

The Influence of Corporate Governance and Corporate Social Responsibility on Corporate Values in Manufacturing Company Industrial Sectors Consumption Goods Listed on Indonesia Stock Exchange

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Abstract—This study is aimed to test the effect of Corporate Governance and Corporate Social Responsibility on Firm Value in manufacturing companies in the consumer goods industry sector is listed on the Indonesia Stock Exchange. This research uses a descriptive quantitative research approach, which is measured using a panel data-based method with EViews software. The population in this study were manufacturing companies manufacturing consumer goods industry listed on the Indonesia Stock Exchange (BEI) in 2016 until 2018. The sample was determined based on purposive sampling method, with a total sample of 18 manufacturing companies manufacturing consumer goods industry sectors so that the total observation in the study this is as much as 54 observation. The data used in this study are secondary data. Data collection techniques using the method of documentation through the official website of IDX: www.idx.co.id. The results of the study prove that (1) Managerial Ownership has effect on Company Value. (2) Institutional ownership has effect on Company Value. (3) Committee Audit has no effect on Company Value. (4) Corporate Social Responsibility has effect on Company Value.

Keywords: *managerial ownership, ownership institutional, committee audit, corporate social responsibility, company value*

I. INTRODUCTION

Company value can reflect the value of assets owned by the company such as securities such as shares. If the stock price is high, it can be said that the value of the company is also good. Increasing the value of a high company is a long-term goal of a company, because the assessment of investors against the company can be observed by the movement of stock prices in the stock exchange for companies that have gone public. High company value can increase prosperity for shareholders, so that shareholders will invest their capital in the company. One of the most important tools for assessing the strength of a company is by financial analysis, but financial analysis cannot automatically be used as an asset to assess the strength of a

company. There are other ways that are no less important in increasing company value, namely by implementing corporate governance and corporate social responsibility in companies [1].

Corporate governance is a system that regulates the relationship between the role of the board of commissioners, the role of the board of directors, shareholders, and other stakeholders. Corporate governance is also referred to as a transparent process of determining the company's goals, achievement, and performance assessment [2].

The corporate governance mechanism in this study uses 3 variables proxied by managerial ownership, institutional ownership and the audit committee. Managerial ownership is the owner or shareholder by the company management who actively plays a role in corporate decision making [3].

Institutional ownership is ownership of company shares by institutions or institutions such as insurance companies, banks, investment companies, and ownership of other institutions [4].

An audit committee is a committee consisting of one or more members of the board of commissioners and can request outside parties with a variety of expertise, experience, and other qualities needed to achieve the objectives of the audit committee.

Corporate social responsibility is defined as the company's commitment to improving community welfare through good business practices and contributing some of the company's resources [5].

Company value is a condition that has been achieved by a company as an illustration of public trust in the company after going through a process of activities for several years, namely since the company was founded until now [6].

The independent variables in this study are managerial ownership, institutional ownership, audit committee and

corporate social responsibility, while the dependent variable in this study is the value of the company. The hypothesis in this study are as follows:

- H1: Managerial ownership effect on company value.
- H2: Institutional ownership effect on company value.
- H3: Audit committee effect on company value.
- H4: Corporate social responsibility effect on company value.

II. METHODS

A. Research Method

The research method used in this study is quantitative research that is the result of research which then processed and analysed to be taken conclusion. This research aimed at explaining the influence between two or more variables, namely the influence of corporate governance including managerial ownership, institutional ownership, audit committee and corporate social responsibility on corporate value.

B. Population and Sample

The population in this study are all manufacturing companies in the consumer goods industry sector and there are 54 companies listed on the Indonesia Stock Exchange in 2016-2018. The sample is determined by purposive sampling method, with sample of 18 companies.

C. Data

The type of data used in this study is secondary data, that is data that has been audited and published by companies in the form of annual financial reports on manufacturing companies in the consumer goods industry sector which are listed on the Indonesia Stock Exchange 2016-2018. The research data collection method is the method of documentation and literature study.

D. Variable

This research has two variable operations. They are independent and dependent variables.

1) The independent variable:

a) *Management Ownership variables (MO)*: Management Ownership variables (MO) in this study were measured using the following formula:

$$MO = \frac{\text{Number of Shares Owned by Management}}{\text{Total Shares Outstanding}} \quad (1)$$

b) *Institutional Ownership (IO)*: The variable Institutional Ownership (IO) in this study was measured using the following formula:

$$IO = \frac{\text{Number of Shares Owned by Institutions}}{\text{Total Shares Outstanding}} \quad (2)$$

c) *Audit Committee (AC)*: The Audit Committee (AC) variables in this study were measured using the following formula:

$$AC = \text{number of audit committee members in one year}$$

d) *Corporate social responsibility*: In this study, there are seven disclosures of corporate social responsibility in the environmental field that will be measured in the following way, environmental policy, environmental certification and analysis of environmental impacts (AMDAL), rating (including the rating obtained from awards in the environmental field), energy (including energy saving, total energy used and so on), prevention or treatment of pollution (including waste treatment), support for environmental conservation and support for animal conservation [7].

The variable corporate social responsibility in this study was measured using a dummy variable, i.e. if the company did not disclose the items on the questionnaire then the score 0. While the company that revealed the items on the questionnaire then the score 1.

$$SCR \text{ Score} = \frac{\text{Total Number of Categories}}{\text{Disclosure Item}} \quad (3)$$

2) *The dependent variable*: The dependent variable in this study is firm value. Company Value Variable (NP) in this study was measured using the following formula:

$$PBV = \frac{\text{Market Price Per Share}}{\text{Book Value}} \quad (4)$$

E. Data Analysis

The analysis technique used in this research is quantitative analysis which is processed using views 9. Software analysis of data in this study uses panel data which is a combination of time series data and time series data (cross-section).

III. RESULTS AND DISCUSSION

A. Descriptive Statistics

Descriptive statistics provide a description or description of a data that is seen from the average value (mean), standard deviation, variance, maximum, minimum [8].

TABLE I. DESCRIPTIVE STATISTICAL ANALYSIS

	Company Value	Managerial Ownership	Institutional Ownership	Audit Committee	Corporate Social Responsibility
Mean	2.000382	0.110889	0.646224	1.108051	0.402116
Median	1.415430	0.007563	0.707745	1.098612	0.428571
Maximum	6.857417	0.682755	0.944761	1.386294	1
Minimum	0.294540	0.000227	0.051432	0.693147	0.142857
Std. Dev.	1.744160	0.189536	0.222659	0.136324	0.240449
Observation	54	54	54	54	54

The company value has a mean of 2,000,382 with a standard deviation of 1,744,160 and a minimum value of 0.294540 and a maximum value of 6,857,417. Managerial ownership has a mean of 0.110889 with a standard deviation of 0.189536 and a minimum value of 0.000227 and a maximum value of 0.682755. Institutional ownership has a mean of 0.646224 with a standard deviation of 0.222659 and a minimum value of 0.051432 and a maximum value of 0.944761. The audit committee has a mean of 1,108,051 with a standard deviation of 0.136324 and a minimum value of 0.693147 and a maximum value of 1,386,294. Corporate social responsibility has a mean of 0.402116 with a standard deviation of 0.240449 and a minimum value of 0.142857 and a maximum value of 1.

B. Selection of Panel Data Regression Model

1) *Chow test (Common Effect Model vs Fixed Effect Model)*: The chow test is used to choose between the common effect model or the fixed effect model that is most appropriate for use. The basis for decision making in this test is as follows: if the probability value for the cross section $F > 0.05$ significant value then H_0 is accepted, then the Common Effect Model (CEM) is used. If the probability value for the cross section $F < 0.05$ then H_0 is rejected, then the Fixed Effect Model (FEM) is used.

TABLE II. MODEL TEST RESULTS USING CHOW TEST

Effects Test	Statistic	d.f.	Prob.
Cross-section F	25.795291	(17,32)	0.0000

Source: EViews Regression Panel Data Output 9

Obtained Fcount of 25.795291 and probability value (P-value) of 0.0000 < 0.05 , then the hypothesis H_0 is rejected and H_1 is accepted, then the Fixed Effect Model (FEM) model is more appropriate to use.

2) *Hausman test (Random Effect Model vs Fixed Effect Model)*: Hausman test is used to choose whether the fixed effect model or the random effect model is the most appropriate to use. The basis for decision making in this test is as follows: if the probability value for a random cross section > 0.05 significant value is 0.05 then H_0 is accepted, then the Random Effect Model (REM) is used and if the probability value for a random cross section < 0.05 then H_0 is rejected, then the Fixed Effect Model (FEM) is used.

TABLE III. MODEL TEST RESULTS USING HAUSMAN TEST

Effects Test	Statistic	d.f.	Prob.
Cross-section F	25.795291	(17,32)	0.0000

Source: EViews Regression Panel Data Output 9

Obtained a random cross section of 15.486002 and a probability value of 0.0038 < 0.05 , then the hypothesis H_0 is rejected and H_1 is accepted, then the Fixed Effect Model (FEM) model is more appropriate to use.

3) *Lagrange multiplier test (Common Effect Model Vs. Random Effect Model)*

Lagrange multiplier test is used to choose the best approach between the common effect model or random effect model approach in estimating panel data. The basis for decision making in this test is as follows [9]: if a Breusch-Pagan cross section value > 0.05 is significant then H_0 is accepted, then the Common Effect Model (CEM) is used and if the Breusch-Pagan cross section value is < 0.05 , then H_0 is rejected, then the Random Effect Model (REM) is used.

TABLE IV. MODEL TEST RESULTS USING THE LAGRANGE MULTIPLIER

Effects Test	Statistic	d.f.	Prob.
Cross-section F	25.795291	(17,32)	0.0000

Source: EViews Regression Panel Data Output 9

Obtained Breusch-food cross section of 0.0000 ≤ 0.05 , then the hypothesis H_0 is rejected and H_1 is accepted, then the Random Effect Model (REM) is more appropriate to use.

C. Panel Data Regression Analysis

Based on the results of tests conducted using panel data regression models, the results are fixed effect models that will be used to further analyse in this study.

TABLE V. PANEL DATA REGRESSION TEST RESULTS

Variable	Coef.	Std. Error	t-Statistic	Prob.
Managerial Ownership	7.835329	2.272583	3.447763	0.0016
Institutional Ownership	7.785786	2.607802	2.985574	0.0054
Audit Committee	1.043909	0.984814	1.060006	0.2971
Corporate Social Responsibility	0.000403	0.000127	3.165564	0.0034
C	4.982870	2.145388	2.322596	0.0267

Based on the results above, the panel data regression equation is obtained as follows:

$$4.982870 + 7.835329 MO + 7.785786 IO + 1.043909A X + 0.000403 CSR + \varepsilon = \quad (5)$$

Constant value of 4.982870 which means the value of the constant shows that the value of the company is 4.982870 if the value of all independent variables is 0.

Managerial ownership of 7.835329, if each managerial ownership increases, the value of the company will increase by 7.835329 assuming that the other independent variables of the regression model are fixed.

Institutional ownership of 7,785786, if each institutional ownership increases, the value of the company will increase by 7,785786 assuming that the other independent variables of the regression model are fixed.

The audit committee is 1.043909, if each audit committee increases, the value of the company will increase by 1.043909 assuming that the other independent variables of the regression model are fixed.

Corporate social responsibility of 0.000403, if each corporate social responsibility increases, the value of the company will increase by 0.000403 with the assumption that the other independent variables of the regression model are fixed.

D. Partial Test (t Test) Results

The significance level that the author uses in this t test is at the level of 5% (0.05). If the significance value <0.05, it is stated that the independent variable influences the dependent variable, conversely if the significance value > 0.05, it is stated that the independent variable does not affect the dependent variable.

TABLE VI. T-TEST RESULTS

Variable	Coefficient	t-Statistic	Prob.
Managerial Ownership	7.835329	3.447763	0.0016
Institutional Ownership	7.785786	2.985574	0.0054
Audit Committee	1.043909	1.060006	0.2971
Corporate Social Responsibility	0.000403	3.165564	0.0034
C	4.982870	2.322596	0.0267

Source: EViews Regression Panel Data Output 9

T test results show that the t_{table} with real rates = 5% with df that is $df = 54 - 4 - 1 = 49$, the value of t table is 2.00958, based on these data it can be seen that:

Managerial ownership has a t_{count} of $3.447763 > 2.00958$ with a probability of $0.0016 < 0.05$, meaning that managerial ownership affects the value of the company.

Institutional ownership has t_{count} $2.985574 > 2.95958$ with a probability of $0.0054 < 0.05$, meaning that institutional ownership affects the value of the company.

The audit committee has a t_{count} of $1.060006 < 2.00958$ with a probability of $0.2971 > 0.05$, meaning that the audit committee has no effect on the value of the company.

Corporate social responsibility has a t_{count} of $3.165564 > 2.00958$ with a probability of $0.0034 < 0.05$, meaning that corporate social responsibility affects the value of the company.

E. Simultaneous Significance Test (F Test) Results

The significance level that the authors used in the F test was at the level of 5% (0.05). If the significance value <0.05, it is stated that the independent variable influences the dependent variable, conversely if the significance value > 0.05, it is stated that the independent variable does not affect the dependent variable.

TABLE VII. F-TEST RESULTS

F-statistic	32.99817
Prob(F-statistic)	0.000000

Source: EViews Regression Panel Data Output 9

F test results show that F_{table} obtained value of 2.56 with $df1 = 4$ and $df2 = 49$, with degrees of freedom $\alpha = 0.05$, means $F_{count} > F_{table}$ is $3.299817 > 2.56$ and F-statistic value $0.000000 \leq 0.05$, then H_0 is rejected and H_a is accepted which is it means that the independent variable, namely managerial ownership, institutional ownership, audit committee and corporate social responsibility together have a significant effect on the dependent variable, namely the value of the company.

F. Coefficient of Determination (R2)

TABLE VIII. COEFFICIENT OF DETERMINATION (R2)

Adjusted R-squared	0.926893
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Source: EViews Regression Panel Data Output 9

Based on the results of the coefficient of determination shows that Adjusted R-squared of 0.926893 or 92.69% which means that all independent variables are able to explain the variation of the dependent variable by 92.69% while the remaining 7.31% (100% - 92.69%) is explained by other factors not included in the model this research.

G. Discussion

1) *Effect of managerial ownership on company value:* The results of the partial regression test using the fixed effect model show that managerial ownership influences firm value. Managerial ownership can help unite the interests of shareholders with managers so that the proportion of managerial stock ownership increases, the better the manager's performance will have an impact on increasing the value of the company. Managers who are at the same time shareholders will try to increase the value of the company, because increasing the value of the company can increase the value of the manager's wealth as a shareholder.

2) *Effect of institutional ownership on company value:* The results of the partial regression test using the fixed effect model show that institutional ownership influences firm value. The existence of institutional ownership in a company raises suspicions that the value of the company will increase because

institutional ownership has an important meaning in monitoring management, and the existence of institutional ownership will encourage increased optimal oversight. Supervision carried out by the institution can guarantee prosperity for shareholders in the company.

3) *Influence of the audit committee on company value:*

The results of the partial regression test using the fixed effect model indicate that the audit committee has no effect on firm value. The results of this study indicate that the audit committee has not been able to fulfill its role in overseeing the company's financial reporting process. Supervision by the audit committee aims to ensure that the financial statements prepared can be processed by examining the integrity and objectivity of the auditor. In this study the audit committee members contained in the sample company were also members of the independent commissioners which caused the audit committee in this study to not have an influence on the company's value.

4) *The effect of corporate social responsibility on company value:* The results of the partial regression test using the fixed effect model show that corporate social responsibility has an effect on firm value. The existence of high corporate social responsibility disclosure can increase the value of the company, because the disclosure of corporate social responsibility by the company can be an attraction for investors to see the company's prospects in the future as well as a consideration by investors to invest in the company. Investors are more interested in investing in companies that carry out high corporate social responsibility disclosure. More and more investors are interested in investing in companies that disclose high corporate social responsibility, the value of the company can increase.

IV. CONCLUSION

Based on the results and discussion of the study, it can be concluded as follows:

- Managerial ownership affects the value of the company.
- Institutional ownership affects the value of the company.
- The audit committee has no effect on the value of the company.
- Corporate social responsibility affects the value of the company.

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