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ANALYSIS OF THE INFLUENCE OF GROWTH OPPORTUNITY AND GOOD CORPORATE GOVERNANCE ON THE COMPANY VALUE

(A Study on the Consumer Goods Industry of the Food & Beverage Sub-Sector Listed in the Indonesia Sharia Stock Index of the 2014-2018 Period)

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Abstract

This study aims to analyze the effect of growth opportunity and good corporate governance on company values (A Study on the Consumer Goods Industry of the Food & Beverage Sub-Sector Listed in the Indonesia Sharia Stock Index of the 2014-2018 Period).

This study used quantitative data from secondary data sources. The data were collected by observation. The population of the study was 18 food and beverage companies listed on the IDX for the 2014-2018 period. The sample was selected using a purposive sampling technique with a total of 8 companies that met the predetermined criteria. The data were analyzed using the Panel Data Analysis Test with the help of the Eviews 9 application.

The results showed that growth opportunity, which is proxied by asset growth, has a negative and insignificant effect on company values, and good corporate governance, represented by the audit committee and managerial ownership, has a positive and insignificant effect on company values. Meanwhile, good corporate governance and institutional ownership have a negative and insignificant effect on company values.

Keywords: growth opportunity, good corporate governance, company value

Introduction

1.1 Background

The establishment of a company indeed has specific purposes. All companies expect a high company value in which a good company value can describe the prosperity of shareholders. The company value can be measured by the book value determined by the shareholders. For go public companies, the value of the company can be determined by the demand and supply mechanism on the Indonesia Stock Exchange reflected in the share price. Stocks of food and beverage companies are in high demand as this business sector never dies. In Indonesia, the production of food and beverages increases. Besides, many foods and beverage companies have been recorded for a relatively long time and are widely known for good performance. Therefore, they are considered capable of providing a share of the profits to the shareholders.

The company value describes the prosperity of the company. Indeed, it is not easy for managers to achieve high company value. Many external and internal factors require managers to take extra responsibility in maximizing company value and increasing profits. Factors affecting company values are Growth opportunities and Good Corporate Governance (GCG). Growth opportunity is the company's opportunity to invest in things benefitting the company. In this study, the ratio used is the growth of assets which is the difference between the total assets of the company in the current period and the previous period to the total assets of the previous period. Good Corporate Governance (GCG) are the principles that underlie a process and mechanism for managing a company based on laws and regulations as well as business ethics. GCG can improve company performance and long-term economic value for investors and stakeholders. The main characteristic of a low GCG is the existence of selfish actions above the interests of shareholders.

1.2 Formulation of the Problems

1. Does asset growth affect the company value?
2. Does the audit committee the company value?
3. Does managerial ownership the company value?
4. Does institutional ownership the company value?

Literature Review

2.1 Theoretical Foundation

2.1.1 Company Value

Company value is investors' assessment of the company performance that can be used as a benchmark for investment. Yulius and Tarigan (2007:3) mention five types of company values based on the calculation method used, namely nominal value, market value, intrinsic value, book value, and liquidation value. This study focuses on company values using the price to book value (PBV).

2.1.2 Growth Opportunity

Assessment of a company may be varied and one of them is based on the growth opportunity. The growth opportunity can be used as a benchmark for investors who will invest in the company. Growth Opportunity can be seen from how the company maintains its growth.

The growth opportunity indicator used in this study is the ratio of asset growth. Asset growth is the difference in total assets owned by the company in the current period with the previous period to the total assets of the previous period.

2.1.3 Good Corporate Governance

Assessment of a company can also be seen from good corporate governance. It is principles that underlie a process and mechanism for managing the company based on laws and regulations as well as business ethics. Based on State Decree of State-Owned Enterprise Number 117/202, Good Corporate Governance (CGC) is a process and structure used by State-Owned Enterprises to improve business success and corporate accountability in order to realize shareholder value in the long term and still considering the interests of other stakeholders with the basis of law and ethical values.

Good Corporate Governance (CGC) mechanism is needed to make the company's activities run well in accordance with the established direction. According to (Syakroza, 2002), the mechanism of Good Corporate Governance (CGC) can be defined as the rules of the game, procedures, and a clear relationship between the parties who will supervise the decision. In this study, the mechanism used is the audit committee, managerial ownership, and institutional ownership.

1) Audit Committee, according to Capital Market and Financial Institutions Supervisory Agency (Bapepam) through SE03/PM/2000: "The audit committee is a committee consisting of at least three people chaired by an independent commissioner of the company with two external people who are independent and have an accounting and financial background."
2) Managerial Ownership is the ownership of company shares owned by management who actively participates in company decision-making (Laila, 2011). The share ownership by the management will lead to an oversight of the policies taken by the company's management. Managerial ownership can also be defined as the percentage of shares owned by managers and directors of the company at the end of each year of the observed period.
3) Institutional Ownership is ownership owned by institutions such as insurance companies, banks, investment companies, and other institutional ownership. (Fifi, 2018) With large institutional ownership, it is expected that the company will be more transparent in disclosing information about the company which then affects the company value. With supervision by investors, management will be more careful in decision-making.

2.2 Research Hypothesis

Based on the elaboration above, the researcher proposes the following hypothesis:

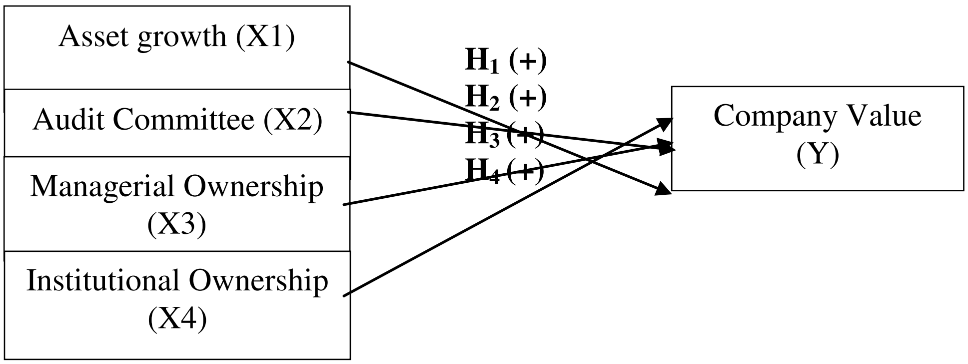
1. High asset growth indicates that the company uses relatively small debt. The higher the growth of the company, the higher the company value. Hermaningsih (2013) revealed that growth opportunity has a positive and significant effect on the company value. The formulated hypothesis is:
   H1: Asset growth has a positive and significant effect on the company value?
2. The existence of the audit committee is expected to provide added value to the principles of Good Corporate Governance (CGC) which in turn can limit or prevent profit management. Tria and Nila (2018) and Fifi and Dewi (2016) explain that the audit committee has a positive effect on the company value. The formulated hypothesis is:
   H2: The audit committee has a positive and significant effect on the company value
3. The existence of share ownership by the management will lead to an oversight of the policies taken by the company's management. Thus, the company value will be better. Muryati and Suardikha (2014) reveal that managerial ownership has a positive effect on the company value. The formulated hypothesis is:
   H3: Managerial ownership has a positive and significant effect on the company value.
4. Increasing the company value requires good funding, both internal and external funding. External funding sources are obtained from institutions/agencies. The more external sources of funds, the better the company value. Fifi and Dewi (2016) state that institutional ownership has a positive effect on the company value. The formulated hypothesis is:

H4: Institutional ownership has a positive and significant effect on the company value

2.3 Research Model

Based on the hypothesis above, the relationship between the independent and dependent variables can be seen in the following figure.

Figure 2.1
Research Model



METHOD

3.1 Population, Samlpe and Sampling Technique

The population in this study are food and beverage companies listed on the Indonesia Stock Exchange for the 2014-2018 period with a total of 18 companies. This study involved 8 companies that met the predetermined characteristics as samples. The criteria covered food and beverage companies with halal products, included in the sharia stock index, and publish financial reports consistently, completely in rupiah for the period 2014-2018.

3.2 Data Source

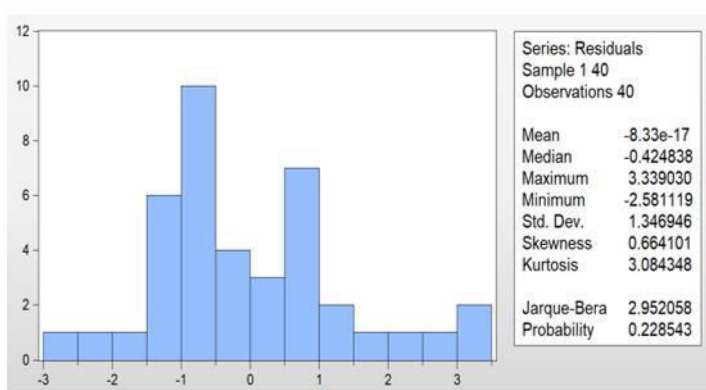
This study used secondary data. Data of company value, growth opportunity, and good corporate governance were obtained from the annual report for the period 2014-2018 accessed from the internet sites of www.sahamok.com, www.idx.com, and the respective official websites of each company.

3.3. Data Collection Techniques

The data were collected by observation in which the researcher observed the data of documentation obtained from the annual reports of food and beverage companies listed on the Indonesia Stock Exchange (IDX) with sharia stock index in the 2014-2018 period accessed from www.idx.co.id

Results

Normality Test Results of Normality Test



Source: Data processed

Based on the results of the normality test, the probability value using Jarque-Bera reaches 0.228543 > 0.05. thus, it can be concluded that the residuals of the regression equation have a normal distribution.

Multicollinearity Test

Results of Multicollinearity Test

	AKTIVA	AUDIT	MANAJERIAL	INSTITUSIONAL
AKTIVA	1.000000	0.159960	0.056493	-0.066300
AUDIT	0.159960	1.000000	-0.226279	0.146947
MANAJERIAL	0.056493	-0.226279	1.000000	-0.563213
INSTITUSIO...	-0.066300	0.146947	-0.563213	1.000000

Source: Data processed

Based on the results of the multicollinearity test, the calculation of the correlation value of each independent variable has a closeness level of less than 0.9. Therefore, it can be concluded that the data pass the classical assumption test as there is no multicollinearity.

Autocorrelation Test

Results of Autocorrelation Test

R-squared	0.447584	Mean dependent var	2.719925
Adjusted R-squared	0.384451	S.D. dependent var	1.812245
S.E. of regression	1.421832	Akaike info criterion	3.658238
Sum squared resid	70.75624	Schwarz criterion	3.869348
Log likelihood	-68.16477	Hannan-Quinn criter.	3.734569
F-statistic	7.089512	Durbin-Watson stat	1.375001
Prob(F-statistic)	0.000273		

Source: Data processed

Based on the results of the study, the Durbin-Waston value (d) is 1.375001, while the Durbin-Waston table with n = 40 and k = 4 is dL = 1.2848 and dU = 1.7209. Thus, there is no conclusion as dL < d < dU. In this study, it can be seen that the results of the Durbin-Waston test show 'No Decision' so that it can use the Breusch-Godfrey test. The B-G test is also called the LM (Lagrerage Multiplier) test. The provision of this test is that if the prob value. chi-Square > alpha 0.05 then the data have no autocorrelation issue.

Results of Lagrange Multiplier (LM) Test

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	2.624705	Prob. F(2,33)	0.0875
Obs*R-squared	5.489664	Prob. Chi-Square(2)	0.0643

Source: Data processed

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Based on the results of the LM (Lagrerage Multiplier) test, the prob. The Chi-Square value using the LM test is 0.0643 which is higher than 0.05. Thus, it can be concluded that the data do not have autocorrelation.

Heteroscedasticity Test

Results of Heteroscedasticity Test Results

Heteroskedasticity Test: Breusch-Pagan-Godfrey			
F-statistic	0.888546	Prob. F(4,35)	0.4810
Obs*R-squared	3.687470	Prob. Chi-Square(4)	0.4500
Scaled explained SS	2.942285	Prob. Chi-Square(4)	0.5675

Source: Data processed

The results of the heteroscedasticity test show the prob value. Chi-Square using the Breusch-Pagan-Godfrey test reaches 0.4500 which is higher than alpha 0.05. Therefore, it can be concluded that the data are free from the classical assumption of heteroscedasticity.

T-test

Results of t-test

Dependent Variable: NILAI?
Method: Pooled EGLS (Cross-section random effects)
Date: 01/14/20 Time: 11:56
Sample: 2014 2018
Included observations: 5
Cross-sections included: 8
Total pool (balanced) observations: 40
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.046522	2.793853	0.732509	0.4687
AKTIVA?	-0.866415	1.286481	-0.673476	0.5051
AUDIT?	0.764368	0.733601	1.041940	0.3046
MANAJERIAL?	1.524079	4.035213	0.377695	0.7079
INSTITUSIONAL?	-2.488639	2.261727	-1.100327	0.2787
Random Effects (Cross)				

The regression equation is:

$$\mathbf{Y = \alpha + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \varepsilon it}$$

Value = 2.046522 – 0.866415 asset + 0.764368 audit + 1.524079 managerial – 2.488639 institutional + 0

1) The asset growth variable (X1) has no effect on the company value (Y). It is because the value of t-count is smaller than t-table (-0.673476 < 2.03011) or probability is higher than alpha (0.5051 < 0.05). therefore, H1 is rejected.
2) The audit committee variable (X2) partially has no effect on the company value (Y). It is because the value of t-count is smaller than the t-table (1.041940 < 2.03011) or the probability is higher than alpha (0.3046 > 0.05). So, H2 is rejected.
3) Managerial ownership variable (X3) partially has no effect on the company value (Y). It is because the value of t-count is smaller than t-table (0.377695 < 2.03011) or the probability is higher than alpha (0.7079 > 0.05). Thus, H3 is rejected.
4) Institutional ownership variable (X4) has no effect on the company value (Y). It is because the the value of t-count is smaller than t-table (-1.100327 < 2.03011) or probability is higher than alpha (0.2787 > 0.05). So, H4 is rejected.

DISCUSSION

1. **The Effect of Asset Growth on the Company Value**

The first hypothesis (H1) of this study is that asset growth has a positive and significant effect on the company value. Based on the results of the test for the first hypothesis, asset growth has a negative and insignificant effect on the company value. It can be seen in the t-test analysis which shows a value of -0.673476 which is lower than 2.03011 or a probability of lower than alpha (0.5051 > 0.05).

In this case, asset growth is accompanied by an increase in the company's operating expenses. Thus, the resulting profit is reduced because the manager in the company does not see that asset growth is able to increase the company value. The greater the growth rate of the company, the greater the costs that will be used in managing the company's operational activities as the company will focus more on its funds for the purposes of company growth rather than the prosperity of shareholders. This condition can reduce the company value.

2. **The Effect of the Audit Committee on the Company Value**

The second hypothesis (H2) in this study is that the audit committee has a positive and significant effect on the company value. Based on the test results, the audit committee has no significant positive effect on the company value. It can be seen in the t-test analysis results of 1.041940 which is lower than the t-table of 2.03011 or the probability is higher than alpha (0.3046 > 0.05). The audit committee cannot affect the company value as many companies have a similar number of audit committees of 3-4 people. So, they do not accommodate changes.

3. **The Effect of Managerial Ownership on the Company Value**

The third hypothesis (H3) is that managerial ownership has a positive effect on the company value. Based on the test results, there is no significant effect between managerial ownership and company value in a positive direction. It can be seen in the t-test results of 0.377695 which is smaller than the t-table of 2.03011 or the probability is higher than alpha (0.7079 > 0.05). Public companies in Indonesia have characteristics with relatively low share ownership. Based on descriptive data analysis, the average share ownership of managers in food and beverage companies reaches 3.17%. Therefore, there is no significant effect as managerial share ownership is low so that the unification of share and managerial interests cannot be realized.

4. The Effect of Institutional Ownership on the Company Value

The fourth hypothesis (H4) is that institutional ownership has a positive effect on the company value. It can be seen in the t-test results show the value of -1.00327 which is lower than 2.03011 or the probability is lower than alpha (0.0496 < 0.05).

In this case, the institutional ownership of affiliated holding companies in Indonesia is family companies where the company management becomes a part of the family companies. Share ownership by institutional parties is dominated by non-independent parties (affiliated with each other) so that the function of institutional ownership as management supervisor cannot work properly even though the institutional share ownership is high. This condition causing agency problems cannot be suppressed and can decline the company value.

5. The Effect of Good Corporate Governance on the Company Value

Based on the results of the statistical analysis, the three variables of good corporate governance, namely audit committee, managerial ownership, and institutional ownership are not significant in influencing the value of food and beverage companies in Indonesia. It is because food and beverage companies have audit committees ranging from 3-4 people so that they do not accommodate changes. Further, managerial ownership has relatively low share ownership, even many companies do not include shares owned by managers so that it has no significant positive effect on the company value.

Share ownership by institutional parties is dominated by non-independent parties (affiliated with each other) so that the function of institutional ownership as management supervisor cannot work properly even though the institutional share ownership is high. This condition causing agency problems cannot be suppressed and decline the company value.

Conclusion and Suggestion

5.1 Conclusion

1. The results of this study indicate that asset growth has a negative and insignificant effect on the company value of food and beverage companies listed on the Indonesia Stock Exchange and included the sharia stock index for the 2014-2018 period.
2. The results show that the audit committee has a positive and insignificant effect on the company value of food and beverage companies listed on the Indonesia Stock Exchange and included in the sharia stock index for the 2014-2018 period.
3. The results of this study indicate that managerial ownership has a positive and insignificant effect on the company value of food and beverage companies listed on the Indonesia Stock Exchange and included in the sharia stock index for the 2014-201 period.
4. The results of the study show that institutional ownership has a negative and insignificant effect on the company value of food and beverage companies listed on the Indonesia Stock Exchange and included in the sharia stock index for the 2014-2018 period.

5.2 Suggestion

Due to some limitations, the researcher has formulated the following suggestions:

1. For Future Studies
   a. Future studies are expected to increase the number of samples and extend the research period to better describe the changing conditions of asset growth, the role of GCG, and company value in a company.
   b. Future studies can examine different corporate sectors not only limited to public companies.
2. Fof Investors
   a. Before investing their shares in a company, investors should check the growth of the company's assets. Companies with high asset growth tend to increase operating expenses because the company will focus more on its funds for company growth rather than the prosperity of shareholders. It can reduce the company value.
   b. The investors are expected to consider the company value in making investment decisions by looking at the resulting PBV.
3. For Companies
   a. Companies should highly consider asset growth to avoid increases in the company's operating expenses, so that the profits generated are not reduced.
   b. Companies should not only focus their funds on the needs of the company's growth rather than the welfare of shareholders as it can reduce the company value.

c. Companies should include and add managerial shares as low managerial share ownership causing the unification of share and managerial interests cannot be realized.

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