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The Influence of Good Corporate Governance, Financial and Environmental Performance towards Firm Value: Case of Manufacturing Companies in Indonesia

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Abstract: ***This study aims to observe and analyze the influence of proportion of independent board commissioners, the audit committee, board of directors, return on asset, return on equity and environmental performance towards firm value. Firm value was proxied with Tobin's Q. The population in this study is manufacturing companies listed in Indonesia Stock Exchange year 2013 – 2017. The study used 18 sample companies from 160 companies. The sample was determined by using purposive sampling. The result of this study showed that proportion of independent board commissioners, audit committee and Return On Assets has a significant effect on firm value while the board of directors, Return On Equity and PROPER has no significant effect on firm value.***

Keywords **:** ***Commissioners Board, Audit Committee, Board of Directors, Return on Asset, Return on Equity***

I. INTRODUCTION

According to Indonesia's Investment Coordinating Board, Indonesia has become the center of manufacturing industry in ASEAN by contributing up to 20.27% for the national economy. Indonesian Ministry of Industry (KEMENPERIN) also stated that the big percentage of contribution to the national economy is one of the factors why people invest more in manufacturing industries. In 2017, the manufacturing sector contributed for 20% of the national GDP and this is the highest percentage compared to other sectors. This makes the manufacturing sector a leading sector in Indonesia. In 2017, the total investment for the industrial sector reached 283,71 trillion or equal to almost 41% from the total investment of all sectors in Indonesia. With this high amount of investment, companies will maximize their firm value to attract investors. According to Retno [1], the improvement of firm value is the long-term objective of a company.

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Normatively, the objective of every company is to maximize the firm value. One of the things that can be done by company to maximize the firm value is by attracting investors to invest their capital. Good corporate governance aims to help align the interest of shareholders and company management. Investors will evaluate the firm's financial performance to understand the value of the firm [2]. Investors use the financial ratio to evaluate the firm's financial performance as it shows the development in the company's financial condition and company's potential in managing resources to increase the firm value[3]. Sustainability of a company no longer depends on the financial condition alone, but company also needs to focus on social and environmental issues [4]. This study aims to analyze the influence of good corporate givernance, financial performance, and environmental performance towards manufacturing sector firms' value in Indonesia Stock Exchange for the period 2013-2017.

II. RESEARCH METHODOLOGY

The Objects of this study are financial statement and annual report of manufacturing company listed on Indonesia Stock Exchange and PROPER for the period 2013-2017. The sample selection method is purposive sampling with certain criteria. The criteria for the sample are:

1. All manufacturing companies listed on the Indonesia Stock Exchange for the 2013-2017 period and listed on PROPER during the observation period.
2. All firms do not experience delisting or liquidation during the observation period.
3. Firm publishes financial statement and and audited annual report that ended on December 31 and firm also releases good corporate governance report comprehensively for the 2013-2017 period.
4. Firms that use rupiah as the currency in their financial statement.
5. The company has a net income the company does not experience capital deficiency and the data needed in accordance with the related variables in this study is available.

Based on the criteria above, there are 18 manufacturing companies that were sampled in this study.

The statistical test conducted in this study are statistical test, classical assumption test, multiple linear regression analysis, and hypothesis testing.

III. RESULT AND DISCUSSION

3.1 Statistical Test

Table 1 Results of Descriptive Statistics

	PDKI	KA	DD	ROA	ROE	PROPER	TOBIN'S Q
Minimum	.33	3.00	3.00	.001	.001	2.00	-1.11
Maximum	.80	5.00	10.00	.527	1.435	5.00	3.10
Mean	.4269	3.1023	6.0000	.12350	.25530	3.0682	.7939
Std. Deviation	.11631	.42991	2.13348	.109165	.340493	.44966	.93671

Source: Data Processed with IBM SPSS 25 Statistics

A. *3.2 Classical Assumption Test*

a) Normality Test

The normality test aims to determine whether residual variable distributed normally in the regression model [5].

Table 2 Results of Normality Test: *Kolmogrov-Smirnov Test*

One-Sample Kolmogorov-Smirnov Test	
	Unstandardized Residual
N	88
Asymp.Sig.(2-tailed)	.070[c]

Source: Data Processed with IBM SPSS 25 Statistics

The normality test results with *Kolmogrov-Smirnov* test on table 3 showed *Sig.(2-tailed)* value of 0.07, it is greater than 0.05 which indicates the residual variables distributed normally. With the *Sig.(2-tailed)* value of 0.07, the normality assumption in regression model has been fulfilled.

b) Multicollinearity Test

The multicollinearity test used to check whether there is a correlation between independent variable or not in the regression model.

Table 3 Results of Multicollinearity Test

	Tolerance	VIF
PDKI	.371	2.695
KA	.935	1.070
DD	.783	1.278
ROA	.174	5.744
ROE	.137	7.280
PROPER	.749	1.335

Source: Data Processed with IBM SPSS 25 Statistics

The multicollinearity test result showed the tolerance value for independent variable is no less than 0.10 and the VIF value is no greater than 10. The results above indicate there is no multicollinearity issue in this regression model.

c) Autocorrelation Test

Autocorrelation test aims to check whether there is correlation between residuals in t period and residual in t—1 period. A good regression model is the one that do not have autocorrelation indication.

Table 4 Results of Autocorrelation Test

Model Summary[b]	
Model	*Durbin-Watson*
1	1,910

Source: Data Processed with IBM SPSS 25 Statistics

Based on the autocorrelation test results on table 4 with *Cochrane-orcutt* method, the *durbin-watson* value is 1,910 placed between the dU and 4 – dU value or 1,8070 < 1,910 < 2,193. This means there is no autocorrelation issue in this regression model.

d) Heteroskedacity Test

Heteroskedacity test aims to check whether there is a difference of variance from residuals value for all observations in regression model.

Table 5 Results of Heteroskedacity Test

	Sig.
PDKI	.891
KA	.384
DD	.490
ROA	.719
ROE	.594
PROPER	.061

Source: Data Processed with IBM SPSS 25 Statistics

The results on table 5 shows the sig. value for each independent variable (PDKI, KA, DD, ROA, ROE, and PROPER) greater than 0.05, this means there is no heteroskedacity issue in this regression model.

- **3.3 Multiple Linear Regression Analysis**

Table 6 Results of Multiple Linear Regression Analysis

	Unstandarized Coefficients		Standarized Coefficients	t	Sig.
	B	Std. Error	Beta		
PDKI	2.012	.781	.250	2.575	.012
KA	.288	.133	.132	2.161	.034
DD	.001	.029	.003	.048	.962
ROA	6.454	1.215	.752	5.310	.000
ROE	-.248	.439	-.090	-.566	.573
PROPER	-.053	.142	-.025	-.372	.711

Source: Data Processed with IBM SPSS 25 Statistics

According to the table 6, the equation of multiple linear regression in this study is:

TOBIN'S Q = -1,583 + 2,012 PDKI + 0,288 KA + 0,001 DD+ 6,454 ROA – 0,248 ROE – 0,053 PROPER + $\mathcal{E}$

From the multiple linear regression equation above, the interpretation results obtained as follows:

1. *Intercept* -1,583 can be interpreted as an independent variable, then the TOBIN'S Q dependent variable will have a value of -1,583.
2. The PDKI variable regression coefficient is 2,012. This means if the PDKI variable value increases by one, the value of the TOBIN's Q variable will increases by 2,012 assuming all other variables remain constant.
3. The KA variable regression coefficient is 0,288. This shows that if the value of the KA variable increases by one, the value of the TOBIN'S Q variable will increase by 0.288 assuming all other variables remain constant,

4. The DD Variable regression coefficient is 0,001. This means if the value of the DD variable increases by one, the value of the TOBIN'S Q variable will increase by 0,001 assuming all other variables remain constant.
5. The ROA variable regression coefficient is 6,454. This shows that if the value of the ROA variable increases by one, the value of the TOBIN'S Q variable will increase by 6,454 assuming all other variables remain constant.
6. The ROE variable regression coefficient is -0,248. This means if the value of the ROE variable increases by one, the value of the TOBIN'S Q variable will decrease by 0,248 assuming all other variables remain constant.
7. The PROPER variable regression coefficient is -0,053. This shows that if the value of the PROPER variable increases by one, the value of the TOBIN'S Q variable will decrease by -0.053 assuming all other variables remain constant.

- **3.4 Hypothesis Testing**

a) Coefficient of Determination Test

The coefficient of determination test or R2 aims to see how big the influence of independent variable on the dependent variable simultaneously.

Table 7 Coefficient of Determination Test Results

R	R Square	Adjusted R Square	Std. Error of the Estimate
.847[a]	.717	.696	.51639

Source: Data Processed with IBM SPSS 25 Statistics

Based on the results above, the independent variable that consists of PDKI, KA, DD, ROA, ROE and PROPER have the ability to influence simultaneously 69,6% in explaining the dependent variable that is TOBIN'S Q. While the remaining 30,4% are influenced by variables from outside the research model.

b) Simultaneous Test

The simultaneous test aims to verify whether all independent variables influence simultaneously on the dependent variable.

Table 8 Results of Simultaneous Test

Anova[a]	
F	34.211
Sig.	.000[b]

Source: Data Processed with IBM SPSS 25 Statistics

Based on the table 8 above, the calculated F value is 34,211 where the value is greater than the F table value of 2,21. The significance (Sig.) value of 0,0000 is less than 0,05. It means the independent variables simultaneously influence the dependent variables.

c) Independent Sample T-Test

T-test is meant to determine whether each independent variable partially influence the dependent variable.

Table 9 Results of T Test

	Sig.
PDKI	.012
KA	.034
DD	.962
ROA	.000
ROE	.573
PROPER	.711

Source: Data Processed with IBM SPSS 25 Statistics

Based on the results on table 9, the conclusion obtained as follows:

1. The PDKI independent variable has a significance (Sig.) value of 0,012 < 0,05 so it can be concluded that PDKI has a significant influence towards TOBIN'S Q.
2. The KA independent variable has a significance (Sig.) value of 0,034 < 0,05 so it can be concluded that KA has a significant influence towards TOBIN'S Q.
3. The DD independent variable has a significance (Sig.) value of 0,962 < 0,05 so it can be concluded that DD has no significant influence towards TOBIN'S Q
4. The ROA independent variable has a significance (Sig.) value of 0,000 < 0,05 so it can be concluded that ROA has a significant influence towards TOBIN'S Q.
5. The ROE independent variable has a significance (Sig.) value of 0,573 > 0,05 so it can be concluded that ROE has no significant value towards TOBIN'S Q.
6. The PROPER independent variable has a significance (Sig.) value of 0,711 > 0,05 so it can be concluded that PROPER has no significant influence towards TOBIN'S Q

IV. CONCLUSION

Based on the test results and discussion above, it can be concluded as follows:

The proportion of independent commissioner board variable shows the result that proportion of independent commissioners board has no significant influence towards firm value. This result is in line with Anjarsari [6]. The higher the proportion of independent commissioners board, the monitoring will be tighter. This will certainly have an effect on reducing agency costs so the business

1. activities can be more efficient. The smaller the agency costs, the higher the company's net income, this will increase the firm value.
2. The audit committee variable shows the result that audit committee has a significant influence on the firm value. The results of this study are in line with Fiadicha and Hanny [7] who also proved that the audit committee has a significant influence on firm value. The existence of audit committee is expected to support the function of board of commissioners in monitoring the financial reporting process, conducting audits and implementing corporate governance within the company.
3. The board of director variable shows the result that the board of directors did not significantly influence the firm value. Shareholders are more selective in determining the number of board of directors as high agency cost will result in smaller net income, this is contrary to the fact that shareholders only look at the high return factor [7].
4. The return on asset variable shows that ROA significantly influence the firm value. This result is in line with Sucuahi and Cambarihan [8] research. In this research, the ROA can influence the firm value through TOBIN'S Q. This means by increasing the company's performance, it can improve the firm value.

5. The return on equity variable shows that ROE has no significant influence on firm value. The result of this study is in line with Putra and Juniariani [9]. ROE is not the only factors that influence investor, they also use other sources of information to make a good judgement.
6. The PROPER variable shows that PROPER has no significant influence towards firm value. The result of this research is in line with Anjarsari [6] that proved PROPER has no significant influence towards firm value.

According to the research process and result, below are the suggestion to gain the benefits of this study:

1. For Investors and Potential Investors
   Investors should conduct an analysis and observation on the company's financial performance which can be seen from the financial statements in order to consider which company is best to invest.
2. For Companies, Especially Manufacturing Companies
   Companies must pay more attention to the importance of implementing good corporate governance in accordance with the regulation in order to maintain independence and effective decision making. Companies also expected to be able to implement better environmental management in order to create sustainable development.
3. For Researchers
   It is better to use other variables when conducting the research of factors that influence the firm value. The environmental performance can be measured with ISO 14001, CERES, TQEM, etc.

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