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Corporate Governance and Integrated Reporting and its Impact on Banking's Firm Value (Evidence from Indonesia)

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Abstract

This study aims to analyze the effect of corporate governance on integrated reporting and its impact on firm value as measured by leverage, return on assets, liquidity, and firm size as control variables. The analysis technique in this study uses multiple linear regression using secondary data, assisted by E-Views software. The population used is banking companies listed on the Indonesia Stock Exchange for the period of 2017-2020. The sample selected was eight banking companies with purposive sampling, namely with the following criteria: listed on the IDX with a minimum listing year of 2017 and issuing financial statements and ACGS for the period of 2017-2020. The results of this study conclude that corporate governance and integrated reporting affect firm value, but corporate governance does not affect integrated reporting.

Keywords : corporate governance, integrated reporting, firm value, leverage, return on asset, liquidity, firm size.
JEL Classification : A10

1. INTRODUCTION

Traditional financial reporting is considered incapable of meeting the needs of public accountability (Newberry, 2015) where its development raises the issue of value creation and sustainability (Weinberger, 2013). Over the past few decades, academics and practitioners have studied, proposed, and debated innovations from public accountability tools, such as Sustainability Reporting (SR), Popular Financial Reporting (PFR), and Integrated Reporting (IR) (Biondi & Bracci, 2018). The rules in the SR are of them created by the Global Reporting Initiative (GRI) organization, which then joined the organization The International Integrated Reporting Council (IIRC)) (Jr., Frigo, Powers, & Shigaev, 2016) and created an IR framework, containing about financial statements combined with other information that is not necessarily financially oriented (Karatzimas, 2015). IR then began to be used by the company because it provides a broad picture of the company, connects financial performance with management, and shows long-term effects in decision-making (Romolini, Fissi, & Gori, 2017). According to (Weinberger, 2013), there are 2 triggers for the development of IR. First, the existence of the global financial crisis has made the company's financial reporting questionable. Second, sustainability issues make stakeholders pay attention, driven by government regulations, consumer preferences, and cost pressures.

IR in Indonesia is still voluntarily disclosed (Sari, Wijaya, & Miftah, 2020); (Kustiani, 2016). This is due to regional differences between countries that greatly influence the decision to use IR in company activities, so IR has not become a mandatory reporting framework for companies in various countries (Rivera-Arrubla, Zorio-Grima, & García-Benau, 2017). Although IRs in Indonesia are still delivered voluntarily, (Kustiani, 2016) and (Chairi, 2019) mentioned that some companies listed on the Indonesia Stock Exchange have implemented and disclosed at least 50% of the IR elements. Some companies that have implemented and revealed IR elements include: (1) PT United Tractors, Tbk. , (2) PT Aneka Tambang, Tbk., (3) PT Semen Indonesia, Tbk., and (4) PT Pertamina, Tbk. (Kurniawan et al, 2020). The development of IR in Indonesia is strengthened by the format and content of the annual report of companies in Indonesia starting to follow the IR framework (Adhariani & Villiers, 2018). This statement is based on regulation No. 51/POJK.03/2017 concerning the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies (Republic of Indonesia, 2017).

According to Mawardani & Harymawan (2021), thing that affects IR is Corporate Governance (CG). The results of the study conducted by Mawardani & Harymawan (2021) found that companies with a larger number of independent board members could reveal higher IR information as well. However, the results of the research conducted by Cooray, et al (2020) CG only provides limited support to quality information for stakeholders related to the value creation process. This is because CG's focus is only on financial reporting which is a mandatory requirement in Sri Lanka, so the CG structure has not been developed enough to provide quality information through the IR.

One of the benefits of using IR is that it improves the collection of information within complex companies, such as companies with many segments and companies with many intangible assets (Lee & Yeo, 2016). Furthermore, Lee & Yeo found that sub-samples of companies with higher IRs also had higher firm values as well. The results of the study also stated that there was a significant positive influence between the IR and the value of the company on the Egyptian Stock Exchange. If the application of IR is higher, then the profitability and value of the company will also be higher (El-Deeb, 2019),

According to Cheung, et al. (2014), the value of companies in 5 countries located in Asia is influenced by CG. There is empirical evidence that companies in developing countries have adopted a more internationally recognized CG, making market valuations higher for companies that have adopted CG. Other studies conducted also say something similar (Siagian et al, 2013). Larger, high leveraged, or high-growth companies tend to have high firm value as well. Meanwhile, other studies conducted and shown different results (Susilo et al, 2018; Hafizah, 2020). According to them, it is said that CG has no influence on the value of the company.

The concept of IR is new to developing countries (Mohammad, 2019). This reason underlies researchers to research more about the application of IR to companies in Indonesia. Then, this study also answers the limitations of the study Mawardani & Harymawan (2021) in terms of subjectivity. The study also suggests further research due to the scarcity of evidence (Lee & Yeo, 2016). Mohammad (2019) in his research suggested that for further research it could penetrate into other sectors, so there is a new scope of study to identify IRs within companies in Bangladesh that represent financial and non-financial information. Cooray, et al (2020) also suggested something similar, for subsequent studies it can still replicate this research but with more specific samples, such as companies in the financial or non-financial sectors. Therefore, the sample used in this study was banking.

2. HYPOTHESIS DEVELOPMENT

Corporate Governance and Integrated Reporting

The International Finance Corporation (IFC) & Otoritas Jasa Keuangan (OJK), (2018) defines Corporate Governance as a system of relationships defined by processes and structures. In addition, the Organization of Economic Co-operation and Development (OECD) (2015) also said the purpose of the CG is to build an environment of trust, transparency, and accountability to foster long-term relationships in investment, financial stability, and business integrity. The indicator used by Santoso, et al (2021), Ramli & Setiany (2021), and Justina & Simamora (2017) to measure CG is ACGS.

Previous research conducted by Mawardani & Harymawan (2021) and Hapsari, et al (2019) said that CG affects IR. Meanwhile, research conducted by Cooray, et al (2020) states that most elements of CG have no influence in providing quality information for stakeholders in the process of creating value through IR, except for board size variables with the availability of separate risk management committees. Based on the description above, this study takes the hypothesis:

H1: Corporate Governance has a positive effect on Integrated Reporting.

Integrated Reporting and Firm Value

IR was first initiated by the International Integrated Reporting Council (IIRC) organization as a reporting model for businesses that was considered suitable for communicating information contained in the company such as strategy, CG, and company performance in a concise and concise manner (IIRC, 2013). According to Kurniawan, et al (2020), the main purpose of the IR is to explain to the capital provider how the company creates and maintains value over time. (IIRC, 2013) stated that there are 8 elements contained in the IR framework, namely: organizational overview and external environment, risks and opportunities, strategy and resource allocation, performance, governance, outlook, the basis of preparation and presentation and business model. Indicators that used in Lee & Yeo (2016), Mohammad (2019), El-Deeb (2019), and Kustiani (2016) research is the IR Framework, initiated by IIRC (2013).

Based on previous research conducted by Lee & Yeo (2016), El-Deeb (2019), and Martinez (2015), and shows that there is a positive and significant relationship between the value of the company and the IR. Furthermore, Lee & Yeo (2016) explains that IR improves the information that exists in complex companies such as high intangible assets, companies with several business segments as well as large companies. However, in the research conducted by Martinez (2015), there is a significant relationship between IR and firm value caused by the expected future cash flow (FCF) and not from the information environment in the company. Therefore, the researcher put forward the following hypothesis:

H2: Integrated Reporting has a positive effect on Firm value.

Corporate Governance and Firm Value

Improving the quality of CG practices is quite important because companies that are already members of the stock market in East Asia can have the opportunity to participate more effectively in the international stock market international (Cheung, et al., 2014). Siagian, et al (2013) said that the Government of Indonesia is also working to promote CG because it has benefits for public companies. More deeply, the findings by Siagian, et al (2013) show that companies that implement higher-quality CG then have higher firm value as well.

Indrarini (2019) and Suffah & Riduwan (2016) expressing the value of the company is the investor's perception of the success of a manager in managing the company's resources entrusted to him and often associated with the share price. The value of the company is something that is very important for the company and can reflect the increase in shareholder prosperit, because the stock price rises along with the increase in the value of the company.

Based on previous research conducted by Siagian, et al (2013), Pae & Choi (2011), Cheung, et al (2014), and Li, et al (2012), and shows that CG has a positive and significant effect on the value of the company. Therefore, the researcher put forward the following hypothesis:

H3: Corporate Governance has a positive effect on Firm value.

Based on previous theory and research, the research model can be visualized as follows:

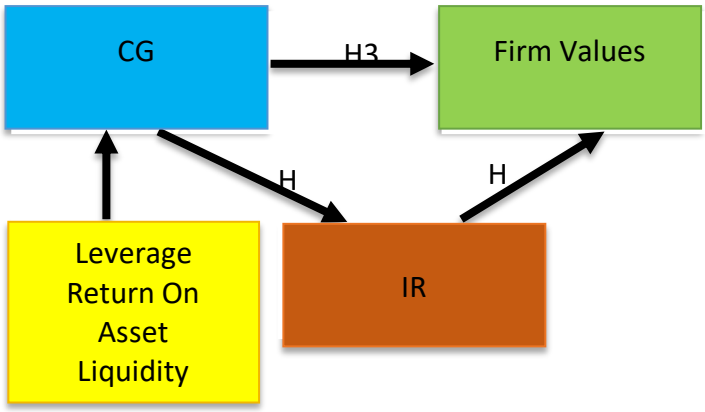

Figure 1. Research Model

3. RESEARCH METHODOLOGY

This research was conducted through a quantitative approach. The population used in this study is banks listed on the IDX in 2021 which amounted to 48 banks. The research sample used is a bank listed on the IDX. The sample was then taken using the purposive sampling method. In Riyanto & Hatmawan (2020), they explained that purposive sampling is a way of determining samples based on special traits that are related to the criteria of the population. The following are the criteria used in this study: (1) Banks listed on the IDX and the minimum recording year of 2017; (2) Banks registered on the IDX and issue annual reports for the period 2017-2020; (3) Banks registered on the IDX and issued the ASEAN Corporate Governance Scorecard at least in 2017.

This study used secondary data obtained from the official website of the sample company, the official website of IDX, and other sites. Secondary data is a collection of data that the researcher obtains indirectly or obtains by third parties (Martins, et al., 2018; Echdar, 2017). The medium used in collecting secondary data is the official website of each of the companies selected to be sampled in this study.

Data analysis software was conducted in this study using E-Views. The testing will be carried out through the following stages; (1) Chow test; (2) Hausman test; (3) LM test; (4) interpretation of the results of regression model estimates; (5) hypothesis testing; (6) coefficient of determination.

4. RESULTS AND DISCUSSION

Descriptive Analysis of Corporate Governance

CG measurement used the ASEAN Corporate Governance Scorecard (ACGS), which is a benchmark for assessing corporate CG practices in Southeast Asia and is an initiative of the ASEAN Capital Market Forum. CG is measured using a valuation scale from 0 to 1, where a score of 1 indicates that the bank implements all ACGS indicators.

Table 1. Descriptive Statistics ASEAN Corporate Governance Scorecard

Issuer Code	Year			
	2017	**2018**	**2019**	**2020**
BBCA	1,000	1,000	1,000	1,000
BBRI	1,000	1,000	1,000	1,000
BBTN	0,933	0,933	0,933	0,933
BNGA	0,933	0,933	0,933	0,933
BMRI	1,000	1,000	1,000	1,000
BNII	0,933	0,933	0,933	0,933
NISP	0,933	0,933	0,933	0,933
BNLI	0,993	0,993	0,993	1,000
Average	**0,966**	**0,966**	**0,966**	**0,967**
Std. Deviation	**0,035**	**0,035**	**0,035**	**0,036**
Highest	**1,000**	**1,000**	**1,000**	**1,000**
Lowest	**0,933**	**0,933**	**0,933**	**0,933**

In Table 1, it can be seen that the average ACGS of banks listed on the Indonesia Stock Exchange for the 2017-2020 period is in the range of 0.966 to 0.967 or close to 1. This means that the eight banks have almost implemented all the indicators contained in the ACGS.

Descriptive Analysis of Integrated Reporting

IR is a form of corporate reporting with the latest innovation developments that aim to improve the usefulness of company reporting effectively in the short to long term. In this study, IR was measured through 35 IRSCORE indicators.

Table 2. Descriptive Statistics of Integrated Reporting

Issuer Code	Year			
	2017	**2018**	**2019**	**2020**
BBCA	0,942	0,942	0,942	0,942
BBRI	0,885	0,885	0,885	0,885
BBTN	0,857	0,857	0,885	0,885
BNGA	0,885	0,885	0,885	0,885
BMRI	0,914	0,942	0,942	0,942
BNII	0,885	0,885	0,885	0,885
NISP	0,828	0,828	0,828	0,828
BNLI	0,828	0,828	0,885	0,885
Average	**0,878**	**0,882**	**0,892**	**0,892**
Std. Deviation	**0,040**	**0,044**	**0,037**	**0,037**
Highest	**0,942**	**0,942**	**0,942**	**0,942**
Lowest	**0,828**	**0,828**	**0,828**	**0,828**

In Table 2 above, it can be seen that the average IR in banks listed on the Indonesia Stock Exchange for the 2017-2020 period continues to show an increase. This means that banks on the Indonesia Stock Exchange continue to improve their innovation in reporting.

Descriptive Analysis of Firm Value

The value of the company is a value that is often associated with the share price, which reflects the success of managers in managing the company's resources. In this study, the firm value was measured through Tobin's Q ratio, which is the ratio of market value to the company's total assets.

In Table 3 above, it can be seen that the average ratio of Tobin's Q banking listed on the Indonesia Stock Exchange for the 2017-2020 period is always greater than 1. This means that the value of banks listed on the Indonesia Stock Exchange is already high

Table 3. Descriptive Statistics of Firm Values

Issuer Code	Year			
	2017	**2018**	**2019**	**2020**
BBCA	1,539	1,588	1,702	1,599
BBRI	1,250	1,205	1,218	1,186
BBTN	1,001	0,949	0,936	0,940
BNGA	0,989	0,938	0,931	0,943
BMRI	1,122	1,070	1,050	1,012
BNII	0,983	0,947	0,935	0,983
NISP	0,998	0,972	0,954	0,947
BNLI	0,973	0,967	1,071	1,268
Average	**1,107**	**1,079**	**1,100**	**1,110**
Std. Deviation	**0,199**	**0,225**	**0,263**	**0,233**
Highest	**1,539**	**1,588**	**1,702**	**1,599**
Lowest	**0,973**	**0,938**	**0,931**	**0,940**

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Descriptive Analysis of Leverage

Leverage is the use of debt by a company to conduct its business or investment activities. In this study, leverage was measured through the debt to asset ratio, which describes the proportion of a company's debt to total assets.

Table 4. Descriptive Statistics of Leverage

Issuer Code	Year			
	2017	**2018**	**2019**	**2020**
BBCA	81,957	81,044	80,531	82,332
BBRI	85,141	85,714	83,511	84,558
BBTN	85,680	86,081	86,425	88,972
BNGA	86,125	85,164	84,226	85,387
BMRI	78,957	78,349	77,812	80,546
BNII	88,009	85,867	84,218	84,284
NISP	85,834	85,927	84,691	85,541
BNLI	85,498	85,315	85,112	82,263
Average	**84,650**	**84,183**	**83,316**	**84,235**
Std. Deviation	**2,842**	**2,877**	**2,791**	**2,583**
Highest	**88,009**	**86,081**	**86,425**	**88,972**
Lowest	**78,957**	**78,349**	**77,812**	**80,546**

In Table 4 above, it can be seen that the average debt-to-asset ratio of banks listed on the Indonesia Stock Exchange shows a downward trend during the 2017-2019 period, but again increased in 2020. The average debt-to-asset ratio of banks listed on the Indonesia Stock Exchange is always above 80% and can be said to be high.

Descriptive Analysis of Profitability

This study measures profitability using return on assets, which is a ratio that measures the ability of company management to manage company assets to make a profit.

In Table 5 above, it can be seen that the average return on assets in banks listed on the Indonesia Stock Exchange shows a decrease in 2019-2020. Even in 202 00 returns on assets in banks listed on the Indonesia Stock Exchange experienced a very large decline.

Table 5. Descriptive Statistics of Profitability

Issuer Code	Year			
	2017	2018	2019	2020
BBCA	3,108	3,134	3,109	2,524
BBRI	2,579	2,500	2,429	1,234
BBTN	1,158	0,916	0,067	0,444
BNGA	1,118	1,305	1,327	0,716
BMRI	1,907	2,150	2,159	1,235
BNII	1,074	1,274	1,138	0,741
NISP	1,415	1,520	1,627	1,019
BNLI	0,505	0,589	0,929	0,365
Average	**1,608**	**1,674**	**1,598**	**1,035**
Std. Deviation	**0,867**	**0,854**	**0,953**	**0,685**
Highest	**3,108**	**3,134**	**3,109**	**2,524**
Lowest	**0,505**	**0,589**	**0,067**	**0,365**

Descriptive Analysis of Firm Size

The size of the wealth that the company has is described by the size of the company. In this study, the size of the company is measured by the total assets, which is the total wealth that the company has.

Table 6. Descriptive Statistics of Firm Size

Issuer Code	Year			
	2017	2018	2019	2020
BBCA	34,252	34,346	34,454	34,612
BBRI	34,658	34,799	34,887	34,952
BBTN	33,197	33,356	33,373	33,520
BNGA	33,216	33,217	33,246	33,269
BMRI	34,656	34,723	34,815	34,896
BNII	32,786	32,810	32,761	32,786
NISP	32,667	32,788	32,828	32,960
BNLI	32,630	32,661	32,715	32,918
Average	**33,508**	**33,587**	**33,635**	**33,739**
Std. Deviation	**0,876**	**0,896**	**0,934**	**0,928**
Highest	**34,658**	**34,799**	**34,887**	**34,952**
Lowest	**32,630**	**32,661**	**32,715**	**32,786**

In Table 6 above, it can be seen that the average total banking assets listed on the Indonesia Stock Exchange continue to increase in the 2017-2020 period. The largest asset is owned by Bank Rakyat Indonesia, while the smallest asset is owned by Bank Permata.

Descriptive Analysis of Liquidity

The company's performance in fulfilling its short-term obligations can be interpreted as liquidity. In this study, liquidity measurement used the current ratio, which is the ratio of current assets to short-term debt.

In Table 7 above, it can be seen that the average liquidity of banks listed on the Indonesia Stock Exchange is always greater than 1. This means that banks listed on the Stock Exchange have high liquidity for the 2017-2020 period.

Table 7. Descriptive Statistics of Liquidity

Issuer Code	Year			
	2017	2018	2019	2020
BBCA	1,224	1,219	1,229	1,203
BBRI	1,205	1,222	1,278	1,231
BBTN	1,282	1,262	1,248	1,170
BNGA	1,211	1,223	1,246	1,206
BMRI	1,245	1,265	1,295	1,251
BNII	1,195	1,222	1,253	1,222
NISP	1,204	1,240	1,245	1,151
BNLI	1,134	1,136	1,164	1,243
Average	**1,212**	**1,224**	**1,245**	**1,210**
Std. Deviation	**0,043**	**0,040**	**0,039**	**0,035**
Highest	**1,282**	**1,265**	**1,295**	**1,251**
Lowest	**1,134**	**1,136**	**1,164**	**1,151**

Verification Analysis

This section will examine the effect of CG on IR and its impact on Firm Value. Data processing is carried out with the help of Eviews 9.0 software. The test will be carried out through the following stages: (1) Chow test; (2) Hausman test; (3) LM test; (4) interpretation of the results of regression model estimates; (5) hypothesis testing; (6) coefficient of determination.

Chow Test (Fixed Model vs Common Model)

Chow test is a test performed to determine the type of model to be used, whether common/pool model or fixed model (Gujarati & Porter, 2009). This test is an early detection of whether the panel data to be processed should be estimated using a common/pool model or a fixed model.

Table 8. Chow Test Results for Integrated Reporting Model

Redunandt Fixed Effects Tests
Equation: IR_MODEL
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	12.533706	(7,19)	0.0000
Cross-section Chi-square	55.229407	7	0.0000

Source: Eviews Output Attachments

The results of the Chow test in this study show that fixed effect models are more appropriately used in the estimation of integrated reporting models. This can be seen through the results of the Chow test which is significant at the level of 5% (probability value < 0.05).

Table 9. Chow Test Results For Firm value Model

Redunandt Fixed Effects Tests
Equation: TOBINSQ_MODEL
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	26.036850	(7,18)	0.0000
Cross-section Chi-square	77.095505	7	0.0000

Source: Eviews Output Attachments

The results of the Chow test in this study show that fixed effect models are more appropriately used in estimating firm value models. This can be seen through the results of the Chow test which is significant at the level of 5% (probability value < 0.05).

Hausman Test (Fixed Model vs Random Model)

The Hausman test (model specification test) is a test carried out to determine the type of model used in regression estimation whether fixed model or random model (Gujarati & Porter, 2009). The Hausman test is carried out if the results of the Chow test are significant.

Table 10. Hausman Test Results For Integrated Reporting Model

Correlated Random Effects - Hausman Test
Equation: IR_MODEL
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	4.842340	5	0.4354

Source: Eviews Output Attachments

The results of the Hausman test in this study show that the random effect model is more appropriate for estimating the integrated reporting model, this can be seen from the insignificant Hausman test results at the level of 5% (probability value > 0.05).

Table 11. Hausman Test Results for Firm Value Model

Correlated Random Effects - Hausman Test
Equation: TOBINSQ_MODEL
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	20.585295	6	0.0022

Source: Eviews Output Attachments

The results of the Hausman test show that the fixed effect model is the right choice for estimating the firm value model, this can be seen from the significant Hausman test results at the level of 5% (probability value < 0.05).

LM Test (Common Model vs Random Model)

The Lagrange multiplier test (LM test) in this study was carried out to determine the type of model used in regression estimation whether a common model or a random model (Gujarati & Porter, 2009).

Table 12. LM test results for Model Integrated Reporting

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	17.27151	1.647947	18.91946
	(0.0000)	(0.1992)	(0.0000)

Source: Eviews Output Attachments

The results of the Lagrange Multiplier test in this study show that random models are more appropriate for estimating model Integrated Reporting. This is indicated by the results of a significant LM test at the level of 5% (probability value < 0.05).

Referring to the results of the three model tests, it can be concluded that the random model is the most appropriate choice for ir model estimation. Then for the estimation of the firm value model, the fixed model is the most appropriate choice. This is because the Chow Test and Hausman Test passed a fixed model, while the random model only passed the LM Test. Because the types of models used in the regression model estimation are random effect models and fixed effect models (Generalized Least Square), there is no need to test classical assumptions.

Table 13. LM test Results For Firm Value Model

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	3.796687	0.737741	4.534427
	(0.0514)	(0.3904)	(0.0332)

Source: Eviews Output Attachments

The results of the Lagrange Multiplier test show that the random model is the right choice to estimate the firm value model, this is indicated by the significant LM test results at the level of 5% (probability value < 0.05).

The Effect of Corporate Governance on Integrated Reporting

The effect of CG on IR was used to test hypothesis 1.

Table 14. The Results of The Regression Analysis of The Influence of Corporate Governance on Integrated Reporting

Dependent Variable: IR
Method: Panel EGLS (Cross-section random effects)
Date: 05/27/22 Time: 08:38
Sample: 2017 2020
Periods included: 4
Cross-sections included: 8
Total panel (balanced) observations: 32
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.686308	0.695600	-0.986641	0.1665
CG	0.076317	0.545082	0.140010	0.4449
But	0.000929	0.003131	0.296735	0.3845
Roa	-0.001250	0.006763	-0.184904	0.4274
CR	0.121593	0.113544	1.070891	0.1471
SIZE	0.037885	0.016702	2.268333	0.0159
	Weighted Statistics			
R-squared	0.306977	Mean dependent var		0.147929
Adjusted R-squared	0.173703	S.D. dependent var		0.013603
S.E. of regression	0.012365	Sum squared resid		0.003975
F-statistic	2.303358	Durbin-Watson stat		1.511208
Prob(F-statistic)	0.073675			

Coefficient of Determination

In table 15, it can be seen that the R-square value of 0.983 shows that CG and IR with firm size, liquidity, leverage, and profitability as control variables are able to explain the variance of Tobin's Q ratio of 98.3%. In other words, CG and IR with firm size, liquidity, leverage, and profitability as control variables provide 98.3% increase in the value of banks listed on the Indonesia Stock Exchange.

The Effect of Corporate Governance and Integrated Reporting on Firm Value

The influence of CG and IR on the value of the company is used to test hypotheses 2 and 3.

Table 15. The Results of The Regression Analysis of The Influence of Corporate Governance and Integrated Reporting on Firm Value

Dependent Variable: TOBINS_Q
Method: Panel EGLS (Cross-section weights)
Date: 05/27/22 Time: 08:46
Sample: 2017 2020
Periods included: 4
Cross-sections included: 8
Total panel (balanced) observations: 32
Linear estimation after one-step weighting matrix

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-30.39711	6.218010	-4.888560	0.0001
CG	37.97281	6.345342	5.984360	0.0000
And	0.984494	0.530596	1.855451	0.0400
But	-0.005567	0.007622	-0.730464	0.2373
Roa	0.014312	0.014295	1.001166	0.1650
CR	-0.110878	0.241594	-0.458942	0.3259
SIZE	-0.162695	0.062390	-2.607704	0.0089

Weighted Statistics

R-squared	0.983083	Mean dependent var	1.499227
Adjusted R-squared	0.970864	S.D. dependent var	0.814852
S.E. of regression	0.037340	Sum squared resid	0.025096
F-statistic	80.46102	Durbin-Watson stat	2.202428
Prob(F-statistic)	0.000000		

5. DISCUSSION OF RESEARCH RESULTS

The Effect of Corporate Governance on Integrated Reporting

The results of hypothesis 1 testing showed that CG had no effect on IR. This is supported by Cooray, et al (2020) research stating that most elements of the CG have no influence in providing quality information for stakeholders in the process of creating value through the IR, except for board size variables with the availability of separate risk management committees. These results are contradictory to research by Mawardani & Harymawan, (2021) and Hapsari, et al (2019) that says that CG affects IR. Of the 134 ACGS indicators, some banks did not fulfill the 8 indicators. The following are the indicators of ACGS that are not fulfilled: (1) Shareholders' Rights: Do shareholders have the right to participate in the authority to add shares?; (2) Equal Treatment of Shareholders: Is the process of appointing/re-appointment of auditors clearly identified?; (3) Duties and Responsibilities of the Board: Does the company have a time limit of 9 years or less or less for independent directors/commissioners?; (4) Duties and Responsibilities of the Board: Is the nomination committee composed of a majority of independent directors/commissioners?; (5) Duties and Responsibilities of the Board: Does the company require a quorum of at least 2/3 of the board's decisions?; (6) Duties and Responsibilities of the Board: Is the chairman an independent director/commissioner?; (7) Duties and Responsibilities of the Board: Is there a director who is the former CEO of the company in the last 2 years?; (8) Duties and Responsibilities of the Board: If the chairman is not independent, has the board appointed a senior independent leader/director and has his or her role been determined?

In Table 1, it can be seen that the average ACGS of companies listed on the Indonesia Stock Exchange during the 2017-2020 period is in the range of 0.966 to 0.967 or close to 1. This

means that the eight banks have almost implemented all the indicators contained in the ACGS. Although it is high, the average is stagnant, showing no significant improvement. This may be due to the presence of 8 indicators that were not met by some companies during the period 2017-2020 which are suspected to be the cause of CG not affecting IR. Meanwhile, table 2 shows that the average IR in 2017-2020 showed an increase. In this regard, banking companies on the IDX continue to improve the quality of their financial reporting.

The Effect of Corporate Governance on Firm Value

The test results above show that CG has a positive effect if on the value of banks listed on the Indonesia Stock Exchange. CG has a coefficient that is positively marked on the value of the company, indicating that the increase in firm value is due to the better implementation of CG. The results of this study are in line with the studies conducted by Siagian, et al (2013), Pae & Choi (2011), Cheung, et al., (2014) and Li, et al (2012), and show that CG has a positive and significant effect on the value of the company. In Table 1 it can be seen that all companies have implemented most of the indicators contained in the ACGS. Then, in Table 3, it can also be seen that the average value of the company has increased, which indicates that the value of the company is already high.

Effect of Integrated Reporting on Firm Value

The results of this test show that IR has a positive effect on the value of banks listed on the Indonesia Stock Exchange. IR has a coefficient that is positively marked against the value of the company, indicating that the increase in firm value is due to the better implementation of IR. The results of this study are also in line with the studies carried out by Lee & Yeo (2016), El-Deeb (2019), and Martinez (2015), and show that IR has a positive effect on the value of the company. The results of the study are also in line with Tezuka (2019) statement that states companies in Japan are now focused on sustainable corporate value creation and adding insight to business leaders about business models and strategies. In Indonesia, the issue of IR is also a concern. This is evidenced by the increasingly active banking implementation IR elements every year in Table 2. Then, the average firm value for 2017-2020 in Table 3 continues to increase. This means that the value of banks listed on the Indonesia Stock Exchange is already high.

6. CONCLUSIONS AND SUGGESTIONS

Conclusion

Based on the formulation of the problem above, the data test is concluded as follows: (1) Corporate Governance has no effect on Integrated Reporting on banks listed on the Indonesian Stock Exchange; (2) Corporate Governance has a positive effect on the Firm Value in banks listed on the Indonesia Stock Exchange; (3) Integrated Reporting positively affects the Firm Value in banks listed on the Indonesia Stock Exchange.

Suggestion

Here are suggestions that can be used in future research:

(1) The results of this study are expected to provide input and become a consideration for managers in the banking sector to implement, pay attention to CG and IR in the company. These things will make the value of the company higher; (2) The results of this study are expected to be a reference material in the scientific field of accounting and be further developed with similar topics in the future; (3) There is a limit in the number of samples used in this study. Therefore, further research is expected to expand the population area and samples used, not only limited to the banking sector on the Indonesia Stock Exchange as well, but from other sectors such as manufacturing, mining, and others.

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