The Influence Of Good Corporate Governance to Financial Report

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Abstract: This study is aim to examine and analyze the influence of good corporate governance to financial report. Using managerial ownership, institusional ownership, independent commisioner, audit committee and board size company as good corporate governance's instrument and cash flow return on asset (CFROA) as financial report's performance. Sample of this report was financial report or annual report from pharmacy company that listed in Indonesia stock exchange during 2011-2016. The result of this studyshows that managerial ownership, institutional ownership and independent commisioner significanly influence financial performance it can be seen form the t_{test} result for each independent variable is higher than t_{tabel}, which is mean the hypothesis were accepted. Yet audit committee and board size company are not significanly influence financial performance. It seen by the t_{test} result that the value of the t_{test} is lower than t_{table} value.

Keyword : good corporate governance, financial performance

1. INTRODUCTION

Good corporate governance (GCG), became the basic needs of the company in the conduct of company business. How good the company is running the GCG principles into guidelines for investors to purchase shares of the company. GCG is also expected to assist the Manager in running the company, decisions that benefit various parties. So the value of the company's shares could rise. Attracting investors to buy shares of the company, and the company's survival will be increased. In previous research, Muntiah (2012) stated that institutional ownership, the proportion of independent Commissioners and the audit committee of the company's positive effect on performance (ROE). Managerial and ownership while the size of the Board of Commissioners is not a positive corporate performance against influence (ROE). Bukhori (2012), GCG and the size of the company's positive effect on performance of finance companies by using cash flow return on assets (CFROA) as a tool used to measure the financial performance of the company.

According Cornet et all, 2006 in Rohmah (2013) cash flow return on assets (CFRO) is one of the tools used to measure the performance of the company due to the CFROA measurement companies focusing more on current and not tied to stock price, Based on the background of the problem the writers like to do research on manufacturing companies listed on the Indonesia stock exchange the sub-sectors of the pharmacy. Under the title "the influence of good corporate governance financial performance against company"

2. THEORETICAL FRAMEWORK

Briminghamdan Houston (2006) in Sari (2015) agency relationship is the relationship between the principal and the agent whereby the principal authorizes agents to run policy and taking decisions. The relationship between the management and the principals (shares holder/company owners) could lead to imbalances of information (information asymmetry) because the management has more internal company information is compared with the owner of the company or its shareholders. This prompted the management to do management earnings tend to harm principal parties.

Many experts give the perception the definition of what it really is Corporate Governance. FCGI (the forum for corporate governance in Indonesia) defines corporate Governance rules that are set up between shareholders, managers, creditors, governments, employees, and holders of the internal and external interests related to with rights and obligations. Good corporate governance principles should be applied to all kinds of companies. There are 5 basic principles of good corporate governance, namely transparency, accountability, corporate responsibility, independents and fairness and equality

Managerial ownership is the number of shares owned by the management of the company. According to Darmawati (2003), in Welvin and Herawaty (2010) managerial ownership makes management information disclosure regarding the company's pre-to meet the responsibilities of fiduciarily and increase the profile of their work.

Ownership of the institutions is the number of shares owned by the institutions, both institutions domestic and foreign institutions. In the board of commissioners, there are independent commissioners, who are a member of the board of commissioners who have no direct interest in the company. Not an employee shareholders, related companies, and has no authority in matters of finance and the internal company that may affect the assessment of the board of commissioners are independent of the company. The audit committee is a committee established by the board of commissioners who have duties and responsibilities related to reports or matters submitted by the Board of Directors to the board of commissioners, in the form of supervision and give an opinion about information such.

The size of the company's total capital assets owned by the company. The size of the company also became a benchmark accuracy of reported financial statements. The larger the size of the company then reported financial statements tend to be more accurate. This is due to companies with large asset value gets the spotlight of the general public more than many companies with asset value is relatively small.

The company's financial performance is assessed based on the financial statements of the company. This means to perform the assessment of the financial performance of the company then used ratio-financial ratio. This financial ratio that will give you an idea on the part of management to make decisions, and become an overview assessment of investors against the company.

There are two ratios are commonly used to examine the financial statements of the company i.e. Tobin's Q and Cash Flow Return On Asset (CFROA). According to Cornett et al in Bukhori (2012) CFROA indicates the ability of the company's assets to perform operating profit. CFROA focus on the company's current performance measurement and CFROA are not tied to the stock price. Because more CFROA can describe the State of a company's financial performance is not affected by the stock price, then this study uses a CFROA to measure the financial performance of the company.

3. PREVIOUS RESEARCH

Faiza Nur Rohmah (2013) under the title of research Influence the application of corporate governance financial performance against the company by earning management as the moderation of empirical studies (variable on a public banking company listed on the stock exchange Indonesia). The results of this research are the application of corporate governance by using the composition of the Board of commissioners, the size of the board of commissioners, audit committee, institutional ownership, size of the company as an independent variable has no effect against financial performance unless the size of the company.

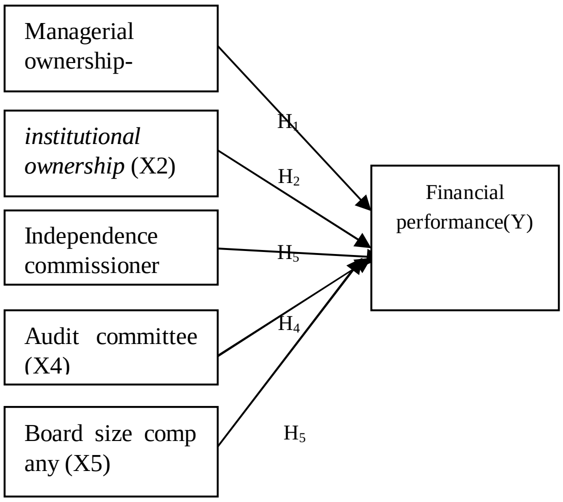
Khumairoh et all (2014) conclusion in this research is the quality of gcg effect on return on assets and return on equity, net profit margin, as well as the effect on Tobin's q. Return on assets effect significantly to Tobin's q, return on equity and net profit margin to Tobin's q. Return on assets, return on equity and the net profit margin is not as influential as an intervening variable.

Sari (2015), the influence of good corporate governance against the financial performance of companies. In the study, researchers concluded that institutional ownership, managerial ownership, independent commissioner and the audit committee did not significantly affect the financial performance of the company. But the size of the company significantly impacts the financial performance of the company.

Rahmawati, Asyikin (2016), titled the influence of corporate governance perception index against the financial performance of the companies listed on the Indonesia stock exchange period 2009-2013. The results of this study indicate significantly GCG has no effect against the ROE (return on equity), but influential GCG significantly to ROI (return on investment). Good corporate governance also does not affect significantly to Tobin's Q.

4. FRAMEWORK

Based on a review of previous research and library the already described above, the framework of this research can be described by using the image as follows:



Gambar 1

5. HYPOTHESIS

Based on the explanation above writer formulate a hypothesis as follows:

H1: managerial Ownership affects corporate financial performance.

H2: Institutional ownership affects financial performance.

H3: independent Commissioners have an effect on the financial performance of the company.

H4: the audit committee shall have an effect on the financial performance of the company.

H5: size effect on the company's financial performance.

6. METHODOLOGY RESEARCH

6.1 Types of Research

This type of research belongs in quantitative research. According to Al-Bukhori (2012), quantitative data analysis was done by collecting the required data, then offer it and presenting it in the form of tables, graphs, and output analysis used to draw conclusions as the basic decision making.

6.2 Population And Sample

The population in this research is the pharmaceutical sector manufacture sub all companies registered in BEI (Indonesia stock exchange) during the period 2011-2016. The selection of the sample in this study using the method of purposive sampling. Purposive sampling techniques used in this research is a manufacturing company that has the following criteria:

a. the company has the complete data on corporate governance disclosure.
b. the company published a financial report or annual report during the period 2011-2016 on an ongoing basis.
c. the Company serves the financial statements ending 31 December.
d. the company uses the unit of rupiah in financial statements.

6.3 Data Analyze Method

This research uses descriptive analysis method, test the assumptions of classical, and test hypotheses. A classic assumption test used for gaussian models find out or not and to know whether there is autocorrelation, model multicollinearity and model heteroskedasticity so worth researched. A test of the hypothesis test is carried out using linear equations, the F-test (simultaneous), test t (partial) and R2 (coefficient of determination). The form of a linear equation of the research outlined in the mathematical form as follows:

$$CFROA = \alpha + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \beta 5X5 + e$$

Description:

CFROA	: cash flow return on assets
α	: constants
β1X1	: managerial ownership
β2X2	: institutional ownership
β3X3	: independent Commissioner
β4X4	: audit committee
β5X5	: the size of the company
e	: error

To determine the significance of the dependent variable are independent of variables simultaneously then carried out test-F. With the terms, if F Calculate > F the table then the model deserves to be examined. If F calculate the table then the F model < unfit to research.

The t-test is used to see the significance of the independent variable is partial towards the dependent variable. With the conditions, if the value of $\alpha = 5\%$, t sig < α then there is significant influence with an independent variable antra variable dependent. If the value of $\alpha = 5\%$, t sig > α then there is no significant effects between independent variables with the dependent variable.

7. DISCUSSION

This research aims to know the connection between good corporate governance against the financial performance of companies. There are 10 companies listed at the IDX with pharmaceutical subsector after a purposive sampling has 6 (six) pharmaceutical companies that meet the criteria, the following is a list of the pharmaceutical companies:

Table 1
Company list

No.	Share Code	Company Name
1	INAF	Indofarma (Persero) Tbk
2	KAEF	Kimia Farma (Persero) Tbk
3	KLBF	Kalbe Farma (Persero) Tbk
4	PYFA	Pyridiam Farma (Persero) Tbk
5	TSPC	Tempo Scan Pasific Tbk
6	DVLA	Darya-Varia Laboratoria Tbk

7.1 Deskriptif Test Result

The result of deskriptif test can be seen at the table bellow

Table 2
Deskriptif Test Result

Variable	N	Minimum	Maximum	Mean	Std. Deviation
X1	36	,00	23,08	3,8484	8,72124
X2	36	53,85	99,24	82,6794	14,80306
X3	36	33,00	75,00	42,3889	10,18480
X4	36	2,00	5,00	3,1944	,62425
X5	36	20,65	30,35	27,0967	3,12720
Y	36	,04	,51	,2932	,10403

concluded that the data for managerial ownership variable has a value of 0.00 minimum, maximum, mean 23.08 of 3.8484 and St. 8.72124 Deviation. Institutional ownership has the minimum value, maximum 53.85 99.24, mean 82.6794 and std. Deviation 14.80306. The composition of independent Commissioners has the minimum value, maximum 33.00 75.00, mean 42.3889 and std. Deviation 10.18480. The audit committee shall have a minimum 2.00, 5.00, maximum mean std. Deviation 3.1944 and 0.62425. The size of the company has a minimum value, a maximum of 20.65 30.35, 27.0967, mean std. Deviation and 3.12720. Financial performance has a minimum value of 0.04, 0.51, the mean maximum 0.2932 and std. Deviation 0.10403

7.2 Normality Test Result

The result of thius test can be seen at table bellow

Table 3
Normality Test Result

	Standard	*Unstandardized Residual*	Conclusion
N		36	The data normality distribute
Asymp. Sig. (2-tailed)	> 0.05	0.172	

From the table above, it can be concluded that the data is normality-distribute.

7.3 Multikolinearitas Result Test

Table 4
Multikolinearitas Result Test

Variable	*Tolerance*	Standard	VIF	Standard	conclusion
X1	0.150	> 0.01	6,678	< 10	no multikolinearitas

X2	0.155	> 0.01	6,469	<10	no multikolinearitas
X3	0.698	> 0.01	1,433	< 10	no multikolinearitas
X4	0.822	> 0.01	1,217	< 10	no multikolinearitas
X5	0.785	> 0.01	1,274	< 10	no multikolinearitas

From the table above, note that the data from the independent variable not occurring multicollinearity so worth to do further testing.

7.4 Autokorelasi Tets Result

Autocorrelation test results can be seen from the table below:

Table 5
Autokorelasi Test Result

DW	Standard	Conclusion
1.862	1.55 – 2.46	Tidak terjadi autokorelasi

From the table above, note that the regression equation is there is no autocorrelation between variable so data deserves to be examined.

7.5 Heteroskedastisitas Test Result

Heteroskedastisitas test aims to find out whether the data in the linear equations are homogeneous or not. Good data is data that is homogeneous. Heteroskedastisitas test results can be seen from the table below:

Table 6
Heteroskedastisitas test result

Variable	Sig.	Standard	Conclusion
X1	0.286	>0.05	no heteroskedastisitas
X2	0.714	>0.05	no heteroskedastisitas
X3	0.374	>0.05	no heteroskedastisitas
X4	0.739	>0.05	no heteroskedastisitas
X5	0.163	>0.05	no heteroskedastisitas

From the table above, note that the data is both homogeneous and not happening heteroskedasticity so data deserves to be researched

7.5 The Results Of Multiple Linear Equations

Table 7
Beta coeffisien

Variable	Koefisien beta	Std. Error
Konstanta	-0.567	0.314
X1	0.018	0.004
X2	0.008	0.002
X3	0.004	0.002
X4	-0.013	0.025
X5	0.002	0.005

Multiple linear regression equations presented In Mathematical form as below:

$CFROA = \alpha + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \beta 5X5 + e$

$CFROA = -0.567 + 0.018 + 0.008 + 0.004 + (-0.013) + 0.002 + 0.314$

The value of the constants (α)-0.567 indicated that if the ownership of the managerial, institutional ownership, the composition of the Board of Commissioners of the independent audit committee, and the size of the company is worth 0 then the value of the company's financial performance is worth-0.567

7.7 Simultanously Test Result (uji F)

Table 8
Simultaneous Test Result (F-tets)

$F_{calculate}$	F_{tablke}	sig	Standard	Conclusion
5,051	2.69	0.002	0.05	decent models examined

The table above shows that the value of 5.051 F Hitung greater than F table of 2.69 (5.051 > 2.69). Thus multiple regression linear equations in this research deserve to be researched and done a test next.

7.8 Partial tets result (t-test)

Table 9
t- test result

hypothesis	T_{count}	T_{Table}	Sig	Standard	conclusion
H_1	4.429	2.042	0.000	< 0.05	accepted
H_2	3.161	2.042	0.004	< 0.05	accepted
H_3	2.249	2.042	0.032	< 0.05	accepted
H_4	-0.537	2.042	0.595	< 0.05	rejected
H_5	0.341	2.042	0.736	< 0.05	rejected

From the table above, note that the hypothesis of first, second and third was accepted and fourth and fifth hypotheses was rejected. Thus the managerial ownership, institutional ownership and independent commissioner significantly influence against the financial performance of the company. While the audit committee and the company's size has significantly no effect on the company's financial performance.

The first and second hypothesis has the same result with the prefious reserch from Hermiyetti & Katlanis (2014), said that managerial ownership and institutional ownership significantly influence financial performance. The third hypothesis support the prefious research by Nurcahya *et all* (2014) that the independent commisioner significantly influence the financial performance.

Fourt hypothesis also has the same result with Nurcahya *et all* (2014), that the audit commite has significantly not influence financial performance. The fiveth hypothesis has the same result from the prefious resecrh by Rohmah (2013), said that the board size company significantly not influence the financial report. This result has the againt the theory of good corporate company, and againts the previous reseacrh by Sari (2015), that the board size company significantly influence the financial performance.

7.9 Determinasi test (R^2)

Table 10
Determinasi test(R^2)

Model	Adjusted R Square	conclusion
1	0.367	36,7% influenced

From the table above it can be seen that the value of determination (R2) for the linear equations of this research is of 0.367. This means on this research 36.7% of the company's financial performance is influenced by the managerial ownership, institutional ownership, Commissar of the independent audit committee, and the size of the company.

8. CONCLUSION

This research aims to know the influence of good corporate governance (GCG) against the financial performance of the company with managerial ownership, institution ownership, commissioner independent, audit committee, and the size of the company as a proxy of good corporate governance. Based on the partial test (test t) note that managerial ownership, institutional ownership and independent commissioner significant influent against the financial performance of the company. As for the audit committee and the company's partial size do not affect significantly to the financial performance of the company. In the hypothesis test simultaneously (F-test) note that the value of the F_{count} of 5.051 greater than F_{table} of 2.69 (5.051 > 2.69) so it can be inferred that the independent variable in this study simultaneously influential and significant against the dependent variable. The determination of the test results in this research is 0.367 or if modified in the form of a percentage is 36.7 %. This value contains the notion that in the research 36 .7% the company's financial performance as measured by cash flow return on assets (CFROA) influenced by good corporate governance (GCG) with managerial ownership, institutional ownership, independent commissioner, audit committee, and the size of the company as aproxy of good corporate governance.

9. LIMITATION AND SUGGEST

This research has some limitations include:

a. the Data obtained only from annual financial statements or annual report of the company, while the core of the issue of good corporate governance practices is on the implementation in the field.
b. This research only focuses on the pharmaceutical companies listed on the BEI (Indonesia stock exchange) in 2011-2016, so that the results of this research cannot be in by Generalysasi on all companies listed on the Indonesia stock exchange (IDX).

After obtaining the results of this study, researchers would like to advise that further research is done in, among other things:

a. The research was done by expanding research samples.
b. The Data generated is not only focusing on secondary data but also need to be added to some questionnaire related to corporate governance practices in the field.
c. Replace or add a dependent or independent variable in subsequent research, such as adding the composition of the Board of Directors in independent variable and replace the CFROA as a tool to measure the financial performance of the company.

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