

The Effect of the Ownership Structure and Characteristics of The Board on Stock Market Liquidity in Manufacturing Companies in the Non-Cyclicals Consumer Goods Industry Sector on The Indonesia Stock Exchange

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Abstract

Stock market liquidity attracts the attention of researchers especially in emerging markets because market liquidity helps to allocate efficient financial resources. Increased stock market liquidity has an effect on the efficiency of stock valuations, and therefore can help increase the value of the company. Therefore, this study was conducted to determine whether the ownership structure, board characteristics had an effect on the liquidity of the stock market. The independent variables are the ownership structure with institutional investor and managerial ownership proxies and the characterization of the board with board size proxies and board independence. The dependent variable is the liquidity of the stock market. There are three control variables in this study, namely firm size, firm age and return volatility. This study collected data from 34 manufacturing companies in the non-cyclicals consumer goods industry sector listed on the Indonesia Stock Exchange within a period of 5 years (2017-2021) and used a multiple regression model for testing. The findings of this study show that institutional investors, managerial ownership, return volatility do not have a significant effect on stock market liquidity. Meanwhile, board size, board independence, firm size, firm age have a significant effect on stock market liquidity. The results of this study can be used to present a successful model for manufacturing companies in Indonesia to concentrate more on the ownership structure, board characteristics in stock market liquidity. All of these studies used LR as a measurement of stock market liquidity. In the novelty of this study, it eliminates one of the independent variables so that the measurement can be distinguished from previous studies.

Keywords: *Emerging Markets; Ownership Structure; Board Characteristics; Stock Market Liquidity; Consumer Non-Cyclical*

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INTRODUCTION

The purpose of any company's management is to maximize the prosperity of its owners (Brigham, 1996). The development of the company towards a greater level encourages the company to use a new company management strategy, where company owners must have the courage to make decisions to hand over the management of their company management to other more professional parties (Puspito, 2011). Parties who are considered professionals or *insiders* in the company are often referred to as *agents* or management. Management is expected

to be able to take appropriate actions so that the company survives with high share ownership, so that the company's liquidity is maintained.

In principle, *the Ownership Structure* is the ownership of shares in a company. This ownership structure is to reduce conflicts between management and shareholders. *Institutional investors* and *Managerial ownership* are part of the ownership structure in *the corporate governance* mechanism in reducing agency problems. Agency theory that addresses conflicts of interest between managers and owners suggests that managers focus more on personal interests rather than the interests of the company and the owner which will result in adverse inefficiency and selection.

Institutional investors is the proportion of the shares owned by the company divided by the total outstanding shares (Biswas, 2020). It consists of insurance companies, depository institutions (banks and savings and loan institutions), pension fund institutions and investment companies. Such institutions usually collect money from their members (customers) and then use the money as capital for investment in certain mutual funds or can also buy stocks or bonds (Tandelilin, 2010). Where *Institutional Investors* generally act as the supervisory party of the company in monitoring management which will encourage increased supervision that is more optimal in maintaining the liquidity of the company's stock market.

Managerial ownership is the proportion of ordinary share ownership owned by company managers, (Muslim & Setiawan, 2021) in addition to being a company manager, he is also the direct owner of a company. With the increase in managerial ownership, it can be used to align the positions of managers and shareholders so as to act in accordance with the wishes of shareholders (Puspito, 2017). In other words, the current manager not only aims to improve the company's performance but will also strive to increase the liquidity of the stock market.

In addition *to the Ownership Structure*, there are other factors that have an impact on the company, namely *Board Characteristics*. In this study, *Board Characteristics* is a corporate governance mechanism measured from *board size*, namely the number of members of the board of directors and commissioners in the company (Mehmood *et al.*, 2019) and *board independence*, which is a comparison between the number of independent commissioners and the total board of commissioners (Mehmood *et al.*, 2019), (Uddin *et al.*, 2019).

In this study, *the Board Size* is the Board of Commissioners is a company organ in charge of conducting general and special supervision in accordance with the articles of association and providing advice to the board of directors. The Board of Directors is the authorized organ of the company and is fully responsible for the management of the company for the benefit of the company in accordance with the purposes and objectives of the company and represents the company, both inside and outside in accordance with the provisions of the articles of association (Kurniawati, 2017). The larger the board members in a company can facilitate the work in management monitoring to be more effective, have more experience and knowledge and provide better advice for the progress of the company and maintain the level of liquidity of the company's stock market (Jensen & Meckling, 1976).

The existence of *Board independence* in a company as a counterbalance to the interests of the owner as *principal* and the interests of management as *an agent*. The existence of members of the board of commissioners from independent parties

is expected to be able to independently supervise the company so that the company can achieve the company's goal of achieving high stock market liquidity (Suprianto, 2011).

Based on the above phenomena and background, the researcher intends to conduct a study entitled "The Influence of Ownership Structure and Board Characteristics on Stock Market Liquidity in Manufacturing Companies in *the Non-Cyclicals* Consumer Goods Industry Sector on the Indonesia Stock Exchange". Manufacturing enterprises of *the non-cyclicals* consumer goods industry sector, have the largest contribution sectorally, there are good investment opportunities in the future, especially for long-term investment. This is because the consumer goods industry sector tends to survive in the midst of declining economic conditions because it is a basic need (Kusumajati, 2009).

LITERATURE REVIEW

Liquidity

Liquidity is the level of a company's ability to pay its short-term obligations (Subramanyam, 2010). According to Boubaker *et al.* (2019), corporate governance helps to intersect the company's management with shareholders. Stock market liquidity attracts the attention of researchers especially in emerging markets because market liquidity helps to allocate efficient financial resources (Hunjra *et al.* 2020c). Increased liquidity of the stock market improves the efficiency of stock valuations, and therefore can help increase the value of the company. Therefore, to achieve these goals, companies need to implement a better corporate governance system. A company that is able to fulfill its financial obligations in a timely manner means that the company is in a liquid state otherwise if the company is unable to fulfill payments at the time of collection or obligations at maturity means that the company is in an illiquid state. Companies that have a high level of liquidity tend to have a funding system dominated by equity or self-funding in the sense of funding with relatively little debt (Windy, 2012).

Chung *et al.*, (2012) concluded that shares of a company with an effective corporate governance will be more liquid than shares of a company with poor corporate governance, regardless of the legal origins in which the company operates. Given the importance of liquidity stocks for companies and investors, it is important to evaluate the liquidity of stocks. Coffee (1991) argues that companies with large investors focus more on internal governance mechanisms because this mechanism increases stock market liquidity.

Ownership Structure

In principle, *the Ownership Structure* is the ownership of shares in a company. This ownership structure is to reduce conflicts between management and shareholders. The ownership structure is a form of commitment from shareholders to delegate a certain level of control to managers. The term ownership structure is used to denote that the important variables in liquidity policy are not only determined by debt and equity but are also determined by the percentage of shareholding by both insiders and outsiders. The structure of ownership is influenced by factors such as the culture and legal system embraced by each country. In Indonesia, the ownership structure is regulated in the Limited Liability Company Law No.40 of 2007 concerning Limited Liability Companies (PT) Article

48 paragraph 2 that the share ownership requirements are regulated in the articles of association while taking into account the requirements set by the authorized agency in accordance with the provisions of the laws and regulations.

The effect of *Ownership Structure* with *Institutional Investor proxies* was carried out by (Abbassi *et al.*, 2021) where the sample used was 511 non-financial companies (260 companies came from Pakistan, 91 companies came from Sri Lanka, 115 companies came from India, and 45 companies came from Bangladesh). Research data obtained from *DataStream* for 10 years (2010-2020) shows that it has a positive effect on stock market liquidity because when part of the ownership is in the hands of institutions, it will be more transparent and reduce the level of asymmetric information in maintaining an effective level of liquidity in the stock market. Meanwhile, the *Managerial Ownership* proxy carried out by (Abbassi *et al.*, 2021) shows that it negatively affects stock market liquidity because managers work for their interests and ignore the interests of shareholders which results in the liquidity of the stock market being affected.

Characteristics of the Board

Board Characteristics is a corporate governance mechanism measured from *the board size*, namely the number of members of the board of directors and commissioners in the company (Mehmood *et al.*, 2019) and *board independence*, which is a comparison between the number of independent commissioners and the total board of Commissioners (Mehmood *et al.*, 2019), (Uddin *et al.*, 2019). *Good Corporate Governance* must be implemented by every company with the principles that have been carried out according to the National Committee for *Governance Policy* (KNKG) in 2006, namely:

1. Transparency, companies must provide material and relevant information in a way that is easily accessible and understood by stakeholders.
2. Accountability, the company must be able to account for performance in a transparent and reasonable manner.
3. Responsibility, the company must comply with laws and regulations and carry out responsibilities to society and the environment.
4. Independence, the company must be managed independently so that the managers of each organ of the company do not dominate each other and cannot be intervened by other parties.
5. Fairness and Equality, companies must always pay attention to the interests of shareholders and other stakeholders based on fairness and equality.

Research conducted by (Abbassi *et al.*, 2021) shows that the more the board of commissioners and directors, the liquidity increases because board members play an important monitoring role in reducing information asymmetry and ultimately helping to increase stock market liquidity so that it has a positive effect. *The board also* has a positive effect because it reveals that members of the board of commissioners from independent parties have the power to carry out supervisory monitoring that assists the company in liquidity issues.

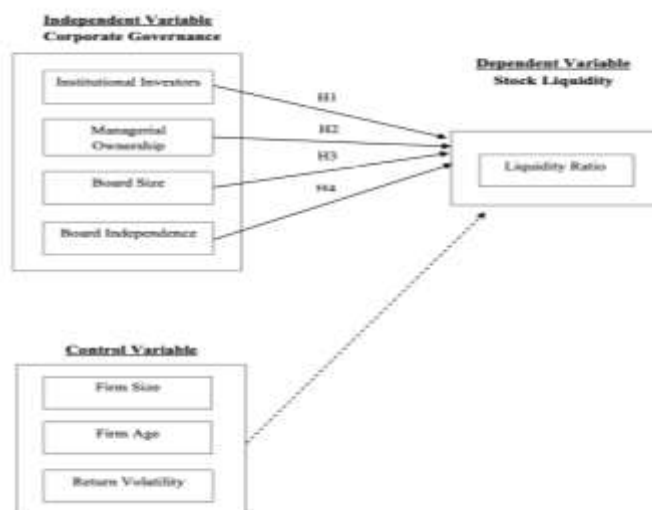
Firm Size, Firm Age, Return Volatility

Firm size has a positive and significant influence on stock market liquidity, this shows that large companies are old companies that have easy access to finance compared to small companies (Beck *et al.*, 2005). Therefore, large companies will be more efficient in improving the company's operating ability and increasing stock

liquidity. *Firm age* has a negative and significant influence on stock market liquidity. The findings indicate that stock market liquidity is not affected whether old or new companies. *Return volatility* has a positive and significant influence on stock market liquidity (Abbassi *et al.*, 2021). This suggests that stock market liquidity will increase when there is more volatility in returns that ultimately entices investors to provide funds and get more returns.

Conceptual Design

The conceptual design in this study can be described as follows:



Hypothesis Development

Institutional investors are the proportion of the shares owned by the company divided by the total outstanding shares. *Institutional investors* have a positive effect on stock market liquidity because when part of the ownership is in the hands of institutions, it will be more transparent and reduce the level of asymmetric information in maintaining an effective level of liquidity in the stock market (Abbassi *et al.*, 2021). The same research was also conducted by (Ajinah & Lakhal, 2010), and (Hunjra *et al.*, 2020). Several studies on the influence of *institutional investors* on stock market liquidity show different results from each other, namely research conducted by (Setyamurti & Muid, 2015), (Yushita *et al.*, 2013), (Faccio & Lang, 2006) showing a negative influence of *institutional investors* on stock market liquidity due to *institutional investors* actively monitor management actions so that there is an improvement in the quality of company management resulting through *institutional* pressure from investors which results in maintaining ownership of the company and has an impact on reducing stock market liquidity.

RESEARCH METHODS

Variables and Variable Measurements

Variables in this study include dependent variable, independent variables and control variables. The dependent variable is *liquidity ratio*. The independent variables are *institutional investor*, *managerial ownership*, *board size*, *board independence*. While the control variables include *firm size*, *firm age* and *return volatility*. Here are the measurements for the variables to be studied:

Table 1. Identification and Measurement of Variables

Variable Type	Variabel Name	Proxy	Symbol	Operational Variable Definition	Reference
Dependent Variable	Stock liquidity	Liquidity Ratio	LR	Another proxy for stock market liquidity. $LR_{it} = \frac{\sum_{d=1}^{D_{it}} VOL_{itd}}{\sum_{d=1}^{D_{it}} R_{itd} }$	Amihud (1997), Boubaker et al. (2019)
Independent Variable	Corporate governance	Institutional investors	IO	Number of shares owned by the company/total share outstanding.	De Cesari et al. (2012), Biswas (2020)
		Managerial ownership	MO	The proportion of shares owned by company managers.	Muslim and Setiawan (2021)
		Board size	BS	Number of board members.	Mehmod et al. (2019)
		Board independence	BI	Number of independent commissioners/total board of commissioners.	Mehmod et al. (2019), Uddin et al. (2019)
Control Variable		Firm Size	SZ	Natural log of total assets.	Chan et al. (2013)
		Age	AGE	Number of years of operation of a company.	Khan et al. (2021)
		Return volatility	VOL	Standar deviation of stock return.	Al-Jaifi (2017)

Sampling Methods

The data collection method used is secondary data collection, that is, data obtained by research indirectly or from research conducted by others. The data can also be taken from published sources so that the data is available. The data sources in this study were obtained from the websites of each bank. The data of this study consists of banking companies listed on the Indonesia Stock Exchange (IDX). The banking population on the IDX consists of 86 companies. Only 34 banks are eligible for sample with the following considerations:

Table 2. Sampling Criteria

Information	Sum
Manufacturing companies in the <i>non-cyclicals</i> consumer goods industry sector are listed on the Indonesia Stock Exchange for the period 2017 – 2021	86
Companies whose data is incomplete annual report	(52)
Number of companies worthy of being sampled	34

Data Analysis Methods

Descriptive Statistical Analysis

Descriptive statistical analysis in this study is a phase that talks about elaboration and delineation, including the presentation of data. In this phase, statistical measures are discussed, such as the size of the center, the size of the distribution, and the size of the location of the distribution or distribution of data. This analysis aims to summarize the data so that it can provide an easy-to-understand picture and information. This analysis is carried out by calculating the average variation (mean), median, and standard deviation of each variable, namely *the liquidity ratio* (dependent variable); *institutional investors*, *managerial ownership*, *board size*, *board independence* (independent variables); as well as *firm size*, *firm age*, *return volatility* (control variables).

RESULTS AND REFRAINATION

Descriptive Statistical Analysis

Based on Table 4 of the Descriptive Statistical Analysis Test, there is an interpretation described as follows:

Institutional investors (IO) have an average value of 1.329153 and a standard deviation of 1.154131. The maximum value of 5.477600 owned by Multi Bintang Indonesia Company, Tbk in 2018 and the minimum value of IO of 0.000460 owned by Campina Ice Cream Industry Company, Tbk in 2020. *Managerial Ownership* (MO) has an average value of 0.063494 and a standard deviation of 0.106633. The maximum value of 0.509720 owned by Nippon Indosari Corpindo, Tbk company in 2020 and 2021 and the minimum value of MO of 1.00E-05 owned by Matahari Putra Prima Company, Tbk in 2017, 2018, 2019, 2020, 2021, Salim Ivomas Pratama Company, Tbk in 2017, 2018, 2019, 2020, 2021 and Unilever Indonesia Company, Tbk in 2017, 2018, 2019, 2020, 2021. *Board Size* (BS) has an average value of 10.03529 and a standard deviation of 2.813522. The maximum value of 19.000000 owned by Indofood Sukses Makmur Company, Tbk in 2021 and the minimum value of BS of 6.000000 owned by Duta Intidaya Company, Tbk in 2017, Ultra Jaya Milk Industry & Trading Company, Tbk in 2017, 2018, 2020, 2021, Jaya Agra Wattie Company, Tbk in 2019, 2020, 2021, Martina Berto Company, Tbk in 2020, 2021. *Board independence* (BI) has an average value of 0.391522 and a standard deviation of 0.108824. The maximum value of 0.833330 is owned by Unilever Indonesia, Tbk in 2020, 2021 and the minimum value of BI is 0.142860 owned by Midi Utama Indonesia Company, Tbk in 2019. *Firm size* has an average value of 12.20428 and a standard deviation of 1.301892. The maximum value of 14.25372 is owned by Indofood Sukses Makmur Company, Tbk in 2021 and the minimum value of 9.088342 owned by Delta Djakarta Company, Tbk in 2020. *Firm age* has an average value of 17.37647 and a standard deviation of 11.62376. The maximum value of 40.000000 is owned by Multi Bintang Indonesia Company, Tbk and the minimum value of 0.000000 is owned by Campina Ice Cream Industry, Tbk, Mahkota Group Company, Tbk and Palma Serasih Company, Tbk. *Return volatility* has an average value of 637.5275 and a standard deviation of 2.180.623. The maximum value of 21655.15 owned by Gudang Garam Company, Tbk in 2019 and the minimum value of 0.000000 owned by Martina Berto Company, Tbk in 2020.

Table 4. Descriptive Statistical Analysis Results

	Io	Mo	Bs	Bs	SZ	AGE	Vol
Mean	0.630329	0.063494	10.03529	0.391522	12.20428	17.37647	637.5275
Maximum	5.477600	0.509720	19.00000	0.833330	14.25372	40.00000	21655.15
Minimum	0.000460	1.00E-05	6.000000	0.142860	9.088432	0.000000	0.000000
Std. Dev	1.154131	0.106633	2.813522	0.108824	1.301892	11.62376	2180.623

Source : Data processed using E-Views (Appendix)

T Test

The t-test is used or aims to prove or find out whether independent and control variables individually affect the dependent variables. The test criteria of the t-test test if the significance of $t < 0.05$, then H_0 is rejected and if the significance of $t > 0.05$, then H_0 is accepted. The results of the t-test test in Table 6 can be interpreted as follows:

H₁ : There is no institutional influence of *investors* on stock market liquidity.

The test results in this study show that with a *p-value* of 0.9547 and the value greater than $\alpha = 0.05$, it can be concluded that *institutional investors* have no effect on stock market liquidity. *t-statistic* value of -0.056954, meaning that *the institutional investors* variable has a negative influence on stock market liquidity. In the study (Abbassi *et al.*, 2021), *institutional investors* have a positive and significant influence on stock market liquidity. However, the results of this study show a negative and insignificant influence on stock market liquidity. This negative influence occurs based on the results of research from (Setyamurti & Muid, 2015), (Yushita *et al.*, 2013) which shows that *institutional investors* actively monitor management actions so that there is an improvement in the quality of company management resulting through *institutional pressures* investors who result in retaining ownership of the company and have an impact on reducing stock market liquidity. Then the influence is not significant based on this study because manufacturing companies in the non-cyclicals consumer goods industry sector have a high proportion of the number of shares of 132.91% because institutions are more interested in buying shares of non-financial companies.

H₂ : There is no managerial ownership effect on stock market liquidity.

The test results in this study show that with a *p-value* of 0.7109 and the value greater than $\alpha = 0.05$, it can be concluded that *managerial ownership* has no effect on stock market liquidity. *t-statistic* value of 0.371505, meaning that the variable *managerial ownership* has a positive influence on stock market liquidity. In the study (Abbassi *et al.*, 2021), *managerial ownership* has a negative and significant influence on stock market liquidity. However, the results of this study show a positive and insignificant influence on stock market liquidity. This positive influence occurs based on the results of research from (Irfani & Anhar, 2019) that *managerial ownership* and debt have a reciprocal relationship which is indicated by an increase in the percentage of managerial ownership will reduce the use of company liquidity and vice versa a decrease in managerial ownership will increase the use of company liquidity so that it has a positive effect. This study is the same as the study (Jensen & Meckling, 1976), (Attig *et al.*, 2006), (Bettis *et al.*, 2000)

and (Leland, 1992). However, the influence is not significant based on this study because the proportion of ordinary shareholdings owned by company managers, has a low average value of 6.34% because manufacturing companies in the consumer goods industry sector non-cyclicals managers work for their benefit (Jensen & Meckling, 1976).

H₃ : There is an influence of *board size* on stock market liquidity.

The test results in this study show that with a *p-value* of 0.0014 and a value greater than $\alpha = 0.05$, it can be concluded that *the board size* affects the liquidity of the stock market. *t-statistics* value of -3.489813, meaning that *the board size* variable has a negative influence on stock market liquidity. In the study (Abbassi *et al.*, 2021), *board size* has a positive and significant influence on stock market liquidity. However, the results of this study show a negative and significant influence on stock market liquidity. This negative influence occurs based on the results of research from (Mashayeki & Bazaz, 2008), because the large number of board members causes many differences of opinion and debate so that it has a negative impact on the monitoring function and strategic decision making so as to reduce stock market liquidity.

H₄ : There is an influence of *board independence* on stock market liquidity.

The test results in this study show that with a *p-value* of 0.0010 and a value greater than $\alpha = 0.05$, it can be concluded that *board independence* affects stock market liquidity. *t-statistic* value of -3.362663 means that the *board independence* variable has a negative influence on the liquidity of the stock market. In the study (Abbassi *et al.*, 2021), *board independence* has a positive and significant influence on stock market liquidity. However, the results of this study show a negative and significant influence on stock market liquidity. This negative influence occurs because the number of independent boards of commissioners does not have the power to carry out monitoring and supervision that helps the company in liquidity problems so that the company cannot achieve high liquidity.

H₅ : There is an influence of *firm size* on stock market liquidity.

The test results in this study show that with a *p-value* of 0.0076 and the value greater than $\alpha = 0.05$, it can be concluded that *firm size* affects stock market liquidity. *t-statistic* value of - 2.787931 means that the *firm size* variable has a negative influence on stock market liquidity. In research (Abbassi *et al.*, 2021) and (Beck *et al.*, 2005), *firm size* has a positive and significant influence on stock market liquidity because large companies are old companies that have easy access to finance compared to small companies. However, this study shows a negative and significant influence on stock market liquidity. This negative influence occurred because manufacturing companies in the non-cyclicals consumer goods industry sector had an average value of a fairly high observation period with total assets of around Rp. 12,997,456,677,519.

H₆ : There is an influence of *firm age* on stock market liquidity.

The test results in this study show that with a *p-value* of 0.0002 and a value greater than $\alpha = 0.05$, it can be concluded that *the firm age* affects the liquidity of the stock market. *t-statistics* value of 3.871189 means that the *firm age* variable has a positive influence on stock market liquidity. In research (Abbassi *et al.*, 2021) and (Beck *et al.*, 2005), *firm age* has a negative and significant influence on stock

market liquidity because stock market liquidity is not affected whether the company is old or new. However, this study shows a positive and significant influence on stock market liquidity. This positive influence occurs due to the influence on manufacturing companies in the *non-cyclicals* consumer goods industry sector that have already carried out IPOs so that it is possible to have a better reputation because they have more experience in experiencing different economic conditions (Nafisah, 2020).

H7 : There is an effect of return volatility on stock market liquidity.

The test results in this study show that with a *p-value* of 0.7159 and a value greater than $\alpha = 0.05$, it can be concluded that *the firm age* affects the liquidity of the stock market. *t-statistic* value of 0.364730 means that the variable *return volatility* has a positive influence on the liquidity of the stock market. In the study (Abbassi *et al.*, 2021) and *return volatility* have a positive and significant influence on stock market liquidity because stock market liquidity will increase when there is more volatility in returns which ultimately attracts investors to provide funds and get more returns.

However, this study shows a positive and insignificant influence on stock market liquidity. This positive influence occurs because based on research (Abbassi *et al.*, 2021) because stock market liquidity will increase when there is more volatility in returns which ultimately attracts investors to provide funds and get more returns. The influence is not significant because there is one manufacturing company in the *non-cyclicals* consumer goods industry sector that has a zero standard deviation, thus affecting the volatility value.

Table 5. T Test Results

Variabel Independen	Variabel Dependen		
	Coefficient of Variation		
	Koefisien	Probabilitas	Kesimpulan
Konstanta	1.05E+08	-	-
<i>Institutional Investor</i>	-46761.97	0,9548	Tidak Signifikan
<i>Managerial Ownwership</i>	3808180.	0,7109	Tidak Signifikan
<i>Board Size</i>	-538756.4	0.0014	Negatif Signifikan
<i>Board Independence</i>	-20766324	0.0010	Negatif Signifikan
<i>Firm Size</i>	-8773866.	0.0076	Negatif Signifikan
<i>Firm Age</i>	989625.8	0.0002	Positif Signifikan
<i>Return Volatility</i>	77.79814	0,7159	Tidak Signifikan

Source : Data processed using E-Views (Appendix)

CONCLUSION

Based on the results of the tests carried out, there are several conclusions:

1. *Institutional investors* of the ownership structure do not negatively affect the liquidity of the stock market.
2. *Managerial ownership* of the ownership structure does not have a positive effect on stock market liquidity.

3. *The board size* of the board's characteristics negatively affects the liquidity of the stock market.
4. *Board independence* from board characteristics negatively affects stock market liquidity.
5. *Firm size* negatively affects stock market liquidity.
6. *Firm age* has a positive effect on stock market liquidity.
7. *Return volatility* does not have a positive effect on stock market liquidity.

IMPLICATION

Based on the results of the analysis of discussion data on the influence of Ownership Structure, Characterization of the Board on The Stock Market Liquidity of Manufacturing Companies in the *Non-Cyclicals* Consumer Goods Industry Sector on the Indonesia Stock Exchange (IDX) for the 2017-2021 Period, there are several things that can be considered and utilized for companies, investors and other interested parties to find out whether the Ownership Structure, Characteristics of the Board against Stock Market Liquidity.

Institutional investors show no negative effect. The results of this study provide an illustration that *investors* actively monitor management actions so that there is an improvement in the quality of company management resulting through institutional investor pressure which results in maintaining company ownership and has an impact on reducing stock market liquidity. Thus, companies need to have *institutional investors* with a larger amount to make investments compared to non-institutional investors so that ownership is in the hands of institutions so that they are more transparent in reducing the level of asymmetric information to maintain an effective level of liquidity in the stock market.

Managerial ownership does not have a positive effect on stock market liquidity. The results of this study provide an illustration that the proportion of ordinary share ownership owned by company managers, has a low average value of 6.34% because manufacturing companies in the consumer goods industry sector are *non-cyclicals*, *managers* in the company work for their interests. Thus, companies need a policy so that managers do not work for their interests only and do not ignore the interests of shareholders in order to increase the liquidity of the stock market.

Board size negatively affects stock market liquidity. The results of this study illustrate that the large number of board members causes a lot of dissent and debate so that it has a negative impact on the monitoring function and strategic decision making so as to reduce stock market liquidity. Thus, it is important for companies to implement *good corporate governance* so that they are not misused by management so that liquidity can be maintained.

Board independence negatively affects stock market liquidity. The results of this study illustrate that the number of independent boards of commissioners does not have the power to carry out monitoring and supervision that helps the company in liquidity problems so that the company cannot achieve high liquidity. Thus, companies need to implement good corporate governance so that monitoring, supervision of stock market liquidity can be maintained.

Firm size negatively affects stock market liquidity. The results of this study provide an illustration that the average value of the observation period is quite high

with total assets of around Rp 12,997,456,677,519 and does not guarantee that large companies have easy access to finance compared to small companies. Thus, companies need to increase liquidity in line with the increase in assets they have.

Firm age has a positive effect on stock market liquidity. The results of this study provide an illustration that companies that have already carried out IPO so that it is possible to have a better reputation because they have more experience in experiencing different economic conditions. Thus, relatively young companies operate in order to see developments and learn the experiences of companies that operate longer in order to innovate and get a better reputation so that the company's stock market liquidity can be maintained.

Return volatility does not have a positive effect on stock market liquidity. The results of this study give an idea that stock market liquidity will increase as companies have more volatility in returns which ultimately attracts investors to provide funds and get more returns. So companies need to increase volatility so that investors are interested in providing funds and getting more returns.

LIMITATIONS AND SUGGESTIONS

Limitations

This researcher has limitations that can affect the results of the study. These limitations include:

1. In this study, the sample was used only in manufacturing companies in the *non-cyclicals* consumption charcoal industry sector with an observation period of 2017-2021 listed on the Indonesia Stock Exchange (IDX).
2. In this study, it only used 4 independent variables, namely the ownership structure of *institutional investor proxies* and *managerial ownership* as well as the characteristics of the board proxy *board board size* and *board independence* and with 3 control variables, namely *firm size*, *firm age* and *return volatility*.
3. In this study, the main journal used the independent variable *CEO duality*. However, in this study did not use the *CEO duality* variable, this is because companies in Indonesia do not have *CEO duality* and adhere to a *two-tier board system*.
4. In this study, where the data taken from each of the annual financial statements of several companies do not have managerial and institutional ownership in their companies, so there are companies that are not included in the research criteria.
5. In this study, where the data taken from each company's annual financial statements stated that \$USD so that there were companies that did not fall into the research criteria.

Suggestion

Researchers hope that this research can provide an inspirational picture for the next research that will conduct research related to stock market liquidity. Some suggestions for subsequent researchers who conduct stock market liquidity research include:

1. With this research, it is hoped that investors can increase the company at a high level of liquidity. This illustrates the company's ability to maintain its liquidity, so that the company can be targeted for investment by investors. However,

there is one more thing that really needs to be considered in choosing a company, namely corporate governance. With good corporate governance, liquidity can be maintained.

2. With this research, it is hoped that companies need to be selective to inform positive signals to investors and potential investors who want to invest their funds in the company. This is done so that the company's liquidity is maintained and the company is not harmed by the presence of internal and outside investors. In addition, companies need to adjust the number of boards of commissioners and independent board of commissioners to applicable regulations, this is done so that the company's liquidity is maintained and decision making is more effective, appropriate and independent.
3. Further research is expected to change independent variables, namely the ownership structure of *institutional investor proxies* and *managerial ownership*. Because institutional shareholding and managerial shareholding produce insignificant influence. Therefore, for further research, you can use other proxies of ownership structures, for example share ownership by foreign investors in order to generate a significant influence on stock market liquidity.
4. Furthermore, researchers are expected to be able to use a sample of companies other than manufacturing companies in the consumer goods sector so that the research sample becomes more numerous so as to get more significant results and there is a comparison of stock market liquidity conditions in various types of companies.

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