} : NI_{it} - CFO_{it}}$$

$$\mathbf{TAC_{it}/TA_{it-1}=\beta_0(1/TA_{t-1})+\beta_1(\Delta SALES_{it}/TA_{it-1})+\beta_2(PPE_{it}/TA_{it-1})+\varepsilon_{it}}$$

$$\mathbf{NDACC_{it}=\beta_0(1/TA_{t-1})+\beta_1\{(\Delta SALES_{it}/\Delta TR_{it})/TA_{it-1}\}+\beta 2(PPE_{it}/TA_{it-1})+\varepsilon_{it}}$$

$$\mathbf{DACC_{it} = (TAC_{it}/TA_{it-1}) - NDACC_{it}}$$

Where:
- $DACC_{it}$ is discretionary accrual of company i in year t.
- TAC_{it} is total company accrual i in year t.
- TA_{it-1} is total assets of company in year t-1.
- TA_{it-1} is non-discretionary accrual of company i in year t.

For intellectual capital referred to in this research is the performance of IC measured by value added created by physical capital (VACA), human capital (VAHU), and structural capital (STVA). The combination of these three value added is symbolized by the name VAIC ™ developed by Pulic (1998; 1999; 2000).

$$\mathbf{VAIC™ = VACA + VAHU + STVA}$$

$$\mathbf{VACA = VA/CE}$$

$$\mathbf{VAHU = VA/HC}$$

$$\mathbf{STVA = SC/VA}$$

The dependent variable in this study is the value of the company proxied by Tobin's Q. Tobin's Q is measured by summing the stock market value and total book value of debt then divided by total book value of assets, with the following criteria: (1) Low (0 to 1) indicates that the cost of the company's assets is greater than the company's market value, or its market value is lower than its asset value, hindering the company's growth. (2) High (> 1), then the market value of the company is greater than the value of the listed company's assets. This indicates that there are some company assets that are not measurable or recorded or a growth opportunity for a company that can generate investment opportunities.

The calculation of Tobin's Q follows the method of calculation put forward by Chung and Pruitt (1994), namely:

$$\mathbf{Tobin's\ Q = (MVE + PS + DEBT) / TA}$$

Where:
- MVE is the market value of equity, in the form of number of shares outstanding x year end of stock price.
- PS is the value of liquidity of preferred stock of outstanding company.
- DEBT is the total debt held by the company, in the form of current liabilities - current assets + book value of long-term debt.
- TA is the total asset of the firm, the total book value of the asset.
- Particularly preferred Stock (PS), this variable was not included in the calculation of Tobin's Q for companies listed on the Indonesian Stock Exchange (BEI) in general does not issue preferred stock.

This study uses a variable control used as a comparison whose function is similar to the independent variable is the first, Proportion of Independent Commissioner (COMIND), which is the total percentage of independent board divided by total commissioners (Mas Achmad, 2005), according to the Indonesia Stock Exchange (IDX) a minimum amount of 30% of the total board of commissioners. Second, Managerial Ownership (MGOWN) which is the percentage of shares owned by management within the company, namely commissioners, directors and employees. Third, Institutional Ownership (INSTOWN) is the percentage of shares owned by institutional shareholders / investors. Fourth, the capital structure is used with Debt to Equity Ratio (John Wild, 2005), since debt and equity are more representative of the company's capital structure. Finally, the Company's Age as measured from the starting date of the company's listing on the Indonesia Stock Exchange.

Data analysis method used in this research is quantitative data analysis method that is processed with Statistical Package for Social Science (SPSS) computer program. Methods of data analysis conducted in this study include descriptive statistics, classical assumption test, and then tested the hypothesis. Hypothesis testing in this study using multiple linear regression analysis. Multiple linear regression equation model which is built in this research are:

$$\mathbf{Q = \alpha+\beta_1.ROA+\beta_2DACC+\beta_3.IC+ \beta_4COMIND+\beta_5MGOWN+\beta_6INSTOWN+\beta_7DER+\beta_8AGE+e.}$$

Where:

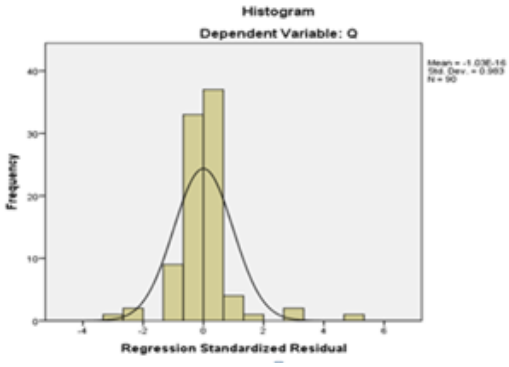
Q	: Company Value
ROA	: Return On Assets
DACC	: Discretionary Accrual / Profit Quality
IC	: Intellectual Capital.
COMIND	: Independent Commissioner Proportion
MGOWN	: Management Ownership
INSTOWN	: Institutional Ownership
DER	: Debt Equity Ratio
AGE	: Age
α	: Constants.
β1 - β9	: Regression Coefficient
e	: Error

Research data were analyzed by using quantitative descriptive analysis method. To measure the effectiveness or the effect of financial performance, quality of earnings and intellectual capital to the value of the company with control variables which consist of the proportion of independent directors, managerial ownership, institutional ownership, capital structure and the age of the company, used multiple regression analysis. to see the relationship linearly between two variables or more independent variables with the dependent variable. This analysis is to know the direction of relation between independent variable with dependent variable whether each independent variable is positive or negative

Tabel 2 - Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	90	0.0004	0.3728	0.083181	0.0741727
DACC	90	-1.5199	1.3567	-0.432859	0.3494182
IC	90	0.3116	19.8789	3.641308	2.6106998
COMIND	90	0	1	0.99	0.105
MGOWN	90	0	81	5.337365	13.5606076
INOWN	90	1	100	93.562635	16.7605471
DER	90	-4.9341	7.3716	0.940234	1.2361435
AGE	90	0	38	19.16	9.226
Q	90	0.3385	18.6404	1.936518	2.5680955
Valid N (listwise)	90				

In the following histogram, it is visually visible that the residual variable is normally distributed because the residual distribution approaches the normal distribution (bell shape). This means that the data held normally distributed



Multicollinearity test aims to test whether the regression model found a correlation between independent variables (Ghozali, 2009), while the multicollinearity test results show the tolerance value and VIF (Variance Inflation Factor) of each variable. Ghozali (2009) argues that the symptoms of multicollinearity occur when the tolerance value ≤ 0.10 or equal to the VIF value ≥ 10. From the statistical results (Table 4) below shows that there is no multi-linearity between independent variables (ROA, DACC, IC) control variables as well as with control variables. Thus the model of the regression equation in the study is free of symptoms of multicolinearity.

Table 4 Coefficients – Without Control Variable

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-.150	.419		-.357	.722		
	ROA	24.165	2.834	.698	8.525	.000	.879	1.137
	DACC	-.072	.578	-.010	-.124	.902	.954	1.049
	IC	.012	.082	.013	.150	.881	.845	1.183

a. Dependent Variable: Q

Coefficients – Including Control Variable

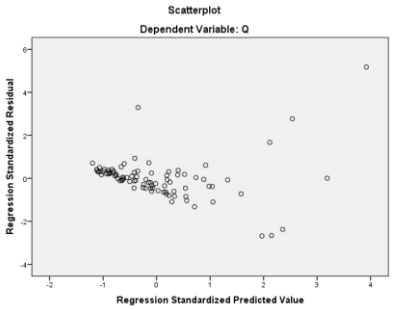
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-1.078	2.029		-.531	.597		
	ROA	25.196	2.937	.728	8.579	.000	.822	1.216
	DACC	-.029	.585	-.004	-.050	.961	.934	1.070
	IC	.005	.083	.005	.065	.948	.837	1.194
	MGOWN	.003	.024	.018	.146	.885	.369	2.711
	INOWN	.007	.019	.048	.381	.704	.378	2.644
	DER	.292	.167	.141	1.749	.084	.914	1.094
	AGE	-.005	.022	-.017	-.212	.833	.915	1.093

a. Dependent Variable: Q

Whether the relationship of two variables is strong or weak is shown by the value of Pearson Correlation (R) which generally shows strong or weak relationship between two variables. The relationship between independent variables and control variables with dependent variables in this study can be seen as follows first, the relationship between ROA and Tobin's Q of 0.702, has a strong relationship. Second, the relationship of DACC and Tobin's Q has a very weak relationship of -0.002. Third, the IC and Tobin's Q relationship of 0.250 has a moderate relationship. Fourth, COMIND and Tobin's Q of 0.025 have weak relationships. Fifth, MGOWN and Tobin's Q of -0.074 have a very weak relationship. Sixth, INOWN and Tobin's Q have a weak relationship of 0.057. Seventh, DER and Tobin's Q of 0.025 have a weak relationship. Finally, AGE and Tobin's Q of 0.140 have a strong relationship.

The heteroscedasticity test aims to test whether in the regression model there is a variance inequality of the residual of an observation to another observation (Ghozali, 2009). Based on the scatterplot chart shows that the points are scattered randomly

(not patterned) either above or below the number 0 (zero) on the Y axis. Based on the scatterplot diagram below it is seen that the data does not form a certain pattern (split irregularly), this means research model free from heteroscedasticity problem. Therefore, it can be concluded that the model of regression equation used in the study has fulfilled the assumption of homoscedasticity.



Research Result

The testings of the 4 hypotheses are as follows :

TABEL 5 - Hasil Pengujian Hipotesa

Rangkuman Hasil Pengujian Hipotesis				
Path	Arah Hipotesa	Pearson Correlation	Sig. (2-tailed)	Kesimpulan
H1 : Q <-- ROA	+	0.702**	0.000	Positif, Signifikan
H2 : Q <-- DACC	-	-0.002	0.982	Positif, Tidak Signifikan
H3 : Q <-- IC	+	0.250*	0.017	Positif, Signifikan
H4 : ROA <-- IC	+	0.337*	0.001	Positif, Signifikan

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

H1 test results show Sig results. 0.000 with the correlation coefficient R value of 0.702 shows the direction of a strong relationship between the financial performance of the company with the proxy of ROA on the value of the company is positive at the level of significant 0.01. This means that if each increase of 1% ROA then the value of the company will experience an increase of 0.702, thus H1 can be supported. The results of this study prove that ROA tends to support the value of the company. These results support the results of Uchida's previous research, (2006); Erik Syawal Alghifari, et al (2013). And Ulupui (2007) research proves that ROA has positive and significant effect on stock return of one period ahead, and is consistent with Modigliani and Miller's theory and opinion which stated that company value is determined by earning power from company asset. Positive results indicate that the higher earning power the more efficient the asset turnover and or the higher profit margin obtained by the company, so that will impact on increasing the value of the company, which in this case is the stock return one year ahead.

H2 test results show Sig results. 0.982 with a correlation coefficient R value of -0.002 indicates the direction of a very weak relationship between the quality of earnings to the value of the company or positive berpengarh not significant. This means that if any increase in the quality of profit by 1% then the value of the company will decrease 0.002, thus H2 cannot be supported. This result does not support the results of Li Jiujin's research, Wang Fusheng and Xu Chang, (2013); Lu, Wu Chia, (2012); Gaioa Cristina and Raposo Gaioa, (2011). From this statistic, it can be concluded that the quality of profit tends not to support the company's value, especially the quality of profit with high accrual will cause the company's profit quality is low, and the company will decrease the stock return or company value.

H3 test results show Sig results. 0.001 with the correlation coefficient R value of 0.337 indicates the direction of moderate relationship between intellectual capitals to the company's financial performance is positive at the level of significant 0.05. This means that if every 1% increase in intellectual capital then the company's financial performance will increase by 0.337, thus H3 can be supported. The results of this study proves that intellectual capital tends to support the financial performance of the company. These results also support the results of Zerenler et al., (2008), Cheng et al. (2010) and Rehman et al. (2011) studies that found that the relationship of intellectual capital to the firm's financial performance.

H4 test results show Sig results. 0.017 with the value of correlation coefficient R of 0.250 shows the direction of a positive relationship between intellectual capitals to company value is positive at level of significant 0.05. This means that if every 1% increase in intellectual capital then the value of the company will experience an increase of 0.250, thus H4 can be supported. The results of this study proves that intellectual capital tends to support the value of the company. The results of this study are in line

with the results of Suhendra Euphrasia Susy's research, 2015). However intellectual capital is believed to play an important role in improving corporate value and financial performance.

TABLE 6 - Control Variable Test Result

Path	direction of Hypothesi	Pearson Correlation	Sig. (2-tailed)	Conclusion
Q <-- COMIND	+	0.025	0.818	Positive, Not Significant
Q <-- MGOWN	-	-0.074	0,486	Positive, Not Significant
Q <-- INOWN	+	0.057	0.593	Positive, Not Significant
Q <-- DER	+	0.250	0.817	Positive, Not Significant
Q <-- AGE	+	0.140	0.190	Positive, Not Significant

** Correlation is significant at the 0.01 level (2-tailed).

** Correlation is significant at the 0.05 level (2-tailed).

All control variables consisting of proportion of board of commissioner, managerial ownership, institutional ownership, capital structure and age of firm have positive effect not significant to firm value.
The adjusted value of R Square 0.475 from table 7 indicates that 47.5% of the firm value variant (Q) is explained by changes in IC, DACC and ROA variables, while the remaining 52.50% is explained by other factors outside the model

Tabel 8 : ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	289.456	3	96.485	27.891	.000[b]
	Residual	297.509	86	3.459		
	Total	586.965	89			

a. Dependent Variable: Q
b. Predictors: (Constant), IC, DACC, ROA

Tabel 7 - Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.702[a]	.493	.475	1.8599494

a. Predictors: (Constant), IC, DACC, ROA

b. Dependent Variable: Q

In the F test of Table 8 the Sig value is 0.000 or <0.05 means the independent variables (ROA, DACC and IC) together have a significant effect on firm value (Q).

The t test is intended to test whether the independent variable partially affects the dependent variable. The t test result (Table 5 above) is the first, the financial performance value (ROA) of Sig. 0.000 <0.05, so H1 is supported, ROA means partially have positive and significant effect to firm value (Q), the positive result shows that the higher the ROA, the higher the company value (Q). Second, the value of earnings quality (DACC) of Sig. 0.92> 0.05, so H2 is not supported, it means partial earnings quality has no significant effect to firm value (Q). Third, the value of intellectual capital (IC) of Sig. 0.881> 0.05, so H3 is not supported, meaning Intellectual Capital partially has no significant effect on firm value (Q).

Thus based on Table 5 - Coefficients, the estimation equation of independent and dependent variable relationship is:

$$\mathbf{Q = -0.150 + 24.165*ROA – 0.072*DACC + 0.012*IC + e}$$

Specifically for the independent proportion proportion of independent commissioners measured by dummy is removed from the equation because the result is all 1 because all public companies have implemented all the rules of the regulator that is, having an independent commissioner. Based on table 9 of the summary model below, it is known that the adjusted R Square 0.493 indicates that 47.30% of the firm value variance (Q) is explained by changes in ROA, DACC, IC, MGOWN, INOWN, DER and AGE variables, while the remaining 52.70% is explained by other factors outside the model.

Tabel 9 - Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.717[a]	.515	.473	1.8637408

a. Predictors: (Constant), AGE, DACC, DER, IC, INOWN, ROA, MGOWN

b. Dependent Variable: Q

Test F in table 10 shows the Sig value is 0.000 or <0.05 means the independent variables (ROA, DACC and IC) and control variables (jointly significant effect on firm value (Q).

Tabel 10 - ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	302.136	7	43.162	12.426	.000[b]
	Residual	284.829	82	3.474		
	Total	586.965	89			

a. Dependent Variable: Q

b. Predictors: (Constant), AGE, DACC, DER, IC, INOWN, ROA, MGOWN

F test is intended to test whether the independent variables simultaneously affect the dependent variable. In the F test above the Sig value is 0.000 or <0.05 means the independent variables (ROA, DACC and IC) together have a significant effect on firm value (Q).

Regression result without control variable show result of adjusted R square equal to 47.50% while with control variable showing result adjusted R square equal to 47.30%, it can be concluded that influence of control variable weaken relation between independent variable to dependent variable.

Conclusions

The conclusion that can be drawn from this research is that empirical evidence still shows different result between each research, so further study and research are needed so that the result of research can be generalized to the contribution of theory. The company's financial performance with ROA pricing has a significant positive effect on company value, thus the higher the company's financial performance (ROA) is, the higher the company's value will be. The quality of earnings has a positive but insignificant effect on company value, the relationship is very weak which is indicated by correlation coefficient value. Intellectual Capital has a significant positive effect on the financial performance of the company, thus the higher the intellectual capital is, the higher the company's financial performance will be. Intellectual Capital has a significant positive effect on firm value, thus the higher the intellectual capital the higher the company value. All control variables consisting of proportion of board of commissioners, managerial ownership, institutional ownership, capital structure and age of company have positive but not significant effect to company value. The control variable weakens the relationship between independent and dependent variables.

There are some limitations in this study. First, the sample period is only for 1 (one) year so that less visible trend of financial performance and company stock performance. Secondly, the sample size is only 62.94% of the population, so the generalization of the results is inadequate. Third, the control variable of the proportion of independent commissioners is calculated with the dummy. The average of all is worth 1 because the average issuer has followed the provisions of the Financial Services Authority (OJK) then the result will affect the statistical results. Finally, the sampling this study limits the population to manufacturing firms, so the results do not reflect the state of the company in all sectors.
The research suggestion is to replace the control variable of the proportion of independent commissioners with other control variables that are not bound by the regulatory regulation (OJK) so that the result of the measurement variables will vary. Secondly, take sample population from all listed companies in Indonesia Stock Exchange (IDX) so that the result reflects the condition of the issuer company as a whole. Finally, this research is expected to be useful for regulators and related parties in policy making.

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