The Influence Of Good Corporate Governance, Corporate Social Responsibility And Financial Performance On The Value Of Lq45 Companies Listed On The Indonesia Stock Exchange

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ABSTRACT

This study aims to prove the influence of Good Corporate Governance as measured by the Independent Board of Commissioners, Institutional Ownership, Managerial Ownership, and audit committee size, Corporate Social Responsibility and financial performance as measured by return on assets and return on equity on LQ45 firm value. This study uses secondary data in financial, annual and sustainability reports. The sampling used a purposive sampling technique, resulting in 87 LQ45 company data. Analysis of the data used in the research is multiple linear regression analysis. The result shows that the board of independent commissioners, managerial ownership, corporate social responsibility, return on equity do not influence LQ45 firm value. Institutional ownership has a negative influence on LQ45 company value, and returns on assets have a positive impact on LQ45's company value.

Keywords   : Corporate Social Responsibility; Financial Performance; Firm Value; Good Corporate Governance

I. INTRODUCTION

Increasing the value of companies with long time vulnerability is the ideal of every company with the best effort (Mukhtaruddin et al., 2014). Stock prices can reflect an increase in company value (Mukhtaruddin et al., 2014). Stock market movements will always be observed by investors through the Indonesia Stock Exchange (Mukhtaruddin et al., 2014). Investors have a benchmark to see the state of a company using stock prices (Rosmita, 2019). One of the factors that influence investors' decisions to invest their funds is the condition of the company (Rosmita, 2019). Investors measure stock movements with predetermined criteria using stock indices and also for comparison indicators between stocks (Putra et al., 2019). Of the various stock indices, JCI (Composite Stock Price Index) and LQ45 (Liquidity 45) are often used among investors (Putra et al., 2019). Here are the movements of the 2019-2021 LQ45 stock.
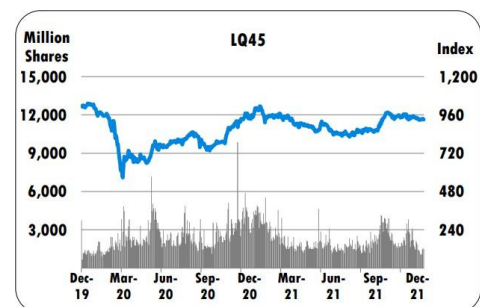
Figure 1 stock movement 2019-2021

Source: idx.co.id

Judging from figure 1.1, at the end of 2019 the LQ45 share price was at the level of 1022.72. In 2020, the LQ45 stock index experienced a decline in stock price where in March 2020 it was at the level of 934.89. Then at the end of 2021, the LQ45 stock index fell again with the stock price at 931.41. The decline in stock price occurred due to 2 factors, namely internal or external. Internal problems occur due to agency problems, such as differences in information, opportunistic actions, or lack of transparency. Based on agency theory, agency problems can be prevented by corporate governance. External problems occur because they occur outside the company such as the coronavirus outbreak. This outbreak occurred in 2020, where the outbreak affected the finances of several companies. This can be prevented if the company implements good corporate governance because the company's finances will be maintained.

Shareholders will continue to invest funds in companies based on company records that have high stock numbers, because shareholders want research revealed that the CSR reports in the company's reports were not used by investors. In addition to GCG and CSR, companies do not forget to provide information about financial performance (Hidayat

their prosperity to be guaranteed (Puspasari &; Sujana, 2021). One of the important things for shareholders is information, because information is the key to investing in a company. Information that can be presented by the Company is related to corporate governance, social responsibility, and financial performance (Puspasari &; Sujana, 2021).

Based on research by Hidayat et al. (2021), company value is positively influenced by GCG. Different findings were obtained with Raksono & Wirjawan (2019) with the results of GCG research not affecting company value. According to Raksono & Wirjawan (2019), companies that implement Good Corporate Governance may not have an internal overhaul of the agency. Corporate Social Responsibility affects the value of the company. Based on research by Putra et al. (2019), increasing company value can be increased by loyalty from consumers. With high loyalty, the company's profit level will be good and the company will be more famous, this can be realized by including CSR reports in the annual report. Unlike the research of Hidayat et al. (2021), CSR does not affect company value. The results of his et al., 2021). Based on Sari & Asyik (2018) and Fiadicha &; Hanny (2018) which suggest the use of ROA and ROE in measuring financial performance positively affects company value. In contrast to the

opinions of Fika & Rahmawati (2020) and Asyik & Thaharah (2016), getting the results of using ROA and ROE in measurement does not affect the company's value. Fika &; Rahmawati (2020) stated that the value of a company that is not influenced by financial performance is due to securities market rules that do not work properly because the securities market is still developing. Based on the results of previous studies that are still inconsistent between the relationship of independent variables and dependent variables and based on the explanation above, researchers have a goal to explore with the title influence of good corporate governance, corporate social responsibility and performance of corporate value LQ45.

II. RESEARCH METHOD

Types of Research and Overview of the Population (Object) of Researchs

The researcher uses quantitative types in his study methods. Sugiyono (2022:7) wrote that quantitative methods are called positivistic because their foundation is based on positivistic philosophy. The quantitative approach is also called the scientific approach because it meets scientific principles: objective, measurable, rational, systematic, and replicable.

Purposive sampling is chosen by researchers to be used in retrieving data needed by researchers. Sampling using criteria set by researchers is called Purposive sampling Sugiyono (2022:81). The sample criteria are LQ45 Companies listed on the Indonesia Stock Exchange, Companies listed on the LQ45 stock index consecutively for the 2019-2021 period, LQ45 Companies that report consecutive sustainability reports for the 2019-2021 period.

III. RESULTS AND DISCUSSION

Table 1 Variable and Measurement

Variable	Measurement
Company Value (Y)	$Q = \dfrac{(EMV + D)}{(EBV + D)}$
Independent Board of Commissioners (X1)	$\dfrac{\text{Member of Independent Comissaris}}{\text{Total Member of Commisaris}}$
Institutional Ownership (X2)	$\dfrac{\text{The Number of Share Owned by the Institution}}{\text{Total Outstanding Share Capital of the Company}}$
Managerial Ownership (X3)	$\dfrac{\text{The Number of Share Owned by the Management}}{\text{Total Outstanding Share Capital of the Company}}$
Audit Committee Size (X4)	Number of audit committee members
Corporate Social Responsibility (X5)	$\dfrac{\sum Xy_i}{n_i}$
Return On Asset (X6)	$\dfrac{\text{Net Income}}{\text{total Assets}}$
Return On Equity (X7)	$\dfrac{\text{Net Income}}{\text{total Equity}}$

Source: Scientific Articles

Descriptive Statistics
The results of descriptive statistical analysis are presented in the table below.

Table 2 The results of descriptive statistical

Descriptive Statistics					
	N	Min	Max	Mean	Std. Dev
IBC	87	,29	,83	,44	,12
IO	87	,12	,95	,62	,13
MO	87	,00	,06	,00	,011
ACS	87	3,00	8,00	3,94	1,34
CSR	87	,15	,64	,42	,11
ROA	87	-,03	,36	,07	,078
ROE	87	-,07	1,45	,15	,24
CV	87	,73	5,10	1,47	,90

Source: SPSS Output

Classical Assumption Test
Normality Test

The results of the normality test, in this study using the Kolmogorov-Smirnov test with the sqrt (square root) transformation, indicating that the data are normally distributed, with asymp. sig. 0.200 exceeds the minimum normal data of 0.05.

Multicolonearity Test

The result of multicolonearity test in this study are not symptoms of muccolicollinearity in all variables, because there is no high correlation of numbers from each independent variable.

Heteroscedasticity Test

In this study indicated no symptoms of heteroscedasticity. This is because data points do not gather in the middle, the spread is at the top and bottom around 0, and no particular pattern formation is found. The following is a picture of the results of the heteroscedasticity test:
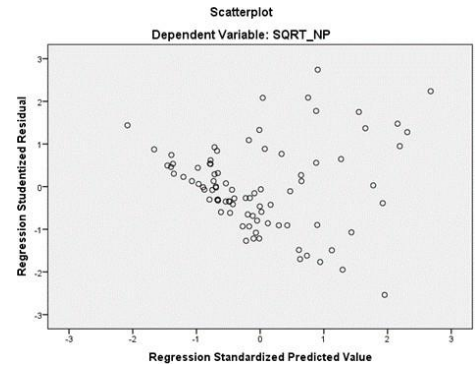

Figure 2 heteroscedasticity test results
Source: Output SPSS

Test Autocorrelation

The results of the autocorrelation test with the Durbin Watson test indicate no symptoms of autocorrelation because the DW value of 1.955 was greater than the DU of 1.828 and the DW value of 1.955 was less than 4–1.828.

Multiple Linear Regression Analysis

The results of multiple linear equations show that the independent variable and the dependent variable influence each other. The form of the equation from the results of multiple linear regression analysis is as follows:

$$NP = 0.83 + 0.33\ DKI - 0.47\ KI - 0.70\ KM + 0.01\ UKA + 0.16\ CSR + 1.83\ ROA - 0.39\ ROE$$

Test the hypothesis
Simultan Test (f Test)

Table 1 Simultan Test Result

Type		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	4,67	7	,66	13,63	,000[b]
	Residuals	3,82	78	,04		
	Total	8,50	85			

Source: SPSS Output

Because the sig value does not exceed 0.05, the simultaneous test results show that the sig level of 0.00 indicates that the independent variable has a significant influence simultaneously on the dependent variable

Coefficient of Determination Test (R^2)

Table 2 Test results for the coefficient of determination

Type	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.742ª	,55	,51	,22

Source: SPSS Output

Based on the test, the independent variable affects the dependent variable by 51% simultaneously, as shown by the Adjusted figure of 0.510.

Partial Test (t Test)

The results of partial test are presented in the table below:

Table 3 The results of partial test

	Type	Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	,84	,33		2,52	,01
	IBC	,33	,39	,092	,84	,40
	IO	-,47	,19	-,215	-2,44	,01
	MO	-,70	,53	-,106	-1,31	,19
	ACS	,01	,09	,013	,15	,87
	CSR	,16	,18	,072	,86	,39
	ROA	1,83	,40	,802	4,48	,00
	ROE	-,39	,29	-,250	-1,33	,18

Source: SPSS Output

Discussion
The Effect of Independent Board of Commissioners' Independence on LQ45 Corporate Value

According to the results of the study, the value of the LQ45 company is not influenced by an independent board of commissioners, so the first hypothesis is rejected. With these results, it proves that in the LQ45 company, the existence of an independent board of commissioners has not been effective enough in monitoring the management of the company. The results of this study are not in accordance with the institution's theory that the independent board of commissioners can reduce the institution's problems because the existence of independent commissioners can balance the power of managers through supervisory mechanisms.

The Effect of Institutional Ownership on LQ45 Corporate Value

The second hypothesis was rejected after it was proven that institutional ownership negatively affects the value of the company. With that, it shows that greater ownership will reduce the value of the company. Based on agency theory which says that the higher institutional ownership, the more effective in supervision to reduce agency conflicts and increase company value because institutional ownership is one of the corporate governance mechanisms to suppress agency conflicts. In this study it does not fit the agency's theory because high ownership in LQ45 companies lowers the value of the company.

The Effect of Managerial Ownership on LQ45 Company Value

The results showed that managerial ownership did not affect the value of the company, so the third hypothesis was rejected. Based on agency theory, differences in management and shareholder interests result in agency conflicts that can be prevented by supervisory mechanisms. The supervisory mechanism for these managers results in agency costs, where agency costs can be minimized by managerial shareholding. Based on the results of the study, it is evident that the agency theory is not in accordance with this study. High or low managerial ownership in LQ45 companies does not affect the increase or decrease in company value.

The Effect of Audit Committee Size on LQ45 Company Value

The study's findings showed the size of the audit committee had no impact on the value of the company, which led to the fourth hypothesis being rejected. Based on agency theory, the audit committee can reduce agency problems by optimizing supervision, especially in delivering information to shareholders. Based on the results of the study, it proves that this research is not in accordance with agency theory because the increasing number or low number of audit committee members has no effect in increasing or decreasing the value of the company.

The Effect of Corporate Social Responbility on LQ45 Corporate Value

Corporate social responsibility (CSR) has no impact on the value of LQ45 companies. Thus, the fourth hypothesis was rejected. Based on agency theory, companies that report or disclose CSR have a goal to build a good corporate image so that agency fees arise. Companies that face agency fees tend to incur costs that can improve the reputation of the company by conducting corporate environmental disclosure as a CSR action which is a signal given to shareholders. The results of this corporate environmental disclosure can increase stock prices in the capital market and increase shareholder confidence so that the company's value can increase. Based on the results of the study, it proves that this research is not in accordance with the agency's theory.

The Effect of Return On Assets on Company Value LQ45

The results showed that Return On Asset (ROA) has a positive effect on the value of the company. Thus, the sixth hypothesis is acceptable. Based on the agency theory through the bonus plan hypothesis, managers will strive to increase the profitability of the company, because higher profitability will increase the returns received by shareholders. The results of this study are in accordance with the agency's theory because a high ROA value indicates that the performance of the LQ45 company is getting better, due

to the large rate of return. This gives a positive signal to investors, so investors are interested in investing their capital.

The Effect of Return On Equity on Company Value LQ45

The study showed the seventh hypothesis was rejected because Return On Equtiy (ROE) had no impact on the value of LQ45 companies. Agency theory through the bonus plan hypothesis, managers will strive to increase the profitability of the company, because higher profitability will increase the return received by shareholders. Based on the results of the study, the agency theory is not in accordance with this study because the high and low ROE does not affect the value of the LQ45 company. This research is also not in accordance with signal theory because ROE cannot provide positive or negative signals to investors.

IV. CONCLUTION

The results of this study show that the independent board of commissioners, ownership of managers, size of audit committee, corporate social responsibility, and return on equity do not affect the value of LQ45 companies. Then institutional ownership negatively affects the value of the company. Return on assets (ROA) determines the value of the company, the greater the potential profit of assets, the more efficient the rotation of assets because the higher the profitability obtained by the company so that return on assets affects the value of the company.

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