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Good Corporate Governance Mechanism, Corporate Social Responsibility Disclosure on Firm Value: Empirical Study on Listed Company in Indonesia Stock Exchange

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Abstract

To increase a firm value may create a conflict among owners. A certain mechanism is required to manage the company and this company is responsible for managing the conflicts and their negative effects. This research is aimed at identifying the influence such mechanism of good corporate governance (commissaries board, independent commissaries board, institusional owners, managerial owners, and audit committee) and CSR disclosure towards firm value. The population of this research is all companies listed in Indonesia Stock Exchange in 2010-2011, which expose and report their CSR activities. The sample consists of 33 companies selected by purposive sampling technique. The data are then analyzed descriptively and statistically. The research results show that the commissaries board, independent commissaries board, institusional owners, managerial owners, and audit committee, and CSR disclosure have a positive and insignificant influence towards firm value whereas the managerial ownership has a positive and significant influence, and the independent commissaries board has a negative and insignificant influence towards firm value. This research has a limitation because its sample consists of 33 companies and the time period covers only 2 years.

Keywords: good corporate governance mechanism, CSR disclosure, firm value

1. Introduction

1.1 Background

Every company will try to do the best to improve the company's value. To increase company value in long-term is one of company goals. Increase in the value of the company will be reflected in the market price of the stock. Investors will be watching the movement of shares in companies that are listed on the Indonesia Stock Exchange (IDX). From these observations, the investor will assess and take a decision. In the process of maximizing the company's value, will arise a conflict of interest between managers and shareholders is often called the agency problem. Not infrequently the two sides will be contradictory. Divergence of interests between managers and shareholders has resulted in conflicts commonly called agency conflict, it happens because management prioritizing personal interests, otherwise shareholders doesn't like the personal interests of managers. Self-interest manager will add to the cost for companies that will cause a decrease in corporate profits and the effect on stock prices thus lowering the value of the company. It is a basic need for a mechanism or set of rules to address the issues principal-agency problems, the Good Corporate Governance (GCG) which is a set of rules governing the relationship between shareholders, managers, creditors, government, employees, and other stakeholders to be balanced rights and obligations. GCG aims to set up the company in order to create added value for all its stakeholders. It should be noted that no interest is harmed. Implementation of GCG expected to be useful to increase and maximize the value of the company. Based on the Decree of the Minister of State/Head of Agency/Investment and Development of State-Owned Enterprises Number 23/M-PM-BUMN/2009 about the company's development of the company's corporate governance practices, corporate governance is the principle that corporations should be expected in the management of companies that implemented solely in the interest of the company in order to achieve the aims and objectives of the company. GCG is translated as good corporate governance. In other words, good corporate governance is a system and a good structure to manage the company with the goal of increasing shareholder value and accommodate a variety of interested parties with companies such as creditors,

suppliers, business associates, customers, employees, government and society. Law Number 19 of 2003 on State-Owned Enterprises contains GCG. The Act explains that in order to optimize its role and is able to maintain its presence in the global economy an increasingly open and competitive, state-owned corporations and the need to foster a culture of professionalism among others, through the improvement of the management and monitoring based on the principles of good corporate. In general guidelines GCG Indonesia, there are five main principles of good corporate governance, which is as follows: (1) Transparency (disclosure of information), the transparency in the decision making process and openness in expressing material and relevant information about the company, (2) Accountability, the clarity of function, structure, and accountability system so that its organs are effective enterprise management , (3) Responsibility, which is in conformity with the principles in the management of the company as well as the healthy corporate applicable legislation, (4) Independency (autonomy) is a condition in which a professionally managed company with no conflict of interest and influence or pressure from management that is not in accordance with the laws and regulations in force and the principles of healthy corporate, and (5) Fairness (equality and fairness), the fair and equal treatment in meeting stakeholder rights arising under the agreement and applicable legislation.

Companies that have good corporate governance will increase the company's value for shareholders because essentially GCG implementation goal is to create value added for the company. Other purposes, namely (1) improving the efficiency, effectiveness, and sustainability of an organization, (2) increase the legitimacy of the organization that is managed by an open, fair, and accountable, (3) recognize and protect the rights and obligations of shareholders and stakeholders.

GCG mechanism is a set of mechanisms that influence the decision to be taken by the manager when there is a separation between ownership with control. In the Circular Letter No 03 PM/2000 issued on May 5, 2000, stated that in order to GCG, and listed companies are required to have independent directors, audit committee, and secretary of the company. In this study, the mechanism of internal corporate governance is proxied by the variable board size, independent board, institutional ownership, managerial ownership, and audit committees.

GCG is expected to seek a balance between the various interests that can provide benefits to the company as a whole. There are five main principles according to general guidelines GCG in Indonesia such as transparancy, accountability, responsibility, independency, and fairness. The fifth component is very important to improve the quality of financial reporting and reduce the activity of irregularities committed by the company. The continued development of the company also develops economic growth. This is a positive impact on the progress of the business world. However, in addition to providing a positive impact, it is also a negative effect because when a lot of companies are developing it at that moment, social inequality and environmental damage around the case, especially the environment surrounding the company operates. That requires awareness so that negative impacts can be addressed. Corporate Social Responsibility (CSR) is a form of corporate responsibility in correcting social inequality and environmental damage caused by activities of the company's operations.

CSR activities are the presentation of the company has made in the company's annual report. There are two types of CSR, which is compulsory (mandatory) disclosure of information that is required to be done by the company based on certain rules or standards, and there is a voluntary, which is an additional disclosure from the company. Social disclosures made by the company are generally voluntary, unaudited, and unregulated (not influenced by certain rules). CSR in Indonesia, has been arranged by the Indonesian Institute of Accountants (IAI), the Statement of Financial Accounting Standards (SFAS) Number 1 Paragraph 9, which states that "The Company may also present additional statements such as statements regarding the environment and report value added, especially for industries where environmental factors play an important role and the industry that considers employees as a group users report that plays an important role" (Murwaningsih, 2009). In addition, social responsibility disclosure is also contained in the decision of the Chairman of the Capital Market Supervisory Agency Number 38/PM/1996 Regulation VIII.G.2 of the Annual Report (Murwaningsih, 2009). This regulation contains the freedom of companies to disclose their CSR for not misleading and contradictory.

CSR has begun to be applied in enterprises and become a must for some companies. It is stipulated in Law No. 40 of 2007 on Limited Company and criminal sanctions for violations of CSR is also regulated in Law No 23/ 1997 Environmental Management neighbors. Implementation of CSR is no longer seen as a cost but the investment company. The company is not only fulfilling obligations to shareholders but also obligations to other parties' concerned where the liability exceeds the range of obligations to shareholders. CSR involves the relationship between all the stakeholders, which include customers, employees, communities, owners/investors, government, suppliers, and competitors. Understanding of the 3P (Profit, People, Planet), the company is not only looking for profit but also have the welfare of people, and ensure the sustainability of the planet. CSR is not only faced with the responsibility that rests on the single bottom line, ie the value of the company as stated in the financial condition of course, but the company should be based on the triple bottom lines, not only financially but also includes social and environmental due to the fact financial condition does not warrant continued growth of company value. Sustainability of the company would be protected if the company is considering three principal, namely financial, social, and environmental.

Development of CSR activities may include physical assistance, health services, construction of public facilities, scholarships, and so on. The more forms of liability by the company to its environment, then the image of the company be increased. An example is the application of CSR in Danone AQUA. CSR activities undertaken include AQUA Environmental Conservation, Social Assistance, Clean Water Program for areas in East Nusa Tenggara, and others. It is done by AQUA was very interesting for consumers thereby increasing AQUA image in the public so that people remain

faithful to consumers even attract new customers. This will affect the long-term AQUA sales. Consumers tend to leave a product that has a bad image or the negative news on the company or product in question. Companies that have good corporate governance will increase the company's value for shareholders for the purpose of implementation of good corporate governance is to create added value) for the company. Likewise with CSR disclosures are made by the company. The higher contribution of companies through CSR activities was effect to higher public sympathy for the company. This will be increase the value of the company. Investor perception of the value of the company is to the company. Market price of the company's stock reflects investors' assessment of the overall equity dimiliknya and stock market price is a barometer of corporate performance. Value of the firm will increase if stock prices rise. If the stock price increases, the level of shareholder wealth will increase as well. Value of the company in question in this research is measured by the market value of Tobin's Q because according Herawaty (2008), Tobin's Q is more precise measurement of the effectiveness of management resources in utilizing economically. In 2012, Priantinah has conducted research on the influence of corporate governance and CSR disclosure on firm value. The research results indicate that corporate governance has a positive effect on firm value with the control variables size and leverage on companies listed on the Stock Exchange during 2007-2010 ; CSR disclosure and no significant positive effect on firm value with the control variables size, industry type, profitability and leverage terdafar the company on the Stock Exchange during 2007-2010, as well as corporate governance and CSR has a positive effect on the value of companies listed on the Stock Exchange during 2007-2010. Priantinah (2012) used 2007 as the year of observation because they want to know the effect of CSR on firm value after the issuance of Investment Law Number 25 of 2007 and Law for Limited company Number 40 of 2007. Priantinah (2012) measured of GCG using an instrument that has been developed by The Indonesian Institute for Corporate Governance (IICG) in the form of Corporate Governance Perception Index (CGPI) which was published in the magazine SWA. While CSR is measured using Disclousure Corporate Social Index (CSDI) based item reporting standards Globar Reporting Index (GRI) are disclosed in the company's annual report.

Based on this background and the research that has been conducted by Priantinah (2012), the researchers intend to continue the study. There are several differences between this study with previous research, which Priantinah (2012) in his study with the GCG measuring instruments that have been developed by IICG in the form of CGPI published in SWA magazine while in the study the researchers used a mechanism whereby GCG mechanisms of internal indicators used are board size, independent board, institutional ownership, managerial ownership, and the audit committee; when Priantinah (2012) using CSDI is based on the Global Reporting item reporting standards Index are disclosed in the company's annual reports to measure CSR disclosure in this study the researchers used CSRDI which is based on the ISO 26000 Guidance Standard on Social Responsibility which includes 34 items in 7 key themes, and researchers observed study period 2010-2011 for two reasons, namely, first, the most recent data and the second, in the study of CSR disclosures calculated using CSRDI which is based on the ISO 26000 Guidance Standard on Social Responsibility newly defined in 2010 by International Standardization Organization ISO. ISO 26000 Guidance Standard on Social Responsibility is an international standard that gives guidance on key principles of social responsibility, recognition of social responsibility and commitment to stakeholders, the core subjects and issues related to the responsibilities and ways to integrate socially responsible behavior in within the organization. ISO 26000 is the most recent guidelines in measuring CSR disclosure. Although not all parts of this international standard will be the same for all organizations used, but all the core subjects remain relevant for any organization either private, public and nonprofit organizations (large and small) in developed countries and in developing countries. In addition, this standard emphasizes the fit between the characteristics of the social responsibility of organizations, including companies. This standard can be applied in Indonesia as Indonesia have all legal instruments relating to the principles and core subjects and run all regulations applicable to companies in Indonesia (Herawaty, 2008). Based on the above background, the formulations of the problems in this study are as follows: (1) is corporate governance mechanisms affecting on firm value? And (2) are CSR disclosure affecting on firm value?

2. Basic Theory & Hypothesis Development

2.1 Agency Theory

Agency theory explained the agency relationship arises when one or more persons (the principal) employs another person (agent) to provide a service and then the principal delegate decision-making authority to the agent (Jensen and Meckling, 1976). Perspective of the agency relationship is the basis used to understand good corporate governance. Agency relationship is a contract between the agents (manager) with the principal (investors). It is stipulated in the contract has been made between company managers and owners of companies. The manager is given authority over the company's activities. Because it acts as the manager of the company, then the manager will be more aware of internal information and the development and prospects of the company compared with the owner companies. Manager shall prepare financial statements and provide information about the condition of the company to the owner of the company as a form of accountability for their work. However, in carrying out these responsibilities, managers tend to report anything that maximizes utility and expense of the interests of shareholders. In addition, managers often convey information that is not in accordance with the facts that occurred within the company. Things like this is what spurred the agency conflict, namely that there are two different interests in which the interests of each strive to achieve and maintain the level of prosperity of each. In other words, potential conflicts of interest between owners and managers arise because managers do not always act in accordance with the interests of the owner of triggering agency cost.

2.2 Hypothesis development

Commissioners play an important role in the implementation of GCG. Board of commissioners is at the core of corporate governance. Board of commissioners is central to resilience and success of the company as the board of commissioners in charge of ensuring the company's strategy, requires the accountability and responsible for overseeing management in improving the efficiency, competitiveness and corporate value. Siallagan research and Machfoedz (2006) concluded that the commissioners were statistically positive effect on firm value. It is hypothesed that Size BOC positive effect on firm value (H1).

Independent board is meant here is the number of independent board members in a company. Independent directors may mediate the issues raised and acted as adviser to the management. An independent commissioner to monitor the company's management to the implementation of effective corporate governance. Beassley (2001) in Sembiring (2005) stated that the presence of independent directors in the board of commissioner's composition can reduce fraudulent financial reporting that increase the value of the company. It is hypothesized in this study that Independent Commissioners positive effect on company value (H2).

Institutional ownership has an important role in minimizing the agency conflict that occurred. Institutional ownership acts as the controlling party and corporate managers. The greater the level of stock ownership by institutions, then the control mechanisms on performance management will be more effective. The level of institutional ownership in a substantial proportion will affect the market value of the firm (Shleifer and Vishny, 1986 in Widanar, 2009). Institutional ownership is a powerful mechanism that is able to motivate managers to improve their performance, which in turn will increase the value of the company. Value of the firm will increase if the institution is able to be an effective monitoring tool. It is hypothesed that Institutional Ownership positive effect on firm value (H3)

Managerial ownership is seen as a proper control mechanism to reduce the agency conflict that lead to high agency cost. Jensen and Meckling (1976) suggest that one way to reduce agency cost is to increase the stock ownership by management. The proportion of shares controlled by the manager can influence company policy. Managerial ownership will align the interests of management and shareholders (outsider ownership), so that will directly benefit from the decision and bear the losses as a consequence of making the wrong decision (Aryani et al, 2010). Thus, the interests of managers and shareholders will be united and will have a positive impact in order to enhance shareholder value. Iit is hypothesized in this study that managerial ownership positive effect on firm value (H4).

The existence of an audit committee is required in the implementation of GCG. The audit committee was formed, elected and dismissed by the board of commissioners. Chairman of the audit committee are independent directors of the company concerned. If the audit committee can carry out its function properly, then the transparency of corporate management liability set forth in the financial statements would be believed. It can attract the attention of the capital market. And will ultimately increase the value of the company. Research conducted by Siallagan and Machfoedz (2006) concluded that the audit committee is positively and exhibited significantly affect the value of the company. Based on the above, it is hypothesized in this study that the Audit Committee has a positive effect on firm value (H5).

CSR is a medium of communication to the public about the company's activities related to the company's corporate social responsibility. CSR obligations stipulated in Law Number 25 of 2007 about the Investment Law and law Number 40 of 2007 about Limited Companies. The misalignment between the value systems and value systems companies will have negative impacts on firms; a company will lose its legitimacy and will ultimately threaten the survival of the company. Each type has its own characteristics so that the industry affects the level of CSR disclosure. The level of profitability also affect CSR disclosure. The larger the profits, the greater the company should be higher contribution to the environment. It is hypothesized in this study that CSR disclosure has a positive effect on firm value (H6)

2.3 Theoretical framework

Based on a literature review as well as some previous studies, the researchers indicated that proxy GCG mechanism through board size, independent board, institutional ownership, managerial ownership, and audit committees, and disclosure of CSR as an independent variable while the value of the company as the dependent variable. The type of industry and profitability are as a control variable. To help understand the influence of corporate governance mechanisms and disclosure of CSR on firm value required a framework of thought. Of the basic theory outlined above, it can be described in a theoretical framework that is structured as follows:

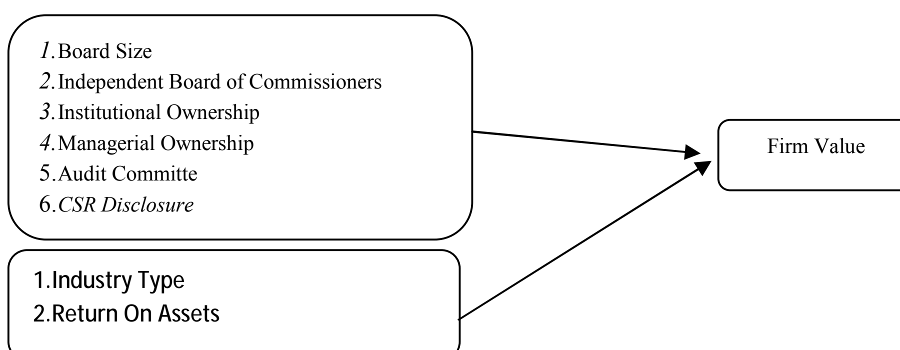

Figure1: Theoretical Frameworks Scheme

3. Research Methodology

3.1 Population and Sample

The population of this research is the role in all companies listed on the Indonesia Stock Exchange during the period 2010-2011. Methods used in sampling are purposive sampling method, the method of sampling based on certain criteria. The criteria used in this study are as follows (a) the Company listed on the Stock Exchange during the period 2010-2011, (b) the Company issued annual financial statements and annual reports for the years 2010-2011, (c) the Company disclose CSR in annual reports companies for the years 2010-2011, (d) the company has the required data in the study and (e) the Company is not delisted. Of the 455 companies listed on the Stock Exchange and which meet the criteria of just 33 companies. Therefore, the total sample in this study was 33 companies.

Variables and Measurement of Variables

This study empirically analyzes the effect of corporate governance mechanisms and corporate social responsibility disclosure on firm value in the company's annual report. Therefore, it is necessary to test the hypotheses that have been proposed. Hypothesis testing is conducted according to the methods of research and analysis designed according to the studied variables in order to obtain accurate results.

Firm value is measured by Tobins'Q as practiced by White et al. in Priantinah (2012) is formulated as follows.

$$Q = (EMV + D)/EBV + D$$

Description:

Q = Value Company

EMV = Equity Market Value

EBV = Book Value Equity

D= the book value of total debt.

Board size is measured by the number of board members who are in the company as is done by Suranta and Machfoedz (2003).

Independent board is a board member who does not have a special relationship or kinship with the other commissioners. In this study, independent board variables measured by dividing the number of independent board members to total board members at companies such as Yanga conducted by Dervish (2009)

Institutional ownership is shareholding companies in which ownership of the company is owned by an institution or organization in this research, institutional ownership is easured by total percentage of shares held by an institution as that of the Dervishes (2009).

Managerial ownership is the ownership levels of management actively participate in decision-making. In this study, managerial ownership is measured by the percentage of ownership as practiced by the Dervishes (2009).

The existence of an audit committee composed of at least three members, which one of them is independent and also became chairman of the audit committee, while the other is an independent external party. In this study, the audit committee is measured by the number of audit committee members in the company's (Safiana, 2009).

Investor perception of the value of the company is to the company, which is generally associated with stock market prices. According to Andri and Hanung (2007) in Priantinah (2012), the value of the company is selling firms or growing value for shareholders and corporate value will be reflected in the market price of its shares. The main objective of the company is to maximize profits. However, the view of the value shifts over time. This is due to the weaknesses found in the company's ultimate goal, which is the standard microeconomics to maximize profits is static because it does not pay attention to the dimension of time; definition in question is the amount of profit or the profit level; matter of risk, due to the high profits are usually at risk too high and it can be fatal, and others (Sartono, 2001 in Pujiati, 2008). Due to the weakness arising from these objectives, the company's goals to shift into the form of maximizing the wealth or value of the company will also increase the wealth of the shareholders. Company value in this study is defined as the market value as defined by Rika and Islahudin (2008) in Priantinah (2012). Market price of the company's stock reflects investors' assessment of the overall equity dimiliknya and stock market price is a barometer of corporate performance. Value of the firm will increase if stock prices rise. If the stock price increases, the level of shareholder wealth will increase as well.

The level of disclosure of CSR is using of Corporate Social Responsibility Index Dislousure (CSRDI). In this study, the items used to measure the disclosure of social disclosure is based on the ISO 26000 Guidance Standard on Social Responsibility which consists of 34 items in 7 key themes such disclosures made by Handayati (2011). In this study, a measuring tool used to measure corporate social disclosure is CSRDI) which is based on the items contained in the ISO 26000 Guidance Standard on Social Responsibility.

Control variable is a variable that is controlled so that the effect of independent variables on the dependent variable is not influenced by external factors not examined. Control variables used to complement or control the causal relationships in order to gain a better empirical model of complete and better. In addition, the control variable is used to prevent any bias calculation. There are two control variables in this study such as the type of industry and profitability. Industry types are classified into two types, namely high profile and low profile, as is done by Anggraini (2006). The criteria used to classify firms, using the criteria of Roberts (1992), Preston (1977), Patten (1991), and Hakston & Milne

(1996) in Anggraini (2006). The companies that are included in the high-profile industries include construction, mining, agriculture, forestry, fisheries, chemical, automotive, consumer goods, food and beverage, paper, pharmaceuticals and plastics. While that is not included in the high-profile industry, grouped into low profile industry. Type of industry is measured using a dummy variable, ie a variable whose value is determined by the researcher, by giving a score of 1 for companies included in the high-profile industry, and a score of 0 for the companies included in the low-profile industry.

Profitability proxy refers to research conducted by Sulityowati et al (2010) is Return on Assets. ROA is a tool that can describe the ability of the company's profitability.

Data Collection Techniques

In this study, the data collection techniques used technical documentation and literature obtained at the library IDX official website, official website of the company, and ICMD 2011 and 2012. Literature data are collected in the form of concepts and theories that can be used for this study come from books, documents, journals, and so on.

Analysis Technique

Regression analysis is used to determine whether there is influence of corporate governance mechanisms are proxied by board size, institutional ownership, managerial ownership, independent board and audit committee, and the disclosure of CSR as an independent variable on the dependent variable values as a company with the industry type and profitability as a variable control. Multiple linear regression methods carried out on the model proposed by researchers to predict the relationship between the dependent and independent variables. The relationship between corporate governance mechanisms are proxied through the board size, institutional ownership, managerial ownership, independent board and audit committee, and disclosure of the company's CSR and firm value, measured by the following formula :

$$FV = \alpha + \beta 1BS + \beta 2IBC + \beta 3IO + \beta 4MO + \beta 5AC + \beta 6CSRDI + \beta 7IT + \beta 8ROA + e$$

4. ANALYSIS AND DISCUSSION

4.1 Statistic Descriptive

The numbers of observations in the study (N) are 66 (2 years x 33 samples). Variable board size has a mean value, maximum, minimum, and standard deviation respectively 1.4938773; 2.39790; 0.69315, and 0.42646010. Meanwhile, the board of commissioners of independent variables has a mean value, maximum, minimum, and standard deviation respectively 43.6279 %, 75 %, 30 % and 10.61368 %. This suggests that the average sample firm has complied with the rules in force in Indonesia. One of the Regulation in Indonesia Stock Exchange such as Bapepam Regulation number 11 – A, July 14, 2004, the company yiatu independent board should have a minimum of 30 % of the total existing commissioners.

Institutional ownership variable shows the mean value of 67.0879 %. It means that the average sample firm ownership held by the other institutions. Minimum value, maximum, and standard deviation are respectively 32.33%, 98.98% and 16.14571%.
Managerial ownership variables show the mean value of 3.7780%. Means ownership of the sample firms controlled by the management of relatively small at fewer than 50%. Minimum value, maximum, and standard deviation are respectively 0.01%, 43.57% and 8.84226%.

Audit committee variable has a mean value, maximum, minimum, and standard deviation respectively 1.1229782; 1.38629; 0.69315, and 0.10410978. This shows most of the sample companies are in compliance with applicable Indonesian regulations governing the existence of audit committees for public companies are regulated by Circular Letter Number-03/PM/200 Bapepam while SOEs are set out in Ministerial Decree Number SOE KEP-103/MBU/2002. The Audit Committee consists of at least three people, chaired by an Independent Commissioner of the company and two independent external as well as master and has a background in accounting and finance.

CSRDI variable has value an average of 61.0509% means the average of the company 's CSR disclosure sample is still relatively low . However, there are companies that disclose CSR samples with a percentage of 97.06%. Meanwhile, the minimum value and the standard deviation is 26.47% and 12.45826%.

The firm value variable have an average 18.504000. The lowest value is the highest value is 14.0401 and 21.7730. The standard deviation of the variable firm value is 1.4296381. This suggests that the average sample firm has a sufficiently high value of the company. And ROA variable has a mean of 8.3585%. While the maximum value, minimum, and standard deviation is equal to 36.34%, 0.46% and 7.86719%.

Percentage of sample firms is 24.2 % low profile with a number of companies as many as 16 companies. The percentage of high-profile corporate sample was 75.8 % to 50 companies. So from the table it can be concluded that the majority of the sample companies included in the type of high profile industry.

Model of multiple linear regression equations in this study are as follows.

$$FV = 13{,}704 + 0{,}090BS - 0{,}003IBC + 0{,}013IO + 0{,}040\ MO + 1{,}078AC + 0{,}017CSRDI + 1{,}239IT + 0{,}075ROA + e$$

Size of Board of Commissioners has affected to firm Value.

Variable board size has a positive and significant effect on firm value with regression coefficient 0.090; t value 0.230, and 0.819 significance greater than 0.05. This indicates that the variable board size has no significant effect partially, so it can be concluded that the board size has no significant effect on firm value. However, because the regression coefficient is positive, then an increase in board size leads to an increase in the value of the company. And vice versa,

reduction in board size would push down the value of the company. Thus, the change (either increase or decrease) the size of the board of commissioners will respond change (either increase or decrease) in value of 0.090 companies.

Based on agency theory, GCG mechanism is a form of oversight needed to address the agency problem. One of the GCG mechanisms is board size BoC holds an important role in the implementation of GCG. Board of commissioners is at the core of corporate governance. Board of commissioners is central to resilience and success of the company as the board of commissioners in charge of ensuring the company's strategy, requires the accountability and responsible for overseeing management in improving the efficiency, competitiveness and corporate value.

The results showed variable board size has no significant positive effect on firm value. It is caused by process of board of commissioner selected. The members of board of commissioner is not selected by the stockholer meeting but selected by the majority interest in company The results are consistent to research conducted by Morck, Shleifer and Vishny (1998) in Kawatu (2009). They examine the association board size on firm value and find that the value of the firm will increase when the board size increases.

Independent Boards of Commissioners has affected to Firm Value.

Variable independent board has a negative and insignificant effect on firm value with regression coefficient -0.003; t value -0.231, and 0.818 significance greater than 0.05. This suggests that variables independent board has no significant effect partially, so it can be concluded that the independent board does not have a significant effect on firm value. Regression coefficient is negative then the independent board increase would push down the value of the company. And vice versa, a decrease in independent board will encourage an increase in the value of the company. Thus, the change (either increase or decrease) the size of the board of commissioners will respond change (either increase or decrease) in value of 0,003 companies. The members of independent board of commissioner in Indonesia are the people who retrired from army, goverbor, lecterur, etc. Average of age is above 55 years old and the attanding of meeting is less than 50%.

Independent directors may mediate the issues raised and acted as adviser to the management. An independent commissioner to monitor the company's management to the implementation of effective corporate governance. The greater the number of board members will be easier to control and monitoring conducted by the CEO will be more effective. Siallagan and Machfoedz (2006), in his research found that the proportion of independent directors can negatively affect the quality of earnings, while a positive effect on firm value. However, the results of this study indicate that the independent board and no significant negative effect on firm value. This may be caused by the lack of effective independent board in carrying out its functions. Though the increasing pressures on the company, hence the need of outside will increase.

Institutional Ownership has affected to Firm Value.

Institutional ownership variable has a positive and insignificant effect on firm value with regression coefficient 0.013; t value 1.160, and 0.251 significance greater than 0.05. This suggests that institutional ownership variable does not have a significant effect partially, so it can be concluded that institutional ownership has no significant effect on firm value. However, because the regression coefficient is positive, the increase in institutional ownership leads to an increase in the value of the company. And vice versa, a decrease in institutional ownership will push down the value of the company. Thus, the change (either increase or decrease) will be responded institutional ownership change (either increase or decrease) in value of 0,013 companies.

Based on agency theory, institutional ownership has an important role in minimizing the agency conflict that occurred. Institutional ownership acts as the controlling party and corporate managers. The greater the level of stock ownership by institutions, then the control mechanisms on performance management will be more effective. As the results of research conducted by Shleifer and Vishny (1986) in Widanar (2009) which states that the level of institutional ownership in a substantial proportion will affect the market value of the company. The basic argument is the greater level of stock ownership by instititusi, the more effective the control mekanismee on performance management. And Steiner (1996) in Soesetio (2008) provides evidence that institutional ownership and Tobin's Q has a significant relationship. And the results of this study support the theory and previous research that institutional ownership has a positive effect on firm value. However, it is no significant effect on firm value.

Managerial Ownership has affected to Firm Values.

Managerial ownership variables has a positive and significant impact on firm value with regression coefficient 0.040; t value 2.049, and 0.045 significance smaller than 0.05. This suggests that managerial ownership variables have a significant effect partially, so it can be concluded that managerial ownership has a significant impact on firm value. And, the regression coefficient is positive, and then an increase in managerial ownership leads to an increase in the value of the company. And vice versa, a decrease in managerial ownership will push down the value of the company. Thus, the change (either increase or decrease) will be responded managerial ownership change (either increase or decrease) in value of 0,040 companies.

Managerial ownership is seen as a proper control mechanism to reduce the agency conflict that lead to high agency cost. Jensen and Meckling (1976) suggest that one way to reduce agency cost is to increase the stock ownership by management. The proportion of shares controlled by the manager can influence company policy. Thus, the interests of managers and shareholders will be united and will have a positive impact in order to enhance shareholder value. This is consistent with the results of research conducted by Morck , Shleifer and Vishny (1998) in Kawatu (2009) states that firm value increases with an increase in managerial ownership up to 5%, then decreases as managerial ownership of 5%

-25%, and then increased again in line with the increase in managerial ownership on an ongoing basis. Results of this study indicate that institutional ownership and a significant positive effect on firm value. However, the results of this study conflict with Demsetz (1983) in Widanar (2009) which states in a particular stage, the relationship is not always the case because of the relatively low managerial ownership control effectiveness and the ability to match interests between owners and managers will have a significant impact on firm value. The different results may be due to different study periods.

Audit Committee has affected to firm Value.

Audit committee variables has a positive and insignificant effect on firm value with regression coefficient 1.078; t value 0.685, and 0.496 significance greater than 0.05. This indicates that the audit committee variables have no significant effect partially, so it can be concluded that the audit committee does not have a significant effect on firm value. However, because the regression coefficient is positive, the increase in audit committee will encourage an increase in the value of the company. And vice versa, a decrease in audit committee would push down the value of the company. Thus, the change (either increase or decrease) the audit committee will respond change (either increase or decrease) in value of 1,078 companies. The existence of an audit committee is required in the implementation of GCG. The audit committee was formed, elected and dismissed by the board of commissioners. Chairman of the audit committee are independent directors of the company concerned. The audit committee is supporting organ. If the audit committee can carry out its function properly, then the transparency of corporate management liability set forth in the financial statements would be believed. It can attract the attention of the capital market. And will ultimately increase the value of the company. As the results of research conducted by Siallagan and Machfoedz (2006) concluded that the audit committee is positively and exhibited significantly affect the value of the company. Similarly, the results of this study indicate that the audit committee and no significant positive effect on firm value. It is caused by the background of audit committee education. The audit committe members are not from accounting or financial background and the role of audit committee can run well.

Corporate Social Responsibility Disclosure has affected to Firm Value.

Variable expression of corporate social responsibility (CSRDI) has a positive and significant effect on firm value with regression coefficient 0.017; t value 1.231, and 0.223 significance greater than 0.05. This indicates that the variables of CSR disclosure have no significant effect partially, so it can be concluded that the disclosure of CSR has no significant effect on firm value. However, because the regression coefficient is positive, the increase in CSR disclosure will encourage an increase in the value of the company. And vice versa, the decline in CSR disclosure would push down the value of the company. Thus, the change (either increase or decrease) the disclosure of CSR will be responded to change (either increase or decrease) in value of 0,017 companies. According to the theory of legitimacy, there is a social contract between the company and the community happening place operating company so the company must operate under the norms and rules that apply. Companies are not only responsible for investor parties but also environmentally responsible, so it needs reveals its CSR. In line with the stakeholder theory which states that the company not only operates to meet the interests of the company itself but also able to provide benefits to its stakeholders as the company's presence is strongly influenced by its stakeholders. Therefore, the company must express its CSR in annual reports as a medium for stakeholders to evaluate the performance of the company. Both of these theories explain the importance of CSR disclosure in corporate annual reports. CSR is a media communications company to the public and also stakeholders about the company's activities related to CSR. The more extensive CSR disclosure made by the company the more it will attract the attention of the public so as to improve the image of the company. In addition, it will also attract the attention of investors since most investors will be interested to invest in the company that coined a good image in the public. In line with both theories, the results of this study demonstrate that the effect of CSR disclosure on firm value, but not significantly. Research conducted by Booth - Harris Trust Monitor (2001) in Priantinah (2012) also showed that the majority of consumers will abandon a product that has earned a bad or negative reported.

5. Conclusions And Recommendations

5.1 Conclusion

The Indonesia Stock Exchange is a emerging capital market and unefficiency market. There is asymetric information between the principal and agent and tendency useless of infromation. The information is not sharing to market and not effecting to the investor decision making, including the information about implementation of good corporate goverance. Result of this research are

1. Board size has positive and no significant effect on firm value in companies listed on the Indonesia Stock Exchange 2010-2011. The numbers of board of commissioner is not ensuring of excellent control to management activities.
2. Independent board and no significant negative effect on firm value in companies listed on the Indonesia Stock Exchange 2010-2011.
3. Managerial ownership positive and significant effect on firm value in companies listed on the Indonesia Stock Exchange 2010-2011. The numbers of share are onwed by management will increase of the control function of owner to company activities.
4. Institutional ownership and no significant positive effect on firm value in companies listed on the Indonesia Stock Exchange 2010-2011.

5. Audit committee proved positive and significant effect on firm value in companies listed on the Indonesia Stock Exchange 2010-2011.
6. CSR disclosure and no significant positive effect on firm value in companies listed on the Indonesia Stock Exchange 2010-2011.

5.2 Suggestion

1. Expected to further improve the management of the company and improve the quality of corporate governance extensive corporate social responsibility disclosure in the annual report.
2. For the government, Indonesia Accountant Institute and the relevant regulators, are expected to formulate a policy or rule that is able to regulate corporate governance, mainly because of the extent of CSR disclosure of CSR disclosures made by the company is still relatively low.
3. Future studies are expected to use a longer observation period so that will give you a greater chance to obtain the actual conditions and increase the number of samples.
4. Future studies are expected to be able to add or use other variables to find an estimate of the standard model of corporate social responsibility disclosure.

5.3 Limitations of Research

1. Relatively limited number of samples that only 33 of the 455 companies listed on the Indonesia Stock Exchange, because there are difficulties in obtaining complete annual report data and in accordance with the appropriate variable in this study. Therefore, further research is expected to increase the number of samples to be more accurate.
2. Limited observation period of 2 years ie 2010 and 2011, so it may not be able to describe the exact circumstances of the relationship between CSR and corporate governance mechanisms on firm value. Therefore, further research is expected to increase the period of study in order to obtain better results.

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