ISSN (Online) 2456 -1304

International Journal of Science, Engineering and Management (IJSEM)
Vol 4, Issue 9, September 2019

Effect of Corporate Social Responsibility and Good Corporate Governance Mechanism (Managerial Ownership, Institutional Ownership, Independent Board of Commissioners, Audit Committee) To the Value of the Company

(Empirical Study on Banking Companies Listed on the Indonesia Stock Exchange in 2012-2015)

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Abstract: **- This study aims to obtain empirical evidence whether corporate social responsibility and good corporate governance significant effect on the value of the company on the companies listed on the Indonesia Stock Exchange. The population in this study was banking companies listed in Indonesia Stock Exchange (BEI) in 2012 and 2015. The sampling method used in this research is purposive sampling method. The data obtained through the company's annual report published for the years 2012-2015 general obtained from the official website of each company. the independent variable is the corporate social responsibility and good corporate governance, while the dependent variable in this study is the value of the company. Multiple regression analysis is used to obtain the regression coefficients that will determine whether the hypothesis made will be accepted or rejected. Regression models are used to test the effect of the independent variable on the dependent variable.From the data processing, a significant difference between CSR disclosure, managerial ownership, institutional ownership, proportion of independent board of commissioners, and the number of audit committee of the company values at banking companies listed on the JSE. Obtained coefficient of determination of 30.4% of the value of the company at banking companies listed on the JSE was influenced by CSR disclosure, managerial ownership, institutional ownership, proportion of independent board of commissioners, and the number of audit committee.**

Key words: Corporate social responsibility, good corporate governance, the value of the company, banks

1. INTRODUCTION

One of the objectives of establishing a company is to get maximum profit and increase the wealth of the company owner or stockholders. Many company has not much different goals, except that the emphasis that each company wants to achieve is different from one to the other (Harjito & Agus, 2005).

In the midst of increasing global competition, companies are competing to improve their competitiveness in various sectors in order to attract investment. Therefore, the value of the company becomes very important because it reflects the company's performance which can affect investors' perceptions of the company. High company's value can provide a positive signal to investors. A high company's value will make the market (investors) believe not only in the company's current performance but also in the company's prospects in the future. High company's value can also increase wealth of shareholders and this attracts shareholders to invest their money in the company (Haruman, 2008).

In general, financial factors are the main factor that affect company value (Mulianti, 2010). However, non-financial factors also greatly affect the performance of the company which has an impact on the company's value in the eyes of investors. Corporate Social Responsibility (CSR) is one of the non-financial factors that needs to be considered by the company in an effort to increase the value of the company. Implementing CSR consistently in the long term will increase the legitimacy of the community towards the company's presence. The more forms of accountability the company does with its environment, will improve the image of the company.

Company value is not only affected by disclosure of CSR. Good Corporate Governance is another non-financial factor which is currently widely considered by investors in valuing a company (Sari and Riduan, 2011). Good implementation of

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Good Corporate Governance and in accordance with regulations will make investors respond positively to company performance and increase the market value of the company (Retno and Priantinah, 2012)

Several previous studies have not shown consistent results regarding the effect of the mechanism of good corporate governance and CSR. Research conducted by Nuswandiri (2006) on the influence of the Corporate Governance Perception Index on company performance, Sayidah (2007) on the quality of corporate governance towards company value, and Ratih (2011) on the effect of good corporate governance on the value of the company with financial performance as an intervening variable all shows that there is no relation between each variable. Whereas those that show the opposite results are: Pranata's research (2010) on the influence of the implementation of good corporate governance on corporate value and financial performance, Wardani (2008) on the influence of good corporate governance on the performance of companies in Indonesia, as well as Jurnal Dinamika (Wardoyo). on the effect of CSR on company’s value.

Based on the inconsistency of the results of the study, researcher are interested in conducting research with the title "Effect of Corporate Social Responsibility and Good Corporate Governance Mechanism (Managerial Ownership, Institutional Ownership, Independent Board of Commissioners, Audit Committee) to the Value of the Company (Empirical Study on Banking Companies Listed on the Indonesia Stock Exchange in 2012-2015)."

CSR is a form of corporate responsibility to fix social inequalities and environmental damage caused by the company's operational activities. The more forms of accountability the company does with its environment, the better the image of the company. Investors are more interested in companies that have a good image in the community because the better the company's image, the higher consumer loyalty which means that in the long term, the company's sales will improve and the company's profitability will also increase. If the company runs well then the value of the company will also increase.

The implementation of the good corporate governance mechanism is expected to be useful for adding and maximizing company value. Good corporate governance is expected to be able to strive for a balance between various interests that can provide benefits to the company as a whole. But in practice the problem arises (agency problem), because there is a gap of interest between the shareholders or the owner of the company and the management or company management as an agent.

RESEARCH METHODS

The population in this study are banking companies listed on the Indonesia Stock Exchange (IDX) in 2012 to 2015. The sampling method used in this study is the purposive sampling method. The samples criteria are:

1. Banking companies listed on the IDX and their shares actively traded during 2012-2015.
2. The company issues annual reports for the period 2012-2015.
3. The company provides information on the implementation of CSR and has data on management ownership, institutional ownership, the proportion of independent commissioners and the number of audit committees.
4. The company is not suspended or delisted during 2012 - 2015.
5. The company has complete data regarding independent commissioners, audit committees, institutional ownership and managerial ownership ...
6. The company uses Rupiah in presenting financial statements.
7. The banking company is a non-sharia banking company.

The data used in this research are secondary data obtained from:

1. The company's annual report for 2012-2015 which is published publicly obtained from the official website of each company.
2. Journals, papers, research, books, and internet sites related to the theme of this research.

The data collection method used in this research is done by developing a social disclosure checklist. In addition, documentation studies are conducted by collecting secondary data from the Indonesian Capital Market Directory (ICMD), IDX Corner in Faculty of Economics of Maranatha Christian University and IDX website: www.idx.co.id

This research was conducted to examine the effect of Corporate Social Responsibility (CSR) and good corporate governance on company’s value measured by the proportion of independent commissioners, audit committees, institutional ownership, managerial ownership and CSR to company’s value. This research uses company’s size, leverage, and profitability as control variables.

This research is an explanatory research type that explains the relationship between one variable and another variable through testing hypotheses. Hypothesis testing in this study uses a linear regression model of a computer-assisted statistical data processing tool, SPSS.

Multiple regression analysis is used to obtain a regression coefficient that will determine whether the hypothesis made will be accepted or rejected. The Regression Model is used to

ISSN (Online) 2456 -1304

International Journal of Science, Engineering and Management (IJSEM)
Vol 4, Issue 9, September 2019

test the effect of both independent variables on the dependent variable.

REGRESSION EQUATION :
$Y = \alpha + \beta 1CSR + \beta 2GCG + e$
Description:
Y = Company's Value
α = Constant
β1CSR = Coefficient for CSR
β2GCG= Coefficient for GCG
e = Error

RESULT

To test the simultaneous effect, then with confidence level of 95%, the hypothesis is as follows:

• Ho1: there is no significant effect between disclosure of CSR, managerial ownership, institutional ownership, proportion of the independent board of commissioners, and the number of audit committees on the value of companies in banking companies listed on the BEI.

• Ha1: there is a significant effect between disclosure of csr, managerial ownership, institutional ownership, proportion of the independent board of commissioners, and the number of audit committees on the value of companies in banking companies listed on the BEI.

And the criterias are as follows:

• Reject Ho1 and accept Ha1, if the regression calculation p-value is smaller than $\alpha = 0.05$, which means there is a significant effect between CSR disclosure, managerial ownership, institutional ownership, proportion of independent board of commissioners and the number of audit committees on company's value in banking companies listed on the BEI.

• Reject Ha1 and accept Ho1, if the regression calculation p-value is greater than or equal to $\alpha = 0.05$, which means there is no significant effect between CSR disclosure, managerial ownership, institutional ownership, proportion of independent board of commissioners and number of audit committees on company value in banking companies listed on the BEI.

Table 4.7 Simultaneous Regression Test

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	185437439976771968.000	5	37087487995354400.000	5.812	.000c
	Residual	319046426454185020.000	50	6380928529083700.000		
	Total	504483866430956990.000	55			

a. Bank categories: = Bank buku 3 and 4
b. Dependent Variable: Tobin's Q c. Predictors: (Constant), Number of Audit Committees, Institutional Ownership, Disclosure of CSR, Proportion of Independent Board of Commissioners, Managerial Ownership

The table above, shows a p-value of .000, which is less than $\alpha = 0.05$, which means that there is a significant effect between CSR disclosure, managerial ownership, institutional ownership, proportion independent board of commissioners and the number of audit committees on company value in banking companies listed on the BEI.

Table 4.8 Simultaneous Coefficient Determinant Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.606b	.368	.304	79880714.37515

a. Kategori Bank = Bank buku 3 dan 4
b. Predictors: (Constant), Number of Audit Committees, Institutional Ownership, Disclosure of CSR, Proportion of Independent Board of Commissioners, Managerial Ownership c. Dependent Variable: Tobin's Q

The table above shows that the value of adjusted R square, which describes the value of the coefficient of determination measured, which shows how much influence the independent variable has on the dependent variable. The coefficient of determination found is .304, which means that 30.4% of the company's value of banking companies listed on the BEI is affected by CSR disclosure, managerial ownership, institutional ownership, proportion of independent board of commissioners and number of audit committees, while 69.6% is affected by other variables not examined in this research.

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ISSN (Online) 2456 -1304

International Journal of Science, Engineering and Management (IJSEM)
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Table 4.9 Simultaneous Coefficients of Regression

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	259419056.149	107003955.116		2.424	.019
CSR disclosure	-515513711.451	829642759.239	-.077	-.621	.537
Managerial ownership	-2869425.403	1595337.761	-.273	-1.799	.078
Institutional ownership	-2521853.770	872719.770	-.388	-2.890	.006
Proportion of independent board of commissioners	174212936.847	107742237.228	.192	1.617	.112
Number of audit committees	-29578340.995	12902079.908	-.278	-2.293	.026

Based on the table above, the regression equation is as follows:

$$y=a+b_1x_1+b_2x_2+b_3x_3+b_4x_4+b_5x_5$$

Company'svalue= 259419056.149-515513711.451× CSR disclosure

- 2869425.403×Managerial ownership

-2521853.770×Institutional ownership

+174212936.847 × Proportion of independent board of commissioners

-29578340.995×Number of audit committees

DISSCUSSION

Banking is an industry which has a rapid development, as 1t is needed by the community to conduct financial transactions. One of the benchmarks used to assess the health of banks is the value of the company. In this study, company's value is measured using Tobin's Q, which is a comparison between the market value of assets divided by estimated replacement cost. This value was expressed by James Tobin, which was formulated as a comparison of the market value of assets with an estimated amount of money that must be spent to replace all these assets. For this reason, the researcher calculated the Tobin's Q value for all company data for 2012-2015, as a benchmark for firm value.

In this research, the hypothesis is that disclosure of CSR, managerial ownership, institutional ownership, independent commissioner, and audit committee can positively affect company value. This study aims to obtain empirical evidence whether CSR has a significant influence on the value of the company, on companies listed on the BEI/IDX (Indonesia Stock Exchange). Disclosure of CSR is a comparison between activities carried out by the company to minimize the negative impact of operational

activities carried out by the company. Thus, the greater the disclosure of CSR is carried out, the greater the positive impact that the company has on the environment.

1. The results of this research are expected to be an input for companies in making decisions, especially regarding corporate social responsibility and good corporate governance (managerial ownership, institutional ownership, independent board of commissioners, audit committee) in order to increase company's value.
2. The results of this study are expected to be an additional reference material and reference or comparison material for other researchers who have the same study.
3. Provide references on the analysis of corporate social responsibility and good corporate governance (managerial ownership, institutional ownership, independent board of commissioners, audit committee) to the value of the company.

Based on the results of the research disclosed in the previous section, the researcher can make conclusions as follows:

1. There is a significant effect from disclosure of CSR, managerial ownership, institutional ownership, proportion of the independent board of commissioners, and the number of audit committees on the value of companies in banking companies listed on the BEI. From the coefficient of determination value obtained shows that 30.4% of the corporate value of banking companies listed on the BEI is affected by disclosure of CSR, managerial ownership, institutional ownership, proportion of independent board of commissioners, and number of audit committees
2. There is no significant effect from CSR disclosures on company's value in banking companies listed on the BEI.
3. There is no significant effect from managerial ownership on the value of the company in banking companies listed on the BEI.
4. There is a marginal effect from institutional ownership on the value of the company in the banking company listed on the BEI, where only 6.8% of the value of the company in the banking company listed on the BEI is affected by

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institutional ownership

5. There is a significant effect from the proportion of the independent board of commissioners on the value of the company in the banking company listed on the BEI, amounting to 11.5% of the company's value in the banking companies listed on the BEI is affected by the proportion of independent board of commissioners

6. There is a significant effect from the number of audit committees on the value of companies in banking companies listed on the BEI, amounting to 17.6% of the value of the company in the banking companies listed on the BEI is affected by the number of audit committees

Based on the results of the research as well as matters related to the limitations of the research, some considerations are:

1. For investors and potential investors of companies listed on the Indonesia Stock Exchange to be more careful and also pay attention to the aspects of good corporate governance and disclosure of corporate social responsibility of the company as a consideration in making investments.

2. Although there is no significant effect from CSR and company value, investors need to consider the effects of CSR in the future. Because the effects of CSR are long-term like RND in the company.

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