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The effect of good corporate governance on company value with company size as a moderation variable

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Abstract. Good corporate governance on company value with company size as a moderation variable in the Jakarta Islamic Index (JII). This research is classified as quantitative research, the research data collected is secondary data sourced from the annual report/financial statements of each company with a ratio scale. The population in this study is companies that have consistently entered the Jakarta Islamic Index (JII) stock exchange during the 2019-2023 period, while the data analysis technique used is differential analysis consisting of pre-research tests, MRA results and hypothesis tests. The results of this study show that the influence of Good Corporate Governance has a positive and significant effect on the company's value with a significance value of 0.004 <0.05. The size of the company has a positive effect but is unable to moderate the relationship between Good Corporate Governance and the company's value with a significance value of 0.479> 0.05.

Keywords: Good Corporate Governance, Company Value and Company Size

1. Introduction

Today, the global development of Corporate Governance has resulted in business organizations that rank and assess companies that implement good corporate governance practices and procedures. When a company has implemented good corporate governance and has values and ratings published in its annual report that will later be used by investors and the wider community. The rapid growth of Islamic finance/stocks requires a structured system to anticipate the problems and risks that will be faced, one of which is by implementing sharia governance known as Islamic Corporate Governance (ICG).(Oktafiana and Suryono, 2022) In addition, ICG's goal is to make the Islamic finance industry superior and highly competitive. ICG was previously believed and trusted to be able to create an excellent and integrated financial climate in line with the values it brings, this was also explained by the National Committee for Governance Policy (KNKG) in the Sharia Corporate Governance guidelines which were initially only tried in the banking finance industry.(Rahayu and Sari, 2018) ICG is carried out by various Sharia Commercial Banks in order to maintain the company's good name in the community, this is also a mandatory requirement to create a healthy work environment.(Stone, 2006)

Stock activity today is closely related to investors investing in a company. Investors will tend to read data first related to various things in the company, regarding the feasibility of investment and anticipating the occurrence of fraudulent malpractices.(Irnawati, 2021) ICG becomes a stakeholder and improves the company's compliance with sharia rules and principles.(Bustani, Kurniaty and Widyanti, 2021) However, the ICG has no role in its supervision in related activities.(Machfoedz, 1994)

In addition to these three factors, there are other factors that affect the value of a company, namely the size of the company or the size of the company.(Khairunnisa and Sulfitri, 2024) This measurement is based on the number of assets the company owns.(Hand ayani et al., 2023) The definition is simple, if a company is categorized as small, it means that the assets owned are small and if a company is categorized as large,(at the Bank of England et al., no date) This means that the assets are large.(Deccasari, Saputri and Marli, 2023) Company size is used as one of the aspects to determine the value of the company, this is evidenced by policies, especially in terms of expenditure to achieve company goals in the context of the sharia stock industry.(Bawadi, 2022) In addition, the researcher uses a moderating variable, namely the size of the company,(Ikfiyani, 2020) because there are several types of company shares that are consistently included on the JII stock exchange,(Purnama, 2017) Even though their market capitalization has been declining for several years and is increasing again. The research was conducted by.(Dendi, 2022)

Based on some of the above phenomena, the researcher is literally interested in conducting a study entitled "Good Corporate Governance on Company Value with Company Size as a Moderating Variable (Study of Stocks Consistently Entering JII in the Last 5 Years)".

2. Methods

This study uses a quantitative approach. Quantitative research aims to explain the meaning presented in the quantitative research assessment figures and is not influenced by biased statements from researchers and tends to create the researchers' own perceptions, so that the value of this research is absolute. This quantitative study did not rely on a structured questionnaire. The research approach uses regression and correlation approaches. The regression approach aims to determine the influence or relationship of several variables, while the correlation approach aims to determine the influence of research variables. Knowing the influence of Good Corporate Governance (GCG) X1 on Company Value Y with Company Size M as the Moderator Variable is the purpose of this study. This research was conducted on the Jakarta Islamic Index (JII). And it was held at the beginning of 2019 until the end of December 2023 (5 years).

3. Results and Discussion

The object of this research is a company that is consistently listed/listed on the Jakarta Islamic Index (JII) exchange during the 2019-2023 period. The companies selected as samples for this study are 7 companies with consistent status on the JII stock exchange for 5 consecutive years (2019-2023), namely:

Company Example

Yes	Company Code	Name of Issuer of Securities
1	ADRO	PT. ADARO Energy Tbk
2	AKRA	PT. AKR Corporindo Tbk
3	ICBP	PT. Indofood CBP Sukses Makmur Tbk

4	KLBF	PT. Kalbe Farma Tbk
5	TLKM	PT. Telkom Indonesia (Persero) Tbk
6	UNTR	PT. United Tractor Tbk
7	UNVR	PT. Unilever Indonesia Tbk

Then analyze each of the Company's annual financial statements and is also available on www.idx.co.id to obtain financial statements, as well as www.finance.yahoo.com to obtain the Company's annual share price data recorded every December 30 from 2019-2023.(Moeljono, 2006) Descriptive analysis is a method used to describe and summarize data statistically. The purpose of descriptive analysis is to provide a better understanding of the existing data, both in the form of numbers and graphs. In descriptive analysis, the data that has been collected will be processed and interpreted in order to provide useful information for decision-making. The main goal of descriptive analysis is to present data in a more structured and easy-to-understand way. Using this method, we can identify the patterns, trends, and characteristics of the analyzed data. In addition, descriptive analysis can also be used to compare data from several different groups or variables.

This method involves using data centralization measures such as mean, median, and mode. In addition, this method also uses data dispersion measures such as range, standard deviation, and quartile. Data processing is carried out using Microsoft Excel 2013 and SPSS 29.0.2.0 for Windows software to accelerate the acquisition of data results that can explain the variables studied, namely Profitability, Sharia Maqashid Index and Good Corporate Governance as independent variables, Company Value as a dependent variable and Company Size as a Moderation variable in 2019 - 2023. The explanation of each variable can be seen in the following explanation.

The variables of Good Corporate Governance, for the 2019-2023 period are as follows:

Descriptive Statistics

Descriptive Statistics					
	N	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
GCG	35	0.01	1.69	1.007	0.29334

Source: data processed by SPSS

From table 4.4 above, it can be concluded that the average value of GCG is 1.0070, the minimum value is 0.01 and the maximum value is 1.069.S

For the dependent variable, namely the Company's Value in the 2019-2023 period, it is as follows:

Descriptive Statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
NP	35	0.4	14.42	2.396	3.32749

Source: data processed by SPSS

From table 4.5 above, it can be explained that the average value for the dependent variable is 2.3960, while the minimum value is 0.40 and the maximum value is 14.42.

In this study, the moderation variable was used. The moderating variable is Company Size with the following descriptive statistical values:

Descriptive Statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Up	35	16.63	33.29	23.9707	5.96152

From the data in the table above, it can be explained that the average value of the Company Size is 23.9707, while the minimum value is 16.63 and the maximum value is 33.29.

Differential Analysis

It is a decision model that can be used to evaluate differences in income and costs/expenses associated with various alternative actions.

Normality test

The data to be tested must first meet the normality requirements. Normality testing aims to determine the distribution of data in the variables to be used in the study. Good data that is suitable for use in research is data that has a normal distribution. The declared data is distributed normally if the significance value is greater than 0.05. The results of the analysis of the normality assumption with Kolmogorov-Smirnov on the residual values of the regression equation are presented in the following table:

Table Normality

Kolmogorov-Smirnov Test One Sample		
		Non-Standard Residue
`		35
Normal Parameters, b	Mean	0.0000000
	Std. Deviation	0.43747715
The Most Extreme Differences	Absolute	0.076
	Positive	0.072
	Negative	-0.076
Test Statistics		0.076

Asymp. Sig. (2-tail 2)c	.200d
a. The distribution of the test is Normal.	

Source: data processed by SPSS

From the above data, the results of the table normality test stated that using one kolmogrove-smirnov sample showed that the residual values of independent variables, dependent variables and moderation variables in the number of samples (N) 35 were 0.064 and 0.200. This means that the data disseminated in this study is normal, because the remaining values are greater than 0.05 or 0.064> 0.05 and 0.200> 0.05. So that the regression model can be used in hypothesis testing.

Linearity Test

The classic method of testing the normality of data is not very complicated. Based on the empirical experience of some statisticians, data that is more than 30 numbers (n > 30), can be assumed to be normally distributed. It is usually referred to as a large sample. However, to provide certainty, whether the data owned is distributed normally or not, it is better to use a normality test. Because it is not certain that data that is more than 30 can be guaranteed to be distributed normally, and conversely that data that is less than 30 is not necessarily not distributed normally, for that it requires proof.

Table Linearity Test

ANOVA Table							
			Number of Squares	Df	Square Average	F	Sig.
NP * GCG	Intergroup	Rebellion of linearity	67.724	32	2.116	93.001	0.082
NP * GCG_UP	Intergroup	Rebellion of linearity	62.067	32	1.940	5.211	0.336

Source: data processed by SPSS

Based on table 4.9, the linearity test between the independent variable and the dependent variable is as follows:

The variable X to Y has a deviation from the linearity of the sig. > 0.05 or 0.082 > 0.05, which means that there is a significant linear relationship between the two variables.

The moderator variable M that affects the relationship between X and Y or X_M and Y has a sig value. > 0.05 or 0.336 > 0.05, meaning that there is a significant linear relationship.

MRA Results

In the Moderated Regression Analysis (MRA) model procedure, the integrity of the sample is still maintained as the basis for controlling the influence of moderator variables. This integrity can be seen from the use of interaction variable values obtained from the multiplication of independent variables with moderator variables. Although this method still has a drawback, namely the occurrence of high multicollinearity between independent variables.

Some of the linear equations and MRA are as follows:

$$Y = a + b_1 x_1$$

$$Y = a + b_1 x_1 + b_4 x_1 * M +$$

MRA test table

Coefficient						
Kind		Non-Standard Coefficients B	Non-Standard Coefficients Std. Error	Standard Coefficients Beta	t	Sig.
1	(Constant)	-17.004	0.301		-56.558	0.000
	GCG	0.491	0.156	0.099	3.148	0.004
	Up	-0.113	0.012	-0.471	-9.710	0.000
	GCG_UP	0.005	0.006	0.045	0.717	0.479
a. Dependent Variable: NP						

Source: data processed by SPSS

Based on the moderation regression analysis test table, it is stated that:

It is known that the significance value of the Good Corporate Governance variable is 0.004 (<0.05), so it can be concluded that the GCG variable has a significant influence on the Company Value.

It is known that the significance value of the interaction variable between GCG and Company Size is 0.479 (> 0.05). Therefore, it is concluded that the Company Size variable is not able/unable to moderate the influence of GCG on Company Value.

Hypothesis test

Hypothesis testing is a statistical method used to make decisions based on sample data and test claims or hypotheses about population parameters. And in the process of testing hypotheses, there are two hypotheses made, namely null hypothesis (H0) and alternative hypothesis (H1). A zero hypothesis is an initial claim that is assumed to be true, while an alternative hypothesis is a claim that must be proven and contradicts the null hypothesis. Hypothesis testing is done by collecting sample data from a larger population, then using statistical methods to calculate the statistical value of the test. The statistical value of this test is used to compare the null hypothesis and the sample data. If the test statistical value is in the rejection area, then the null hypothesis is rejected and the alternative hypothesis is accepted.

T Test

Table T

Coefficient						
Kind		Non-Standard Coefficients B	Non-Standard Coefficients Std. Error	Standard Coefficients Beta	t	Sig.
1	(Constant)	-17.004	0.301		-56.558	0.000
	GCG	0.491	0.156	0.099	3.148	0.004
	Up	-0.113	0.012	-0.471	-9.710	0.000
	GCG_UP	0.005	0.006	0.045	0.717	0.479
a. Dependent Variable: NP						

Source: data processed by SPSS

Based on the results of the regression test in the table above, it shows that the ROA variable has a significant influence on the Company's Value. And GCG variables with t-count 3.148 and t-table 2.0395, t> t-count table t (3.148> 2.0395) or significance values smaller than alpha 0.05 (0.004 <0.05). And the GCG variable was moderated by the Company Size variable with a t-count of 0.717 and a t-table of 2.0395, a t-count <table t (0.717 <2.0395) and also a significance value greater than alpha 0.05 (0.479 <0.05).

Test F

Table F

NEW ERA						
Kind		Number of Squares	Df	Square Average	F	Sig.
1	Regression	70.079	7	10.011	2478.615	<.001b
	Remnant	0.109	27	0.004		
	Entire	70.188	34			
a. Dependent Variable: NP						
b. Predictor: (Constant), GCG_UP, GCG, UP						

Source: data processed by SPSS

Based on the table above, it can be explained that the GCG independent variable on the dependent variable (NP) and also moderated by the variable (UP) then obtains a sig value. 0.001 < (0.05) and f-count 2478.615> f-table value 2.91. So it means that simultaneously or together they have a significant influence on the Company's value.

Analysis of Findings

Based on the information and hypothesis formulation that has been presented in the research. From the results of the research obtained through quantitative analysis, it shows that the variable studied is GCG, one dependent variable (Company Value) one moderating variable (Company Size) has a simultaneous effect, this is shown by the F test which has a significance value of less than 0.05 or a significance value of 0.001 <0.05 or f-count> table f 2478.615> 2.91.

GCG Affects Company Value

From the results of the partial research, it is known that the value of GCG significance has a significant influence on the Company's Value. This is evidenced by a significance value smaller than alpha 0.05 (0.004 <0.05). This shows that GCG has an effect on Company Value. Influence.

Company Size Is Not Able to Moderate GCG on Company Value

From the results of the partial research, it is known that the significance of the influence of the Company Size Variable that moderates the GCG variable on the Company Value variable is not significant. This is evidenced by a significance value greater than alpha 0.05 (0.479> 0.05). This shows that Company Size cannot moderate the influence of GCG variables on Company Value.

4. Conclusion

Based on testing and discussion of findings related to research on the influence of good corporate governance on company value with company size as a moderator variable. The analysis was carried out using SPSS 29.0.2.0 software. The data of the research sample is 7 companies that have consistently entered the Jakarta Islamic Index over a period of 5 years (2019-2023). The results of the test and discussion in the previous section can be summarized as follows:

Good corporate governance has a positive and significant influence on the company's value with a value of 0.004 < 0.05.

Company size cannot moderate the relationship between GCG and company value with a significance value of 0.479 > 0.05.

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