The Third International Conference
on Innovations in Social Sciences Education and Engineering (ICoISSEE)-3
Bandung, Indonesia, July 08th, 2023

Construction and Building Companies' Performance as the Intervening Variable of the Good Corporate Governance effects on Firm Value

Retno Ayu Lestari[1], Rinda Siaga Pangestuti[2]

[1,2]Department of Management, Faculty of Economics, Islamic 45 University, Bekasi, Indonesia

Author's Email :
[1]ayu88977@gmail.com , [2]rindasiaga@gmail.com

Corresponding Author : rindasiaga@gmail.com

Abstract. *Good Corporate Governance (GCG) plays an important role in the company. Companies that have proven to pay attention to organizational systems tend to have good governance as well. If this has been implemented properly then it can foster a good relationship with stakeholders. However, in reality, there are still many companies that have not been able to implement good GCG, so problems arise in their management system. This study aims to determine whether the effect of GCG on Companies' Value with Financial Performance as an Intervening Variable in Construction and Building Companies listed on the Indonesia Stock Exchange (IDX) 2018-2021. GCG is proxied by Institutional Ownership, Institutional Ownership is proxied by Market to Book Value (MBV), and Financial Performance is proxied by Return on Equity (ROE). This is a quantitative research using purposive technique and construction and building companies listed on the IDX. The data is analysed using the Statistical Product and Service Solution 25 (SPSS 25) program. The results are to be viewed partially on GCG indicator that is proxied by institutional ownership, it has no positive effect on firm value, institutional ownership has no positive effect on firm value, GCG indicators obtained by institutional ownership have a positive effect on financial performance, while viewed from financial performance has no positive effect on firm value, also financial performance cannot be seen as a positive influence on firm value. Firm value and financial performance cannot mediate institutional ownership on firm value.*

***Key words**: Institutional Ownership, MBV, ROE.*

1. INTRODUCTION

Wardani (2017) *good corporate governance* is a governance in the company which explains the relationship between various company participants which will determine the company's financial performance and determine the direction of the company. The purpose of Corporate Governance is to create added value for all interested parties (stakeholders). Theoretically, the implementation of corporate governance can increase the value of companies, by improving their financial performance, reducing the risks that may be carried out by the board of commissioners with decisions that benefit themselves and generally good corporate governance can increase investor confidence.

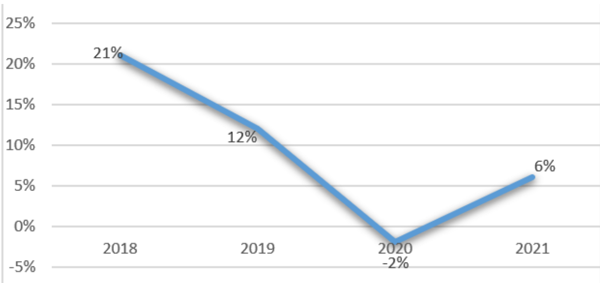
The phenomenon in this study is that in 2018, the Lippo Group was entangled in corruption problems following a sting operation by the KPK due to the revelation that their subsidiary committed a criminal act of bribery for the licensing of the Meikarta project. Immediately, the shares of Lippo Group's property issuers collapsed, simultaneously causing losses to investors and shareholders. At that time, anumber of shares of Lippo Group companies listed on the Indonesia Stock Exchange (IDX) immediately fell as soon as the case broke out. Shares of PT Lippo Cikarang Tbk (LPCK), the developer of the Meikarta project, fell 240 points (14.77%) to Rp1,385 after opening at Rp1,625. Meanwhile, shares of PT Lippo Karawaci Tbk (LPKR) also fell 8 points (2.68%) to Rp290.

This is evidence of the low awareness of the importance of implementing all aspects of Good Corporate Governance so that the effect leads to the rise of corruption cases or other criminal acts of fraud. Good Corporate Governance becomes very crucial to be implemented as a reliable solution to prevent corrupt practices. The accumulation of problems that have occurred has led to a great concern about standards of company management, increase transparency and improve investor relations (Sukandar, 2014).

According to Hutabarat (2021) Financial Performance is an analysis conducted to see the extent to which a company has implemented using the rules of financial implementation properly and correctly. For every company, improving and maintaining financial performance is a must so that its shares can remain in demand by investors. Measurement of the company's financial performance with the *Return On Equity* (ROE) proxy is to measure how much net profit will be generated from each rupiah of funds embedded in total equity. The higher the return on equity, the higher the net profit generated by each fund in equity (Hery, 2016).

According to Indrarini (2019) defines that Company Value is the investor's perception of the manager's success rate in managing the company's resources entrusted to him which is often associated with stock prices. According to Sudana (2019) *market to book value* to measure financial market assessments of company management and organization. A well-managedcompany operating efficiently can have a higher market value than the book value of its assets. To support the implementation of GCG, it is important to have a company mechanism that will carry out its functions according to the provisions and carry out its duties and responsibilities for the benefit of the company. The company mechanism that helps realize corporate governance consists of Institutional Ownership. Institutional ownership acts as a *monitoring agent* that provides optimal supervision of management behavior in carrying out its role in managing the company.

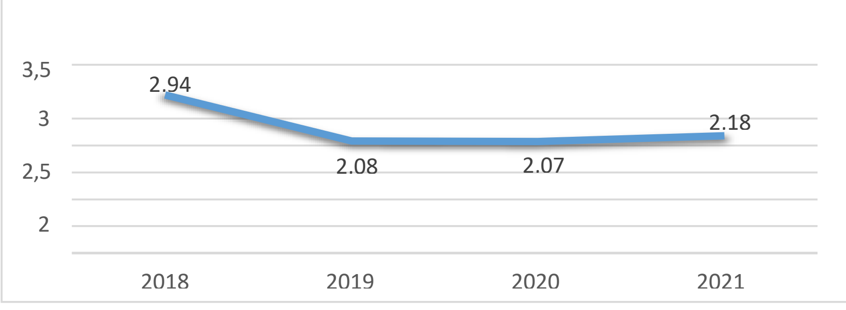
Graph 1 Average Return on Equity (ROE) of Construction and Building Companies 2018-2021



Source: Data processed, 2023.

Based on data from the Indonesia Stock Exchange, it is known that throughout 2018-2021, the percentage of profitability of Construction and Building companies experienced a downward trend until it broke through -2%, but in 2021 it had increased again to break the 6% point, on average throughout 2018-2021 the profitability of Construction and Building companies was at 9.25%.

Graph 2 Average Company Value of Construction and Building Companies 2018-2021



Source: Data processed, 2023.

Based on data from the Indonesia Stock Exchange, it is known that in the 2018-2021 period, the company value in construction and building sector companies as measured by *Market to Book Value* (MBV) has increased and decreased or fluctuated,in 2018 it increased by 2.94%, then 2019 decreased by 2.08% and 2020 decreased again by 2.07% and 2021 increased to 2.18%. So the average *Market to book value* from 2018-2021 is 2.31%. From these data it can be concluded that the relationship between the implementation of good corporate governance and firm value is positive. Likewise, financial performance that has decreased will affect the company's value. If the implementation of the good corporate governance mechanism is further improved, it will be able to maximize company value and financial performance.

On the basis of this description, the authors are interested in conducting research entitled "The Effect of Good Corporate Governance on Firm Value with Financial Performance as an Intervening Variable in Construction and Building Companies Listed on the Indonesia Stock Exchange (IDX) 2018-2021

2. LITERATURE REVIEW

2.1 Good Corporate Governance

Good corporate governance is a corporate governance system that contains aset of rules governing the relationship between shareholders, company management (managers), creditors, government, employees, and other *internal* and *external* stakeholders in relation to their rights and obligations or in other words, a system that regulates and controls the company, with the aim of increasing value *added* for all interested parties (*stakeholders*). *Corporate governance is* defined as a system for internal control within a company, the main objective of which is to manage significant risks, increase the investment value of shareholders in the long term and through securing assets in a company (Efendi, 2016).

2.2 Institutional Ownership

Institutional ownership is the ownership of company shares by institutions such as insurance companies, banks, investment companies, mutual funds and other institutions. Institutional ownership can reduce agency problems that occur because institutional shareholders will oversee the company so as to reduce the actions of selfish company managers (Hery, 2017).

2.3 Company Value

According to Franita (2018), company value can be reflected through stock prices. The higher the share price means the higher the rate of return to investors and the higher the value of the company related to the purpose of the company itself, which is to maximize the prosperity of shareholders. Firm value in this study is measured by *Market to Book Value* (MBV).

2.4 Financial Performance

According to Fahmi (2018) financial performance is an analysis conducted tosee the extent to which a company has implemented using the rules of financial implementation properly and correctly. Good company financial performance is the implementation of applicable rules that have been carried out properly and correctly.

3. RESEARCH METHODS/METHODOLOGY

In this study, researchers used quantitative research methods. Where the data used is secondary data. Researchers will analyze past conditions (*historical*) of the data *to* be studied, such as: financial report data (*annual report*) and other financial ratio data which includes *return on equity (*ROE), *market to book value* (MBV) and institutional ownership for the period 2018-2021. So that the direction of this researchcan be seen the relationship between variables.

3.1 Data Collection Technique

The data used in this study are secondary data. The secondary data in questionis in the form of *annual* financial reports (*annual reports*) and data on the financial ratios of

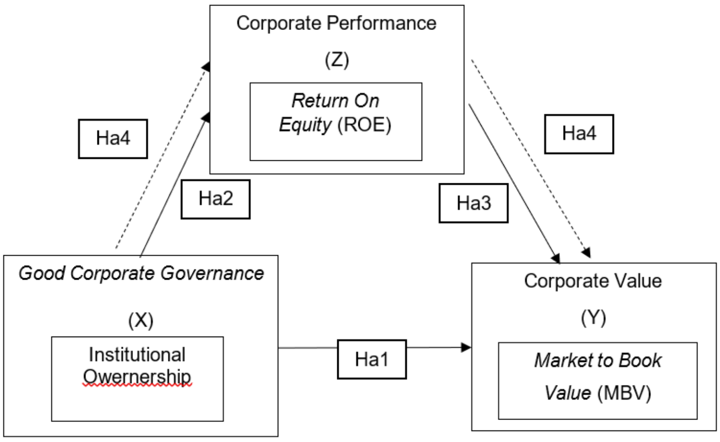
Institutional Ownership, Firm Value (MBV) and Financial Performance (ROE). Data obtained on Construction and Building companies in 2018-2021 obtained from the Indonesia Stock Exchange (IDX) source from the website www.idx.co.id. In the process of retrieving the required data, researchers used the documentation method. This documentation method is used to trace past data. And done by collecting journals, books, and retrieving data through the official website of the Indonesia Stock Exchange (IDX), namely www.idx.co.id.

3.2 Population and Sample

The population in this study were construction and building sector companies which are listed on the Indonesia Stock Exchange in 2018 2021. A total of 23construction and building sector companies were the population in this study. The sample in this study were 15 construction and building companies. Thesample was obtained using *purposive* sampling method with the following criteria:

1. Companies that are listed consecutively on the Indonesia Stock Exchange (IDX)during the 2018-2021 period.
2. Companies that publish consecutive financial reports during the 2018-2021period.
3. Companies with major listing boards.

Graph 3 Research Framework



Based on the conceptual framework, the hypothesis will be tested with two different regression equations, namely:

$$\text{CV} = \text{a} + \beta^1 GCG + \beta^2 \text{ROE} + \text{e} \ldots \ldots \ldots (1)$$
$$\text{CP} = \text{a} + \beta^1 \text{GCG} + \text{e} \ldots \ldots \ldots (2)$$

CV	= Corporate Value
CP	= Corporate Performance
GCG	= Good Corporate Governance
a	= Constanta
β^l - β^2	= Regression Coefficient
e	= Error Standard

4. RESULTS AND DISCUSSION

4.1 Descriptive Statistics

Descriptive statistics are the process of collecting, presenting and summarizing data. This descriptive statistic serves to provide an overview of the data to be studied. The results of these descriptive statistics include: number of observations / samples (N), minimum value, maximum value, average value (*mean*) and standard deviation. The results of descriptive statistics are:

Table 1 Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Institutional Ownership	36	.09	.94	.5106	.24179
Company Value	36	.02	2.30	.9811	.59672
Financial Performance	36	-.17	.36	.0703	.11702
Valid N (listwise)	36				

Source: IBM SPSS 25 Output Results, 2023.

The results of the table above show that the amount of institutional ownership with 36 samples has a minimum value of 0.94 and a maximum value of 0.94. The average value (mean) on institutional ownership is 0.5106 and the standard deviation is 0.24179. This means that the average value (mean) is greater than the standard deviation, namely 0.5106> 0.24179 which indicates that the amount of institutional ownership in this study is good. The results of the table above indicate that the value of the company with 36 samples has a minimum value of 0.02 and a maximum value of 2.30. The average value (*mean*) on the company value is 0.9811 and the standard deviation is 0.59672. This means that the average value (*mean*) is greater than the standard deviation, namely 0.9811> 0.59672 which indicates that theamount of company value in this study is good.

The results of the table above show that the amount of financial performance with 36 samples has a minimum value of -0.17 and a maximum value of 0.36. The average value (*mean*) on financial performance is 0.0703 while the standard deviation is 0.11702. This means that the average value (*mean*) is smaller than the standard deviation, namely 0.0703 < 0.11702 whichindicates that the distribution of financial performance values is uneven.

4.2 Multiple Linear Regression Analysis (Company Value)

Table 2 Multiple Linear Regression

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std.Error	Beta		
1	(Constant)	.838	.227		3.687	.001
	Institutional Ownership	.036	.433	.015	.083	.934
	Financial Performance	1.781	.895	.349	1.989	.055
a. Dependent Variable: Company Value						

Source: IBM SPSS 25 output results, 2023.

Based on the results of the multiple linear regression test, the regression equation is obtained as follows NP = 0.838 + 0.036 KI + 1.781 ROE.

The constant value of the company is 0.838, which means that the institutional ownership variable and financial performance have changed or are worth 0.838 and vice versa if it decreases by 1, the company value will decrease by 0.838. The coefficient value of the *good corporate governance* variable proxied by institutional ownership is 0.036 which indicates a positive relationship to firm value, which means that if the value of the KI variable increases by 1%, the company value will increase by 0.036. The coefficient value of financial performance proxied by ROE is 1.781 which shows a positive relationship to firm value, which means that if ROE increases by 1%, the company value will increase by 1.781.

4.3 Hypothesis Test

Table 3 Company Value t Test Results

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.838	.227		3.687	.001
	Institutional Ownership	.036	.433	.015	.083	.934
	Financial Performance	1.781	.895	.349	1.989	.055
a. Dependent Variable: Company Value						

Source: IBM SPSS 25 output results, 2023.

The first hypothesis (Ha1) is that institutional ownership has a positive effect on firm value. Based on the table above, it can be seen that the institutional ownership variable has a Sig value. 0.934 is greater than the Sig. 5% (0.934> 0.05), then the first hypothesis is rejected. The results of this test indicate that at a significance level of 5% institutional ownership does not have a positiveinfluence on firm value in construction and building companies.

The second hypothesis (Ha2) is that financial performance has a positive effect on firm value. Based on the table above, it can be seen that the financialperformance variable has a Sig value. 0.055 is greater than the Sig. 5% (0.055> 0.05), then the second hypothesis is rejected. The results of this test indicate thatat a significance level of 5% financial performance does not have a positive influence on firm value in construction and building companies.

4.4 Basis for decision making based on t count and t table

According to Sujarweni (2014) if t count> t table, it means that the independent variable (x) partially affects the dependent variable (y).

Table 4 *t Count and t Table*

No.	Independent variable	t count	t table (0.025;33)
1	Institutional ownership	0.083	2.03452
2	Financial performance	1.989	2.03452

Source: Data processed, 2023.

Because t count < t table (0.083 < 2.03452) on the institutional ownership variable, therefore it can be concluded that institutional ownership does not have a positive influence on firm value, so Ha1 is rejected. Because t count < t table (1.989 < 2.03452) on the financial performance variable, therefore it can be concluded that financial performance does not have a positiveinfluence on firm value, so Ha2 is rejected.

4.5 F Test

Table 5 Company Value F Test

ANOVAa						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.571	2	.785	2.379	.108b
	Residuals	10.892	33	.330		
	Total	12.463	35			
a. Dependent Variable: Company Value						
b. Predictors: (Constant), Financial Performance, Institutional Ownership						

Source: IBM SPSS 25 Output Results, 2023.

From the ANOVA test or F test in the table above, it can be seen that together (simultaneously) institutional ownership and financial performance have an influence on firm value.

4.6 The basis for decision making is based on F count and F table

According to Sujarweni (2014: 154) if the F count > F table value, it means that the independent variables simultaneously affect the dependent variable.

Table 6 *F Count and F Table*

f count	f table (2;34)
0.108	3.276

Source: Data processed, 2023.

Because F count < F table (0.108 < 3.276), institutional ownership and financial performance have no simultaneous effect on firm value.

4.7 Determination Test

Table 7 Test Coefficient ofDetermination (R^2)

Model Summary b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.355a	.126	.073	.57451	2.066
a. Predictors: (Constant), Financial Performance, InstitutionalOwnership					
b. Dependent Variable: Company Value					

Source: IBM SPSS 25 Output Results, 2023.

Obtained R^2 value of 0.073 (7.3%) this figure is almost close to 0, which means that the effect of institutional ownership and financial performance on firm value is very limited. This coefficient shows that the size of the dependent variable (firm value) is influenced by the independent variable (institutional ownership and financial performance) by 7.3% and the remaining 92.7% is influenced by other variables not examined in this study.

4.8 Multiple Regression Analysis (Financial Performance)

Table 8 Multiple Linear Regression

Coefficientsa						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.023	.043		-.521	.606
	Institutional Ownership	.182	.077	.376	2.364	.024
a. Dependent Variable: Financial Performance						

Source: IBM SPSS 25 Output Results, 2023.

The regression equation is as follows:

$$KK = -0.023 + 0.182\ KI$$

The negative constant value indicates that if the institutional ownership variable is constant (zero), the financial performance value is -0.023. The coefficient value of the *good corporate governance* variable proxied byinstitutional ownership is 0.182 which indicates a positive relationship to financial performance, which means that if the value of the KI variable increases by 1%, financial performance will increase by 0.182.

4.9 Hypothesis Test

Table 9 Financial Performance t-test

Coefficientsa						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.023	.043		-.521	.606
	Institutional Ownership	.182	.077	.376	2.364	.024
a. Dependent Variable: Financial Performance						

Source: IBM SPSS 25 Output Results, 2023.

The first hypothesis (Ha1) is that institutional ownership has a positive effect on financial performance. Based on the table above, it can be seen that the institutional ownership variable has a Sig value. 0.024 is smaller than the Sig. 5% (0.024 <0.05), then the first hypothesis is accepted. The results of this test indicate that at a significance level of 5% institutional ownership has a significant positive effect on financial performance in construction and building companies.

4.10 Basis for decision making based on t count and t table

According to Sujarweni (2014: 155) if t count> t table, it means that the independent variable (x) partially affects the dependent variable (y).

Table 10 *F Count and F Table*

No.	Independent variable	t count	tT table (0.025;34)
1	Institutional ownership	2.364	2.03224

Source: Data processed, 2023.

Because tcount> ttable (2.364> 2.03224) on the institutional ownership variable, therefore it can be concluded that institutional ownership has a significant positive effect on financial performance, so Ha1 is accepted.

4.11 F Test

Table 11 F-test of Financial Performance

ANOVAa						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.068	1	.068	5.589	.024b
	Residuals	.412	34	.012		
	Total	.479	35			
a. Dependent Variable: Financial Performance						
b. Predictors: (Constant), Institutional Ownership						

Source: IBM SPSS 25 Output Results, 2023.

From the ANOVA test or F test in the table above, it can be seen that together (simultaneously) institutional ownership has an influence on financial performance.

4.12 The basis for decision making is based on Fcount and Ftable.

According to Sujarweni (2014: 154) if the F count> F table value, it means that the independent variables simultaneously affect the dependent variable.

Table 12 *F Count and F Table*

Fcount	Ftable (1;35)
5.589	4.121

Source: Data processed, 2023.

Because F count > F table (5.589> 4.121) then institutional ownership simultaneously affects financial performance.

4.12 Determination Test

Table 13 Test Coefficient ofDetermination (R²)

Model Summaryb					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.376a	.141	.116	.11003	2.272
a. Predictors: (Constant), Institutional Ownership					
b. Dependent Variable: Financial Performance					

Source: IBM SPSS 25 Output Results, 2023.

Obtained R^2 value of 0.116 (11.6%) the figure is almost close to 0, which means that the influence of institutional ownership on financial performance is very limited. Thiscoefficient shows that the size of the dependent variable (financial performance) is influenced by the independent variable (institutional ownership) by 11.6% and the remaining 88.4% is influenced by other variables not examined in this study.

4.13 Sobel Test

Table 14 Sobel Test Equation 1

Coefficientsa						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std.Error	Beta		
1	(Constant)	.838	.227		3.687	.001
	Institutional Ownership	.036	.433	.015	.083	.934
	Financial Performance	1.781	.895	.349	1.989	.055
a. Dependent Variable: Company Value						

Source: IBM SPSS 25 Output Results, 2023.

Table 15 Sobel Test Equation 2

Coefficientsa						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std.Error	Beta		
1	(Constant)	-.023	.043		-.521	.606
	Institutional Ownership	.182	.077	.376	2.364	.024
a. Dependent Variable: Financial Performance						

Source: IBM SPSS 25 Output Results, 2023.

The table above shows that the regression coefficient value of institutional ownership on firm value is 0.036 with a standard error of 0.433 and a Sig value. 0.934. Then for financial performance on firm value has a coefficient value of 1.781 with a standard error of 0.895 and a Sig value. 0.055. While the regression coefficient value of institutional ownership on financial performance is 0.182 with a standard error of 0.077 and a Sig value. 0.024. Obtained from the following two equations the results of the data equation:

NP = 0.838 + 0.036 KI + 1.781 ROE + e ... (Equation 1)
= 0.227 + 0.433 KI + 0.895 ROE (standard error)

KK = -0.023 + 0.182 KI + e ... (Equation 2)
= 0.043 + 0.077 KI (standard error)

Path Analysis of Financial Performance on Institutional Ownership with Firm Value:

$$Sab = \sqrt{b^2 S_a{}^2 + a\, Sb^{22} + S_a{}^2 Sb^2}$$

$$\begin{aligned} Sab &= \sqrt{(1.781)^2 (0.077)^2 + (0.182)^2 (0.895)^2 + (0.077)^2 (0.895)^2} \\ &= \sqrt{(3.171961)(0.005929) + (0.033124)(0.801025) + (0.005929)(0.801025)} \\ &= \sqrt{0.0188065568 + 0.0265331521 + 0.00474927723} \\ &= \sqrt{0.0500889861} \\ &= 0.223805688 \end{aligned}$$

To test the significance of partial indirect effects, it is calculated with the following formula (Ghozali, 2018):

$$t = ab/Sab$$
$$t = (0.182)(1.781) / 0.223805688$$
$$t = 1.44831886$$

This t value is compared with the t table value, if the t value> t table, it can be concluded that there is a mediating influence. (Ghozali, 2018) The t value of 1.44831886 is smaller than 1.96092, meaning that financial performance doesnot mediate institutional ownership on firm value.

4.14 Discussion

The Effect of Institutional Ownership on Firm Value. The first hypothesis (Ha1) states that it is suspected that institutional ownership has a significant effect on firm value. The hypothesis test results show thatinstitutional ownership has a Sig value. 0.934 is greater than the Sig. 5% (0.934> 0.05) and the tcount value < ttable (0.083 < 2.03452) as well as a positive coefficient of 0.015, then Ha1 is rejected. Which means that institutional ownership has no significant positive effect on firm value in companies. construction and building. This is not in accordance with the hypothesis that institutional ownership has a significant effect on firm value. With a large number of shareholders, it is not effective in monitoring management in increasing company value. So that in this case it cannot reduce*agency costs in* the company. The absence of a positive effect in this study is suspected because the average value of institutional ownership is unstable over a period of four years, so that a decrease or increase in the ratio of institutional ownership has an impact on the decline in firm value.

The Effect of Institutional Ownership on Financial Performance. The second hypothesis (Ha2) states that it is suspected that institutional ownership has a significant effect on financial performance. The hypothesis testresults show that institutional ownership has a Sig value. 0.024 is smaller than theSig. 5% (0.024 <0.05) and the t count> t table value (2.364> 2.03224) as well as a positive coefficient of 0.376, then Ha2 is accepted. Which means that institutional ownership has a significant positive effect on financial performance in construction and building companies. This is in accordance with the hypothesis that institutional ownership has a significant effect on financial performance. Companies with high institutional ownership are able to improve financial performance in a company. Because the higher the institutional ownership, the better the financial performance of a company. The existence of high institutional ownership, the more external encouragement that invests in the company and has a good impact on financial performance, so corporate governance will be good.

Effect of Financial Performance on Company Value. The third hypothesis (Ha3) states that financial performance has a significant effect on firm value. The hypothesis test results show that financial performance has aSig value. 0.055 which is greater than the Sig. 5% (0.055> 0.05) and the t count value < t table (1.989 < 2.03452) as well as a positive coefficient of 0.349, then Ha3 is rejected. Which means that financial performance has no significant positive effect on firm value in construction and building companies. This is not in accordance with the hypothesis that financial performance has a significant effect on firm value. When the level of profit in financial performance achieved decreases, the market value

price also tends to decrease. So that it has an impact on the value of the company. In this case, it will reduce the attractiveness of the company to investors, because the level of profit earned will be lower.

The Effect of Institutional Ownership on firm value Mediating Financial Performance. The fourth hypothesis which states that it is suspected that financial performance mediates *good corporate governance* on firm value. The sobel testresults show that tcount < ttable (1.44831886 < 1.96), then Ha4 is rejected. Which means that financial performance cannot mediate institutional ownership of firm valuein construction and building companies. This is not in accordance with the hypothesisthat financial performance mediates *good corporate governance* on firm value. Institutional ownership is thought to be limited to providing capital and providing supervision of the achievement of profitability. Novalia (2016) states that the amount of profitability owned by the company will not affect the relationship between *Good Corporate Governance* and firm value because many companies have high profitability but *their Good Corporate* Governance is still small. Therefore, the size of the financial performance owned by the company is not a consideration by external parties in assessing a company and has no influence on changes in the company's share price (Wardhani, 2019).

CONCLUSION

Good Corporate Governance (Institutional Ownership) has no effect onfirm value in construction and building companies. This is not in accordance with the hypothesis. A large number of shareholders are not effective in monitoring management in increasing company value. So that this cannot reduce *agency costs* within the company. *Good Corporate Governance* (Institutional Ownership) has a positive effect on financial performance in construction and building companies. This is in accordance with the results of previous research conducted by Handayani (2020) which states that institutional ownership variables have a positive effect on financial performance.

Financial performance has no effect on firm value in construction and building companies. This is not in accordance with the hypothesis. Whenthe level of profit in financial performance achieved is lower, the market value price also tends to fall. So that it has an impact on company value. In this case, it will reduce the attractiveness of the company to investors,because the level of profit earned will be lower. Financial performance does not mediate institutional ownership of firmvalue in construction and building companies. This is not in accordancewith the hypothesis. Institutional ownership is thought to be limited to providing capital and providing supervision of the achievement ofprofitability. Novalia (2016) states that the amount of profitability owned by the company will not affect the relationship between *Good Corporate Governance* and firm value because many companies have high profitability but *their Good Corporate* Governance is still small.

The implementation of *Good Corporate Governance* carried out by constructionand building companies still needs to be improved. This increase is like an unannounced audit. Because with higher institutional ownership, it can professionally monitor the development of its investments. So that the level of control over management is very high which in turn will reduce the potential for fraud committed by management. In this case, the more effective the control mechanism on the financial performance of construction and building companies.

REFERENCES

Effendi, Muh. Arief. 2016. *The Power Of Corporate Governance Theory andImplementation*. Jakarta: Salemba Empat.

Fahmi, M., & Prayoga, M. D. (2018). Pengaruh Manajemen Laba terhadap Nilai Perusahaan dengan Tax Avoidance sebagai Variabel Mediating. Liabilities (Jurnal Pendidikan Akuntansi), 1 (3), 225-238.

Franita, R. 2018. Mekanisme Good Corporate Governance dan Nilai Perusahaan: studi untuk perusahaan telekomunikasi. Lembaga Penelitian dan Penulisan Ilmiah Aqli.

Ghozali, Imam. 2018. "*Application of Multivariate Analysis with IBM SPSS 25 Program*". Semarang: Diponegoro University.

Handayani, M. A. 2020. Pengaruh Good Corporate Governance terhadap Nilai Perusahaan dengan Kinerja Keuangan sebagai Variabel Intervening yang terdaftar pada Bursa Efek Indonesia pada perusahaan LQ45 pada Tahun 2015-2018.

Hery. 2017. *Accounting Research*. Jakarta. PT Grasindo.

Hutabarat, Francis. 2021. *Company Financial Performance Analysis*. Serang:Desanta Muliavisitama.

Indrarini, Silvia. 2019. *Company Value through Earnings Quality*. Surabaya:Scopindo Media Pusaka.

Novalia, G. 2016. Pengaruh Good Corporate Governance terhadap Nilai Perusahaan dengan Return On Assets sebagai variabel Moderating pada Perusahaan Manufaktur yang terdaftar di Bursa Efek Indonesia Tahun 2011-2014. Universitas Maritim Raja Ali Haji.

Sudana, I Made. 2019. Financial Management: *Theory and Practice*. Surabaya: Airlangga University Press.

Sujarweni, V. W. 2014. Metodelogi Penelitian. Yogyakarta: Pustaka Baru Perss.

Sukandar, P. P., & Rahardja, R. (2014). Pengaruh Ukuran Dewan Direksi dan Dewan Komisaris serta Ukuran Perusahaan terhadap Kinerja Keuangan Perusahaan (studi empiris pada perusahaan manufaktur sektor consumer good yang terdaftar di Bursa Efek Indonesia Tahun 2010-2012). Diponegoro Journal of Accounting, 689-695.

Wardhani, D. K. (2019). Pengaruh Good Corporate Governance terhadap Konservatisme Akuntansi (studi pada perusahaan perbankan yang terdaftar di Bursa Efek Indonesia Tahun 2013-2017). Diss. Universitas Airlangga.

Wardani, F. P., & Zulkifli, Z. (2017). Pengaruh Good Corporate Governance terhadap Kinerja Keuangan (studi empiris pada perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia Tahun 2011-2015). Diss. STIE Widya Wiwaha.