The Effect Of Good Corporate Governance Implementation On Corporate Social Responsibility And Company Values

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The Effect Of Good Corporate Governance Implementation On Corporate Social Responsibility And Company Values

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ABSTARACT

The purpose of this study was to analyze the effect of good corporate governance (GCG) to the value of the company with corporate social responsibility (CSR) as an intervening variable. In this study used a sample of 79 manufacturing companies listed on the Stock Exchange with methods of sampling purposive. This study uses a quantitative approach to data analysis method regression and sobel test. The results of this study indicate that independent commissioners has positive effect on firm value, while the other factors do not affect the value of the company such as Institutional ownership, Managerial ownership, Audit committee, and CSR has no effect on firm value. GCG mechanisms are proxied by independent commissioners, Institutional ownership, Managerial ownership, Audit committees cannot be mediated by CSR, so CSR is not an intervening variable in the effect of GCG on firm value.

***Keywords**: Good Corporate Governance, Corporate Value, Corporate Social Responsibility.*

Interoduction

In the last few decades, Indonesia's economic growth has declined. The company becomes one of the entities in a country, because the company has an important position to improve its economy by one way, namely reducing unemployment.

The main motive for establishing a company certainly has short-term and long-term goals, which are to maximize profits and shareholder prosperity. If you want this goal to be achieved, the company must increase the company's share price to be even higher. According to Dewi and Sanica (2017), the higher the stock price, the higher the value of the company, by means of making the company the desire of shareholders and investors who will tend to invest their shares in companies that have good performance in increasing the value of the company. In addition to knowing the performance of a company, one way is to look at its market value, which will later assess a company that makes the company look good, with the support of research by Febriani and Asmaranti (2014) that makes a company can be seen well which can be seen from the market value or book value of the company.

Company value can be influenced by several factors including Good Corporate Governance, Corporate Social Responsibility and others where these factors can be incorporated into the implementation of GCG with proxies such as independent commissioners, institutional ownership, managerial ownership, and audit committees or it can be said as a GCG mechanism. , with the GCG mechanism it can be reflected that a company can increase the value of the company. The four GCG mechanisms also have the highest power in determining company decisions and policies, even those policies related to CSR policies carried out by the company.

The results of research that affect the value of the company are so diverse. As Widyaningsih (2018), the results of his research mechanism, namely independent commissioners, institutional ownership, managerial ownership, and audit committees have a positive effect on firm value. Widyowati, Rani, and Jalih (2020) that managerial ownership, and the audit committee influence firm value. However, it is inversely proportional to the research from Purbopangestu and Subowo (2014) that the results of the research mechanism, namely institutional ownership, managerial ownership, and audit committees have no effect on firm value.

The difference from the results of previous studies proves that there is a research gap, so Corporate Social Responsibility is used as an intervening variable in this study to strengthen the relationship between Good Corporate Governance and firm value. This statement is supported by research by Setyarini and Paramitha (2011) that independent commissioners, institutional ownership, and managerial ownership affect CSR and according to Soedaryono and Riduifana (2013) that audit committees affect CSR even according to Cheng, Wang and Wangc (2021) that ownership institutions have a negative effect on CSR and similar to the research of Thasya, Lisah, Angeline, Gozal, and Veronica (2020) that audit committees and institutional ownership have a negative effect on CSR. However, it is in contrast to research from Lestari and Asyik (2015) that independent commissioners, managerial ownership, institutional ownership, audit committees have no effect on CSR and Andayani, Yusra (2019) that independent commissioners have no effect on CSR.

Looking at some of the studies above which have been done by previous researchers, the results are not the same, that is, they are still different. So, the difference between this research and previous research that has become an update is in the use of another method when calculating firm value, namely (Tobin's Q) and for measuring CSR using a new indicator, namely the GRI standard. In addition, the audit committee variable uses the calculation of summing up the meetings conducted by the audit committee which is to measure the effect of company value and CSR, because the number of members of the audit committee itself can be represented by independent commissioners with the role of the independent commissioner being almost the same as the audit committee.

The dependent variable in this study is the firm value measured by Tobin's Q, while the independent variable from the GCG proxy is the four mechanisms such as managerial ownership, institutional ownership, independent commissioners, audit committees, in addition to the intervening variable, namely CSR, because CSR as one of the policies within the company with direct supervision of the Good Corporate Governance mechanism which is the embodiment of responsibility for the social environment.

Literature Review and Hypotheses

Agency Theory

According to Jensen and Meckling (1976) Agency Theory is based on a contractual relationship where shareholders or owners and management or managers, then the relationship between owners and managers is essentially not easy to run well due to conflicting interests. This is done so that managers are more focused on investing in companies that have high profits in the short term, rather than maximizing the investments of shareholders who have profits in the long term. So it can be concluded that Agency Theory is an important way that is considered in explaining a conflicting or conflicting interest between managers and owners as an obstacle as well as an existing solution, for the agency problems above which in the preparation and even financial reporting must have one of the GCG principles, namely transparency and accountability in doing a business so that it can be evaluated to find out existing irregularities or fraud and will be given sanctions if fraud occurs.

Independent commissioners and firm value

According to Febriani and Asmaranti (2014) Independent Commissioner comes from the word commissioner which is a member of the board of commissioners who is not related to the board of directors regarding anything including finance and even share ownership, as well as from a fraud. Independent commissioners are neutral on GCG principles which can reduce fraud on the part of management when submitting a financial report. In addition, independent commissioners have the role of controlling and directing the decisions of a company in carrying out its operational processes with appropriate company quality standards for better and more effective achievement of company goals. This achievement is not far from the role of the independent commissioner itself where this can create good GCG in implementation so that it can advance the company in increasing company value. Independent commissioners provide an agency contribution where to solve problems, if the number of independent commissioners is greater, the more effective it is in increasing assets in accordance with the wishes of shareholders.

This is in line with research conducted by Widyaningsih (2018) and Purbopangestu and Subowo (2014) that the Independent Commissioner has a positive effect on firm value. This means that effective management and supervision carried out by an independent board of commissioners can help minimize conflicts within the agency which will ultimately have an impact on firm value, thus generating the existing hypothesis as below.

H_1: Independent commissioners have a positive effect on firm value

Institutional ownership and firm value

According to Febriani and Asmaranti (2014) Institutional share ownership is share ownership in a company engaged in non-financial even in the legal field. Institutional ownership has an important role in preventing agency conflicts with optimal supervision. The greater the institutional ownership, the greater the power it has in controlling a company so that the agency costs that occur within the company decrease so that it can optimize and even increase the value of the company.

This is in line with research conducted by Widyaningsih (2018), and Sutrisno (2020) that institutional ownership has a positive effect on firm value, thus generating the existing hypothesis as follows.

H_2: Institutional ownership has a positive effect on firm value

Managerial ownership and firm value

According to Febriani and Asmaranti (2014) managerial ownership is the proportion of shares of a portion of the board of commissioners and the board of directors in management. The managerial ownership is reviewed from the management ownership in a shareholder list. Managerial ownership can reduce and solve a risk of agency conflict in a company, because the size of managerial ownership can be seen from the similarity of interests between shareholders and managers, where the amount of ownership is large, it has low conflict in the agency and vice versa if the amount is large, it has conflict. those who are low in agency where in the process of working they will be more proactive to realize the interests of shareholders which can later increase trust to increase the value of the company, so that they get some direct benefits from the decisions to be taken even the company also bears if there is a loss when the decision is made wrong.

This is in line with research conducted by Widyaningsih (2018) and Widyowati, Rani, and Jalih (2020) that managerial ownership has a positive effect on firm value, thus generating the existing hypothesis as follows.

H_3: Managerial ownership has a positive effect on firm value

Audit Committee and firm value

According to Febriani and Asmaranti (2014) the Audit Committee is a supporter of the board of commissioners which in their work is always collectively assisting the duties of the board of commissioners, which maintains credibility and quality in the process of compiling a company's financial statements and even managing the implementation of GCG implementation. In addition, the audit committee moves independently in completing its duties in a company's financial statements with transparency and responsibility as expected. The Audit Committee has an effective function according to the wishes of management in prosperity so it can reduce agency costs and improve the quality of a company's financial statements.

This is in line with research conducted by Widiyatmoko (2020) and Widyowati, Rani, and Jalih (2020) that the audit committee has a positive effect on firm value, thus generating the existing hypothesis as below.

H_4: The audit committee has a positive effect on firm value

Independent Commissioners and Corporate Social Responsibility

Independent Commissioners are neutral on the principles of GCG which can reduce fraud from the management when submitting a financial report. Because the fraud can lower the stock price. In addition, the Independent Commissioner will protect the interests of shareholders when carrying out CSR activities, because independent commissioners carry out policies and make decisions independently without being influenced by anyone for the benefit of the company, including CSR policies.

This is in line with research conducted by Setyarini and Paramitha (2011) that independent commissioners have an effect on CSR, thus generating the existing hypothesis, which is as follows.

H_5: Independent commissioners have a positive effect on corporate social responsibility

Institutional Ownership and Corporate Social Responsibility

According to Purbopangestu and Subowo (2014) shareholders have share ownership, the first is shares owned by managers and the second is shares owned by institutions. In the application of Institutional Ownership related to decision making in the company, where the higher the level of institutional ownership, the supervision of management will also increase. Such supervision can reveal information, especially information related to social activities carried out by the company. In addition, institutional ownership becomes the party that monitors the company by directing and providing input to management when carrying out activities in CSR activities, it will gain legitimacy from the community.

This is in line with the research conducted by Setyarini and Paramitha (2011) where institutional ownership has an effect on CSR, thus generating the existing hypothesis as below.

H_6: Institutional ownership has a positive effect on corporate social responsibility

Managerial ownership and Corporate Social Responsibility

According to Purbopangestu and Subowo (2014) shareholders have share ownership, the first is shares owned by managers and the second is shares owned by institutions. In the application of managerial ownership related to decision making in the company, where if the amount is large, it has low conflict in the agency where in the work process it will be more proactive to realize the interests of shareholders which will later motivate the company in the delivery of information disclosure on corporate social activities.

This is in line with the research conducted by Setyarini and Paramitha (2011) where managerial ownership has an effect on CSR, thus generating the existing hypothesis as below.

H_7: Managerial ownership has a positive effect on corporate social responsibility

Audit Committee and Corporate Social Responsibility

The Audit Committee has an important role where in the process of preparing financial statements it can be well maintained and can even improve the quality of its supervision in the existing company supervision system as well as in disclosing related information from social information carried out by the company to make it better. So, the more meetings the audit committee holds, the more information the company will present to the public.

This is in line with the research of Soedaryono and Riduifana (2013) that the audit committee has an effect on CSR, thus generating the existing hypothesis, which is as follows.

H_8: The audit committee has an positive effect on corporate social responsibility

Corporate Social Responsibility and firm value

Corporate Social Responsibility can also be referred to as a business ethic because the company does not only have economic obligations but also related parties such as stakeholders in which there are suppliers, owners, customers, and the government. According to Mukhtaruddin, Ubaidillah, Dewi, Hakiki, and Nopriyanto (2019) CSR can help companies face challenges and even reduce risk as a strategy to increase company value. According to Jo and Harjoto (2011) based on agency theory in investing excessively in CSR activities to improve their reputation as well as socially responsible managers at the expense of shareholders. So, in implementing CSR, it will add a positive impression, as according to Worokinasih and Zaini (2020) in implementing a Corporate Social Responsibility, there is hope for companies to become more ethical to increase company value.

This is in line with research conducted by Soedaryono and Riduifana (2013) that CSR has an effect on firm value and Bawafi and Prasetyo (2015) that Corporate Social Responsibility has a positive effect on firm value, thus generating a hypothesis as below.

H_9: Corporate Social Responsibility has a positive effect on firm value

Research Methods

Population and Sample

The population in this study is manufacturing companies where the companies are listed on the Indonesia Stock Exchange (IDX) until 2020 amounting to 195 companies. In this study, the purposive sampling technique was used because not all samples used had appropriate criteria, therefore the authors chose the purposive sampling technique to obtain a representative sample in accordance with predetermined criteria and produced a sample of 79 manufacturing companies.

Research variable

This study consists of one dependent variable, namely firm value, four independent variables consisting of independent commissioners, institutional ownership, managerial ownership, and the audit committee and one intervening variable, namely CSR. The following is a table of research variables and how to measure them:

Table 1: Definistion and Measurement of Variable

Variabel	Simbol	Pengukuran
Nilai Perusahaan	Tob-Q	(EMV + DEBT)/ TA
Independent Coomissioner	ICOM	Sum of Independent Commissioner/Sum of Commiccioners
Institusional Ownership	IOWN	Shares owned by institutions/number of shares outstanding
Managerial Ownership	MOWN	Shares owned by management/number of shares outstanding
Komite Audit	AUC	Number of meetings held by the Audit Committee

Corporate Social Responsibility	CSR	Number of items disclosed/Number of items that should have been disclosed

Data analysis

The data available is multiple regression data consisting of 79 companies and an observation period of three years. Therefore, to test the hypothesis, multiple regression and Sobel test will be used.

The regression equation model in this study is as follows:

$$Tob\text{-}Q = \alpha + \beta_1 ICOM + \beta_2 IOWN + \beta_3 MOWN + \beta_4 AUC + \beta_5 CSR + e \ldots\ldots (1)$$

$$CSR = \alpha + \beta_1 ICOM + \beta_2 IOWN + \beta_3 MOWN + \beta_4 AUC + e \ldots\ldots (2)$$

Information:

Tob-Q	= Firm value
CSR	= Corporate Social Responsibility
α	= Constant
$\beta_1 \ldots \beta_5$	= Regression coefficient
ICOM	= Independent Commissioner of the company i
IOWN	= Institutional Ownership in company i
MOWN	= Managerial Ownership in company i
AUC	= Audit Committee of company i
e	= Error (data error)

Research Results

Descriptive Statistics

The description of the research data in the form of minimum, maximum, mean and standard deviation values using the SPSS 21 program, is as follows:

Table 2: Deskriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ICOM	237	.25	.83	.4105	.10286
IOWN	237	.00	.99	.6206	.27862
MOWN	237	.00	.94	.1063	.21076
AUC	237	.00	45.00	51.392	533.473
Tob-Q	237	.18	14.41	17.247	177.375
CSR	237	.84	1.00	.9677	.02824
Valid N (listwise)	237				

Sourcce: Data processed

Based on the table above, it is known that the results of descriptive statistical analysis on the GCG variable which is proxied first to the independent commissioner has a minimum value of 0.25 with a maximum value of 0.83. The average value of the Independent Commissioner is 0.4105 and the standard deviation is 0.10286. The standard deviation value is 0.10286, which if it is lower than the mean value, it indicates that the independent commissioners in the sample companies are homogeneous. Each institutional ownership has a minimum value of 0.00 with a maximum value of 0.99. The average value of institutional ownership is 0.6206. The standard deviation value is 0.27862, which if it is lower than the

mean value, it indicates that institutional ownership in the sample companies is homogeneous. The three managerial ownerships have a minimum value of 0.00 with a maximum value of 0.94. The average value of managerial ownership is 0.1063. The standard deviation value is 0.21076, which if it is higher than the mean value, it indicates that managerial ownership in the sample companies is heterogeneous. The four audit committees have a minimum score of 0.00 with a maximum score of 45.00. The average score of the audit committee is 5,1392, in which the company has a total of 5 audit committee meetings a year. The standard deviation value is 5.33473, which if it is higher than the mean value, it indicates that the audit committee in the sample company is heterogeneous.

Based on the table above, it is known that the results of descriptive statistical analysis on the firm value variable as measured by Tobin's Q have a minimum value of 0.18 with a maximum value of 14.4. The average value of Tobin's Q is 1.7247. The standard deviation value of Tobin's Q is 1.77375, which if it is higher than the mean value, it indicates that Tobin's Q in the sample company is heterogeneous. Meanwhile, the Corporate Social Responsibility variable has a minimum value of 0.84 with a maximum value of 1.00. The average value of CSR is 0.9677. The standard deviation value of CSR is 0.02824, which if it is lower than the mean value, it indicates that CSR in the sample companies is homogeneous.

Disccussion

After the data is processed, the results of the regression test are obtained with the first model firm value as the dependent variable and the second model CSR as the independent variable, the results are as follows:

Table 3: Hypothesis Test Result

Model	Firm Value			CSR		
	Coef	t	sig.	Coef	t	sig.
Constant	-.429	-.652	.515	.975	88.217	.000
ICOM	5.428	5.041	.000	-.022	-1.235	.218
IOWN	.025	.045	.964	.006	.616	.538
MOWN	-.920	-1.250	.212	-.004	-.289	.772
AUC	.001	.064	.949	.000	-.484	.629
CSR	4.667	1.142	.254			

Source: Data processed

Independent commissioners and firm value

The results of the regression test can be seen showing that the independent commissioner has a positive and significant effect on firm value. Then the results are in accordance with H1. The statement proved that the independent commissioner had a significant value of 0.000 < 0.05. This means that the greater the number of independent commissioners, the more effective it will be. This is because independent commissioners have the role of controlling and directing a company's decisions in carrying out its operational processes with appropriate company quality standards for better and more effective achievement of company goals. This achievement is not far from the role of the independent commissioner itself where this can create good GCG in its implementation so that it can advance the company in increasing company value. Independent commissioners provide an agency contribution where to solve problems, if the number of independent commissioners is greater, the more effective it is in increasing assets in accordance with the wishes of shareholders.

This is in line with research conducted by Widyaningsih (2018) and Purbopangestu and Subowo (2014) that the Independent Commissioner has a positive effect on firm value. This

means that management with effective supervision carried out by an independent board of commissioners can help minimize conflicts within the agency which ultimately have an impact on firm value.

Institutional ownership and firm value

The results of the regression test can be seen showing that institutional ownership has no significant effect on firm value. So, the results are not in accordance with H2. This statement is proven that institutional ownership has a significant value of 0.911 > 0.05. Institutional ownership has no effect on the value of the company or it can be said that institutional ownership reduces the value of the company because the majority owner is no longer institutional investors or shareholders, so that institutional ownership is not able to properly monitor the performance of managers, in other words it cannot control the company because shareholders are which can tend to control the company which will make shareholders as controlling shareholders. In addition, there is no taking an action or decision on the information that has been obtained and cannot predict the value of the company. This can reduce the public's sense of trust in the company which results in a decline in the stock market where the number of outstanding shares and share prices also decrease and result in losses for the company, even in increasing the value of the company institutional ownership cannot.

This is not in line with research conducted by Widyaningsih (2018) and Sutrisno (2020) that institutional ownership has a positive effect on firm value. But in line with research from Widyowati, Rani, and Jalih (2020), as well as Purbopangestu and Subowo (2014) that institutional ownership has no effect on firm value.

Managerial ownership and firm value

The results of the regression test can be seen showing that managerial ownership has no significant effect on firm value. So these results are not in accordance with H3. This statement proves that managerial ownership has a significant value of 0.182 > 0.05. Managerial ownership is low, the managerial ownership does not yet feel like owning the company, why is that because the benefits of the company have not been enjoyed by management where managers often take actions that are only concerned with personal interests without paying attention to the interests of other shareholders, this makes managers no longer have a sense of concern for the value of the company. In profit, not all benefits can be enjoyed by management, it results in a lack of motivation for management and can make shareholders lose even lower their performance in the company which can reduce company value.

This is not in line with research conducted by Widyaningsih (2018) and Widyowati, Rani, and Jalih (2020) that managerial ownership has a positive effect on firm value, thus generating the existing hypothesis as below. But in line with research from Purbopangestu and Subowo (2014) that managerial ownership has no effect on firm value.

Audit committee and firm value

The results of the regression test can be seen showing that the audit committee has no significant effect on firm value. So these results are not in accordance with H4. This statement proved that the managerial audit committee had a significant value of 0.999 > 0.05. This is because the lower the number of meetings on the audit committee, the time given to report financial statement reports cannot be detailed, because poor financial reports can reduce investor interest in investing and cannot even affect the value of the company.

This is not in line with the research conducted by Widiyatmoko (2020) and Widyowati, Rani, and Jalih (2020) that the audit committee has a positive effect on firm value. But in line with research from Purbopangestu and Subowo (2014) that the audit committee has no effect on firm value.

Independent commissioners and CSR

The results of the regression test can be seen showing that the independent commissioner has no significant effect on firm value. So these results are not in accordance with the fifth hypothesis which states that independent commissioners have a positive effect on firm value. The statement proved that the independent commissioner had a significant value of 0.222 > 0.05. Independent commissioners if the number of independent commissioners is getting smaller or lower then it cannot encourage the board of commissioners and only acts subjectively which later if the CSR activity is too excessive it will be reported to shareholders where it can reduce the CSR activity. In addition, if there are fewer independent commissioners in the company's board of commissioners, the disclosure of corporate social responsibility will be lower.

This is not in line with the research conducted by Setyarini and Paramitha (2011) that independent commissioners have an effect on CSR. Rather, it is in line with research from Lestari and Asyik (2015) that independent commissioners have no effect on CSR

Institutional oownership and CSR

The results of the regression test can be seen showing that institutional ownership has no significant effect on firm value. So, the results are not in accordance with H6. This statement is proven that institutional ownership has a significant value of 0.481 > 0.05. If the level of institutional ownership is lower, the supervision of management will also decrease which results in the disclosure of information, especially related to social matters, which is less disclosed and even less information. So institutional ownership in considering CSR to be an investment criterion in companies has not become a definite consideration because the company's lack of uncertainty in CSR disclosure does not even consider it to be important.

This is not in line with the research conducted by Setyarini and Paramitha (2011) where institutional ownership has an effect on CSR. Rather, it is in line with research from Lestari and Asyik (2015) that institutional ownership has no effect on CSR.

Managerial ownership and CSR

The results of the regression test can be seen showing that managerial ownership has no significant effect on firm value. So, the results are not in accordance with H7. This statement is proven that managerial ownership has a significant value of 0.840 > 0.05. Managerial ownership applies its application related to decision making in the company, where if the amount is small, the work process will be reactive. This is because managers sometimes act which only cares about their personal interests without paying attention to the interests of other shareholders. It makes managers not shy in limiting an activity of CSR in the company to get a more profit for the manager.

This is not in line with the research conducted by Setyarini and Paramitha (2011) where managerial ownership has an effect on CSR. But it is in line with research from Lestari and Asyik (2015) that managerial ownership has no effect on CSR.

Audit committee and CSR

The results of the regression test can be seen showing that the audit committee has a positive and significant effect on firm value. Then the results are in accordance with H8. The statement proved that the adit committee had a significant value of 0.670 > 0.05. The audit committee, if the number of audit committee meetings is less, it will be difficult to obtain information that will be presented by the company to the public. In addition, if it is too focused on one of its duties, namely maintaining the credibility of financial reporting, CSR disclosure is neglected and less attention is paid to and held.

This is not in line with the research conducted by Soedaryono and Riduifana (2013) that the audit committee has an effect on CSR. But it is in line with research from Lestari and Asyik (2015) and Andayani and Yusra (2019) that the audit committee has no effect on CSR.

CSR and firm value

The results of the regression test can be seen showing that CSR has no significant effect on firm value. So these results are not in accordance with H9. This statement proved that CSR has a significant value of 0.254 > 0.05. At low CSR disclosures, it will reduce the value of the company which decreases the attractiveness of investors in the company's prospects. According to Worokinasih and Zaini (2020) in implementing a Corporate Social Responsibility there is hope for companies to become more ethical to increase company value, where if companies that have disclosed Corporate Social Responsibility can last much longer than companies that do not do it, which will provide a positive thing for a view of the company's investors which can also minimize the negative impact on stakeholders. CSR in Indonesia is still low, where when investors buy shares and sell shares without considering the long-term sustainability of a company, CSR cannot be felt in the short term.

This is not in line with research conducted by Soedaryono and Riduifana (2013) that CSR has an effect on firm value and Bawafi and Prasetyo (2015) that Corporate Social Responsibility has a positive effect on firm value. But it is in line with research from Widiatmoko, Jacobus (2020), and Pristianingrum (2017) that Corporate Social Responsibility has no effect on company value.

Conclusions And Recommendations

Based on the results of the analysis and discussion above, it can be concluded that there is one variable whose hypothesis is proven or accepted, namely the independent commissioner which has a significant and positive influence on firm value. Meanwhile, other factors such as institutional ownership, managerial ownership, audit committee and CSR have no effect on firm value.

The authors' suggestions for future research are expected to be able to multiply and add other independent variables that can affect the company's value and CSR, not only the GCG mechanism or change the dependent variable to earnings management. In addition, increasing the research period becomes longer so that it can generalize the results and can use other methods in calculating the company value, such as being measured by PER, because Tobin's Q and PBV have been widely used in previous studies.

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