THE INFLUENCE OF GOOD CORPORATE GOVERNANCE PRACTICE ON THE STOCK PRICE
(Study on Company of LQ45 Index in Indonesia Stock Exchange during 2012-2016)

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ABSTRAK

Tujuan dari penelitian ini adalah untuk menganalisis pengaruh secara parsial dari praktik good corporate governance (GCG) terhadap harga saham. Penelitian ini menggunakan jenis penelitian eksplanatori dengan pendekatan kuantitatif. Data yang digunakan adalah data perusahaan LQ45 melalui laporan tahunan perusahaan LQ45 yang terdaftar di BEI dengan jumlah observasi data masing-masing adalah 115 untuk setiap indikator dari tahun 2012 hingga tahun 2016. Hasil penelitian ini menjelaskan bahwa: 1) Indikator dewan komisaris berpengaruh positif dan signifikan terhadap harga saham; 2) Indikator komisaris independen berpengaruh positif dan signifikan terhadap harga saham; 3) Indikator komite audit berpengaruh positif namun tidak signifikan terhadap harga saham; 4) Indikator kinerja keuangan berpengaruh positif namun tidak signifikan terhadap harga saham; 5) Indikator kepemilikan manajerial berpengaruh positif dan signifikan terhadap harga saham; 6) Indikator direktur independen berpengaruh positif namun tidak signifikan terhadap harga saham. Penelitian ini dapat memberikan informasi dan rekomendasi kepada perusahaan, investor, analis dan lembaga investasi dalam membuat keputusan investasi pada saham perusahaan di perusahaan indeks LQ45. Hasil penelitian ini agar pemerintah mengevaluasi atau memperbaiki indikator yang tidak signifikan yaitu komite audit, kinerja keuangan, dan direktur independen melalui pertimbangan yang berkaitan dengan kebijakan tata kelola perusahaan yang baik.

Kata kunci: Good Corporate Governance, Harga Saham, LQ45

ABSTRACT

The purpose of this study to analyze partially of Good Corporate Governance (GCG) practice on the stock price. This study used explanatory research with quantitative approach. Data used was data of LQ45 companies through the annual report that listed in IDX with number of data observation were 23 companies as sample of study during 2012 until 2016. The results of this study explained that: 1) The board of commissioner indicator had positive and significant influence on the stock price; 2) Independent commissioner indicator had positive and significant influence on the stock price; 3) Audit committee indicator had positive influence but not significant on stock price; 4) Financial performance indicator had positive influence but not significant on stock price; 5) Managerial ownership indicator had positive and significant influence on the stock price; 6) Independent director had positive influence but not significant on stock price. This study provided recommendation to companies, investors, analysts and investment institutions in making investment decisions on the company stock in LQ45 company. The result of this study for government should try to re-evaluate the indicator that not significant namely audit committee, financial performance, and independent director through consideration that related to the GCG policy.

Keywords: Good Corporate Governance, Stock Price, LQ45

INTRODUCTION

Stakeholders are those individuals or institutions that have an interest in the company. Stakeholders include investors, but also employees, creditors, suppliers, consumers, regulatory bodies and state agencies, and the local community in which a company operates. In other word also include consideration of the environment as an important entry on the list of stakeholders. The role of stakeholders in governance has been debated in the past, with some arguing that stakeholders have no claim on the company other than those specifically set forth in law or contract. There are two interests in the management of company that are stakeholders and shareholders.

The corporate objective is to maximize the prosperity of shareholders. Such a large group of individuals obviously cannot actively participate in the day to day management of the firm. Instead, they elect a board of directors that in turn hires and supervises the management of the firm. This structure means that the stakeholder and managers of the firm are different parties. This gives the firm a stability that the owner-managed firm cannot achieve.

The process of maximize the company value would create a conflict that is agency problem. The conflict arises because of differences of interest between managers and shareholders, the occurrence of this case because the manager prioritized the interests of the company, otherwise shareholders do not like it because it will add to the cost for the company so that the decline in corporate profits occur and affect the stock price so the value of the company decreased (Jensen and Meckling, 1976). Managers might be tempted to engage in activities not in the best interest of shareholders. Those potential conflicts of interest are called agency problems because managers, who are hired as agents of the shareholders, may pursue their own interests instead.

Better condition of companies can be seen from how the company managing the organization. That perspective can be seen theoretically using Good Corporate Governance (GCG) approach. The Indonesian Institute for Corporate Governance (IICG) defines the concept of good corporate governance as a set of mechanisms for directing and controlling a company so that the company's operations run in accordance with the expectations of stakeholders. The Good Corporate Governance (GCG) practices will provide protection for the interests of the shareholders or company owner. GCG is set of rules governing the relationship between various parties concerned especially in a narrower sense and to achieve organizational goals.

Based on the survey results of the ACGA in 11 countries against foreign business people in Asia in 2016 put Indonesia in the last rankings which is the worst country in the field of corporate governance. According to ACGA report about ranking of corporate governance year 2010- 2016 and market category scores of corporate governance in Asia 2016 concluded that corporate governance practice in Indonesia was still relatively lowest or worst of other Asian countries. Particularly true in countries such as Indonesia where the legal framework is still not well implemented, and where courts do not always provide investors with effective recourse when their rights are violated.

International Finance Corporation (IFC) Advisory Services in Indonesia (2014: 46) add that there is strong relationship between governance practices and how investors perceive the value of company assets (such as fixed assets, goodwill, human capital, product portfolios, and research and development). IFC, a member of the World Bank Group, advocates and promotes good corporate governance practices in any market where it operates by helping its clients and partners address key challenges and achieve impactful results. In Indonesia, IFC set up a Corporate Governance Program in Indonesia in 2012 with the aim of improving market standards and creating an environment conducive to transparent, accountable and responsible practices.

GCG helps companies formalize business and decision making processes and establish the appropriate checks and balances by strengthening the role and the responsibilities of their boards, increasing the amount and quality of disclosure and enhancing accountability of corporate executives. This, in turn, improves performance and builds trust between businesses and investors, employees, clients and the community as a whole. Corporate governance reform aimed at securing an environment attractive to both domestic and foreign investors and that enhances the benefits of investment activity.

Based on Tunggal statement (2008: 39) explained that one of the benefit of implementing good corporate governance is to increase the value of company stock. A company that is well managed will attract the interest of investors to invest. Shares are one of alternatives that can be selected to invest. Husnan (2005: 29) described that stock are a piece of paper indicating the right of financier (the parties who have paper) to obtain part of prospect or wealth of organization that publishes the securities and various situation that enabled financier run their rights.

Stock prices is the price of a stock occurring in stock market at some point determined by investors and determined by demand and supply of stocks concerned in the capital market (Jogiyanto, 2007: 167). Based on Jurinita (2015: 12) stock price is the stock price recorded after closing. The high stock prices benefits in the form of capital gains images and better for companies to allow for management to get external funding company. Stock prices reflect investors collective assessment of a firm's current performance and future prospects. When the market is more optimistic about the firm, its share price will rise. That higher price makes it easier for the firm to raise capital and therefore encourages investment. In this manner, stock prices play a major role in the allocation of capital in market economies, directing capital to the firms and applications with the greatest perceived potential.

Stock prices is one indicator of company management. The high stock prices benefits in the form of capital gains images and better for companies to allow for management to get external funding company. Stock prices reflect investors collective assessment of a firm's current performance and future prospects. When the market is more optimistic about the firm, its share price will rise.

The good of financial condition provides a high profit. High profits would have an impact on stock prices because investors will be interested in buying stocks of the company in expects of getting dividends. In accordance with the law of supply and demand, if the demand for the stock price offered through a stock exchange increase so the stock price increase. The changes of stock price will give high profit to shareholders in the form of capital gain that is the difference of the price of current investments with an investment price in the past.

Investors will buy a stock when the stock price falls and sell when the stock price rises. This indication is concluded that a prospective investor who wants to buy shares in the secondary market should always take into consideration the movement of stock prices offered by companies that would like to invest. The results from previous studies conducted by Jurinita (2015) concludes that good corporate governance mechanisms affect the stock prices.

The development of capital markets in Indonesia provides the evidence that the capital market as an alternative of investment for the people of Indonesia. The Law Number 8 of 1995 about capital markets stated that the capital market has a strategic role in national development as one source of financing for the business and investment vehicle for the society. Investors in stock investment activities in Indonesia Stock Exchange will collect a variety of information that is useful in making investment decisions. Information needed by investors include corporate performance (financial statements), stock prices and external factors.

Investment in general has an objective to get a better life in the future, reducing inflationary pressures, and as an encouragement to save tax (Tandelilin, 2010). Stock investment activity is expected to generate a profit for the perpetrators. According to Samsul (2006) stock investment generally objective for obtain the capital gains and dividends in cash. Any investment activity not only has advantages but also has a variety of risks and uncertainties that are difficult to predict by any stock investor. Risk is the possibility of the realization of the actual return is lower than the expected of minimum return (Tandelilin, 2010).

Stock price index is a key indicator that describes the movement of stock prices. Index has five functions, namely as a market trends indicators, profit level indicators, benchmark the performance of a portfolio, facilitate the establishment of a portfolio with a passive strategy and facilitate the development of derivative products. Index in Indonesia Stock Exchange (IDX) there are eleven types. This study uses the LQ45 index in sampling.

LQ45 using the 45 stocks selected based on liquidity of stock trading and adjusted every six months. LQ45 index complement the Composite Index of Indonesia (IHSG) and as provider of information for investors in analyzing the stock price movement of stocks actively traded in Indonesia Stock Exchange (IDX) because the 45 stocks included in LQ45 have liquidity, financial condition, good of growth prospects, have market capitalization and high trading frequency. LQ45 describes the growth of stock prices that belong to the group. Increase or decrease in the stock price on the LQ-45 is assumed to represent the increase and decline of IHSG, it can provide an overview of the companies listed on the IDX.

The growth of LQ45 for five years is in a rising trend. This indicates that LQ45 has good prospects in the next period, although in the average annual observation the condition of LQ45 value movement is considered dynamic and positive. The advantages for companies included in LQ45 that capital market participants have recognized and believed that the company had a market capitalization level of liquidity, good of market capitalization, and has good prospects in the future so encourage the increase of stock price towards the positive.

LITERATURE REVIEW

Agency Theory

Agency theory is the development of a theory that studying a design contract in which the agents work or duty on behalf of the principal when the desire or purpose to the contrary, then will happen a conflict (Scott, 2009:162). The concept of agency theory is a relationship or contract occurs between the principal and the agent. Principal hiring agent for the benefit of the principal, including the delegation of decision-making authority from the principal to the agent. Company whose capital consists of stocks, the shareholders act as a principal and CEO as their agent to act in accordance with the interests of the principal.

Based on Jensen and Meckling (1976: 5), agency theory explains the arrangement of a contract between one or more parties (agent) to another person (principal) in which the relationship there is a contract which stipulates that the party acting as principal rule the other parties, namely agent to perform services on behalf of the principal and the agent is authorized to take the best decisions for the principal. The agency theory first emerged following the separation phenomenon of ownership of the company with the manager (management) that occurs especially in modern company enterprise, so that the classical theory of the firm that is no longer used as the analysis of the company. Classical theory of the firm explained that the owner of the company to control its own company and make decisions in the survival of the company.

Managers of the company took the decision to shareholders because shareholders are own and control the company. If so, the company's goal is to increase value for shareholders. According to set the agreement theory from the company stating that the company can be viewed as a device agreement. One of the agreement is the demands of ownership of company assets and cash flow. The agreement of equity can be defined as a relationship of owners and agents.

Sjahrial (2007:12) explained "members of the management team is an agent, and the equity investors as owner". Cost that establishes the conflict of interest between managers and shareholders is a special form of cost that called agency cost which cost is established as the sum of the cost of the supervision of the shareholders and the cost of carrying out the design control. Sjahrial (2007:234) explained “agency cost is the costs associated with companies because using debt and involves the relationship between the owner of the company (shareholders) and creditors”. The agency costs arise from the agency problem. If the company uses debt, there is the possibility of the owners of companies doing disservice to creditors.

Management increasingly is separated from the ownership of the company in the modern economy today. This is in line with the agency theory which emphasizes the importance of owners of firms handed over the management to the experts who are professional (agents) and more understanding of doing business. The purpose of separated ownership of the company by its management is to ensure that owners of companies get the maximum profit with cost which is efficient with its management of the company together with professional workers. Corporate governance is a concept based on agency theory, is expected to serve as a tool to provide a conviction to investors that they would receive a return on the funds they have invested. Good corporate governance can convince investors to invest and it will automatically make the stock price increase and also give confidence that the funds they invest will not be darkened by management or invest into projects that are not profitable.

Good Corporate Governance

Definition of Good Corporate Governance

Good corporate governance is a set of rules that organize the relationship between the various interested parties, especially in the narrow sense for the achievement of organizational goals. Sedarmayanti (2012: 52), suggested that corporate governance is the set of rules that organize the relationship between shareholders, the board (manager) of the company, the creditors, governments, employees and other internal and external stakeholders relating to the rights and obligations or in other words, a system that controls the company. Based on such explanation, it can be concluded that corporate governance is a set of rules that define the relationship between various party namely shareholders, managers, government, and those of other stakeholders both internal and external that in connection or related with the company to gives respect for their rights and their responsibilities.

Purpose of Good Corporate Governance

The code of good corporate governance of Indonesia based on National Committee on Governance (2006: 2), here in after called the GCG Code, is a living instrument offering standards as well as guidance for companies to implement GCG with the purpose of achieving sustainable growth of the company through a management system based on the principles of transparency, accountability, responsibility, independency and fairness; empowering the function and independency of each company organ, namely, the Board of Commissioners, the Board of Directors and the General Meeting of Shareholders; encouraging shareholders, members of the Board of Commissioners and members of the Board of Directors to take decisions and actions based on high moral values and compliance with the law and regulations; stimulating the company awareness of social responsibilities in particular the environmental and societal interests of the communities in which a company operates; optimizing the value of a company for its shareholders by also taking into consideration the interests of other stakeholders; enhancing the competitiveness of a company, both nationally and internationally, in order to enhance market confience which may promote investment flow and a sustainable national economic growth.

The Benefit of Good Corporate Governance

Corporate governance is intended to regulate the relationship and prevents errors in the significance of corporate strategy and to ensure the error can be corrected immediately. Tunggal (2008: 39), explain that the benefits of implementing good corporate governance are:

1) Minimize the agency cost
   The shareholders during this time should bear the costs arising from the delegation of authority to management. These costs may include losses due to human resource management that uses for personal benefit or the cost control must be issued by the company to prevent it. These costs can be minimized with the good preparation of the structure and the division of functions.
2) Minimize the cost of capital
   Companies that are well managed and healthy will create a positive reference to the creditors. This condition is important in minimizing the capital cost to be borne if the company applying for a loan. In addition to be able to strengthen the financial performance, this condition will also make the products that produced by the company to be more competitive in the market.
3) To increase the value of company stock
   A company that is well managed will attract the interest of investors to invest.
4) Lifting the image of the company
   Image attached to a company is important. In some cases, the cost issued by the company to improve the image much more expensive compared to the benefits gained by ignoring it.

Principle of Good Corporate Governance

Good corporate governance general principles based on National Committee on Governance (2006: 5-7) described that each company must ensure that the GCG general principles are implemented on each business facets and within the entire company. GCG general principles which include transparency, accountability, responsibility, independency, and fairness are necessary to attain a company's sustainability by also considering the interests of stakeholders. The principle of good corporate governance is expected to be a reference point in the policy makers that establish a framework of corporate governance implementation. For businesses and capital markets, corporate governance principles to guide best practice collaborate to increase the value and sustainability of the company.

Implementation The Principles of Good Corporate Governance

The implementation of good corporate governance principles is used to produce the company's performance effectively and efficiently by decision making healthy. Company leaders must make decisions based on the balance and accountability with the implementation of the good corporate governance principles. So the decisions may have an advantage for the company.

The implementation of the good corporate governance principles in Indonesia can facilitate financing in companies, because companies that apply the principles of good corporate governance is considered more attractive by banks. Good corporate governance application in Indonesia is not only seen based on theoretical but based on the recommendation of government institution. One of recommendation of government is Indonesia Financial Services Authority (OJK) by publishing manual book. The Indonesia Corporate Governance Manual should be considered as a major tool for corporate governance in Indonesia as it targets a wide spectrum of stakeholders, such as directors and commissioners, academics, policymakers, corporate governance experts and more generally, individuals and institutions interested to know about the corporate governance framework in Indonesia.

Companies that implement the good corporate governance will be more trusted by investors, and it is important for implementing the capital market. To boost the number of investors who would enter the capital market with the growth of investor confidence to emiten. Research also shows that the implementation of good corporate governance will increase the stock price. These are the following recommendations of GCG assessment indicators based on theoretical and policy in Indonesia.

The consideration of each indicator of this study based on Indonesia Financial Services Authority (OJK) (2014), International Finance Corporation (IFC) Advisory Services in Indonesia (2014), National Committee on Governance (2006) and Previous Research. The indicator of good corporate governance practice based on OJK are the board of commissioners, the board of directors, board committees, external auditor, internal auditor and the corporate secretary. The board of director indicator was not used in this study based on previous research recommendation that explained that the used of board of director indicator would be more effective when judged by the proportion of independence. Based on that explanation, hence this study more considered independent director indicators than the board of directors. Independent director can explain objectivity in corporate strategic decision making.

This study only used two indicators from OJK that are board of commissioner and board committees that was audit committee. The consideration did not use external and internal auditors because it was represented by the indicator of board committees. The comprehensive used of board committee indicators had been able to explain the audit committee, risk policy, committee nomination and remuneration committee indicators so as to provide an overview of the primary tasks of these committees hence to assist the board of directors functions.

The last consideration that was corporate secretary was not used in this study because there has been no previous research recommendation. The used of indicator that are independent commissioner, financial performance, and managerial ownership based on theoretically review and previous research. The used of independent director based on the previous research and recommendation of Bank Indonesia policy that supported by Indonesia Financial Services Authority (OJK).

Stock

Stock is securities issued by a limited liability company (PT) or commonly known as the issuer. Stocks stated that the owner of these stocks is also the part-owner of the company. Thus if an investor buys a stock, then they became the owner or shareholder of the company. According Rahardjo (2006: 30), stocks are securities which are the instruments of ownership or participation of an individual or institution in a company. According Husnan (2005: 29), securities (stocks) is a piece of paper that shows the right of investor to obtain a part of the prospect or wealth of organization that published that's stock and various conditions that allows the investor in carry out their right.

The stock price changes over time, it is influenced by the demand and supply of stocks on the stock exchange. Stock can be defined as a sign of concomitant or ownership a person or entity in a corporation or limited liability company. The form of the stock is a piece of paper stating that the owner of the paper is the owner of the company that issued the securities. The ownership is determined by how much equity invested in the company.

The stock price is the market price, namely the price formed on the market of buying and selling the stocks. The stock price is the price of listed stocks after the closing price. A company usually will issue two types of stocks, the common stock and preferred stock. According to (Darmadji and Fakhrudin, 2006: 7) ordinary stocks is stock that put their owners in the position of the most junior in the distribution of dividends and wealth rights of the company if it liquidated, while the preferred stock is a stock that has the characteristics of a combination of bonds and common stock, because it can generate a fixed income, but it also does not bring the results as investors desired.

Basically, high and low of stock price was more influenced by considerations of buyers and sellers on the company's internal and external conditions. It is concerned with the analysis of securities by investors before buying or selling stocks. The movement of the index becomes an important indicator for investors to determine whether they will sell, hold or buy one or more stocks. The value of the index was moving up and down within a short time anyway because stock prices move in seconds and minutes. Stock prices can be measured at the time of closing and the end of the stock exchange activity (closing price) when submitting financial statements on the Indonesia Stock Exchange.

Conceptual Model and Hypotheses Framework

a. Conceptual Model

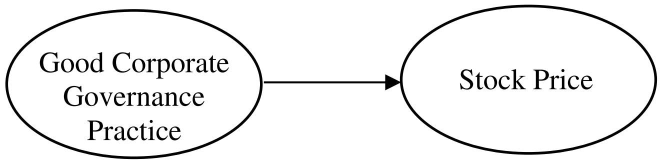

Figure 1. Conceptual Model
Source: Processed by Researcher, 2017

b. Hypotheses Framework

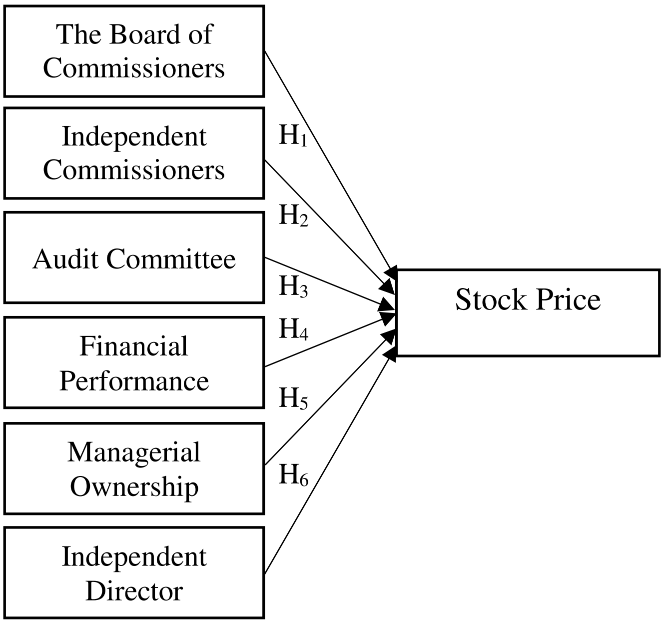

Figure 2. Hypotheses Framework
Source: Processed by Researcher, 2017

RESEARCH METHOD

Type of Research

The type of research used in this research was explanatory research with quantitative approach. This research was used to determine the influence of causal explanation which explains the influence of cause and effect. This study used explanatory research type with quantitative approach because there was testing and statistical analysis on the influence of independent variable namely the board of commissioners, independent commissioners, audit committee, financial performance, managerial ownership, and independence of the board of directors on the dependent variable that was stock price.

Research Location

This study was took place in the Indonesia Stock Exchange that are accessed through www.idx.go.id. The choice of location based on the consideration that Indonesia Stock Exchange as an institution of publications authority and data centers from the sale of stocks and information of go public company in Indonesia.

Population and Sample

Population

The population in this study are all companies classified in LQ45 that listing on IDX in 2016.

Sample

This study was used a nonprobability sampling technique with the technique of determination of the sample taken was purposive sampling. The criteria that can be used in the determination of the sampling are as follows:

1) LQ45 companies that listed in Indonesia Stock Exchange (IDX) during 2012- 2016.
2) The company did not undertake stock split policy during 2012-2016.
3) The company that published the annual report during 2012-2016.
4) Annual report of companies had data that related to indicator ofgood corporate governance practice namely the board of commissioners, independent commissioners, audit committee, financial performance, managerial ownership, and independent directors during 2012-2016.

Based on these criteria, the sample in this study were as many as 23 companies of LQ45 companies that listed in Indonesia Stock Exchange during 2012-2016.

Data Collection Techniques

Data collection technique in this study was documentation techniques by investigating the historical data obtained from various sources, namely: data of LQ45 companies that Listed in Indonesia Stock Exchange during 2012-2016. The annual financial report of LQ45 companies that Listed in Indonesia Stock Exchange during 2012-2016.

Analysis Technique

a. Evaluation of Outer Model

Outer model evaluation aimed to evaluate the indicator variables in this study. Indicator used in this research was outer loading > 0,50. The evaluation of this formative model was based on Widarjono (2015: 227) "Indicator reliability is evaluation based on outer loading. If the value of outer loading > 0.7 then the indicator variables need to be maintained for theoretical test, while exploratory research between 0.5-0.7 and if outer loading less than 0.5 then the indicator variables must be eliminated".

b. Evaluation of Inner Model

1) t Test
   This is conducted to see the individual significance of all independent variables. On smartPLS the t-table value is a constant number of 1.96 if the alpha is 5%.
2) Coefficient of Determination or R^2
   The coefficient of determination (R square or R^2 coefficient) used to provide information about how well the independent variable can explain the dependent variable in the existing model.
3) *Predictive Relevance Q^2*
   Predictive Relevance Q^2 explain how a large diversity of data (information) that can be explained by existing models.

RESULT AND DISCUSSION

Result of Model Analysis and Hypotheses Testing

a. Evaluation of Outer Model

The value of outer loading showed the weight of each indicator as a measure of each latent variable. The indicator with the largest outer loading indicated that the indicator was the strongest (dominant) variable.

Table 1. The Result of Testing Indicator of Forming Variable on Good Corporate Governance Practice on Stock Price

Indicator	Outer Loading	Indicator	Outer Loading
X1	1,000	X4	1,000
X2	1,000	X5	1,000
X3	1,000	X6	1,000

Source: Result processed from smartPLS, 2017

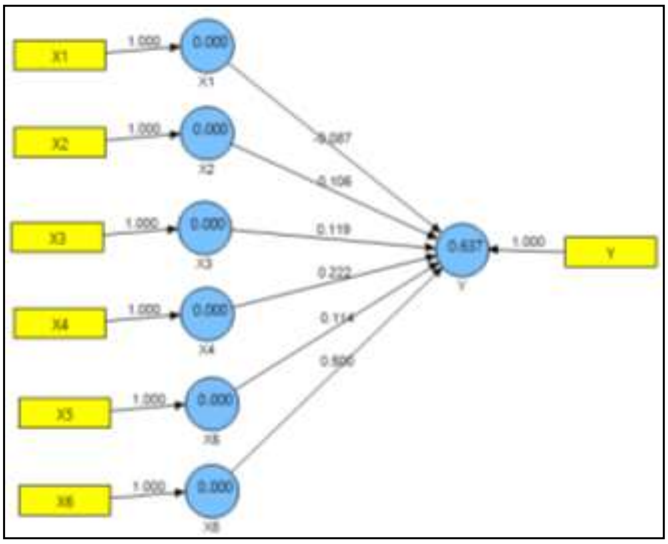

Figure 3. PLS Path Model with The Value of Outer Loading and R^2 of Good Corporate Governance Practices on Stock Price.

Source: Result processed from smartPLS, 2017

Based on figure 3 showed that the yellow indicators namely board of commissioner, independent commissioner, audit committee, financial performance, managerial ownership and independent director were an indicator that included in the bootstrapping calculation model. Figure 3 illustrated that there was no indicator that omitted because the outer loading value ≥ 0.50.

b. Evaluation of Inner Model

Inner model test aimed to test the hypotheses in the study. Hypotheses testing was done by using t-test (t-statistic) on each path partially. The following results of hypotheses testing influence for good corporate governance practices on stock price.

1) t -Test

Table 2. Path Coefficients Results

Variable	T Statistics (|O/STERR|)	Explanation
X1 -> Y	2.157480	Significant
X2 -> Y	3.366909	Significant
X3 -> Y	1.770557	Not Significant
X4 -> Y	0.959863	Not Significant
X5 -> Y	4.998129	Significant
X6 -> Y	0.309304	Not Significant

Source: Result processed from smartPLS, 2017

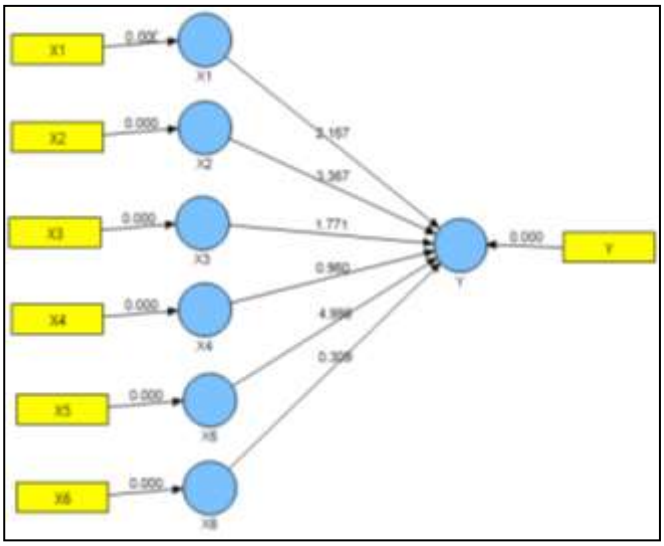

Figure 4. PLS Path Model and The Value of t-Statistic of Good Corporate Governance Practices

Source: Result processed from smartPLS, 2017

Based on table and figure, obtained some conclusion as follows:

a) Indicator of the board of commissioner (X1) obtained t-statistic value of 2.157480. Decision making in the t-test of the board of commissioner (X1) indicator is Ho was rejected and H1 was accepted so it can be concluded that the board of commissioner indicator (X1) had a significant effect on the stock price variable due to the t-statistic value ≥ 1.96.

b) Indicator of independent commissioner (X2) obtained t-statistic value of 3.366909. Decision making in t-test of independent commissioner indicator (X2) was Ho was rejected and H2 was accepted so it can be concluded that independent commissioner indicator (X2) had a significant effect on the stock price variable due to the t-statistic value ≥ 1.96.

c) Indicator of audit committee (X3) obtained t-statistic value of 1.770557. Decision making in the t-test of the committee audit (X3) indicator was Ho was accepted and H3 was rejected so it can be concluded that the audit committee indicator (X3) had no significant effect on the stock price variable because of the t-statistic value <1.96.

d) Indicator of financial performance (X4) obtained t-statistic value of 0.959863. Decision making in the t-test of the financial performance indicator (X4) was Ho was accepted and H4 was rejected so it can be concluded that the financial performance indicator (X4) had no significant effect on the stock price variable because of the t-statistic value <1.96.
e) Indicator of managerial ownership (X5) obtained t-statistic value of 4.998129. Decision making in t-test of managerial ownership indicator (X5) was Ho was rejected and H5 was accepted so it can be concluded that managerial ownership indicator (X5) had a significant effect on the stock price variable due to the tstatistic value ≥ 1.96.
f) Indicator of independent directors (X6) obtained t-statistic value of 0.309304. Decision making in the t-test of independent director indicator (X6) was Ho was accepted and H6 was rejected so it can be concluded that independence of the board of director (X6) indicator had no significant effect on the stock price variable because of the t-statistic value <1.96.

2) Testing of Goodness of Fit

Tabel 3. R Square Dependent Variable Stock Price

Dependent Variable	R Square
Stock Price	0,637

Source: Result processed from smartPLS, 2017

The calculation results showed the predictive-relevance (Q2) value of 0.637 or 63.7% so that the model had the relevant predictive value. The predictive-relevance value (Q2) indicates that the diversity of data obtained by the model is 63.7% or in other words the information contained in the data of 63.7% can be explained by the model. The remaining 36.3% was explained by other variables that have not been contained in the model and error.

CONCLUSION AND SUGGESTION

Conclusion

The conclusions obtained in this study are as follows:

a. The board of commissioner indicator had a positive and significant influence on the stock price variable of company of LQ45 index.
b. Independent commissioner indicator had a positive and significant influence on the stock price variable of company of LQ45 index.
c. Audit committee indicator had positive influence but not significant on stock price variable of company of LQ45 index.
d. Financial performance indicator had positive influence but not significant on stock price variable of company of LQ45 index.
e. Managerial ownership indicator had a positive and significant influence on the stock price variable of company of LQ45 index.
f. Independent director indicator had positive influence but not significant on stock price variable of company of LQ45 index.

Suggestion

a. Theoretically

1) Further research is expected to add other independent variables that influential on stock price such as external auditors, internal auditors and corporate secretary recommended based on government policies related to the implementation of good corporate governance in Indonesia.
2) Further research was expected to add period of research and did research between index so that not only research on company of index LQ45.

b. Practically

1) Research could provide information recommendation to companies, investors, analysts and investment institutions in making investment decisions on the company stock in the company of LQ45 index.
2) The result of this research for government should try to re-evaluate or improve the indicator that not significant namely audit committee, financial performance, and independent director through consideration that related to the good corporate governance policy.

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