



The Influence of Good Corporate Governance and Disclosure Corporate Social Responsibility towards Mining Sector Company Value

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Abstract

This study aims to determine and explain the effect of GCG and CSR on firm value. The population of this study was all mining companies listed on the Indonesia Stock Exchange for the 2016-2019 period as many as 47 companies. The sample in this study was 16 companies. The sampling technique was purposive sampling. The data analysis technique in this research was Partial Least Square (PLS). The results show that (1) Good Corporate Governance (GCG) has an insignificant and negative effect on firm value, (2) Corporate Social Responsibility (CSR) has a significant effect but negative coefficient on firm value, (3) Good Corporate Governance (GCG) and Corporate Social Responsibility (CSR) simultaneously have a significant and positive effect on firm value.

Keywords: Good Corporate Governance (GCG), Corporate Social Responsibility (CSR), firm value

1. Introduction

The mining industry is one of the industrial sectors that makes a major contribution to Indonesia, starting from increasing export revenues, increasing economic activity, regional development, job creation and sources of income from the central and regional budgets. This is what attracts investors to choose to invest (Monika & Khafid, 2016). By improving the fundamental performance of a company, investors will be able to restore confidence. The implementation of good corporate governance (Good Corporate Governance) has been stipulated in the BUMN Ministerial Decree Number PER-09/MBU/2012, which are the principles underlying a company process and management that is based on statutory regulations and business ethics. So, implementing GCG principles is expected to improve company performance and long-term economic value for investors and stakeholders.

GCG refers to a set of rules, practices and company control processes that involve balancing the interests of company stakeholders, such as Shareholders, Audit Committee, Managerial Ownership, Board of Directors and Board of Commissioners. A company or corporation can be said to have good corporate governance if every GCG disclosure and transparency process has been complied with and carried out in accordance with the provisions regulated by law and the government (Asiah et al., 2020). According to (Pohan & Dwimulyani, 2017) companies in every industrial sector need trust from their stakeholders in order to achieve their goals. The concept of Good Corporate Governance (GCG) is closely related to policy making, where if the policy is taken it has been implemented in a transparent, accountable, responsible, independent and fair manner to stakeholders. interests can be said to have implemented GCG.

Efforts to maximize the value of a company cannot be separated from the environment and community around the company. Companies also have a social responsibility to operate



ethically, and be socially and environmentally responsible . This approach is known as Corporate Social Responsibility (CSR) or Corporate Citizenship . Social responsibility or often called CSR is a business operation that is committed to not only being able to increase company profits financially, but also being able to develop the local social and economy holistically, institutionally and sustainably (Limbong et al., 2020) .

Good company performance will produce sufficient and even greater profits than the previous period, so generally investors will be interested in buying shares and that's when share prices start to move up. Enterprise value is the value of expected future earnings recalculated at the correct interest rate. Company value is one measure of the success of implementing the financial function. The long-term goal of a company is to optimize company value by minimizing the company's capital costs. High company value will attract investors to invest their capital in the company. Before investors invest in shares in a company, they will evaluate the shares based on information obtained from the capital market (Suwasono & Sridarta, 2018) .

Company value is the main level in maintaining business excellence. Company value can describe a company's condition as a reflection of the trust shown by the public towards the company. According to Nur Hidayati, the Executive Director of the Indonesian Forum for the Environment (WALHI) is of the opinion that, so far, his party considers that the mining industry in Indonesia still does not comply with environmental regulations effectively. In some cases, CSR programs are only used to improve the company's image in the eyes of society and the government which turns out to be not in accordance with environmental safety principles. In other words, CSR actually serves the company's interests. The results of research conducted (Dianawati & Fuadati, 2016) show that the influence of Corporate Social Responsibility (CSR) and Good Corporate Governance (GCG) on company value is significant in a positive direction. Research conducted by (Hakim et al., 2019) , Good Corporate Governance (GCG) positively influences company value. Theoretically, the results shown by this research support the signal theory in which companies provide positive signals in the form of implementing GCG so that they can attract investors.

2. Method

This research is a type of explanatory research with a quantitative approach. A quantitative approach is an approach that meets scientific principles, namely concrete/empirical, objective, measurable, rational and systematic. The type of data used in this research is secondary data. Meanwhile, the data source used is documentation data. In this research, the data collection method used was the literature study method. This research was conducted at mining companies listed on the Indonesia Stock Exchange in the 2016-2019 period, totaling 16 companies as samples that met the criteria. The sampling technique uses purposive sampling technique. The data analysis technique used is descriptive statistical analysis and evaluation of the Partial Least Square (PLS) model using the SmartPLS 3.2.9 application.

3. Results and Discussions

t Test Result

Hypothesis testing is carried out using the t test (t-statistic) on each path partially. If the t-statistic value is above 1.96 and the p-value is less than 0.05, it can be concluded that the influence between variables has proven to be significant, and vice versa if the t-statistic value



is below 1.96 and the p-value is above 0.05, then the influence between variables is proven to be insignificant. Below are presented the results of testing the hypothesis of direct influence on the structural model proposed in this research:

Table 1. PLS Inner Model Test Results

	Sample Original	Sample Mean	Standard Deviation	t Statistics	P Values
GCG (X1) ->NP(Y2)	-0.209	-0.187	0.122	1,719	0.086
CSR(Y1) ->NP(Y2)	-0.282	0.315	0.131	2,157	0.031
GCG (X1) -> CSR (Y1)	0.646	0.652	0.059	10,875	0,000

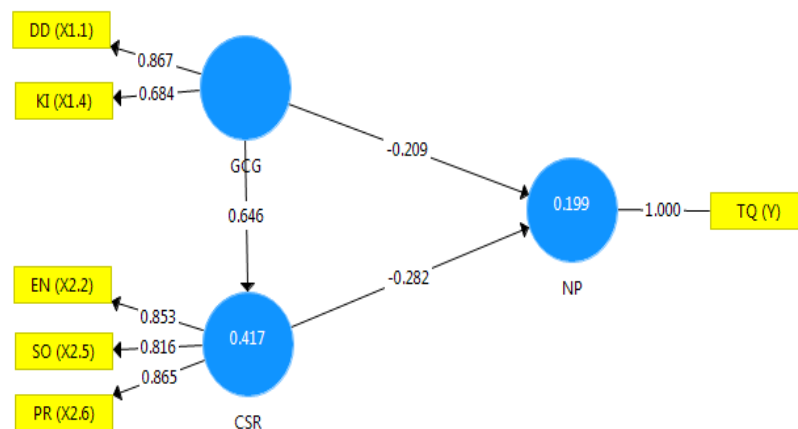


Figure 1. Pls inner model test results

Based on the test results above, several things can be concluded as follows:

- 1) Testing the influence of GCG on company value has a path coefficient of -0.209 with a t-statistic value of 1.719 and a p-value of 0.086. Because the t-statistic value is < 1.96 and the p-value is > 0.05 , there is an insignificant influence between GCG and company value. A negative path coefficient means that the lower the GCG, the less it will affect the value of the company.
- 2) Testing the influence of CSR disclosure on company value has a path coefficient of -0.282 with a t-statistic value of 2.157 and a p-value of 0.031. Because the t-statistic value is > 1.96 and the p-value is > 0.05 , there is a significant influence but has a negative path coefficient value between CSR disclosure and company value.
- 3) Testing the influence between GCG and CSR disclosure on company value has a path coefficient of 0.646 with a t-statistic value of 10.875 and a p-value of 0.000. Because the t-statistic value is > 1.96 and the p-value is < 0.05 , there is a significant influence between GCG and CSR disclosure. A positive path coefficient means that the higher the GCG and CSR disclosure, the higher the company value.



Goodness of Fit Testing

The goodness of fit of the structural model in PLS analysis is the *predictive relevance value* (Q^2). This value is calculated based on the R^2 value of each endogenous variable as follows:

Table 2. R Value of 2 endogenous variables

	RSquare
CSRD(Y1)	0,417
NP (Y2)	0,199

predictive relevance value is calculated using the following formula:

$$Q^2 = 1 - (1 - R_1^2)(1 - R_2^2) \dots (1 - R_p^2)$$

$$Q^2 = 1 - (1 - 0.417)(1 - 0.199)$$

$$= 1 - (0.583)(0.801)$$

$$= 1 - 0.466983$$

$$= 0.533017 \text{ or } 53.302\%$$

The calculation results above show that the Q^2 value is 0.533017 or 53.302%. This means that the path model is relevant for predicting endogenous factors because it has a value above 0. The remaining value of 46.689% is explained by other variables not contained in the model and error.

4. Conclusion

Based on the research results and discussions that have been explained, the conclusions of this research are as follows:

1. The results of the first statistical analysis show that Good Corporate Governance (GCG) has no significant effect on company value. This significant influence shows that the level of company value is not influenced by GCG. The path coefficient value between the GCG variable and company value is negative. This illustrates that the influence between GCG and company value is not unidirectional. The rise and fall of GCG does not affect the rise and fall of company value.
2. The results of the second statistical analysis show that Corporate Social Responsibility (CSR) disclosure has a significant effect on company value but the path coefficient is negative. This shows that CSR disclosure and company value are not in the same direction. So an increase or decrease in CSR disclosure does not affect the increase or decrease in company value.
3. Based on the results of the second statistical analysis, it shows that Good Corporate Governance (GCG) and Corporate Social Responsibility (CSR) disclosure have a significant effect on company value. This significant influence shows that the level of company value can be influenced by GCG and CSR disclosure. The path coefficient value between the GCG variable and CSR disclosure is positive. This illustrates that the influence between GCG and CSR disclosure is unidirectional. The better the GCG and CSR disclosure, the higher the company value will be.



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