

THE EFFECT OF GOOD CORPORATE GOVERNANCE ON FINANCIAL PERFORMANCE AND CORPORATE VALUE IN ERA 4.0 AND SOCIETY 5.0

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ABSTRACT

This study was conducted to determine the effect of Good Corporate Governance (GCG) on Financial Performance and Company Value in State-Owned Corporation in Indonesia in the era of 4.0 and society 5.0, Research subjects are state-owned corporation listed on the Indonesia Stock Exchange (IDX) for the 2013-2017 period. The samples taken are 10 State-Owned Corporation (BUMN) that are included in the criteria. The method used to analyze the relationship between variables in this study is multiple linear regression analysis. Hypothesis test results show that the Independent Board of Commissioners and Audit Committee have an effect on the Return on Assets (ROA) with a significance value of 0,012. The results of testing the second hypothesis Independent commissioners and audit committees have no simultaneous effect on Company Values with a significance value of 0,082. Partially the independent Board of Commissioners has an effect on Return on Assets (ROA) and company value. While the second variable of the Audit Committee does not affect the Return on Assets (ROA) and company value.

Keywords: Board of Commissioner, Audit Committee, Financial Performance, Return on Assets (ROA), Corporate Value, Tobins'Q.

1. INTRODUCTION

Era 4.0 is marked by the use of information technology and big data as the main tool in the economy and human life. Industry reform will affect business by reducing the use of HR replaced by technology, increasing online transactions. In early 2019 Japan launched Society 5.0 as a continuation of Revolution 4.0. In this era, technology is not only in business but how everyday human activities are integrated with information technology and databases. The combination of the use of artificial, drow, robots and big data will optimize technology in providing support and support for human daily activities, including to improve health and education (Haryanti, 2019).

But digitalization without good governance will only result in losses. Many cases of security that occur ranging from theft and misuse of data, falsification of transactions, to the cessation of service due to disruptions incorporate information technology that can result in losses for the company and also users.

Risks faced by the company include security risk, reputation risk, operational risk, and also compliance risk. It is necessary to apply risk management and good internal control as part of corporate governance to ensure that these risks have been managed properly.

Good Corporate Governance Principles in the digital era are certainly inseparable from good Information Technology Governance. Information Technology (IT) is no longer just a working aid but has entered into the realm of business strategy, so decision making and supervision have also become an important agenda discussed at meetings of the Directors and Board of Commissioners of the company. It is a misconception that IT Governance is only the responsibility of the CIO (Chief Information Officer). Good IT governance is a business need to ensure that IT can support the company's business goals and needs.

This understanding opens up insights that corporate management needs to be evaluated to anticipate the new era.

2. LITERATURE REVIEW

Good Corporate Governance

Good Corporate Governance, and hereinafter referred to GCG is a company management system designed to improve company performance, protect stakeholders and increasing compliance with laws and regulations and generally accepted ethical values. The definition of GCG according to Peraturan Menteri BUMN PER- 01/MBU/2011 is "Good Corporate Governance GCG are the principles which underlie a company's management process and mechanism based on laws and regulations and business ethics.

GCG was introduced by the Cadbury Committee, England in 1922 who used the term in his report which became known as the Cadbury Report. Many experts provide an understanding of GCG, but in essence, GCG is a set of rules that govern rights and obligations among stakeholders within a company and requires a company to make transparency overall processes within a company (Putra and Nuzula, 2017;103- 112).

Board of Commissioner

The Independent Commissioner aims to balance the decision making of the board of commissioners. The proportion of the board of commissioners must be such that it allows effective, appropriate and fast decision making and can act independently (Sarafina and Saifi, 2017;108-117).

Audit Committee

In the opinion of Carcello et al., (2011) which defines that the calculation of an independent audit committee is to use the ratio of the independent commissioners in the audit committee to the total members of the audit committee.

Financial performance

Financial performance is an analysis conducted to see the extent to which a company has carried out financial activities using the rules of financial implementation properly and correctly (Harahap, 2009; 305). The measurement to examine financial performance is one of them by using financial ratio analysis.

Return on Assets (ROA) is a ratio used to measure the ability of a company to utilize assets to make a profit so that if the value of a ROA is higher, it can be said the better the company's performance. This ratio is used to see the ability of companies to manage each value of assets they have to generate net income after tax. Assets are the entire assets of the company, obtained from own capital or foreign capital that the company has converted into assets, for the survival of the company (Martsila and Meiranto, 2013;1-14).

The value of the company (Tobin's Q)

Tobin's Q analysis is also known as the Tobin's Q ratio. This ratio is a valuable concept because it shows the current financial market estimates of the value of returns on every future investment dollar (Wright et al., 2011;65-87).

$$Tobin's'Q = \frac{MVE + Debt}{TA}$$

Where:

MVE = Stock price Debt = Debt

TA = Total assets

3. RESULT AND DISCUSSION

Descriptive Statistics

Based on the results of descriptive statistical tests obtained as many as 50 data from the period 2013- 2017. Based on the results of descriptive statistical tests obtained as many as 50 data from the period 2013-2017.

Table 1: Descriptive Statistics

	N	Range	Minimum	Maximum	Mean		Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic
Board of Commissioner	50	1,39	,00	1,39	,8797	,04022	,28441
Audit Committee	50	1,39	,00	1,39	,8867	,05428	,38381
ROA	50	2,51	-,24	2,27	1,1196	,07497	,53009
Value of Company	50	2,37	,10	2,46	1,3451	,09944	,70312
Valid N (listwise)	50						

Source: Self Proceed

Table 1 shows the descriptive statistics of each study variable based on the above table, the results of the analysis using descriptive statistics on the Independent Board of Commissioners show a minimum value of 0.00 with a maximum value of 1.39 with an average value of 0.8797. Meanwhile, the standard deviation value is the average value of the distance of the measured data point deviation from the average value of the data which is equal to 0.28441. For the range value here is the difference between the minimum value and the maximum value that is equal to 1.39.

Analysis using descriptive statistics of the Audit Committee shows a minimum value of 0.00 a maximum value of 1.39 with an average value of 0.8867. Meanwhile, the standard deviation value is the average value of the distance of the measured data point deviation from the average value of the data which is equal to 0.38381. For the range value here is the difference between the minimum value and the maximum value that is equal to 1.39.

Analysis using descriptive statistics on ROA shows a minimum value of -0.24 a maximum value of 2.27 with an average value of 1.1196. Meanwhile, the standard deviation value is the average value of the distance of the measurement data deviation from the average value of the data that is equal to 0.53009. For the range value here is the difference between the minimum value and the maximum value that is equal to 2.51.

Analysis using descriptive statistics on Company Value shows a minimum value of

0.10, a maximum value of 2.46 with an average value of 1.3451. Meanwhile, the standard deviation value is the average value of the distance of the measured data point deviation from the average value of the data which is equal to 0.70312. For the range value here is the difference between the minimum value and the maximum value that is equal to 2.37.

Multiple Linear Regression Analysis

The multiple linear regression model for the ROA variable (Y1) can be seen in table 2.

Based on table 2, it can be seen that the regression equation is:

$$Y1 = 0.723 + 0.706X1 - 0.253X2$$

The regression equation above can be interpreted as follows:

A constant value of 0.723, meaning that if the Independent Board of Commissioners (X1) and the Audit Committee (X2) value is 0, then the ROA (Y1) value of 0.723.

The regression coefficient of the Independent Board of Commissioners variable (X1) is 0.76, meaning that if other independent variables have a fixed value and the Independent Board of Commissioners has increased by 1 unit, the ROA (Y1) will increase by 0.76 or 76%. A positive coefficient means that there is a positive influence between the independent and the independent variable, the higher the Independent Commissioner, the ROA will increase, and vice versa.

Good Corporate Governance Principles in the digital era are certainly inseparable from good Information Technology Governance. Information Technology (IT) is no longer just a working aid but has entered into the realm of business strategy, so decision making and supervision have also become an important agenda discussed at meetings of the Directors and Board of Commissioners of the company. It

is a misconception that IT Governance is only the responsibility of the CIO (Chief Information Officer). Good IT governance is a business need to ensure that IT can support the company's business goals and needs.

This understanding opens up insights that corporate management needs to be evaluated to anticipate the new era.

Table 2: The multiple linear regression model for ROA variable (Y1)

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	,723	,276		2,625	,012
Board of Commissioner	,706	,248	,379	2,851	,006
Audit Committee	-,253	,184	-,184	-1,381	,174

a. Dependent Variable: ROA

Source: Self Proceed

Table 3: The multiple linear regression model for Tobin's Q variable (Y2)

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	2,159	,381		5,671	,000
Board of Commissioner	-,732	,342	-,296	-2,140	,038
Audit Committee	-,192	,254	-,105	-,756	,453

a. Dependent Variable: Tobin's Q

Source: Self Proceed

Audit Committee variable regression coefficient (X2) of 0.706, meaning that if other independent variables have a fixed value and the Audit Committee experiences 1 unit, it will increase ROA by 0.706. Based on table 3, as for the Company Value (Y2) variable regression model as follows:

$$Y2 = 2,159 - 0,732X1 - 0,192X2$$

The regression equation above can be interpreted as follows:

The constant value is 2.159, meaning that if the Independent Commissioner (X1) and the Audit Committee (X2) value is 0, then the Company Value (Y2) value is 2.159.

The regression coefficient for the Independent Commissioner variable (X1) is -0.732, meaning that if other independent variables have a fixed value and the Independent Board of Commissioners has increased by 1 unit, the Corporate Value (Y2) will increase by -0.732. A positive coefficient means that there is a positive influence between the independent and the independent variable, the higher the Independent Commissioner Board, the Firm Value will increase, and vice versa.

Audit Committee variable regression coefficient (X2) of -0.192, meaning that if other independent variables have a fixed value and the Audit Committee experiences 1 unit, it will

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increase the Company's Value by - 0.192.

As for seeing the coefficient of determination on the dependent variable ROA (Y1) can be seen as follows:

Coefficient of Determination (R²)

Table 4: the coefficient of determination on the dependent variable ROA (Y1)

4 Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,414 ^a	,172	,136	,49262

a. Predictors: (Constant), Board of Commissioner, Audit Committee

b. Dependent Variable: ROA

Source: Self Proceed

Table 5: the coefficient of determination on the dependent variable The Value of Company (Tobin's Q) (Y2)

a. Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,318 ^a	,101	,063	,68063

a. Predictors: (Constant), Board of Commissioner, Audit Committee

b. Dependent Variable: Tobin's Q

Source: Self Proceed

Based on table 4 The Adjusted R Square determination coefficient value of 0.136 or 13.6% this means that the Independent Board of Commissioners variable (X1) and the Audit Committee variable (X2) simultaneously influence the ROA variable of 13.6% and the remainder equal to 8.64% is influenced by other factors outside this study. Then according to the decision-making coefficient of determination, this study has a significant influence.

Meanwhile, to see the coefficient of determination on the dependent variable Company Value (Y2) can be seen in table 5.

Adjusted R Square determination coefficient value of 0.063 or 6.3% this means that the Independent Commissioner variable (X1) and the Audit Committee variable (X2) simultaneously affect the Company Value variable of 6.3% and the rest of 9.37% is influenced by other factors outside this study. Then according to the decision-making coefficient of determination, this study has a significant influence.

Simultaneous Test (F-test)

Table 7 shows the results of simultaneous testing between variables of independent commissioners and audit committees on ROA. From this table the significance value (Sig.) Of 0.012 is known, under probability 0.05, so it can be concluded that H1 is accepted, meaning that

the independent commissioner and audit committee variables simultaneously have a significant effect on ROA (Y1). Based on the comparison of the calculated F value with the F table, from the 4.12 table above can be seen the calculated F value of 4.868, above F table 2.80, it can be concluded that H1 is accepted. This means that the independent commissioner and audit committee variables simultaneously have a significant effect on the ROA variable.

Table 7: Simultaneous test on the dependent variable ROA (Y1)

a. ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	2,363	2	1,181	4,868	,012 ^b
Residual	11,406	47	,243		
Total	13,769	49			

b. Dependent Variable: ROA

c. Predictors: (Constant), Board of Commissioner, Audit Committee

Source: *Self Proceed*

Table 8: Simultaneous test on the dependent variable The Value of Company (Tobin's Q) (Y2)

a. ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	2,451	2	1,225	2,645	,082 ^b
Residual	21,773	47	,463		
Total	24,224	49			

a. Dependent Variable: Tobin's Q

b. Predictors: (Constant), Board of Commissioner, Audit Committee

Source: *Self Proceed*

In table 8 shows the results of simultaneous testing between variables independent commissioners and audit committees on Company Value. From this table note the significance value (Sig.) Of 0.082, above probability 0.05, so it can be concluded that H2 is rejected, meaning that the independent commissioner and audit committee variables simultaneously have no significant effect on firm value (Y2). Based on the comparison of the calculated F value with the F table, from table 4.13 above it can be seen the calculated F value of 2.645 and F table 2.77, under F table 2.77, it can be concluded that H2 is rejected. This means that the independent commissioner and audit committee variables simultaneously have no significant effect on the Company Value variable.

Partial test (t-test)

The results of the partial test for the dependent variable ROA are as follows: In table 2 shows the results of partial testing between the variables of the Independent Commissioner and ROA. From this table note the significance value (Sig.) Of 0.006,

under probability 0.05, so it can be concluded that H3 is accepted, meaning that the independent commissioner variable has a significant effect on the ROA varretniable.

In table 2 shows the results of partial testing between the Audit Committee variables on ROA. From this table, it is known that the significance value (Sig.) Is 0.174, above probability 0.05, so it can be concluded that H4 is rejected, meaning that the audit committee variable has no significant effect on the ROA variable.

In table 3 shows the results of partial testing between the variables of the Independent Commissioner to the value of the company. From this table note the significance value (Sig.) Of 0.038 under probability 0.05, so it can be concluded that H5 is accepted, meaning that the independent commissioner variable has a significant effect on the firm's value variable.

In table 3 shows the partial test results between the audit committee variables and the company's value. From this table note the significance value (Sig.) of 0.453, above probability 0.05, so it can be concluded that H6 is rejected, meaning that the audit

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committee variable does not significantly influence the firm value variable.

Discussion

Good Corporate Governance Principles in the digital age include good Information Technology Governance. Information Technology (IT) is no longer just a work tool but has entered the realm of business strategies that affect company performance. In this case affect the speed of work, data accuracy, and reduce negative interventions to achieve company performance. So that decision making and supervision are also an important agenda discussed in the meeting of the Directors and Board of Commissioners of the company. Good IT governance is a business need to ensure that IT can support the company's business goals and needs.

5. CONCLUSION

Research on the Effect of Good Corporate Governance on Financial Performance and Company Value in Era 4.0 and Society 5.0 with the subject of State-Owned Enterprises listed on the Indonesia Stock Exchange from 2013 to 2017, shows that:

The Independent Board of Commissioners and the Audit Committee simultaneously have a significant effect on Return On Assets. Independent commissioners and audit committees simultaneously have no significant effect on company value.

The independent board of commissioners has a significant effect on Return on Assets. The audit committee has no effect on Return on Assets. The Independent Board of Commissioners has a significant effect on Tobins'Q. The Audit Committee has no significant effect on Tobins'Q. In the 4.0 and 5.0 eras, GCG also included information technology governance to support the achievement of company performance.

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