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The Influence of Corporate Governance Perception Index, Profitability Ratio and Firm Size to Company Value (CGPI And Listed Companies On The IDX)

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ABSTRACT

This research is based on the problem of what factors can affect the value of company in the form of book value of shares (PBV) in companies that are ranked CGPI and listed on the IDX 2014-2018. CGPI itself is a Corporate Governance index given by the IICG institution to participating companies in accordance with the results of research on corporate governance mechanisms. This study aims to analyze the effect of the Corporate Governance Perception Index, Profitability Ratios, and Company Size on Firm Value in companies that are ranked CGPI and listed on the IDX during the 2014-2018 period with a sample of 11 companies using purposive sampling technique. The results of Multiple Linear Regression Statistical Analysis show that (1) The effect of CGPI on Book Value of Shares (PBV) is positive and significant (2) The effect of ROA on Book Value of Shares (PBV) does not have a positive and significant effect (3) Effect of ROE on Firm Value (PBV) is positive and significant (4) The influence of Company Size on Company Value (PBV) does not have a positive and significant effect (5) CGPI, Return On Assets, Return On Equity, and Company Size simultaneously have an influence on Firm Value.
Keyword: Corporate Governance Perception Index, ROA, ROE, Company Size, PBV

INTRODUCTION

The company's goal is to maximize the value of the company. Salvatore (1989) [1] states that companies exist because the company's economy produces production and distribution and provides great benefits for employers, workers, and other resource owners. Firm value is related to the company's stock performance. This statement is supported by Maksum (2005) which states that the value of the company in the eyes of investors increases as a result of their increased trust in the company. Firm value can be measured through various aspects, one of which is proxied by Price to Book Value (PBV).

One of the things that can affect company value is Good Corporate Governance. In Indonesia, currently many organizations are interested in studying corporate governance issues such as academics who have established various forums one among them is the Indonesian Institute for Corporate Governance (IICG). IICG in collaboration with the National Committee on Companies conducts research studies and assessments on the implementation of good corporate governance, both public and private, banking, and State-Owned Enterprises in Indonesia. The results are then published nationally and internationally by the SWA magazine and the IICG website. The resulting product is the Corporate Governance Perception Index.

One of the interesting things studied is the anomaly between the ranking results and the performance of a company. This anomaly that will be used in this study will raise the question whether the CGPI score is really effective in assessing the performance of the company where this will determine the value of the company. In addition to being an indicator of the company's ability to meet the obligations of the owners of capital, company profit is also an element in the creation of company value that shows the company's prospects in the future. Profitability ratio can be proxied by Return on Asset (ROA) and Return on Equity (ROE).

On the other hand, company size is also an important aspect in determining company value. The size of the company referred to in this study is to see how much assets a company owns. The assets owned by the company represent the rights and obligations as well as the company's capital. Companies that participate in CGPI have been confirmed to have a good and general reputation in the community with a large number of assets generated because the majority of CGPI participants are public, private, banking, state-owned companies and even Regional Own Enterprise. Companies with large assets will usually get more attention from the public and investors. This will cause companies to be more careful in their financial reporting. It is hoped that the company will always strive to maintain financial performance stability which will certainly have an impact on company value.

Agency theory is the basis used to explain corporate governance. This theory contains an explanation of the relationship between agent as manager and principal as owner (Wijayanti and Mutmainah, 2012). In practice, the owner will give authority to the manager in the hope that the manager will give his best to achieve the owner's goals, namely maximizing company value. However, problems arise from the separation of ownership and management, which is known as agency problems. Agency problems arise from a conflict of interest between the owner (shareholder) and the agent (management). To reduce problems or conflicts that occur between owners and management, a supervisory mechanism is needed for company management. The mechanism that can be used is GCG (Good Corporate Governance). GCG is expected to be a system that provides guidelines and principles to harmonize the different interests of managers and shareholders.

According to the Forum for Corporate Good Corporate Governance is a set of regulations governing the relationship between shareholders, company managers, creditors, government, employees as well as other internal and external stakeholders relating to their rights and obligations or with another word is a system that controls the company. Strengthening financial performance required good corporate governance (GCG). According to Effendi (2016). the definition of Good Corporate Governance is a company internal control system that has the main objective of managing significant risks in order to meet its business objectives.

The Indonesian Institute for Corporate Governance (IICG) was established on June 2nd, 2000 is an independent agency conducting dissemination and development of in Indonesia. The main activity undertaken is conducting research on the implementation of Good Corporate Governance which results in the Corporate Governance Perception Index (CGPI). The Corporate Governance Perception Index (CGPI) is a research and ranking application of Good Corporate Governance in public companies listed on the Indonesia Stock Exchange (IDX). The implementation of the Corporate Governance Perception Index (CGPI) is based on the importance of knowing the extent to which public companies have implemented Good Corporate Governance. The Corporate Governance Perception Index (CGPI) is held annually, for the first time in 2001. The research methodology used includes four stages of research involving internal and external company stakeholders. The four stages are self-assessment, collecting company documents, drafting papers and achievements as well as observing the company. Corporate Governance Index (CGPI) ranking is designed into three categories based on the level / level of trustworthiness which can be explained according to the application score, namely highly trusted, trustworthy, and fairly trustworthy.

Return on Asset (ROA) according to Kasmir (2014) is a ratio used to measure a company's ability to generate profits from investment activities. ROA can help companies that have implemented good accounting practices to be able to measure the efficiency of the use of capital as a whole, which is sensitive to everything that affects the company's financial condition so that the company's position on the industry can be seen. Another Profitability Ratio is ROE or return on equity. ROE is part of the profitability ratio. The definition of ROE according to Brigham and Houston (2010). has the view that Return on Equity is the ratio of net to ordinary equity, which serves to measure the rate of return on investment from common stockholders.

According to Brigham & Houston (2010), Company size is the size of a company that is shown or valued by total assets, total sales, total profits, tax expenses and others. Meanwhile, according to Harahap (2007). the measurement of company size is the size of the company measured by the natural logarithm (Ln) of the average total assets (total assets) of the company.

According to Anthanasius (2012), Price to book value is a ratio that shows how high a stock is purchased by an investor compared to the book value of the stock. The smaller the price to book value, the cheaper the price of a stock is. Price to book value (PBV) is a value that can be used to compare a stock that is more expensive or cheaper than other stocks. With this PBV ratio, investors can immediately know how many times the market value of a stock has been valued from its book value. The PBV ratio can provide an overview of potential stock price movements so that from this description, indirectly the PBV ratio also has an influence on stock prices. The conclusion is that PBV becomes a benchmark for seeing market recognition of a company. Well recognized the share price will increase, but if the market admits it is not good, the share price will decrease.

Hypothesis that would be used in this research conduct:

H1: CGPI has positive effect on the value of CGPI participating companies
H2: Return on Assets affects positively against the value of CGPI participating companies
H3: Return on Equity affects positively against the value of CGPI participating companies
H4: The size of the Company has a positive influence on the value of CGPI participating companies.

METHOD

The type of data used in this study is quantitative data which is in the form of numbers or qualitative data that is guessed/scoring (Sugiyono, 2011). The data source used in the study is secondary data. Secondary data that is data obtained in the finished form has been collected and processed by other parties (Sugiyono 2011). Quantitative and secondary data in this study are CGPI report containing corporate governance index of companies from various sectors both public, private, state-owned enterprises, BUMD. This data is obtained through the e-mail of the institution that held the CGPI event IICG. And annual financial statements of CGPI participating companies listed on the Indonesia Stock Exchange that do not directly provide data to data collectors, for example through others or through documents. The data comes from the IDX website.

Table 1. Sampling Result

CGPI Participant 2014-2018	163
CGPI Participant that not listed on IDX for 2014-2018	(83)
CGPI Participant in 2014-2018 whom not consistent	(69)
CGPI Participant whom consistent and also annually published their financial statement on IDX for the 20142018 Period	11 x 5 = 55

Source: private data, 2020

This research using Multiple Linear Regression Method to established the result. Multiple linear regression analysis is a regression analysis used to determine the relationship between one dependent variable and several independent variables. The result of multiple regression analysis is the coefficient of each independent variable. The result of regression analysis is the coefficient of each independent variable by predicting the value of a dependent variable with an equation. The mathematical form will be explained as below:

$$PBV = \beta 0 + \beta 1 CGPI + \beta 2 ROA + \beta 3 ROE + \beta 4 SIZE + \varepsilon$$

Where:

β : regression coefficient
CGPI : Corporate Governance Perception Index
ROA : Return on Asset
ROE : Return on Equity
SIZE : Company Size
ε : Error

RESULT AND DISCUSSION

Descriptive statistical data serves to see an overview of the research. In a descriptive statistic, there is a number of data, the maximum value, the minimum value, and the average value. Descriptive statistical results for CGPI, ROA, ROE, and Enterprise Size independent variables and company value dependent variables (PBV) can be found in the following table:

Table 2. Descriptive Statistic Result

	N	Minimum	Maximum	Mean	Std. Deviation	Variance
CGPI	55	71,00	93,86	85,909	5,217	27,221
ROA	55	-0,05	0,21	0,037	0,046	0,002
ROE	55	-0,08	0,33	0,130	0,076	0,006
SIZE	55	28,70	34,80	32,210	1,936	3,750
PBV	55	0,41	4,55	1,024	1,024	1,049
Valid N (listwise)	55					

Source: secondary data, 2020

Table 3. Kolmogorov-Smirnov Result

Test Statistic	0,970
Asymp.Sig.(2-tailed)	0,200

Source: Secondary Data, 2020

Table 4. Multicollinearity Test Result

Variable	Tolerance	VIF
CGPI	0,597	1,675
ROA	0,153	6,552
ROE	0,111	9,016
SIZE	0,26	3,849
Dependent Variable: PBV		

Source: Secondary Data, 2020

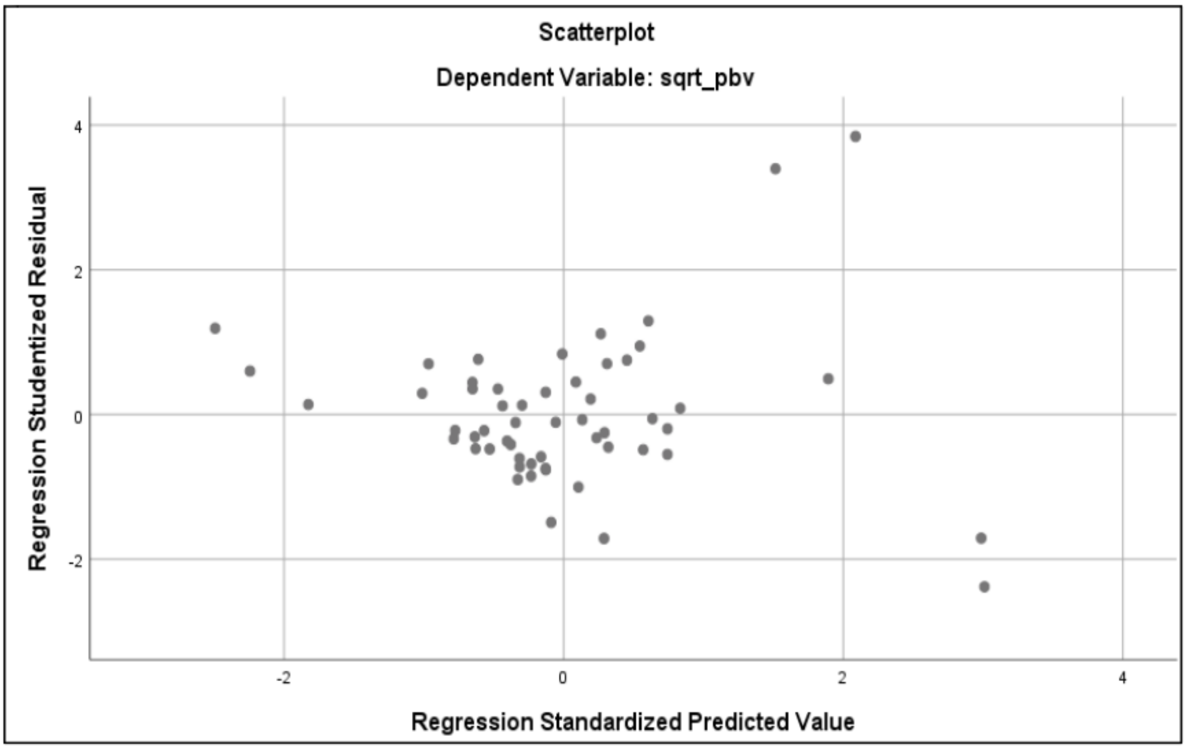

Figure 1. Scatterplot Graph

Table 5. Autocorrelation Test

R	R Square	Adjusted R Square	Durbin Watson
0,649	0,421	0,375	1,963

Source: Secondary Data, 2020

Table 6. T-test Result

Variable	T test result	Significant
CGPI	2,532	0,015
ROA	1,134	0,262
ROE	2,17	0,035
Ukuran Perusahaan	-0,793	0,432
Dependent Variable: PBV		

Source: Secondary Data, 2020

The t-test is the second model due diligence that tests independent variables in this study (Corporate Governance Perception Index, Return on Assets, Return on Equity, and Size of the company) to see the result which between the variables individually has an influence on the value of the company (PBV). The study's free degree was 1,67591 where the a specified was 5%.

CGPI variables on PBV have a significant positive influence this can be characterized by a sig < of 0,05 in this research the significancy of CGPI below 0,05 which is 0,015 followed by t-table > t-count that is 2,532 > 1,67591. this indicates that H0 was rejected and **Hypothesis 1 (H1) accepted**. This means that CGPI variables have a positive partial and significant effect on the value of the company.

ROA variables do not have a significant influence on PBV. This can be seen from the significance. The condition of the acceptance of the hypothesis is with the < of 0.05. statistical results show that the variable ROA level of significance of 0.262 exceeds the requirement for acceptance of decisions that are below 5%. t-hitung is also priced less than t-table, which is 1,314 < 1,67591 so it can be concluded that ROA has no influence whatsoever on the value of the company. This means H0 is accepted and **Hypothesis 2 (H_2) is rejected**. This means that ROA has no influence on the value of the company (PBV).

ROE have a positive and significant influence on the value of the company. this can be proven in statistical test results that the significance of < 0,05 is 0,035 with t-hitung > t-table test result of 2,170 > 1,67591. H_0 is rejected and **Hypothesis 3 (H3) is accepted**. ROE has positive impact due to Company Value (PBV).

As for the size of the company appears to have a negative and insignificant effect on the value of the company with a value of -0,793 < 1,67591t-tabel. However, the level of significance shows above 5% which is 0,431. This indicates that H0 is accepted and **Hypothesis 4 (H_4) is rejected**. This means that the Size of the Company does not have a significant influence on the value of the company (PBV).

To measure the ability of independent variables in this study used an adjusted value of R. The reason is that the adjusted value of R already considers the sample data and the number of variables used. The test results of the determination coefficient will be displayed in the following table:

Table 7. R Determination Test

R	R Square	Adjusted R Square
0,649	0,421	0,375

Source: Secondary Data, 2020

In the regression model of this study, it is known the coefficient of determination is 0,375 or 37,5%. the ability to explain these independent variables is relatively small because the larger percentage of 62,5% is explained by other variables not included in this study.

CONCLUSION

CGPI participating companies, are expected to have good guaranteed governance. This can be proven by the index given according to research conducted by the IICG team on all companies that willingly participate in CGPI events. This index turns out to have an influence on the value of the company. This research shows a corresponding result with previous research conducted by Marlyanti, Hasan Basri, and Faisal (2015) showing that CGPI is adhered to the value of the company (PBV), the opposite of the research conducted by Cahyaningtyas (2015) reveals that the CGPI index has no influence on the value of the company.

The result indicates that ROA having no positive affect against Company Value. This happen because may also be the case because there have been several periods in CGPI participating companies, experiencing significant asset increases but not accompanied by an increase in corporate profits. Investors in this case concluded that the management of assets in the company is less maximal. This research has inverse results from research conducted by Marlyanti, Hasan Basri, and Faisal (2015) and Cahyaningtyas (2015) in which ROA has a significant influence on the value of the company (PBV). These results are in line with Lianti and Heliana's research (2015) [13] showing that ROA has no influence on changes in the company's value.

The result indicates that ROE has positive influence against company value. It means that with the total capital there can affect the value of the company. According to Afidah (2014) in Kusumaningrum (2015) ROE shows the rate of return on capital invested by shareholders. If the ROE figure is high then the share price is also likely to be high so it will also increase shareholder value. This will further increase the company's attractiveness to investors, as the profit level will increase. According to Harmono (2009) in Kusumaningrum (2015) ROE which is one of the profitability has a causality relationship to the value of the company. This causality relationship shows that ROE can describe a company's financial performance as measured using the dimensions of profitability in good condition, will have a positive impact on the investor's decision in the capital market to invest in the form of capital investment. Research conducted has corresponding with previous research with Kusumaningrum (2015) revealed that Return On Equity proved to have a positive influence on the value of the company.

The result indicates that Firm size has no positive corresponding affect against company value. CGPI participating companies are mostly in the category of companies with large businesses according to BAPEPAM 1995 Number 9 because the majority of CGPI participating companies include state-owned or private national businesses. In general, large assets will attract investors to invest however, errors in the management of corporate assets can also lower the value of the company in the eyes of investors. According to Suryandani (2018), the company obtains a source of funds one of which comes from debt to external parties of the company, so it can be concluded that the larger the size of the company will be the greater the debt. Debt withdrawals made by large companies should be able to make the company get a return in the form of large assets as well. The assets that are guaranteed to obtain debt are worth more than the return on assets received by the company. The high risk in the company is considered to increase the potential for bankruptcy which can be a concern for investors. The results of this study had corresponding result with previous research by Suryandani (2018) and Languju (2018) reveal that the size of the company has no effect or even negative influence but does not have a significant effect on the value of the company. Indriyani (2016) also revealed a negative reaction between the size of the company and the value of the company. However, the opposite was revealed by Marlyanti,et al (2015) revealing that the size of the company had a positive impact on the value of the company.

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