International Journal of Economics, Business and Accounting Research (IJEBAR)
Peer Reviewed – International Journal
Vol-2, Issue-1, 2018 (IJEBAR)
ISSN: 2614-1280, https://jurnal.stie-aas.ac.id/index.php/IJEBAR

GOOD CORPORATE GOVERNANCE MANAGEMENT ON CORPORATE VALUES
(Empirical Study on Chemical Companies listed on the Indonesia Stock Exchange Period 2013-2015)

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Abstract **:** The purpose of this study was to examine the effect of good corporate governance on company value. Proxy of good corporate governance, namely the composition of the board of commissioners, institutional ownership, managerial ownership. The research samples are chemical companies listed on the Stock Exchange in 2013-2015. The purposive sampling method was used in the selection of samples in order to obtain a sample of 10 chemical companies with a total observation of 30 observation data for 3 years. The data analysis techniques using multiple regression analysis. Company value is measured using Tobin’s Q. Based on the results of testing the hypothesis, the results show that only the composition of the board of directors variables has a negative effect on the value of the company while the other two independent variables have a positive effect on the value of the company.

Keywords : *good corporate governance, corporate value.*

1. Introduction

Good corporate governance is a term that is often used to explain the processes and structures used to direct and manage the company's business activities in order to increase shareholder wealth (Ehikioya, 2009). Good corporate governance is one of the keys to improving economic efficiency, which includes a series of relationships between company management, board of commissioners, shareholders and other stakeholders. Good corporate governance can create added value for all interested parties (stakeholders). The added value in question is an effective protection for investors in obtaining their investment in a reasonable and high value (Sari and Riduwan, 2013). There are three influences of good corporate governance that are often used in various studies on good corporate governance that aim to reduce agency conflicts, namely the composition of independent commissioners, institutional ownership, managerial ownership (Rachmawati and Triatmoko, 2007).

The benefits of good corporate governance will be seen from the premium that investors are willing to pay for the company's equity (market price). If it turns out that investors are willing to pay more, then the market value of companies that implement good corporate governance will also be higher compared to companies that do not implement or disclose their good corporate governance practices (Kusumawati and Riyanto, 2005). From the various results of research that has been done regarding the influence of good corporate governance on the value of the company, the results are quite diverse. Therefore, based on this background and description, the authors are interested in the title "The Effect of Good Corporate Governance on Value Company (Case study on chemical companies listing on the IDX for the 2013-2015 period) ".

2. Literature Review

2.1. Underlying Theory

Good Corporate Governance Good corporate governance is a concept based on agency theory, which is expected to function as a tool to give investors' confidence that they will receive a return on the funds they have invested. The National Committee on Governance Policy defines good corporate governance as a process and structure used by the company's organs to provide added value to the company on a long-term basis for the shareholders, while paying attention to the interests of other stakeholders, based on applicable laws and norms.

Good Corporate Governance arises because of the interests of the company to ensure that the funders (principal / investors) that the funds invested are used appropriately and efficiently. Besides that with CG, the company provides assurance that management (agent) acts best for the benefit of the company (Setyapurnama and Nor Pratiwi, 2004). The application of good corporate governance is believed to be able to create conducive conditions and a solid foundation for running a good, efficient and profitable company operation.

Composition of the Board of Commissioners

The Board of Commissioners is a board whose duty is to supervise and provide advice to the director of a limited liability company. In Indonesia the Board of Commissioners is appointed by the GMS and in Law No. 40 of 2007 concerning Limited Liability Companies outlined the functions, authorities and responsibilities of the board of commissioners.

Institutional Ownership

Institutional ownership is share ownership by the government, financial institutions, legal entities, foreign institutions, trust funds and other institutions at the end of the year (Shien et al. 2006) in Anindhita (2010). The ownership structure of public companies in Indonesia is highly concentrated in institutions. The institution intended is the owner of a public company in the form of an institution, not the owner on behalf of a private person. The majority of institutions are in the form of limited liability companies.

Managerial Ownership

Managerial ownership is the separation of ownership between the outsider and the insider. If in a company has many shareholders, then the large group of individuals clearly cannot participate actively in the daily management of the company. Therefore, they choose the board of commissioners, who choose and supervise the company's management. This structure means that the owner is different from the company manager. This provides stability for companies that are not owned by the company with the owner and manager.

Company Value

Company value describes how good or bad management manages its wealth, this can be seen from the measurement of financial performance obtained. A company will try to maximize the value of its company. The increase in the value of a company is usually characterized by rising stock prices on the market.

Relationship between Theoretical Variables

The first is the relationship between the Composition of the Board of Commissioners and Company Value. Beasley's (1996) study examined the relationship between the proportion of commissioners and financial reporting fraud. By comparing companies that commit fraud with companies that do not commit fraud, they find that companies that commit fraud have a significantly lower percentage of external commissioners compared to companies that do not commit fraud. The role of the board of commissioners in a company is emphasized more on the monitoring function of the policy implementation of the board of directors. The role of the commissioner is expected to minimize agency issues that arise between the board of directors and shareholders. Therefore the board of commissioners should be able to oversee the performance of the board of directors so that the performance produced is in accordance with the interests of shareholders (Wardhani, 2016).

The second is the relationship between Institutional Ownership and Company Value

Through institutional ownership, the effectiveness of management of company resources by management can be known from the information generated through market reactions to earnings announcements. Institutional ownership has the ability to control management through an effective monitoring process, thereby reducing management's actions to manage earnings. The percentage of certain shares owned by the institution can affect the process of preparing financial statements that do not cover the possibility of accrualization in accordance with the interests of the management (Boediono, 2005).

The third is the managerial Ownership Relationships with Company Value. Share ownership by management in the company can motivate management to act in the interests of shareholders so as to reduce agency costs (Sulong, Gardner, Hussin, Sanusi, and Mcgowan Jr., 2013). Shleifer and Vishny (1986) stated that large shareholdings in terms of their economic value have intensive monitoring. Management ownership of the company's shares is considered to be able to harmonize the potential differences in interests between outside shareholders and management (Jansen and Meckling, 1976).

The forth is Relationship of the composition of the board of commissioners, institutional ownership, managerial ownership of the value of the company. Siallagan and Machfoedz (2006) state that the greater the composition of the board of commissioners, institutional ownership and managerial ownership in a company, the management will tend to improve its performance for the benefit of shareholders and its own interests. Research conducted by Purwaningtyas (2011) which found evidence that the composition of the board of commissioners, institutional ownership, managerial ownership has a positive effect on firm value.

2.2. Previous Study

Name	Variable	Method	Result
Darmawati (2005)	- company performance - GCG proxied	Multiple linear regression analysis	There ispositive relationship between GCG and company performance measured by ROA and Tobins Q.

Habibie (2014)	- Managerial Ownership - Institutional ownership - Audit committee - Profitability - Leverage - Company size - Company Value	Multiple regression analysis	- Managerial Share Ownership does not affect the value of the company. - Institutional share ownership and audit committee have a positive effect on the value of the company. - Company size has a positive and significant effect on the value of the company.
Siallagan dan Machfoedz (2006)	- Company Value - Earnings quality - Managerial Ownership - Audit committee - *corporate governance board of Commissioners* - Board of Commissioners	Multiple regression analysis	*Good corporate governance mechanism statistically affects the value of the company* .- Management ownership negatively affects the value of the company. - The Board of Commissioners positively influences the value of the company. - The audit committee positively influences the value of the company.

3. Research Metodhology

This study examines chemical companies listed on the Indonesia Stock Exchange and publishes the company's financial statements in 2013-2015. This population is used in the study are all chemical companies listed on the Indonesia Stock Exchange in 2013 - 2015 totaling 10 companies.

The population in this study were all chemical companies listing on the Indonesia Stock Exchange in the 2013, 2014 and 2015 periods. This study used data from companies listing on the Indonesia Stock Exchange in the 2013, 2014 and 2015 periods with the aim that the results of the study could describe the current situation.

The sample used in this study is a chemical company listing on the Indonesia Stock Exchange in the 2013, 2014 and 2015 periods. These companies are used as objects because they have an obligation to submit annual reports to parties outside the company, so the authors allow get company data from financial statements.

The type of data used in this study is secondary data. Research data is taken from the company's audited annual report. The method used in this study is the documentation method, which is to study the company records needed in the annual report of the company that is the sample of the study such as information on the disclosure of the composition of the Board of Commissioners, Institutional Ownership, Managerial Ownership, and other data needed.

This study aims to examine whether the Board of Commissioners, Institutional Ownership, and Managerial Ownership affect the value of the company.

Descriptive Test

Descriptive statistics provide descriptive or descriptive data that is viewed from the mean (mean), standard deviation, variant, maximum, minimum, sum, range, kurtosis and skewness (distribution gap) (Ghozali, 2011).

Classic assumption test

Based on this test, it is expected that the regression model can be accounted for and cannot be carried out with the following assumptions. This test consisted of normality test, heteroscedasticity test, autocorrelation test, and multicollinearity test.

4. Results and Discussion

4.1. Data Analysis Result

4.2.1 Descriptive Statistics of Research Variables

Table 4.2
Descriptive Statistics Test Results
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
DK	30	10.00	70.00	29.6667	19.95397
KM	30	1.07	9.96	4.3997	2.45579
KI	30	2.04	9.21	5.2863	2.32610
Tobins Q	30	.29	1.88	.9810	.45368
Valid N (listwise)	30				

Source: Secondary data processed through SPSS 17, 2017

From the results of the descriptive statistics test in the table above, the conclusions that can be taken are as follows:

1. The minimum value of the board of directors is 10.00 while the maximum value of the board of commissioners is 70.00. The average value of the board of commissioners is 29.66667 while the standard deviation of the board of commissioners is equal to 19,95397.
2. The minimum value of managerial ownership is 1.07 while the maximum value of managerial ownership is 9.96. Average value of ownership managerial is 4,3997 while the standard deviation of managerial ownership is 2,45579.
3. The minimum value of institutional ownership is 2.04 while the maximum value of institutional ownership is 9.21. The average value of institutional ownership is 5.2863 while the standard deviation of institutional ownership is 2.32610.
4. The minimum value of tobins q is 0.29 while the maximum value of the board of commissioners is 1.88. The average value of the board of commissioners is 0.9810 while the standard deviation of the board of commissioners is 0.45368.

4.2.2. Classical Assumption Testing Results

Normality test

Table 4.3
Normality Test Results
One-Sample Kolmogorov-Smirnov Test

		Unstandardized
N		30
Normal Parameters[a]	Mean	0000000
	Std. Deviation	42728070
Most Extreme Differences	Absolute	175
	Positive	175
	Negative	127
Kolmogorov-Smirnov Z		.956
Asymp. Sig. (2-tailed)		.320

a. Test distribution is Normal.

Source: Secondary data processed through SPSS 17, 2017

From the results of the Kolmogorov-Smirnov test, the Asymp.sig (2- tailed) value is 0.956. These results indicate that the residual data in this regression model is normally distributed because the Asymp.sig (2- tailed) value is above 0.05.

In this study the method of data analysis was done through several stages, namely descriptive analysis, multiple regression analysis, and hypothesis testing.

Table 4.4
Multicollinearity Test Results
Coefficients

Model	Tolerance	VIF
DK	.091	1.009
K M	.061	1.040
KI	.053	1.049

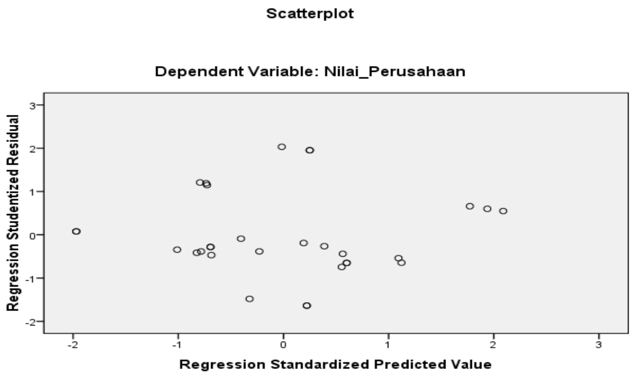
Source: Secondary data processed through SPSS 17, 2017

From the results of the multicollinearity test analysis above, tolerance values can be produced> 0.1 and VIF value <10. These results can be concluded that there is no multicollinearity problem in this regression model and can be used for further analysis.

ISSN: 2614-1280, https://jurnal.stie-aas.ac.id/index.php/IJEBAR

Heteroscedasticity Test

Table 4.5
Heteroscedasticity Test Results



Source: Secondary data processed through SPSS 17, 2017

From the analysis of heteroscedasticity test above, the scatterplot graph shows the spread pattern, namely the points spread randomly and spread above and below the number 0 Y axis. The results can be concluded that there are no symptoms of heteroscedasticity in this regression.

Autocorrelation Test

Table 4.6
Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.336a	.11	.011	.45127	2.711

a. Predictors: (Constant), KM_Comapny, KDKP_Company, KI_Company
b. Dependent Variable: NP_Company

DW value of 2.711 this value will be compared with the table value using a 5% significance. For the number of samples n = 30, the values dl = 1.1624 and du = 1.6510. Because the value of DW 2.711> 1.6510 and <2.334 (4 - 1.6510), it can be concluded that there is no autocorrelation.

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4.2. Hypothesis Testing Results

4.2.1 Test Results of Multiple Regression Analysis

Table 4.7

Multiple Regression Analysis Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
	-110,321	17,464		-6,516	.000
	-3,001	1,739	-0,241	-2,876	.005
	5,356	3,321	0,033	0,330	.000
	2,846	1,040	0,414	3,667	.000

Dependent Variable: NP_Comapny

Source: Secondary data processed through SPSS 17, 2017

From the results of the multiple regression analysis above, the regression equation model developed in this study is as follows:

NP = -110,321 - 3,001 KDK + 5,356 KI + 2,846 KM

From the results of the multiple regression analysis equation model above, the conclusions that can be taken are as follows:

1. Constant is -110,321. This result can be interpreted that without the composition of the board of commissioners, institutional ownership and managerial ownership there will be a decrease in the value of the company by -110,321 or in other words if the independent variable is constant then the performance value is -110,321.
2. The composition coefficient of the board of commissioners is -3,001. This result can be interpreted that if the composition variable of the board of commissioners rises one.

4.2.2 Individual Parameter Significance Test (statistical test t)

The statistical test t basically shows how far the influence of the independent variables, namely the composition of the board of commissioners, institutional ownership, and managerial ownership individually on the dependent variable is measured using Tobins Q. t test results can be seen in table

4.2.2.1 Test Significance of Individual Parameters Composition of the Board of Commissioners

Testing of this hypothesis is done through testing the significance of the regression coefficient from the composition variable of the board of commissioners. The size of the regression coefficient of the composition of the board of commissioners is -3,001 indicating that the composition variable of the board of directors has a negative influence on the value of the company. The magnitude of the significance value is 0.005 at a significance level of $\alpha = 0.05$; then the regression coefficient is not significant because of the significance of 0.005 <0.05 so it can be concluded that the first hypothesis (H1) which states that the composition of the board of directors has a positive effect on the value of the company is rejected.

4.2.2.2 Individual Parameter Significance of Institutional Ownership Test

Testing of this hypothesis is done through testing the significance of the regression coefficients of institutional ownership variables. The magnitude of the institutional ownership regression coefficient of 0,000 indicates that institutional ownership variables have a positive influence on firm value. The magnitude of the significance value is 5.356 at a significance level of α = 0.05; then the regression coefficient is not significant because of the significance of 0.000 <0.05 so it can be concluded that the second hypothesis (H2) which states that institutional ownership has a positive effect on the value of the company is accepted.

4.2.2.3 Significance of Individual Parameters of Managerial Ownership Test

Testing of this hypothesis is carried out through testing the significance of regression coefficients from managerial ownership variables. The magnitude of the regression coefficient of managerial ownership of 2.846 shows that the composition variable of the board of directors has a positive influence on the value of the company. The magnitude of the significance value is 0,000 at a significance level of α = 0.05; then the regression coefficient is not significant because of the significance of 0.000 <0.05 so it can be concluded that the third hypothesis (H3) which states that managerial ownership has a positive effect on the value of the company is accepted.

4.2.3 Simultaneous Significance Test (Test Statistics F)

The F statistical test results can be seen in table 4.8 as follows:

Table 4.8
Statistical Test Results F

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.674	3	.225	1.104	.365[a]
	Residual	5.295	26	.204		
	Total	5.969	29			

a. Predictors: (Constant), KM_Company, DKD_ Company, KI_ Company
b. Dependent Variable: Variable_Company
Source: Secondary data processed through SPSS 17, 2017

From the results of the F test, it can be seen that the F value is 1.104 with a significance level of 0.365. This result can be concluded that the independent variables are the composition of the board of commissioners, institutional ownership, and managerial ownership simultaneously affects the value of the company because the significance probability value is F> 0.05.

4.2.4 Determination Coefficient Test (R^2 Test)

The results of the analysis of the coefficient of determination can be seen in table 4.9 as follows:

Table 4.9
Determination Coefficient Analysis Test Results (R^2)

Model	R	R Square	Adjusted R	Std. Error of the
1	.532[a]	.299	.272	2.448201

Predictors: (Constant), KI, DK, KM

Source: Secondary data processed through SPSS 17, 2017

From the table above can be seen the adjusted R square coefficient of -0.299. This shows that the variable value of the company can be explained well by the independent variables, namely the composition of the board of commissioners, institutional ownership and managerial ownership of -27.2%. The remaining 72.8% is influenced by other factors not addressed in this study.

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4.3. Discussion

Effect of Composition of the Board of Commissioners on Company Value

The results showed that the composition of the board of directors had a significant negative effect on the value of the company. This value indicates that the first hypothesis of the positive influence of the composition of the board of commissioners on the value of the company is rejected and cannot be proven.

Effect of Institutional Ownership on Company Value

The results show that institutional ownership has a positive effect on the value of the company. This shows that the second hypothesis of the positive influence of institutional ownership on company value is accepted and can be proven. This is consistent with previous research by Rachmawati and Triatmoko (2007) which states that institutional ownership affects the value of a company.

Effect of Managerial Ownership on Company Value

The results of the study show that managerial ownership has a positive effect on firm value. This is consistent with previous research conducted by Saputra (2010) and Purwaningtyas (2011) who found evidence that management ownership has a positive effect on firm value. The existence of management ownership will reduce the act of manipulation, managers will tend to act in the interests of shareholders because they are also part of the shareholders. The manager also makes every effort to take actions that can maximize the value of the company.

4.4. Conclusion

Based on the results and discussion of the problem in the previous chapter it can be concluded as follows:

1. The composition of the board of directors has a negative effect on the value of the company.
2. Institutional ownership has a positive effect on the value of the company.
3. Managerial ownership has a positive effect on company value.
4. The composition of the board of commissioners, institutional ownership, and managerial ownership affects the remaining 27.2% of the company's value

72.8% is influenced by other factors not addressed in this study.

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