Implementing Good Corporate Governance to Engage Corporate Social Rerponsibility in Financial Performance

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Abstract:

Purpose: *The aim of this study is to analyze the effect and implementing Good Corporate Governance (GCG) to engage and perform a proper Corporate Social Responsibility (CSR) which will impact the social community and finally improve the financial performance of the company.*

Design/Methodology/Approach: *Good Corporate Governance will focus on four variables, such as the Size of Board of Commissioners (SBC), the Independence of the Board of Commissioners (IBC), the Size of the Board of Directors (SBD), and the numbers of the Audit Committees (NAC). As Corporate Social Responsibility will focus on the variable of CSR index required by the Global Reporting Initiative (GRI) while the Financial Performance will focus on the variable of Return on Equity (ROE) and Net Profit Margin (NPM). The research method in this study is the Tobin's Q method. The population of this research is based on 41 companies which are listed in the Indonesia Stock Exchange in the year 2016. Data analysis method used is multiple linear regression.*

Findings: *Based on the results SBC, SBD, NAC, CSR and NPM do not have significant effect on the firm value while on the other hand, IBC and ROE do.*

Practical Implications: *Good Corporate Governance can reveal proper and significant process including implementing Corporate Social Responsibility in the company. In some case implementing Good Corporate Governance can suppress the turmoil of company activities in the environment.*

Originality/Value: *The negative and significant effect on the company's value does not simply mean inconsistency resulting the negative effect, instead this result indicates that IBC contributed a significant effect on GCG and CSR.*

Keywords: *GCG, CSR, Company's value, Tobin's Q.*

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1. Introduction

Financial management is the process of a company's financial activities related to the efforts of the company to obtain funds and minimize company's costs and expenses. The financial management's effort is also to perform the financial support to the objectives of the company (Mardaconsita and Soelton 2018; Horne and Wachowicz 2012). According to Bhalla (2014), financial management is a goal-oriented activity. It has been described as the blend of art and science through which the important decisions of what to invest in, how to finance it, and how to combine the two in order to maximize some appropriate objective, are taken. The board and dynamic field of finance affects the financial lives of virtually every business, financial and nonfinancial, private and public, large and small, profit-seeking and non-profit seeking. The performance of the firms is measured in financial terms; the success of the firm depends on how it is perceived by, and reacts to external economic markets, (Soelton *et al.,* 2019). The field of finance is much more complicated and faster faced today. New technologies and relaxed regulations are changing the institutional setting. Financial markets are volatile, interest rates can move sharply up or down in a very short-term period.

Berge and Rideer (1994) mentioned that good corporate governance (GCG) cannot be guaranteed by codes or suggestions for best practice alone, not even by law. The disciplinary effect of the market economy (especially of the capital market and the stock exchange) is mostly felt to be superior in comparison to strict regulatory interference. Crucial factors in this market disciplining effect are information, transparency and accountability. The OECD also warned against the powerful potentially rigid tool of regulating corporate governance which should be used with care. Moreover, good practice in corporate governance supposes commitment, professionalism and above all ethical behavior. Corporate governance relates to doing things right as well as to doing the right things.

Badawi (2018) mentioned that Good Corporate Governance is a form of good corporate management in a company, which includes a form of protection for shareholders (public) as the company owners and creditors as the external funders. Thus, the application of Good Corporate Governance is believed to increase the value of the company. Management must understand the GCG mechanism so that the company's performance can be performed more effective and efficiently. Corporate social responsibility (CSR) according to Crowther and Aras (2008) is a concept which has become dominant in business reporting. Every corporation has a policy concerning CSR and produces a report annually detailing its activity. Each of the company are able to recognize corporate activity which is socially responsible and activity which is not socially responsible. Corporate social responsibility is also concerned with the relationship between global corporations, governments of countries and individual citizens and the relationship between a corporation and the local society in which it resides or operates.

Even though definition has strictly defined the main purpose of CSR is to maintain good relationship and contribution of the corporation to the local society where they reside, still many cases have shown the negligence of the company to responsible with the impacts which may harm the social environment of the local society in Indonesia.

Based on the Indonesian Law No. 40/2007 and No. 25/2017 all companies in Indonesia are required to perform CSR, but the fact is that there is still a large gap in terms of more detailed implementation instructions and consistent implementation (Waagstein, 2011). Therefore, there are still many cases that result a hugh environmental damage caused by a company in East of Java and a company in Papua province. Research conducted by Subhan and Deviyanti (2017) also showed the dissatisfaction of the local residents towards the implementation of CSR by many mining companies in the cities of East Kalimantan province. There is also in line to show the significant differences between CSR commitment statements and the reality on the field in the case of the gold mining in Guatemala. Although the mining project expressed high commitment to perform CSR, there are still many problems in the field due to this mining activitices.

The main purpose of implementing good CSR is to strengthen the implementation of good corporate governance in the company. The importance of GCG to improve the CSR performance of a company is given. One component of the corporate governance is the board of directors of the company. The existence of an effective board of directors in implementing corporate governance is very important (Fuente, García-Sánchez and Lozano, 2017; Michelon and Parbonetti, 2012). The board of directors plays a role in protecting the interests of both the company and consumers, so in order for the board members to impose good CSR is to strengthen the implementation of corporate governance in the company.

2. The Financial Management Function

Financial management is the efficient and effective planning and controlling of financial resources so as to maximize profitability and ensuring liquidity for an individual, private sector, government, and for profit and non-profit organization/firm. The function of financial management can be divided in three major areas:

  a. **Liquidity Control Function**
       a. Cash flow planning (forecasting cash flow), so that cash will always available to meet payments at any time.
       b. Disbursing funds (raising of funds) from outside or from within the company in order to obtain funds with lower costs.
       c. Maintaining good relations with financial institutions
  b. **Profit Control Function**
       a. Cost control, avoiding unnecessary costs

  b. Pricing, so that prices are not too expensive compared to the prices of the competitors.

  c. Profit planning, so that profits can be predicted in the relevant period so that they can plan activities better in the coming period.

  d. Measurement of the cost of capital, in this case all capitals, including capital from owners of the company

c. Management Function

  a. In controlling earnings or liquidity, financial managers must act as managers and as decision makers so that financial managers can take decision steps that are beneficial to the company.

  b. Performing assets management function such as: planning, organizing, directing and controlling of the financial performance.

3. Financial Management Decisions

The decision function of financial management can also be divided into the following three major areas:

a. Investment Decision

  Relating to the problem of selecting the desired investment of an organization at the opportunity by choosing one or more of the investment alternatives that are considered to gain benefits. The form, type, and composition of the investment will influence and support future profits. Investment decisions are a matter of how financial managers must allocate funds into the forms of investment that will be able to generate profits in the future.

b. Funding Decision

  This funding decision is often referred to as capital structure policy. This decision is related to the issue of selecting various forms of funding sources available for investment by choosing one or more alternative expenditures that may infer the lowest cost.

c. Dividend Decision

  Related to the problem of determining the percentage of profits to be paid as cash dividends, the stability of dividends distributed, stock dividends, stock splits, and the withdrawal of outstanding shares which are all aimed at increasing the prosperity of shareholders.

4. The Value of the Company

According to Hery (2016) the value of the company is the investor's perception of the company's success rate, which is often associated with stock prices. While the company's value according to Syafitri (2017) is a certain condition that has been achieved by the company as an illustration of public trust in the company. According to Saridewi (2016), the measurement of company value in this study is using Tobin's Q ratio, because this ratio is considered to provide the best information and because

all the elements of debt and stock capital are included in the calculation of Tobin's Q ratio. The formula of Tobin's Q is as follows:

$$TQ = \frac{EMV + DEBT}{TA}$$

Companies that have a high value of Tobin's Q indicate that the growth prospects of the company are getting better, because investors will sacrifice more for the companies that have a market value of assets greater than the book value. If the Tobin's Q value is more than one, it means that the market value of the company is greater than the assets of the company. Conversely, if the value Tobin's Q is less than one, it indicates that the cost of the asset replacement is greater than the market value of the company so the market will value the company less than the higher Tobin's Q value.

5. Factors that Affect the Company's Value

There are certain factors that affect the company's value among them are (Kourtis *et al.,* 2018; Curtis and Thalassinos, 2005):

a. **Investment Decision**
Investment decisions are decisions that the company make to decide to buy assets. These assets are in the form of tangible assets. Investment decisions are defined as a combination of assets held with investment choices in the future with a positive net present value. Companies that decide to obtain dividend policy to distribute profits to shareholders in the form of dividends rather than holding profits in the form of capital gains can increase the value of their shares, because it can increase the value of the company as well.

b. **Debt Decision**
The company's debt policy will affect the value of the company. Increased use of corporate debt will be interpreted by external parties as an increase in company growth due to investment activities undertaken by the company to generate profits. Besides this increase it can be seen as an increase in the company's capability to pay its obligations in the future.

c. **Company Size**
The size of the company shows the company's activities that are run by the company. The greater the size of the company means the greater the assets that can be used as a collateral to obtain debt so that the debt will increase. A large company that is able to maintain its existence well will have easy access in the capital market when compared to a smaller company, because easy accessibility to the capital market means having greater flexibility and the ability to raise funds in the short run. This will affect the larger companies to pay higher dividend ratio compare to the smaller companies and increase the value of the company so that the investors will be interested to invest in the company.

d. Profitability

ROA (Return on Asset) describes the company's financial performance in generating net income from assets used during the company operations. The higher ROA shows that the company's performance is getting better in generating profits so that it will improve the company's image which ultimately increases the company's value in the view of the stakeholders.

6. Good Corporate Governance

GCG is considered to be able to reduce the problems that occured due to the agency conflicts. The application of GCG requires a systematic mechanism to monitor the policies taken. The GCG mechanism has control capabilities that can align the differences in interests between the principal and the agent (Ningtyas, 2014). Good Corporate Governance in this study can be described as follows:

a. Size of Board of Commissioners

Size of Board of Commissioners is the number of members of the board of commissioners in a company determined in the number of units (Wardoyo and Martina, 2013). The size of the Board of Commissioners is formulated as follows:

Size of the Board of Commissioners = ∑ Members of the Board of Commissioners

b. Independence of the Board of Commissioners

The independence of the Board of Commissioners is a member of the Board of Commissioners who is not an affiliated party in the company. The independence of the board of commissioners in this study was measured by the ratio between the number of independent commissioners compared to the total number of board members (Anggraini, 2013). Independence of the Board of Commissioners is formulated as follows:

$$Independence\ of\ the\ Board\ of\ Commissioners = \frac{\sum Independent\ Commissioner}{\sum Member\ of\ the\ Board\ of\ Commissioners}$$

c. Size of Board of Directors

The size of the Board of Directors is the number of the members of the board of directors in a company specified in the number of units (Wardoyo and Martina, 2013). The Board of Directors' size is formulated as follows:

Size of the Board of Directors = ∑ Members of the Board of Directors

d. Number of Audit Committees

The number of Audit committees is formed by and is responsible to the Board of Commissioners in helping to perform the duties and functions of the Board of Commissioners, (Financial Services Authority Regulation No. 55/POJK.03/2016). Number of Audit Committees is formulated as follows:

$$\text{Number of Audit Committees} = \sum \text{Members of the Audit Committee}$$

Agency Theory

Agency theory is the basis of how to understand corporate governance. Jensen and Meckling (1976) stated that agency relationships arise when one or more people (principal) employ another person (agent) to provide a service and then delegate the decision-making authority to the agent. As an agent, the manager is responsible to optimize the profits of the owners (principal), but on the other hand the manager also has the interest of maximizing their welfare. There is conflict of interest so there is a high probability that agents do not always act in the best interests of the principal, (Randy and Juniarti, 2013). Agency theory explains how to resolve or reduce conflicts of interest between parties that have interest in business activities and have a detrimental impact to the company. To avoid such conflict, basic principles of good company management are needed. Corporate governance, which is a concept based on agency theory, is expected to function as a tool to provide investors with confidence that they will get the same and complete information that management has (Giannakopoulou *et al.,* 2016; *Cech et al.,* 2018; Suryanto *et al.,* 2017).

Agency theory explains how the parties involved in the company will behave, because basically between agents and principals have different interests that cause agency conflict. Basically, agency conflicts occur because of the separation between ownership and control of the company. Conflicts of interest between investors and managers cause agency costs to arise, namely monitoring costs incurred by principals such as auditing, budgeting, controlling and compensation systems, bonding expenses incurred by agents and residual losses related to divergence of interests between principal and agent. According to Kusumaningtyas (2015), the existence of agency problems raises agency costs consisting of:

1. The monitoring expenditure by the principle (monitoring cost), which is the cost of supervision incurred by the principal to oversee the behavior of the agent in managing the company.
2. The bounding expenditure by the agent (bounding cost), namely the costs incurred by the agent to ensure that the agent does not act that harms the principal.
3. The Residual Loss, which is a decrease in the level of principal and agent utility due to agency relationships.

Conflicts of interest occur not only between investors and managers, but also between majority shareholders and minority shareholders. Controlling shareholders usually also control management decisions and tend to ignore the interests of minority shareholders.

7. Basic Principles of Good Corporate Governance

According to the Decree of the Minister of SOE in the year 2002 No. KEP-117/M-MBU/2002 concerning Good Corporate Governance, there are 5 basic principles which will be explain below as follows:

1. **Transparency**
   Openness in carrying out the decision-making process and openness in presenting material and relevant information about the company.
2. **Accountability**
   Clarity of functions, structure, systems, and accountability of company organs so that the company's management is carried out effectively.
3. **Responsibility**
   Compliance in company management with the applicable laws and regulations and sound corporate principles.
4. **Independency**
   A situation in which a company is managed professionally without conflict of interest and influence / pressure from any party that is not in accordance with applicable laws and regulations and sound corporate principles.
5. **Fairness**
   Fairness and equality in fulfilling stakeholder rights that arise based on agreements and applicable laws and regulations.

The formula that are used in this research is:

$$CSRI = \frac{\sum Xi}{n} \; x \; 100\%$$

8. Financial Performance

Kurniasih and Heliantono (2018) stated that good or bad condition of a company is signalled by its financial performance. Financial performance is one of the factors that shows the effectiveness and efficiency of an organization in order to achieve its objectives (Pertiwi and Pratama, 2012). Financial performance is the result or the achievement by company management in order to perform its function of managing company assets effectively over a certain period (Rudianto, 2013). Financial performance will be calculated using the following indicators:

a. **ROE (Return on Equity)**
   Return of Equity (ROE) is a ratio that shows a company's ability to generate profits after tax using its own capital (Thaharah, 2016). The formula used is as follows:

$$ROE = \frac{\textbf{Net profit}}{\textbf{Total Equity}} \; x \; 100\%$$

b. NPM (Net Profit Margin)

Net Profit Margin (NPM) is a ratio that describes the level of profits obtained by a comparison between the income received and its operational activities (Ardimas and Wardoyo, 2014). The higher the NPM, the better the company's operations and vice versa if NPM is low the company's operations are not good. The ratio formula used is as follows:

$$\text{NPM} = \frac{\text{Net profit}}{\text{Sales}} \times 100\%$$

9. Literature Review

Based on the description of the theoretical basis above that has been described previously, the model of the framework of this study will be used by the authors to facilitate the understanding of the concept. It was showed that UDK, IDK, DIR, AUD, CSR, ROE and NPM are assumed to have an influence on company's value. The dependent variable is company value (TQ), while the independent variables are seven variables as mentioned above. The indicators of Good Corporate Governance (GCG) variables to be analyzed are the size of the Board of Commissioners (SBC), the independence of the Board of Commissioners (IBC), the size of the Board of Directors (SBD), the number of Audit Committees (NAC). The indicator of the Corporate Social Responsibility (CSR) variable that are used to be examined is a list of items that refer to Corporate Social Responsibility Index (CSRI) required in the Global Reporting Initiative (GRI) covering the topics of CSR information disclosure. Indicators for the Financial Performance variable used in this research are the Return on Equity (ROE) and Net Profit Margin (NPM).

9.1 Hypothesis Formulation

1. Effect of SBC on Company's Value

According to research conducted by Anggraini (2013) and also Suhartati and Warsini (2011) the size of the board of commissioners (SBC) has a positive effect on company value. Based on the description above, the hypothesis that can be proposed in this case is:

H1: SBC has a positive effect on company value.

2. Effect of IBC on Company's Value

According to research conducted by Tambunan and Saifi (2017) and also by Thaharah and Asyik (2016) the independence of the Board of Commissioners (IBC) has a positive effect on company's value. Based on the description above, the hypothesis that can be proposed in this case is:

H2: IBC has a positive effect on firm value.

3. Effect of SBD on Company's Value

According to research conducted by Syafitri and Nuzula (2018) and also by Wardoyo and Martina (2013) the size of the Board of Directors (SBD) has a positive effect on company's value. Based on the description above, the hypothesis that can be proposed in this case is:

H3: SBD has a positive effect on company value.

4. Effect of NAC on Company's Value

According to research conducted by Syafitri and Nuzula (2018) as well as by Thaharah and Asyik (2016) the number of Audit Committees (NAC) has a positive effect on company's value. Based on the description above, the hypothesis that can be proposed in this case is:

H4: NAC has a positive effect on firm value.

5. Effect of CSR on Company's Value

According to research conducted by Marius and Masri (2017) and also by Mutmainah (2015) the Corporate Social Responsibility (CSR) has a positive effect on company's value. Based on the description above, the hypothesis that can be proposed in this case is:

H5: CSR has a positive effect on firm value.

6. Effect of ROE on Company's Value

According to research conducted by Thaharah and Asyik (2016) and also by Wardoyo and Martina (2013) the Return on Equity (ROE) has a positive effect on company's value. Based on the description above, the hypothesis that can be proposed in this case is:

H6: ROE has a positive effect on firm value.

7. Effect of NPM on Company's Value

According to research conducted by Tikawati (2016) the Net Profit Margin (NPM) has a positive effect on company's value. Based on the description above, the hypothesis that can be proposed in this case is:

H7: NPM has a positive effect on firm value.

10. Methodology

This research was performed in 2018 and the data was obtained from the official website of the Indonesia Stock Exchange, www.idx.co.id and www.sahamok.com. The study includes the object of companies listed in the group manufacturing

companies in the year 2016 which have been listed in the Indonesia Stock Exchange on the list of consumer goods industry sector.

Figure 1. *Research Framework*
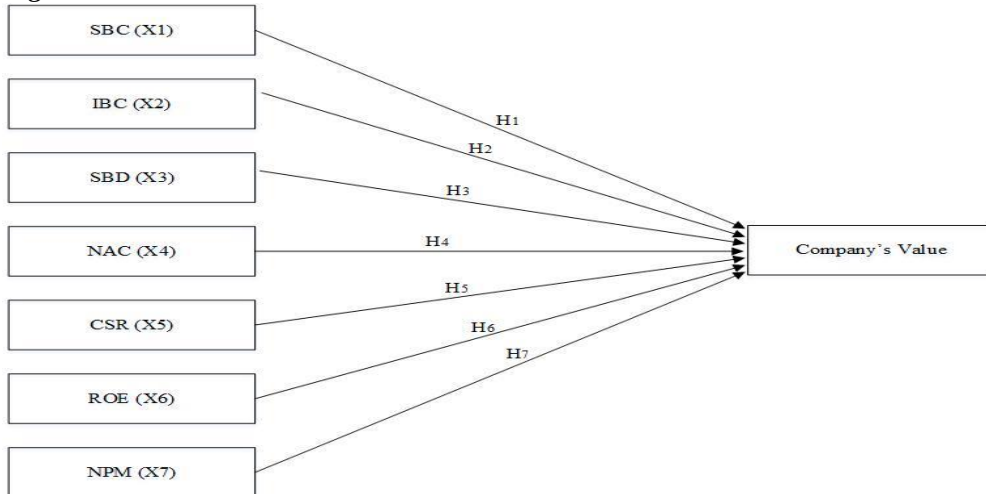
The research method used is a causal research method. The researchers analyze the data whether there is an influence between one or more independent variables on the dependent variable. The aim of this study is to analyze the independent variables of Good Corporate Governance, Corporate Social Responsibility, and Financial Performance with the dependent variable, Corporate Value. Variable is an attribute or nature or value of people, objects or activities that have certain variations that are determined by researchers to be studied and draw conclusions (Sugiyono, 2017).

The dependent variable is company's value as measured by using Tobin's Q. Measurement with Tobin's Q shows that the company is not focusing on investors' interest in the form of shares alone. Independent variable is a variable that influences or causes the changes or emergences in the dependent variable (Sugiyono 2017). In this study we consider three independent variables, Good Corporate Governance, Corporate Social Responsibility and Financial Performance with several indicators as has been described above. The operational variables contained in this study are shown in Table 1 below:

11. Results

A. Descriptive Statistics
Descriptive statistics provide a description of data with the mean, standard deviation, variance, maximum, minimum, sum, range, kurtosis, and skewness (skewed distribution), (Sugiyono, 2016) as presented in Table 2:

Table 1. *Variable Operations*

Variable	Variable Type	Proxy	Indicator	Scale
Independent	GCG	SBC (X1)	$\sum$ **Member of the Board of Commissioners**	Ratio
Independent		IBC (X2)	$\dfrac{\sum \textbf{Independent Commissioner}}{\sum \textbf{Member of the Board of Commissioners}}$	Ratio
Independent		SBD (X3)	$\sum$ **Member of the Board of Directors**	Ratio
Independent		NAC (X4)	$\sum$ **Audit Committee Member**	Ratio
Independent	CSR	CSR (X5)	$\dfrac{\sum \textbf{Xi}}{\textbf{n}} \textbf{ x 100\%}$	Ratio
Independent	KK	ROE (X6)	$\dfrac{\textbf{Net profit}}{\textbf{Total Equity}} \textbf{ x 100\%}$	Ratio
Independent		NPM (X7)	$\dfrac{\textbf{Net profit}}{\textbf{Sales}} \textbf{ x 100\%}$	Ratio

Source: *From Data Processing (2018).*

Table 2. *Descriptive Statistics*

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
SBC	30	2,00	8,00	4,2000	1,68973
IBC	30	0,00	0,80	0,3796	0,15155
SBD	30	3,00	16,00	5,9667	2,85854
NAC	30	0,00	5,00	2,8667	0,93710
CSR	30	0,08	0,27	0,1805	0,04665
ROE	30	0,41	135,85	22,5253	29,84573
NPM	30	0,37	30,10	9,0539	6,21463
TQ	30	0,60	18,40	3,5980	4,11040
Valid N (listwise)	30				

Source: *From Data Processing (2018).*

B. Classical Assumption Tests

The normality test aims to test whether the residuals inn the regression model have a normal distribution by using the one-sample Kolmogorov test (Table 3).

Table 3. *One-Sample Kolmogorov*

One-Sample Kolmogorov-Smirnov Test			Unstandardized Residual
N			30
Normal Parameters[a,b]	Mean	Normal Parameters[a,b]	
	Std. Deviation		
Most Extreme Differences	Absolute	Most Extreme Differences	
	Positive		
	Negative		
Test Statistic			0,136
Asymp. Sig. (2-tailed)			0,161[c]

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

Source: From Data Processing (2018).

Based on the results in Table 3 the independent and the dependent variables are normally distributed with an Asymp Sig (2-tailed) value at 0.05 level being 0.161. So, it can be concluded that the residual data from the independent variable and the dependent variable are normally distributed. In other words, the regression model used meets the assumption of normality.

The multicollinearity test is to find out whether there is a correlation between the independent variables in the regression model. A good regression model should not occur correlation between independent variables as stated by Ghozali (2018). Based on the multicollinearity test, the results of the variables UDK, IDK, DIR, AUD, CSR, ROE, NPM are free from multicollinearity as indicated by a tolerance value > 0.10 or the VIF value < 10. The regression coefficients are presented in Table 4.

Table 4. *Regression Coefficients*

Coefficients[a]							
Model	Unstandardized Coefifcients		Standardized Coefifcients	t	Sig.	Collinearity Stastistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	2,514	1,945		1,293	0,210		
SBC	-0,192	0,300	-0,079	-0,641	0,528	0,596	1,677
IBC	-8,167	3,413	-0,301	-2,392	0,026	0,571	1,753
SBD	0,232	0,170	0,161	1,365	0,186	0,647	1,545
NAC	0,199	0,525	0,045	0,378	0,709	0,630	1,587
CSR	-0,353	10,122	-0,004	-0,035	0,972	0,685	1,460
ROE	0,139	0,022	1,010	6,328	0,000	0,354	2,821
NPM	-0,004	0,099	-0,006	-0,038	0,970	0,400	2,499

a. Dependent Variabel : TQ

Source: From Data Processing (2018).

Heteroscedasticity test is to test whether the regression model occurs residual variance inequality one observation to another observation. The test results show that as many as two of the variables such as IBC and ROE have a significance value of less than 0.05 so it can be concluded that there is heteroscedasticity in the data (Table 5).

Table 5. *Regression Coefficients*

Coefficients^a

Model	Unstandardized Coefifcients		Standardized Coefifcients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2,942	1,045		2,815	0,010
SBC	0,016	0,161	0,021	0,101	0,921
IBC	-5,608	1,835	-0,655	-3,056	0,006
SBD	0,157	0,091	0,347	1,724	0,099
NAC	-0,011	0,282	-0,008	-0,037	0,971
CSR	-6,765	5,440	-0,243	-1,243	0,227
ROE	0,028	0,012	0,647	2,379	0,026
NPM	0,008	0,053	0,037	0,144	0,886

a. Dependent Variabel : TQ

Source: From Data Processing (2018).

C. Test Model

The correlation coefficient (R) shown in Table 6 is 0.895. The coefficient of determination (Adjusted R Square) shown is 0.738. This concludes that the magnitude of the variation of the dependent variable that can be explained by the independent variables is 73.8% and the remaining 26.2% is explained by other factors not contained in the model.

Table 6. *Model Summary*

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,895^a	0,801	0,738	2,10424

a. Predictors: (Constant), NPM, IDK, DIR, UDK, CSR, AUD, ROE

b. Dependent Variable: TQ

Source: From Data Processing (2018).

Based on the results in Table 7 the calculated F value of 12.665 with a significance level of 0,000. It is concluded that the independent variables together have a significant effect on the dependent variable.

Table 7. *ANOVA Analysis*

ANOVAᵃ

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	392,555	7	56,079	12,665	0,000ᵇ
	Residual	97,412	22	4,428		
	Total	489,967	29			

a. Dependent Variable: TQ

b. Predictors: (Constant), NPM, IDK, DIR, UDK, CSR, AUD, ROE

Source: *From Data Processing (2018).*

D. Analysis of Multiple Linear Regression

The coefficients of the multiple linear regression analysis are presented in Table 8:

Table 8. *Multiple Linear Regression Coefficients*

Coefficientsᵃ

Model	Unstandardized Coeficients		Standardized Coeficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2,514	1,945		1,293	0,210
SBC	-0,192	0,300	-0,079	-0,641	0,528
IBC	-8,167	3,413	-0,301	-2,392	0,026
SBD	0,232	0,170	0,161	1,365	0,186
NAC	0,199	0,525	0,045	0,378	0,709
CSR	-0,353	10,122	-0,004	-0,035	0,972
ROE	0,139	0,022	1,010	6,328	0,000
NPM	-0,004	0,099	-0,006	-0,038	0,970

a. Dependent Variabel : TQ

Source: *From Data Processing (2018).*

From the Table above, we can arrange the multiple linear regression equation as follows:

> TQ = 2,514 - 0,192 SBC – 8,167 IBC + 0,232 SBD + 0,199 NAC - 0,353 CSR + 0,139 ROE - 0,004 NPM

Based on the results above , the following hypothetical discussions are made:

a. *H1: SBC has a negative but not significant effect on firm value.*
   The H1 hypothesis in this study was not accepted. This can be seen from the significant value of 0.528 where the value is greater than 0.05, which indicates insignificance, thus SBC has a negative but not significant effect on company's value so, Ho is accepted and H1 is rejected, in other words SBC has no effect on company's value. The results of this study indicate that the size of the board of commissioners is not a main determining factor of the effectiveness of supervision of company management. This is because

the board of commissioners does not participate in the operations of the company more than the controller does. So, it does not really affect the value of the company. The results of this study are in line with the researches by Fiadicha (2016) and Wardoyo (2013) which conclude that there is no influence between the size of the board of commissioners and the value of the company.

b. *H2: IBC has a negative and significant effect on firm value.*

The H2 hypothesis in this study was accepted. This can be seen from the significant value of 0.026 where the value is smaller than 0.05, which indicates significance, thus IBC has a negative but significant effect on the value of the company so Ho is rejected and H2 is rejected, in other words IBC has an effect on company's value. The results of this study indicate that the greater the proportion of independent commissioners in a company, the worse the value of the company. It needs to be a mutual agreement so that the company's direction is in line with setting aside all differences and personal interests so that the company's target to maximize company value can be achieved. The results of this study are in line with the researches by Tambunan (2017), Thaharah (2016), Muryati (2014) and Ningtyas (2014) concluded that there is an influence between the independence of the board of commissioners and the company's value.

c. *H3: SBD has a positive but not significant effect on firm value.*

The H3 hypothesis in this study was not accepted. This can be seen from the significant value of 0.186 where the value is greater than 0.05 which indicates that it is not significant, thus the SBD has a positive but not significant effect on the company's value so Ho is accepted and H3 is rejected in other words the SBD has no effect on the company's value. The results of this study can be concluded that an increase in the number of directors is not always followed by an increase in company's value. Not necessarily the existence of the board of directors can determine company's policies or strategies that can influence investors in investing their capital in the company. The results of this study are in line with the researches of Fiadicha (2016) and Ningtyas (2014) concluded that there is no influence between the size of the board of directors and the value of the company.

d. *H4: NAC has a positive but not significant effect on firm value.*

The H4 hypothesis in this study was not accepted. This can be seen from the significant value of 0.709 where the value is greater than 0.05, which indicates insignificance, thus NAC has a positive but not significant effect on company's value so, Ho is accepted and H4 is rejected in other words NAC has no effect on company's value. The results of this study can be concluded that the existence of the audit committee does not have a significant influence on firm value. There is a possibility that the existence of an audit committee is not a guarantee that the company's performance will be better, so investors consider the existence of an audit committee is not a consideration in investing their capital into the company. The results of this study are in line with researches conducted by Tambunan (2017),

Aldino (2015), Muryati (2014) and Wardoyo (2013) concluding that there is no influence between the number of audit committees and firm value.

e. *H5: CSR has a negative but not significant effect on firm value.*
The H5 hypothesis in this study was not accepted. This can be seen from the significant value of 0.972 where the value is greater than 0.05, which indicates insignificance, thus CSR has a negative effect but is not significant to the company's value so, Ho is accepted and H5 is rejected in other words CSR has no effect on company's value. The results of this study indicate that investors do not respond to CSR disclosures made by the company, so it does not have a significant influence on investor decision in the company. The results of this study are in line with researches by Pristianingrum (2017), Sudarma (2017), Fiadicha (2016) and Wardoyo (2013) concluded that there is no influence between the investors and the company's value.

12. Conclusions

The results of the above hypotheses concluded in order to perform a proper and significant result of Corporate Social Responsibility from any company to their social community. Good Corporate Governance has a big influence and monitor the financial development performing proper services to the environment so as to serve and to suppress the turmoil which may be the consequences of the company's activities and perform a proper welfare to overcome the losses.

The objectives of this research are to find out the basic problem which has not been settled properly by many companies who have created serious turmoil to the local community where they reside and operate. Based on the hypothesis testing, the result has concluded several findings as follows:

1. The independencies of the board of commissioners have a significant influence as the controller of the corporate governance.
2. There is no influence between the size of the board of commissioners with the value of the company.
3. There is no influence between the size of the board of directors with the value of the company.
4. There is no influence between the number of audit committees and create value to the company.
5. Investors do not respond to CSR disclosures made by the company, but the disclosure must be settled properly for the investor to be interested to invest in the company.

The result of this research is to bring into attention that this phenomenon may also occur in the rest of the countries. It would be worthwhile to further study the impact which may be caused by the rest of the company to their local communities.
Based on the conclusion above, the result of this research has pointed out the significance of Good Corporate Governance based on the independencies of the

board of commissioners and directors to monitor the performance of the Corporate Social Responsibility to perform a proper welfare to the local community. The result also recommended to bring into attention to the local government where most of the company are resided to control the proper performance of Corporate Social Responsibility to the local community, and provide a proper welfare to overcome their losses.

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