SSRG International Journal of Economics and Management Studies Volume 8 Issue 10, 98-106, Oct, 2021
ISSN: 2393 – 9125 / https://doi.org/10.14445/23939125/IJEMS-V8I10P113

Review article

The Influence of Good Corporate Governance, Ownership Structure, Company Size on Market Reactions in Manufacturing Companies Listed on the Indonesia Stock Exchange

Selvi[1], Lanto Miriatin Amali, Abdul Wahab Tunus, Intan Pakaya

[1]*Department of Management, Faculty of Economics, State University of Gorontalo*

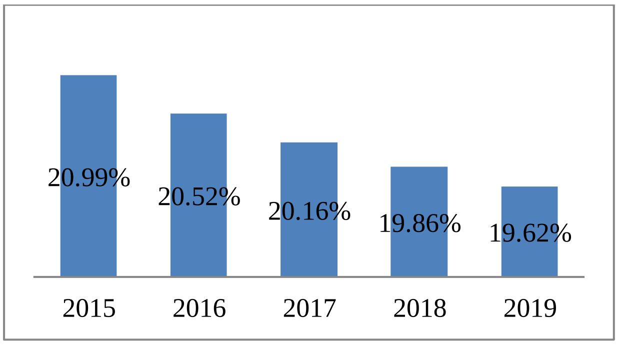
Received Date: 17 September 2021
Revised Date: 19 October 2021
Accepted Date: 28 October 2021

Abstract *- The phenomenon of the decline in the contribution of the manufacturing industry to Gross Domestic Product (GDP) shows that the performance of companies in the manufacturing industry is not in good condition so that it can affect the market reaction, which tends to respond negatively. There are still inconsistencies in the factors that influence market reactions as measured by stock prices in several previous research results, so that the purpose of this study is to find out how the influence of good corporate governance ownership structure of company size on market reactions both simultaneously and partially in manufacturing companies listed on the Stock Exchange. Indonesian Securities for the 2015-2019 period. The method used is panel data regression. Research Results Conclude that Good Corporate Governance as measured by the board of directors, board of commissioners has a negative and significant effect on market reactions, but the audit committee has a positive and significant effect on market reactions in 52 issuers during 2017-2019. Company size, as measured by the natural logarithm of total assets, has a positive effect on the market reaction. The greater the total assets owned by the company in the 52 issuers during 2017 to 2019 it will increase the market reaction. Ownership structure as measured by managerial ownership has a positive but not significant effect on market reactions, whereas institutional ownership has a negative and significant effect on market reactions. An increase in institutional ownership will trigger a decrease in market reaction.*

Keywords *- Company Size; Good Corporate Governance; Market Reaction; Ownership Structure*

I. INTRODUCTION

The development of the manufacturing industry in Indonesia can be seen from the large contribution to Gross Domestic Product (GDP). The Central Statistics Agency recorded that in 2015 the contribution of the manufacturing industry to Gross Domestic Product (GDP) was 20.99%, in 2016 it was 20.52%, in 2017, it was 20.16%, in 2018, it was 19.86%, and in 2019 it was 19.62%.

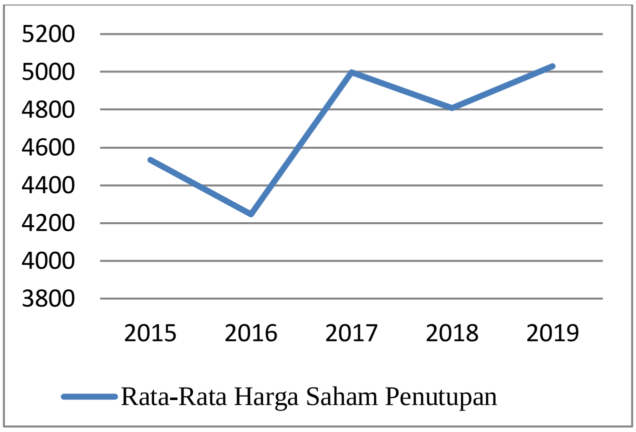


Source: Central Bureau of Statistics in Bisnis.com, processed in 2021.

Fig. 1 Contribution of the Gross Domestic Product (GDP) of the Manufacturing Industry in 2015-2019.

Based on Figure 1 shows that there is a decline in the contribution of the manufacturing industry to Gross Domestic Product (GDP) from 2015 to 2019. The phenomenon of the decline in the contribution of the manufacturing industry to Gross Domestic Product (GDP) shows that the performance of companies in the manufacturing industry is in bad condition, so that it can affect the market reaction. Tend to respond negatively. On the other hand, the market will give a positive response if the contribution of the manufacturing industry to Gross Domestic Product (GDP) increases so that the company's performance is considered to be in good condition and stock prices will also increase.

The condition of the average closing stock price movement in manufacturing industry companies from 2015-2019 fluctuated. The average closing share price for manufacturing industrial companies in 2015 was Rp 4,534. The average closing share price decreased to Rp 4,246 in 2016. In 2017 the average closing share price increased to Rp 4,998. However, in 2018 there was another decline to Rp 4,809. In 2019, the average closing share price again increased to Rp 5,030.



Source: Indonesia Stock Exchange, data processed in 2021.
Fig. 2 Average Closing Stock Price Movements in Manufacturing Companies Listed on the Indonesia Stock Exchange in 2015-2019.

The phenomenon of stock price fluctuations shows that the performance of the management of a company needs improvement so that the company's performance increases. However, it is often found that the management actually has personal goals and interests that are contrary to the main goals of the company and even ignores the interests of shareholders. The management's personal interest will increase costs for the company and affect stock prices, causing a decrease in profits. These differences in interests lead to a conflict called an agency conflict (Jensen & Meckling, 1976).

The existence of a conflict of interest between the management and shareholders is the background of the need for good corporate management, one of which is by paying attention to Good Corporate Governance (GCG). Research conducted by (Agustia 2018) shows that the mechanism of good corporate governance as measured by the board of commissioners has a positive influence or effect on market reactions. In contrast to the research conducted by (Sanca et al., 2015), which shows that the mechanism of good corporate governance as measured by the board of commissioners has no influence or negative effect on market reactions.

Research conducted by (Syafaatul 2014) shows that the mechanism of good corporate governance as measured by the board of directors has a positive influence on market reactions. In contrast to research conducted by (Putri & Christiana 2017) shows that the mechanism of good corporate governance as measured by the board of directors has no influence or negative effect on market reaction. Research conducted by (Sondokan et al., 2019) shows that the mechanism of good corporate governance as measured by the audit committee has a positive influence on market reactions. In contrast to research conducted by (Nurdina & Suhardiyah, 2017) shows that the mechanism of good corporate governance as measured by the audit committee has no influence or negative effect on market reactions.

According to Jensen (1993), the Convergence Of Interest Hypothesis states that managerial ownership can help unite the differences in interests between management and shareholders. The higher the proportion of managerial ownership, the better the company's performance. This can affect the market reaction because the company's stock price will also increase. The results of research conducted by (Putri & Christiana 2017) show that the ownership structure as measured by managerial ownership has a positive influence on market reactions. In contrast to the research conducted by (Syafaatul, 2014) which shows that the ownership structure as measured by managerial ownership has no influence or negative effect on market reactions.

The existence of institutional ownership can encourage more optimal supervision of the performance of the management in order to minimize opportunistic actions (self-interest). The results of research conducted by (Kurniawati et al., 2015) show that the ownership structure as measured by institutional ownership has a positive influence on market reactions. In contrast to the research conducted by (Syafaatul, 2014) which shows that the ownership structure as measured by institutional ownership has no influence or negative effect on market reactions.

II. LITERATURE REVIEW

A. Good Corporate Governance

According to Monks and Minow (2003), good corporate governance (GCG) is a system that regulates and controls companies that create added value for all stakeholders. In general, there are five basic principles of good corporate governance, namely accountability, responsibility, transparency, fairness, and independence. Meanwhile, Syakhroza (2003) defines GCG as a good organizational governance mechanism in managing organizational resources efficiently, effectively, economically, or productively with the principles of openness, accountability, responsibility, independence, and fairness in order to achieve organizational goals. Good organizational governance is seen in the context of the organization's internal mechanisms or the organization's external mechanisms. The internal mechanism is more focused on how the leadership of an organization regulates the running of the organization in accordance with the above principles, while the external mechanism focuses more on how the organization's interactions with external parties run in harmony without neglecting the achievement of organizational goals.

The mechanism of good corporate governance according to Yasser et al. (2011) Fidanoski, et al. (2013), and Peters and Bagshaw (2014), among others:

B. Board of Commissioners Size

The board of commissioners is the highest internal control mechanism responsible for overseeing and monitoring the actions of top management. The board of commissioners will be responsible and have the authority to oversee the actions of management and, if deemed necessary, to provide advice to management. The composition of individuals who will work as members of the board of commissioners in monitoring management activities is very important so that the board of commissioners can run and work effectively (Fama and Jensen, 1983). The board of commissioners from outside the company is considered better in setting policies related to the company because the board of commissioners from outside the company can act more objectively compared to companies that have a board of commissioners who only come from within the company.

The board of commissioners consists of inside and outside directors who will have access to valuable specialized information and greatly assist the board of commissioners and make it an effective tool in controlling decisions. Meanwhile, the function of the board of commissioners is to oversee the management of the company, which is carried out by management (directors) and is responsible for determining whether management fulfills its responsibilities in developing and implementing the company's internal control (Mulyadi, 2002).

The greater the number of personnel who become the board of commissioners, the worse the company's performance will be. This can be explained in the agency problem (agency problem). Namely, the more members of the board of commissioners it will make it more difficult to carry out their roles, including difficulties in communicating and coordinating work among each member of the board of commissioners; besides that, it will experience problems. Difficulties in carrying out supervisory duties on the company's management, so that later it will have an impact on declining company performance (Ujiyantho, 2007).

C. The proportion of Independent Commissioners

An independent commissioner is a member of the board of commissioners who are not affiliated with the management, other members of the board of commissioners, and the controlling shareholder and is free from business relationships or other relationships that may affect the ability to act independently in the interests of the company (KNKG, 2006). Non-executive directors (independent commissioners) can act as mediators in disputes between internal managers and oversee management policies and provide advice to management. Independent commissioners are in the best position to carry out the monitoring function in order to create a good corporate governance company (Ujiyantho and Pramuka, 2007).

The board of directors is responsible for conveying information related to the company to the board of commissioners (NCCG, 2001). Apart from supervising and providing advice to the board of directors in accordance with Law no. 1 of 1995, another function of the board of commissioners, as stated in the National Code for Good Corporate Governance 2001, is to ensure that the company has carried out social responsibility, considers the interests of various company stakeholders and monitors the effectiveness of the implementation of good corporate governance (Sefiana, 2009).

According to FCGI (2001), the criteria for independent commissioners are as follows: 1) Independent commissioners are not members of management. 2) Independent commissioners are not the majority shareholder or, in other words, related directly or indirectly to the majority shareholder of the company. 3) Independent commissioners within the last three years have not been employed in their capacity as executives by companies in one business group and have not been employed in their capacity as commissioners after no longer occupying that position. 4) Independent commissioners are not professional advisors to companies or other companies belonging to the same group as the said company. 5) The independent commissioner is not a significant and influential supplier or customer of the company in one group or, in other words, is directly or indirectly related to the supplier or customer. 6) The commissioner does not have a contractual relationship with a company in the same group other than as a commissioner of the company. 7) The independent commissioner must be free from any business interests that are considered as material interference with his ability as a commissioner to act in the interests of the company.

D. Audit Committee

The audit committee, in principle, has the main task of assisting the board of commissioners in carrying out the supervisory function of the company's performance. In accordance with the decision of the National Committee on Governance Policy (2006) states that an audit committee is a group of people chosen by a larger group to do certain jobs or to perform special tasks or a number of members of the board of commissioners of client companies who are responsible for assisting auditors in maintaining their independence from third parties. Management.

The audit committee is tasked with assisting the board of commissioners in monitoring various financial reporting processes by the management to increase the credibility of the financial statements. The audit committee's duties include reviewing the accounting policies applied by the company, assessing internal control, reviewing external reporting systems, and compliance with regulations (Suryana, 2005). The audit committee also has the task of observing the internal control system, overseeing external audits, and overseeing financial reports to reduce the opportunistic nature of management (Siallagan and Machfoedz, 2006). The audit committee is closely related to reviewing the risks faced by the company and compliance with applicable regulations. The existence of an audit committee has become very important as one of the main tools in the implementation of good corporate governance.

Board of Directors

The board of directors is a group of directors whose whereabouts are known to the president director. The board of directors acts as an agent or manager of the company whose position is fully responsible for the company's operational activities. The board of directors is also required to provide information to the board of commissioners and answer every question submitted by the board of commissioners (Effendi, 2016).

According to Hamdani (2016), it is stated that the board of directors is an organ of the company that is collegially tasked and responsible for managing the company. One of the roles of the board of directors is controlling funds from investors and controlling the management of company resources. In a company, the board of directors will decide the policy to be taken or, in this case, decide the strategy for the company both in the short and long term. Each member of the board of directors is not allowed to take advantage of the company in various interests outside the company's interests, such as personal interests, business groups, family, or other parties. Each member of the board of directors is also required to implement and understand the guidelines of Good Corporate Governance.

There are 5 main tasks in the company's management function by the board of directors, namely the management of internal control, communication, risk management, and social responsibility. The small size or parameter of the board of directors is believed to have an effect on increasing the value of the company because the greater the parameters of the board of directors cause ineffective communication and decision making in management (Onasis, 2016).

E. Company Size

Company size is the scale of the company seen from the total assets of the company at the end of the year. Total sales can also be used to measure the size of the company. Because the costs that follow sales tend to be larger, companies with high sales levels tend to choose accounting policies that reduce profits (Sidharta, 2000). Company size describes the size of the company. The size of the business is viewed from the field of business being carried out. Determination of the size of the company can be determined based on total sales, total assets, average sales levels (Seftianne, 2011). Company size is the average total net sales for the year to several years. In this case, the sales are greater than the variable costs and fixed costs, then the amount of income before tax will be obtained. Conversely, if sales are less than variable costs and fixed costs, the company will suffer losses (Brigham and Houston, 2001).

Large companies have various advantages over small companies. The first advantage is that the size of the company can determine the level of ease of the company in obtaining funds from the capital market. Second, the size of the company determines the bargaining power in financial contracts. And third, there is a possibility that the effect of scale in costs and returns makes larger companies able to earn more profits (Sawir, 2004).

F. Managerial ownership

Stocks are a form of long-term funding that has no payback period. Shares show proof of ownership of a company in the form of a Limited Liability Company (PT). Shareholders of a company are shareholders and, at the same time, the owner of the company. The responsibility of the owner of a company in the form of a Limited Liability Company is the paid-up capital or ownership (Husnan, 1998:41). Managerial share ownership is share ownership by the company's management which can be measured by the percentage of the number of shares owned by the managerial of the total percentage of existing company shares (Sujono and Soebiantoro, 2007). According to Marcus, Kane, and Bodie (2006), explaining that in the future, this managerial share ownership will align the interests of the management with the shareholders (outsiders ownership). This will provide direct benefits to management for the good decisions that have been taken and will bear losses as a consequence of making wrong decisions. This statement is supported by the statement that the greater the proportion of share ownership by management in the company, the management tends to focus more on shareholders who are managerial themselves because the interests of shareholders are also equal to the managerial interests of the company.

According to Lemons and Lins (2001), the higher the percentage of managerial share ownership, the lower the market value of the company. This decrease was caused by the actions taken by managerial shareholders who would make decisions to benefit the company's managerial side so that efforts to increase shares and so on with the aim of increasing company value were ignored by the company. To overcome this, it can be done by means of third-party agencies and institutions.

Various policies implemented by shareholders in regulating the distribution of their capital or policies in shaping the ownership structure of the company they have, namely some companies take company compensation policies for their managers by giving managers the right to own part of the company's shares (Ratnaningsih and Hartono, 2001). In particular, managerial share ownership in a company or commonly known as Insider Ownership, is defined as the percentage of votes related to shares and options owned by managers and directors of a company (Mathiesen, 2004).

Managerial share ownership (insider ownership) can lead to the emergence of benefits and costs for the company because insider ownership has an impact on management behavior (Jensen, 1992). Based on agency theory, it is known that the interests of managers as company managers will be different from those of shareholders (Elloumi and Gueyie, 2001). Managers can take the necessary actions to improve their personal well-being, as opposed to maximizing firm value. This very potential conflict of interest causes a mechanism to be implemented which is very important to protect the interests of shareholders (Jensen and Meckling, 1976).

The level of information asymmetry will tend to be relatively high in companies with a large level of investment opportunities. Managers or managers of companies have private information about the future value of projects so that the actions of company managers cannot be monitored in detail by shareholders, and this causes agency costs between managers and shareholders to increase in companies with high investment opportunities.

G. Institutional Ownership

Institutional ownership in the ownership structure has a monitoring management role, and institutional ownership is the most influential party in decision-making because of its nature as the majority shareholder. Besides institutional ownership is the party that provides control over management in the company's financial policies. According to Jensen and Meckling (1976), institutional ownership has a very important role in minimizing agency conflicts that occur between managers and shareholders. The existence of institutional investors is considered capable of being an effective monitoring mechanism in every decision taken by managers. This is because institutional investors are involved in strategic decisions, so they are easy to believe in earnings manipulation. According to Nabela (2012), institutional ownership is the proportion of shares owned by institutions at the end of the year as measured by a percentage. According to Nuraini (2012), institutional ownership is the percentage of company shares owned by institutions or institutions (insurance companies, pension funds, or other companies.

Institutional ownership is share ownership by other institutions, namely ownership by other companies or institutions. Share ownership by parties formed by institutions such as insurance companies, banks, investment companies, and other institutional ownership. Institutional ownership is a tool that can be used to reduce agency conflict. Institutional ownership has the ability to control the management through an effective monitoring process. With a high level of institutional ownership, it will lead to greater oversight efforts by institutional investors so that it can prevent opportunistic behavior carried out by managers and can minimize the level of abuses committed by management which will reduce the value of the company.

H. Capital Market Reaction

Market reaction is a response or response that comes from a piece of information that results in a change that occurs in the market, especially the capital market. The information received is not only from internal but also external to the company. The market reaction of an event is proxied by abnormal returns. Market reaction is a response from the market to information that enters the market. According to Hartono (2016), the market reaction is reflected by changes in the price of the securities in question. Assessing price differences or calculating abnormal returns are ways to measure the market reaction. Abnormal returns will arise in events that contain information. Otherwise, abnormal returns will not arise in events that do not contain information.

III. METHODS

The approach in this research is descriptive quantitative research. So in this study, researchers will describe how the influence of Good Corporate Governance as measured by the board of directors, board of commissioners, and audit committee, Company Size as measured by the logarithm of total assets, Ownership Structure as measured by managerial ownership, and institutional ownership, on Market Reactions measured by stock prices in manufacturing companies listed on the Indonesia Stock Exchange for the 2017-2019 period. The observed companies are manufacturing companies listed on the Indonesia Stock Exchange during 2017-2019. As for the manufacturing companies that went public listed on the Indonesia Stock Exchange, 52 companies were observed. The type of data used in this study is secondary data sourced from the financial statements of manufacturing companies published on the www.idx.go.id and ICMD sites.

The method used in analyzing this research data is multiple regression analysis of panel data model, so the empirical model in this study is as follows:

$$\text{Ln MarketReact}_{it} = \gamma_0 + \gamma_1 \text{ Directors}_{it} + \gamma_2\text{Commisioners}_{it} + \gamma_3 \text{ Auditors}_{it} + \gamma_4\text{LnAsset}_{it} + \gamma_5\text{Managerial Owner}_{it} + \gamma_6\text{Institutional Owner}_{it} + \varepsilon_{it}$$

Information :

MarketReact	: Market Reaction
Directors	: Board of directors
Commissioner	:Board of commissioners
Auditors	: Audit committee
LnAsset	: Company Size
ManagerialOwner	: Managerial Ownership
InstitutionalOwner	: Institutional ownership
$\gamma 0$	: Constant
$\gamma 1,2,3,..6$	: Regression Coefficient
i	: Company 1,2....52
t	: Time series 2017-2019

IV. RESULT

Based on the results of the regression analysis obtained, the equations obtained are as follows:

Table 1. Multiple Regression Results with Panel Data

Variable	B	t-stat**	Sig.
Directors	-0.158	-7.019	0.0000
Commissioners	-0.060	-3.033	0.0031
Auditors	0.128	1.048	0.0472
Log(asset)	0.428	3.424	0.0009
Managerialowner	0.639	0.903	0.3684
Institutionalowner	-1.591	-3.799	0.0003
Adj.R-squared	0.9467	Durbin-Watson stat	2.353
F-stat	837.805	Prob(F-statistic)	0.0000

The above results can be interpreted that good corporate governance as measured by the company's board of directors has a negative effect on market reaction; an increase in the board of directors will reduce market reaction by 0.15 percent, assuming other variables are considered constant. The company's board of commissioners has a negative effect on the market reaction; an increase in the board of commissioners will reduce the market reaction by 0.06 percent, assuming other variables are held constant. The company's audit committee has a positive effect on market reaction; an increase in the audit committee will increase market reaction by 0.33 percent with the assumption that other variables are considered constant. Company size as measured by the number of company assets has a positive effect on market reaction; an increase in the number of company assets will increase market reaction by 0.12 percent, assuming other variables are held constant. The managerial ownership ratio has a positive effect on market reaction; an increase in managerial ownership ratio will increase market reaction by 0.63 percent with the assumption that other variables are considered constant. The institutional ownership ratio has a negative effect on the market reaction; an increase in the institutional ownership ratio will reduce the market reaction by 1.59 percent with the assumption that other variables are considered constant.

V. DISCUSSION

In principle, the board of directors is the number of directors who are required to manage the company professionally by complying with all systems and procedures that have been established in accordance with the provisions in the company's articles of association. The negative impact of the increasing number of boards of directors on the market reaction is certainly interesting because this confirms that it could be that in the company, when more and more boards of directors are formed, it will be difficult for the company to make clear decisions because of the interests of each director. Organizational assumptions which explain internal conflicts between members of the organization, efficiency that will be used as a productivity measure, then the negative impact of the swelling of the board of directors can allow imperfect information or asymmetric information between company directors and company owners who delegate all decisions to the board of directors.

This imperfection of information among the board of directors causes the company's performance to be ineffective, so that this will have a bad impact on the company's performance in this context is the stock price in the capital market. The efficiency of the board of directors is highly dependent on the structure and function of the board of directors, which has an effect on the objectives of the company's results. Therefore, it is important to pay attention to the dimensions of structure and function that exist within the company to deepen our understanding of corporate governance García-Ramos & Díaz, 2020.

The findings in this study contradict the research conducted by García-Ramos & García-Olalla, 2011 which suggests that a large number of the board of directors will improve the company's business performance. Contrary to research by Syafaatul, 2014 which found a significant positive relationship between the board of directors and stock prices, and Nurulrahmatiah et al., 2020 and also stated that the board of directors had a positive and significant effect on stock prices. However, research conducted by Putri, L. P., & Christiana, I. (2017) explains that there is a negative relationship between the board of directors and market reaction.

This finding is in line with research conducted by (Khairunnisa & Rikumahu, 2016) which found that there was an insignificant positive causality of the board of directors on the market reaction. The board of commissioners has a negative and significant effect on the market reaction. The larger the board of commissioners in a company, the market reaction will tend to decline gradually. In addition to the board of directors who play a key role in the company, the board of commissioners must also oversee the running of the company so that the company can achieve high effectiveness and efficiency.

The board of commissioners does not have a direct relationship with the board of directors or with the company's shareholders, but its main task is to supervise and must be consistent and independent. However, the negative and significant effect shows that the more the number of commissioners, the less the proportion of rising stock prices which is an indicator of market reaction. This can be made possible by a large number of commissioners, and it will be very difficult to coordinate and still make the market reaction not something crucial for the board of commissioners; the most important thing is that the performance of other companies is going well. This study contradicts the research proposed by (Agustia 2018; García-Ramos & García-Olalla, 2011; Nurulrahmatiah et al., 2020), which found that there was a significant positive relationship between the board of commissioners and the market reaction. However, this research is in line with research conducted by (Khairunnisa & Rikumahu, 2016).

The audit committee has a significant effect on market reaction. Increasing the number of audit committees will be able to increase market reaction. This is certainly good for the company; the more the number of the company's audit committee it will increase public confidence so that the stock price will increase. The audit committee has the task of assisting the board of commissioners in ensuring that (a) the company has presented its financial statements fairly in accordance with generally accepted accounting principles, (b) the company has implemented internal control, risk management, and good corporate governance (GCG), (c) the external audit and internal audit functions have been running well.

The positive and significant effect of the audit committee on stock prices is because when the task goes well, management cannot commit fraud, such as improper accounting measurements and disclosures. Thus it can be concluded that the audit committee can reduce earnings management activities which in turn will affect the quality of reporting, one of which is earnings quality (Siallagan and Machfoedz, 2006). When the quality of reporting becomes better, the value of the company will increase.

Research (Ramdiani & Yadnyana, 2013) concludes that statistically, the number of audit committee members has an effect on stock prices. The Audit Committee has a very important and strategic role in maintaining the credibility of the process of preparing financial statements as well as maintaining the creation of an adequate corporate supervision system, as well as implementation of Good Corporate Governance. With the functioning of the audit committee effectiveness, the control over the company will be better, so that agency conflicts that occur due to management's desire to improve their own welfare can be minimized (Rachmawati and Triatmoko, 2007).

This study is in line with research conducted (Harnida, 2017; Novian et al., 2016) which revealed that there was a significant positive relationship between audit committees and stock returns. This study is supported by the results of research by Klein (2002) in Eka (2011), which provides empirical evidence that companies forming independent audit committees report earnings with smaller discretionary accruals compared to companies that do not form audit committees and audit committees with a small number. (slightly) may experience a lack of resources to distribute the mandated tasks of the audit committee and to oversee the operations of larger and more complex companies.

The results of this study are contradictory to research conducted by Jao and Pagalung (2010), Setiawan (2009), and Siregar and Utama (2005), which stated that the audit committee had a negative and significant effect, which means that the audit committee is able to protect the interests of shareholders from earnings management actions that carried out by the management so that the stock price can fall.

Total assets have a positive and significant effect on market reaction. The increase in total assets will trigger an increase in the market reaction, in this case, is the stock price of 52 issuers analyzed from 2017 to 2019. Assets are resources owned by the company as a risk of past events and economic benefits that will be obtained in the future. Assets include cash, inventories, buildings, factories, and fixed assets (Diana, 2017). Large companies are seen to have effective and profitable performance than companies that have small sizes. The purpose of investors to invest is to get a high return with low risk. Companies that have effective performance will provide high returns to their shareholders. Therefore, the larger the size of the company, in this case, the total assets, the investors will respond so that the market will react.

Based on the results of the research that has been done, it turns out that company size has an effect on market reaction, meaning that large companies will certainly increase market reaction. This shows that the consideration of company size is appropriate if it is used as a basis for making decisions for investors to purchase company shares. The significant effect of company size in this context is the total asset data on market reactions caused by information about which more affects financial performance. Market participants or investors tend to look more at the company's performance and also the size of the company. Calculation of company performance and company size can be seen as a strong measure of the good management of the company.

The positive effect of the size of the company makes the company will carry out operational activities optimally. By maximizing its performance, the company will get maximum profit as well. This causes the size of the company will affect the stock price. A large company means that the company has a large number of total assets. This shows that the company has reached a stage where the company has good and stable prospects for a relatively long period of time. This condition will guarantee that the return that investors will get will be stable so that the market response will increase.

This research is supported by research conducted by (Asmara, 2017) which found that there was a significant positive effect of company size on market reaction. The results of research conducted by (Putri & Christiana 2017) show that the size of the company as measured by the company's total assets has a positive influence or effect on market reactions. In contrast to research conducted by (Wehantouw et al., 2017) shows that the size of the company as measured by the company's total assets does not have a negative effect or effect on market reactions.

Managerial ownership has a positive but not significant effect on market reaction. An increase in managerial ownership will increase market reaction but not significantly increase. Managerial ownership is ownership of company shares by managers as an important internal monitoring tool to solve agency conflicts between external stockholders and management (Chen & Steiner, 1999). According to Jensen (1993), the Convergence Of Interest Hypothesis states that managerial ownership can help unite the differences in interests between management and shareholders. The higher the proportion of managerial ownership, the better the company's performance; this can affect the market reaction because the company's stock price will also increase.

Management ownership is the proportion of shareholders from the management who actively participate in making company decisions (Diyah and Erman, 2009). The existence of management ownership in a company will lead to an interesting assumption that the value of the company increases as a result of increased management ownership. Ownership by large management will effectively monitor the company's activities. The results of research conducted by (Putri & Christiana 2017) show that the ownership structure as measured by managerial ownership has a positive influence on market reactions. In contrast to the research conducted by (Syafaatul, 2014) which shows that the ownership structure as measured by managerial ownership has no influence or negative effect on market reactions.

Institutional ownership has a negative and significant effect on the market reaction. Increased institutional ownership will reduce the market reaction. Institutional ownership is ownership of company shares owned by institutions or institutions such as insurance companies, banks, investment companies, and other ownership (Tarjo, 2008). Institutional ownership has an important meaning in monitoring management because institutional ownership will encourage more optimal supervision. Such monitoring will certainly ensure prosperity for shareholders; the influence of institutional ownership as a supervisory agent is suppressed through their considerable investment in the capital market. Institutional ownership has an important meaning in monitoring management in managing the company. According to Sofyaningsih and Pancawati (2011), increasing institutional ownership makes the supervisory function run effectively and makes management more careful in obtaining and managing loans (debt) because the increasing amount of debt will cause financial distress. Therefore, with this, it can increase the value of the company because it prevents waste by management. However, this research contradicts the above.

Institutional ownership requires more information about the company's operations than individual ownership (Balsam et al., 2002); this is because institutional ownership wants to use this information as an argument against management decisions that conflict with its interests (Hessel and Norman, 1992). The greater the percentage of shares owned by institutional parties, the more effective the supervision will be because it can control the opportunistic behavior of managers (Mitra et al., 2007). The existence of institutional ownership can encourage more optimal supervision of the performance of the management in order to minimize opportunistic actions (self-interest). If the company's performance increases, the stock price will also increase, and the market will respond positively (Cornett et al., 2006).

The results of research conducted by (Kurniawati et al., 2015) show that the ownership structure as measured by institutional ownership has a positive influence or effect on market reactions. In contrast to the research conducted by (Syafaatul, 2014) which shows that the ownership structure as measured by institutional ownership has no influence or negative effect on market reactions.

VI. CONCLUSION

Good Corporate Governance, as measured by the board of directors, the board of commissioners has a negative and significant effect on market reactions, but the audit committee has a positive and significant effect on market reactions in 52 issuers during 2017-2019. Firm size as measured by the natural logarithm of total assets has a positive effect on market reaction. The greater the total assets owned by the companies in the 52 issuers during 2017 to 2019 it will increase the market reaction. Ownership structure as measured by managerial ownership has a positive but not significant effect on market reactions, whereas institutional ownership has a negative and significant effect on market reactions. An increase in institutional ownership will trigger a decrease in market reaction. Simultaneously, good corporate governance, company size, and ownership structure significantly influence the market reaction of 52 issuers from 2017 to 2019.

REFERENCES

[1] Agustia, D., Pengaruh Struktur Kepemilikan Dan Dewan Komisaris Terhadap Corporate Social Responsibility Dan Reaksi Pasar. EKUITAS (Jurnal Ekonomi Dan Keuangan), 17(3) (2018) 376–390.

[2] Asmara, E. N., Pengaruh Karakteristik PerusahaanTerhadap Reaksi Pasar Modal : Studi Empiris Pada Perusahaan Yang Termasuk Dalam Indeks SRI-KEHATI Tahun 2009-2011. Jurnal EBBANK ISSN : 2442 - 4439, 8 (2017) 17–32.

[3] Bodie, Z., Kane, A., & Marcus, A.J., Investments and Portfolio Management. Sixth Edition, New York: The McGraw-Hill Companies, Inc (2006).

[4] Brigham, Eugene F, danDaves P. R., Intermediate Financial Management, Sixth Edition. New York: The Dryden Press (2001).

[5] Effendi. A., The Power of Good Corporate Governance TeoridanImplementasi. Edisi 2. Jakarta: SalembaEmpat (2016).

[6] Fama, Eugene F and Jensen, M.C., Agency Problems and Residual Claims.Journal of Law & Economics, XXVI (1983) Available from: http://papers.ssrn.com

[7] Fidanoski, F., &Mateska, V., &Simeonovski.K., Corporate Governance and bank performance: Evidence from Macedonia. MPRA Paper 46773.University Library of Munich. Germany (2013).

[8] García-Ramos, R., & Díaz, B. D., Board of directors structure and firm financial performance, A qualitative comparative analysis (2020).

[9] García-Ramos, R., & García-Olalla, M., Board characteristics and firm performance in public founder- and non-founder-led family businesses. Journal of Family Business Strategy, 2(4) (2011) 220–231.

[10] Hamdani., Good Corporate Governance (TinjauanEtikadalamPraktikBisnis. Jakarta: MitraWacana Media (2016).

[11] Harnida, M., Pengaruh Faktor Fundamental Terhadap Penilaian Saham Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia. Al-KALAM JURNAL KOMUNIKASI, BISNIS DAN MANAJEMEN, 4(2) (2017) 78.

[12] Khairunnisa, T., & Rikumahu, B., Pengaruh Jumlah Dewan Direksi, Proporsi Dewan Komisaris Independen, Return On Assets dan Cureent Ratio Terhadap Harga Saham. Fakultas Ekonomi Dan Bisnis. Universitas Telkom., Idx (2016).

[13] Lemons, M. and Lins, K., Ownership Structure, Corporate Governance, and Firm Value. Evidence from the East Asian Financial Crisis, William Davidson Working Paper, (2001) 393

[14] Monks, Robert A.G, &Minow, N., 2003. Corporate Governance. 3rd Edition, Blackwell Publishing.

[15] Mulyadi., Auditing. Buku 2.Yogyakarta :SalembaEmpat (2002).

[16] Novian, R. W., Wati, E. D., & Purwanto, N., Analisis kepemilikan manajerial, kepemilikan institusional, dewan komite audit, dan profitabilitas terhadap return saham pada perusahaan yang terdaftar dalam bursa efek indonesia (BEI). Jurnal Riset Mahasiswa Akuntansi (JRMA), 4(2) (2016) 1–18.

[17] Nurulrahmatiah, N., Pratiwi, A., & Nurhayati., Pengaruh Good Corporate Governance dan Kinerja Keuangan Terhadap Harga Saham Perusahaan Sektor Makanan dan Minuman yang Terdaftar di Bursa Efek Indonesia (BEI) Tahun 2011-2018. Coopetition: Jurnal Ilmiah Manajemen, X1(2) (2020) 135–144.

[18] Onasis, K danRobin., Pengaruh Tata Kelola Perusahaan TerhadapNilai Perusahaan Pada Perusahaan SektorKeuangan Yang Terdaftar Di BEI, Jurnal Bina Ekonomi, 20(1) (2016) 1-22.

[19] Ramdiani, N. N., & Yadnyana, I. K., Pengaruh Good Corporate Governance dan Kinerja Keuangan Pada Harga Saham Perbankan Yang Terdaftar di BEI. Fakultas Ekonomi Universitas Udayana, (2013) 1–17.

[20] Sawir, A., Analisis Kinerja Keuangandan Perencanaan Keuangan. Perusahaan, cetakankedua, PT.Gramedia Pustaka Utama (2010).

[21] Sefiana, E., Pengaruh Penerapan Corporate Governance Terhadap Manajemen Labapada Perusahaan Perbankan yang telah Go Public .FakultasEkonomi, UniversitasGunadarma (2009).

[22] Seftiannedan Handayani., Faktor – Faktor yang Mempengaruhi Struktur Modal pada Perusahaan PublikSektor Manufaktur. Jurnal Bisnisdan Akuntansi, 13(1) (2011) 39 - 56.

[23] Siallagan, Hamonangandan Mas. Ud.Machfoedz., Mekanisme Corporate Governance, Kualitas Labadan Nilai Perusahaan. Artikel Simposium Nasional Akuntansi (SNA) IX, Padang, (2006).

[24] Sidharta, Kaitan Antara Rasio Price/Book Value danImbal Hasil Sahampada Bursa Efek Indonesia.Jurnal Riset Akutansi Indonesia, 1(1) (2000) 127-140

[25] Sujonodan Soebiantoro, U., Pengaruh Struktur Kepemilikan Saham, Leverage, Faktornterndan Faktoreksternterhadap Nilai Perusahaan. Jurnal Manajemendan Kewirausahan9(1) (2007) 41-48.

[26] Suryana, A., Pengaruh Komite Audit terhadap Kualitaslaba.Simposium Nasional Akuntansi VIII: Solo (2005) 15-16

[27] Syafaatul, K., Pengaruh Good Corporate Governance Terhadap Harga Saham. Portal Garuda: Universitas Brawijaya, (2014) 2.

[28] Syakhroza. A., Best Practices Corporate Governance dalam Konteks Lokal Perbankan Indonesia. Majalah Usahawan. (Online), 06 XXII (2003).

[29] Peters, G. T. &, &Bagshaw Karibo B., Corporate Governance Mechanisms and Financial Performance of Listed Firms in Nigeria :

A Content Analysis. Global Journal of Contemporary Research in Accounting, Auditing and Business Ethics (GJCRA) An Online International Research Journal (ISSN: 2311-3162) Issue 2, 1(2) (2014) 103–128

[30] Putri, L. P., & Christiana, I., Pengaruh good corporate governance, strukturkepemilikan,danukuranperusahaanterhadapreaksipasar: Studipadaperusahaan property dan real estate di Indonesia. Jurnal Riset Finansial Bisnis, 1(1) (2017) 9-20.

[31] Ujiyanthodan Pramuka, Mekanisme Corporate Governance, Manajemen Labadan Kinerja Keuangan (Studi Pada Perusahaan go public Sektor Manufaktur), Jurnal Simposium Nasional Akuntansi X. Makasar (2007).

[32] Yasser, Q.R., Entebang, H. &Mansor, S.A., Corporate governance and firm performance in Pakistan: The case of Karachi stock exchange (KSE)-30. Journal of Economics and International Finance, 3(8) (2011) 482-491.