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Analysis of GCG, CRS, and Performance Finance to the Value of Banking Stocks Listed on the Indonesia Stock Exchange

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Abstract*. The purpose of the study was to determine and analyze the effect of GCG, CSR, and Financial Performance on Share Value. The research location is a Banking Company listed on the Indonesia Stock Exchange. The number of samples in this study was 120 financial reports. The method used is panel data regression analysis. The results showed that GCG has a positive effect on the value of shares in banking companies listed on the Indonesia Stock Exchange, CSR has a positive effect on the value of shares in banking companies listed on the Indonesia Stock Exchange and PER has no effect on the value of shares in banking companies listed on the Indonesia Stock Exchange.*

Keywords*: GCG, CSR, PER, Closing Price*

INTRODUCTION

The success of the business world is determined by how it contributes to the welfare of the general public, not just the community within the scope of the business. In some countries, social responsibility activities have become a common thing to do. This activity is not a necessity or regulation from the government but is a good intention of the company to maintain good relations with stakeholders or the community around the company's environment. Economic growth and development in Indonesia today has experienced rapid progress, it is characterized by the emergence of various new companies that are increasingly competitive. These companies compete with each other just to survive in business competition or to be the best so innovation and strategy are needed from each company to be able to run the wheels of the company to avoid bankruptcy. In the short term, the company's goal is to maximize profit income by using

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the company's overall resources, while the company's long-term goal is to prosper the company owner or shareholders by maximizing company value.

Company value in general is a very important thing that must always be considered in a company. Firm value is the number of share prices of a company which is the total that an investor is willing to pay in the form of value or wealth (Palimbong, 2016). Increasing the value of the company is an achievement of the wishes of its owners. Because with the increase in company value, the welfare of the owners will also increase. Increasing company value can be achieved if company management and owners can establish good cooperation with other parties in making financial decisions such as assessing asset and profit management carried out by company management based on financial reports which are used as the basis for making a decision. Company value can survive if it can optimize the achievement of the stock sector.

Indonesia began implementing good corporate governance after the signing of a letter of intent (LOI) with the International Monetary Fund (IMF) in 1998. An important part of the LOI is the inclusion of a schedule for improving the management of companies in Indonesia. For this reason, they have the responsibility to implement good corporate governance standards that have been applied at the international level. However, various surveys show unsatisfactory results in its implementation. Most companies realize the importance of good corporate governance, but they implement good corporate governance only because of regulatory pressure and to avoid sanctions (www.infobanknews.com).

One of the factors that affect firm value is good corporate governance. In recent years, the number of companies that realize the importance of implementing good corporate governance programs as part of their business strategy has increased. This is because good corporate governance is a factor that can affect company value. The next factor related to firm value is corporate social responsibility. Corporate social responsibility is also one of the information that must be included in the company's annual report as stipulated in (Law Number 40, 2007) concerning social and environmental responsibility which requires companies whose business activities are in the field of and/or related to natural resources to carry out social and environmental responsibility. With a strong legal basis, the disclosure of corporate social responsibility in the company's annual report, which was originally only voluntary disclosure, which is a disclosure that is not required by regulations, becomes mandatory disclosure.

The company's competition is so competitive, that it must be supported by the presentation of neat financial reports. Financial statements can show the financial performance of a company. This financial report shows the company's financial condition and position. The company's financial condition and position can change every period according to the operations that take place in the company. Changes in financial position will affect the company's share price. For companies, improving financial performance is a must so that the company's shares remain attractive to investors. Investors conduct an overview of a company by looking at financial ratios as an investment evaluation tool because financial ratios reflect the high and low value of the company.

Phenomena related to firm value include Banking Companies Listed on the Indonesia Stock Exchange. Several companies related to finance are of concern due to the current economic instability. If you look at several cases related to the ups and downs of company value, company value is a very important aspect of keeping in good condition. With a high company value, it is considered capable of bringing benefits to its shareholders, on the other hand, if the company value decreases or even drops to a low point, it will harm its shareholders, which will certainly affect its future sustainability. Through CSR reporting and disclosure, stakeholders can evaluate the implementation of CSR and give awards or sanctions to companies based on the results of their evaluation. The higher the level of CSR disclosure of a company, the higher the operational level of the company. This indicates an increase in the company's financial performance and will affect the company's value. The development of this research concept is to combine good corporate governance corporate social responsibility and financial performance as independent variables that are tested for their influence on firm value.

LITERATURE REVIEW

Agency Theory

Agency theory results in an asymmetrical relationship between owners and managers, to avoid this asymmetrical relationship, a concept is needed. Jensen and (Ningtyas & Widyawati, 2015), revealed that agency theory will occur if the proportion of manager ownership of shares is less than 100%. So managers act to pursue their interests and are not based on maximizing company value in making decisions, especially funding decisions**.**

Signal Theory

The information essentially presents information, notes, or descriptions, both for past, current, and future circumstances for the survival of the company and how it affects the company. Jama'an (Suryani, 2015), suggests the Signalling theory of how a company should signal to users of financial statements. This signal is in the form of information about what the company has done to realize the wishes of the owner.

Share Value

The main goal of the company is to maximize profits or wealth, especially for its shareholders, manifested in the form of efforts to increase or maximize the market value of the company's share price. This goal is an outline because in practice this goal is always influenced by decisions in the financial sector (Tika, 2012). Value is something that is desired if the value is positive in the sense that it is profitable or pleasant and makes it easier for the party who gets it to fulfill its interests related to that value. Conversely, value is undesirable if the value is negative in the sense that it is detrimental or makes it difficult for the party obtaining it to affect the party's interests so that the value is avoided (Tika, 2012).

Good Corporate Governance

Good corporate governance is a governance that applies openness, accountability, responsibility, independence, and fairness. (Bank Indonesia Regulation No. 8/4 / BPI / 2006 concerning the implementation of Good Corporate Governance of BUMN Banks), (Fardilla, 2018). Good corporate governance is a process and structure applied in running the company, with the main objective of increasing shareholder value in the long term, while taking into account the interests of other stakeholders, (IICG in Fardilla 2018). According to the Cadbury Committee in Anggitasari (2012), good corporate governance is a principle that directs and controls the company to achieve a balance between the power and authority of the company in providing accountability to shareholders in particular, and stakeholders in general.

Corporate Social Responsibility

According to (David, 2008) (Fardilla, 2018), says that corporate social responsibility is a concern or relationship between global companies, government, and society. The company's relationship with its social environment area demands the fulfillment of corporate social responsibility. The general definition according to the World Business Council on Sustainable Development, corporate social responsibility is a commitment from companies to behave ethically and contribute to sustainable economic development by improving the quality of life of employees and their families, local communities, and society at large. In detail, the definition of corporate social responsibility is about the relationship between the company and the community around the company. The main purpose of corporations is to obtain profit alone is increasingly being abandoned.

Financial Performance

Performance is actions or activities that can be measured. Company performance is a measure of the company's ability to create added value for the continuity of the company in the future. Company performance is a display of the state of the company during a certain period. financial performance is the work performance that has been achieved by the company in a certain period and is contained in the financial statements of the company concerned (Munawir, 2016); (Rahayu, 2010). To find out the performance achieved, performance measurement is carried out. Common performance measures are financial performance measures. The measure of the company's financial performance is shown by its financial statements.

RESEARCH METHOD(S)

Type of Research

This research is associative research. According to (Sugiyono, 2013), associative research is research that aims to determine the relationship between two or more variables to study, describe, and see the influence between variables formulated in the research hypothesis. This study is designed to analyze the effect of independent variables, namely good corporate governance, corporate social responsibility, and financial performance on the dependent variable, namely stock value.

Population and Research Sample

A population is a group of people, events, or everything that has certain characteristics, while the sample is part of the population used as research objects (Indriantoro and Supomo in Fardilla 2018). The population in this study were all Banking Companies listed on the Indonesia Stock Exchange for the period 2018 to 2020 totaling 46 companies.

The sample is an element of the population that is used as the object of research, (Indriantoro in Fardilla 2018). Determination of the sample in this study using the purposive sampling method, which is a sample used to estimate population characteristics based on certain criteria. The total population in this study was 46 banking companies that had entered and listed shares during the observation period. The company meets the sample withdrawal criteria, namely the entire population of 40 companies. And in this study, the period taken starts from 2018 to 2020, which is 3 years. thus the number of N in this study is 40 x 3 = 120 financial statements.

FINDINGS AND DUSCUSSION

Research Model

In this study, the model used is the fixed effect model, as follows:

Table 1. Fixed Effect Model Results

Dependent Variable: CP
Method: Panel Least Squares
Date: 11/27/23 Time: 11:10
Sample: 2018 2020
Periods included: 3
Cross-sections included: 40
Total panel (balanced) observations: 120

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.877333	0.699787	4.111726	0.0001
GCG	0.311107	0.162674	0.368280	0.0457
CSR	0.353527	0.233035	0.429694	0.0189
PER	0.603512	0.313971	1.922188	0.0583

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.496510	Mean dependent var	1.661380
Adjusted R-squared	0.221879	S.D. dependent var	1.187929
S.E. of regression	1.047886	Akaike info criterion	3.204408
Sum squared resid	84.55106	Schwarz criterion	4.203259
Log-likelihood	-149.2645	Hannan-Quinn criteria.	3.610046
F-statistic	1.807915	Durbin-Watson stat	2.684209

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Prob(F-statistic)	0.012255

(Source: Results of EViews 13 Software, 2023)

Based on Table 1, in this estimation approach, neither individual nor time dimension is considered. It is assumed that the probability value of each individual shows that the GCG, CSR, and Financial Performance variables are significant to the Share Value. The R-squared value shows 0.496510. As for the F-statistic probability value of 0.012255 which means that the model is significant.

Panel Data Regression Analysis

Based on Table 1 above, the regression equation can be obtained, as follows:

Share Value (CP) = 2.877333 + 0.311107 (GCG) + 0.353527 (CSR) + 0.603512 (PER) + ε

The constant of 2.877333 means that if the CP, GCG, CSR, and PER values are 0, then the amount of CP is 2.877333. The GCG variable regression coefficient of 0.311107 means that every increase in GCG by 1 unit will increase CP by 0.311107 units, assuming that the other independent variables are constant. The regression coefficient of the CSR variable is 0.353527, which means that every increase in CSR by 1 unit will increase CP by 0.353527 units, assuming other independent variables are constant. The PER variable regression coefficient of 0.603512 means that every increase in PER by 1 unit, will increase CP by 0.603512 units, assuming other independent variables are constant.

Hypothesis Test

Hypothesis testing, the coefficient of determination analysis, simultaneous effect testing (F test), and partial effect testing (t-test) will be carried out and will be explained as follows:

a. **Partial Effect Test (t-Test)**

Based on Table 1, above, it can be seen the results of the t-test, it is known that the GCG variable has a positive effect on CP in Banking companies listed on the Indonesia Stock Exchange, with a regression coefficient value of 0.311107 and significant, with a probability value (Prob) = 0.0415 <0.05. It is known that the CSR variable has a positive effect on CP in Banking companies listed on the Indonesia Stock Exchange, with a regression coefficient value of 0.353527 and significant, with a probability value (Prob) = 0.0189 <0.05. It is known that the PER variable has no effect on CP in Banking companies listed on the Indonesia Stock Exchange, with a regression coefficient value of 0.603512 and significant, with a probability value (Prob) = 0.0583> 0.05.

b. Simultaneous Effect Test (F Test)

The F test aims to test the effect of independent variables simultaneously on the dependent variable. Based on Table 1, it is known that the Prob. (F-statistics) value, which is 0.012255 <0.05, it can be concluded that all independent variables, namely GCG, CSR, and PER simultaneously, have a positive and significant effect on CP variables in Banking companies Listed on the Indonesia Stock Exchange.

c. Coefficient of Determination (R2) Analysis

Based on Table 1, it is known that the coefficient of determination (R-squared) is 0.496510. This value means that GCG, CSR, and PER affect CP by 0.496510 or 49.65%, the remaining 50.35% is influenced by other factors outside this study.

CONCLUSION AND RECOMMENDATION

1. GCG has a positive effect on stock value because GCG can increase investor confidence in the company. Investors believe that companies that have good GCG will be managed properly and responsibly, so the investment risk will be lower. GCG can increase investor confidence in a way:
   a. Improving corporate transparency and accountability. GCG ensures that company information is openly and accurately available, allowing investors to make better investment decisions.
   b. Increasing the company's responsiveness to stakeholder interests. GCG ensures that the company listens and responds to stakeholder interests, so investors can be assured that the company will act responsibly.
   c. Enhancing the fairness and independence of the company. GCG ensures that the company is managed fairly and impartially, so investors can be assured that the company will act objectively.
2. CSR has a positive effect on stock value because CSR can improve the company's image. A good company image will attract investors to buy the company's shares. CSR can improve the company's image in a way:

   a. Improves the company's reputation. CSR shows that the company cares about society and the environment, so investors can be assured that the company has good values.
   b. Improving the competitiveness of the company. CSR can help companies to attract and retain qualified employees, and increase customer loyalty.
   c. Improving the competitiveness of the company. CSR can help companies to attract and retain qualified employees, and increase customer loyalty.
3. PER does not affect the value of shares in banking companies listed on the Indonesia Stock Exchange. This means that the stock price of banking companies is not influenced by PER. PER is a ratio that compares stock prices to earnings per share. A high PER indicates that the company's share price is higher than its earnings per share. However, a high PER does not always mean that the company has a high stock value. A high PER can be caused by various factors, such as:
   a. High growth perspective of the company. Investors expect that the company will grow rapidly in the future, so they are willing to pay a high share price.
   b. Scarcity of company shares. The number of Company shares available in the market is limited, so investors are willing to pay a high share price.
   c. High investor expectations. Investors have high expectations of the company's performance, so they are willing to pay a high share price.

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