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GOOD CORPORATE GOVERNANCE, CORPORATE SOCIAL RESPONSIBILITY, AND SUSTAINABILITY REPORT TO FIRM VALUE

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Abstract:
Firm value is the company's performance which is reflected by the stock price which is formed by the demand and supply of the capital market which reflects the public's assessment of the company's performance. Several factors that can affect firm value include good corporate governance, corporate social responsibility and sustainability reports. This study aims to analyze the influence of Good Corporate Governance, Corporate Social Responsibility, and Sustainability Report on Firm Value on the Indonesia Stock Exchange. The research population is manufacturing companies listed on the Indonesia Stock Exchange. The sample in the study of 46 companies was determined based on the purposive sampling method. The results showed that good corporate governance, corporate social responsibility had no effect on firm value while the sustainability report had no effect on firm value. The limitations and suggestions in this study are that this study uses a manufacturing company with an observation period of three years. Further researchers are expected to increase the observation period and increase the number of samples to expand the research results. For further research it is expected to develop and multiply the variations of the independent variables used such as environmental performance, company size

Keywords:
Good Corporate Governance, Corporate Social Responsibility, Sustainability Report, Firm Value.

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INTRODUCTION

Each company aims to increase the prosperity of shareholders through maximizing Firm Value. According to Harmono (2009: 233), Firm Value is the company's performance which is reflected by the stock price which is formed by the demand and supply of the capital market which reflects the public's assessment of the company's performance. The problem of Firm Value is the fluctuation of stock prices which reflects the unstable value of the company. The capital market is a meeting place for capital seekers and investors. One form of the capital market is the stock exchange. To find out exactly how the condition of the company is necessary to do a proper analysis by looking at financial reports. Factors that can affect Firm Value are Good Corporate Governance (GCG) which, according to Sutedi (2006: 175), can be defined as a set of regulations governing the relationship between shareholders, company managers, creditors, government, employees and internal and external stakeholders. others relating to their rights and obligations or in other words a system that regulates and controls the company. GCG is needed to provide progress on company performance. Research conducted by Retno (2012), Randy (2013), Syafitri (2018), Widhi (2018), and Dewi (2019) stated that good corporate governance has a positive effect on firm value. This is different from the findings from Herwiyanti's (2015) research, Fatchan (2016) which states that good corporate governance has no effect on firm value.

Corporate social responsibility (CSR) is also the value of the company, which is a manifestation of the company's responsibility and concern for the environment and society. ISO 26000 in Rusdianto (2013: 7), Corporate Social Responsibility is defined as the responsibility of an organization for the impact of its decisions and activities on society and the environment, through transparent and ethical behavior that is consistent with sustainable development and community welfare, taking into account the interests of stakeholders , in accordance with applicable laws and consistent with international norms, integrated in all organizational activities, in this sense covering both activities, products and services. Basically, the involvement of a company with its social responsibility can increase access to capital, improve financial performance, reduce operating costs, enhance its image and reputation, increase sales and customer loyalty, and increase productivity and quality. Research conducted by Retno (2012), Herwiyanti (2015), Dewi (2017), Monica (2018), Mahendra (2018), Dewi (2019), Siregar (2019) stated that corporate social responsibility has a positive effect on firm value. This is different from the findings of Ardimas (2015) research which states that corporate social responsibility has no effect on firm value.

Through sustainable management, it is reported that stakeholders are interested in understanding how the company's approach and performance are sustainable in various aspects. In this case, companies need to make a sustainability report which functions as a form of corporate responsibility to stakeholders in the form of a report. Sustainability Report is a report published by a company or organization regarding the economic, social and environmental impacts of daily activities (GRI, 2013). The Global Reporting Initiative (GRI) is a non-profit organization that promotes economic sustainability. GRI produces standards commonly used by companies in the world for sustainability reporting such as Environmental Social Governance (ESG) Reporting, Triple Bottom-Line (TBL) Reporting, and Corporate Social Responsibilities (CSR) Reporting. In May 2013 the Global Reporting Initiative (GRI) officially released the G4 Guidelines. Sustainability reports are increasingly becoming a trend and a need for progressive companies to inform about their economic, social and environmental performance as well as to all company stakeholders. Research conducted by Sejati (2014), Fatchan (2016), Latifah (2017), Sari (2017), Maskat (2018) states that sustainability reports have a positive effect on firm value. This is different from the findings of Habibi (2018) from the results of the research stating that the sustainability report has no effect on Firm Value. The problem that will be discussed in this research is whether good corporate governance, corporate social responsibility, sustainability report affect the value of companies listed on the Indonesia Stock Exchange in 2017-2019. The purpose of this study is to determine the effect of investment opportunity set, good corporate governance, corporate social responsibility, sustainability report on the value of companies listed on the Indonesian Stock Exchange in 2017-2019. Based on research on the factors that influence firm value, because of the inconsistency of the research gap issue or the results of different research in previous studies, this research was conducted again. The results of the inconsistencies from previous studies were due to differences in factors that were proven to affect one study, but not necessarily in other studies.

The theory related to research is Agency Theory, which according to Anthony and Govindarajan (2011: 10) agency theory is the relationship or contact between the principal and the agent, the principal employs the agent to perform tasks for the interests of the principal, including delegating authorization for decision making. from principal to agent. According to (Meiser et al, 2006) this agency relationship causes two problems, namely: 1) The occurrence of asymmetry information (information asymmetry), where management generally has more information about the actual financial position and the entity's position of the owner. 2) The occurrence of a conflict of interest due to different goals, where management does not always act in accordance with the interests of the owner. In addition, a related theory is Signaling Theory, which according to Melewar (2008: 100) states that signal theory shows that companies will provide signals through action and communication. Companies adopt these signals to reveal hidden attributes for stakeholders. Basically, signal theory is also used to explain that financial statements are used to provide positive and negative signals to their owners. Good corporate governance is a set of rules governing the relationship between shareholders, company management, government creditors, employees and other internal and external stakeholders relating to their rights and obligations or in other words a system that regulates and controls the company (Sutedi, 175). Investors can see companies that are implementing GCG well, where the control system in the company can be trusted with the openness of the company, thus making investors trust to invest in the company, which can increase Firm Value. Based on research conducted by Retno (2012), Randy (2013), Syafitri (2018), and Dewi (2019) good corporate governance has a positive effect on firm value. This means that the better or the higher the value of good corporate governance, the better and higher the Firm Value. Based on the theoretical basis and rationale above, the following hypothesis is formulated,

H1: Good corporate governance has a positive effect on firm value.

According to Rusdianto (2013:7), corporate social responsibility is the responsibility of an organization for the impact of its decisions and activities on society and the environment, through transparent and ethical behavior consistent with sustainable development and community welfare, paying attention to the interests of stakeholders, according to the law. applicable and consistent with international norms, integrated in all organizational activities, in this sense covering both activities, products and services. Companies in making decisions must consider various social and environmental problems if the company wants to maximize long-term financial results which can increase Firm Value. This means that the more companies express their social disclosure ideas and the better the quality of the disclosures, the higher the corporate value. Based on research conducted by Retno (2012), Herwiyanti (2015), Monica (2018), and Dewi (2019) corporate social responsibility has a positive effect on firm value. This means that the better or the higher the value of corporate social responsibility, the better and higher the firm value. Based on the the explanation above, the following hypothesis is formulated,

H2: Corporate social responsibility has a positive effect on firm value.

According to Heemskerk, Pistorio and Scicluna (2002:7) a sustainability report is defined as a public report by a company to provide internal and external stakeholders with an overview of the company's position and activities in economic, environmental and social aspects. Publishing a sustainability report shows that a company has a responsibility towards the interests of its stakeholders, and this will increase investor confidence in a company that has a sustainable mission and can have a positive impact on Firm

Value. The company's goal of publishing a sustainability report is to attract investors to buy company shares. With the increase in the number of shares outstanding and the increase in the company's share price, the company hopes to increase the value of the company. Based on research conducted by Sujati (2014), Fatchan (2016), Latifah (2017), Maskat (2018), and Siregar (2019) the Sustainability Report has a positive effect on Firm Value. This means that the better or the higher the value of the Sustainability Report, the better and higher the corporate value. Based on the theoretical basis and rationale above, the following hypothesis is formulated, H3: Sustainability reports have a positive effect on Firm Value.

METHOD

The research variables are 1) good corporate governance as measured by using an instrument that has been developed by the Indonesian Institute of Corporate Governance (IICG) in the form of a Corporate Governance Perception Index (CGPI) score. CGPI is a research program and ranking of GCG implementation in companies in Indonesia; 2) corporate social responsibility is measured by the Corporate Social Responsibility Index (CSRI); 3) Sustainability Report in this study is measured by the Sustainability Report Disclosure Index (SRDI); and 4) Firm value can be measured by Price Book Value. The population in this study were all manufacturing companies listed and listed (go public) on the Indonesia Stock Exchange (IDX) during 2017-2019, as many as 182 companies. The sample was taken based on the purposive sampling method. Based on the sampling criteria above, 46 companies out of 182 companies presented complete financial reports on the Indonesia Stock Exchange and according to the variables studied in the 2017-2019 period. The number of observations made was 138 company data. The data collection technique used in this research is to conduct a documentation study conducted by collecting secondary data from the financial reports of Manufacturing Companies listed on the Indonesia Stock Exchange 2017-2019 which can be accessed on the website www.idx.co.id. The data analysis technique used is multiple linear regression analysis in which the form of the regression equation formulated based on the developed hypothesis is as follows:

$$FV = \alpha + \beta_1 GCG + \beta_2 CSR + \beta_3 SR + \varepsilon \quad (1)$$

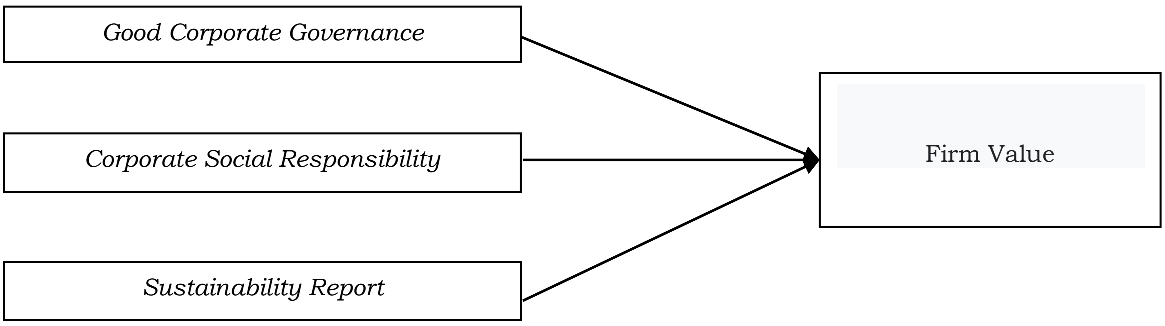

Figure 1. Research Model

RESULTS AND DISCUSSION

The results of the analysis state that good corporate governance has no effect on firm value, so H1 is rejected. This means that the size of the GCG index received by the company does not affect the increase in Firm Value. Good corporate governance is a set of rules governing the relationship between shareholders, company management, government creditors, employees and other internal and external stakeholders relating to their rights and obligations or in other words a system that regulates and controls the company (Sudana 2011). In this study, GCG was measured using the Corporate Governance Perception Index (CGPI), which shows the GCG implementation rating score. These results indicate that GCG has no effect on firm value. This means that the size of the GCG index received by the company does not affect the increase in company value, which means that there is no economic value that can be generated from the ranking of "The Indonesia Most Trusted Company - based on CGPI". GCG has no effect on company value because the CGPI calculation component does not involve a third party, namely a public accounting firm, so there is no external supervision that assesses the company's performance. This result causes investors to be less interested in seeing firm value in terms of good corporate governance. The results of this study are not in line with the research results of Retno (2012), Randy (2013), and Syafitri (2018) which state that good corporate governance has a positive effect on firm value. However, the results of this study are in line with the results of research from Herwiyanti (2015) and Fatchan (2016) which state that good corporate governance has no effect on firm value.

The results of the analysis state that corporate social responsibility has no effect on firm value, so H2 is rejected. In the Limited Liability Company Law No. 40 of 2007, the company must carry out CSR and disclose it, because if it does not carry out CSR, the company will be subject to sanctions in accordance with the provisions of the laws and regulations so that it is considered that CSR disclosure has no effect on company value. The results of this study are not in line with the research results of Retno (2012), Herwiyanti (2015), Dewi (2017) which state that corporate social responsibility has a positive effect on firm value. However, the results of this study are in line with the results of research from Ardimas (2015) which states that corporate social responsibility has no effect on firm value.

The analysis result states that the sustainability report has a positive effect on firm value, so that H3 is accepted. Sustainability Report has a positive effect on firm value, where publishing a sustainability report shows that the company has responsibility for the interests of its stakeholders, and this will increase investor confidence in companies that have a sustainable mission and can have a positive impact on company value. The company's goal of publishing a sustainability report is to attract investors to buy company shares. With the increase in the number of shares outstanding and the increase in the company's share price, the company hopes to increase the value of the company. The results of this study are in line with the results of research by Sejati (2014), Fatchan (2016), and Latifah (2017) which state that sustainability reports have a positive effect on firm value. However, the results of this study are not in line with the results of research from Habibi (2018) which states that sustainability reports have no effect on firm value.

CONCLUSION

This study examines the effect of investment opportunity set, good corporate governance, corporate social responsibility, and sustainability report on firm value. Based on the research results obtained through statistical testing and discussion as described in the previous chapter, it is concluded that:

1. Good corporate governance has no effect on firm value in manufacturing companies listed on the Indonesia Stock Exchange in 2017-2019.
2. Corporate social responsibility has no effect on firm value in manufacturing companies listed on the Indonesia Stock Exchange 2017-2019.
3. Sustainability reports have a positive effect on firm Value in manufacturing companies listed on the Indonesia Stock Exchange 2017-2019.

The limitations and suggestions in this study are that this study uses a manufacturing company with an observation period of three years. Further researchers are expected to increase the observation period and increase the number of samples to expand the research results. For further research it is expected to develop and multiply the variations of the independent variables used such as environmental performance, company size.

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