International Journal of Applied Business and Economic Research

ISSN : 0972-7302

available at http: www.serialsjournal.com

© **Serials Publications Pvt. Ltd.**

Volume 15 • Number 4 • 2017

Internal Factors, Corporate Governance, Corporate Social Resposibility Disclosure and Company Value in Indonesia

Dea Putri Rahmadianti[1] and Nadia Asandimitra[2]

[1] *Alumni, Department of Management, Faculty of Economics, State University of Surabaya, Surabaya 60231, East Java, Indonesia. Email: dearahmadianti@gmail.com*

[2] *Senior Lecturer, Department of Management, Faculty of Economics, State University of Surabaya, Surabaya 60231, East Java, Indonesia. Email: nadiaharyono@unesa.ac.id*

ABSTRACT

The purpose of this study to analyze the effect of firm size, leverage, profitability, dividend policy, corporate social responsibility, managerial ownership and institutional ownership to corporate value of companies listed on Corporate Governance Perception Index (CGPI) and IDX 2010-2013. This study uses secondary data obtained from the official website SWA, Yahoo Finance, and the Indonesia Stock Exchange. Observations were made of the data variables at 9 companies as samples obtained from purposive sampling technique. Data analysis technique used is multiple linear regressions.

The results of the study indicates that the variable leverage negatively affects corporate value, profitability and dividend policy had a positive influence on the value of the company, while the size of the company, corporate social responsibility, managerial ownership and institutional ownership no effect on company value. For further research is recommended to use other independent variables besides the study variables such as cash holding, investment opportunity and external variables, as well as further expand the research object that has a different result.

JEL Classification: G00; G32; G34; G38.

Keywords: Company value, internal factor, corporate social resposibility, corporate governance.

1. INTRODUCTION

Companies as an economic institution have the primary goal to maximize wealth or value of the company (Salvatore, 2005: 9). The value of the company is an investor perception of the success level of companies

that are often associated with stock prices (Sudjoko and Soebiantoro, 2007). The firms values can show perform a company. Maximizing the value of the company is expected to improve the welfare of its shareholders and attract new investors.

The firm value can be maximized if the internal factors of the company can be improved. According to Rizqia et. al., (2013) some internal factors that can affect the value of companies such as firm size, leverage, and profitability. The firm size is large or small companies when viewed from the total assets. If the bigger the size of the company viewed in terms of total assets, the number of assets that can use to an activity of the company has increased. Then, the company performance is seen to rise to boost the share price and the value of the company.

The second factor is the leverage or debt levels. The leverage ratio shows the risks facing the company, where the greater risks faced by the company, the uncertainty of generating profits in the future will also increase. Leverage greater show greater investment risk and companies with low leverage ratio have a smaller investment risk.

A third factor that may affect the value of the company is profitability. Profitability by Weston and Copeland (2001: 237) is a way to measure the effectiveness of management based on the returns generated on sales and investment. Increased profitability can increase return on investment for shareholders to increase the company values.

Other internal factors that can affect the firm value are the dividend policy (Sudjoko and Soebiantoro, 2007). Dividend policy is a large or small dividend to be distributed. Each policy is made to reflect information about the condition and performance of the company. The findings of this study indicate future earnings prospects are contained in the dividend policy information that led to the firm value increases.

The firm value can also be affected by the disclosure of Corporate Social Responsibility (CSR). According to Retno and Priantinah (2012), CSR is a form of corporate responsibility in correcting social inequality and environmental damage that occurs as a result of operational activities of the company. More forms of accountability made by the company to its environment, increasing the company image. Investors will be interested in investing in the company because of its good value.

Good Corporate Governance (GCG) is needed to increase and maximize the value of the company by providing security guarantees on the assets in the company. Corporate Governance Forum Indonesia (FCGI) set goals of corporate governance is to create added value for stakeholders. To improve investor confidence in the company is with the implementation of GCG. In this study, GCG was measured using managerial ownership and institutional ownership. Sofyaningsih and Hardiningsih (2011) stated that managerial ownership and institutional ownership can solve the agency conflict so that the firm value can be increased as well.

CGPI is a research and rating GCG program that provides quality assessment Corporate Governance in the company as a form of recognition and appreciation of companies in Indonesia that show its sincerity in implementing GCG be awarded as a trusted company. CGPI is followed by a public company, state-owned enterprises, banks and other private companies. The program is designed to trigger the company to improve the quality of the application of the concept of corporate governance through continuous improvement to conduct an evaluation and benchmarking. CGPI program will provide appreciation and recognition to companies that have implemented corporate governance through the CGPI Awards and coronation as The Most Trusted Companies.

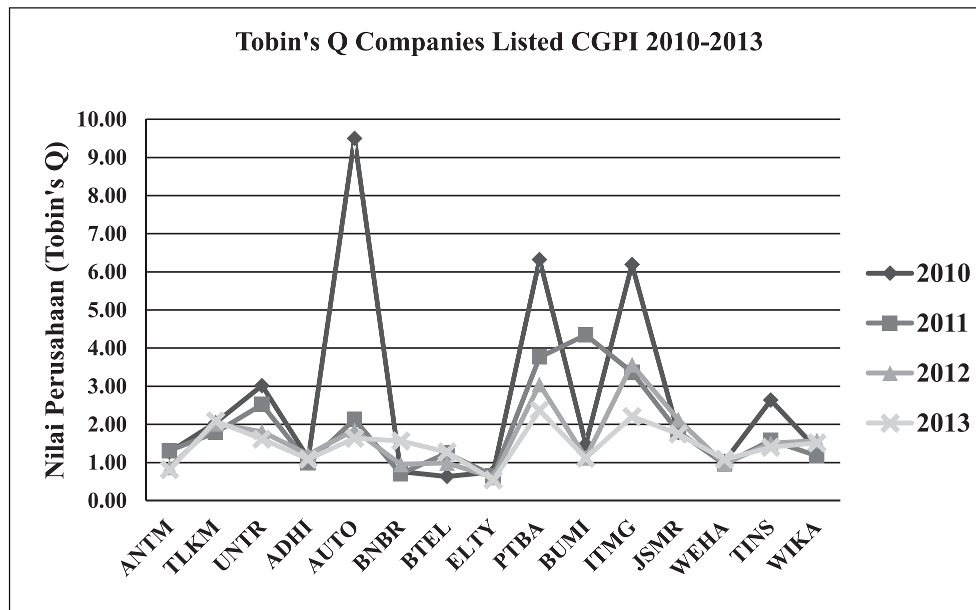
Theoretically, these companies rank winning the CGPI assessment has the high value of a company in accordance with the high level of the system of good governance at these companies. However, it can be seen in the table and graph below where the value of the company is not always increased with an increasing the system of good governance at these companies.

Table 36.1
Tobin's Q Companies Listed CGPI and IDX Period 2010-2013

Company Name	*Year*			
	2010	*2011*	*2012*	*2013*
ANTM	1,27	1.31	0,87	0,81
TLKM	2,04	1.79	2,02	2,09
UNTR	3,02	2,52	1,81	1,61
ADHI	1,11	0,99	1,21	1,09
AUTO	9,50	2,13	1,85	1,64
BNBR	0.76	0,71	0,95	1,57
BTEL	0.63	1,25	0,99	1,28
ELTY	0.75	0,65	0,61	0,54
PTBA	6.32	3,76	3,05	2,37
BUMI	1.48	4,35	1,12	1,11
ITMG	6.19	3,37	3,57	2,21
JSMR	1.78	1,81	2,13	1,75
WEHA	1.03	0,96	0,96	1,09
TINS	2.64	1,58	1,51	1,40
WIKA	1.34	1,18	1,57	1,51

Source: Indonesia Stock Exchange and Yahoo Finance

Based on Table 36.1 can be obtained a graph data as follows:



Graphic 1: Tobin's Q Companies Listed CGPI 2010-2013

On the Graph 1, can see that the company is calculate using Tobin's Q has fluctuated every year. The phenomenon in which companies that rank the CGPI assessment in 2010-2013 has no always increase the value of the company to attract authors to conduct research why some companies participants CGPI increasing and decreasing the value of Tobin's Q which tends to fluctuate in 2010 and 2013.

The previous study conducted by Sudjoko and Soebiantoro (2007) and Rizqia et. al., (2013) stated that there is a positive relationship between firm size proxied by the natural log of total assets, with the value of the company. Results of research conducted by Rizqia et. al., (2013) said that leverage proxied by Debt to Equity Ratio (DER) positive effect on company value. In contrast, to the study by Sudjoko and Soebiantoro (2007), that leverage negatively affect the value of the company.

Results of research Mardiyati et. al., (2012), Rizqia et. al., (2013) stated that profitability is proxied by Return On Equity (ROE) positively effect on the value of the company, the statement in line with the results of Kodir (2013). Ratih and Damayanthi (2016) found that profitability has no effect the value of the company. Sudjoko and Soebiantoro (2007), and Ishaaq (2009) found that dividend policy as proxied by the Dividend Payout Ratio (DPR) positively effect on company value. Unlike the Mardiyati et. al., (2012) and Kodir (2013) who said that the dividend policy has no affect the value of the company.

Bidhari et. al., (2013) said that the disclosure of CSR has a positive effect on company value. In contrast, to the results of research and Setiawati Tjia (2012), Retno and Priantinah (2012) stated that the disclosure of CSR has no effect the value of the company. Rizqia et. al., (2013) found that managerial ownership has a positive effect on company value. Ratih and Damayanthi (2016) found that managerial ownership negatively affects the value of the company. Bahrami and Bijan (2015) in his research said that institutional ownership has a positive effect on company value.

Based on the background and previous research that there are differences of opinion among researchers, the researcher is interested to further analyze the "Effect of Internal Factors of the Company, CSR, and GCG on Company Value in Indonesia".

2. THEORETICAL ANALYSIS

Signaling Theory

Signaling theory explained that the manager (agent) should deliver signals success or failure of the management to the owners (principal). Signaling theory discuss the urge companies to provide information to external parties, is caused due to the asymmetry of information between management and external parties (Retno and Priantinah, 2012).

Modigliani and Miller (1958) assume that investors have the same information about the company prospects as managers, it is called symmetric information. But in reality, managers often have better information than the investors, this is called asymmetric information. To reduce the asymmetry of information, the company must disclose the information held both financial and non-financial information (Retno and Priantinah, 2012). This theory is used to examine the relationship firm size and profitability on the firm value.

Pecking Order Theory

Pecking order theory is based on the assumption of asymmetric where the manager knows more than investors about the profitability and prospects of the company (Brealey et. al., 2008: 25). Pecking order theory states that:

(a) Companies like internal funding are the funding of the company operating results, due to internal funds collected without sending the opposite signal to lower the stock price.

(b) If external funding is required, firms issue debt first and only issuing equity as a last resort. Pecking order theory arises because debt issuance is not overly interpreted as a bad sign by investors when compared to the issuance of equity.

Can be concluded pecking order theory which the company like the debt than equity if internal not sufficient funding. This theory explains why the most profitable companies usually borrow at least, this is not because the company has a low debt ratio, but because they do not need external funding. Pecking order theory used to examine leverage effect on company value.

Agency Theory

Agency theory proposed by Jensen and Meckling in 1976, this theory states that an agency relationship arises when one or more persons (the principal) employ another person (the agent) to provide a service and delegate decision-making authority to the agent. At the time of the shareholders appointing agents as managers and decision makers for the company, then that's when the agency relationship appears.

Agency theory states that the company's performance is influenced by a conflict of interest between the agent with the principal that arises when each party seeks to achieve or maintain the level of prosperity that pleases (Jensen and Meckling, 1976). The conflict between the agent and the principal called the agency conflict. The agency conflict between owners and managers because of the possibility of the manager acted out of the principal's line, because it is not forever the management and the owners have the same interests can arise agency cost.

Agency costs can also occur if the manager has no capture investment opportunities in new projects for fear of risk will bear. The existence of agency cost is high in the company would have an adverse impact as well as reduce the level of confidence of shareholders (principal) against the manager (agent) which can degrade the performance and value of companies

Bird in the Hand Theory

Gordon and Lintner (in Brigham and Houston, 2006:71), suggests that the Bird in the Hand Theory there is a relationship between the company and its dividend policy. This theory comes from thinking that Gordon believes that investors viewed a bird in the hand are worth more than a thousand birds in the air. The point is that investor's dividend payout rate greater than the growth, as investors feel more confident if they receive than if the dividend received capital gain from retained earnings. The argument of Gordon concluded that dividends can increase shareholder wealth. This means, the higher the dividend payout ratio, the higher the value of the company.

In addition, the dividend payout is a sign for investors, where the high dividend increase indicates that the management is optimistic about the future of the company. Dividend policy the company will attract the interest of certain investors who agree with the company dividend policy. This theory is used to examine the relationship between the dividend policies on company value.

Corporate Governance Theory

Organization of Economic Cooperation and Development (OECD) define corporate governance as follows:

"Corporate governance is the system by which business corporations are directed and controlled. The Corporate Governance structure specifies the distribution of the right and responsibilities among different participants in the corporation, such as the board, managers, shareholders, and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides this structure through which the company objectives are set and the means of attaining those objectives and monitoring performance".

OECD sees corporate governance as a system which a company or business entities directed and supervised. Along with that, so structure of corporate governance explain distribution rights and responsibilities from each side involved in a business, which is that of other the board of commissioners and board of directors, manager, shareholders, and other parties that related as stakeholders. Next, structure of corporate governance also explain how rules and procedures in the as well as the termination policy with the do this so the purpose company and monitoring its performance can be accounted.

The Indonesian Institute for Corporate Governance (IICG) said the purpose of Good Corporate Governance:

(a) Regain investor confidence and creditor national and international.

(b) Fulfilling global standards.

(c) Minimize the cost loss and the cost of prevention over misuse of management.

(d) Minimize its cost of capital by pressing the risk faced by a creditor.

(e) Increase the value of company shares.

(f) Improve the image of companies in the public.

The principles of the good corporate governance by OECD is transparency, accountability, responsibility, independency, and fairness.

(a) *Transparency:* Transparency in suggested information material and relevant and openness in implementing the decision making process.

(b) *Accountability:* Is clarity function, structure, system, and accountability organ a company so corporate management done effectively.

(c) *Responsibility:* The suitability in corporate management to the principle of well as legislation that applies.

(d) *Independency:* Corporate management professionally without influence or pressure from any party.

(e) *Fairness:* Justice and equality in fulfilling the rights of stakeholders arising based on an agreement and regulations that applies. This principle stressed that all both minority shareholders or foreign should be made equal or equivalent.

This theory is used to examine the relationship between managerial ownership and institutional ownership on company value.

Corporate Governance Perception Index (CGPI)

Corporate Governance Perception Index is the result of good corporate governance research on public companies listed on the Indonesian Stock Exchange, state-owned enterprises, regional-owned enterprises and private. The results of this research will demonstrate the process of implementation of good corporate governance, emerging issues and consistency of compliance with existing regulations. This award was given to companies that have implemented the principles of good corporate governance as indicated by the index ranking is expected to provide motivation for other companies at the same benchmark in assessing the implementation of good corporate governance in Indonesia. Rating score CGPI is as follows:

Table 36.2
Assessment Scores CGPI

SKOR	*RATING*
85-100	Highly Trusted
70-84,99	Trusted
55-69,99	Less Reliable

Source: Retno dan Priantinah, 2012.

CGPI research is urgently needed given the decline of the sector caused by the lack of effective corporate management conducted by the board of directors and the weakening of the mechanisms of control by the board of commissioners. In addition, in line with advances in technology and the era of global competition, the demands on the management of the company and external funding requirements for activities in order to increase the competitiveness of enterprises. CGPI research is required to disclose and answer any gaps in the implementation of good corporate governance.

3. IDENTIFICATION OF FACTORS AFFECTING CORPORATE VALUES

Firm Size on The Company Value

Firm size saw from the number of total assets. The total amount of assets reflect the assets owned by the company, the greater the number of total assets, the greater the chance of the company to grow and develop. This is possible due to a huge asset, enabling companies to obtain funding sources, especially the equity of the company.

Funding that will either make companies easier to do the business expansion and investment which in turn can make the company grow and thrive. If the investor information obtained containing a positive value it is expected to get a positive reaction from investors to increase the value of the company. This is in accordance with the signaling theory which stated that managers must provide signals success or failure of the company to shareholders and the equity market. This theory use to explain the relationship between firm size and company value.

Leverage on the Company Value

The use of debt negatively affects the value of the company. The larger the debt of a company, the greater will be the potential for failure to pay a debt that can direct the company in bankruptcy. Investors have

negative perceptions of high levels of debt and tend to select investments in companies that have a low investment risk. This situation will cause the company's stock price to be the impact on the decline in value of the company.

Sudjoko and Soebiantoro (2007), in their research in line with the pecking order theory that explains that companies prefer internal financing compared with external funding. Investors will assume that companies with a low debt level have better prospects because the adequate equity available company operations so that the risk of bankruptcy of the company is lower.

Profitability on the Company Value

Profitability according to Brigham and Houston (2010: 146) is the end result of the entire financial policy and operational decisions. Investors who have shares in the company is to get a return consisting of dividends and capital gains. The higher ability of the company to earn income, the greater the rate of return on investment expected by investors, making the value of the company improved as reflected in stock price of the company. If the condition of the company is in the category of beneficial or promising gains in the future, it will give a positive signal that many investors will buy shares of the company. In line with the signaling theory that became the basis of the relationship between the effect of profitability on company value.

Companies with high return on investment that earn large profits, it can be assessed to be successful or have good performance. But if the profits decreased lead to the company bad performance. Rizqia et. al., (2012), Mardiyati et. al., (2012) found that the positive effect on the profitability of the firm value. This is because the level of profit that is large at a high rate of returns on investment the company so that the company is said to have a good performance.

Dividend Policy on the Company Value

The optimal dividend policy is a dividend policy that creates a balance between the current dividend and growth in the future to maximize the company's share price (Brigham and Houston, 2006: 69). The increasing value of the company will increase its income and investors will expect in return on the equity they have invested in the form of dividends. This policy is a decision taken by the company.

To explain dividend policy in this study using a bird in the hand theory. The theory put forward by Gordon and Lintner (1956) states that the dividend policy has a positive influence on the value of the company because investors are more expect the higher dividend than capital gains. Proxy for Dividend policy is Dividend Payout Ratio (DPR). Dividend payout ratio is the ratio of profits distributed to shareholders. Where this ratio is the ratio between the dividends paid to net income earned. The higher the dividend payout ratio will benefit investors because it reduces retained earnings. And conversely, the dividend payout ratio the less it will disadvantage investors, but the internal financing is getting stronger.

Corporate Social Responsibility on the Company Value

According to Retno and Priantinah (2012), CSR is a form of corporate responsibility in correcting social inequality and environmental damage that occurs as a result of operational activities of the company. More forms of accountability made by the company to its environment, corporate image to be increased. Investors

are interested in companies that have a good corporate image in the community because of the good image of the company, the higher customer loyalty so that in the long term will improve sales and profitability also increased. If performance management increases, the value of company stock will also increase.

Liability for CSR regulated in Undang-Undang No. 40/2007 regarding company. In Article 1, paragraph 3 says that social and environmental responsibility is a commitment by the company to participate in the sustainable economic development to improve the quality of life and environment that benefit both the company, the local community and society in general. In addition to Undang-Undang No. 25/2007 on Investment in article 15 (b) stating that the responsibility inherent in any investment companies to keep creating relationships harmonious, balanced and in accordance with the environment, values, norms and culture local. It is intended to achieve sustainable economic development in order to improve the quality of life and environment.

One of the standard guidelines for CSR internationally applicable including the Global Reporting Initiative's (GRI) which is a guide to reporting companies to support sustainable development was initiated by the United Nations through the Coalition for Environmentally Responsible Economies (CERES) in 1997. GRI seeks to make sustainability report by all organizations as routine and comparable to financial reporting. A sustainability report is the practice of measurement, disclosure and accountability efforts of the organization's performance in achieving the goals of sustainable development to stakeholders based on the GRI standards.

Dissclosure by GRI contain six categories: human rights, social, labor, product, economy, and environment. To calculate CSDI (Corporate Social Disclosure Index) is basically using dichotomous approach to CSR that every item in the research instrument rated 1 if disclosed and the value 0 if it is not disclosed. In the fiscal year 2013 we used the GRI version 4.0 in accordance with the regulations issued by the GRI. GRI version 4.0 consists of 91 items of disclosure with the same theme with the GRI guidelines version 3.1.

Managerial ownership on The Company Value

Managerial ownership is closely related to the agency theory. Agency theory states that the company performance is influenced by a conflict of interest between the agent with the principal that arises when each party seeks to achieve or maintain the level of prosperity that pleases (Jensen and Meckling, 1976). The conflict between the agent and the principal called agency conflict that can lead agency cost.

Jensen and Meckling (1976) stated that one way to reduce agency cost is to increase its stake is controlled by the manager so that could affect the policy of the company. Managerial ownership will align the interests of management and shareholders (outsider ownership), so it will benefit directly from the decisions taken and suffer losses as a consequence of making the wrong decision. The statement states that the greater the proportion of management ownership in the company, management tends to be more active for the benefit of the shareholders who incidentally are himself to increase the value of the company.

Institutional ownership on The Company Value

Institutional ownership is the ownership by the government, financial institutions, institutional legal entities, foreign institutions, trust funds and other institutions at the end of the year. Institutional ownership is one

way that can be used to reduce the agency conflict between shareholders and managers. The higher the level of institutional ownership, the stronger the level of supervision and control carried out by external parties of the company so that the manager will seek to work optimally and protected from opportunistic behavior.

The percentage of institutional ownership in a company will encourage managers to focus on long-term goals rather than short-term to reduce agency cost. If the agency cost goes down then the value of the company can also be increased. In addition, institutional owners would try to make positive efforts to improve its corporate value.

Based on the theoretical basis, and previous research framework, the hypothesis proposed in this study are as follows:

H1: Firm size has a positive effect on company value.

H2: Leverage has a negative effect on company value.

H3: Profitability has a positive effect on company value.

H4: Dividend policy has a positive effect on company value.

H5: CSR Disclosure has a positive effect on company value.

H6: Managerial ownership has a positive effect on company value.

H7: Institutional ownership has a positive effect on company value.

4. RESEARCH METHODS

This type of research based on the type of data and its analysis is a quantitative research. In addition, this study also includes the type of causality shaped conclusive research that aims to obtain evidence of a causal relationship between the variables of firm size, leverage, profitability, dividend policy, CSR, managerial ownership and institutional ownership on company value.

Source data used are secondary data obtained from the website of Indonesia Stock Exchange (www.idx.co.id) and Yahoo Finance (finance.yahoo.com). The population in this study is a listed company Corporate Governance Perception Index (CGPI) and IDX 2010-2013. Sampling using purposive sampling method, which is a registered company CGPI and IDX issuing annual reports, financial statements, and load data variable research during 2010-2013. The amount of the research sample are nine companies.

The variables in this study were divided into two, namely dependent and independent variables. The dependent variable (Y) is proxies by Tobin's Q. To calculate Tobin's Q is used the formula:

$$Q = \frac{MVE + D}{TA}$$

Information:

Q : The value of companies

MVE : Value of equity markets (market value of equity)

D : Total debt

TA : Total assets

Market Value Equity (MVE) is obtained by multiplying the closing share price end of the year with the number of shares outstanding at the end of the year. If Tobin's Q ratio is above one, it shows that investing in assets to generate profits that provide higher value than the investment spending that will attract the emergence of new investment. Whereas if Tobin's Q ratio <1 indicates that investments in assets do not attract investors to provide new investment.

According to Sudiyatno and Puspitasari (2010) Tobin's Q ratio has several advantages, namely:

(a) Tobin's Q to consider the potential share price development.

(b) Tobin's Q to consider the ability of management to manage the assets of the company.

(c) Tobin's Q to consider potential investment growth.

Independent variables used in this study, include firm size (x1), leverage (x2), profitability (x3), dividend policy (x4), CSR (x5), managerial ownership (x6), institutional ownership (x7).

(a) *Firm size:* Rizqia et. al., (2013) explain to determine the firm size total assets of the company. In general, firm size can be formulated as follows:

$$\text{SIZE} = \text{Ln of total asset}$$

(b) *Leverage:* Leverage is the ability of the company to meet all its obligations as well as the size of the equity structure between debt and equity. Therefore in this study was measured by using a proxy DER (Debt to Equity Ratio) by the following formula (Mardiyati et. al., 2012):

$$\text{Debt to Equity Ratio (DER)} = \frac{\text{Total Amount of Debt}}{\text{Total Equity}} \times 100\%$$

(c) *Profitability:* Profitability ratios calculate the company ability to benefit. This study used a proxy Return on Equity (ROE) to measure the profitability of the company. ROE formula can be calculated as follows (Mardiyati et. al., 2012):

$$\text{Return on Equity (ROE)} = \frac{\text{Net Profit After Tax}}{\text{Total Equity}} \times 100\%$$

(d) *Dividend Policy:* Dividend policy is a policy concerning the decision to distribute the profit or hold it to be reinvested in the company. Dividend policy in this study is proxied by the Dividend Payout Ratio. The formula for calculating the DPR is the following (Mardiyati et. al., 2012):

$$\text{Dividend Payout Ratio (DPR)} = \frac{\text{Dividend per share}}{\text{Earning per share}}$$

(e) *CSR:* To calculate CSDI (Corporate Social Disclosure Index) is basically using dichotomous approach to CSR that every item in the research instrument rated 1 if disclosed, and the value 0 if not disclosed which is formulated as follows (Retno and Priantinah, 2012):

$$\text{CSDI} = \frac{\Sigma\, \text{Xi}}{n}$$

Information:

CSDI = Corporate Social Disclosure Index

Xi = Number of company disclosure, $n \leq 79$ for 2010-2012.

Number of company disclosure, $n \leq 91$ for the year 2013.

n = Number of items disclosure checklist, $n = 79$ for 2010-2012.

Disclosure checklist item number, $n = 91$ for the year 2013.

(f) *Managerial Ownership:* Managerial ownership is the level or percentage of shares ownership management that actively participate in decision-making, such as directors and commissioners. This ratio is defined as follows (Kodir, 2013):

$$\text{MOWN} = \frac{\Sigma \text{ shares owned by directors and commisioners}}{\Sigma \text{ shares outstanding}}$$

(g) *Institutional Ownership:* Institutional ownership is ownership by the government, financial institutions, institutional legal entities, foreign institutions, trust funds and other institutions at the end of the year. This ratio is defined as follows (Sofyaningsih and Hardiningsih, 2011):

$$\text{INST} = \frac{\Sigma \text{ shares owned by other institutions}}{\Sigma \text{ shares outstanding}}$$

5. RESULTS AND DISCUSSION

Result

The test results using multiple linear regression showed the test results F (simultaneous test), calculated F value of 6.866 with sig 0,000 ≤ 0.05 so it can be concluded that the variable firm size, leverage, profitability, CSR, managerial ownership and institutional ownership influence simultaneously to company value.

Table 36.3: Statistical Test Results

Results of *t*-test (partial test) in Table 36.3 shows the results of firm size on the value of the company has a coefficient value of -1.172 and level sig. 0712 > 0.05. Based on these results the firm size has no effect on the value of the company. Leverage the value of the company has a coefficient value of –0.256 and level sig. 0.010 < 0.05. Based on these results leverage negatively affects the value of the company. Profitability of the firm value has a coefficient of 0.390 and the level of sig. 0.014 < 0.05. Based on these results positive effect on the profitability of the firm value. Dividend policy on company value has a coefficient of 0.461 and the level of sig. 0.035 < 0.05. Based on these results the dividend policy has positively effect on company value. CSR on company value has a coefficient of -0.100 and level sig. 0.135 > 0.05. Based on these results CSR has no effect the value of the company. Managerial ownership on company value has a coefficient of 0.042 and the level of sig. 0348 > 0.05. Based on these results managerial ownership has no effect the value of the company. Institutional ownership of the firm value has a coefficient of 0.808 and the level of sig. 0.115 > 0.05. Based on the results of institutional ownership has no effect on the value of the company. Based on the analysis of multiple linear regression equations can be formulated as follows: The value of the company = –0,256 DER + 0,390 ROE + 0,461 DPR + *e*

The coefficient of determination (R2) seen in Adjusted R2 in Table 36.3 has a value of 0540 (54%). This demonstrates the ability of the model to explain variations in the dependent variable, where the independent variables affect the dependent variable of 54%. While the remaining 46% is explained by variables other than the independent variables of the study.

Discussion

Effect of Firm Size on Company Value: The results of this study indicate that firm size has no affect the value of the company. These results are not consistent with the hypothesis that the firm size research has positive effect on company value. In this study, total assets of the company cannot provide the high signal to investors that the company is in a stable condition so that the company stock price has in in line with the increase in total assets of a company. Investors did not see that the total assets of high prospective future gains that can be caused because the company has total assets of high but cannot manage it in an effective and efficient in its operations to grow and expand and add new investments related to the expansion of prior obligations (debts) company repaid. So the high firm size could not raise the value of the company.

This study is not in line with the Signaling Theory which says that companies with higher total assets would give a positive signal to investors. The results support the research Setiadewi and Purbawangsa (2015) and Hargiansyah (2015) which concluded that the investors are not looking at the size of a company in making investment decisions. Investors are more expensive than the company operational performance how big the size of the company.

Effect of Leverage on Company Value: The results showed that the negative effect of leverage on company value. The high leverage ratio shows that the company is not solvable. Because leverage is a ratio that compares the total debt to total equity of a company, if investors see a company has a larger proportion of debt compared to total equity will increase investment risk for investors if the company is unable to settle its obligations on a timely basis. So if an high leverage ratio may decrease the value of the company and vice versa.

These results support the research of Sudjoko and Soebiantoro (2007) who found results in accordance with the pecking order theory that explains that companies prefer internal financing compared with external funding (debt). Investors will assume that companies with a low debt level have better prospects due to low debt, the internal funding used for operating activities increased. This causes the performance of the company increased to lower the risk of bankruptcy of the company so that the firm value increases.

Effect of Profitability on Company Value: The results showed that the positive effect on the profitability of the firm value, then when the profitability of a company experienced an increase will increase the value of the company, and vice versa. The results are consistent with the hypothesis of research and supporting research of Rizqia et. al., (2012) and Mardiyati et. al., (2012) who found that the positive effect on the profitability of the firm value. The higher an ability to earn income, the greater the rate of return on investment expected by investors, making the value of the company improved as reflected in the company stock price.

If the condition of the company is in the category of beneficial or promising gains in the future it will give a positive signal that many investors will buy shares of the company in accordance with the signaling

theory that became the basis of the relationship between the effects of profitability on company value. Results were also supported by the results of research Kodir (2013).

Effect of Dividend Policy on Company Value: The results showed that the positively effect of dividend policy on company value. The results are consistent with the hypothesis of the study. These results support the results of Siboni and Pourali (2015) and Ishaaq et. al., (2009) who said that investors prefer that the company's managers pay back the company profits to investors.

According to Portal Kementrian BUMN (in Agustine, 2014) there are three reasons that investors buy shares of obtaining capital gain or increase in stock price, receiving the dividend and got voting rights and can influence the running of the company. According to bird in the hand theory dividend policy can increase the value of the company due to a number of dividends distributed to shareholders of the company into consideration for investors to invest in. The greater the dividend investors will be more interested in buying shares in the company and will increase its stock price, and vice versa.

Effect of CSR on Company Value: The results of this study indicate that CSR has no effect the value of the company. That is, the numbers of CSR disclosure by the company do not affect the higher or lower value of the company. The results of this study support the research of Retno and Priantinah (2012), as well as Tjia and Setiawati (2012) stating that CSR has no effect the value of the company for the quality of CSR in companies that follow the CGPI and listed on the Stock Exchange in 2010-2013 remains very low and only a few companies that have followed the standards of GRI (Global Reporting Initiative) so that investors do not use CSR as an element of consideration to investing in a company.

The result of a lack of influence on the disclosure of social responsibility to the firm value can be caused by Undang-Undang No. 40 year 2007 section 66 subsection (2) of the limited company as saying that although the company is required to disclose its social responsibility activities in the annual report. However, items that CSR is the company disclosed information is voluntary (Cheng and Cristiawan, 2011).

The research results are also consistent with the results of research Agustine (2014) and Chandra (2010) that characteristics of local investors who are daily traders and foreign investors who prefer hot money. So the majority investors in Indonesia to invest only for short-term goals, while CSR is the long-term strategy for the company sustainability.

Effect of Managerial Ownership on Company Value: These results indicate that managerial ownership has no affect the value of the company. Results were consistent with the results of Astuti (2014) and Wida and Suartana (2014) which stated that the increase in the number of managerial ownership is not able to reduce agency conflict arising from an agency relationship.

A low number of managerial ownership is only equal to 0.00003% in TLKM in 2013 to the lowest and amounted to 0.41% at WIKA in 2012 to the highest, and the average value of 0.0517 managerial ownership variables are approaching the minimum value so managerial not able to align the interests of management and shareholders, so that the company's goal to achieve a high value of the company could not be reached. The low shares owned by management because not all the benefits can be enjoyed by the management which led management have a tendency to maximize their well-being to the detriment of shareholders.

Effect of Institutional Ownership on Company Value: The results of this study indicate that institutional ownership has no effect on company value. That is, the level of institutional ownership has no impact on the value of the company. The results of this study support the results of Sofyaningsih (2011), which reported an information asymmetry between investors and managers, investors are not necessarily fully have the information held by the manager so the manager is difficult to control by institutional investors. The bigger institutional shareholders ownership leads to ineffective in monitoring the behavior of managers in the company.

6. CONCLUSION

Based on the presentation and analysis has been done with the author, it can be deduced as follows: (1) firm size has no affect the value of the company (2) leverage significant negative effect on the value of the company (3) profitability has a significant positive effect on the value of the company (4) dividend policy significant positive effect on the value of the company (5) CSR has no effect on the value of the company (6) managerial ownership has no effect the value of the company (7) institutional ownership has no effect on the value of the company.

Advice can be given to companies that have a low value of the company can use the proportion of leverage, profitability and dividend policy to increase the value of the company to attract new investors. While suggestions for investors who will invest that should consider the level of leverage, profitability and dividend policy of the company in establishing an investment because it can indicate the state of the performance of a company. In addition, this study can be considered an investor to hold or release the shares, to minimize the risk borne and obtain maximum return. For further research is recommended to use other independent variables besides the study variables such as cash holding, investment opportunity and external variables, as well as further expand the research object that has a different result.

References

Agustine, Ira. 2014. "Pengaruh Corporate Social Responsibility Terhadap Nilai Perusahaan". FINESTA. Vol. 2 (1): hal 42-47.

Bahrami, Taha and Bijan, Kaveh. 2015. "Investigate of The Relationship Independent Directors, Ownership Concentration, Institutional Ownership, Auditor Type and Free Floating Shares with Company value in Tehran Stock Exchange". Research Journal of Finance and Accounting. Vol. 6 (3): pp 50-59.

Bidhari, Sandhika C., Salim, Ubud, and Siti Aisjah. 2013. "Effect of Corporate Social Responsibility Information Disclosure on Financial Performance and Company value in Banking Industry Listed at Indonesia Stock Exchange". European Journal of Business and Management. Vol. 5 (18): pp 39-46.

Brealey, Richard A., Myers, Stewart C., and Alan J. Marcus. 2008. Dasar-Dasar Manajemen Keuangan Perusahaan. Translated by Bob Sabran. Jilid Kedua, Edisi Kelima. Jakarta: Erlangga.

Brigham, Eugene F. and Houston, Joel F. 2006. Dasar-Dasar Manajemen Keuangan. Terjemahan Ali Akbar Yulianto, Edisi Kesepuluh, Jilid Kedua. Jakarta: PT Salemba Empat.

Chandra, Rudy. 2010. "Analisis Pemilihan Saham oleh Investor Asing di Bursa Efek Indonesia". Bisnis & Birokrasi, Jurnal Ilmu Administrasi dan Organisasi. Vol. 17 (2): hal 101-113.

Cheng, Megawati dan Christiawan, Yulius Jogi. 2011. "Pengaruh Pengungkapan Corporate Social Responsibility Terhadap Abnormal Return". Jurnal Akuntansi dan Keuangan. Vol. 1 (1): hal 24-36.

Gordon, Myron and John Lintner. (1956). "Distribution of Income of Corporations Among Dividend, Retained Earning and Taxes". The American Economic Review.

Hargiansyah, Rifqi Faisal. 2015. "Pengaruh Ukuran Perusahaan, Leverage dan Profitabilitas Terhadap Nilai Perusahaan (Studi Empiris Pada Perusahaan Manufaktur Yang Terdaftar di Bursa Efek Indonesia". Artikel Ilmiah Mahasiswa.

Ishaaq, Zangina, Bokpin, Godfred A., and Joseph M. Onumah. 2009. "Corporate Governance, Ownership Structure, Cash Holdings, and Company value on the Ghana Stock Exchange". Journal of Risk Finance. Vol. 10 (5): pp 488-499.

Jensen, Michael C and Meckling, William H. 1976. "Theory of The Firm: Managerial Behavior, Agency Cost and Ownership Structure". Journal of Finance Economics. Vol. 3 (4): pp 1-77.

Kodir, Mokhamad. 2013. "Pengaruh Faktor-Faktor Fundamental Perusahaan, Kurs dan Tingkat Bunga Terhadap Nilai Perusahaan Pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia". Jurnal Bisnis dan Manajemen (JBIMA). Vol. 1 (1): hal. 56-65.

Mardiyati, Umi, Ahmad, Gatot N. dan Ria Putri. 2012. "Pengaruh Kebijakan Dividen, Kebijakan Hutang dan Profitabilitas Terhadap Nilai Perusahaan Manufaktur yang Terdaftar di IDX Periode 2005-2010". Jurnal Riset Manajemen Sains Indonesia (JRMSI). Vol. 3 (1): hal 1-17.

Modigliani, F and Miller, M.H. 1958. "The Cost of Capital, Corporation Finance and The Theory of Investment". The American Economic Review. 13(3): 261-297.

Ratih, I Dewa dan Damayanthi, I Gusti. 2016. "Kepemilikan Manajerial dan Profitabilitas Pada Nilai Perusahaan dengan Pengungkapan Tanggungjawab Sosial Sebagai Variabel Pemoderasi". E-Jurnal Akuntansi Universitas Udayana. Vol. 14 (2): hal. 1510-1538.

Retno, R. Dyah dan Priantinah, Denies. 2012. "Pengaruh Good Corporate/ Governance dan Pengungkapan Corporate Social Responsibility terhadap Nilai Perusahaan (Studi Empiris pada Perusahaan yang Terdaftar di Bursa Efek Indonesia Periode 2007-2010)". Jurnal Nominal. Vol. 1 (1): hal 84-103.

Rizqia, Dwita Ayu, Siti Aisjah dan Sumiati. 2013. "Effect of Managerial Ownership, Financial Leverage, Profitability, Firm Size and Investment Opportunity on Dividend Policy and Company Value". Journal of Finance and Accounting. Vol. 4 (11): pp 120-130.

Salvatore, Dominick. 2005. Ekonomi Manajerial dalam Perekonomian Global. Edisi Kelima, Jilid Kesatu. Jakarta: Salemba Empat.

Siboni, Zainab M. dan Pourali, Muhammad R. 2015. "The Relationship between Investment Opportunity, Dividend Policy and Company value in Companies Listed in TSE: Evidence from Iran". European Online Journal of Natural and Social Sciences. Vol. 4 (1): pp 263-272.

Sofyaningsih, Sri dan Hardiningsih, Pancawati. 2011. "Struktur Kepemilikan, Kebijakan Dividen, Kebijakan Hutang dan Nilai Perusahaan. Dinamika Keuangan dan Perbankan". Vol. 3 (1): hal. 68-87.

Sudiyatno, Bambang dan Puspitasari, Elen. 2010. "Tobin's Q dan Altman Z-Score sebagai Indikator Pengukuran Kinerja Perusahaan". Kajian Akuntansi. Vol. 2 (1): pp 9-21.

Sujoko dan Soebiantoro, Ugy. 2007. "Pengaruh Struktur Kepemilikan Saham, Leverage, Faktor Intern dan Faktor Ekstern Terhadap Nilai Perusahaan (Studi Empirik Pada Perusahaan Manufaktur Dan Non Manufaktur Di Bursa Efek Jakarta)". Jurnal Manajemen dan Kewirausahaan. Vol. 9 (1): hal. 41-48.

Tjia, Olivia and Setiawati, Lulu. 2012. "Effect of CSR Disclosure to Value of the Firm: Study for Banking Industry in Indonesia". World Journal of Social Sciences. Vol 2 (6): pp. 169-178.

Weston, J. Fred dan Copeland, Thomas E. 2001. Manajemen Keuangan. Terjemahan Jaka Wasana. Edisi Kesembilan, Jilid Kedua. Jakarta: Binarupa Aksara.

Wida, Ni Putu dan Suartana, I Wayan. 2014. "Pengaruh Kepemilikan Manajerial Institusional Pada Nilai Perusahaan". E-Jurnal Akuntansi Universitas Udayana. Vol. 9 (3): pp 575-590.

http://finance.yahoo.com accessed 13 November 2015.

http://www.hukumonline.com accessed 15 November 2015.

http://www.idx.co.id accessed 2 September 2015.

http://www.iicg.org/ accessed 3 December 2015.

http://www.oecd.org/indonesia/ accessed 5 June 2016.