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The Effect of Good Corporate Governance and Environmental Performance on the Value of Manufacturing Companies on the Indonesia Stock Exchange 2015-2019

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ABSTRACT: This study aims to determine and analyze the effect of good corporate governance and environmental performance on company value. The objects in this study are company value which is influenced by managerial ownership, independent board of commissioners, board of directors, independent audit committee, and environmental performance in manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2015-2019. This study uses secondary data, namely from the annual reports of manufacturing companies on the IDX 2015-2019. The sampling technique used was purposive sampling with a sample size of 90 companies. This study uses multiple linear regression analysis techniques. The results of this study can be concluded that managerial ownership, independent board of commissioners, board of directors and audit committee as well as environmental performance have a positive effect on the value of manufacturing companies listed on the Indonesia Stock Exchange in 2015-2019.

KEYWORDS: *good corporate governance, managerial ownership, independent board of commissioners, board of directors, audit committee, environmental performance, company values.*

I. INTRODUCTION

In the current era of globalization, a company is required to increase company value. Company value is the value of how much share price the company has. When the share price is higher, the company value will be higher. Every company is required to maintain its health because healthy finances will also reflect a healthy economy. Between agents and principals are required to work together in order to achieve the goals of a company. However, there are different interests from one party to another, causing conflicts within the company which are known as agency conflicts. Agent conflict can be minimized by implementing Good Corporate Governance (GCG). GCG is a relationship that regulates shareholders, company management, creditors and the government regarding rights and obligations in the sense of a system that regulates and controls the company.

The aspect of building a company to stand well is implementing GCG with the publication of an annual report, which will increase transparency and public accountability, which in turn will increase investor confidence in decision making. The implementation of good corporate governance is necessary so that manufacturing companies are managed in a trustworthy, efficient, professional manner, and not detrimental to the interests of stakeholders. In general, the implementation of good corporate governance is based on the principles of transparency, accountability, responsibility, independence, and fairness (Astanti, 2015). Based on Indonesian good corporate governance guidelines, the principle of transparency is openness in presenting material and relevant information so that it is easily understood by stakeholders. Good corporate governance in this study is proxied by managerial ownership, independent board of commissioners, board of directors and audit committee. Managerial ownership is the percentage of shares owned by shareholders from management who actively participate in making company decisions. Research on good corporate governance on companyvalue contains inconsistencies in research results obtained from different studies. Anggarsini&Suprasto (2018) the implementation of good corporate governance has a positive effect on the value of banking firms. Mursidah&Khairina (2018) and Love &Klapper (2002) concluded in their research good corporate governance has a positive effect on company value. Rahayu (2019) and Fitri&Herwiyanti (2015) show that the implementation of GCG has no effect on company value as well as research from Muryati (2014) which states that corporate governance affects company value but in a negative direction.

Currently, investors not only pay attention to company value by measuring good corporate governance, but there were other factors that become reasons for investors to consider information, one of which is environmental performance. Companies today must consider the management of the company according to the 3 dimensions of the Triple Bottom Line (planet, people, and profit). The planetary dimension is the company's responsibility to protect the environment. People dimension, the company can provide mutual benefits for the parties related around. The profit dimension is that of course every company wants to benefit from doing business. The 3P concept is intended so that companies do not prioritize maximum profits but need to pay attention to social and environmental norms in order to create environmental sustainability and community welfare. The Ministry of Environment (KLH) encourages companies to improve their environmental management by implementing the Company Performance Rating Program (PROPER). Through the PROPER assessment the company will get an image or reputation in accordance with its environmental management.

The application of GCG principles in Indonesia were not implemented optimally, such as the case of PT Freeport Indonesia which occurred in 2017 due to mismatching of salaries and wages of workers in mining companies from the United States (US) given between local Papuan workers and foreign workers. In this case, PTFI has violated ethics against the principles of GCG, namely fairness, which can be seen from the injustice in the standard wage index applied by management to Freeport operations. Freeport workers in Indonesia are known to earn lower salaries than Freeport workers in other countries for the same level of position. In Indonesia the hourly wage is $1.5-3, while in other countries is $15-35 per hour. In addition, there are other forms of violations, including the inconsistency of reports with facts on the ground found by the Audit Board of Indonesia. Losses due to the environmental impact of the operation of the Freeport mine by the supervisory team from the Ministry of Energy and Mineral Resources and the Ministry of Environment and Forestry have so far been inaccurate. Thus, the Audit Board of Indonesia reviewed the report and found several irregularities such as the excess disbursement of Freeport's reclamation guarantee (Adityowati, 2017). PTFI's violation of GCG principles was not transparent regarding dividend payments to Indonesia on the grounds that sales of gold and copper had decreased. Meanwhile, the 2013 financial performance report of Freport-McMoran Copper & Gold, which is the owner of 90.64% shares in PTFI, shows that its total sales have increased by 6.2%. The occurrence of massive exploitation which brings profit to the company but causes damage to nature and harms the surrounding community is a violation of the principle of GCG, namely responsiveness.

II. LITERATURE REVIEW ANDRESEARCH HYPOTHESIS

Jensen &Meckling (1976) states that agency theory is a theory that reveals the relationship between principals and management. In the agency theory concept, company management will act as an agent that focuses on maximizing their interests. So that agents act not in accordance with the interests of the principal, which is usually called the agency problem. This theory is related to the variables studied, because it has a direct relationship between the principal and the agent. Stakeholder theory is a theory which states that a company does not operate for its own interests but must provide benefits for all its stakeholders. Rahayu (2019) states that stakeholders have the right to obtain more complete information on company performance. In this theory, the more complete information obtained by stakeholders, the more it will influence stakeholder decision making. Information needed by stakeholders is information related to company activities. Deegan & Craig (2002) stated that company legitimacy will be obtained, if there is a similarity between the results and what is expected by the community from the company. This theory is part of society so it must pay attention to social norms so that companies can easily get support from the community.

Managerial ownership is the management or company manager who has the duty and authority to participate in making decisions to become shareholders and is also involved in the management of the company (Rivandi, 2018). Based on agency conflicts caused by the separation of ownership and control in the company. It is stated that the more concentrated company ownership is in one person, the stronger the control will be and tends to suppress agency conflicts.

H1: Managerial ownership has a positive effect on company value

The results of research by Maryanti (2017) and Laily&Syamsudin (2019), conclude that the independent board of commissioners has a positive effect on firm value. The greater the number of independent commissioners, it is expected that the independent board of commissioners will be able to perform duties and supervision as well as provide advice to directors more effectively so that it can provide added value to the company.

H2: The independent board of commissioners has a positive effect on company value

A smaller number of boards of directors will result in better communication among directors, more effective coordination, and quicker action on problem solving. According to Syafitri et al. (2018) stated that firm value can be significantly influenced positively by the board of directors. So that the large number of boards of directors can increase the company value.

H3: The board of directors has a positive effect on company value

The increasing number of audit committees will provide better control over the company's accounting and financial processes which in turn will have a positive influence on firm value. Research from Al-Matari et al. (2014) are in line with Onasis (2016), which is that there is a significant positive relationship between the audit committee and firm value. Other research from Andriana &Panggabean (2017) and Gosal et al. (2018) stated that the audit committee has a negative effect on company value.

H4: The audit committee has a positive effect on company value

Rahayu (2019) states that environmental performance, which is proxied by the PROPER level, has a positive effect on firm value. Companies that have a high level of environmental performance will respond positively to investors as seen from stock price fluctuations. This result is also supported by research from (Auliya, 2018) which found a positive relationship between environmental performance and company value.

H5: environmental performance has a positive effect on company value

III. METHODS

The data collection method used in this research is by tracing the selected annual reports to be the sample. The data was obtained from the official website owned by the Indonesia Stock Exchange, namely www.idx.co.id and the names listed in PROPER were obtained from the website www.proper.menlhk.go.id. The type of data based on the source in this study is secondary data in the form of company annual reports for 2015-2019 on manufacturing companies listed on the Indonesia Stock Exchange and data obtained from literature books, journals, and theses.

The population in this study were all manufacturing companies listed on the Indonesia Stock Exchange in 2015-2019 totaling 182 companies. The sample in this study were manufacturing companies listed on the Indonesia Stock Exchange and received a PROPER rating from the Ministry of Environment in a row during 2015-2019. The method of determining the sample using purposive sampling. Purposive sampling technique, namely sampling based on certain considerations in accordance with the research objectives in order to obtain a representative sample (Sugiyono, 2017: 85). The technical analysis used is multiple linear regression analysis.

IV. RESULT AND DISCUSSION

Table 1. Descriptive Statistics Test Results

Variable	**N**	**Min.**	**Max.**	**Mean**	**Std. Deviation**
X1	90	.00	.98	.2029	.35337
X2	90	.29	1.83	.4512	.19183
X3	90	2.00	11.00	6.2444	2.61934
X4	90	3.00	5.00	3.3000	.62621
X5	90	2.00	4.00	3.1778	.41266
Y	90	.34	23.29	3.8150	4.84599
Valid N (listwise)	90				

Source: Research Data, 2021

Table 2. Normality Test Results

		Unstandardized Residual
N		90
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.74747051
Most Extreme Differences	Absolute	.048
	Positive	.048
	Negative	-.040
Test Statistic		.048
Asymp. Sig. (2-tailed)		.200[c,d]
a. Test distribution is Normal.		
b. Calculated from data.		

Source: Research Data, 2021

Based on Table 2, it shows that the value of Asymp. Sig. (2-tailed)is greater than the level of significance of 0.05, so it can be concluded that the residuals of data is normally distributed.

Table 3. Heteroscedasticity Test Results

Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	**Std. Error**	**Beta**		
1	(Constant)	.904	.160		5.641	.000

	X1	-.019	.058	-.051	-.332	.741
	X2	-.066	.070	-.179	-.945	.348
	X3	-.065	.064	-.180	1.008	.316
	X4	-.069	.051	-.177	-1.371	.174
	X5	-.010	.059	-.026	-.170	.866
a. Dependent Variable: abs_RES						

Source: Research Data, 2020

Based on Table 3, it shows that the significance value of the managerial ownership (X1) is 0.741, the significance value of independent board of commissioner (X2) is 0.348, the significancevalue of board of director (X3) is 0.316, the significancevalue of audit committee (X4) is 0.174, and the significancevalue of environmental performance (X5) is 0.866. Those significance values indicate that all independent variables have a significance value greater than 0.05, so there is no heteroscedasticity in the regression model.

Table 4. Multicollinearity Test Results

Model		**Unstandardized Coeff.**		**Standardized Coeff.**	**t**	**Sig.**	**Collinearity Statistics**	
		B	**Std. Error**	**Beta**			**Tolerance**	**VIF**
1	(Constant)	.225	.280		32.994	.000		
	X_1	.235	.102	.194	2.312	.023	.468	2.138
	X_2	.273	.122	.246	2.419	.016	.311	3.211
	X_3	.368	.112	.320	3.293	.001	.349	2.866
	X_4	.207	.088	.164	2.348	.021	.672	1.488
	X_5	.252	.103	.205	2.437	.017	.463	2.159
a. Dependent Variable: Company Value								

Source: Research Data, 2021

Table 4 shows that the VIF value of managerial ownership (X1) is 2.138 with tolerance of 0.468, the VIF value of independent commissioner (X2) is 3.211 with tolerance of 0.311, the VIF value ofthe board of directors (X3) is 2.866 with tolerance of 0.349,the VIF value ofaudit committee (X4) is 1.488 with tolerance of 0.672, and the VIF value of environmental performance (X5) is 2.159 with tolerance of 0.463. The tolerance value of each variableare greater 0.10 and the VIF value of each variable are less than 10, it means that there is no multicollinearity on the model research.

Table 5. Multiple Linear Regression Analysis

Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**	**Collinearity Statistics**	
		B	**Std. Error**	**Beta**			**Tolerance**	**VIF**
1	(Constant)	9.225	.280		32.994	.000		
	X_1	.235	.102	.194	2.312	.023	.468	2.138
	X_2	.273	.122	.246	2.419	.016	.311	3.211
	X_3	.368	.112	.320	3.293	.001	.349	2.866
	X_4	.207	.088	.164	2.348	.021	.672	1.488
	X_5	.252	.103	.205	2.437	.017	.463	2.159
a. Dependent Variable: Company Value								

Source: Research Data, 2021

The following multiple linear regression equation: Y = 9.225 + 0.235 X1 + 0.273 X2 + 0.368 X3 + 0.207 X4 + 0.252 X5. A constant value of 9.225 means that if managerial ownership (X1), the board of independent commissioners (X2), the board of directors (X3), audit committee (X4), and environmental performance (X5) have a constant value at zero, then the company value (Y) can be interpreted as increasing by 9,225. The regression coefficient for managerial ownership of 0.235 is positive, meaning that if managerial ownership is 1 unit, the company value will increase by 0.235, assuming other variables are considered constant. the variable regression coefficient for the independent commissioner of 0.273 is positive, meaning that if the independent commissioner is 1 unit, the company value will increase by 0.273 assuming other variables are considered constant. the variable regression coefficient for the board of directors of 0.368 is positive, meaning that if the board of directors is worth 1 unit, the company value will increase by 0.368 assuming other variables are considered constant. the regression coefficient for the audit committee variable of 0.207 is positive, meaning that if the audit committee is worth 1 unit, the company value will increase by 0.207, assuming other variables are considered constant. the regression coefficient of the environmental performance of 0.252 is positive, meaning that if environmental performance is 1 unit, the company valuewill increase by 0.252, assuming other variables are considered constant.

Table 6. Hypothesis Test Results (TTest)

Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	**Std. Error**	**Beta**		
1	(Constant)	9.225	.280		32.994	.000
	X_1	.235	.102	.194	2.312	.023
	X_2	.273	.122	.246	2.419	.016
	X_3	.368	.112	.320	3.293	.001
	X_4	.207	.088	.164	2.348	.021
	X_5	.252	.103	.205	2.437	.017
a. Dependent Variable: Company Value						

Source: Research Data, 2021

Table 6 shows that the managerial ownership (X1), independent board of commissioners (X2), the board of directors (X3), the audit committee (X4), and the environmental performance (X5) have significant value less than 0.05, which mean all the hypothesis is accepted and have a positive effect on company value.

Table 7. Determination Coefficient Test Results (Adjusted R^2)

Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.851[a]	.724	.707	.76940
a. Predictors: (Constant), X5, X4, X1, X3, X2				
b. Dependent Variable: Corporate Value				

Source: Research Data, 2021

Table 7 shows that the value of determinationcoefficient is 0.707, which means that 70.7 percent change (up or down) in company value is influenced by managerial ownership, independent board of commissioners, board of directors, audit committee, and environmental performance, while the remaining 29.3 percent is influenced by other factors out of the model.

Table 8. Simultaneous Test Results (F Test)

Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	130.275	5	26.005	44.041	.000[b]
	Residual	49.725	84	.592		
	Total	180.000	89			
a. Dependent Variable: Company Value						
b. Predictors: (Constant), X5, X4, X1, X3, X2						

Source: Research Data, 2021

Table 8 shows that the significant value of the test result is 0,000. Significant value which less than 0.05 means that the managerial ownership, independent board of commissioners, board of directors, audit committee, and environmental performance simultaneously affect the company value.

V. CONCLUSION

The results of the research conducted regarding the effect of good corporate governance and environmental performance on the value of manufacturing companies listed on the Indonesia Stock Exchange in 2015-2019, provide several conclusions, namely managerial ownership has a positive effect on the value of manufacturing companies listed on the Indonesia Stock Exchange from 2015-2019. The independent board of commissioners has a positive effect on the value of manufacturing companies listed on the Indonesia Stock Exchange from 2015-2019. The board of directors has a positive effect on the value of manufacturing companies listed on the Indonesia Stock Exchange from 2015-2019. The audit committee has a positive effect on the value of manufacturing companies listed on the Indonesia Stock Exchange from 2015-2019. Environmental performance has a positive effect on the value of manufacturing companies listed on the Indonesia Stock Exchange from 2015-2019.

Suggestions that can be given in this study are for the company, it is better if to increase the company value, the company must implement good corporate governance in accordance with applicable guidelines and increase the company's environmental performance rating according to the criteria. PROPER and for investors, it is better if investors in making decisions to invest must pay attention to all conditions of a company not only from the level of profit but from other factors, namely good corporate governance and environmental performance.

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