The Influence of Corporate Governance and Corporate Social Responsibility Disclosure on Corporate Value

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ABSTRACT

This study aims to identify the effect of corporate governance and disclosure of corporate social responsibility on corporate value in basic and chemical industry sector companies listed on the IDX for the 2017-2019 period. With the high level of implementation of corporate governance and corporate social responsibility, corporate value will also increase. The research method used is descriptive research method by doing the Chow test, Lagrange multiplier test, and Hausman test. The results showed that corporate governance and corporate social responsibility disclosure had an influence on corporate value of 11.1578%.

Introduction

The main objectives in a corporate is to improve corporate value, the high corporate value can be seen by the movement of share price in the stock market. Hence, when share price increased, it can affect the corporate value of a corporate (Reny Dyah Retno & Denies Priantinah, 2012). Increase in the overall of corporate value can be affected by corporate governance and corporate social responsibility disclosure, which is important to be applied in an effort to improve corporate value in a corporate (Mainatul, 2019).

Literature Review

Corporate Governance

According to Moh. Wahyudin (2008), corporate governance is an input-process-output system and regulations that governs the relationships between stakeholders, especially shareholders, board of commissioners, and board of directors in achieving the corporate objectives. The implementation of corporate governance is intended to manage relationships between stakeholders and prevent significant mistakes in corporate governance strategy and make sure that mistakes can be resolved quickly.

Board of Commissioners

According to the Regulation of Financial Services Authority (POJK) Number 33 /POJK.04/2014, the board of commissioners is part of a public corporate responsible for supervising the budgetary and advising to the board of directors. The number of members of the board of commissioners in a public corporate is at least two people, consisting of independent commissioners who are external parties of the corporate. The number of independent commissioners in public companies is at least 30% of the total number of members of the board of commissioners.

Based on these regulations, corporate governance measurement can be measured by calculating the proportion of independent commissioners that can be formulated as follows:

$$\text{Proportion of Independent Commissioners} = \frac{\sum \text{Independent Commissioners}}{\sum \text{Commissioners}} \times 100\%$$

Source: Salsabila and Saifi (2017)

Audit Committee

According to Moh. Wahyudin (2008), the audit committee is a group of specially appointed people who have an independent or impartial nature to management. In accordance with the Financial Services Authority Regulation Number 55 /POJK.04/2015, the audit committee is responsible for assisted the board of commissioners in carrying out their assignment

and functions. The number of audit committees in public companies is at least three members consisted of independent commissioners (as head of the audit committee) and external party of the corporate in accordance with applicable terms.

To measure corporate governance, the audit committee can be formulated as follows:

$$\text{Audit Commite} = \frac{\sum \text{Independent Commissioner of the Audit Committee}}{\sum \text{Audit Commite}}$$

Source: Klein (2006)

Directors

According to Moh. Wahyudin (2008), directors are part of a public corporate responsible for decisions in managing the corporate. Based on POJK Number 33 of 2014, the number of members of directors of public companies is at least two people (one of whom is the president director) in accordance with the applicable terms. In this case the number of directors is required in the measurement of corporate governance.

Corporate Social Responsibility

Rusdianto (2013) defines that corporate social responsibility is a form of responsibility for all corporate activities that impact the environment, society, employees, and consumers. This form of responsibility must be transparently and ethically appropriated with applicable law for the benefit of stakeholders. Based on the provisions of OJK through OJK Circular Letter Number 30/SEOJK.04/2016 on "Form and Content of Annual Report of Issuers or Public Companies", aspects reported in the annual report including Environmental Responsibility; Employment Responsibility, Occupational Safety and Health; Social and Community Responsibility, and Consumer Responsibility.

Based on the Corporate Social Responsibility Disclosure Index (CSRDI), the formula for CSR disclosure can be stated as follows:

$$\text{CSRDI}_j = \frac{\sum X_{ij}}{n}$$

Description:
CSRDI_j = Corporate Social Responsibility Disclosure Index in j Companies
$\sum X_{ij}$ = Dummy Variable (CSR category is disclosed = 1, CSR category is not disclosed = 0)
n = Number of indicators that should be disclosed

Corporate Value

Sudiyanto (2012) in Silvia Indararini (2019) stated that corporate value is often associated with the share price whose measurement can be done by looking at the development of the share price in the exchange, if the share price improves means the corporate improves. Improved corporate value is an achievement that is in accordance with the wishes of the owner because with the improve in corporate value, the welfare of the owners will also improve and this is the duty of the manager as an agent who has been given the trust by the owners of the corporate to run the corporate.

Silvia Indararini (2019) explained that Tobin's Q is the result of a comparison between the corporate's stock market value and the asset replacement value of a corporate. Corporate value measurement is proxies with Tobin's Q. Tobin's Q as a measuring indicator of corporate value having many developments. According to Sindhupdiptha and Yasa (2013), mathematically corporate value can be calculated using Tobin's Q formula as follows:

$$Q = \frac{MVE + D}{TA}$$

Description:
Q = Tobin's Q
MVE = Market value equity which is a multiplication of the closing price of the year with the number of shares outstanding at the end of the year
D = Total Debt
TA = Total Assets

Methodology

The analysis technique in this research is descriptive research method. Descriptive research is a study that seeks to describe a phenomenon, event, current events. Descriptive research focuses

on actual problems as they were during the study (Juliansyah Noor, 2014). This research used quantitative data (financial statements) with secondary data sources obtained from the Annual Report by accessing the official website of the IDX (www.idx.co.id).

In a research, the population is used to mention all elements or members of a region that is the target of research object (Juliansyah Noor, 2014). The population in this research is a Basic Industrial and Chemical Sector Corporate listed on the IDX for the period 2019 of seventy-five companies.

This research uses sampling by non-profability sampling technique where each member of the population does not have the same opportunity or opportunity as a sample (Juliansyah Noor, 2014). Based on the sampling technique, the samples in this research are forty companies.

Results and Discussion

Regression Model Estimation Results

Common effect model approach

Table 1. Common effect model calculation results

Dependent Variable: NP
Method: Panel Least Squares
Sample: 2017 2019
Periods included: 3
Cross-sections included: 40
Total panel (balanced) observations: 120

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.429535	0.161274	2.663385	0.0088
CSR	0.250272	0.080181	3.121338	0.0023
GCG	0.141729	0.057227	2.476623	0.0147

Root MSE	0.334687	R-squared	0.124272
Mean dependent var	0.997440	Adjusted R-squared	0.109302
S.D. dependent var	0.359146	S.E. of regression	0.338951
Akaike info criterion	0.698758	Sum squared resid	13.44185
Schwarz criterion	0.768445	Log likelihood	-38.92548
Hannan-Quinn criter.	0.727058	F-statistic	8.301536
Durbin-Watson stat	0.679936	Prob(F-statistic)	0.000425

Fixed effect model approach

Table 2. Fixed effect model calculation results

Dependent Variable: NP
Method: Panel Least Squares
Date: 01/25/21   Time: 10:46
Sample: 2017 2019
Periods included: 3
Cross-sections included: 40
Total panel (balanced) observations: 120

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.547097	0.168169	3.253267	0.0017
CSR	0.290626	0.119055	2.441115	0.0169
GCG	0.083278	0.058549	1.422372	0.1589

Effects Specification

Cross-section fixed (dummy variables)

Root MSE	0.182921	R-squared	0.738412
Mean dependent var	0.997440	Adjusted R-squared	0.600910
S.D. dependent var	0.359146	S.E. of regression	0.226885
Akaike info criterion	0.140474	Sum squared resid	4.015208
Schwarz criterion	1.116097	Log likelihood	33.57153
Hannan-Quinn criter.	0.536679	F-statistic	5.370203
Durbin-Watson stat	2.225780	Prob(F-statistic)	0.000000

Random effect model approach

Table 3. Random effect model calculation results

Dependent Variable: NP
Method: Panel EGLS (Cross-section random effects)
Sample: 2017 2019
Periods included: 3
Cross-sections included: 40
Total panel (balanced) observations: 120
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.508709	0.152270	3.340846	0.0011
CSR	0.266617	0.088697	3.005939	0.0032
GCG	0.105786	0.051785	2.042802	0.0433

Effects Specification			
		S.D.	Rho
Cross-section random		0.258747	0.5653
Idiosyncratic random		0.226885	0.4347

Weighted Statistics			
Root MSE	0.222771	R-squared	0.111578
Mean dependent var	0.450517	Adjusted R-squared	0.096391
S.D. dependent var	0.237338	S.E. of regression	0.225609
Sum squared resid	5.955252	F-statistic	7.347082
Durbin-Watson stat	1.507692	Prob(F-statistic)	0.000987

Unweighted Statistics			
R-squared	0.121087	Mean dependent var	0.997440
Sum squared resid	13.49072	Durbin-Watson stat	0.665545

Selection of Panel Data Regression Estimation Method

1. Test Chow
Based on chow-test results calculated with E-views software obtained Cross-section F value of 4.695467 with prob of 0.0000. The value of the test F_{table} with degrees of freedom (db) = 39 and 78 is obtained of 1.553. Cross-section value F is greater than F_{table} value (4.695467 >1.553) and can also be seen from significant (p-value) = 0.000 less than 0.05, then the test result rejects H_0 so that the model does not qualify the Common Effect / Pooled Least Square, which means the model is better to qualify the regression of the panel data (fixed effect).

2. Lagrange Multiplier Test
Lagrange multiplier test results showed a Breusch-Pagan-Cross-section value of 35.77210 with a probability (prob.) of 0.0000. The basis of rejection of zero hypothesis is if p-value is < α, then the test results reject H_0 and receive H_1. Obtained prob. (p-value) value for Breusch-Pagan-Cross-section test is less than 0.05, then the test result rejects H_0 so that the model qualify panel data (Random Effect Model / REM).

3. Hausman Test
From the calculation results, obtained the value of the Hausman Specification Test coefficient ($\chi^2_{statistic}$) of 0.687566 with probability (prob) of 0.7091. Chi-Sq. Statistics value smaller than χ^2_{table} df = 2 of 5.9915, that mean Hausman test shows significant (p-value 0.7091 is greater than 0.05). The test results received H_0 so that the estimation of regression model is used using Random Effect Model approach.

Data Panel Regression with Random Effect Model (REM) Approach

The results of the classic assumption regression test in this research are:
1. Normality Test
From the normality test has been obtained Jargue-Bera value of 5.069583 with probability (sig value) of 0.079278. This value is insignificant at 0.05 (because probability = 0.079278 is greater than 0.05). This gives an idea that the data distribution does not show deviations from normal curve, it means that the data distribution has fulfilled the assumption of normality.

2. Multicolinearity Test
From the calculation results of VIF (Variance Inflation Factors) value, there is not independent variable that has VIF value of more than 10 (VIF < 10) so that the conclusion obtained by using the value VIF (Variance Inflation Factors) there are not symptoms of multicolinearity within the model used.

3. Heterocedastisity Test
The calculation result obtained Obs*R-squared value of 8.832657 with probability (significant) of 0.1159. A signfiid value greater than 0.05 with an H_0 is accepted.

4. Autocorrelation Test
The statistical calculation of Durbin-Watson (D-W) for the regression model was obtained at 1.507692. The DW-stat value indicates no autocorrelation.

Regression equations that specify the have an impact of corporate governance and corporate social responsibility disclosure on corporate value (Tobin's Q) from the results of the panel data regression coefficient with random effect model approach are:

$$CORVAL = 0.508709 + 0.105786\ CORGOV + 0.266617 CSRDISC$$

From the regression equation above, the following statement can be described:

- $\beta_0 = 0.508709$
The constant value (a) in the regression equation above is 0.508709. If there is no change in corporate governance and corporate social responsibility disclosure (zero value) then the average corporate value (Tobin's Q) will be worth 0.508709.

- $\beta_1 = 0.105786$
The X_1 regression coefficient (corporate governance variable) is positive at 0.105786. So, companies with a large corporate governance value tend to have a higher corporate value (Tobin's Q).

- $\beta_2 = 0.266617$
The X_2 regression coefficient (corporate social responsibility disclosure variable) is positive at 0.266617. So, companies with a large corporate

social responsibility disclosure value tend to have a higher corporate value (Tobin's Q).

The test results of regression model (F Test) in this research are:

Table 4. Simultaneous test result (F-test)

Weighted Statistics			
Root MSE	0.222771	R-squared	0.111578
Mean dependent var	0.450517	Adjusted R-squared	0.096391
S.D. dependent var	0.237338	S.E. of regression	0.225609
Sum squared resid	5.955252	F-statistic	7.347082
Durbin-Watson stat	1.507692	Prob(F-statistic)	0.000987

Obtained a calculated value of F of 7.347082 with a significance of 0.000987. To test the established hypothesis is can be done by comparing between $F_{statistic}$ with F_{table} value. From table F obtained F_{table} values with $db_1 = 2$ and $db_2 = 120 - 2 - 1 = 117$ of 3,074. The statistics obtained showed F_{hit} at 7.347082 greater than F_{table} by 3.074 and significant value (prob.) of 0.000987 when compared to $\alpha = 0.05$ then the significant value (prob.) is less than $\alpha = 0.05$. From both comparisons can be taken H_0 decision rejected at a $\alpha = 0.05$. So it can be concluded that there is an influence of corporate governance and corporate social responsibility disclosure (CSR) together on corporate value (Tobin's Q).

Hypothesis Test (t-Test)

Table 5. Partial test result (t-test)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CORVAL	0.508709	0.152270	3.340846	0.0011
CSRDISC	0.266617	0.088697	3.005939	0.0032
CORGOV	0.105786	0.051785	2.042802	0.0433

1. The Influence of CORGOV on CORVAL (Tobin's Q)
   The hypotheses to be test are:
   H_{01}: $\beta_1 = 0$: CORGOV has no effect on CORVAL (Tobin's Q).
   H_{a1}: $\beta_1 \neq 0$: CORGOV affects CORVAL (Tobin's Q).

$t_{statistic}$ value of 2.042802 greater t_{table} value of 1.980, then obtained H_0 test results rejected. Significant value of the test (prob.) = 0.0433 is less than 0.05 then the test significant. So, it

can be concluded that CORGOV affects CORVAL (Tobin's Q).

2. The Influence of CSRDISC on CORVAL (Tobin's Q)
   The hypotheses to be test are:
   H_{02}: $\beta_2 = 0$: CSRDISC has no effect on CORVAL (Tobin's Q).
   H_{a2}: $\beta_2 \neq 0$: CSRDISC affects CORVAL (Tobin's Q).

$t_{statistic}$ value of 3.005939 greater t_{table} value of 1.980, then obtained H_0 test results rejected. Significant value of the test (prob.) = 0.0032 is less than 0.05 then the test significant. So, it can be concluded that CSRDISC affects on CORVAL (Tobin's Q).

Result of Coefficient of Determination (R^2)

Table 6. Coefficient of determination X to Y

Weighted Statistics			
Root MSE	0.222771	R-squared	0.111578
Mean dependent var	0.450517	Adjusted R-squared	0.096391
S.D. dependent var	0.237338	S.E. of regression	0.225609
Sum squared resid	5.955252	F-statistic	7.347082
Durbin-Watson stat	1.507692	Prob(F-statistic)	0.000987

Adjusted R-squared is derived from the calculation of E-Views 12 in Table 6 of 0.096391. So obtained the affect of Corporate Governance and Corporate Social Responsibility Disclosure to Corporate Value (Tobin's Q) is 11.1578%.

Conclusion

From the result of discussion and research, following conclusions are as follows:
1. Corporate Governance has a meaningful influence on Corporate Value in a positive direction. Companies with a great Corporate Governance value tend to have a higher Corporate Value (Tobin's Q).
2. Corporate Social Responsibility Disclosure has a meaningful affect on Corporate Value in a positive direction. Companies with a great Corporate Social Responsibility Disclosure value tend to have a higher Corporate value (Tobin's Q).

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