

EFFECT OF GOOD CORPORATE GOVERNANCE AND SUSTAINABILITY REPORT DISCLOSURE STRUCTURE ON COMPANY VALUE AND ECONOMIC ADDED VALUE AS INTERVENING VARIABLE

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Abstract

The purpose of this study to test the effect of Good Corporate Governance Structure, Sustainability Reporting Disclosure, and Firm Value on the Economic Value Added as an intervening variable. This study uses secondary data from the period 2010-2015 to firms listed at Indonesia Exchange. The sampling technique used purposive sampling. Tools to process the data using SPSS 23. The results showed Board of Commissioners Size, Independent Commissioner, Institutional Ownership have a significant impact on Firm Value while Board of Directors Size, Audit Committee, Managerial Ownership does not have effect on Firm Value. Board of Directors Size and Board of Commissioners Size have an effect on Economic Value Added and Firm Value, but Economic Value Added not an intervening variable between Board of Directors Size and Board of Commissioners Size. Independent Commissioner has not effect on Economic Value Added, but Economic value added is an intervening variable between Independent Commissioner and Firm Value. Audit Committee does not effect on Economic Value Added and Firm Value, but Economic value added is an intervening variable between Audit Committee and Firm Value. Managerial ownership does not have effect on Economic Value Added and Firm Value, but Economic value added is an intervening variable between Managerial ownership and Firm Value. Institutional Ownership does not have effect on Economic Value Added and Economic Value Added is not intervening variable between Institutional Ownership and Firm Value. Sustainability Report Disclosure has an effect on Economic Value Added and Firm Value.

Keyword : *Good Corporate Governance Structure, Sustainability Report Disclosure, Economic Value Added, Firm Value*

1. INTRODUCTION

The value of the company going public is reflected in the price of its shares. The size of the stock price is basically determined by the strength between demand and supply, which is influenced by many factors, both the company's internal factors that issue

shares and the company's external factors (Sudana, 2011: 88). One of the increases in company value is influenced by financial performance, especially on profitability (Rahayu, 2010).

Good or effective company performance will be able to show the amount of added value that will be generated so that it is reflected in the increase in company value measured by Economic Value Added (EVA). In addition to financial performance factors that are oriented to shareholder value, maximization of company value can be achieved if the company pays attention to stakeholder stakeholders. Managers realize that public awareness has shifted, business is expected to not only prioritize single bottom line, namely profit, but begin to consider its impact on the environment (planet) and improve people's welfare (people). The suitability of business activities with the values that exist in the community will help companies to achieve long-term goals, namely sustainable benefits. The implementation of good corporate governance is considered to maximize the overall management functions of the company and lead to trust from investors that the company has been managed effectively and professionally.

Ghozali and Chariri (2014) state that a company is not an entity that only operates for its own sake but must provide benefits to its stakeholders (shareholders, creditors, consumers, suppliers, government, society, analysts and other parties). Thus, the existence of a company is strongly influenced by the support provided by stakeholders to the company. So that the company has a dependency on stakeholders to be able to carry out its functions and activities.

2. LITERATURE REVIEW

2.1. The effect of Sustainability Report Disclosure has an effect on Economic Value Added and Company Value

With the sustainability report disclosure conducted by the company, it is hoped that it can provide clear

evidence that the production process carried out by the company is not only profit oriented but also takes into account the surrounding environment so as to increase stakeholder trust through increased investment that has an impact on increasing corporate profits. this condition indicates that disclosure of sustainability report can increase public confidence which results in increased company profits. The Arjowo (2013) and Safitri (2015) research shows that sustainability report disclosure influences performance. Ghozali and Chariri (2007) explain that companies are bound by social contracts with the community, where survival and growth are based on the final output (output) that can be given to the community. Acceptance from the community (legitimacy) is expected to increase the value of the company through a good corporate image which in turn will affect sales and increase in company profits (Soelistyoningrum and Prastiwi, 2011). Disclosure of the implementation of social responsibility to the workforce is also responded positively by stakeholders who not only can increase the company's average stock price, but also can improve employee welfare and loyalty and reduce employee turnover so that it can lead to increased company productivity (Ernst & Young, 2013). Therefore, continuous disclosure of reports in important social dimensions and affect the financial performance of the organization. This was confirmed by the results of the study of Burhan and Rahmanti (2012) which showed that disclosure of social dimension sustainability had a significant impact on financial performance.

2.2. Effect of Economic Value Added on Company Values

The company's performance as measured by the economic value added shows the results of a more comprehensive calculation by involving

more factors to assess the company's performance. Management is required to be able to manage the company's wealth as optimally as possible in creating added value for the company not only in the short term but in the long term where the company is run with the assumption that it will continue.

Good corporate performance will be attractive to investors and promises to creditors that the company is able to survive and generate profits in the long run.

In the research of Nugraha and Bachtiar, it shows the opposite, where the economic value added does not show any influence on the value of the company. It is inversely proportional to

the research conducted by Rofiandri (2012) and Septiyani (2014) who found that the economic value added had an effect on the value of the company.

3. RESEARCH METHOD

3.1 Population

The population in this study were companies listed on the Indonesia Stock Exchange (IDX), which numbered 355 companies.

The research sample is a company that during the period 2010-2015 publishes financial statements that meet the following criteria:

Tabel 1: Procedure for Determining Criteria in Sample Selection

No	Criteria	Number
1	Companies listed on the Indonesia Stock Exchange in 2010-2015	355
2	Companies that do not publish continuous reports during 2010-2015 in a row	(336)
3	The company publishes an annual report (annual report stated in foreign currencies)	(3)
	Number of companies sampled	16
	Number of study periods	6
	Number of samples during the study period	96

Source: Indonesia Stock Exchange. Data is processed by researcher, 2017

3.2 Analytical Technique

The analytical method to find out the independent variables that have a significant effect on company value on companies listed on the Indonesia Stock Exchange in 2010-2015, namely Board of Directors Size, Board of Commissioners Size, Independent Commissioner, Audit Committee, Managerial Ownership, Institutional Ownership, Sustainability Report Disclosure is used the general equation of multiple linear regression for seven independent variables using path analysis with 2 SLS, i.e. (Gujarati, 1993).

$$Z : \alpha_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \varepsilon_1$$

$$Y : \alpha_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 Z + \varepsilon_1$$

3.3 Hypothesis testing

3.3.1 coefficient of determination test (R²)

The coefficient of determination (R²) is used to measure how far the model's ability to explain the variation of the dependent variable. According to Ghazali (2011), the coefficient of determination is between 0 and 1. A small R² value means that the ability of independent variables to explain variations in the dependent variable is very limited. A value close to one means that the independent variables provide almost all the information needed to predict the dependent variable.

3.3.2 t-test

According to Ghozali (2011) The t test statistic shows how far the influence of one independent variable individually in explaining variations in the independent variable. Comparing the p value with a significance level of 0.05, it can be determined whether H_0 is rejected or accepted (H_0 is accepted if p value > 0.05 , H_0 is rejected if p value < 0.05).

3.3.3 F test

The F statistical test is performed to show that the independent variables

included in the model have a joint effect on the dependent variable.

3.3.4 Path Analysis

Testing of hypotheses can be done by path analysis. Path analysis (path analysis) is the use of regression analysis to estimate causality between predetermined variables (Ghozali, 2005).

4. RESULTS AND DISCUSSION

4.1 Descriptive Analysis

Table 2: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
UDD	96	4,0	11,0	7,000	1,6796
UDK	96	5,0	11,0	6,573	1,3038
KI	96	1,0	5,0	2,917	,8905
KA	96	2,0	7,0	3,990	1,0906
KPMJ	96	,00000	,00411	,0002979	,00075039
KINS	96	,165	,994	,54271	,300054
SRDI	96	,133	,978	,53044	,247515
EVA	96	-382120,1	3467046,5	504680,339	773697,7855
TOBIN'S Q	96	,2974	6,3239	1,726702	,9755588
Valid N (listwise)	96				

Source: Processed, 2017

4.2 Classic assumption test

4.2.1 Normality Test

Table 3. One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		96
Normal Parameters ^{a,b}	Mean	,0000000
	Std. Deviation	,26724796
Most Extreme Differences	Absolute	,066
	Positive	,066
	Negative	-,061
Test Statistic		,066
Asymp. Sig. (2-tailed)		,200 ^{c,d}

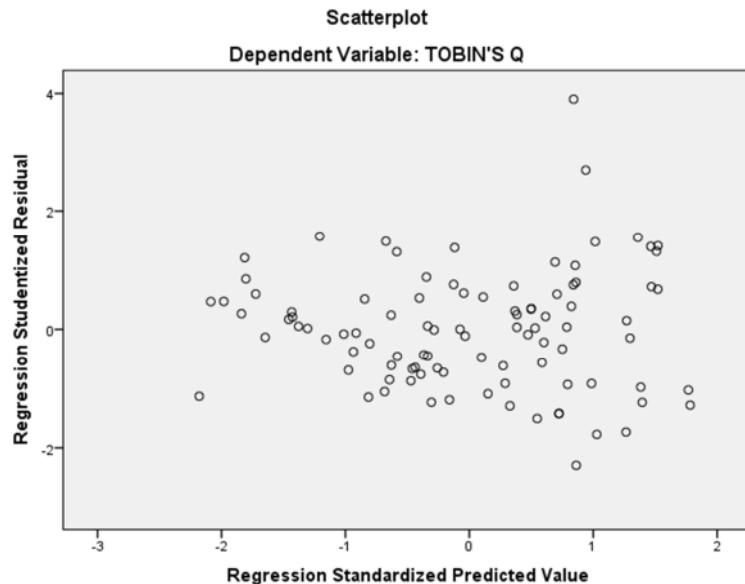
a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

4.2.2 Heteroscedacity test



1.2.3 Autocorrelation Test

Table 4. Autocorrelation Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,669 ^a	,448	,404	,293469	1,474

a. Predictors: (Constant), SRDI, KA, KPMJ, UDK, UDD, KINS, KI

b. Dependent Variable: EVA

4.2.4. Multicollinearity Test

Table 5. Multicollinearity Test

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error				Tolerance	VIF
1 (Constant)	-34,225	41,525		-,824	,412		
UDD	,685	,130	,555	5,276	,000	,566	1,765
UDK	-,618	,182	-,383	-3,391	,001	,492	2,030
KI	,262	,169	,179	1,550	,125	,473	2,115
KA	,185	,119	,128	1,549	,125	,925	1,081
KPMJ	56,875	58,655	,079	,970	,335	,939	1,065
KINS	,117	,188	,063	,623	,535	,619	1,615
SRDI	-,566	,187	-,253	-3,025	,003	,895	1,118

a. Dependent Variable: EVA

4.3 Hypothesis Testing

4.3.1 Regression Analysis

Model analysis is used to find out how much donations are given by independent variables, namely, Board of Directors Size, Board of Commissioners Size, Independent Commissioner, Audit Committee, Managerial Ownership, Institutional Ownership, Sustainability Report Disclosure, and Economic Value Added. In the regression analysis the model 1 structural equation is as follows:

$$Z = \alpha^0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \epsilon_1$$

4.3.2. F-test

Table 6 F EVA
ANOVA^a

Model	Sum of Squares	Df	Mean Square	F	Sig.	Kesimpulan
1 Regression	6,140	7	,877	10,184	,000 ^b	H ₁ diterima
Residual	7,579	88	,086			
Total	13,719	95				

a. Dependent Variable: EVA

b. Predictors: (Constant), SRDI, KA, KPMJ, UDK, UDD, KINS, KI

Table 7 Determination coefficient test EVA

Equation 1	Multiple R	,669
	R Square	,448
	Adjusted R Square	,404
	Std. Error of the Estimate	,293

4.3.3. T-test

Table 8 t-test EVA

	Unstandardized Coefficients		Beta	t	Sig.	Conclusion
	B	Std. Error				
Equation 1	(Constant)	-34,225	41,525		-,824	,412
	UDD	,685	,130	,555	5,276	,000 H ₂ accepted
	UDK	-,618	,182	-,383	-3,391	,001 H ₃ rejected
	KI	,262	,169	,179	1,550	,125 H ₄ rejected
	KA	,185	,119	,128	1,549	,125 H ₅ rejected
	KPMJ	56,875	58,655	,079	,970	,335 H ₆ rejected
	KINS	,117	,188	,063	,623	,535 H ₇ rejected
	SRDI	-,566	,187	-,253	-3,025	,003 H ₈ accepted

The results of data processing in model 1 can be concluded with the following equation::

$$Z = \alpha^0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \epsilon_1$$

$$\text{EVA} = 0,555 \text{ UDD} - 0,383 \text{ UDK} + 0,179 \text{ KI} + 0,128 \text{ KA} + 0,079 \text{ KPMJ} + 0,063 \text{ KINST} - 0,253 \text{ SRDI} + \varepsilon_1$$

4.4. Effect of Board of Directors Size, Board of Commissioners Size, Independent Commissioner, Audit Committee, Managerial Ownership, Institutional Ownership, Sustainability Report Disclosure of Corporate Value through or not through the variable Economic Value Added

Tabel 9: Intervening and non Intervening variables

No.	Effect	Direct Effect	Indirect Effects	Decision
1	Size of the Board of Directors -> Corporate Value through Economic Value Added as an Intervening variable	0,032	-0,032	Not intervening
2	Size of the Board of Commissioners -> Corporate Value through Economic Value Added as an Intervening variable	0,284	0,0927	Not intervening
3	Independent Commissioner -> Corporate Value through Economic Value Added as an Intervening variable	- 0,442	-0,0433	Intervening
4	Audit Committee-> Corporate Value through Economic Value Added as an Intervening variable	-0,168	-0,031	Intervening
5	Managerial Ownership -> Corporate Value through Economic Value Added as an Intervening variable	-0,083	-0,019	Intervening
6	Institutional Ownership -> Corporate Value through Economic Value Added as an Intervening variable	0,301	-0,0152	Not intervening
7	SRDI -> Corporate Value through Economic Value Added as an Intervening variable	0,242	0,0612	Not intervening

Source: processed data, 2017

5. CONCLUSION

Based on calculation above, it can be concluded that:

1. The structure of Good Corporate Governance and Sustainability Report Disclosure simultaneously affects the Economic Value Added.
2. The structure of Good Corporate Governance has an effect on the Economic Value Added.
3. Sustainability Report Disclosure has an effect on Economic Value Added.
4. The structure of Good Corporate Governance simultaneously influences the value of the company.
5. The structure of Good Corporate Governance affects the value of the company.
6. Effect of Economic Value Added on Company Values

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