Effect of Good Corporate Governance Dimension Implementation on Market Value of Equity and its Implication on Stock Return of Banking, Mining, and Manufacturing Firms Listed in the Indonesia Stock Exchange (IDX)

Witasari¹, Toto Sugiharto, Ph.D²

Accounting Department, Faculty of Economics, Gunadarma University, Indonesia

Abstract: Good Corporate Governance is a major concern to support the operational activities of the company. In the current development of Corporate Governance Perception Index is the assessment result of the implementation of Good Corporate Governance which has an important role in increasing the trust of shareholders to the company so can be expedited investment flow. This study aims to analyze the effect of GCG dimension implementation using CGPI consisting of self-assessment, documentation, paper report, and observation on stock return through market value of equity. The data used are secondary data from CGPI research reports, annual financial reports, and Yahoo finance in period 2011 to 2015. The selected sample companies are 9 companies consisting of 5 banking, 3 mining, and 1 manufacturing listed in The Indonesia Stock Exchange (IDX). The samples size is 45 samples selected as study objects based on three criteria which have been determined by the research purpose. This study uses path analysis. The results showed that GCG dimension includes self-assessment, documentation, paper report, and observation affect the market value of equity both partially and simultaneously. Then the market value of equity affects stock return. It can be concluded that GCG dimension implementation, self-assessment and paper reports.

Keywords: CGPI, GCG, Self-Assessment, Documentation, Paper Report, Observation, Market Value of Equity, Stock Return, and Path Regression Analysis (Path Analysis)

1. Introduction

Company performance information many used by various parties, either from management as a consideration in policy or decision making, as well as for investors and creditors as a manager accountability for planting or borrowing capital given to the company. Company performance is presented in annual reports and can be measured by financial analysis tools as information transparency for users such as investors in decision-making on capital to be invested.

However, the manager as the company manager has a different purpose, especially in terms of improvement of individual achievement and compensation to be accepted. If the company manager of the acts selfish to ignore the interests of investors, it will cause the stock price to be too low so as can reduce the interest of investors and falling investor expectations about the return on the investments made. Stock returns are an advantage obtained ownership shares or investor in its investments, consisting of dividends and capital gain/loss(Horne danWachoviz, 1998).

Good corporate governance is a structured process used by the organs of the company in order to provide added value to the company's sustainable in the long term for shareholders by showing the interest of other stakeholders, based on legislation and prevailing norms (The National Committee Policy on Corporate Governance, 2006). Related to competition in the business world which requires companies to improve performance by one of the market value of equity. Maximizing the market value of equity will improve the quality of the company which would improve the investors prosperously. The market value of equity is a synonym for market capitalization. It is used to measure a company's size and helps investors diversify their investments across companies of different sizes and different levels of risk. Denganmenggunakan GCG Good Corporate Governance as a system that regulates and controls the company can affect the company to the investors.

Good corporate governance dimension implementation in managing the company must be done good corporate governance. As GCG principles consist of transparency, accountability, responsibility, independence, and fairness applied by every company to change corrupt and manipulative habits. Referring to previous research (Retno, 2012) GCG had a positive effect on stock returns. Instead of research (Verdana, 2013) suggests that corporate governance had no effect on stock returns. In contrast to (Untung, 2012) to support research (Retno, 2012) that show the GCG had the effect on stock returns.

In the current development of CGPI score is information that can be used by investors as a material consideration and valuation of the stock so that it can trigger the movement of the company's stock value. By reference to the CGPI, investors expect improvements in the corporate governance will make the better company's performance so as to provide an increase in the company's value reflected in higher stock returns in the capital market (Utamadan Abdul, 2013). The benefits of CGPI is to communicate everything

Volume 8 Issue 5, May 2019 www.ijsr.net Licensed Under Creative Commons Attribution CC BY

who have done by the company related with of good governance and can enhance the company's reputation.

The reality shows public company in Indonesia is still weak in implementing good management and satisfying the company's stakeholders. Good corporate governance plays an important role in increasing public confidence in the corporation so as to facilitate the flow of investment. Corporate Governance regulates the relationship between the shareholders, the company's management (directors and commissioners), creditors, employees and other stakeholders who have an impact on increasing the company's value for investors.

Based on the report of the Asian Development Bank had conducted a survey of GCG implementation in the ASEAN countries, the average score of corporate governance of companies listed in Indonesia was 43.4% with 75.4% the highest score and the lowest score was 20.8%. Companies surveyed were 100 listed companies with the largest market capitalization. This figure shows that public companies in Indonesia are still lacking GCG practices based on international GCG principles (WahyudiDudi, 2014).

Indonesian government also The encourages the implementation of GCG by forming the National Committee on Governance Policy (NCGP) is one of the efforts made by the government. At the international level, the Organization for Economic Cooperation and Development (OECD) has published some basic principles of corporate governance implementation that apply universally. Some of these principles include the rights of shareholders to get information properly and appropriately. Ratings Corporate Governance Perception Index (CGPI) by IICG covers 13 assessment aspects, consisted of Commitments, Transparency, Accountability, Responsibility, Independence, Fairness, Leadership, Capability, Strategy, Risk, Ethics, Culture, and Sustainability. The assessment process consists of 4 dimension stages including Self Assessment, Documentation, Paper Report, and Observation.

Based CGPT's assessment as an award of the best company in Indonesia, the author is interested to further research the extent to which the company's success both on the development of the stock return through market value of equity and appraisal of the good corporate governance implementation so can be sustainable and to help the national economy. Therefore, the author conducted research entitled "Effect of Good Corporate Governance Dimension Implementation on the Market Value of Equity and its Implication on Stock Return of Banking, Mining, and Manufacturing Firms listed in The Indonesia Stock Exchange (IDX)".

The following is research hypothesis that refers to a review of previous research and research problems.

H₁: Self-Assessment Implementation affect market value of equity(MVE)

H₂: Documentation Implementation affect market value of equity(MVE).

 H_3 :Paper Report Implementation affect market value of equity(MVE).

 H_4 : Observation Implementation affect market value of equity(MVE).

 H_5 : Self-assessment, Documentation, Paper Report, and Observation simultaneously affect market value of equity(MVE).

H₆ Market value of equity(MVE) affect Stock Return.

H₇; Good Corporate Governance Dimension Implementation has effect on Stock Return through Market Value of Equity (MVE).

2. Research Methods

Based on the data obtained, this type of research is quantitative research. The study was based on hypothesis testing using secondary data obtained from CGPI research report, annual financial report and Yahoo finance in the period 2011 to 2015. Then analyzed using descriptive statistical test, classical assumption test consisting of normality test, multicollinearity test, Autocorrelation test, and heteroscedasticity test, while to test the hypothesis in this study using path regression analysis consisting of the coefficient of determination (R2), partial test (T), and simultaneous test (F). This study uses six variables consisting of four independent variables: self-assessment, documentation, paper report, and observation. One intervening variable is market value of equity, and one dependent variable is stock return. This study discusses the effect of GCG dimension implementation to market value of equity and its implication to stock return. The population in this study are all listed companies in Indonesia Stock Exchange and listed on Corporate Governance Perception Index (CGPI) period 2011-2015 and follow CGPI assessment by IICG. Sample selection method used is conditional sampling with certain criteria. Based on the methods and criteria, there are 9 companies comprising three categories of companies: banking companies, mining companies, and manufacturing companies. The research time in this study was March 2017 to search for data and in April 2017 until the completion of the study.

3. Result and Discussion

3.1 Result

Based on the results of descriptive statistics test which gives a general description of the object of the research being sampled. Using the help of spss 20 program, it is known that the self-assessment dimension of 45 samples of first independent variable data indicates the development of appraisal can be seen from the highest score achieved by PT Bank MandiriTbk of 27.74 in 2015, followed by PT Bank Negara Indonesia Tbk of 26.94. For the smallest scores owned by PT JasaMargaTbk in 2011 amounted to 11.14 followed by PT JasaMargaTbk in 2011, up to mean of 18.94 with a standard deviation of 5,131. It can be concluded during the five years that the entire company has increased in 2011 until 2013 and decreased in 2014 then increased again in 2015.

The documentation dimension score is got to be the highest score by PT Bank Mandiri of 38.08 in 2013 then followed by PT Aneka Tambang Tbk of 37.84 in 2013. The smallest score is owned by PT TimahTbk of 13.76 in 2011 as well as

Volume 8 Issue 5, May 2019

<u>www.ijsr.net</u>

Licensed Under Creative Commons Attribution CC BY

PT Bank Rakyat Indonesia of 16.14 in 2011. The overall mean for documentation is 25.59 with a standard deviation of 6,574. Can be concluded by 2013 all the company has increased.

The assessment dimension of papers report is got to be the highest score by PT Bank MandiriTbk of 22.87 in 2014, followed by PT Bank Negara Indonesia Tbk amount 22.01. In contrast to the development of self-assessment in 2014, the entire company experienced an increase in score from the previous year. In PT TimahTbk has the lowest score from other companies of 9.79 in 2012 with PT Bank Tabungan Negara Tbk with the lowest score of 10.47 in 2012. The overall mean is 13.95 with the standard deviation of 4,029. It can be concluded that the five-year developments fluctuate with peak scores for all firms in 2014.

The dimension of observation is got the highest score by PT Bank MandiriTbk amounted to 46.90 in 2011, followed by PT Aneka Tambang Tbk of 44.42 in 2011. It can be concluded that the overall company experienced the highest score in each company occurred in the year 2011 then until 2013 has decreased.

While based on the results of descriptive statistical test of 45 samples of intervening variable data indicates that the development of market capitalization or market value of equity can be seen the largest number achieved by PT Bank Rakyat Indonesia of 3.E + 14 or 284 trillion rupiahs, followed by PT Bank MandiriTbk Amounted to 249 trillion rupiahs, both of which occurred in the same year 2014. This can be seen from the number of shares that are more abundant than other companies, in addition to stock prices each year experiencing fluctuating changes and stock prices in 2014 increased. The lowest amount is owned by PT TimahTbk amounting to 4 trillion rupiahs or 4.E + 12 followed by PT Bank OCBC NispTbk and PT Aneka Tambang Tbk amounting to 7 trillion rupiahs. The average total is 6.70E + 13 with the standard deviation of 8.170E +13. The more amount outstanding shares that owned with increasing stock price then, market value of equity will increase in accordance with the increase that occurred between the stock price and the number of shares outstanding.

Based on the results of the descriptive statistical test of 45 samples of dependent variable data indicates that it can be known the highest share returns achieved by PT Bank Rakyat Indonesia Tbk of 0.61 in 2014 has returned the largest share compared to other companies. It was followed by PT JasaMargaTbk amount 0.49 in 2014. In PT Aneka Tambang Tbk has a healthy stock return of -0.71 in 2015, for five years PT Aneka Tambang Tbk suffered a net loss of stock returns, almost in the mining sector in In 2015. Price maturity and commodity prices were up and down and macroeconomic conditions were then, in addition to almost all firms in 2015. Average total with 0.04 with standard deviation of 0.299.

3.2 Based on the classical assumption test results can be obtained the following results.

Normality test to know the normally distributed data or not and test the normality of data used in the histogram graph before doing multiple linear regression analysis data should be normally distributed (Ghozali, 2012). The result of normality test in this research shows the result of data processing of SPSS 20 that Kolmogorov-Smirnov Unstandardized Residual equal to 0,622 or at Asymp line. Sig (2-tailed) of 0.833 is greater than 0.05. Therefore the data has been normally distributed then H₀ is accepted.

Multicollinearity test aims to test whether in the regression model found a correlation between independent variables. (Ghozali, 2012). The results of multicollinearity test in this study show that tolerance value more than 0.1 VIF value less than 10. This indicates that the data is not experiencing symptoms of multicollinearity, so in this research, the model found no correlation between independent variables. Then the test can proceed to the Autocorrelation Test.

Autocorrelation test conducted to determine whether there is a correlation between the dependent variable with himself on the regression equation that is formed. Autocorrelation test results by DW indicates that the value of the Durbin-Watson test result of 2.125. When viewed in the DW table with n = 45 and k = 5 then, table dL = 1.28744, and dU = 1.77618. This shows that the test results are dU<dW<4-dU then, 1.77618 <2.060 <2.22382 so there is no autocorrelation problem.

The heteroscedasticity test aims to test whether in the regression model there is a variance inequality of the residual one observation to the other. Based on the test results glejser can be seen that for each variable self-assessment by 0.583 > 0.05, documentation of 0.834 > 0.05, papers report amounted to 0.627 > 0.05, the observation of 0.817 > 0.05 and a market value of equity of 0.080 > 0.05 where Its significance is greater than 0.05. This indicates that the variables do not occur heteroscedasticity. When viewed partially for the indepedent variable as follow.

3.3 Based on the data analysis obtained the following results

Effect of GCG Dimension Implementation on Market Value of Equity

Here is a summary of the results of test results based Unstandarized Coefficients and contribution of independent variables in explaining the dependent variable based on the Standardized Coefficients.

Table 4.1: Result of Path Analysis Test (Substructural
Equation I)

Coefficient (β)		Т	Sig.
Unstandarized Standardized			
-9,885E+14 -		-3,538	0.001
1,256E+13 0,789		3,349	0.002
1,138E+13 0,916		3,076	0.004
1,317E+13	0,650	3,437	0.001
1,243E+13 1,436		3,528	0.001
	Coeffici Unstandarized -9,885E+14 1,256E+13 1,138E+13 1,317E+13 1,243E+13	Coefficient (β) Unstandarized Standardized -9,885E+14 1,256E+13 0,789 1,138E+13 0,916 1,317E+13 0,650 1,243E+13 1,436 1,436	Coefficient (β) T Unstandarized Standardized -9,885E+14 -3,538 1,256E+13 0,789 3,349 1,138E+13 0,916 3,076 1,317E+13 0,650 3,437 1,243E+13 1,436 3,528

Source: Data Processed, 2017

The contribution of independent variables in explaining the dependent variable based on the Standardized Coefficients is as follows.

- a) Contribution of independent variables can explain the self-assessment as much as 0.789 unit MVE.
- b) The contribution of document of independent variables can explain the MVE of 0.916 units.
- c) The contribution of independent variables report papers can explain the MVE of 0.650 units.
- d) The contribution of an observation- of independent variables can explain the MVE of 1,436 units.

Based on the four independent variable contributions to the dependent variable, the independent variable Observation (OB) which the data describes the MVE dependent variable with its contribution is greater than the other three independent variables, that is 1.436.

Then the model equations based unstandardized coefficients are as follows.

MVE= -(9,885E+14) + (1,256E+13)SA + (1,138E+13)SD + $(1,317E+13)LM+(1,243E+13)OB+\epsilon_1$

It can be seen that the substructural I regression equation have a constant of -9.885E + 14. This means that if the GCG valuation component is 0. The MVE value will increase -9.885E + 14.

a) Determination Coefficient

The coefficient of determination (R^2) function to see the extent to which the overall independent variables can explain the dependent variable. To prove that all independent variables simultaneously affect the dependent variable then can be seen in the Model Summary test as follows.

Table 4.2: Result of Determination Coefficient (Substructural Equation I)

(~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~			1				
	R	R Square	Adjusted R ²	Standart of The Estimate			
	0,531	0,282	0,210	7,260E+13			
Se	Source: Data Processed, 2017						

Based on Table 4.14 shows that the value of R square of 0.282. These results explain that the contribution of the independent variable, self-assessment, documentation, reports and observations may explain the magnitude of the market value of equity (MVE) companies as much as 28.2%. While the magnitude of the effect of other variables that affect the dependent variable or stock returns beyond this study was 71.8%.

b) Partially Test (T-Test)

Partial test (t-test) was used to test the effect of each independent variable used in this research is partially dependent variable (Ghozali, 2011). Based on Table 4.13 for the hypothesis of the test results can be seen in the column value of regression significance indicating that the partial influence of the independent variable to the dependent variable. The following is the formulation of hypotheses for sub-structural equations I.

1) H₁: Application of Self Assessment affect the market value of equity (MVE)

Based on the test results in Table 4:13 in mind that the standardized beta coefficient for the self-assessment on sub-structural equation 1 is 0.789 and has t count equal to 3,349 with sig. t for Self-assessment is 0.002. Where the significance value of t <0.05 then the hypothesis (H 1) is received, thus self-assessment has a significant positive effect on the market value of equity (MVE).

- 2) H₂: Application Documentation affect the market value of equity (MVE)
- Based on test results known that the value of the standardized beta coefficient for documentation on substructural equation 1 is 0.916 and has t count equal to 3.076, with sig. T for documentation is 0.004. Where the significance value of t <0.05 then the hypothesis (H 2) is received, thus documentation has a significant positive effect on the market value of equity (MVE).
- 3) H₃: Implementation Report of paper affect the market value of equity (MVE) Based on test results known that the value of the standardized beta coefficient for paper reports on substructural equation 1 is 0.650 and has t count equal to 3.437, with sig. T for the report is 0.001. Where the significance value of t < 0.05 then the hypothesis (H 3) is received, the paper reported has a significant positive effect on the market value of equity (MVE).
- 4) H₄: Implementation Observations affect the market value of equity (MVE)

Based on test results known that the value of the standardized beta coefficient for observation at substructural equation 1 is 1,436 and have t count equal to 3.528, with sig. T for observation is of 0.001. Where the significance value of t <0.05 then the hypothesis (H 4) is received, thus observation has a significant positive effect on the market value of equity (MVE).

c) Simultaneously Test (F-Test)

F test is a test of significance for the entire regression model of the independent variable used. F Test Objective is to get the simultaneous test result, that is to know how big influence of independent variable together in explain dependen variable. The simulant test can be said to have an effect if significance F smaller than 0,05 (<0,05). Testing this hypothesis using statistical test F with decision making criteria with details as follows.

Table 4.5: Test Result of F-Test (Substructural Equation II)							
Model Sum of Square		Df	Mean Square	F	Sig.		
Regresi	8,287E+28	4	2,072E+28	3,931	0.009		
Residual	2,108E+29	40	5,271E+27				
Total	2,937E+29	44					

T-11. 4 2. T. (D 1 + C = T + (C + L)

Source: Data Processed, 2017

This shows that simultaneous F test statistic produce F count equal to 3.931 with a significance level of 0.009 <0.05, substructural equation can be used to predict the market value of equity (MVE). Where the assessment of selfassessment, documentation, paper reports and observations simultaneously affect the ratio of the market value of equity (MVE), so the hypothesis H_5 accepted.

Effect of Market Value of Equity on Stock Return

Here is a summary of the results of test results based Unstandarized Coefficients and contribution of independent variables in explaining the dependent variable based on the Standardized Coefficients.

Table 4.4:	Result of Path	Analysis	Test (Substruttural
	Eau	ation II)	

Variable	Coefficient		t	Sig.
	Unstandarized Standardized			U
Constanta	-0,127		-2,304	0.026
Market value of	1,287E-015	0,351	2,457	0.018
Equity				

Source: Data Processed, 2017

The contribution of independent variables in explaining the dependent variable based on the Standardized Coefficients is a free variable contribution market value of equity may explain the return of a stake of 0.351. Thus, in accordance MVE variable as an intervening variable, a liaison between the application components of GCG with the stock return. Then the model equations based unstandardized coefficients are as follows.

$RS = -0,127 + 1,287E - 015MVE + \varepsilon_2$

The regression equation substructural II has a constant of -0.127. This means that if the market value of equity (MVE) is 0. The stock return will decrease -0.127. Interpretation for the independent variable on the dependent variable return stock is the variable regression coefficient market value of equity (MVE) is positive for 1,287E-015. It shows if the variable market value of equity (MVE) increased by 1 unit the return of shares will increase by 1,287E-015, assuming other variables held constant.

d) Determination Coefficient

To prove that all the independent variables affect simultaneously with the dependent variable can be seen in the following Model Summary test.

 Table 4.18: Result of Determination Coefficient (Substructural Equation II)

	R	R Square	Adjusted R ²	Standart of The Estimate			
	0,351	0,123	0,103	0,28389			
Ś	Source: Data Processed, 2017						

Based on the results of data processing SPSS in Table 4.18 that the value of R square of 0.123 that as many as 12.3% variable returns of the company's shares can be explained by the independent variable market value of equity (MVE) that also as intervening variables.

e) Partially Test (T-Test)

Based on the table 4.17 test results known that the coefficient of standardized beta for MVE on substructural equation II is 0.351 and it has t count equal to 2,457 with sig. t for MVE is equal to 0.018. Where the significance value of t <0.05 then the hypothesis (H_6) is received, thus MVE have a significant positive effect on the return stock.

f) Simultaneously Test (F-Test)

Here are the results of the simultaneous test with F test.

Regresi	0,486	1	0,486	6,036	0,018
Residual	3,466	43	0,081		
Total	3.952	44			

Source: Data Processed, 2017

Based on the table 4.19 F test conducted shows that the significant independent variables simultaneously by 0,018 which showed an affect of market value of equity (MVE) to return the company's shares. For hypothesis on the test results can be seen in the column of significant value regression showed that the simultaneous influence of the independent variable on the dependent variable. This indicates that the test statistic F produce F count equal to 6.036 with the significant level of 0,018. Where sig.F<0.05 substructural equation can be used to predict the return of the company's shares with a market value of equity (MVE) simultaneously affect the return stock.

Effect of GCG Dimension Implementation on Stock Return through Market Value of Equity

As the results of the regression testing of the effect of corporate governance dimension implementation affect on MVE and its implication on the return stock has a positive effect. Thus, it can know the total effect of each variable that affects a particular variable as follows.

MVE, and Stock Return					
Variable Effect		Casual Effect			
	Direct Indirect				
		Through MVE	Total		
MVE on Stock Return	0,351	-	0,351		
Self Assesmenton Stock Return	-	0,277	0,277		
Documentation on Stock Return	-	0,321	0,321		
Paper Report on Stock Return	-	0,228	0,228		
Observation on Stock Return	-	0,504	0,504		

 Table 4.20: Summary of GCG Dimension Implementation, MVE, and Stock Return

Source: Data Processed, 2017

Based on Table 4.20 causal relationship structural from the results of the model equations I and II have that the relationship between the variables self-assessment, documentation, paper reports, and observations of the return stock through market value of equity (MVE) there is an indirect effect where observation has dominantly contributed of larger ones to return stock with MVE 0,504. Followed by documentation has contributed to the return stock with MVE amounted to 0.321, third is self-assessment has contributed on the return stock with MVE amounted to 0.277 and the last paper report by 0.228 which has contributed on the return stock with MVE. It can be concluded intervening variables have contributed to the indirect influence in the relationship of self-assessment, documentation, paper report, and observation on stock return of the company. As these results indicate that the hypothesis H 7 is received, the effect of GCG dimension implementation affect the return stock through market value of equity (MVE).

Table 4.19: Test Result of F-Test (Substruttural Equation

4. Discussion

II)
Model Sum of Square Df Mean Square F Sig.

Volume 8 Issue 5, May 2019

<u>www.ijsr.net</u>

Licensed Under Creative Commons Attribution CC BY

10.21275/ART20197505

Effect of GCG Dimension Implementation on Market Value of Equity

One important goal is the establishment of a company's shareholder value through increased value of the company (Brigham, Houston, 2011). When viewed in general with any public company in Indonesia is still weak in terms of management of the company. Seen in the number of participants who followed the CGPI votes by IICG not all follow. Though many companies listed on the Stock Exchange are annually reported that the company has made the implementation of GCG however, did not follow an assessment of the implementation of GCG independently. Therefore assessment of the voluntary IICG then, the company did not follow the agenda GCG assessment each year.

When viewed from previous research, research conducted by Normalita and Abriyani (2014) shows that the implementation of good corporate governance has a positive and significant impact on market capitalization. Both by Retno and Priantinah (2012) say that GCG has a significant influence on market capitalization as improving corporate governance leads to an increase in market capitalization. In contrast to Ratih (2011) indicates that GCG has no effect on market capitalization. The importance of corporate GCG implementation can provide added value and encourage the creation of an efficient market for companies that are good for the government, investors, and society. Ferdiana (2012) states that GCG is a principle or regulation that directs and controls the company and provides protection for minority parties as well as monitoring tools of company performance.

As in equation substructural I, the results of simultaneous testing of 0.009 <0.05, it is seen that the dimensions of the GCG assessment consisting of self-assessment. documentation, paper reports, and observations have a significant positive effect. This is consistent with the theory that explains that the better the score held on the four categories of the votes, will have a positive impact on the market value of equity (MVE). Visible results of research of influence in a positive direction this can be seen at. Bank Rakyat Indonesia Tbk during the last five years has increased from the CGPI score total score of 84.1 in 2011, in 2012 and 2015 has been a very reliable company category. Where CGPI 2015 total score of 87.74 with a total market value of equity (MVE) owned as many as 280 trillion rupiahs. This was followed also from PT Bank MandiriTbk, PT Bank Negara Indonesia, PT Bank OCBC NISP Tbk, PT Bukit AsamTbk, PT JasaMargaTbk, and PT TimahTbk, which for five years continued to increase score CGPI. People's Savings Bank Tbk decreased score CGPI in 2013 amounted to 84.94. But for the next year Savings Bank Rakyat Tbk has increased score the CGPI. In contrast to PT Aneka Tambang Tbk, in 2015 decreased score of 88.64 with MVE CGPI be owned as much as 7 trillion. That decline in 2015 is not decrease owned achievement because PT Aneka Tambang Tbk still remains in the category of companies is very reliable.

The size of the company is a large scale where small companies can be classified according to a variety of ways, including total assets, total sales, and market capitalization. According to Dewi and Wirajaya (2013) explains that the size of the company has a different effect on the value of the company. In general, the company's goal is to obtain profits from the business itself. Intense competition requires companies to continue growing and developing in the form of an increase in production capacity or expansion to various types of production.

Generally, companies that have followed the CGPI has the quality of a large MVE compared to companies that do not follow the CGPI. Because this assessment is independent and certified trusted and recognized by all parties. Thus, the amount of MVE affects investors' decision to invest or not. This is consistent with the results of testing with known t arithmetic amounted to 2.457, with sig. t for MVE is equal to 0.018. Where the significance value of t <0.05 then the hypothesis (H₆) is received, thus MVE have a positive effect on the return stock.

Viewed from the company in PT Bank Rakyat Indonesia Tbk in 2014 has returned the stock return of investment of 0.61 or 61% in accordance with the amount of market capitalization owned by Rp 284 trillion. At PT Bank Negara Indonesia Tbk, which has a market capitalization of Rp 112 trillion with stock returns held at 0.54 or 54% in 2014. For other companies, stock returns change due to fluctuations in prices that annually fluctuate. As in PT Aneka Tambang Tbk, has the smallest MVE in 2015 amounting to 7 trillion rupiahs with a stock return rate of -0.71 or -71%. Similarly, PT Bukit AsamTbk, PT JasaMargaTbk, PT TimahTbk, PT Bank MandiriTbk, PT Bank Negara Indonesia Tbk, PT Bank BTN Tbk and PT Bank OCBC NISP Tbk by the end of 2015 decreased MVE and inventory return. Therefore, MVE to return shares has a linear relationship.

Research conducted by NuzaMiranty (2012) the results of research found that company size has an influence on the return stock. Neither Yunita (2010) study conducted by firm size positively affects the value of the company. Therefore, such studies have been conducted Hermawati (2012), concluded that companies with a level of great advantage possessed or financial performance generated good will motivate investors to invest capital in the stock, so stock prices are influenced by financial performance and stock price changes followed by the demand of investors in capital market transactions. In contrast to Ni Luh and Made (2014) study conducted showed no significant influence on the size of the company to return the shares. As well as Ardiansyah (2012) showed that the size of the company does not affect the return stock. This shows that the market capitalization can not be used partially in assessing the return of shares in companies listed in LQ45 in BEI.

Effect of GCG Dimension Implementation on Stock Return through Market Value of Equity

Based substructural II equations, partial test results and simultaneously amounted to 0.018 <0.05. This shows that the MVE can be regarded as intervening variables that may contribute to the effect of the dimensions of the GCG assessment, positive effect on the return stock with a market

Effect of Market Value of Equity on Stock Return

Volume 8 Issue 5, May 2019 <u>www.ijsr.net</u> Licensed Under Creative Commons Attribution CC BY value of equity (MVE) to contribute indirectly more dominant in the GCG assessment (observation) of $(0.504)^2$ or 25.4%, followed by the influence of the documentation of $(0.321)^2$ or 10.3%, self-assessment by $(0.277)^2$ or 7.67% and the final reports have contributed directly influence the amount of $(0.228)^2$ or 5, 2%, then the hypothesis H₇ is accepted, that the effect of GCG dimension implementation affect stock return through market value of equity (MVE).

This is consistent with the theory that the formation of return of shares obtained from the quality of financial performance in size of the company as well as with financial information that can either encourage investors to invest their funds in these companies so that impact shares rise on demand. GCG implementation where the rating CGPI give a score to the participating companies with ratings of three categories namely, The Most Trusted, Trusted, and trusted enough. GCG has rated IICG will increase confidence in the quality of performance of the company so that investors will be interested in investing capital so that the return of the stock will rise.

Previous studies revealed the CGPI influence on the value of the company, research by Retno and Priantinah (2012) concluded that the GCG effect to return stock. This is the same result with the Dewi and Tarnia (2011) which states that the use of GCG prior moderated spatial performance proxied by profitability and leverage simultaneously may affect the value of the company. But according to Sari and Riduan (2013), CGPI has no effect on the value of the company or return stock. According to Susi Dwimulvani (2012) showed that corporate governance does not affect the return of shares in the public gets a rating of CGPI. Theoretically, according to Sutedi (2011) GCG may encourage the formation of management work patterns were clean, transparent, and professional so the company will have a good performance and improve the effectiveness of management in managing the company to generate a return of shares of the funds invested by the investors.

The interaction of corporate governance between the owners and managers in the oversight and direction of the company. GCG indicates whether the systems and procedures well ensure that the manager is responsible for the assets entrusted. The principles of good corporate governance that is the fulfillment of the rights of shareholders, equitable treatment of shareholders, the role of shareholders, explanation, and transparency, and accountability of institutions. With the implementation of GCG through MVE will increase the value of the company or return stock. Return the stock is important information for investors, as an indicator for assessing the company's overall market.

5. Conclusion

Based on the results of the analysis and discussion as explained in the previous chapter, then the conclusions in this study are as follows.

- 1) GCG dimension implementation positive effect on the market value of equity both partial and simultaneously.
- 2) The Market value of equity effect positive on stock return.

- 3) GCG dimension implementation effect positive on the stock return through the Market value of equity (MVE) both Simultaneously and Partial.
- 4) Variables the most contribution dominantly effect on stock return through market value of equity is the observation followed the second variable is documentation, the third variable is self-assessment and the last is the paper report which affects indirectly to stock returns through MVE.

6. Implication

The results of this study show that with increasing GCG will have an impact on the manager to work effectively and efficiently, where every decision was taken by the management based on the interests of shareholders and the resources used for the benefit of growth as well as increasing the market value of equity. In addition, it can lower the cost of capital and be able to minimize the risk. Investors will be interested in investing with seeing the investment return. Where an increase in the market value of equity will have an impact on the stock price rises so stock returns in great demand by investors. Thus the implementation of GCG will make investors responded positively to buy stock and will be adding the market value of equity in their company size and increase stock returns.

7. Recommendation

The author provides suggestions as follows.

- 1. For further research, is expected to add the variables of research both independent, intervening, and dependent can be alleged influence stock return.
- 2. For next researchers, it is expected take into consideration other data which can be used as reference basic for CGPI assessment, the company measurement, and stock return.
- 3. Next studies should use a different sample of companies in order to see the test results mixed and expand room scope sample research.
- 4. Expected in the next research could add period research for getting results more research accurate in the long period.

References

- [1] Ardiansyah. 2012. "AnalisisPengaruhFaktor Fundamental danNilaiKapitalisasiPasarTerhadap Return Saham". *Jurnal*. Vol.1. No.7.
- [2] Brigham, Euguene F. and Joel F. Houston. 2011. *DasardasarManajemenKeuangan*, Edisi 11, Penerjemah Ali Akbar Yulianto. Jakarta: SalembaEmpat.
- [3] Dewi, Mahatma Sri AyudanWirajaya, Ary. 2013.
 "PengaruhStruktur Modal, Profitabilitas, danUkuran Perusahaan padaNilai Perusahaan". *E-JurnalAkuntansi*. Bali: UniversitasUdayana. No.4. Vol. 2. Hal. 358-372. ISSN: 2302-8556.
- [4] Dewi, R. Rosyana., danTarnia, Tia. 2011. "PengaruhKinerjaKeuanganTerhadapNilai Perusahaan dengan Good Corporate Governance (GCG) sebagaiVariabelModerasi". JurnalInformasiPerpajakan,

Licensed Under Creative Commons Attribution CC BY

10.21275/ART20197505

Akuntansidan KeuanganPublik. Vol. 6. No. 2. Hal. 115-132.

- [5] DudiWahyudi. 2014. "DampakPenerapan Good Corporate Governance TerhadapKepatuhanPajak Perusahaan". Artikel Pajak.Badan Pendidikandan PelatihanKeuanganKementrianKeuangan. Dapatdiaksesmelaluihttp://bppk.depkeu.go.id
- [6] Ferdiana, Norma. 2012. "Pengaruh Good Corporate Governance TerhadapKinerjaKeuangan Perusahaan Pertambangan di BEI". JurnalIlmiahMahasiswaAkuntansi. Vol.1. No. 2.
- [7] Ghozali, Imam. 2012. AplikasiAnalisisMultivatiate Dengan Program SPSS EdisiKeempat. Semarang: Universitas Diponegoro.
- [8] Hermawati, Angra. 2012. "PengaruhKinerja KeuanganTerhadapNilai Perusahaan dengan Pengungkapan CSR danStruktur Kepemilikansebagai VariabelPemoderasi". Jurnal. FakultasEkonomi. Jakarta: UniversitasGunadarma.
- [9] Isditanadevi, Normalitadan AbriyaniPuspaningsih. 2014.
 "PengaruhUkuran Perusahaan, Struktur Modal, ProfitabilitasdanUmur Listing TerhadapKualitasImplementasi Good Corporate Governance". JurnalBisnisdanEkonomi. Vol. 5. No. 2. Hal. 174-182.
- [10] KomiteNasionalKebijakan Governance (KNKG). 2006.
 "PedomanUmum Good Corporate Governance Indonesia". *Materi Online*. Jakarta
- [11] Miranti, Nuza. 2012. Pengaruh DER, KapitalisasiPasar, dan Turnover Ratio Terhadap Return Sahampada Perusahaan yang Terdaftar di Jakarta Islamic Index Periode 2005-2010. Skripsi. FakultasEkonomi. Depok: Universitas Indonesia.
- [12] Ni Luh, G.E. Sulindawati., Made, D.W., danEdy, Sujana. 2014. "AnalisisPengaruh Return On Asset (ROA), Earning Per Share (EPS), dan Residual Income (RI) Terhadap Return SahamStudipadaPerbankan yang Go Public tahun 2009-2012". *E-Journal IlmiahMahasiswaAkuntansi S1*. Bali :UniversitasPendidikanGanesha. Vol.2. No.1.
- [13] Ratih, S. 2011. "Pengaruh Good Corporate Governance TerhadapNilai Perusahaan denganKinerjaKeuangansebagaiVariabel Intervening pada Perusahaan PeraihThe Indonesia Most Trusted Company-CGPI". JurnalKewirausahaan. Vo. 5. No.2. Hal. 18-24.
- [14] Retno, D.R.M., dan Denies Priantinah. 2012. "Pengaruh Good Corporate Governance danPengungkapan TerhadapNilai Corporate Social Responsibility Perusahaan (StudiEmpirispada Perusahaan yang Terdaftar di Bursa Efek Indonesia Periode 2007-2010)". Jurnal Nominal. Vo.1. No.1. Yogyakarta :UniversitasNegeri Yogyakarta.
- [15] Sari, EnggarFibria, Riduan, Verdana et al. 2013. "Pengaruh Corporate Governance TerhadapNilai Perusahaan. KualitasLabasebagaiVariabel Intervening". JurnalIlmudanRisetAkuntansi. Vo.1. No.1.
- [16] Susi, Dwimulyani. 2012. "Pengaruh Economic Value Added, Market Value Added dan Good Corporate GoveranceTerhadap Return Sahampada Perusahaan Publik yang MendapatPemeringkatandari The Indonesia Institute for Corporate Governance (2009-2011)". Indonesian Accounting Research Journal. Vol. 2. No. 2.

- [17] Sutedi, Adrian. 2011. *Good Corporate Governance*. Jakarta: SinarGrafika.
- [18] Utama, Tito Albi., dan Abdul Rohman. 2013. "Pengaruh Corporate Governance Perception Index, Profitabilitas, Leverage, danUkuran Perusahaan TerhadapNilaiSaham". *Diponegoro Journal of Accounting.* Semarang :UniversitasDiponegoro. Vol. 2. No. 2. Hal. 1-9.
- [19] Van Horne, James C. and John M. WachowizJr, 1998. Fundamental of Financial Management. Tenth Edition. Prentice Hall International, Inc. New Jersey.
- [20] Vera Anis K, danUntung SW. 2012. "AnalisisFaktorfaktor yang mempengaruhi Return Saham Investor pada Perusahaan Manufaktur di Bursa Efek Indonesia". *JurnalEkonomidanKewirausahaan*. Vol. 12. No. 1. Hal. 1-11.
- [21] Yunita, Indah. 2011. AnalisisPengaruhProfitabilitas, KebijakanUtang, KebijakanDividen, Size, danMekanisme Good Corporate TerhadapNilai Perusahaan (StudiKasuspada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia Periode 2005-2010). Thesis. Semarang: UniversitasDiponegoro

Volume 8 Issue 5, May 2019 <u>www.ijsr.net</u> Licensed Under Creative Commons Attribution CC BY

10.21275/ART20197505