

The Effect of Good Corporate Governance on the Market Value of Financial Sector Companies in Indonesia

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ABSTRACT

Corporate governance is an interesting topic to discuss recently. Governance builds trust and predictability, hence generating comfort to investors. Companies that implement good corporate governance are expected to have a good financial performance to minimize agency problems and provide more benefits to shareholders. A corporate governance framework can determine the agency problem and its effect on shareholders' value. This study uses a random effect model estimation method. Good corporate governance in this study is measured with the corporate governance index (CGI) score and formed based on five sub-indexes. The company's market value is calculated by Tobin's Q ratio. The results of statistical tests show a positive relationship between the implementation of good corporate governance and its market value. Furthermore, this research shows how Indonesian banks listed in IDX from 2010 to 2019 implement good corporate governance practices as the index continues to increase every year.

Keywords: Agency problem; company's market value; financial performance; good corporate governance.

INTRODUCTION

Many shocking financial scandals such as Barings Bank, Enron and Arthur Anderson from the big five of the public accountants, Worldcom, Cirio, and many others make investors and stakeholders interested in corporate governance. The same case of lacking good corporate governance also exists in Indonesia, one of which is the case of Jiwasraya insurance company. Jiwasraya went into many media spotlight after its case of mismanagement and fraud are revealed to the public.

Financial institutions are businesses that rely on the principle of trust in their clients. Individuals use life insurance to protect themselves from the loss of income due to retirement or death by transferring uncertainty related to the insured individual's income into the group [25]. However, if insurance companies with bad corporate governance manage the funds, there is a potential risk of default on insurance claims, such as what happened to Jiwasraya insurance.

[29] argues that financial institutions are willing to take extreme risks that can increase financial system instability for maximizing stakeholders' wealth. Better good corporate governance is negatively related to extensive risk-taking and positively associated with the performance of financial institutions the excessive desire of maximizing

stakeholders' wealth can lead to negative consequences for the economy which should be prevented by doing a good measurement of the corporate governance practice. So, to avoid risk-taking and to push the financial performance, the governance must be improved [23] describes good corporate governance as structures, systems, and processes that companies use to provide more sustainable value over a long time. Following the statement, the government as the regulator has formed a special body that regulates the implementation of good corporate governance in 1999, namely the National Committee on Governance Policy (KNKG). KNKG is responsible for aligning the three company organs (GMS, Directors, and Commissioners) to carry out good corporate governance principles following published regulations.

[24] states that in 2011 the ownership structure of companies in Indonesia reached 54% of the total market capitalization, or in other words, family-owned groups controlled the majority. Following the statement, it can create a conflict of interest between the principal and the agent. The regulator should think about how to protect the rights of minority shareholders, and it is necessary to implement good corporate governance, which is beneficial to minimize conflicts of interest and reduce agency costs. According to [22], companies listed on the Brazilian stock exchange that were

voluntarily implementing good corporate governance are unlikely to manipulate their financial statements.

However, other research models use event studies to implement good corporate governance in Lima Stock Exchange [14]. They found that corporate governance practices do not generate positive returns to companies that scored well on CGCI and stock returns. That statement is also supported by other research that uses the Corporate Governance Perception Index (CGPI) issued by The Indonesian Institute for Corporate Governance (IICG) with EPS, PBV, and PER ratios [28]. The result shows CGPI does not affect the stock market, which can be interpreted from investors' slow response to CGPI disclosure.

Research on the implementation of GCG is more often associated with firm performance or the company's market value. Many studies link the implementation of GCG and the company's market value, such as research by [3] on companies in Turkey, [8] on companies in Brazil, [9] on companies in Korea, [10] on companies in the United States, [16] on companies in Venezuela, and [21] on companies in Poland. The study results explained that there is a positive impact of implementing good corporate governance on the company's market value.

This study will use the corporate governance index to assess the extent to which companies disclose their good corporate governance. Previous research in Indonesia, such as [19], uses the GCG assessment method which includes three aspects: the board of directors, audit committee, and ownership structure. Furthermore, [1] uses four criteria, including the number of audit committees in the company, the proportion of independent commissioners to all commissioners, and the proportion of institutional & managerial ownership to all outstanding ordinary shares when measuring GCG in public listed companies.

[26] conducts a study of financial sector companies listed on the IDX in 2004, explaining that there is no relationship between the implementation of good corporate governance using the corporate governance index to the company's market value as a proxy for Tobin's Q. This study tries to re-examine whether there is an effect of implementing good corporate governance and the company's market value during different periods through the existing research gap. It is hoped that over time the implementation of good corporate governance in Indonesia would improve to explain the relationship between the company's market value represented by Tobin's Q and GCG in financial sector companies listed on the IDX during the 2010-2019 period.

Agency Theory

Agency theory provides a different view of corporate governance, with the emergence of interests that are deeply embedded in the agents, so a check and balance system can be used to minimize the potential for abusing authority carried out by agents [20]. [12] explains that companies with the weakest corporate governance tend to have enormous agency problems. CEOs at firms with agency problems that big bear compensation (cash compensation and salary) are greater. In conclusion, the agency problems determine the financial performance. The more significant issues on the agency problem mean that they have to pay more for the agency cost. Meanwhile, for the fewer agency problems they can use the money for channeling the cash flow to the stakeholders in the form of dividends to increase their companies' market value.

Good Corporate Governance

[18] states that no single definition of corporate governance can apply to all situations and jurisdictions. Corporate governance will depend on the institutions, national context, and legal traditions that apply to a country. [15] explains that corporate governance involves a series of relationships between company management, the board of directors & commissioners, and all stakeholders whose aim is to achieve goals and performance monitoring tools that the company has jointly determined. [11] also states that agency problems can be overcome with corporate governance because corporate governance functions as a set of rules that can control corporate behavior towards directors, managers, employees, shareholders, creditors, customers, competitors, and the community.

According to [6] the implementation of GCG can improve the timeliness of disclosing financial information, prevent fraud and increase transparency in reporting so that non-compliance is the responsibility of top company officials.

Corporate Governance Index

Through previous research, there has been a lot of discussion regarding forming a corporate governance index. Still, the composition index of corporate governance cannot be equated between one country and another. This is due to differences in regulations in corporate governance, which cause the indicators of compilers of the corporate governance index (CGI) to differ. [13] developed research from [8], who also uses the CGI to assess the market value of the public company in Brazil, shows that regulatory changes such as in Brazil in 2009

brought about improvements in all aspects of the CGI between 2010 and 2014. Therefore, CGI should be built following the characteristics and regulations that apply in the country where the research is conducted.

[7], who has conducted research related to the corporate governance index in various countries such as Brazil, Korea, India, Russia, and Turkey, states that many companies in Brazil and Turkey do not have independent directors. Still, companies in Korea are required to have a minimum of 25% independent directors while Indian companies need independent directors as the majority or at least one-third of independent directors plus non-executive board seats. Another example, consider having an audit committee. Audit committees may be necessary for countries such as India and Turkey. Therefore, all public companies must have an audit committee based on applicable rules and regulations, but this is different from rules in Brazil because only a small number of companies have audit committees.

Borsa İstanbul (Turkey Stock Exchange) in 2007 tried to create a corporate governance index (BIST CG Index) which consists of companies listed on the Turkey Stock Exchange. The companies at least fulfill 70% of the Corporate Governance Guidelines based on voluntary compliance assessments to help clarify how good corporate governance is implemented in Borsa İstanbul (Turkey Stock Exchange). Based on that, [3] conducts further research by building their corporate governance index, which consists of five sub-indexes covering 46 elements such as the Board Structure Sub-index (8 elements), Board Procedure Sub-index (5 elements), Disclosure Sub-index (23 elements), Ownership Structure (6 elements), and Shareholder Rights (4 elements). Then a score is calculated with the same weighted average from the five sub-indexes.

Previous research uses the score results from the Corporate Governance Index as a basis for seeing the extent to which the level of company compliance with good corporate governance is associated with the company's market value.

Market Value

To see whether the implementation of good corporate governance produces a positive impact, investors can see the value of the company. The company value itself has many methods and models in its calculations. According to [5], the conventional concept or commonly used in assessing companies is by calculating the company's intrinsic value or fundamental value. If the agreed value exceeds the fundamental value, it can be stated that there has been an overvalued or vice versa. [11] states that the company valuation model is the present value of expected future free cash flow discounted by WACC.

Besides, calculating company value, ratios, or other valuation models can be used to show a company's market value.

More research finds the relation between good corporate governance and market value commonly uses Tobin's Q as a proxy to calculate market value. Research conducted by [3], [8], [9], [10], [16], and [21] show the same results that CGI has a significant and positive effect on Tobin's Q. It can be concluded that the implementation of good corporate governance can increase firm value through Tobin's Q.

RESEARCH METHOD

The population for this study includes 94 companies in the financial sector listed on the IDX during 2010-2019. In collecting samples, the researcher uses a purposive sampling method. The criteria are companies in the financial sector that (1) have complete annual reports and (2) have no extreme data as outliers. Moreover, the companies in the financial sector that publish annual reports completely during 2010-2019 are 55 of 94 companies that match the requirements. Three more samples are excluded, considered with outliers because they were only listed on the IDX in 2010. As a result, 52 companies fulfill all the criteria.

Table 1. Total sample of companies in the financial sector

Sample Criteria	Quantity
Companies that disclose annual reports in the period 2010-2019	94
Companies whose annual reports are incomplete for the period 2010-2019	(39)
Companies that own data outliers	(3)
Total Sample	52
Total years of research	10
Total research sample	520

Source: www.idx.co.id

This study examines the effect of independent variables on dependent variables with the help of control variables using the regression data panel. In this study, the corporate governance index (CGI) is an independent variable. The company's market value is proxied through Tobin's Q as the closest variable and control variable, including profitability (ROA), company size, and age.

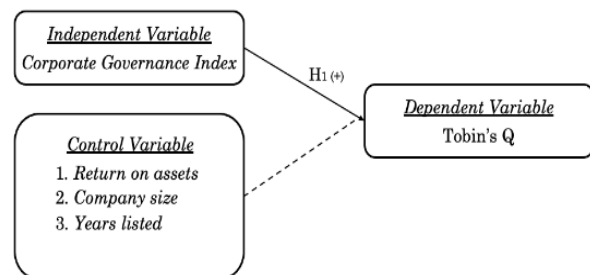


Figure 1. The conceptual model for CGI to market value

Based on previous studies, a research framework can be prepared with the following hypotheses:

H1: The implementation of good corporate governance positively affects company market value

Measurement of Market Value

In this study, the dependent variable is the market value as proxied by Tobin's Q. Tobin's Q is one of the models commonly used to measure the company's market value. The value of Tobin's Q is obtained by comparing the market value of a company's assets in the financial market to the probability of the amount of money that needs to be budgeted to replace the company's total assets (replacement cost of assets). The calculation of the replacement cost of assets is the sum of the company's total equity and total liabilities.

$$\text{Tobin's Q} = \frac{\text{market value of asset}}{\text{estimated replacement cost}}$$

In its development, Tobin's Q formula continues to be modified in subsequent studies. [3], [8], [9], and [26] estimated Tobin's Q through the asset market value using the formula from the sum of the book value of the preferred stock, book value of debt, and market value of the common stock divided by the book value of assets. That Tobin's Q calculating models refer to [3].

The Tobin's Q value will be around 0 and 1 (or greater). A value of 0 means that the replacement cost is greater than the value of the shares, so it means that the shares' value is too low. Conversely, the value of 1 (or greater) means that the value of the company's shares tends to increase in price compared to the budget for asset transfers, which explains if the company's common stock's market value is assumed to be high enough.

Measurement of Corporate Governance Index

In this study, the independent variable is the corporate governance index built based on the governance sub-index, which is adjusted to the research location to produce a relevant corporate governance score. The questions developed will use references from the ASEAN Corporate Governance Scorecard v.2.0 [2] and the previous researches on corporate governance index (CGI), such as [3], [8], [9], and [26]. Each question in the governance sub-index has the same weight by giving point 1 to the questions if the criteria are met and point 0 if the criteria are not met.

The criteria in these questions can be seen from the company's disclosures in the annual report and the company's website. The total corporate governance index (CGI) will range from 0 to the maximum possible value for a sample of companies. All the corporate governance index (CGI) results from the sample of companies will be sorted from companies with the highest to lowest scores. The company's high corporate governance index (CGI) score indicates that the level of company compliance is also high towards good corporate governance. The sub-index in this study consists of:

1. Board Structure Index discusses the structure of the company. One of the topics of discussion is the number of independent commissioners. This is important because independent commissioners are commissioners who are at least free from shareholders' vested interest. Besides, this sub-index tries to determine the extent to which the company has committees that help implement good corporate governance, such as the Audit Committee, Nomination Committee, Remuneration Committee, and Good Corporate Governance Committee. This sub-index aims to find out whether the company has structured the company according to the GCG guidelines.
2. Board Procedure Index, according to [3] board procedure index includes several elements of assessment, such as whether there is a corporate governance charter or a board charter that regulates board activity, whether the company has a code of ethics, and two elements to find out whether the company discloses the membership of the audit committee and the charter of the audit committee as a proxy to see the effective function of the audit committee. This sub-index tries to find out how the governance process runs in a company.
3. Firm Disclosure discusses how companies disclose information related to the company's publication because the publication is not just financial information but also non-financial information. This sub-index includes the assessment of disclosure of financial statements, disclosure of background information, roles and responsibilities of members of the board of directors & commissioners, disclosure of information related to an internal audit, disclosure of information related to public accounting firms as external auditors, the publication of audit committee meetings and details. Absent from each board of members and commissioners during the meeting of the year. According to good corporate governance principles, disclosure in this sub-index is a form of transparency of information in annual reports and company websites.

4. Ownership Structure is used to find out how the company discloses share ownership from the shareholder. Share ownership from shareholders can explain controlling shareholders or majority shareholders. The voice of the controlling shareholder or majority shareholder can influence decision-making at the GMS. This sub-index is also used to determine whether the commissioners or directors own shares of the company. This is considered necessary because if the commissioners or directors own more than 5% of the company's shares or the commissioners and directors are included in controlling shareholders, the decision taken is not free from vested interest. This sub-index also tries to determine the company's relationship with its subsidiaries, partners, or joint ventures.
5. Shareholder Rights. According to [3], the rights of minority shareholders in the company are often seen as a central element in corporate governance. This sub-index trying to figure out how companies implement policies that protect the rights of minority shareholders (minority shareholders), such as whether there is an insider trading policy, whether the company has a dividend policy, or whether the company has an investor relations officer/department.

Measurement of Control Variables

Control variables are needed to clarify the relationship between good corporate governance and company market value. This study used control variables such as profitability (ROA), company size, and company age. There are consistent relationships among ROA, company size, and company age with Tobin's Q based on researchers [3], [8], and [9], so that could be used as a control variable that helps explain the relationship between the implementation of good corporate governance and company market value.

ROA is used to assess whether the board of directors (agent) can streamline its existing capital to generate maximum profit for the company. Maximum profit can be achieved if the company can minimize costs incurred, including agency costs. It is expected that the maximum profit will be distributed to shareholders through a dividend distribution. The dividend distribution is expected to impact the company's market value in the eyes of potential investors. According to [3] and [8], ROA positively affects Tobin's Q. This shows that the better the company maximizes the use of assets, it will affect its market value.

Company size is used to see whether the company's size has an impact on the market value of a company. Company size also describes the

company's risk. Companies with a larger number of assets are assumed to have a greater risk, so it is hoped that the company could minimize agency costs and achieve maximum profit by implementing good corporate governance. The company's age is used to see whether the company's length of time listed on the IDX shows, the better its market value. Companies that are already mature are assumed to be more obedient to the prevailing regulations so that the implementation of good corporate governance in the company will improve over time. According to [3], [8], and [9], company size and company age do not have negative influences on the company's market value.

RESULTS AND DISCUSSION

Descriptive Statistic

Judging from Table 2, the average value of 52 sample companies from the financial sector is 1.1. The value of 1.1 is considered quite good because the average Q value of companies in the financial sector is already above 1, a Q value above 1 is considered to have a fairly good market value on the Indonesia Stock Exchange (IDX). Based on the related explanation, it can be concluded that Tobin's Q average value in financial sector companies listed on the IDX is good enough.

Table 2. Descriptive Statistic

Variable	Obs	Mean	Std.Dev	Min	Max
TOBINSQ	520	1,101	1,051	0,098	16,044
CGI	520	0,713	0,161	0,180	1,000
ROA	520	0,026	0,039	-0,257	0,201
LN_TOTALASSET	520	29,874	2,405	24,448	34,887
LN_YEARS	520	2,657	0,573	0,000	3,611

Source: STATA 14.1

Table 2 shows the descriptive statistics of all control variables in the study. The explanation of the independent variable is discussed in Table 3 and Figure 1. ROA is calculated by net income dividing the total assets of the company. The company's size is calculated by the natural logarithm of total assets. The ten-year average total assets for the 52 sample companies in the financial sector were IDR 86,603,964,663,178.

The company's age in the financial sector is calculated by how long the company was listed on the Indonesian stock exchange and then transformed using a natural logarithm. Based on 52 samples of financial sector companies listed on the IDX, the average age of 21 years, with the oldest company listed on the IDX (Indonesia Stock Exchange) for 37 years.

CGI score in the financial sector

The corporate governance index (CGI) in this study's results is built based on research by Ararat et al. (2016), which consists of five sub-indexes. Five sub-index questionnaires in this study were used to find out how good corporate governance is when viewed from the board structure (8 elements), board procedure (8 elements), firm disclosure (16 elements), ownership structure (5 elements), and stakeholder rights (9 elements). This sub-index is also organized by the ASEAN Corporate Governance Scorecard issued by the ASEAN Capital Markets Forum (ACMF) and regulations derived from the Financial Services Authority (OJK). The corporate governance index consists of 46 elements assessed through disclosures in the annual report and company website.

The corporate governance index assessment is carried out by giving a score of 1 if the company makes disclosures related to question elements, and 0 if the company does not disclose the question elements in the CGI questionnaire on 52 samples of financial sector companies listed on the IDX during the period 2010 to 2019. CGI score results in the financial sector show that the banking sub-sector has the highest average value of 79.8%. The sub-sector with the lowest average value is the securities company sub-sector with an average value of 58.5%. The ten public companies with the highest CGI average score were obtained by the banking sub-sector, and this shows the seriousness of the banking sector in disclosing the principles of good corporate governance in their annual report and website.

Table 3. CGI of financial sub sector

Financial Subsector	Obs	Mean	Std.Dev	Min	Max
Bank	26	0,798	0,110	0,390	1,000
Financial Institutions	7	0,671	0,146	0,337	0,918
Securities Company	6	0,585	0,182	0,208	0,916
Insurance	9	0,607	0,159	0,180	0,908
Other	4	0,67	0,124	0,417	0,918
Total	52	0,713	0,161	0,180	1,000

Source: STATA 14.1

Table 3 explains that there are five sub-sectors in the Indonesian financial sector. The table shows the highest and lowest score of CGI in the financial sector during the period of 2010-2019.

Figure 2 shows the CGI score in the financial sector is increasing from 2010 until 2019. In 2010 the average CGI score was 53 out of 100, while in 2019 the average CGI score was 83 out of 100. The figure also shows that the sub-index increases from 2010 until 2019.

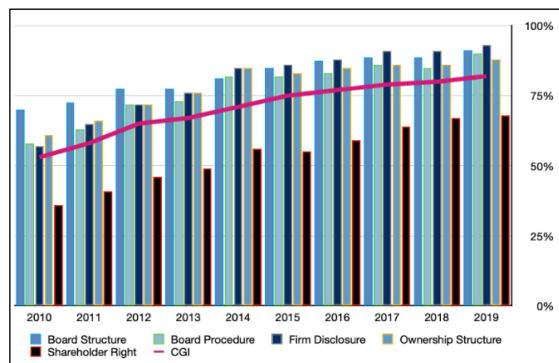


Figure 2. CGI Chart in financial sector

Data Analysis Technique

Before analyzing the panel data regression model, it is important to choose one of the best models of the estimation method Pooled Least Square (PLS) and three models of panel data regression, namely Common Effect Model, Fixed Effects Model (FEM), or Random Effects Model (REM). First is finding out the best model for estimation by using the Chow test, the Hausman test, and the Lagrange test. After conducting the Chow test, Hausman test, and Lagrange Multiplier test, the conclusions show that the best model for analyzing PLS is the random effect model.

Table 4. Random Effect Model Summary

Model	Coef.	t-Statistic	Sig
(Constant)	2.14698	1.98	0.048
CGI	1.09529	2.47	0.014**
ROA	4.11563	2.94	0.003***
SIZE	-0.07522	-1.88	0.061*
YEARS	0.11767	0.94	0.348
R-squared		0.0335	
F-statistic		4.4600	
Prob(F-statistic)		0.0014	

*, **, and *** indicate 10%, 5%, and 1% significance respectively.

Source: STATA 14.1

The statistical tests show a positive influence for the implementation of good corporate governance on company value, which is indicated by a significance value of 0.0138. [26] explains that the implementation of good corporate governance (GCG) in public companies is considered to be able to optimize the market value of the company, especially in the eyes of shareholders that the company has implemented the principles of good corporate governance, to minimize agency problems and reduce agency costs. The results also support previous research conducted by [3], [8], [9], [10], [16], and [21] regarding the positive influence between the implementation of good corporate governance on the company's market value. It can be concluded

that the implementation of good corporate governance in the financial sector of the Indonesia Stock Exchange (IDX) has been getting better during the period 2010 to 2019, as can be seen in Figure 2.

However, in the research model, the control company size and company age variables are not statistically significant at the 5% level, and it can be interpreted that the greater the company's assets or, the older the company does not indicate the better the market value of the company.

Discussion

[3] explains that the bank sub-sector suffered heavy losses after the crisis occurred in 2000 in Turkey due to non-collectable loans. Turkey's government became more concerned with rules imposed by the banking regulatory agency. According to [26], despite the economic crisis in 1998 in Indonesia, the government still considers good corporate governance as voluntary. Central Bank of Indonesia and IDX only require the company to publish the names of the members of the board of commissioners complete with curriculum vitae and their main job outside the company in their annual report. Thus, this study highlights the development of good corporate governance of financial companies in Indonesia, especially from 2010 to 2019.

Jiwasraya case related to [26], the average CGI of the insurance sub-sector in 2003 is the lowest among others. This research also shows that the insurance sub-sector has the lowest CGI shows in Table 3, thereby proving a problem in the good corporate governance on the insurance sub-sector, including the Jiwasraya insurance company. The agency problem is seen in the Jiwasraya case, where the insurance company's management covered the failure of investment allocation from funds collected from customers. The funds were used by management to invest stocks that were not classified as blue-chip, resulting in losses when all investment portfolios experienced a price decline. This case also shows the failure of the whistle-blowing system to prevent actions that are detrimental to shareholders, especially insurance clients.

The National Committee for Governance Policy (KNKG) has issued regulations that rule GCG in 2009 for the insurance sub-sector in Indonesia, but still ineffective to regulate GCG in that sub-sector. The financial services authority and the Indonesian government are necessary to intervene to help solve problems that occur in the insurance sub-sector because this affects public confidence in insurance companies. Implementing strict policies in the financial sector is also expected to prevent similar cases from happening again in the future.

Furthermore, the results of the recapitulation of the corporate governance index show that companies in the financial sector in Indonesia are still not serious about the transparency of insider trading carried out by the board of directors/commissioners. This is shown through the results of a CGI questionnaire regarding disclosure of information that requires directors/commissioners to report transactions. This indicates the existence of asymmetric information between management and shareholders, which means potential losses to minority shareholders. The response to private ownership of company shares within ten working days is only 19% in 2019. The result shows that only 19% of the 52 companies have made such disclosure. The disclosure of such elements also occurs only after the emergence of the Financial Services Authority Regulation (POJK) 60 regarding Disclosure of Information of Certain Shareholders.

Public companies in the financial sector make disclosures after the existence of governing regulations. This shows that the regulator has an essential role in implementing good corporate governance in the financial sector. Another example was the Financial Services Authority Regulation No. 34 / POJK.04 / 2014 concerning the Nomination and Remuneration Committee of Issuer or Public Company, which requires public companies to have these committees. Before the regulation, only 57% of companies had Nomination Committees, and 59% of companies had Remuneration Committees out of 52 samples in 2013. After the issuance of the law, companies began to form these committees. In 2019 76% of companies already had a Nominating Committee, and 78% of companies already have a Remuneration Committee from 52 sample companies.

Of the several sub-sectors in the financial sector, the banking sector is a sector that has a better corporate governance index (CGI) score than other sectors, and this may be related to regulations requiring the implementation of good corporate governance in commercial banks. Such as the Regulation of the Financial Services Authority Number 55 / POJK.03 / 2016 Application of Corporate Governance for Commercial Banks and the Regulation of the State Minister for State-Owned Enterprises Number: PER-09 / MBU / 2012 concerning the Implementation of Good Corporate Governance in State-Owned Enterprises, for banking companies whose ownership is owned by the state. There are 26 banking companies in the 52 sample companies. This shows that regulators closely monitor the activity level of banking companies to safeguard customer funds to avoid fraud. Utama (2011) reveals that bank size also influences GCG disclosure; this is in line with the study results

that banking companies that have high total assets tend to have a high GCG score as well. Apart from the company's response to regulations, Figure 2 shows disclosure in the sub-index (board structure, board procedure, firm disclosure, ownership structure, and stakeholder rights) has increased. This indicates that the disclosure of good corporate governance in companies in the financial sector from 2010 to 2019 is getting better.

CONCLUSION

The implementation of good corporate governance always shows a positive relationship with company value. This can happen because the implementation of good corporate governance also illustrates the sustainability capability of a company. In this study, the corporate governance index (CGI) score can describe the extent to which the company cares about its governance process to have sustainability capability. This is in line with [4] who explains that the tension between development and sustainability causes complexity into what is often already a challenging policy and regulatory environment, which makes GCG an exciting topic to be researched.

Companies with good governance are also expected to avoid agency problems. Usually, companies with agency problems will incur a higher agency cost; of course, this can reduce the benefits obtained by shareholders. This research is expected to provide investors with a new perspective in making the best investment decisions to maximize benefits.

Based on the hypothesis of the research model, it can be concluded there is a positive relationship between good corporate governance, which is proxied by corporate governance index (CGI) score, and the market value of a company, which is proxied by Tobin's Q on financial sector companies listed in Indonesia Stock Exchange (IDX) during the period 2010 - 2019. Although there is a positive relationship between the company's market value as proxied through Tobin's Q and the implementation of good corporate governance, according to [17] researchers must pay attention to other estimation tools in measuring public company market value.

This study only uses Tobin's Q as a measuring tool to assess companies' market value in the financial sector. It is expected that future studies compare the relationship between good corporate governance and market value using estimation tools other than Tobin's Q. [16] uses Tobin's Q and Price to Book Value as tools to measure the market value of the company. Various proxies in measuring a company's market value can certainly further clarify the relationship between good corporate

governance and market value. This research is used to clarify the relationship between corporate governance and market value to enrich references to similar studies in Indonesia.

For further research in finding the relationship between good corporate governance and market value, the researcher hopes that the study can be carried out outside the financial sector to add new insights to investors and to clarify the relationship between good corporate governance and firm value in various sectors. Indonesia Stock Exchange (IDX).

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APPENDIX

Table 5. CGI Recapitulation 2010 -2019 in Financial Sector

No.	Question	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
BS1	Public company has more than one independent commissioner	0,692	0,673	0,788	0,750	0,712	0,788	0,788	0,769	0,769	0,808
BS2	The chairman of the commissioner are independent	0,173	0,173	0,231	0,231	0,192	0,231	0,212	0,269	0,288	0,250
BS3	The audit committee has a non-executive or independent chairman	0,962	0,981	1,000	1,000	1,000	1,000	1,000	0,981	0,981	1,000
BS4	The audit committee has independent members	0,865	0,923	0,962	0,962	0,981	0,981	1,000	1,000	1,000	1,000
BS5	The audit committee has members with expertise in accounting	0,654	0,731	0,808	0,846	0,846	0,846	0,865	0,885	0,885	0,865
BS6	Public company has Nominating Committee	0,558	0,558	0,577	0,577	0,558	0,692	0,731	0,731	0,731	0,769
BS7	Public Company has Remuneration Committee	0,577	0,577	0,596	0,596	0,577	0,692	0,731	0,731	0,731	0,788
BS8	Public company has good corporate governance (GCG) committee	0,058	0,058	0,077	0,096	0,154	0,269	0,365	0,385	0,404	0,423
BP1	The company has a code of ethics / code of conduct / corporate values.	0,558	0,673	0,808	0,865	0,942	0,942	0,942	0,942	0,942	0,981
BP2	Public company discloses a system used to evaluate / assess the performance of directors / commissioner	0,346	0,365	0,404	0,481	0,519	0,673	0,769	0,808	0,788	0,865
BP3	The company discloses background of the audit committee membership	0,942	0,962	0,962	0,981	0,981	1,000	1,000	1,000	1,000	1,000
BP4	Public company discloses a charter of the audit committee or work guidelines that clearly define the roles and responsibilities of the Audit Committee and its scope of work	0,731	0,788	0,865	0,942	0,981	0,981	0,981	0,981	0,981	0,981
BP5	The company has an internal audit function	0,904	0,962	0,981	0,981	0,981	0,981	0,981	1,000	1,000	1,000
BP6	The board of directors / commissioners meets at least six times during the year	0,462	0,558	0,577	0,519	0,654	0,731	0,769	0,788	0,769	0,885
BP7	Directors attend at least 75% of all board meetings that are held during the year	0,404	0,404	0,692	0,538	0,692	0,712	0,654	0,712	0,750	0,808
BP8	Commissioners attend at least 75% of all board meetings held during a year	0,308	0,404	0,519	0,577	0,596	0,558	0,538	0,654	0,615	0,712
D1	Public company publishes an annual financial statement on the company's website	0,442	0,538	0,615	0,654	0,750	0,885	0,923	0,923	0,923	0,904
D2	Public company publishes a quarterly financial statement on the company's website	0,346	0,423	0,462	0,500	0,577	0,635	0,712	0,750	0,769	0,788
D3	The company publishes an annual report on the company website	0,442	0,596	0,692	0,750	0,885	0,962	0,962	0,962	0,981	0,981
D4	<i>Downloadable annual report</i>	0,442	0,596	0,673	0,750	0,442	0,942	0,942	0,962	0,981	0,981
D5	The code of ethics / code of conduct / corporate values is expressed by public company in annual report	0,538	0,673	0,788	0,846	0,923	0,923	0,923	0,923	0,923	0,981
D6	The company submits its annual report in English	0,885	0,904	0,885	0,865	0,904	0,942	0,962	0,981	0,981	1,000
D7	The role of members of the board of directors / commissioners is disclosed by public company	0,808	0,904	0,981	0,981	0,981	0,981	1,000	1,000	1,000	1,000
D8	Public company discloses the duties and responsibilities of the President Director and other directors	0,269	0,327	0,558	0,635	0,654	0,731	0,827	0,788	0,808	0,846
D9	Public company discloses the internal audit unit charter or discloses the duties & responsibilities and authorities of the internal audit unit	0,827	0,865	0,923	0,942	0,981	0,981	0,981	1,000	1,000	1,000
D10	The company discloses information regarding the public accounting firm appointed as external auditor (name of public accounting firm, audit period, address, telephone and email).	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
D11	The company discloses audit fees on annual report	0,212	0,250	0,346	0,442	0,519	0,519	0,538	0,654	0,692	0,769
D12	The company discloses the number of audit committee meetings (at least 4 meetings are held a year)	0,673	0,731	0,750	0,808	0,885	0,904	0,923	0,942	0,923	0,981
D13	Audit committee members attend at least 75% of all meetings	0,346	0,538	0,558	0,519	0,731	0,712	0,712	0,846	0,827	0,846
D14	The company discloses the number of meetings / year of directors and commissioners on annual report	0,404	0,462	0,500	0,577	0,615	0,769	0,846	0,904	0,923	0,962
D15	Public company discloses details of the attendance of each director / commissioner at all director / commissioner meetings held during the year on annual report	0,615	0,712	0,808	0,846	0,827	0,865	0,865	0,904	0,904	0,942
D16	Public company discloses the name and value for any significant / material related party transactions (RPT)	0,846	0,885	0,942	0,962	0,981	0,981	0,981	1,000	0,981	0,981
OW1	Public company discloses information about share ownership and discloses the identity of the holders who own 5% or more share ownership.	0,846	0,846	0,885	0,942	0,962	0,981	0,981	0,981	0,981	0,981
OW2	Public company disclosed the controlling shareholder / shareholder owning more than 50% (voting rights) of the shares in the public company	0,538	0,558	0,596	0,615	0,635	0,635	0,673	0,712	0,750	0,788

Table 5. CGI Recapitulation 2010 -2019 in Financial Sector (continue)

No.	Question	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
OW3	Public company directly discloses the major shareholders or (presumed) shareholders owning more than 20% share ownership of the public company	0,673	0,654	0,712	0,750	0,846	0,846	0,846	0,827	0,827	0,827
OW4	The company discloses the direct and indirect share ownership of the commissioners and directors of a public company	0,558	0,654	0,750	0,808	0,827	0,885	0,827	0,885	0,865	0,865
OW5	Public company discloses details of the parent company, subsidiary companies, partners, joint ventures, and special purpose enterprises / vehicles (SPEs) / (SPVs) on annual report	0,442	0,577	0,673	0,712	0,827	0,827	0,923	0,904	0,904	0,942
SR1	Public company discloses Dividend Policy on current year	0,712	0,808	0,865	0,923	0,904	0,942	0,962	0,981	0,981	0,962
SR2	Perusahaan mengungkapkan sistem whistleblowing	0,192	0,250	0,500	0,635	0,788	0,846	0,885	0,904	0,942	0,962
SR3	Public company has <i>insider trading policy</i>	0,038	0,038	0,058	0,096	0,096	0,096	0,231	0,462	0,538	0,577
SR4	Public company has policies or rules that prohibit directors / commissioners and employees from taking advantage of knowledge not generally available to the market	0,212	0,231	0,288	0,308	0,404	0,385	0,519	0,577	0,615	0,615
SR5	Public company require directors / commissioners to report their transactions in company stock within 10 working day	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,077	0,173	0,192
SR6	Public company disclose <i>investor relations officer / department</i>	0,904	0,962	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
SR7	Public company discloses contact details (eg telephone, fax and e-mail) of the official / office responsible for investor relations	0,385	0,519	0,577	0,596	0,731	0,750	0,750	0,788	0,788	0,788
SR8	Public company has a policy regarding loans to directors and commissioners which is useful to ensure that this is done fairly and with market rates or the company has a policy to prohibit this practice	0,000	0,000	0,000	0,000	0,000	0,019	0,038	0,058	0,115	0,135
SR9	Public Company disclose information about related party transactions (RPT) which are carried out in such a way as to ensure that they are carried out fairly	0,827	0,904	0,904	0,923	0,962	0,962	0,981	1,000	0,981	0,981