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The Influence of Foreign Ownership on Firm Value through the Percentage of Independent Commissioners, Evidence: Manufacturing Public Companies in Indonesia

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Abstract

This research aims to analyze the influence of foreign ownership on firm value, taking into account the role of the appointment of independent commissioners. Foreign ownership is identified as the independent variable, while firm value is measured as dependent variable. This study also considers the role of appointing independent commissioners as a supervisory mechanism to increase Firm value of the company. The research methodology utilizes financial data from companies listed on the capital market in the manufacturing sector, employing regression analysis through two stage least square (2SLS) and path analysis as the primary tool to test the relationships between variables. The research sample involves companies listed on the stock exchange, with annual data collected from 2016 to 2022. The findings of this research indicate that foreign ownership does not have a significant direct or indirect influence on firm value of manufacturing companies in Indonesia. Meanwhile, the percentage of independent commissioners plays a direct role in increasing firm value.

keywords: *Foreign Ownership, Independent Commissioner, Firm Value*

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1. Introduction

The capital market plays an important role in moving the wheels of the economy. The capital market also acts as a means of liaison between parties who need funds (issuers) and parties who are willing to invest their funds (investors). The relationship between investors and issuers will result in mutually beneficial cooperation for both parties. In the current era of globalization, investment is not only limited to domestic investors. Foreign investors also play an active role in strengthening capital flows in Indonesia.

The Indonesian government continues to encourage increased foreign investment in the form of Foreign Investment through Law number 25 of 2007 concerning Capital Investment which provides complete freedom for foreign investment through foreign capital participation, especially in portfolio ownership. Under the law, foreign ownership through portfolios is not subject to ownership percentage limits. This is the government's effort to increase the flow of foreign investment in Indonesia so that it can improve a healthy business climate and also help improve the national economy.

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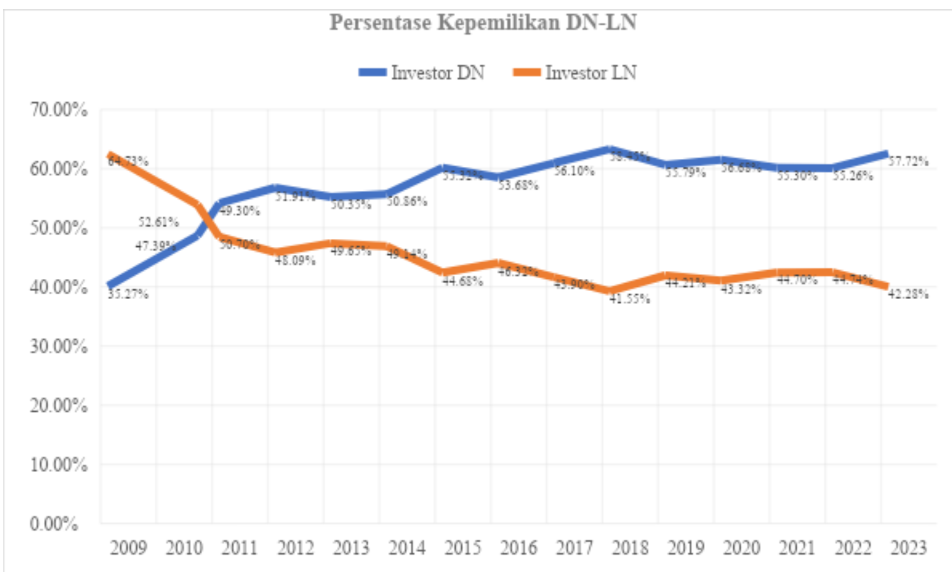
However, since 2011 the percentage level of foreign investment on the stock exchange has continued to decline compared to local investment. Even though there are several incentives for making it easier to invest in Indonesia, foreign ownership in Indonesia continues to decline from year to year. Share ownership by foreign investors is expected to provide incentives in management agency *conflict*. Agency *conflict* arises when there is a separation between ownership and control.

In small companies, *agency conflict is triggered* by the lack of incentives for shareholders to monitor management. On the other hand, with large ownership, large shareholders tend to have the potential to reduce this problem because they have higher incentives to exert influence and pressure on management (Shleifer & Vishny, 1997). Furthermore, foreign share ownership tends to experience limited information compared to local investors, so that large foreign share ownership will increase their incentives to exercise more supervision over the company. (Tsafack & Guo, 2021)

Shareholders carry out supervision by placing independent commissioners because they will carry out their duties in running the company as optimally as possible in order to increase the value of the company. High firmvalue will ultimately benefit the company and shareholders (Ahmed & Iwasaki, 2021). Apart from that, high levels of supervision will also mitigate the risk of manipulation of financial reports which has an impact on misleading financial report information where financial performance is reported to exceed what actually occurs (Han et al., 2022).



Picture 1. Graph of share ownership of domestic and foreign investors in 2022

Source: Refinitiv Eikon accessed January 15, 2024

The government, through OJK Regulation number 33 of 2014 concerning Directors and Board of Commissioners, provides for the obligation to appoint independent commissioners. This is the basis that since the regulation came into effect in 2016 (Utama et al., 2022), the independence of commissioners has become an important concern for the government in realizing good corporate governance in Indonesia. OJK Regulation number 33 of 2014 article 20 paragraph 3 states that the number of commissioners is at least 30%. However, the response to implementing this OJK policy is still quite weak. This is assessed from the percentage of appointments of independent commissioners in public companies in Indonesia which is not yet optimal, reaching a minimum of 30% as mandated by POJK 33 of 2014.

Based on Indonesian stock exchange data, it shows that company compliance*go public* in Indonesia to implement regulations requiring the appointment of a new board of commissioners to appear in 2021, reaching an average of 43.86%. Meanwhile, before 2020 it still did not comply with the provisions, namely below 30%. Then, based on data from the Indonesian stock exchange in 2023, of the total 428 shares that IPOed before 2016, there are still 17 companies that have not implemented the minimum rules for appointing independent commissioners. Meanwhile, the majority of companies or 80.37% only apply the minimum limit according to POJK 33 of 2014. Only 15.65% of issuers have more incentive to appoint independent commissioners beyond the OJK regulations. Considering that the regulations have been in place for 9 years, there should be no company that is still violating this provision.

Based on these problems, it is important to analyze the role of foreign shareholders who have incentives to monitor the company through the appointment of independent commissioners to increase firmvalue. The novelty of this research is by determining the foreign share ownership variable in the top 10 shareholders, because of the role of the large shares have the potential to influence management decisions. In Indonesia, there has been no research that looks at the effect of monitoring the percentage of independent commissioners in relation to firmvalue. Apart from that, the results confirm the influence of foreign ownership on firmvalue. Similar research was conducted in Indonesia by (Khairina Sissandhy, 2014) regarding the influence of foreign ownership on firmvalue with variable corporate *social responsibility* as an intervening variable. This research proves that foreign ownership has a direct influence on firmvalue and CSR, but proves that CSR is not an intervening variable. So, the author intends to cover the gap in previous research by looking for appropriate intervening variables, namely through key *factor monitoring* in the form of an obligation to appoint independent commissioners in Indonesia.

2. Theoretical Background

Jensen & Meckling, (1976) explain agency *theory* (agency theory) is one of the theories used to understand the relationship between shareholders and company management. This theory focuses on agent-principal problems that arise when the company owner (principal) relies on the company's operational tasks to the manager (agent). Agency theory studies the mechanisms and incentives needed to reduce conflicts of interest between shareholders and management in order to increase firmvalue.

Conflict between owner and agent (*agency conflict*) arises because of differences in interests within a company. In order for the owner to trust the agent to act appropriately, the agent must have sufficient independence. In the concept of share ownership, large amounts of ownership will have greater incentives to take monitoring actions that are beneficial to the interests of the company. So, it will tend to create an alignment *effect* which plays a role in increasing firmvalue (Shleifer & Vishny, 1997).

In theory *Resource Dependence* states that external resources will influence organizational behavior (Terjesen et al., 2009). Organizations depend on external resources such as financial capital, labor, information, technology, and political support. These dependencies may include relationships with suppliers, customers, governments, and various other stakeholders. This theory recognizes that organizations have limitations in controlling their external resources. Therefore, they engage in negotiations and build relationships with external parties to ensure stable access and minimize the risk of dependency. Furthermore, in the corporate context, the composition of board resources influences company performance (Utama et al., 2022).

According to Law number 25 of 2007 concerning Investment, foreign ownership is defined as investment owned by foreign investors, whether individuals, foreign business entities, and/or foreign governments in the territory of the Republic of Indonesia. This foreign ownership can be realized in the form of direct investment, portfolio or mergers and acquisitions (M&A). Foreign ownership is the key to strengthening good governance in domestic companies which will increase the value of a company through better monitoring (Ahmed & Iwasaki, 2021).

The independence of the board of commissioners is an important aspect of good corporate governance. The existence of an independent board of commissioners is considered an important factor in improving the quality of company decision making and safeguarding the interests of shareholders (Ahmed & Iwasaki, 2021). The independence of the board of commissioners is explained in Law number 40 of 2007 concerning Companies and strengthened by OJK Regulation number 33 of 2014 concerning Directors and Board of Commissioners. The PT Law and OJK regulations emphasize the role of the GMS in appointing and dismissing company directors and commissioners.

The independence of the board is also manifested in article 20 paragraph 2 which states that the board of commissioners is chaired by at least 2 people and one of them is an independent commissioner. Apart from that, a company requires a minimum of 30% of the total members of the board of commissioners to have independent commissioners. The role of Independent Commissioners is very important to be able to contribute to honest, objective, active and constructive discussions in board of commissioner’s meetings (KNKG, 2021). Apart from that, the independence of the board of commissioners means that the company's internal organs do not dominate each other and cannot be intervened by other parties. This will be useful for creating sustainable value in the long-term best interests of the corporation and shareholders.

Previous research with a sample of companies in Japan revealed that foreign *ownership* has a positive influence both directly on firmvalue and indirectly through the appointment of independent commissioners (Ahmed & Iwasaki, 2021). In another study, found that foreign *ownership* has a positive and significant effect on firm value in a sample of companies in Australia (Mishra, 2014). Previous research only looked at foreign ownership as a whole without concentrating on the company's largest share ownership. In fact, the ownership that influences company decisions is the ownership of the controlling shareholder (Tsafack & Guo, 2021). For this reason, this research was conducted to close this gap by using the foreign share ownership variable in the top 10 shareholders.

Hypothesis

As explained in the theoretical basis and results of previous research, the author examines the influence of variable foreign *ownership* to *firm value* through appointment mediation by an independent *commissioner*. So, the author proposes the following hypothesis:

H_1 = *Foreign Ownership* has a significant positive effect on appointment of independent *commissioners*.

Based on this, it is hoped that with increasing foreign ownership, the presentation of independent directors and commissioners will also increase in order to improve the supervisory function to manage the company in the interests of the company and shareholders.

H_2= *Foreign ownership* has a significant positive effect on firmvalue.

Based on this, it is hoped that it can show that the higher the foreign ownership of a company, the better the firmvalue will be, so that it will be more profitable for the company and shareholders.

H_3 = *Independent commissioner* has a significant positive effect on firmvalue.

Based on this, it is hoped that it can show that the higher the percentage of independent commissioners in a company, the better the firmvalue will be, so that it will be more profitable for the company and shareholders.

H_4 = *Foreign ownership* has a significant positive effect on firmvalue through appointment mediation by an independent *commissioner.*

Based on this, it is hoped that it can show that the higher the foreign ownership of a company, the better the firmvalue will be with the increasing number of independent directors and commissioners, so that it will be more profitable for the company and shareholders.

3. Methodology

This research uses a quantitative approach where hypothesis testing uses mathematical models. This type of research is explanatory *research* namely research that explains cause and effect relationships between variables through hypothesis testing (Cooper & Pamela S, 2014). This research aims to test the effect foreign *ownership* to the *value of the company* through appointment mediation by an independent *commissioner*.

The following is the model of this research.

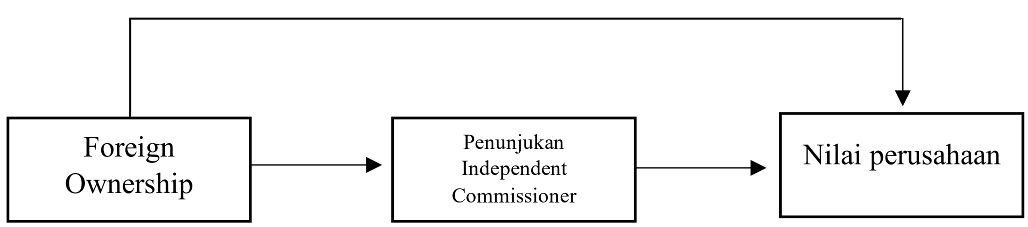


Figure 2. Research Model

The variables used in this research function to find out information about their respective relationships to draw conclusions. The research variables are the variables used in the research (Ahmed & Iwasaki, 2021) as follows:

1. firm value as Dependent Variable 1
   This variable is measured using Tobin's Q.
   Tobin Q is the ratio of the total market value of equity plus the total book value of interest-bearing liabilities divided by the total book value of equity plus the total book value of interest-bearing liabilities. Interest-bearing liabilities are the sum of the book value of loans, bonds, securities, and lease obligations.
2. *Ownership* as Independent Variable
   This variable is described by the following variables:
   1) Foreign Ownership
   is the ratio of shares owned by foreign companies to the number of shares in the top 10 shareholders.
   2) Financial Ownership
   is the ratio of shares owned by a financial institution (i.e. bank) to the number of shares outstanding among the top 10 shareholders.
   3) Corporate Ownership
   is the ratio of shares owned by other companies to the number of shares outstanding among the top 10 shareholders.
3. *Independent Commissioners* as an Intervening Variable
   This variable is measured through the percentage of independent commissioners, which is the percentage of independent commissioners out of the total number of commissioners.
4. *Firm Characteristics* as a Control Variable
   Control variables are useful for providing more accurate calculation estimates and avoiding bias due to the influence of other variables that can influence the relationship between the independent and dependent variables being studied. This variable is described through several variables:
   1) LONG
   is the ratio of net profit to total assets at the beginning of the fiscal year.
   2) Log (*Firm Age*)
   is the log value of firm age where firm age is the difference between the year when the firm was founded and the current fiscal year.
   3) Main Board*Section*
   is an indicator variable that takes the value of one if the company is listed on the main board category of the Indonesia Stock Exchange (BEI), and zero if not. The main board on the stock exchange indicates that the company is a large company and has been operating in Indonesia for a long time.
   4) Z Score
   Z-score, calculated using the Altman (1968) model.

Based on the hypothesis and operational definitions of variables previously explained, the following is the operating model of the regression equation built in this research, as is the model used in (Ahmed & Iwasaki, 2021) as follows:

Initial Testing Model (to test the influence of foreign ownership t-4 on foreign ownership t-1):

Foreign ownership t-1= α + β Foreign ownership t-4 + Control variables + e

In this model, the author examines roles*Instrument Variable* that is foreign *ownership* t4 to overcome endogeneity on the research model. The results of this model will later obtain new variables in the form of estimated values foreign *ownership* t-1 which includes variable elements foreign *ownership* t-4. The author uses the method *Two Stage Least Square* (2SLS) which is useful for gradual testing where the model is a model at stage 1 in the 2SLS method.

Model 1:

Percentage of Independence Commissioner it = a + b *Estimated foreign ownership* it-1 + *Control variables* + e

This model is useful for testing the influence of influence foreign *ownership* to the percentage of independent commissioners. By using the method *Two Stage Least Square* (2SLS), Model 1 is part of stage 2 in 2SLS testing. So, model 1 will be used to answer the first hypothesis in this research.

Model 2:

Tobin's Q it = a + b *Estimated Foreign ownership* it-1 + *Control variables* + e

This model is useful for testing effects foreign *ownership* on firm *value* to answer the second hypothesis in this research. In line with model 2, we also further carried out tests by including mediating variables to test the fourth hypothesis.

Meanwhile, to test the sixth and seventh hypotheses, we then carried out tests using path *analysis* to test the indirect effect mediated by the percentage of independent commissioners.
The population of this research is manufacturing companies whose shares are listed on the Indonesian Stock Exchange. While determining the sample using purposive *sampling* the samples in this research are companies listed on the Indonesian Stock Exchange with the following conditions:

a. Companies that report financial statements adequately;
b. The sample period is 7 years (2016 – 2022). The research began in 2016 because the regulations regarding the appointment of an independent board only became effective in 2016 through the publication of OJK Regulation number 33 of 2014 (Utama et al., 2022).

The type of data is quantitative data through data collection sourced from secondary data. Quantitative data is data in the form of numbers or data obtained from structured questions (Sekaran & Bougie, 2016). The author obtained the data source for this research fromRefinitiv Eikon, Company Audited Financial Reports, Indonesian Stock Exchange website, and KSEI website.

Uji Two Stage Least Square

In model 1, model 2 and model 3 use the 2SLS approach (*two stage least squares*). 2SLS is a useful statistical method for testing simultaneous models. This method is used to reduce bias due to the presence of endogenous and exogenous variables that are related or influence each other. 2SLS is an advanced method of*Ordinary Least Square* (OLS) which is useful for reducing calculation bias (Wooldridge, 2012).

In this research, the authors anticipate the influence of endogeneity which could influence the test results. For example, the existence of independent commissioners can be influenced by the existence of foreign *ownership*, but not for reasons of strengthening monitoring, however, the entry of foreign investors is due to good corporate governance through an appropriate percentage of independent commissioners.

To overcome the problem of endogeneity in the independent variables, the authors use instrumental *variables* from foreign *ownership* t-4 as used by (Ahmed & Iwasaki, 2021) dan (Ferris & Park, 2005). *Instrument variable* those that meet two conditions are selected, namely having a significant influence on the independent variable and no influence on the dependent variable to be tested.

Path Analysis

Path analysis is a statistical method used to analyze causal relationships between variables in a model. This method allows researchers to test hypotheses about direct and indirect relationships between related variables (Sarwono, 2010). Through Path *analysis*, the author can look for the most appropriate and short path for an independent variable to the dependent. The stages in this research are as follows:

a. Test*path analysis* through Sub-Structural Test I and Sub-Structural Test II which aim to test hypotheses through equations in the model.
b. Sobel test to determine the indirect effect of the independent variable on the dependent variable through the mediating variable (Baron & Kenny, 1986). The Sobel test uses a z score or z test where if the value is > 1.96 then the mediating variable has a role as a mediator in the research. On the other hand, if the Z Score value is <1.96, then the influence of the independent variable on the dependent is not mediated by the mediating variable.

4. Empirical Findings/Result

This research carried out several stages of research data selection. The Indonesian Stock Exchange (BEI) recorded that there were 242 manufacturing companies as of the end of 2022. There were 152 companies registered on the IDX before 2016. The next elimination is to look at companies that are still publishing their financial reports from 2015-2022. Furthermore, there were 93 companies that met the sample criteria, bringing the total sample to 605 companies.

Test results *Two Stage Least Square*

Stage 1: Model 1 Test Results (Relationship*Foreign Ownership* T-4 against*Foreign Ownership* T-1)

The test results as in table 1 show that foreign *ownership* t-4 has a significant positive effect on foreign *ownership* t-1. This proves the role of variable foreign *ownership* as a variable *instrument* which has a strong influence on the variable's foreign *ownership* t-1. So, you can estimate the value foreign *ownership* t-1 for use in the second stage of testing. As for value*R Square* shows the figure 0.761 and adjusted *R Square* is 0.758. This proves that the independent variable is able to explain 76.1% of the variable's foreign *ownership* t-1. Next, to see the simultaneous effect, the F test results show an F Statistics value of 271,371. Where this value exceeds the F table

2.024167462. So, it can be concluded that the independent variable has a simultaneous effect on the dependent variable foreign *ownership* t-1.

Stage 2.1: Model 2 Test Results (Relationship*Foreign Ownership* T-1 against*Percentage Independent Commissioner*)

In testing table 1, it shows that the relationship between foreign *ownership* t-1 has no effect on the percentage of independent commissioners. Use of control variables corporate *ownership* and ROA actually has a significantly positive effect on the percentage of independent commissioners. These results can conclude that hypothesis 0.1 is accepted. So alternative hypothesis 1 is rejected. As for value *R Square* This test shows 0.039 adjusted *R Square* of 0.027. So, it can be concluded that the independent variable is able to explain 3.9% of the variable percentage of independent commissioners. Next, to see the simultaneous effect, the F test results show an F Statistics value of 3.419. Where this value exceeds the F table 2.024167462. So, it can be concluded that the independent variable has a simultaneous effect on the dependent variable percentage *independent commissioners*.

Stage 2.2.: Model 3 Test Results (Relationship between *Percentage Independent Commissioner* to*Firm Value*)

Tests as in table 1 show that foreign *ownership* t-1 has no effect on firm *value*. However, the percentage of independent commissioners has a significantly positive effect on firm *value*. Based on this, foreign ownership has no effect on firm *value; it can* be concluded to accept hypothesis 0.2, where alternative hypothesis 2 is rejected. On the other hand, in terms of the influence of the percentage of independent commissioners, it can be concluded to reject hypothesis 0.4 and accept alternative hypothesis 4. The value *R Square* in testing this model is 0.244 and adjusted *R Square* is 0.234. This illustrates that the independent variable is able to explain 24.4% of the variable *Firm value*. Next, to see the simultaneous effect, the F test results show an F Statistics value of 24.107. Where this value exceeds the F table 1.953178209. So, it can be concluded that the independent variable has a simultaneous effect on the dependent variable firm *value*.

Table 1. Test Results with 2SLS

Variable	*Stage-1 (t-state)/(Sig)*	*Stage-2.1 (t-state)/(Sig).*	*Stage-2.2 (t-state)/(Sig)*
Foreign own t-4	36.453/0.000	-	-
Estimated Foreign own t-1	-	0.464/0.643	0.380/0.126
Financial own t-1	-4.307/0.000	0.708/0.479	-1.475/0.704
Corporate own t-1	1.980/0.048	2.440/0.015	-2.346/0.141
Asset	-0.236/0.813	-0.629/0.530	-0.751/0.019
Firm Age	1.847/0.065	0.432/0.666	3.264/0.453
LONG	-0.114/0.910	2.678/0.008	8.574/0.001
Z-score	0.535/0.593	1.374/0.170	3.407/0.000
% Independent Commissioners	-	-	6.466/0.001

Path Analysis

Path Analysis is used to test the indirect influence between independent variables, namely foreign *ownership* to variables firm *value* which is mediated by the percentage of independent commissioners. In detecting this indirect influence, the author uses the Sobel test. The Sobel test is a test to see whether the indirect relationship between independent variables can significantly influence the dependent variable through the mediating variable. The Sobel test uses the z test with the formula from (MacKinnon et al., 2002) as follows:

Z score = $\frac{a\,b}{\sqrt{(b^2\,SEa^2\,)+(a^2\,Seb^2\,)}}$

Where:

a	=	regression coefficient of the independent variable on the mediating variable.
b	=	regression coefficient of the mediating variable on the dependent variable.
SEa	=	standard error of estimation of the influence of the independent variable on the mediating variable.
Seb	=	standard error of estimation of the influence of the independent variable on the dependent variable.

If value z *score* > t table, it can be stated that the mediating variable has an influence as a mediator in the research. The results of the Sobel test calculation are as in Table 2.

Table 2. Sobel Test Results

Variable	*Z score value*	*Conclusion*
Dependen : Firm Value		
Foreign own t-1	0.185695338	No effect
Financial own t-1	-0.773774641	No effect
Corporate own t-1	-1.721873655	No effect
Asset	0	No effect
Firm Age	0.478637821	No effect
LONG	2.340362236	Positive Influence
Z-score	1.353721557	No effect

Based on the Sobel test in table 2, it states that foreign *ownership* has no effect through the mediating variable (independent commissioner) on either firm *value*.

5. Discussion

This research shows substantial results related to the role of foreign ownership and the contribution of independent commissioners in the context of corporate governance. The findings show that foreign ownership does not significantly influence the increase in the number of independent commissioners on a company's board of commissioners, and does not make a significant contribution to increasing firmvalue. The role of independent commissioners has strong implications for increasing firmvalue and monitoring business practices.

To answer the first hypothesis, the test results show that foreign ownership has no effect on the percentage of independent commissioners. Contrary to agency *theory* that foreign ownership tends to have limited information, which apparently does not encourage them to strengthen monitoring and establish better corporate governance. Contrary to research (Meng et al., 2018), the author's test results show that foreign *ownership is not* motivated to strengthen monitoring through the appointment of independent commissioners. This is in line with research (Neupane et al., 2024) that share ownership by foreign investors in India does not make them have incentives to carry out monitoring through independent *boards*.

To answer the second hypothesis, the test results prove that foreign *ownership* has no effect on*Firm Value* companies. Despite conflicting results (Mishra, 2014) dan (Ahmed & Iwasaki, 2021). However, this is in line with research by (Diba, 2020; Phung & Le, 2013) that foreign investors tend to pay attention to short-term profits rather than maintaining the long-term sustainability of the company.

The role of independent commissioners in monitoring and making company decisions has proven to be very significant. Their presence has a significant impact on increasing firmvalue, emphasizing their crucial role in ensuring the company's financial integrity and optimizing shareholder interests. This confirms the fourth hypothesis that as the percentage of independent commissioners increases, the value of the company will also increase. In line with previous research (Ahmed & Iwasaki, 2021) that increasing the monitoring aspect of the company through increasing the percentage of independent commissioners will strengthen the value of the company. Furthermore, if we look at the indirect influence as the mediating role of the percentage of independent commissioners, interestingly, the proportion of independent commissioners in the company does not mediate the relationship between foreign ownership and firmvalue. The seventh hypothesis regarding the indirect influence of independent commissioners on firm *value* Contrary to research from (Ahmed & Iwasaki, 2021). For this reason, this research strengthens (Diba, 2020; Phung & Le, 2013) by adding that foreign *ownership does* it play a role in improving firm *value* through the mediation of the percentage of independent commissioners.

This indicates that the role of foreign ownership, both directly and indirectly through the role of independent commissioners, does not show its role in increasing firmvalue. On the other hand, corporate ownership actually has an influence both directly on firmvalue and through monitoring mediation through independent commissioners.

Overall, these findings provide deep insight into the complex interactions between foreign ownership, the role of independent commissioners, and corporate governance. These results provide a strong empirical basis for the formation of policies that are able to understand that foreign investor participation is not related to strengthening monitoring through increasing the independence of commissioners in the corporate governance structure. The motivation of foreign ownership which tends to invest in the short term means that it does not have more incentives to improve corporate governance through increasing independent commissioners. On the contrary, investors in corporations have incentives to maintain business sustainability in manufacturing industrial companies in Indonesia (Ho et al., 2020).

From the aspect of the influence of the percentage of independent commissioners on the increased firm *value*, this research is in line with previous research (Ahmed & Iwasaki, 2021). However, the results of the influence of foreign ownership show the opposite results. As for the influence of corporate *ownership* on the percentage of independent commissioners, both directly and indirectly, in line with (Ho et al., 2020) that large corporate ownership has an impact on improving corporate governance.

6. Conclusions

The study that has been conducted produces important insights regarding the dynamics between foreign ownership, the role of independent commissioners, and firmvalue in Indonesia. Through careful analysis, the findings of this research show that foreign ownership does not have a significant direct impact on increasing firmvalue. Apart from that, the percentage of independent commissioners as a mediating variable also does not mediate the effect of foreign ownership on firmvalue. Although the test results show that the influence of the percentage of independent commissioners can increase firmvalue.

On the other hand, corporate ownership actually has a direct positive impact on the monitoring aspect of the company through increasing the percentage of independent commissioners. This impact of this research can be attributed to the stricter supervisory practices and more transparent corporate governance that corporate shareholders tend to bring into the company. These findings confirm that independent commissioners have a significant role in firmvalue. With a neutral and independent position from day-to-day management, they provide effective and critical oversight of management decisions, which is critical in optimizing shareholder interests and reducing potential conflicts.

This research not only supports but also expands existing understanding of the influence of foreign ownership and governance of manufacturing companies in emerging markets such as Indonesia. By comparing these results with existing literature, this research offers new insights, particularly into the effectiveness of independent commissioners in Indonesia's unique regulatory and institutional context. From a theoretical perspective, these findings provide a valuable contribution to the literature on corporate governance by highlighting how the combination of corporate ownership and independent commissioners can serve as a mechanism for improving governance and increasing the value of a company.

Based on the findings of this research, several recommendations can be proposed for stakeholders, including companies, investors and regulators:

1. For Companies:
    a. Companies should evaluate their ownership structures and consider increasing corporate investor participation as a means of improving corporate governance and firmvalue.
    b. Strengthen the board of commissioners by increasing the number of independent commissioners who have expertise and integrity, to ensure effective supervision of management and strategic decisions.
2. For Investors:
    a. Investors, especially corporate ones, must consider the importance of their role in promoting good corporate governance practices in the markets where they invest, including Indonesia.
    b. Do Due *diligence* comprehensive review of corporate governance practices before making investment decisions, with a particular focus on the composition and quality of the board of commissioners.
3. For Regulators (OJK and Indonesian Government):

a. Improve regulations and supervision to ensure that public companies have an adequate composition of board of commissioners with qualified independent commissioners.
b. Promote transparency and accountability in corporate governance practices through the implementation and enforcement of stricter standards.
c. Provide incentives for companies to increase corporate ownership participation and strengthen the role of independent commissioners in corporate governance.

This research offers important insights into corporate governance in Indonesia and shows that increasing corporate ownership participation and strengthening the role of independent commissioners can contribute significantly to improving governance practices and creating corporate value. It is hoped that the proposed recommendations will help in encouraging better and more transparent governance practices in Indonesia, which will ultimately support sustainable economic growth and investor confidence.

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