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ANALYSIS OF THE EFFECT OF GOOD CORPORATE GOVERNANCE ON COMPANY VALUE AT PT. ASTRA HONDA MOTOR MEDAN

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Abstract. *The development of the business world which continues to increase every year requires business people to develop the implementation of a new corporate governance system, namely good corporate governance. This research is classified as quantitative descriptive research. The purpose of this study was to examine the effect of the mechanism of Good Corporate Governance (managerial ownership and independent commissioners) either partially or simultaneously on company value as measured by Price to Book Value (PBV) at PT. Astra Honda Motor Medan. The data used is secondary data with data collection techniques through the official website of the research object. The data analysis technique used is statistical multiple linear regression analysis. The results of this study indicate that by means of a partial test managerial ownership and independent commissioners have no effect on firm value. Simultaneously managerial ownership and independent commissioners have no effect on firm value (Price to Book Value)*

Keywords: Managerial Ownership, Independent Commissioner, Corporate Values

1. INTRODUCTION

In the era of globalization, business competition is something that is common. The level of competition faced by companies is increasingly complex and higher, coupled with uncertain circumstances such as the political and economic conditions of a country, the behavior of competitors or competitors, consumers, suppliers, and government policies. In facing the company's business competition, it requires good implementation of Good Corporate Governance (GCG). The emergence of corporate governance was triggered by the separation between ownership and control in a company so that it affects the company's performance. With the practice of good corporate governance in the company is expected to improve company performance. Since the financial crisis that hit Indonesia in 1997-1998, good corporate governance has gained positive response from the government and investors.

Good Corporate Governance (GCG) is a set of rules that determine the relationship between management stakeholders, creditors, the government, employees and other internal and external stakeholders with respect to their rights and obligations, or in other words the system that directs and controls the company. Good corporate governance is a healthy corporate governance procedure that has been introduced by the Indonesian government and the International Monetary Fund (IMF). According to The Indonesian Institute for Corporate Governance (IICG), Corporate Governance is a series of mechanisms that direct and control a company so that the company's operations run according to the expectations of stakeholders. The existence of a good corporate governance mechanism is also expected to reduce agency conflicts that occur between agents and principals, which in turn has an impact on increasing firm value.

Corporate governance (Good Corporate Governance) is expected to improve the quality of the company which can maintain a balance between various interests so that it can benefit the company. External parties who lack knowledge can also see whether the company is good or not by looking at the assessment from IICG, namely CGPI. The higher the corporate governance assessment means the company is more trusted, transparent, accountable and independent and vice versa.

PT Astra Honda Motor Medan is a company engaged in manufacturing, assembling and distributing Honda brand motorcycles. And this company is the only company in Medan that has the rights as the Sole Agent Brand Holder (ATPM) for Honda Medan motorcycles.

2. LITERATURE REVIEW

1.1 Understanding Good Corporate Government

The term GCG is very popular nowadays, but until now there is no standard definition that can be agreed upon by all parties. The term "corporate governance" was first introduced by the Cadbury Committee, England in 1922 which used the term in its report which became known as the Cadbury Report. This term has now become very popular and has been given many definitions by various parties. Below are given some definitions from several sources that can be used as a reference.

Good Governance covers all aspects of life in the form of law, politics, economy and social. Good Governance is also very closely related to the administration of state power, both executive, legislative and judicial. Corporate Governance is also defined as a company's internal control system which has the main objective of managing significant risks in order to fulfill its business objectives through securing company assets and increasing the investment value of shareholders in the long term.

Good Corporate Governance A pattern of relationships, systems and processes used by company organs (Directors, Board of Commissioners, GMS) to provide added value to shareholders on an ongoing basis in the long term while taking into account the interests of other stakeholders, based on rules and regulations and norms apply.

According to the World Bank, Good Corporate Governance are rules, standards and organizations in the economic field that regulate the behavior of company owners, directors and managers as well as the details and elaboration of duties and authorities as well as their accountability to investors (shareholders and creditors). The goal is to create a control and balance system to prevent misuse of company resources and continue to encourage company growth.

Mechanism of Good Corporate Governance

1. Managerial Ownership Managerial ownership is a corporate governance mechanism that is very influential in managing company management. Because usually managers have a tendency to use excess profits for consumption and opportunistic behavior. And with this managerial ownership it is hoped that managers can manage the company well and take action in accordance with the interests of the company as a whole. The percentage of managerial ownership can be measured by the total share ownership by the management of the total share capital of the company being managed. Management ownership of company shares is seen as being able to align potential differences between outside shareholders and management. The quality of reported information can be influenced by managerial share ownership (Laila, 2011).
2. Independent Board of Commissioners Independent commissioners are measured by the proportion between the number of independent commissioners and the total number of members of the company's board of commissioners. According to the National Committee on Governance Policy (KNKG, 2006) an independent board of commissioners is a party that does not have business and family relations with the control holders, directors, commissioners and the company itself which can affect its ability to act independently or act solely in the interests of the company. The existence of an independent commissioner is expected to create a more objective work environment and place fairness and equality among the various interested parties in the company.

1.2 Principles of Good Corporate Management (GCG)

The principles of good corporate governance according to the National Committee on Governance Policy (KNKG, 2006):

a. Transparency

Transparency is a principle that guarantees the public's right to obtain access to correct, honest and non-discriminatory information regarding the organization of an organization. After that the results achieved by the organization with attention to the protection of the right to personal, group and state secrets. In this principle, companies are required to provide equal treatment and guarantee rights to shareholders, both majority and minority, including foreign shareholders and other investors. With transparency in information on the condition of the company, conflicts of interest can be avoided.

b. Accountability

Accountability is a form of accountability for a person (leader, officer or executor) or an organization to parties who have the right or authority to request information regarding performance or actions in carrying out the mission and objectives of the organization in the form of reports that have been determined periodically. This principle seeks to regulate the clarity of functions, structures, systems and responsibilities of the company's organs so that management is carried out effectively.

c. Responsibility

Responsibility is the subject's ability to respond to commitments of any kind, as well as scenarios that demand the fulfillment of one's duties or performance in ethical, moral and civil terms. With the application of this principle, it is hoped that the company will realize that its operational activities often produce negative impacts that must be borne by the community. Thusly long-term business continuity for the company will be realized.

d. Independence

Independence is an aspect of personality that must be achieved in an individual to face challenges and achieve success in life which is shown by being free, responsible, considerate, feeling safe when different from others and creativity. In this principle it is expected that company managers can act independently, not dominated by any party and not influenced by certain interests, in this principle it is expected that company organs can carry out their duties and obligations in accordance with the roles and functions they have without any pressure from other parties. which is not in accordance with the applicable company operational system.

e. Fairness

In this principle, companies are required to provide treatment and guarantee rights the same to shareholders, both majority and minority, as well foreign shareholders and other investors. This principle is expected to create protection of all company assets is managed properly and safe from the possibility the occurrence of detrimental corporate practices such as fraud, insider trading etc.

3. RESEARCH METHODS

Types of Research

This type of research based on its approach is quantitative research. According to Sutama (2016) quantitative research is closely related to social survey techniques including structured interviews and structured questionnaires, experiments, structured observations, content analysis, formal statistical analysis and many more. The data collection technique used is the documentation technique. According to (Arikunto, 2013) Documentation techniques, namely researchers investigate, written objects such as books, magazines, documents, regulations, minutes of meetings, diaries, and so on.

Data source

Primary data

Primary data is a data source that is directly given to data collectors. Primary sources can be useful for answering questions (Sugiono, 2017). In this study primary data collection at PT. Astra Honda Mototr Medan

Secondary Data

Secondary data is data that indirectly provides its source to data collectors such as passing through other people or documents (Sugiono, 2017). Secondary data in this study were obtained from company regulatory data, company profiles, company job descriptions at PT. Astra Honda Motor Medan.

Data analysis technique

In analyzing qualitative research data obtained from research, there are several process activities when conducting data analysis, namely:

1. Multiple Linear Analysis
   Because more than one independent variable is used, this study uses multiple regression analysis. To see the effect of managerial ownership and independent board of commissioners on firm value.
2. Multiple Correlation Analysis (R Test)
   Correlation analysis is used to determine the strength of the relationship between the independent variables and the dependent variable simultaneously.
3. Partial Regression Coefficient Significance Test (t test)
   The t test is used to see the significance of the effect of the independent variables partially on the dependent variable.
4. Simultaneous Regression Coefficient Test (Test F)
   The F test is used to prove whether the independent variables (X1, X2) simultaneously have a significant effect on the dependent variable (Y), from a regression equation using a statistical hypothesis.

4. RESULTS AND DISCUSSION

RESULTS

Multiple Correlation Analysis (R Test)

The value of the Termination Coefficient (R2) is 0.963 or 96.3%, which means that the firm value (PBV) is 96.3% influenced by the KAMN and KOMIND variables, while the remaining 3.7% is influenced by other variables not examined in this study. This. 96.3% is included in the criteria of a very close relationship between the independent variables on the dependent variable, namely KAMN and KOMIND on firm value.

Model Summary

ANOVA[b]

Sum of Squares	Df	Mean Square	F	Sig.
1.390	2	.695	12.918	.193
.054	1	.054		
1.444	3			

a. Predictors: (Constant), KOMIND, KAMN
b. Dependent Variable: PBV

Dependent Variable: PBV

R	R Square	Adjusted R Square	Std. Error of the Estimate
.981[a]	.963	.888	.2319766

a. Predictors:(Constant), KOMIND, KAMN

Partial Hypothesis Test (T Test)

No	TAHUN (n)	KAMN (X_1)	KOMIN (X_2)	PBV (Y)
1	2011	0,0004	0,45	3,95
2	2012	0,0004	0,36	3,42
3	2013	0,0004	0,30	2,59
4	2014	0,0003	0,36	2,50

Coefficients

Unstandardi zed Coefficients		Standardized Coefficients		
B	Std. Error	Beta	T	Sig.
- 2.869	1.240		-2.315	.260
7318. 421	2687. 432	.527	2.723	.224
8.816	2.173	.786	4.058	.154

The tcount value for the KOMIND variable is 4.058 with a significant value of 0.154 and ttable 12.706 obtained from t table α = 0.05 and degrees of freedom 1. Comparison between tcount = 4.058 ≤ ttable = 12.706 based on the test criteria then Ho is accepted and H2 is rejected, so the hypothesis is that there is no partially significant effect between KOMIND on firm value (PBV). These results are relevant to research conducted by previous researchers.

Simultaneous Hypothesis Test (Test F)

Fcount = 12.918 ≤ Ftable = 199.5 because Ftable is bigger than Fcount with an error rate of 5% (α = 0.05) based on the test criteria then Ho is accepted and H3 is rejected. Which means with a 95% confidence level that KAMN and KOMIND simultaneously have no significant effect on firm value (PBV). These results are relevant to the results of previous research conducted by previous researchers.

DISCUSSION

An explanation of the partial answer hypothesis about the influence of KAMN and KOMIND on Company Value is as follows:
Accept Ho if tcount ≤ ttable:
There is no partial influence between KAMN and KOMIND on Company Value.
Reject Ho if tcount ≥ ttable:
There is a partial influence between KAMN and KOMIND on Company Value.

The results of the regression analysis show that the KAMN from the T test obtained tcount = 2.723 ≤ ttable = 12.706 and a significant value of 0.224 ≥ 0.05 then Ho is accepted, so it can be interpreted that H1 is rejected meaning that there is no significant effect partially between KAMN on firm value with an error rate 0.05. From the results of the partial test, KAMN in this study did not have a significant effect on Firm Value (PBV).

The results of the regression analysis show that KOMIND from the T test obtained tcount = 4.058 ≤ ttable = 12.706 and a significant value of 0.154 ≥ 0.05 then Ho is accepted, so it can be interpreted that H2 is rejected meaning that there is no significant effect partially between KOMIND on Firm Value with an error rate 0.05. From the results of the partial test, KOMIND in this study did not have a significant effect on Firm Value (PBV).

An explanation of the simultaneous answer hypothesis about the effect of KAMN and KOMIND on Company Value is as follows:
Accept Ho if Fcount ≤ Ftable:
There is no simultaneous influence between KAMN and KOMIND on Company Value.

Reject Ho if Fcount ≥ Ftable:
There is a simultaneous influence between KAMN and KOMIND on Company Value.

The results of the regression analysis showed that of the two independent variables, namely KAMN and KOMIND, the results of the F test obtained Fcount = 12.918 ≤ Ftable = 199.5 and a significant value of 0.193 ≥ 0.05 so that it can be interpreted that Ho is accepted and H3 is rejected, which means that there is no significant effect simultaneously significant between KAMN and KOMIND on firm value.
From the results of the simultaneous test, the KAMN and KOMIND variables in this study did not have a significant effect on firm value (PBV).

CONCLUSION

Good corporate governance (GCG) is one of the pillars of the market economy system. It is closely related to trust both in the company that implements it and in the business climate in a country. GCG implementation encourages the creation of healthy competition and a conducive business climate. The effectiveness of good corporate governance is inseparable from the legal and economic framework of a country. As a governance system it is influenced by the legal and economic framework and in turn influences the framework. The biggest and unique challenge for public companies in implementing good corporate governance may no longer be a lack of legal references, but rather a challenge to change the corporate culture which is generally rooted through leadership that is straightforward, competent and has high integrity. There are various obstacles in the implementation of good corporate governance in Indonesia. These constraints include obstacles in the fields of law, culture, politics, and the business environment. Therefore, a collective effort is needed from various market/business actors including regulators, accountants, board of commissioners, and others to socialize the benefits, uses, and importance of good corporate governance so that there is awareness of the importance of good corporate governance practices for improving corporate performance and sustainability. The implementation of good corporate governance can be seen as a challenge as well as an opportunity, where at this time good corporate governance is not only felt as pressure in Indonesia but also in all parts of the world, so if companies in Indonesia can act more quickly and precisely than competitors them (despite the many shortcomings on a macro basis) then they can maintain their presence and improve performance as well as maintain the sustainability of quality businesses in Indonesia. There is an opinion which states that the results obtained from the implementation of good corporate governance are still not appropriate and is an indication that the good corporate governance model that we adopt needs to be made adjustments based on local conditions and the characteristics of companies in Indonesia.

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