The Effect of Corporate Governance Disclosures, Accounting Conservatism and Ownership Structure on Firm Value (Study in Industrial Sub-Sector of Indonesian Stock Exchange on 2018-2020)

by Turnitin Indonesia

The Effect of Corporate Governance Disclosures, Accounting Conservatism and Ownership Structure on Firm Value
(Study in Industrial Sub-Sector of Indonesian Stock Exchange on 2018-2020)

DINO LIGIA ZELVIAN
Department Accounting, Bhayangkara Jakarta Raya University
INDONESIA

ALOYSIUS HARRY MUKTI
Department Accounting, Bhayangkara Jakarta Raya University
INDONESIA

Abstract: This research was conducted to analyze, observe and test the effect of corporate governance disclosure, accounting conservatism, ownership structure on firm value. The object of this research is the industrial sub-sector companies listed on the IDX during the 2018-2020 period. The sample selection used the purposive sampling method with a total of 96 samples that met the criteria. The analytical method used multiple linear regression analysis with help of the SPSS statistical program. The results show that (1) The corporate governance disclosure has a positive effect on firm value., (2) accounting conservatism has a positive effect on firm value, (3) managerial ownership has no effect on firm value, (4) institutional ownership has no effect on firm value.

Keywords: Corporate Governance Disclosure, Accounting Conservatism, Ownership Structure, Firm Value

Received: August 25, 2021. Revised: October 19, 2022. Accepted: November 25, 2022. Published: December 31, 2022.

1 Introduction

Firm value is an illustration of the condition of a company where there is a special value from potential investors on the company's financial performance. High corporate value is the desire of the company owner, this is because with high corporate value, it will also provide high prosperity for shareholders [1]. An increase in the value of the company will also increase the reaction of the stock market because it is assumed that the returns received will be higher and the risks borne by investors will be lower [2]. Therefore investors will be more confident in buying shares of companies that have high value. Case in 2018 [3] cited that in MYRX's 2016 annual financial report it was proven to have violated capital market laws because it recognized revenue in advance and presented a sale and purchase agreement in the annual financial report. Financial Services Authority sanctioned Mr. Benny Tjokrosaputri alias Bentol as Main Director of Hanson International. According to the Financial Services Authority, there are values that conflict with capital market laws, including the recognition of revenue using the full accrual method for the sale of ready-to-build plots worth IDR 732 billion which was reported in the financial statements for that period. This revenue recognition led to an overstated December 2016 financial report with a value of IDR 613 billion. The directors of MYRX and Tabrani were judged to be responsible for the financial statements, so they were sanctioned in the amount of IDR 100 million, while Hanson International was penalized in the amount of IDR 500 million and ordered by the ojek to present the financial statements again. In fact, in Indonesia there are already references in recording the preparation of financial reports, SAK gives freedom to managers to choose the method according to their wishes in order to produce different financial reports according to the needs and conditions in the company. The choice is intended so that the company presents financial statements that reflect the actual condition of the company but sometimes it is used for other purposes. Financial report manipulation usually occurs for several reasons [4]. Good corporate governance is one way to minimize agency conflicts that occur within the company between management and company shareholders [5]. Provisions related to GMS for Public Companies have been regulated in the Financial Services Authority Regulation SE OJK.04/2021 concerning Planning and Organizing Meetings Public Company Shareholders, Regulation of the Capital Market and Financial Institution

Supervisory Agency Number IX.J.1, Attachment to the Decree of the Chairman of the Capital Market and Financial Institution Supervisory Agency Number: KEP-179/BL/2008 dated 14 May 2008 concerning Main Articles of Association of Companies Conducting Public Offerings of Equity and Implied Securities Limited Company. Based on research [6] Stating that the size of the board of commissioners has a positive effect on firm value, while managerial ownership, public ownership, and foreign ownership have a negative effect on firm value. Institutional ownership and amnesty have no effect on firm value. According to [7] that corporate governance affects firm values. Accounting conservatism can be interpreted as a principle to avoid cumulative profits by maximizing the worst possible and minimizing the best possible. research says that conservatism has an effect on profits and firm value [8]. In addition to the factors of good corporate governance and accounting conservatism, the ownership structure also influences the value of the company. In principle, the ownership structure has several distributions within the company. Some researchers say that ownership structure has an effect on firm value [9].

2 Hypothesis Development

2.1. The Effect of Disclosure of Good Corporate Governance on Firm value

According to [10] examines corporate governance on firm value and the results state that corporate governance of the board of commissioners has a positive effect on firm value. In this study in line with research [11] which also shows that good corporate governance has a positive effect on firm value. This means that if the company uses good corporate governance, the value of the company will also improve.

Based on the description above regarding the relationship between good corporate governance and firm value, the research hypothesis is proposed as follows:

H1 : Good corporate governance has a positive effect on firm value

2.2. The Effect of Accounting Conservatism on Firm Value

According to [12] tested accounting conservatism on firm value and the results stated that accounting conservatism had a positive effect on firm value. In this study in line with research [13] which also shows that accounting conservatism has a positive effect on firm value. This means that if the company uses accounting conservatism, the company will be slow in recognizing profits.

Based on the description above regarding the relationship between accounting conservatism and firm value, the research hypothesis is proposed as follows:

H2 : Accounting conservatism has a positive effect on firm value.

2.3. The Effect of Managerial Ownership on Firm Value

According to [14] examines managerial ownership of firm value and the result is that managerial ownership has a positive effect on firm value. In this study in line with research [15] which also shows that managerial ownership has a positive effect on firm value.

Based on the above research regarding managerial ownership and firm value, the research hypothesis is proposed as follows:

H3 : Managerial ownership has a positive effect on firm value

2.4. The Effect of Institusional Ownership on Firm Value

According to [16] examines institutional ownership on firm value and the result is that institutional ownership has a positive effect on firm value. In this study in line with [15] which also shows that institutional ownership has a positive effect on firm value.Based on the above research related to institutional ownership research with firm value, the research hypothesis is proposed as follows:

H4 : Institutional ownership has a positive effect on firm value

3 Research Method

3.1 Operational Research Variables

Dependent Variables

1) Firm Value

The variable in this research is firm value Firm value can be measured using several formulas, one of which is the company's share price because the company's stock market price reflects the overall investor assessment of each equity owned [14] The Price book value (PBV) formula compares the market price per share to the value of the share the formula as follows:

$$\frac{P}{B} Ratio = \frac{Market\ price\ per\ share}{Book\ value\ per\ share}$$

Independent Variables

1) Governance Disclosure

According to [17] Good Corporate governance or corporate governance is a system that runs and increases the value of shares. A system that regulates the relationship between management and owners, both majority and minority shareholders in a company.

2) Accounting Conservatism

Accounting conservatism is vigilance in dealing with uncertainties in economic and business activities. Accounting conservatism is considered a reaction that shows a cautious attitude in view of uncertainty in the future [18]. Accounting conservatism formula :

$$Cio = Nio - CFo$$

Cio : Company conservatism level at time t
Nio : Net profit form the company operation
CFo : Cash flow from operating activities

3) Management Ownership

Management ownership, namely shareholders who actively participate in decision making in the company [19]. Management ownership in research is measured by the formula below:

$$O\ M = \frac{Total\ shares\ of\ the\ managerial}{Total\ shares\ of\ subsidiary} x\ 100\%$$

O M : Ownership Manajerial

4) Institusional Ownership

Institutional ownership, namely the ownership of company shares by institutions, such as banks, insurance companies, investment companies and other institutions [20].

$$O\ I = \frac{Total\ shares\ of\ the\ institutional}{Total\ shares\ of\ subsidiary} x\ 100\%$$

O I : Ownership Institutional

3.2 Data Source and Method

In taking the sample of this study using the purposive sampling method, the total sample of the study was 96 respondents. This study uses data analysis methods which include descriptive statistical analysis, classical assumption testing, and hypothesis testing using multiple linear regression

4 Result and Discussion

4.1 Hypothesis Testing

The results of hypothesis testing in this study were used to test the effect of the independent variables, namely Disclosure of Corporate Governance (X1), Accounting Conservatism (X2), Managerial Ownership (X3), Institutional Ownership (X4), Against Firm Value (Y). Hypothesis testing was carried out using the t test and f test.

4.1.1 Coefficient of Determination Test (R-Square)

The coefficient of determination test was carried out to find out how far the model's ability to explain independent variation. If the research uses simple regression analysis, then what is used as a consideration is the R Square value. However, when using multiple regression analysis, the Adjuster R Square value is considered. In this study using multiple linear regression analysis, so that what is seen is the Adjuster R Square value. The magnitude of the coefficient of determination is between 0 and 1. If the value is close to 0, it indicates that the independent variables in explaining the dependent variable are very limited. Meanwhile, if the value is close to 1, the independent variable will provide almost all the information needed to predict the dependent variable.

Table 1. Coefficient of Determination (R-Square)

Model	*R*	*R Square*	*adj. R Square*	*Std. Error of the Estimate*
1	0.816a	0.665	0.647	0.87422
a. Predictors: (Constant), Corporate governance disclosure, Accounting conservatism, Managerial ownership, Institusional ownership				
b. Dependent Variable : firm value				

Based on table 1, it can be seen that the Adjusted R Square value is 0.647 or 64.7%. This means that the ability of the independent variables consisting of disclosure of corporate governance, accounting conservatism, managerial ownership, institutional ownership can explain the influence of the dependent variable on firm value of 64.7%. While the remaining (100% - 64.7%) 35.3% is influenced by other variables not present in this study.

4.1.2 Simultaneous Significance Test (F statistic test)

The joint regression coefficient test (f test) was carried out to determine the ability of all the independent variables used in this study to influence the dependent variable together. The f test is also used as an explanation of the independent variable on the dependent variable and to test whether the research model is feasible to use. The basis for decision making from the f test is as follows:

a. If f count > f table or sig value <0.05 then the research model is feasible to use.
b. If f count < f table or sig value > 0.05 then the research model is not feasible to use.

The results of testing the hypothesis using the f test can be seen in table 4.8 as below:

Table 2. F-Test

ANOVAa						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	112,335	4	28,084	36,746	,000b
	Residual	56,555	74	0,764		
	Total	168,890	78			

a. Dependent Variable : TAV

b. Predictors: (Constant), Corporate governance disclosure, Accounting conservatism, Managerial ownership, Institusional ownership, firm value

Based on table 2, it can be seen from the significance of 0.000 indicating that it is smaller than 0.05. So that it can be said that the independent variables consisting of corporate governance disclosures, accounting conservatism, managerial ownership, institutional ownership, jointly affect the dependent variable, namely firm value, and the variables in this study are declared fit for use or included in the model. study.

4.1.3 Partial Coefficient (Test Statistical t)

The following are the results of the individual parameter significance test (t statistical test) in this study:

Table 3. Test Statistic t

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.042	0.453		2.297	0.024
	(X1)	1.179	0.591	0.136	1.994	0.050
	(X2)	3.077E-7	0.000	0.806	11.778	0.000
	(X3)	-0.262	0.603	-0.032	-0.435	0.665
	(X4)	0.365	0.346	0.078	1.054	0.295

Dependent Variable : TAV

Based on table 3, the conclusions that can be drawn are as follows:

1) The corporate governance disclosure variable has a significant value of 0.050 equal to 0.050. Thus, H1, the corporate governance disclosure variable has a positive effect on firm value.
2) The accounting conservatism variable is significant, namely 0.000, which is less than 0.05. Thus H2 accounting conservatism variable has a positive effect on firm value.
3) The management ownership variable has a significant value of 0.665 which is greater than 0.05. Thus, H3 is rejected, which means that managerial ownership has no effect on firm value.
4) The institutional ownership variable has a significant value namely 0.295, greater than 0.05. Thus, H4 is rejected, which means that institutional ownership has no effect on firm value.

Discussion

1) The Effect of Corporate Governance Disclosure on Firm Value

Based on the results of statistical test, the corporate governance disclosure variable has a positive effect on firm value. As shown in table 3, the significant level of the corporate governance disclosure variable is 0.050 or equal to 0.050 with a coefficient value of 1.179 so that the first hypothesis is accepted. With the conclusion that disclosure of corporate governance has a positive effect on firm value. The results of this study are in line with the research [10] examines corporate governance on firm value and the results state that corporate governance of the board of commissioners has a positive effect on firm value. In this study is also in line with research [11] which also shows that good corporate governance has a positive effect on firm value. This means that if the company uses good corporate governance, the value of the company will also improve.

2) The Effect of accounting Conservatism on Firm Value

Based on the results of statistical tests, the accounting conservatism variable has a positive effect on firm value. As table 4.9 shows that the significant level of the accounting conservatism variable is 0.000 or less than 0.050 with a coefficient value of 3.078 so that the second hypothesis is accepted. With the conclusion that accounting conservatism has a positive effect on firm value. This research is in line with research [12] tested accounting conservatism on firm value and the results stated that accounting conservatism had a positive effect on firm value. In this study is also in line with research [13] which also shows that accounting conservatism has a positive effect on firm value. This means that if the company uses accounting conservatism, the company will be slow in recognizing profits.

3) The Effect of Managerial Ownership on Firm Value

Based on the results of statistical tests, the management ownership variable has no effect on firm value. As shown in table 3, the significant level of managerial ownership is 0.665 or greater than 0.05, so the third hypothesis is rejected. This research is different from the research results [14] which examines managerial ownership of firm value and the result is that managerial ownership has a positive effect on firm value. And [15] which also shows that managerial ownership has a positive effect on firm value. The results of this study are in line [21] examines research on the effect of company ownership on firm value with the results of research saying managerial ownership of managerial ownership on firm value is rejected, this research is also in line with research [21] examines the analysis of the effect of institutional ownership and managerial ownership on firm value, which states that managerial ownership has no significant effect on firm value.

4) The Effect of Institutional Ownership on Firm Value

Based on the results of statistical tests, the institutional ownership variable has no effect on firm value. As seen in table 4.9 that the significant level of institutional ownership is 0.295 or greater than 0.05 so that the fourth hypothesis rejected. This research is not in line with research [16] examines institutional ownership on firm value and the result is that institutional ownership has a positive effect on firm value. In this study is also not in line with research [15] which also shows that institutional ownership has a positive effect on firm value. This research is in line with [22] examines the analysis of the effect of institutional ownership and management ownership on firm value which states that institutional ownership has no significant effect on firm value because it has a significance value of 0.419 > 0.05.

5. Conclusion and Further Research

Based on the test results and discussion regarding the effect of corporate governance disclosures, accounting conservatism, managerial ownership, institutional ownership in industrial sector companies recorded on the IDX for the 2018-2019 period, it can be concluded that:

1) The corporate governance disclosure has a positive effect on firm value.
2) Accounting conservatism has a positive effect on firm value.
3) Managerial ownership has no effect on firm value.
4) Institutional ownership has no effect on firm value.

Further research can consider several suggestion, such as:

1) This research focus on industrial sector, but there's another sector such as consumer goods or energy sector
2) time period observation can be more expand in to 5 years observation
3) next research can consider control variables, such as leverage or firm size

References:

[1] Utami, RB (2018). The Influence of Managerial Ownership Structure, Operating Cash Flow and Total Asset Turnover (TATO) on Firm Value with Financial Distress as an Intervening Variable (Case Study in the Coal Mining Sub-Sector Listed on the IDX 2012-2016. Journal of Accounting, 1–20

[2] Octaviani, K., & Suhartono, S. (2021). The Role of Earnings Quality in Mediating the Effect of Accounting Conservatism on Firm Value. Journal of Business Accounting, 14(1),38-57 .https://doi.org/10.30813/jab.v14i1.2215

[3] Sandria, F. (2021). financial report manipulation. CNBC Indonesia. https://www.cnbcindonesia.com/market/20210726191301-17-263827/deretan-skandal-lapkeu-di-pasar-saham-ri-indofarma-hanson/2

[4] Jao, R., & Ho, D. (2019). The Effect of Ownership Structure and Debt Covenant on Accounting Conservatism. Jambi Journal of Accounting Research, 2(2), 1–13. https://doi.org/10.35141/jraj.v2i2.426

[5] Istianingsih. (2021). Earnings Quality as a link between Corporate Governance Implementation and Firm Performance. International Journal of Management Science and Engineering Management, 16(4), 290–301. https://doi.org/10.1080/17509653.2021.1974969

[6] Oktapani, S. (2020). The Influence of Good Corporate Governance, and Tax Amnesty on Company Value. Indonesian Journal of Economics and Business, 5(01), 4–10.

[7] Pamungkas, Imang Dapit, Purwantoro, Maylia Pramono Sari & Hersugondo. (2022) .Corporate Governance and Financial Performance on Firm Value : The Case of Indonesia. WSEAS Transactions on Business and Economics. Vol 20. https://doi.org 10.37394/23207.2023.20.10/

[8] Zulfiara, P., & Ismanto, J. (2019). The Effect of Accounting Conservatism and Tax Avoidance on Firm Value. Indonesian Journal of Sustainable Accounting, 2(2), 134. https://doi.org/10.32493/jabi.v2i2.y2019.p134-147

[9] Fahdiansyah, R., Qudsi, J., & Bachtiar, A. (2018). Ownership Structure and Company Value: (Study of Manufacturing Companies Listed on the Indonesian Stock Exchange). Journal of VARIAN, 1(2), 41–49. https://doi.org/10.30812/varian.v1i2.70

[10] Nurhandika, A. & Hamzah, A. (2019). The Influence of Corporate Governance on Disclosure of Social Responsibility and Its Impact on Corporate Values. Socio E-Cons, 11(3), 249–258

[11] Triyuwono, E., Ng, S., & Daromes, FE (2020). Corporate Governance as a Risk Management Mechanism to Increase Corporate Value. Accounting, Auditing & Information Research Media, 20(2), 205–220. https://doi.org/10.25105/mraai.v20i2.5597

[12] Ismanto, J. & Zulfiara, P. (2019). The Effect of Accounting Conservatism and Tax Avoidance on Firm Value. Indonesian Journal of Sustainable Accounting, 2(2), 134. https://doi.org/10.32493/jabi.v2i2.y2019.p134-147

[13] Dhamendra, W. &. (2021). Effect of Accounting Conservatism and Accounts Receivable Turnover on Corporate Value with Corporate Governance as a Moderating Variable. Journal of Accounting, 7(1), 39–62. https://journal.ubpkarawang.ac.id/index.php/Accounting/article/view/2103

[14] Dewi, LS, & Abundanti, N. (2019). The Influence of Profitability, Liquidity, Institutional Ownership and Managerial Ownership on Firm Value. Udayana University E-Journal of Management, 8(10), 6099. https://doi.org/10.24843/ejmunud.2019.v08.i10.p12

[15] Harun, P., Kintan, B., Yosilia, M., Pamela, M., Irfa, M., Ridho, MR, & Malona, S. (2020). The Effect of Ownership Structure on Firm Value with Dividend Policy as an Intervening Variable: A Study of Manufacturing Companies in Indonesia. Journal of Economics, Management and Banking, 6(3), 122–131.

[16] Awaluddin, A., Sjahruddin, H., Tadjo, M., & Syahrani, PN (2020). Company. 21(2).

[17] Franita, R. (2018). Good Corporate Governance Mechanisms and Corporate Values: A Study for Telecommunication Companies. https://books.google.co.id/books?id=fxeZDwAAQBAJ&dq=according to+peneliti+good+corporate+governance&lr=&hl=id&source=gbs_navlinks_s

[18] Febriani, E., Maslichah, & Junaidi. (2020). The Effect of Good Corporate Governance Mechanisms, Brand Name Audits and Company Size on Accounting Conservatism in Manufacturing Companies Listed on the Indonesia Stock Exchange in 2016-2018. E-Jra, 9(12), 15–29.

[19] Mandjar, Yustina Triyani, SL (2019). Effect of Company Growth, Profitability, Liquidity, Capital Structure and Ownership Structure on Company Value. Journal of Accounting, 8(1), 55–72. https://doi.org/10.46806/ja.v8i1.497

[20] Rismayanti, EM, Yusralaini, & Safitri, D. (2020). Ownership Structure, Debt Policy and Firm Value: Dividend Policy as a Moderating Variable. Current: Recent Journal of Accounting and Business Studies, 1(1), 68–88. https://doi.org/10.31258/jc.1.1.68-88

[21] Astinika, FNUR, Management, PS, Economics, F., Business, AND, & Surakarta, UM (2022). Moderated Company Value Company Size in Lq45 Companies Listed on the Indonesia Stock Exchange for the 2017-2019 period.

[22] Suparlan, SE, MS (2019). Analysis of the Influence of Institutional Ownership and Managerial Ownership on Firm Value with the Proportion of Independent Commissioners as a Moderating Variable (Empirical Study of Consumer Goods Industry Companies Listed on the Exchange (ALIANSI), Journal of Islamic Accounting and Finance, 2(1), 48–65 .

The Effect of Corporate Governance Disclosures, Accounting Conservatism and Ownership Structure on Firm Value (Study in Industrial Sub-Sector of Indonesian Stock Exchange on 2018-2020)

ORIGINALITY REPORT

18%	10%	7%	9%
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

PRIMARY SOURCES

1	Submitted to Heriot-Watt University Student Paper	3%
2	www.owner.polgan.ac.id Internet Source	3%
3	e-journal.uac.ac.id Internet Source	2%
4	Submitted to Tarumanagara University Student Paper	2%
5	Sigit Handoyo, Nina Nathania, Ahada Nurfauziya. "Audit Delay of Manufacturing Companies in Indonesia", International Journal of Economics, Business and Management Research, 2022 Publication	1%
6	vdocuments.mx Internet Source	1%

Submitted to Universiti Selangor

7	Student Paper	1 %
8	Submitted to University of Strathclyde Student Paper	1 %
9	ojs.unimal.ac.id Internet Source	1 %
10	Shinta Permata Sari, Himmatus Sholikhah. "LIQUIDITY RISK DISCLOSURE: A REVIEW OF CORPORATE GOVERNANCE", Riset Akuntansi dan Keuangan Indonesia, 2019 Publication	1 %
11	www.gmf-aeroasia.co.id Internet Source	1 %
12	jurnal.umj.ac.id Internet Source	<1 %
13	smartfactory.skku.edu Internet Source	<1 %
14	www.testmagzine.biz Internet Source	<1 %
15	Jones, Sarah L.. "A Proposed Methodology to Quantify ESG Metrics to Better Explain the Impact on Market Value: A Case Study of Gold Mining", Colorado School of Mines, 2023 Publication	<1 %
16	jurnal.dim-unpas.web.id Internet Source	

<1%

Exclude quotes	Off	Exclude matches	Off
Exclude bibliography	On		