Cuadernos de Economía (2020) 43, 410-418

Cuadernos de economía

www.cude.es

ARTÍCULO

The Effect of Good Corporate Governance Sustainability Report Disclosures on Firm Value

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Jel Codes:
l10; l96

Keywords: Corporate Governance Perception Index, Global Reporting Initiative, Good Corporate Governance Corporate, Values, Sustainability Report

Abstract: The study analyzes the impact of good corporate governance on a firm's value and how each report disclosures impact value of organizations. Various disclosure methods were used by organizations that effect firm's value. Good corporate governance and sustainability is correlated and interlinked that impacts the firm performance. Investigator has utilized the primary quantitative means to measure the effects of corporate governance and sustainability. The methods and guidelines that were followed by the researcher in conducting the primary data from 68 observations and respondents that participated in this study. Research has included multiple linear regression that aims to do analysis on SPSS software. Moreover, empirical evidence was conducted and found out in this study that develops effective understanding of firm's sustainability on firm's value. However, we failed to prove that good corporate governance has an effect on firm value. The results of this research have implications for how disclosures about activities related to company sustainability can affect firm value.

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https://doi.org/10.32826/cude.v4i123.403
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1. Introduction

Internet users continue to increase, this makes information spread faster. This information is also in the form of information about the company's reputation (Kipp, 2017; Yulianingsih et al., 2017). The existence of negative publications about the company will create negative perceptions for investors. Investors' negative perceptions will have an impact on stock prices and will also have an impact on firm value. There are various factors that can affect firm value. Some of them are market capitalization, growth opportunities, profitability, investment policies, good corporate governance (GCG) and company sustainability reports (SR) (Gharaibeh and Qader, 2017; Swarnapali, 2018).

The need for GCG grows in relation to theory of principle and agent (Retno and Priantinah, 2012; Maciejczak, 2018; Jovic, 2018; Casas-Rosal et al., 2019; Bae & Han, 2019; Aras, 2019; Maluleke et al., 2019;). Good Corporate Governance (GCG) is a rule, element and legal system that controls the company's activities. GCG will refer to mechanisms and procedures that direct the activities and business affairs of the company to good business performance so as to increase the value of shareholder equity and accountability. The (FCGI) defines GCG as a set of policies that directs the relationship of elements and how each must impact the relationship between stakeholders, government institution, creditors, lenders, and employees. Moreover, various internal and external bodies were regulated through the policies and guidelines that were provided by FCGI.

GCG exists with the aim of controlling and directing a company so that the company's activities operate in accordance with the expectations of stakeholders and provide added value to interested parties. Organization strives to update their processes and operations with regards to the ethics and its alignment with the organizational commitment. The implementation of GCG is closely related to improving the company's image. Companies that apply GCG will experience an increase in image and increase firm value (Soedaryono and Riduifana, 2017; Erol & Velioglu, 2019; Garidzirai et al., 2019; Maluleke & Dlamini, 2019; Fuentes-Azpiroz et al., 2019; Jermsittiparsert et al., 2019).

Voluntary disclosure and monitoring mechanisms have been documented as determinants of firm value (Bukit & Nasution, 2016). Sustainability report (SR) is a report used to communicate transparently with stakeholders regarding the sustainability of a company (Du et al., 2017). SR contains a vision statement that summarizes the company's definition of sustainability; corporate benefits from sustainability initiatives and investment planning and costs for planning and implementation; and important achievements and obstacles faced in the previous year. Sustainability actions must be developed to incorporate effective reporting and accountability measures used to determine organizational value (Swarnapalu, 2019). There are various factors that influence companies to report sustainability issues from their companies (Kholis et al., 2020; Nasih et al., 2019; Nohong et al., 2019; Saputro & Basuki, 2019; Siahaan et al., 2017). Now organizations strive to develop effective disclosure that influences organizational sustainability position in competitive market. Moreover, communicating their sustainable position that leads to the development of environmental practices and raising voluntary concerns regarding climate and sustainability (Kumar, 2017; Utama & Mirhard, 2016). In responding to the issue of sustainability, Government issues law and regulation based on act that was shared by governmental institutions that directs each firm sustainability and corporate development. At its peak in 2017, OJK issued a new regulation stipulated in OJK regulation number 51 / POJK.03 / 2017, which is that every company is required to issue a Sustainability Report. Sustainable development has a big role for the survival of future generations because sustainable development shows that environmental conservation and the development of company activities are not mutually exclusive but must be complementary relationships and in fulfilling their current needs it is prohibited to sacrifice the needs of future generations (Kodama, 2019; Jovic, 2018; Casas et al., 2019; Bae & Han, 2019; Aras, 2019; Maluleke et al., 2019; Erol & Velioglu, 2019;).

Various developed countries such as the Netherlands, Belgium, Germany and Sweden already have laws regarding SR for certain company categories, even in the European region almost all companies issue SR and are required for each company. Issues related to SR disclosure in Indonesia should be of particular concern, in fact of the 100 large companies listed on the Indonesia Stock Exchange (IDX), only 30% of companies issue SR. This happens because disclosure of SR in Indonesia is still voluntary, which means that there are no obligations or regulations and only voluntary. In fact, the company can find investors more easily, the company's reputation is better in the eyes of the community, and has an effect on the increase in firm value because the company's legitimacy is achieved because it has aligned its activities with the values and norms that apply in the social system as evidenced by issuing SR.

Various studies have conducted research related to (GCG) and firm value; such as many authors have found that GCG has a positive effect on firm value. On the other hand, Mutmainah (2015), Putra and Kurniawati (2017) found that GCG actually has a negative impact on firm value, likewise Hapsari (2018) also shows statistically that GCG has adverse impact over firm's value.

Good corporate governance is an issue that has been debated over the years, and it is much information available about it on the Internet. There are benefits of good corporate governance, but there is a negative aspect to it as well. That is the possibility of corruption. Suppose one person can gain the benefits of good corporate governance while committing a crime or fraud. One of the most important ones is whether the company will develop without any guiding principles. These principles are what make the rules governing the company, and this is something that cannot be changed easily. There is a need to follow the rules set, and if they are not followed, then the company can be brought down as a whole (Kholis et al., 2020; Garidzirai et al., 2019; Maluleke & Dlamini, 2019; Altintas & Karaaslan, 2019; Fuentes et al., 2019;).

Another area is the issue of access to resources. A company with no rules is like a ship without a rudder, and it will surely sink. Rules are necessary in order to define who has access to what, and this is another area that is very important for corporate governance. Without rules, there will be chaos, and everybody is running around with their hands full. Another area is the issue of information. It would not be correct to say that good corporate governance in a company is when it comes to making the rules itself. This is because these rules have to be implemented to make a company run correctly, which means it must be enforced. If they are not implemented, then there is no point in making them because nobody will be motivated to implement them (Saputro & Basuki, 2019; Siahaan et al., 2017).

Another area is that of transparency. When the company is dealing with corporate governance, they need to see that the rules are followed and not made arbitrarily. There should be transparency in how things are done and how they are

announced to the rest of the world. There should also be mandatory processes put in place and penalties for those who violate the rules. This is one way of ensuring that the company's rules and policies are followed correctly and that the company runs on the principles that have been set. This is because many companies are looking to establish themselves in the market. To do this, they must be seen as stable and have a good reputation. This is why the rules of the company must be followed. For this to be effective, the directors and other key personnel should ensure that these are followed and that they are not compromised in any way (Nasih et al., 2019).

This is why some companies prefer to hire an outside expert to oversee the implementation of their acceptable corporate governance policy. This helps to make sure that all the necessary procedures and aspects are observed. If this were not done, then the policy's whole objective would be undermined because the public would question whether it is enough or not. Therefore, all the necessary steps must be taken to have good corporate governance in a company. The company may not think that this is important now, but when a company is in the market and faces off competition, this will be a consideration that will not go away by itself (Siahaan et al., 2017).

It is a set of principles that are made to guide and direct the company to make informed decisions and conduct its business in the best way possible. If a company can follow these rules and ensure that they are being followed, the company will be less likely to encounter problems, which will help preserve its good reputation in the market. How corporate governance and acceptable corporate governance practices can affect the firm value and, therefore, the bottom line of an organization is often the question that haunts the minds of most CFOs. While most corporate CFOs stress the importance of providing a competitive, attractive corporate environment to facilitate investment, many also stress the need for effective corporate governance practices to ensure the company's long-term viability. Often, these practices are ignored and undervalued by investors. However, if corporate governance goals are realized and appropriately implemented, it can positively impact both shareholder equity and the bottom line (Siahaan et al., 2017).

Sejati and Prastiwi (2015), Gunawan and Mayangsari (2015), Habibi and Andraeny (2018) studied that effects of corporate sustainability and disclosure porting deals to develop effective transparency among SME's that have significant impact over firm's value. These results are supported by Kurniawan et al (2018) which show that the results of SR disclosure have a negative impact on firm value and are also responded negatively by the market. However, conflicting results were revealed by the research of Kuzey and Uyar (2017), Loh et al (2017) and Swarnapali (2018) positive impacts were seen of sustainability on the value or organization. Given the inconsistencies in the results of previous studies, this study seeks to examine and further examine the effect of (GCG) and disclosure of sustainability reports (SR).

The study provides empirical evidence regarding the good governance of corporate structure posed positive value to the firm. Moreover, setting out positive value through disclosing the sustainable actions are very critical to organizational successful performance. Corporate development is based on abiding through the rules and regulations that were set out by the regulated authorities that influences and impact the companies that are listed in the Indonesian stock exchange through using quantitative technique of multiple linear correlation. The results that were found in this study relates to the sustainability reporting impact on the negative value on firm's value. The results of this research imply that company disclosure is able to influence firm value in the eyes of investors.

The structure of the research is the introduction that outlines the specific information and background of the issue. Moreover, literature discusses the effect of good corporate governance and how it effects firm's value. The methodology was outlined in this study that defines the sample that was taken in this study and variable measurement was done. The empirical results were analyzed that finds out the relationship of variables.

2. Literature Review

2.1. The Effect of Good Corporate Governance on Firm Value

Panda and Leepsa (2017) suggested the existence of an agency relationship in agency theory. In connection with the agency theory, there is a growing need for GCG for companies from an academic background (Vargas-Hernández, and Teodoro Cruz, 2018). Companies that implement GCG can avoid agency problems because they are able to resolve conflicts of interest in various ways that result in healthy firm value growth.

For the growth of the company, it is essential to have effective growth strategies which could contribute towards the increased value. It is due to the reason that the performance of the company is dependent over the decisions of the leadership or corporate governance. The study of Bhatt & Bhatt (2017) also argued that the effective strategies from corporate governance of the company can enhance the performance of the company in the industry. In this manner, with the increased performance of the company, the value of the company will also be increased. The value of the firm is essential for any company for the purpose of ensuring growth in the industry. In addition to this, with the increased value of the firm, the consumers also generate positive perception of the company in their minds which provides ultimate benefit for the company. As per the study conducted by Grover et al. (2018), it has been determined that the increased value of the firm helps the company in order generate its positive image among the minds of the consumers. In this manner, it implies that the good corporate governance structure helps the firms in order to increase its value in the market. The study of Hategan & Curea-Pitorac (2017) also stated that a good corporate structure of the company has a positive influence over the company's value.

To the extent a company wants to understand how corporate governance affects a firm's value, it is necessary to understand the various techniques that managers use to achieve the desired results. The most common technique is through the use of internal and external tools and resources (Kholis et al., 2020). Internal management resources can include team members and executives who specialize in particular aspects of the business. External management tools are those resources and strategies employed by external organizations to improve the company's performance. These strategies may be implemented internally or externally depending on the specific circumstances of the company. A limited amount of research has been conducted on the relationship between corporate governance and firm performance. Research has focused on the relationship between financial reports and the valuation of a company's stock. Although financial reports play an essential role in determining a company's value, other factors play a more critical role in determining company performance (Agustina & Ardiansari, 2019).

Understanding how corporate governance disclosure affects firm value may be beneficial for managers looking for ways to improve their company's performance. It is also helpful to managers who are considering taking over the company. A

good manager will know how to create an excellent corporate governance plan and effectively implement it. A good manager will also know how to use this plan to improve the company's profitability and value. In short, a good manager will know how to ensure that a company does everything possible to increase shareholder wealth. The concept of good corporate governance has a lot to do with how the company makes a profit. The directors, the senior management, and the shareholders must see that the company is sustainable. It has to be able to reproduce profits year after year. Otherwise, the shareholders will vote the company out of existence, and the company becomes nothing more than an accounting fiction. A good company will have a sound business plan. In other words, the plan must show what the company is going to do and who is going to invest in it. It will also depict that when and what they are going to sell-off. A good corporate governance audit will reveal what is not going to happen.

A good company will engage in good marketing. A good corporate governance plan is one that encourages good corporate governance. When they decide the future of the company, it is time to consult the stakeholders. People cannot make a decision based on blind faith from the board of directors. If there is something that will hurt the company - financial trouble, people need to get the shareholders' buy-in first. A good corporate governance plan also has a mechanism for the executives to get their way. If they believe that the best thing for the company is to change course, they have to have a way of putting their ideas into play. This does not mean that they should use force or threats of them losing their jobs. It just means that they need to be heard by the shareholders (Gharaibeh and Qader, 2017).

Several studies have proven empirically that GCG with a proxy forscores corporate governance perception index (CGPI)affects company performance (Wahyudin and Solikhah, 2017; Naimah and Hamidah, 2017; Agustina and Ardiansari, 2019). The results of research by Kiharo and Kairuki (2018) also prove that there is a significant positive relationship between GCG and firm value. GCG structure is important for financial markets and companies with good CG will increase their market value. Based on this description, the first hypothesis is generated as follows:

H1: Good Corporate Governance has a positive effect on firm value.

2.2. Effect of Sustainability Report on Firm Value

The awareness regarding the sustainability has been increased over the past few years. The study of Pope, Bond and Huge (2017) also argued that the concept of sustainability has been emerging over the last decade. In this manner, this increased concept of sustainability has also made it necessary for the companies to ensure sustainability. It is due to the reason that with the increased awareness of sustainability, the consumers demand more social and environmental sustainability from the company. As per the study conducted by Piyathanavong et al. (2019), the increased awareness of sustainability has made it essential for the firms in order to adopt the sustainable practices which can contribute towards the betterment of the environment. In addition to this, the adoption of sustainable practices also contribute towards the generation of positive image of the company in the minds of the consumers. Therefore, it is essential for the firms in order to adopt the sustainable practices which can help them to enhance their image. In continuation to this, with the increased image of the company in the minds of the consumers, the value of the firm will also increase which is also beneficial for the company in terms of ensuring its performance and surviving in the industry. The study conducted by Mahmood et al. (2018) stated that the report on sustainability has a positive influence over the value of the company. In this manner, it is necessary for the company to ensure the adoption of sustainable practices which can enhance the value of the firm in the industry.

Implementing healthy corporate governance practices can go a long way to helping a firm achieve its long-range and short-term business objectives. While this may seem like an obvious concern, one that should be at the top of the agendas of all CFOs, some CFOs do not put the focus where it should be. Some CFOs may even believe that a corporate governance practice's benefits are not worth the additional risk. Unfortunately, this can lead to a short-sighted view of the value of corporate governance. This short-sightedness can cause companies to make a few costly mistakes that can negatively impact their firm and stakeholders' future (Gharaibeh and Qader, 2017).

For instance, some firms may believe that they can adequately protect their firm's value by merely hiring experienced managers who are also familiar with their company's strengths and weaknesses. While this may be true in some instances, most businesses will find that having an experienced manager is not enough to offset a company's losses. Many CFOs will recommend that companies only hire experienced managers to minimize the risks associated with such a position. There is always the risk that an employee will "borrow" ideas and concepts from the company for their benefit. Again, keeping these risks at bay can be an enormous benefit to a company's value (Swarnapali, 2018).

How corporate governance affects the value of a company does not stop at hiring the right managers. A company also has to worry about board members. The current trend in corporate governance is that board members are being required to serve longer terms. These terms are generally mandated by legislation and can significantly impact the ability of a board to oversee the activities of its members. Short terms serve to exacerbate the problem by lengthening the time that a corporation has to address its internal structural problems (Soedaryono and Riduifana, 2017).

Some firms try to solve how corporate governance report disclosures affect the value of a firm by focusing on the need for new corporate governance rules. While any firm must develop new rules, such rules should not interfere with how current rules are designed to accomplish the organization's goals. In many cases, the implementation of new rules can detract from firms' productivity and can result in a loss of investor confidence. Ultimately, shareholder wealth may not increase due to corporate governance, but shareholder confidence may decrease due to the perception that a firm lacks the necessary corporate governance skills. This may be caused by a misunderstanding of how best to create value for the firm (Soedaryono and Riduifana, 2017).

Legitimacy theory explains that organizations will try to ensure that they operate within the boundaries and norms of society (Hummel and Schlick, 2016). The legitimacy theory motivates the company to ensure that all of its activities and performance can be accepted by the community. This information can be in the form of disclosure of sustainability report (SR) which is contained in an integral part of the annual report or SR which is reported separately. Sustainability reports that contain reports on corporate social and environmental responsibility activities can be used to ensure that the company has carried out its social responsibility. The purpose of this disclosure is to acquire trust from stakeholders around the company and maintain good relations and increase stakeholder trust in the company. SR disclosure is expected to meet the expectations of the community and stakeholders for companies whose operations are in accordance with existing social norms (Syarifuddin & Damayanti, 2019).

Loh, et al (2017) stated that there is a positive relationship between SR disclosure on firm value and it does not depend on the sector or status of different companies such as government or private companies. In addition to this, the disclosure of sustainability reports helps the companies in order to generate the awareness regarding the sustainable practices adopted by the company. With the help of this closure, the consumers are able to know what the company has been doing for the sustainability of the environment. Research by Swarnapali (2018), Latifah and Luhur (2017), Caesaria and Basuki (2016) provides evidence through empirical research to have a positive impact of GCG on the value of firm operations and building sustainable image in the minds of stakeholders.

H2: Disclosure sustainability report has a positive effect on firm value

3. Methods

3.1. Sample and Data Source

The sample used is all companies listed on the Indonesia Stock Exchange in 2013-2018. Based on the data that has been collected, the initial sample of companies listed in the ranking of perception index of CG (CGPI) for the period 2013-2018 was 199 observations. However, based on the sample selection criteria which refers to the limits that have been described; the final sample is obtained as many as 68 observations. The type of data used in this study for the variable good corporate governance (GCG) is secondary quantitative data in the form of a CGPI score from SWA Magazine, the sustainability report (SR) variable is obtained from the respective official websites of each company as well as the variables of firm value, firm size, company age and leverage are quantitative data gathered from the companies that are listed in the Indonesia Stock Exchange (IDX) (IDX, 2021).

3.2. Variable Measurement

3.2.1. Good Corporate Governance

GCG is a set of rules, practices and corporate control processes in order to maximize firm value, increase company performance and contribution, and maintain long-term corporate sustainability. In this study, GCG was measured using the (CGPI) score. CGPI is a research program and ranking of GCG implementation carried out by IICG and SWA magazine for companies in Indonesia through research design. GCG is proxied by the Corporate Governance Perception Index score.

3.2.2. Sustainability Report

According to the report of sustainability of GRI is a description of activities in the form of reports issued by companies regarding economic, social and environmental impacts caused by company activities. SR is used as the dependent variable in this study and is proxied based on the sustainability disclosure index (SDI). A dichotomy procedure is made on this index where each item disclosed in the company's SR will be assigned 1 point, and 0 if not. In this study, the latest GRI G4 and GRI Standards guidelines were used as reporting frameworks for sustainability reports (Uwuigbe et al., 2017).

The GRI G4 Guidelines use 91 items as indicators across all categories. The (SDI) for each company is measured through calculating the all points of sustainability through total disclosure namely 91 for GRI G4 and for GRI Standards the maximum points will be adjusted to the category of disclosure. The calculation formula is explained as follows:

$$SDI = \frac{TDi}{Mi}$$

3.2.3. Firm Value Firm

The value describes the collective assessment of investors about the performance of a company, both current and future performance. Value of firm is taken as dependent variable in the research. Measurement of the value of the company using Tobin's Q. When the Tobin's Q ratio is greater, the company has good growth prospects (Marsha and Murtaqi, 2017). If the value of Tobin's Q is more than 1, it indicates that the company has value and future value for the firm is positive. However, when Tobin's Q is below one it means that investment in assets is not attractive. The proposed formula for the Tobin's Q is as follows:

$$\text{Tobin's Q} = \frac{(Total\ Outstanding\ Shares\ x\ Share\ Price) + Total\ Liabilities}{Total\ Assets}$$

3.2.4. Control Variable

Variables that are considered as control variables used in this study include firm size (SIZE), company age (AGE) and leverage (LEV). Size of firm explains the company scope which can be measured by total assets or total net sales or the size of the company using value of assets of organization. The size of organization in this study is measured using the logarithm of total company assets. Company age is defined as the length of life or the existence of an organization or form of business that operates in business and has the goal of making a profit (Razzaque et al., 2016). This study utilizes the company's age by calculating the difference between the year that is current and the year the company was founded. Furthermore, the leverage (LEV) is a ratio is measured as proportion of firm's total liabilities to total assets; which depicts firm's overall leverage position (Liang et al., 2017).

3.2.5. Empirical Model

In answer to the hypothesis already described, used multiple linear regression model to test the hypothesis. The significance level has been chosen α = 5% which is also threshold for the results of study. The significant value that must be greater than or equals to 0.05 should be determined for the acceptance of hypothesis. The regression model was conducted as follows.

Tobin's Q = α + β1CGPI + β2SDI + β3Size + β4Age + β5Lev + e

3.3. Empirical Result

3.3.1. Descriptive Statistics

In this study descriptive statistical analysis is used to describe the picture. Regarding the variables used, both the dependent variable, namely firm value (Tobin's Q), the independent variable, namely good corporate governance (CGPI) and sustainability report (SDI) as well as control variables, namely firm size (SIZE), company age (AGE) and leverage (LEV). Based on the research results, it is known that the minimum value, maximum value and average (mean) of each variable of the companies used as the research sample during 2013-2018 are described in table 1. Based on table 1, the average (mean) of good corporate governance (CGPI) in this study amounted to 86,109 with a standard deviation of 4.07169. The sustainability disclosure index in this study was measured by adding up all the disclosure categories disclosed by the company divided by the maximum points of each SR according to the standards used and having an average of 0.465561 with a standard deviation of 0.2390102. The firm value proxied using Tobin's Q in Table 1 shows the results that in this study the average of the firm value is 1.247570 with a standard deviation indicating the variability of the firm value variable is 0.4061417. In table 1 the average (mean) firm size in this study amounted to 32.319655 with a standard deviation of 1.6443344. Based on table 1, the average (mean) age of the companies in this study was 67.18 with a standard deviation of 33,439. In Table 1, the average (mean) leverage of this

research sample is 0.680446 with a standard deviation of 0.2057889.

Table 1. Descriptive Test Results

	N	Minimum	Maximum	Mean	Std. Deviation
CGPI 71.44 93.86 86.1079 4.07169	68				(X1)
SDI .0330 .9560 .465561 .2390102	68				(X2)
SIZE	68	28.9523	34.7988	32.319655	1.6443344
AGE	68	15	157	67.18	33 439
LEV	68	.3076	.9222	.680446	.2057889
TOBINSQ (Y)	68	.6452	2.3660	1.247570	.4061417
Valid N (listwise)	68				

3.4. The Effect of Good Corporate Governance on Firm Value

It can be seen in Table 2 that CGPI has a beta value of -0.016 with a significance of 0.345, which is higher than 5%. This shows that GCG has no significant effect on firm value. Based on the results of this study, it is known that GCG has no significant effect on firm value, which is proxied using the CGPI score. This result is due to the fact that this study uses a proxy for the corporate governance implementation in the form of a CGPI score regardless of other mechanisms outside the IICG assessment. Results were same as of Puniayasa and Triaryati (2006), Mutmainah (2015), Putra and Kurniawati (2017) and Hapsari (2018) states that no impact was observed of the good corporate governance on firm's value. The results of the implementation of good corporate governance are still not visible and have no clear impact on the company, therefore it is still not significant to add value and influence firm value. Thus the results of research on companies that follow the CGPI ranking are contradictory to agency theory which states agency theory contributes to the application of various GCG mechanisms to control the actions of managers in a company that is jointly owned and firm value is not necessarily reflected in the conditions of implementing GCG.

3.5. The Effect of Sustainability Report on Firm Value

The sustainability report has a regression coefficient of -0.404. This means that if there is a disclosure of the sustainability report in a company in one unit, the firm value will decrease by 0.404, assuming the independent and other variables are constant. The negative sign on the regression coefficient value illustrates the opposite relationship between the sustainability report and firm value. It is known that the sustainability report disclosure has a significant negative effect on firm value. The results of this study are in accordance with research owned by Xu et al. (2012), Kurniawan et al. (2018) which states that the reports regarding sustainability disclosure found to be negative on the value of firm in the market.

In legitimacy theory, a sustainability report contains reports on corporate social and environmental responsibility activities that can be used to convince the community that the company has carried out social responsibility. The results of this study reveal different things because they are inconsistent with the legitimacy theory which states that the disclosure of sustainability reports can reduce the legitimacy gap. In the companies that are involved in the research and ranking of CGPI, the company carries out the responsibility development only to legitimize the company. This is because the disclosure of sustainability reports in Indonesia is still mandatory and is only a product produced by a company in the form of a sustainability report in order to complete the applicable obligations and regulations so that the sustainability report is a cost company. Until now, disclosure of sustainability reports in Indonesia is not a strategy taken by companies in influencing the value of their companies.

Table 2. Results of Multiple Regression Analysis

Independent Variables	Regression Model			
	β	t	Sig	Conclusion
(constant)	0.878	0.737	0.464	
CGPI (X1)	-0.016	-0.951	0.345	rejected H1
SDI (X2)	-0.404	-2.021	0.048**	H2 Rejected
SIZE	0.083	1.356	0.180	photo influential
AGE	0.003	1.921	0.059 *	influential
LEV	-1.321	-3.493	0.001**	influential
R square	0,244			
Adj R-square	0.182			
statistic F	3.991			
F Sig	0.003			

4. Conclusion

Research objective is to develop effective understanding of GCG that was measured by a score CGPI and disclosure sustainability report to the firm value. The negative impact was found negative or rejected on firm's value. The existence of GCG that is carried out by the company is not able to significantly influence firm value. In addition, the sustainability report has a significant negative effect on value of firm. This means that when a company discloses a sustainability report, the company's value will decrease. For management, companies can disclose sustainability reports according to the 2016 GRI Standard (the latest version) because it contains the best aspects globally in reporting economic, social and environmental impacts to the public. Companies can also participate in the CGPI survey to help improve company performance even though it does not directly affect firm value.

It is not very easy for a company to improve its corporate governance system if it focuses on making profits for the top management. In the US, only three out of ten companies are profitable enough to survive with bad corporate governance practices in place. If a company is profitable, then there is no need to do anything that might affect its profitability. If it is not making a profit, it needs to focus on improving whether it makes a profit. If it continues to make huge profits every year even though its governance practices are causing it to lose money, then it is time to start worrying. At this point, many people would say that the company should go broke. However, if it continues to generate billions of dollars in profits, then the need to continue worrying about good corporate governance has passed.

In order for a company to change course, it needs to understand what good corporate governance is. When it comes down to it, a company only needs to look at its finances and its employees to see what direction it is looking to take. If it wants to grow, it needs to diversify and reduce its dependence on oil and natural gas. If it wants to remain

profitable, it needs to think about getting rid of some of its businesses and focusing on good corporate governance when it comes to its finances. If a company truly wants to change course at the end of the day, it will have to stop looking at its governance and start looking to others for guidance. This is what will ultimately help a company make the changes that are necessary in order to become profitable again.

The research results cannot generalize to all companies in Indonesia because the observations made are only on companies that are involved in the research and ranking of CGPI. In addition, this study has limitations in terms of a fairly small sample. For further researchers, it is hoped that it can increase the number of samples from the research year and the coverage area (country). Future studies can examine the relationship or influence of good corporate governance with other proxies and use different dependent variables.

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