The Effect of Good Corporate Governance and Corporate Social Responsibility toward Corporate Value

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Abstract

This study aimed to determine the effect of the size of independent commissioners, boards of directors, audit committees, institutional ownership and CSR disclosure on the value of manufacturing industry companies listed on the IDX in 2018 – 2022. This study employs a method with secondary data as the data source—methods of data collection in this study using literature or documentation studies. The sampling technique used was purposive sampling with multiple regression analysis techniques as the data analysis technique. The number of data used in this study is 175 samples. The results showed that the size of the independent board of commissioners and audit committee affected firm value, and other variables partially had no effect on firm value. In addition, simultaneously, the size of the independent board of commissioners, board of directors, audit committee, institutional ownership and CSR affect firm value.

Keywords: Corporate Value, CSR, GCG, Manufacturing Industry

I. INTRODUCTION

The rapid development of technology in all sectors impacts how companies make profits and manage information. The development of industry in the manufacturing sector is currently supported by advances that can make manufacturing companies of higher quality with the existence of computerized systems, and the implementation of work is not only carried out by humans but can also use robotic systems. Companies that follow the development of Industry 4.0 utilize more systematic supply chains and networks in operations. The presence of the 4.0 revolution gives new hope to companies, especially manufacturers. The technology currently available provides an excellent opportunity for companies to reduce uncertain costs that may arise and help increase their productivity and company value [1]. Company value is influenced by financial and nonfinancial factors such as Corporate Social Responsibility (CSR) and Good Corporate Governance (GCG). In maximizing company value, companies can face agency problems, where there is a conflict of interest between managers as "agents" and shareholders as "principals." The principal and agent should have the same goals regarding the company, but sometimes, some conflicts make the agent's goals no longer the same as the principal's. This conflict is called agency conflict. Agents have the authority to regulate the course of company activities, so when compared to principals, agents tend to know more about the company. This inequality in knowledge regarding company information is called information asymmetry. Agency conflicts and information asymmetry make it difficult for principals to trust the agent's performance in running the company. If this continues, it will hinder the maximization of company value. This conflict can be resolved with Good Corporate Governance (GCG), which facilitates clarity regarding company procedures, structure and authority [2].

The Organization for Economic Co-operation and Development (OECD) revised its Principles of Corporate Governance in 2004. An essential addition to the new OECD guidelines is the emphasis on the need for the government and society to create conditions for GCG to be implemented effectively. The WorldCom and Enron events in the United States have increased confidence in the importance of implementing GCG. In the United States, this event was responded to by fundamental changes in legislative regulations in auditing and capital markets. In other countries, this is responded to differently, including improving GCG guidelines in the country concerned [3]. Corporate social responsibility is a form of corporate responsibility to fix social disparities and natural damage from the company's operational activities. The more the company takes responsibility for the incident, the better the company's impression in the eyes of the public. Therefore, investors will be increasingly interested in investing because they prefer companies with a good impression on society. Apart from that, consumer loyalty will also be higher. It will also be directly proportional to the improvement in company sales, increasing company value.

Based on the explanation above, this study aims to answer the following questions: does the size of the board of commissioners affect company value? Does the size of the board of directors affect company value? Does the size of the audit committee affect company value? Does institutional ownership affect company value? A well-balanced board of commissioners, neither too large nor too small, ensures diverse perspectives and effective oversight. A more giant board can bring varied expertise, enhancing strategic decision-making and risk management.

Similarly, the size of the board of directors impacts corporate governance by influencing decision-making efficiency and oversight capabilities. A suitably sized board allows for comprehensive discussions and robust governance practices without becoming unwieldy or fragmented. The size of the audit committee is crucial as it needs sufficient members to manage workload, maintain independence, and ensure detailed scrutiny of financial practices. A well-structured audit committee with the right expertise is fundamental to safeguarding financial integrity and compliance. Institutional investors often bring rigorous oversight and a long-term perspective, promoting stability and prudent management. Their substantial stakes encourage active engagement in governance, driving companies towards better performance and ethical standards. These elements contribute to a governance framework supporting sustainable growth, stakeholder trust, and corporate integrity.

Does CSR disclosure affect company value? The scope of this study is to analyze the influence of Good Corporate Governance and the influence of Corporate Social Responsibility on company value. Research was conducted on manufacturing companies listed on the Indonesia Stock Exchange for the 2018-2022 periods. Conducting good corporate governance studies in manufacturing industries is crucial due to the sector's significant impact on the economy, environment, and society. Manufacturing companies often have complex operations, large workforces, and extensive supply chains, making effective governance essential for several reasons. This study can provide benefits as input and consideration for manufacturing companies and other companies to assess the factors that influence company value—providing input to potential investors to make better investing decisions and providing input to users of financial reports in understanding the influence of GCG, as well as CSR disclosure on company value and growth so that it becomes evaluation material and a basis for preparing business strategies and company policies in the future.

II. LITERATURE REVIEW

Agency power is caused by asymmetric information in the hands of managers with more information than owners without information. When access to asymmetric information is not fully absorbed in stock prices, possible clashes of power and different goals between owners and managers can occur. This agent-principal clash is at the root of the increasing importance of having good processes and procedures that guide decision-making in the boardroom. In other words, corporate governance principles, standards, policies and practices are important to ensure that the interests of various players are aligned as much as possible with the interests of organizations and their shareholders. A signal is an action management takes to provide information to investors regarding the company's outlook [4]. This theory involves two parties, namely management and external parties or investors. Management conveys relevant company information, while external parties or investors are the recipients of the information. This information is essential for investors because disclosure of company activities in annual or financial reports lets investors know the company's condition. If investors receive this information, they will analyze it first so that the information obtained can be said to be good or bad. According to Khairudin and Wandita [5], if financial information is well assessed, the information received by investors is good news, so investors are interested in trading shares, which leads to changes in share prices.

The existence of regulations governing CSR can make companies aware of the importance of implementing CSR and disclosing CSR [4]. A high company value is the desire of company owners because a high value also shows that shareholder prosperity is high. Investors also tend to be more interested in investing their shares in companies that have good performance in increasing company value [6].

Research conducted by Dewi and Sanica [7] showed that the audit committee has a significant favorable influence on company value. Thus, the greater the number of audit committees, the more valuable the company will be. In endogeneity theory, companies that have high value tend to have completeness in their company structure, one of which is the existence of an audit committee. In this case, the existence of an audit committee can increase the effectiveness of the company's performance to protect the interests of shareholders from earnings management actions carried out by management. It can contribute to supervising the company's financial reporting process so that it can create quality financial reports through an audit process with integrity and objectivity. The auditor will increase the value of the company [7].

III. RESEARCH METHODOLOGY

This study belongs to quantitative research, using five independent variables. The independent variables in this study are the board of commissioners, board of directors, audit committee, institutional ownership, and corporate social responsibility. This study will test the influence of the independent variable on the dependent variable, namely company value. According to Rivandi and Septiano [8], there are two data types: qualitative and quantitative. Qualitative data is data in the form of words, sentences or images.

Meanwhile, quantitative data is data in the form of numbers or qualitative data that is numbered or scored. In this study, researchers used quantitative data on the size of the board of commissioners, size of the board of directors, audit committee, level of institutional ownership, and disclosure of Corporate Social Responsibility. According to Sugiyono [9], data sources are divided into two, namely primary data sources and secondary data sources. The secondary data source used in this study is secondary data. According to Sugiyono [10], secondary data is a source that does not directly provide data to data collectors, for example, through other people or documents. Secondary data sources used in this study are regulations related to Good Corporate Governance and Corporate Social Responsibility, Journals, Books, and annual reports (obtained from www.idx.co.id or the official websites of related companies) of Manufacturing Industry Companies Listed on the IDX in 2018-2022. According to Ghozali [11], to determine the model's accuracy, it is necessary to test several classic assumptions, namely, normality test, multicollinearity test, heteroscedasticity test and autocorrelation test.

Variable measurements are as follows: The independent board of commissioners is taken from the number of independent commissioners/total board of commissioners of the company, the board of directors is the number of members of the board of directors, the audit committee is the number of members of the audit committee, the social disclosures used are a list of disclosures adapted based on the disclosures issued by the Global Reporting Initiative version Generation 4 (GRI G4) with six indicators, namely economic performance, environmental performance, social performance, human rights, society and product responsibility [11]. Company value uses Tobin's Q numbers.

IV. RESULTS AND DISCUSSIONS

The reason for choosing companies in the manufacturing industry as research objects is because, from 2018 - 2022, many manufacturing companies have problems related to corporate governance and environmental social responsibility. In this study, the researchers used a purposive sampling technique by considering specific criteria according to the object of the study. The results of descriptive statistical tests on each variable contained in the Table I.

Good Corporate Governance in this study is measured using the independent board of commissioners, board of directors, audit committee and institutional ownership indicators. The following explains the results of descriptive statistical tests for each indicator. The independent board of commissioners is measured by the number of board of commissioners indicator for a particular year. The results of descriptive statistical tests in the table show that the minimum number of independent commissioners is 1, and the maximum number of independent commissioners is five people. Based on the regulations POJK.04/No 57/2017, if the Board of Commissioners consists of more than 2 (two) people, the percentage of the number of Independent Commissioners must be at least 30% (thirty percent) of the total number of members of the Board of Commissioners. From the results of the descriptive statistical tests above, the average number of independent commissioners is two people, which means that all manufacturing companies have fulfilled the requirements for the number of independent commissioners. The board of directors is measured by the number of board of directors indicators during a particular year. The statistical test shows that the minimum number of board of directors is two people and the maximum number of board of directors is 13 people; the average value of the board of directors is five people. Based on POJ.04/No 33/2014 Chapter II Article 2, the board of directors of an issuer or public company consists of at least two members of the board of directors. From the results of the descriptive statistical tests above, it is found that the minimum number of board directors is two people, which means that all manufacturing companies have fulfilled the requirements for the number of existing boards of directors. The number of audit committees measures audit committees for one year. The statistical test results show that the minimum value of the audit committee is three people, the maximum value of the audit committee is five people, and the average value is three people. Based on POJK.04/No.055/2015 article 4, the audit committee comprises at least three members.

In the table above, the minimum value for the audit committee is three people, which indicates that all manufacturing companies have met the existing audit committee requirements. Institutional ownership is measured by the proportion of share ownership owned by institutions. Institutions own the majority of the manufacturing company's shares. This study's Corporate Social Responsibility (CSR) is measured using the GRI G4 guidelines and focuses on the environmental category. The ecological performance category, 34 assessment indicators are divided into 11 aspects. The lowest disclosure value is 0, or CSR items in the environmental category are not disclosed at all. The disclosure of environmental aspects of CSR items in the company's annual report or sustainability report is still not paid attention to.

Asymp.Sig (2-failed) shows significance for each variable <0.001. These results indicate that the existing data is not normally distributed. On this basis, this study uses the Central Limit Theorem assumption. According to Damodar N Gujarati (2006), the central limit theorem, if the sample size is large enough (n>30), then the normality assumption can be ignored. Therefore, it can be concluded that even though the results of the normality test show that the data is not normally distributed, because the samples in this study were 175 or more than 30 (n>30) in accordance with the Central Limit Theorem, the data is assumed to be normally distributed. The tolerance value for all variables is more than 0.100, and the VIF value for all variables is less than 10. It can be concluded that the five X variables do not contain multicollinearity. The heteroscedasticity test above shows that the significance value of the independent board of commissioner's variable, board of director's variable, audit committee variable, institutional ownership and CSR variable is above 0.05. Thus, it can be concluded that there are no symptoms of heteroscedasticity. Next, based on checking the du value in the Durbin Watson distribution table (Table II) with the number of variables The Durbin Watson test results are du (1.718) < d (2.107) < 4-du (2.282). So it can be concluded that there are no symptoms of autocorrelation.

The F test is a test used to find out whether the independent variable simultaneously influences the dependent variable. In this research, the F test is used to find out whether the independent board of commissioners variable, board of directors variable, audit committee variable, institutional ownership, and CSR variable simultaneously influence the company value variable as the dependent variable. The the results of the F Test is displayed in the Table III.

Table III shows a significance value of 0.000 or <0.05. From this output it can be concluded that the independent board of commissioner's variable, board of director's variable, audit committee variable, institutional ownership, and CSR variable simultaneously influence the company value variable or all independent/free variables significantly influence the dependent/dependent variable. Therefore, the hypothesis is accepted.

TABLE I. DESCRIPTIVE STATISTICS

	Mean	**Std Deviation**	**N**
Value	2.35	4.92	175
DKom	0.4	0.1	175
DDir	5.14	2.55	175
KomAd	3.08	0.36	175
Ins	0.66	0.22	175
CSR	0.4	0.75	175

TABLE II. MODEL SUMMARY

Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**	**Durbin Watson**
1	0.44	0.197	0.174	4.47	2.10

TABLE III. ANOVA

Model		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig**
1	Regression	834.10	5	166.80	8.32	0.000
	Residual	3,391.45	169	20,06		
	Total	4,225.47	174			

TABLE IV. TABLE OF COEFFICIENTS

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Tolerance	Statistic
		B	*Std.Error*	*Beta*	*t*	*Sig.*		*VIF*
1	(Constant)	1.29	3.386		0.382	0.703		
	DKom	18.79	3.302	0.412	5.69	0.000	0.908	1.102
	DDir	0.01	0.160	0.005	0.066	0.948	0.692	1.446
	KomAd	-2.27	0.989	-0.17	-2.297	0.023	0.865	1.156
	Ins	-0.047	1.665	-0.002	-0.028	0.977	0.847	1.181
	CSR	7.42	5.103	0.113	1,455	0.147	0.781	1.281

The t test in this study is used to test whether or not there is an influence of each variable the results of the t test for this study are presented in the Table IV. The t-test results in this study can be explained as follows; the independent board of commissioner's variable obtained a probability value from the t test results of 0.000. This value is smaller than the significance value of 0.05 and the calculated t value is 5,690 > the t table value, Thus, it illustrates that the independent board of commissioner's variable has a positive effect on company value. The variable board of directors obtained a probability value from the t test results of 0.948. This value is greater than the significance value of 0.05, apart from that; the calculated t value is smaller than the t table, namely 0.066 < 1.985. Thus, it illustrates that the board of director's variable has no effect on company value. The audit committee variable obtained a probability value from the t test results of 0.023. This value is smaller than the significance value of 0.05 and the calculated t value is smaller than the t table, namely -2,297 < 1.985. Illustrates that the audit committee negatively effects on company value. The institutional ownership variable obtained a probability value from the t test results of 0.977. This value is greater than the significance value of 0.05 and the calculated t value is smaller than the t table, namely -0,028 < 1.98. Thus, it illustrates that the institutional ownership variable has no effect on company value. The CSR variable obtained a probability value from the t test results of 0.147. This value is greater than the significance value of 0.05 and the calculated t value is smaller than the t table, namely 1,455 < 1.985 it shows that CSR has no effect on company value.

A. The Influence of the Size of the Independent Board of Commissioners on Company Value

The results of hypothesis testing using the t test show that the Independent Board of Commissioners variable significantly influences company value. This means that every increase in the number of independent board of commissioners will have an effect on increasing company value.

The results of this study show that having an independent board of commissioners will reduce the number of agency conflicts. This is because the number of independent commissioners will influence the supervisory function, where the better the level of supervision carried out on management or the board of directors will have an impact on the level of stakeholder trust. Good relationships with stakeholders are maintained so that agency conflicts will be reduced and company management focuses more on increasing company value. These results are in accordance with research conducted by Basir [12], which states that the board of commissioners influences company value.

B. The Influence of the Board of Directors on Company Value

Testing the hypothesis using the t test obtained a value is greater than the significance value of 0.05. This condition shows that there is no significant influence between the Board of Directors and Company Value. This study is in accordance with previous research conducted by Fauzan [13] stating that the size of the board of directors has no effect on company value.

Therefore, no matter how many members of the board of directors there is, it does not affect the value of the company.

C. The Influence of the Audit Committee on Company Value

These results show that the existence of the Audit Committee and its role have been able to answer significant issues, increasing investor confidence in investing shares in the company. This condition results in the company's performance not being influenced by the existence of an audit committee. In other words, the existence of an Audit Committee does guarantee that it will impact increasing or decreasing the company's value. This is in accordance with previous research by Indrastuti [14].

D. The Effect of Institutional Ownership on Company Value

Hypothesis testing using the t test illustrates that the institutional ownership variable has no effect on company value. These results are not in line with previous research conducted by Dhaliwal et al. [15]. The results of this study are in accordance with previous research conducted by Azizah [16]. That increasing or decreasing the level of institutional ownership does not affect company value. Institutional investors' involvement in supervision, decision making and control is low, causing many managers to take over their roles. Managers do not feel the existence of institutional investors so it has no effect on company value.

Another reason for the lack of influence of institutional ownership on company value is the existence of other interests from institutional investors through managers, with the aim of achieving their desires. A compromise occurs between managers and institutional investors, causing the supervisory role of institutional investors to not be carried out properly.

E. The Influence of Corporate Social Responsibility on Company Value

The CSR has no effect on company value. This study is in line with research conducted by Thendean and Meita [17]. The results of this study show that in making decisions investors tend to ignore CSR disclosures [15], [18], [19], [20]. The CSR that the company has disclosed is not the basis for whether investors will invest or not. This illustrates that company value is not influenced by Corporate Social Responsibility (CSR) disclosure, furthermore there were a survey from KPMG in 2013 that showed a segment of investors remains skeptical about the tangible benefits of CSR activities on long-term financial returns [1].

V. CONCLUSIONS

This study discusses the influence of Good Corporate Governance and Corporate Social Responsibility on Company Value with case studies on manufacturing companies from 2018 to 2022. Based on the results of the processing carried out, the following conclusions can be drawn, the size of the board of commissioners has a positive effect on company value, size the board of directors has no effect on company value, the size of the audit committee has a negative effect on the company value, institutional ownership has no effect on company value, CSR disclosure has no effect on the value of manufacturing companies.

In the future, this study can make a good contribution to the company and further research. Shareholders are expected to pay more attention to the main duties and functions as well as involvement in the supervision of independent commissioners, considering that their existence can affect the value of the company. For researchers, the next step is to expand or add the company sectors that will be used as the population or research sample. Besides that, future researchers can use other variables that have not been used in this study, such as public ownership, earnings per share, share ownership, or other variables that can influence company value. It is recommended that further research be conducted over a longer period to provide a better picture and better results.

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