THE EFFECT OF *GOOD CORPORATE GOVERNANCE AND CORPORATE* SOCIAL RESPONSIBILITY ON CORPORATE VALUE IN BANKING SUBSECTOR COMPANIES LISTED IN INDONESIA STOCK EXCHANGE PERIOD 2018-2019

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Abstract

*This study aims to examine the effect of good corporate governance and corporate social responsibility on firm value on banking subsector companies listed on the Indonesia Stock Exchange for the 2018-2019 period. In this study, good corporate governance is measured using composite value of self assessment, corporate social responsibility is measured using index global reporting initiativ*e (GRI), *and firm value is measured using a price book value (PBV). The data of this study were obtained from annual reports (audited) of all companies listed on the Indonesia Stock Exchange for 2018-2019 period. The analysis used to test the effect of GCG and CSR on firm value is to use multiple linear regression analysis. Based on the F test it is known that simultaneous GCG and CSR have a positive and significant effect on firm value. Based on the t test it is known that partially GCG has an significant negative effect on dividend policy and CSR has a significant positive effect on firm value.*

Keyword: **GCG, CSR, Firm Value**

1. INTRODUCTION

In the era of globalization, the development in the business world is getting faster, followed by increasingly fierce competition. Companies are required to think critically, effectively and efficiently in order to excel in the competition. A company certainly wants its company to continue to experience development, to have good financial performance, and to have high corporate value and to continue to increase from time to time. Increasing company value in the long term is one of the company's goals.

The company was founded with a clear objective, namely to maximize company value. As stated by (Minanari, 2018) the value of the company has the aim of increasing the value of its company by way of trusting investors and the public in good company performance since the company was founded until now, with an increase in company value, the welfare of shareholders and shareholder wealth is also increased.

According to (Gendro, Wiyono & Hadri, Kusuma, 2017, p.13) maximizing firm value is broader than maximizing profit, because maximizing firm value means considering the effect of time on the value of money. Maximizing value means considering various risks to the company's revenue stream. The quality of the expected future flows of funds may vary.

The banking industry is a company that is currently experiencing rapid development and a high level of complexity. Banking, in particular, is a financial institution whose business activities are to collect funds from the public and channel these funds back to the public and provide other bank services.

Given the increasing risks and challenges faced by the banking industry, the implementation of Good Corporate Governance (GCG) is very important. The consistent implementation of GCG will strengthen the company's competitive position, maximize company value, manage resources and risks more efficiently and effectively, which in turn will strengthen the trust of shareholders and stakeholders, so that they can operate and grow in a sustainable manner.

By implementing corporate governance, including considering all principles and functions of corporate governance, can help prevent or reduce fraud. (Mulyani, 2020). The importance of GCG in the banking industry in order to improve bank performance, protect the interests of stakeholders and increase compliance with applicable laws and regulations as well as ethical values generally accepted in the banking industry. This is the background of the existence of Bank Indonesia Regulation (PBI) Number 8/4 / PBI / 2006 concerning the implementation of GCG on January 30, 2006 which was later amended by PBI Number 8/14 / PBI / 2006 and Circular Letter Number 9/12 / DPNP on May 30, 2007 concerning the provisions on GCG implementation for commercial banks.

Apart from GCG, Corporate Social Responsibility (CSR) is a strategic step in increasing corporate value by building a good image from the stakeholder's point of view. (Kaur, 2015) argues that CSR implementation by companies is a positive signal for investors, which of course will generate financial benefits for the company. Because investors tend to be attracted to companies that have a positive image or image in the eyes of the wider community in order to ensure the sustainability of the company.

CSR disclosure is a method used by companies to communicate social responsibility activities that have been carried out in the form of information in the company's annual report to be addressed to the public and interested parties. CSR disclosure by companies in annual reports is expected to be able to meet the information needs of stakeholders and the public so that the company will get support in its efforts to achieve company goals (Sari, et al., 2016).

Securities and Exchange Communication (SEC) recommends investors not to invest in companies that do not take part in CSR activities (Rodriguez and Jane, 2007). Therefore, with the disclosure of corporate social and environmental responsibility, it is hoped that it will be useful information for investors in making investment decisions which in turn will increase company value.

So from the explanation of the problems above, the researcher is interested in conducting a study entitled "The Effect of Good Corporate Governance and Corporate Social Responsibility on Company Value in Banking Subsector Companies Listed on the Indonesia Stock Exchange for the Period 2018-2019".

2. RESEARCH THEORETICAL

a. Firm Value

(Yanti & Darmayanti, 2019) company value is the investor's perception of the company's success rate which is often associated with stock prices and profitability. According to the opinion expressed by

(Franita, 2018, p. 27), “Company Value is the price a prospective buyer is willing to pay if the company is sold.”

This is supported by the statement put forward by (Hamidah, et al, 2015), Firm value is investors perception of the company's success rate in managing resources which is reflected in the company's stock price.

b. **Good Corporate Governance**

According to (Manossoh, 2016) Good Corporate Governance is a concept proposed to improve company performance through supervision or monitoring of management performance and ensuring management accountability to stakeholders based on a regulatory framework.

(Kusmayadi, 2018, p.8) “Good Corporate Governance is a system of control and corporate governance which can be seen from the mechanism of the relationship between the various parties who manage the company (hard definition), as well as in terms of the "values" contained in the management mechanism itself. (soft definition)”

According to Franita “Good Corporate Governance can be defined as a clear rule, procedure and relationship between the party making the decision and the party who will supervise the decision. (Franita, 2018, p.11),

c. **Corporate Social Responsibility**

According to Hariyanto & Ali-Husmaidi, “Corporate Social Responsibility, known as CSR, is the commitment of companies or the business world to contribute to sustainable economic development by paying attention to corporate social responsibility and focusing on the balance between attention to economic, social and economic aspects. environment.” (Hariyanto & Ali-Husmaidi, 2017)

According to Wati, CSR is a form of social responsibility for all company actions that affect individuals, communities and the environment in which the company operates. (Wati, 2019)

3. METHOD

The method used in this research is quantitative descriptive method with the object of this research is the banking sub-sector companies listed on the Indonesia Stock Exchange for the period 2018-2019. The data collection method used in this research is the documentation method. The population obtained was 45 companies, while the sample was 36 companies with purposive sampling technique which resulted in 72 data

.Data analysis will be performed using the estimated parameters of the regression model. From the regression equation that will be obtained, the regression test is performed, so that the equation obtained is close to the real situation. Following are the steps in analyzing data as follows:

Normality test is used to determine whether the data is normally distributed or not normally distributed. Good data is data that has a normal distribution pattern. According to Santoso, the testing criteria using the Kolmogorov Smirnov statistical test are:

a. Significance number > 0.05, then H_0 is accepted, it means that the data is normally distributed.
b. Significance number < 0.05, then H_0 is rejected, meaning the data is not normally distributed. (Santoso, 2010, p. 46)

Linearity test aims to determine whether the variable has a linear relationship or not significantly. The test criteria with statistical tests are:

a. If the significance level > 0.05, then H0 is accepted, it means the data is not linear.
b. If the significance level < 0.05, then H0 is rejected means that the data is linear. (Gani & Amalia, 2015)

Linear regression analysis used is multiple linear regression analysis used to determine the effect of two or more independent variables on one dependent variable. According Herjanto (Herjanto, 2006, p. 101) The multiple linear regression equation is as follows:

$$\hat{Y} = a + b_1X_1 + b_2X_2$$

Multicollinearity test is carried out when one regression model has more than one independent variable. This is done to prove that the independent variables in one regression model have a perfect or near perfect linear relationship (the correlation coefficient is high or even 1). The criteria for decision making in the multicollinearity test are carried out by looking at the VIF (Variance Inflation Factor) and Tolerance values, namely:

1) If VIF <10, and tolerance> 0.1, then the data does not occur multicollinearity.
2) If VIF> 10, and <0.1, then the data occurs multicollinearity.

Heteroscedasticity test is a condition in which the variance of the residual value is unequal between one observer (observation) and another (Gani & Amalia, 2015, p. 126). Methods for testing the position of plasticity, whether homos or heteros, include the Glejser Test and the Spearman's Rank Correlation Test.

Autocorrelation test is related to the effect of observers or data in a variable that is related to one another. The value of a data can be influenced or related to other data (previous data). Autocorrelation generally occurs in time series data. The decision making criteria in the autocorrelation test use the Durbin-Watson test (DW test), namely:

1) If DU <DW <4 - DL, then Ho is accepted and the data does not occur autocorrelation.
2) If DU <DL or DW> 4 - DL, then Ho is rejected and the data is autocorrelated.
3) If DL <DW <DU or 4 - DU <DW <4 - DL, there is no certainty or definite conclusion.

T-test is useful to know the partial relationship between the independent variables with the dependent variable. Or in other words knowing the relationship of variable X_1 with variable Y, variable X_2 with variable Y. t test criteria as follows:

a. If the probability is > 0.05 then H_0 is accepted.
b. If the probability is < 0.05 then H_0 is rejected.

F test or regression coefficient test simultaneously, which is to determine the significant effect of the independent variables together on the dependent variable. Decision making criteria, namely:

a. $F_{count} < F_{table}$, so H_0 is accepted.
b. $F_{count} > F_{table}$, so H_0 is rejected.

Where:
H_0 = model is not feasible so it cannot be used to estimate population
H_1 = feasible model so that it can be used to estimate population. (Gani & Amalia, 2015, p. 143)

Multiple correlation test is used to determine the closeness of the relationship between two or more independent variables to the dependent variable simultaneously. R value ranges from 0 to 1, the value is getting closer to 1 means that the closeness of the relationship is getting stronger, on the contrary the value is getting closer to 0, then the closeness of the relationship is getting weaker.

The coefficient of determination (R^2) basically measures the extent of the regression model's ability to explain variations in the dependent variable and its effects in general, with a range between 0 to 1.

4. RESEARCH RESULT

Descriptive Statistics Test Results

Based on the data collected by the researcher, some descriptive statistics of variable Y (learning outcomes) will be described

Table 1.
Description of the Unit of Observation

Descriptive Statistics								
	N	Range	Minimum	Maximum	Sum	Mean	Std. Deviation	Variance
Good Corporate Governance	72	2.00	1.00	3.01	143.36	1.9911	.43884	.193
Corporate Social Responsibility	72	.18	.18	.36	17.73	.2463	.03855	.001
Nilai Perusahaan	72	6.06	.21	6.27	113.95	1.5826	1.32551	1.757
Valid N (listwise)	72							

Normality Test Results

Based on the output normality test calculation results of 0.200 > 0.05. These results indicate that the significance and residual levels are greater than 0.05 so it can be concluded that the data used in this study are firm value, GCG and CSR are normally distributed and there is no normality disturbance.

Linearity Test Results

Based on the results of the linearity test calculations it can be concluded that GCG with firm value has a linear relationship. Because the significance level at the output obtained linearity significance value is 0.077 < 0.05.

Based on the calculation results of the linearity test it can be concluded that the CSR with firm value has a linear relationship. Because the significance level at the output obtained linearity significance value is 0.852 < 0.05

Multicollinearity Test

Table 2.
Multicollinearity Test

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.428	.378		3.775	.000		
	Good Corporate Governance	-.921	.370	-.271	-2.490	.015	.982	1.018
	Corporate Social Responsibility	1.785	.610	.319	2.928	.005	.982	1.018

a. Dependent Variable: Nilai Perusahaan

The VIF value on the GCG variable and CSR is 1.018 <10, and tolerance is 0.982 > 0.1. So it can be said that the regression model in this study does not have a multicollinearity problem, meaning that there is no linear relationship (multicollinearity) between the independent variable GCG and CSR.

Heteroscedasticity Test Results

Table 3.
Heteroscedasticity Test

Correlations					
			Good Corporate Governance	Corporate Social Responsibility	Unstandardized Residual
Spearman's rho	Good Corporate Governance	Correlation Coefficient	1.000	-.121	.041
		Sig. (2-tailed)	.	.311	.734
		N	72	72	72
	Corporate Social Responsibility	Correlation Coefficient	-.121	1.000	.037
		Sig. (2-tailed)	.311	.	.755
		N	72	72	72
	Unstandardized Residual	Correlation Coefficient	.041	.037	1.000
		Sig. (2-tailed)	.734	.755	.
		N	72	72	72

The correlation between GCG and Unstandardized Residual resulted in a significance value of 0.734, the correlation between GCG and

Unstandardized Residual resulted in a significance value of 0.755. Because the correlation significance value of each variable shows a number of more than 0.05, the regression model of this study does not find any heteroscedasticity problems.

Autocorrelation Test Results

Table 4.
Autocorrelation Test

Runs Test	
	Unstandardized Residual
Test Value[a]	-.03917
Cases < Test Value	36
Cases >= Test Value	36
Total Cases	72
Number of Runs	29
Z	-1.899
Asymp. Sig. (2-tailed)	.058
a. Median	

The significance value of the count Runs Test is 0.058. So the Runs Test is 0.058> 0.05, so there is no autocorrelation problem.

Multiple Linear Regression Analysis Test Results

Table 5.
Multiple Linear Regression Analysis

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.428	.378		3.775	.000
	Good Corporate Governance	-.921	.370	-.271	-2.490	.015
	Corporate Social Responsibility	1.785	.610	.319	2.928	.005
a. Dependent Variable: Nilai Perusahaan						

In the regression equation above can obtainded as follows:

$$\hat{Y} = a + b_1X_1 + b_2X_2$$

$$\hat{Y} = 1.428 - 0.921X_1 + 1.785X_2$$

Partial Regression Coefficient Test Results (T-test)

Table 6.
T Test

Coefficients[a]						
Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	1.428	.378		3.775	.000
	Good Corporate Governance	-.921	.370	-.271	-2.490	.015
	Corporate Social Responsibility	1.785	.610	.319	2.928	.005
a. Dependent Variable: Nilai Perusahaan						

It is known that the significance of the table is searched for 0.05 with df = (n-k-1) or df = (72-2-1) = 69 the result is 1.66724. So tcount< ttable (-2.490 < 1.66724) and significance (0.015 > 0.05) then Ho is accepted. This means that there is a negative influence significant between GCG on firm value.

In CSR variable it is known that the significance table is searched for 0.05 with df = (n-k-1) or df = (72-2-1) = 69 the result is 1.66724. So t count < t table (2.928 < 1.66724) and the significance (0.005 > 0.05) then Ho is accepted. This means that there is a positive influence significant between CSR on firm value.

Simultan Regression Coefficient Results (F Test)

Table 7.
F Test

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.728	2	.864	8.513	.000[b]
	Residual	7.004	69	.102		
	Total	8.732	71			
a. Dependent Variable: Nilai Perusahaan						
b. Predictors: (Constant), Corporate Social Responsibility, Good Corporate Governance						

From calculations using SPSS v.25 in Table.7, it is obtained that the Fcount value is 0.812 while Ftable can be found in the F distribution table at a significance level of 0.05 where df1 (number of variables - 1) or df = 3-1 = 2 and df2 = nk-1 or df2 =72-2-1 = 69 we get 3.24. Thus that Fcount < Ftable (8.513 < 3.13) and significance (0.000 >0.05) it can be shown that there is a joint (simultaneous) influence between the variables of GCG and CSR on the variable firm value.

Multiple Correlation Coefficient Test Results

The level of closeness of the relationship between the independent variables with the dependent variable, from the table above shows that the R value of 0.445. Then it can be concluded that there is a low correlation between GCG (X_1) and CSR (X_2) with firm value (Y).

Determination Coefficient Test Results

R square or R^2 in the model summary table is 0.198. It can be concluded that the magnitude of the influence of the GCG (X_1) and CSR (X_2) variables simultaneously on firm value is 19.8%, while the rest is influenced by other factors not examined by researchers.

The Influence of GCG on Firm Value

Based on the calculation of the partial regression coefficient test (t-test) obtained -2.490 <1.66724 and significance (0.015 <0.05), then Ho is accepted. Thus, the first hypothesis is accepted and it can be concluded that good corporate governance has a significant negative effect on firm value.

The results of this study are in line with previous research conducted by (Fauzi, et al, 2016) which states that GCG has an effect on firm value. The coefficient value is -0.197 with a GCG significance level of 0.004 greater than 0.05. The GCG variable has a negative effect on firm value.

(Mutmainah, 2015) from the results of the t-test it is known that GCG has a t-count of -3.120, a large regression coefficient value of -0.021 and a significance level of 0.003. This shows that the level of significance is far below 0.05. So it can be concluded that GCG has a negative effect on firm value.

The influence of CSR on Firm Value

Based on the calculation of the partial regression coefficient test (t-test), the t count value is greater than the t table, namely 2.928 <1.66724 and significance (0.005 <0.05), then H_o is accepted. In conclusion, partially there is a significant influence between corporate social responsibility and firm value.

The results of this study are in line with previous research conducted by (Masruroh & Makaryanawati, 2020) the results of the t test show that the variable X has a sig value. 0.000 <0.05 and the coefficient is positive (+), which means that social responsibility disclosure has a positive effect on firm value. Thus the hypothesis which states that social responsibility disclosure has a positive effect on firm value

Furthermore, other relevant research results that are also in line with this study are (Karina & Setiadi, 2020) (Karina & Setiadi, 2020) based on the CSR regression coefficient table of 0.500. This shows that CSR has a positive influence on firm value. The probability value is less than 0.05, which is 0.004, which means that the results of the analysis show that Corporate Social Responsibility has a significant positive effect on firm value. This means that the better the implementation of CSR by the company, the company value will increase.

The Influence of GCG and CSR on Firm Value

Based on the calculation of the regression coefficient test together (F test), the F_count value is 8,513. Because the value of F_hitung (8.513) <F_table (3.13) means that H_0 is accepted, it can be concluded that there is a joint (simultaneous) influence between the variables of good corporate governance and corporate social responsibility on the variable of firm value.

(Mutmainah, 2015) From the table above it is known that the calculated F value is 5,931 with a significance level of 0.002. This shows that the level of significance is far below 0.05. So it can be concluded that the variables of Good Corporate Governance

(GCG), Corporate Social Responsibility (CSR) simultaneously (together) have a positive and significant effect on company value in mining sector companies listed on the Indonesia Stock Exchange.

(Fitri & Herwiyanti, 2015) Based on the results of the F statistical test in Table 7, it shows an F value of 7.61 with a significance value of 0.001. The significance value is less than 0.05, which means that the model is suitable. This shows that CSR and GCG have a joint effect on company value.

5. CONCLUSION

Conclusion

Based on statistical data processing, description, analysis, and interpretation of data on the effect of good corporate governance and corporate social responsibility on company value in banking subsector companies listed on the Indonesia stock exchange for the 2018-2019 period, the following conclusions are drawn.:

a. There is a negative and significant influence between the good corporate governance variable on the firm value variable. Disclosure of good corporate governance with a smaller predicate, the impact on investors will be more trusted so that it has an impact on increasing company value. Vice versa, if the higher the predicate of disclosure of good corporate governance will have an impact on the lower company value.
b. 2. There is a significant influence between the coporate social responsibility variable on the firm value variable. From the research results, it is found that CSR has an effect on firm value. Thus, the better the quality of CSR disclosed by the company, the higher the value of the company.
c. There is a significant influence between the variables of good corporate governance and corporate social responsibility on the variable of firm value policy. The variation of good corporate governance and corporate social responsibility can explain 19.8% of the firm value variable

Suggestions

The researcher provides some useful suggestions or input, including:

a. Company management is expected to prioritize investor welfare which can be realized by increasing company value, because an increase in company value can increase shareholders' trust in the company.
b. The management of the company is expected to implement good corporate governance policies and increase awareness of the public and investors through a corporate social responsibility program with clear and complete disclosures which will result in even better results.
c. Future researchers can explore other variables that can affect firm value, such as investment decisions, funding decisions and dividend policies. In addition, to measure Good Corporate Governance (GCG) not only from the results of self-assessment, because it can provide subjective results so that future research can use other measurements such as the corporate governance perception index or other GCG proxies such as the number the board of commissioners, the number of directors, the audit committee and so on.
d. Prospective investors are expected to have information about the liquidity and profitability of the company that will be targeted when they start investing as a measure of the

company's performance and value to be obtained.

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