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CORPORATE GOVERNANCE IN THE EFFORT OF INCREASING THE COMPANY'S VALUE

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ABSTRACT

It is important for the company to have its high value because it resembles the spirit of shareholders increasing wealth. The higher share prices make the higher the value of company stock. This study tries to examine the impact of the implementation of corporate governance on company value and also explores the impact of firm value to the implementation of corporate governance. This testing carried out on the top ten corporate governance perception indexes (CGPI) with other companies that are not in the top ten, but still within the same industry on company value. This study examined the different value of the company as measured by Market to Book Value Equity (MTBVE), Market to Book Value Asset (MTBVA), Tobin's Q, the ratio of Value to book value of PPE (Property, Plant, and Equipment), the Ratio of Value to Depreciation Expense, Capital Expenditure to Book Value Asset (CAPBVA) and Capital Asset Expenditure to Market Value (CAPMVA). The result shows that only the value of MTBVE and the variable MTBVA among the top ten companies CGPI and does not in the top ten showed a difference. Therefore, the company value as indicated by MTBVE and MTBVA of the company receiving the top ten corporate governance index is higher than companies that did not receive.

Key words: *corporate governance, firm value, corporate governance index.*

TATA KELOLA PERUSAHAAN DALAM UPAYA PENINGKATAN NILAI PERUSAHAAN

ABSTRAK

Penting bagi perusahaan untuk memiliki nilai tinggi karena nilai tersebut menimbulkan semangat pemegang saham meningkatan kekayaan. Harga saham yang lebih tinggi membuat nilai saham perusahaan meningkat. Penelitian ini mencoba untuk meneliti dampak pelaksanaan tata kelola perusahaan terhadap nilai perusahaan dan dampak dari nilai perusahaan terhadap implementasi tata kelola perusahaan. Pengujian dilakukan terhadap sepuluh perusahaan dengan indeks persepsi tata kelola (CGPI) teratas dan perusahaan lain yang di luar sepuluh tersebut yang masih dalam lingkungan industri yang sama pada nilai perusahaan. Nilai perusahaan yang berbeda diukur dari Market to Book Value Equity (MTBVE), Market to Book Value Asset (MTBVA), Tobin Q, rasio, nilai terhadap nilai buku dari PPE (Property, Plant, and Equipment), Rasio Nilai terhadap Penyusutan, Capital Expenditure to Book Value Asset (CAPBVA) dan Capital Asset Expenditure to Market Value (CAPMVA). Hasilnya menunjukkan bahwa hanya variabel nilai MTBVE dan MTBVA pada sepuluh perusahaan teratas CGPI dan yang tidak termasuk sepuluh besar CGPI menunjukkan perbedaan. Oleh karena itu, nilai perusahaan dengan MTBVE dan MTBVA yang menerima sepuluh indeks tata kelola perusahaan teratas lebih tinggi daripada perusahaan yang tidak menerima.

Kata Kunci: *tata kelola perusahaan, nilai perusahaan, indeks tata kelola perusahaan.*

INTRODUCTION

It has been noted that the value of the company is very important because the high value of the company is always followed by higher shareholder wealth. In addition, the higher share prices make the higher the value of company stock. High value of the company becomes the desire of the owners of the company, because with a high score, it indicates the prosperity of the shareholders are also high. Wealth of shareholders and the company were presented by the market price of the stock which is a reflection of investment decisions, financing (financing), and asset management. The concept of corporate value are in of intrinsic value not just the price of a set of assets, but the value of the company as a business entity has the ability to generate profits in the future.

Again, the value of a company formed through the indicator value of the stock market is strongly influenced by investment opportunities. The existence of investment opportunities can give positive signals about the company's growth in the future; thereby increasing the stock price, by increasing the value of the company's stock price will increase.

It is understood that corporate governance has long history in U.S.A. and Europe. The term "corporate governance" came about in the 1960s, but the extensive discussion on it did not arise again until after the Asian Financial Crisis in 1997. The East Asian financial crisis of 1997-1998 demonstrated the importance of effective corporate governance in developing countries (Krugman 1994; Radalet and Sacs 1998; Shen et al. 2006). Indonesia was adversely affected by this financial crisis. The contraction of the Indonesian economy, along with instability in the exchange rate and a marked decline in share prices, adversely affected the corporate sector. This resulted in considerable retrenchment and downsizing of operation, and the closure of many firms.

Poor governance standards in both private and government-owned firms were blamed in part for the East Asian financial crisis. In Asia, corporations tend to follow the "insider" model, with dominant control held by the original owners and large shareholders. The erosion of investor confidence was identified as one of the major factors that exacerbated the financial crisis in Indonesia and other Asian countries.

Many studies argued that the erosion of investor in Malaysia was brought about the country's poor corporate governance standards and lack of transparency in financial system. Therefore, the restoration of confidence in economy by investor will rely on improvements in corporate governance standards, including the adoption of transparency as an important strategy in corporate management (Leng, 2004). With the economy recovery of most East Asian countries, attention has understandably been drawn to addressing and researching the underlying issues and factors that led to the crisis, with view to learning how to prevent a recurrence of this crisis.

Corporate governance is a structure, process, culture and system to create a successful operational condition for an organization. *Forum for Corporate Governance in Indonesia* (FCGI) defines *corporate governance* as "a set of rules that establishes a relationship among shareholders, executives, creditors, government, employee, and the holder of other *internal* and *external* interests due to their rights and obligations". The goal of *corporate governance* is to create an added value for the stakeholders.

The mechanism of *corporate governance* that is good and ownership proportion and *board of directors'* proportion that is relatively in balance will be able to create *good corporate governance.* Several benefits of applying *good corporate governance* are: to have the trust of either investors, business partners or creditors; be more linear due to clear job and authority description; a balanced power among the internal structures of company namely board of directors, commissioners, audit committee; more accountable and careful decision making for the sustainability of company (SWA magazine, 2004). By virtue of these benefits, there will be a great possibility that those shares of company registered with *corporate governance perception index* (CGPI) will be responded by the market since the company will have already shown an intention to be a reliable and open company by merely participating in a survey.

A company with *good corporate governance* has the following characteristics such as the ability to send faster, accurate and complete information. Information shall be considered as informative when it is able to switch the belief of decision makers. New information will form a new belief among investors. This new belief will change the price through the change of securities demand and supply. Several information available in the stock market, for example, shall include: business merger, acquisition/taking over, consolidation, stock split, stock dividend distribution, financial statement, and the issue been currently discussed today is CGPI.

Corporate Governance Perception Index (CGPI) is the ranking of *corporate governance* performed by SWA magazine and *The Indonesian Institute for Corporate Government* (IICG) by virtue of 7 (seven) criteria namely (1) the commitment of corporation toward *corporate governance* which explains how far the corporation pays attention to the spirit of GCG, (2) RUPS (meeting of stockholder) holding and the treatment toward *minority shareholders* which shall include the punctuality of RUPS and right protection guarantee provided for the shareholders, especially the minority ones, (3) Board of Commissioners, to have such a competent commissioners board and how optimal their role and responsibility in the holding of good corporate governance, (4) the structure of directors board, to have such a competent directors board and how the role and responsibility of directors board are in the holding of good corporate governance, (5) relationship with *stakeholder*, how the relationship and responsibility of company are to those parties associated with the company, (6) transparency and accountability which obligate the availability of open, punctual, clear, and comparable information, especially in terms of financial problem, company management and ownership, (7) the respond to the research of IICG, how serious the respondent is to participate in this research. SWA magazine and IICG even plan to use this index as an indicator (*benchmark*) to which the investors will always refer.

There are still many companies in Indonesia to apply principles of corporate governance because of the encouragement of regulations and avoid penalties than those who regard these principles as part of corporate culture. There are still not many studies that examine the impact of corporate governance on firm value. This study sought to examine the impact of the implementation of corporate governance on firm value. The importance of research that explores the impact of firm value to the implementation of corporate governance need to be done due to the following points: first, the research is expected to provide evidence for the company that the implementation of corporate governance is also an impact on the company's enterprise value. Second, research is expected to provide empirical evidence about the usefulness of the implementation of corporate governance is not just for companies but also for the stakeholders.

This study examines the impact of the implementation of corporate governance among companies in the top ten corporate governance indexes with other companies that are not in the top ten corporate governance indexes but still within the same industry on company value. This study will examine the different value of the company as measured by Market to Book Value Equity (MTBVE), Market to Book Value Asset (MTBVA), Tobin's Q, the ratio of firm value to book value of PPE, the ratio of value to depreciation expense, Capital Expenditure to Book Value Asset (CAPBVA) and Capital Asset Expenditure to Market Value (CAPMVA).

THEORETICAL FRAMEWORK AND HYPOTHESIS

Basic Concept of Corporate Governance

Two main theories related to corporate governance are stewardship theory and agency theory. Stewardship theory is built upon the philosophical assumptions about human nature that human beings are essentially trustworthy, able to act responsibly, with integrity and honesty towards others. This is implicit in the fiduciary relationship that you want the shareholders. In other words, stewardship theory as a management view can be trusted to act in the best possible for public and stakeholder interests.

Meanwhile, the agency theory views that the management company as "agents" for shareholders will act with full awareness of their own, not as the wise and prudent and fair to shareholders. In subsequent developments, the agency responded to a broader theory because it is considered more reflective of reality. Various studies on corporate governance were developed by relying on agency theory in which management conducted with full adherence to various rules and regulations.

Good corporate governance (GCG) is a system that definitively regulate and control the companies that create value-added (value added) for all stakeholders. There are two things that are emphasized in this concept, first, the importance of shareholders' rights to obtain information correctly and on time and, second, the company's obligation to make disclosure (disclosure) is accurate, timely, transparent information to all company performance, ownership, and stakeholders.

The main principle of *corporate governance* only consists of three principles namely: (1) openness, (2) integrity, and (3) accountability, while OECD, states that there are five principles of corporate governance namely: (1) protection to the rights of shareholders; (2) fair treatment to the shareholders; (3) the role of *stakeholders* in the *corporate governance*; (4) openness and transparency; (5) the role of *board of directors* in the company.

Based on the said philosophical foundation, the concept of *corporate governance* is rapidly developed and further used as the ground of *corporate governance* theory development formulated to the models of *corporate governance*, such as *finance model (Agency theory), stakeholders model (Stakeholders theory) or political model (Stewardship theory)*. In the *finance model*, the basic assumption that is used is that the manager will take an opportunistic act by taking a private advantage before meeting the interest of shareholders. This will cause the *agency cost* that must be managed through various mechanisms, such as incentive giving and regulations application. The *agency theory* shall identify the potency of interest conflict among the parties in the company those affect the behavior of company in various different ways.

To have a good performance of *corporate governance*, the Indonesia government has issued several regulations, such as BAPEPAM (Badan Pengawas Pasar Modal/ government regulator for stock market) that issues Circular Letter No. SE-03/ PM/ 2000 that requires each public company in Indonesia to establish an Audit Committee of 3 members chaired by one independent commissioner and two external persons those are independent to the company and master and have accounting and finance background as well. Whereas for BUMN/BUMD (Badan Usama Milik Negara/ Badan Usaha Milik Daerah; government company), according to the Decree issued by State-Owned Enterprise Affairs Minister under Number: 117/M-MBU/2002 which states that: "Supervisory Commissioner/ Board must establish a committee that will work collectively and assist the Supervisory Commissioner/ Board in performing its duty that is to ensure the effectiveness of internal control system, effectiveness of external auditor and internal auditor duty performance".

Corporate Governance and Company Value

In line with those concepts form the background of *corporate governance* development, there are various definitions of *corporate governance*. *Corporate governance* is the governance system held by taking all factors those affect the institutional process into account, including those factors relevant to regulatory function. Those managers of company have such an effective role to *corporate governance* by taking the following actions: (a) to appropriately identify, evaluate and manage the risk and opportunity; (b) to follow-up the company's policy and to fully explain the goal of company; (c) to observe the ethical standards; and (d) to view the board of company as the "expert" which legal authority is recognized, while the management accountant can have the following roles: (a) to provide information about the evaluation of performance in the past and the future activity that is approved and planned; (b) to design and apply *internal control* system that serves as the guarantor board; (c) to guarantee that authority delegation is observed; and (d) to monitor and evaluate the costs and benefits of main activity.

Leng (2004) was examined the impact on firm performance stemming from specific corporate governance practices and structures was analyzed. Based on a combination of cross-sectional and time series data, he used panel data regression to analyzed performance of the firm, using both fixed effects and random effect models. Using return on equity as the dependent variable, it was established that the sized of firms, the gearing ratio (i.e. scale of borrowing), and the proportion of shared held by institutional investors significantly influence firms performance. And the other finding was the increased strength of institutional investors in a firm appeared to exert a positive influence on company earning.

Gugler, Mueller, and Yurtoglu (2003) showed that the strength of corporate governance system affects the preferred sourced of financing, which in turn helps to explain why investment financed in different way exhibit significantly different rate of return. They found considerable differences between developed and developing countries in the effectiveness of corporate governance system in aligning manager and shareholders' interest. Based on research of Banker Das, and Ou (1994) presented empirical evidence that previously disclosed financial ratio information is useful in explaining market reaction for a cross section of firm facing subsequent common industry-level strategies.

Robert Cull, Dermiguc-Kunt and Jonathan Morduch (2006) prove about which one is more important between the cost spent in terms of staffs' improvement of skill and service rendered to customers. The data was obtained from the financial statements of 124 companies in 49 countries during the observance period in 1999-2002 available in *Micro-banking Bulletin* (MBB). The independent variable of this study was profitability represented by financial *self-sufficiency, operation self-sufficiency and Return on Total Assets* (ROA) indicators. The result proved that the increment of interest rate was related to the improvement of individual borrower's financial capability in which the individual borrower had a positive and significant relation with profitability indicator. This study resulted in manpower cost that was related to profitability improvement of individual borrower.

Mansur, Zangeneh and Zitz, 1993 argue that bank needs effective measurement because the deteriorating health of banking industry and the surge of recent bank failures call for renewed interest in analyzing risk and stock price volatility of commercial banks. The alarming number of bank failures in Indonesia since 1990s contributed to uncertainty associated with the investment in bank equity. More than 10 banks failed during 1990s, with a lot of bank being closed in 1998 alone.

Ammann, Oesch, Schmid (2011) investigate the relation between firm-level corporate governance and firm value based on a large and previously unused dataset from Governance Metrics International (GMI) comprising 6663 firm-year observations from 22 developed countries over the period from 2003 to 2007. Based on a set of 64 individual governance attributes we construct two alternative additive corporate governance indices with equal weights attributed to the governance attributes and one index derived from a principal component analysis. For all three indicate a strong and positive relation between firm-level corporate governance and firm valuation. The researchers also investigate the value relevance of governance attributes that document the companies' social behavior. Regardless of whether these attributes are considered individually or aggregated into indices, and even when "standard" corporate governance attributes are controlled for, they exhibit a positive and significant effect on firm value.

Hawari (2005) argues that the role of customer retention is as a mediator in the effect of automated service quality on financial performance. Osrlitsky (2001) study does not confirm size as a third factor which would confound the relationship between CSP (Corporate Social Performance) and FFP (Firm Financial Performance). Frei et al. (1999) states improvement in process variation can be more important than improvement in aggregate process performance. Investment Opportunity Set (IOS) is a set of investment opportunities that have a function as a predictor of company growth. IOS values calculated with different types of proxies that a growing number of proxies that are used the more appropriate in reducing the error in determining the classification of the company's growth rate (Gaver and Gaver, 1993). Each company has a different IOS depending on the specification of assets owned, because IOS is basically a combination of assets with future investments. Subramaniam et.al (2011) investigates investment opportunity set and dividend policy in Malaysia and if corporate governance (ownership structure) moderate this relationship in an emerging economic context. This study found a strong negative and significant relationship between growth opportunities and dividend policy. It is reassuring to note that this is consistent and extends the literature on the contracting explanation based on Jensen's Free Cash Flow theory.

Measurement values can be demonstrated by the company Opportunity Investment Set. Investment Opportunity Set (IOS) was introduced by Myers, 1977 in relation to achieving corporate objectives. IOS provides broader guidance which the value of the company as the main objective dependent on corporate spending in the future. IOS is a combination of owned assets (assets in place) and the investment options in the days to come up with a net present value.

H1: *Market to Book Value Equity (MTBVE)* companies that belong to top ten *corporate governance perception indexes* is higher than non top ten *corporate governance perception indexes*

H2: *Market to Book Value Asset (MTBVA)* companies that belong to top ten *corporate governance perception indexes* is higher than non top ten *corporate governance perception indexes*

H3: *Capital Expenditure to Market Value Asset* (CAPMVA) companies that belong to top ten *corporate governance perception indexes* is higher than non top ten *corporate governance perception indexes*

H4: *TOBIN's Q* companies that belong to top ten *corporate governance perception index* is higher than non top ten *corporate governance perception indexes*

H5: *Firm Value to book value of PPE* (*Property, Plant, and Equipment*) companies that belong to top ten *corporate governance perception indexes* is higher than non top ten *corporate governance perception indexes*

H6: *Value to Depreciation Expense* (VDEP) companies that belong to top ten *corporate governance perception indexes* is higher than non top ten *corporate governance perception indexes*

H7: *Capital Expenditure to book Value assets* (CAPBVA) companies that belong to top ten *corporate governance perception indexes* is higher than non top ten *corporate governance perception indexes*

RESEARCH METHOD

Population, Sample and Sampling Technique

The sample of this study was the companies willing to participate in the survey of Corporate Governance Perception Index (CGPI) performed by SWA magazine and IICG (*The Indonesian Institute for Corporate Governance)*. We collected a sample of companies listed Indonesian Capital Market that announced CGPI. The collecting technique of data employed in this study is *purposive sampling* method namely sampling technique that uses certain consideration and limit, so that the selected sample is relevant to the aim of study.

Data and Data Collecting Method

The type of data collected by the writer in this study is secondary data in the form of:
The list of companies those are willing to participate in the survey of *Corporate Governance Perception Index* (CGPI).
The list of companies those are include top ten and non top ten/ non follow *Governance Perception Index* (CGPI).
CGPI publication date data that is used as the *event date* to the study to be performed.
Companies' data from *Indonesia Capital Market Directory (ICMD)* and from each companies' website.
Data of company specific announcement (*corporate action*) performed by the company.

The employed data collecting method by virtue of documentary technique was data collecting method performed by taking a note of data from the available reports, notes, and archives at several sources such as Indonesia Stock Exchange, SWA magazine, internet, and other relevant sources to the required data.

Variable Operational Definition

Dependent variables were used in determining the impact of the implementation of corporate governance on firm value. Corporate value and investment opportunities set are represented by:
Market To Book Value Equity (MTBVE) reflects that the market rate of investment return in the future companies will be greater than the expected return of equity.

$$MTBVE = \frac{\sum(OS \times CP)}{TE}. \quad (1)$$

Note:
OS : Oustanding Shares
CP : Closing Price
TE : Total Equity.

Market To Book Value Asset (MTBVA) reflects that the market rate of investment return in the future companies will be greater than the expected return of the book value of company assets.

$$MTBVA = \frac{TA - TE + \sum(OS \times CP)}{TA}. \quad (2)$$

Note:
OS : Oustanding Shares
CP : Closing Price
TE : Total Equity
TA : Total Asset.

Capital Expenditure to Market Value Asset (CAPMVA) indicate the presence of an additional flow of capital stock of the company

$$CAPMVA = \frac{BVFA_t - BVFA_{t-1}}{TA - TE + \sum(OS \times CP)}. \quad (3)$$

Note:
OS : Oustanding Shares
CP : Closing Price
TE : Total Equity
TA : Total Asset
BVFA : Book Value of Fix Asset.

TOBIN's Q, This ratio indicates the company's performance as measured by market value and the value of the company measured by market capitalization value of equity plus total debt with the difference in liquid assets outside of the book value of inventory is then divided by total assets. This ratio can be measured using the formula:

$$TOBIN'SQ = \frac{TA - TE + \sum(OS \times CP)}{(NFA \times ((GFA - NFA)/D) + (TA - NA)}. \quad (4)$$

Note:
OS : Oustanding Shares
CP : Closing Price
TE : Total Equity
TA : Total Asset
NFA : Net Fix Asset
GFA : Gross Fix Asset
D : Depreciation
NA : Net Asset.

Firm Value to book value of PPE (Property, Plant, and Equipment), this ratio indicates the company's investment in productive fixed assets.

$$VPPE = \frac{TA - TE + \sum(OS \times CP)}{NFA}. \quad (5)$$

Note:
OS : Oustanding Shares
CP : Closing Price
TE : Total Equity
TA : Total Asset
NFA : Net Fix Asset.

Value to Depreciation Expense (VDEP) This ratio indicates the extent of reduction in assets in place

$$VPPE = \frac{TA - TE + \sum(OS \times CP)}{D}. \quad (6)$$

Note:
OS : Oustanding Shares
CP : Closing Price
TE : Total Equity
TA : Total Asset
D : Depreciation.

Capital Expenditure to book Value assets (CAPBVA) indicates the presence of an additional flow of capital stock of the company.

$$CAPMVA = \frac{BVFA_t - BVFA_{t-1}}{TA}. \quad (7)$$

Note:
TA : Total Asset
BVFA : Book Value of Fix Asset.

Data Analysis Technique

Those stages prior to data analysis in this study are:
Identify company included top ten CGPI announcement and company non top ten CGPI
Determine Corporate value and investment opportunities set
Calculate Corporate' value and investment opportunities set for included top ten CGPI and non top ten.

This study attempts to determine whether CGPI has significant impact on the company value. *Mann Whitney Test* use to examine differences of company value for thwo group samples, if variables have not normal distribution.

DATA ANALYSIS AND DISCUSSION

Diagnostic Test

Results of *One sample Kolmogrov Smirnov Test* indicate that all variable have not normal distribution. Because all of firm values have not normal distribution, *Mann-Whitney Test* was employed in this study. All variables for this research, namely MTBVE, MTBVA, CAPMVA, Tobin Q, VPPE, VDEP, and CAPBVA show significant probability 0,00; 0,00, 0,00 0, 0,00; 0,00; 0,00; and 0,001. The results of normality test pertaining to the independent variables are presented in Table 1.

Hypothesis Test

The test of normality of the data in Table 1 shows that the probability of significance <0.05 then the variable is not normally distributed. Based on these test results, it is to answer the research hypotheses used the Mann-Whitney U-test (non parametric).

Table 2 and Table 3 show the results of such testing for all variables. Tests carried out for companies that participate in the CGPI and who have not participated yet in the same industry. The number of sample companies participating in the CGPI is 31 companies. Testing companies CGPI will be

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Table 1
Normality Test

Description	Sig (2 tailed)
MTBVE	0.000
MTBVA	0.000
CAPMVA	0.000
TOBIN Q	0.000
VPPE	0.000
VDEP	0.000
CAPBVA	0.001

Table 2
Descriptive of Independent Variables

Ratio	Mean	
	CGPI	NON CGPI
MTBVE	39.42	28.26
MTBVA	39.90	27.83
CAPMVA	34.00	33.06
TOBIN Q	38.13	29.40
VPPE	38.23	29.31
VDEP	38.18	29.36
CAPBVA	34.26	32.83

matched with companies that are not in the CGPI participated as many as 35 companies.

Company's Value

Firm value is determined solely by the investment decision. Opinion can be interpreted that the investment decision is important, because to achieve corporate objectives will only be generated through the company's investment activities. Investment decisions cannot be observed directly. One alternative that is used in assessing the value of the company is to use Tobin's Q.

Measurement of firm value can be demonstrated by Investment Opportunity Set. Investment Opportunity Set (IOS) was introduced by (Myers, 1977). Measurement value of the company in this study viewed the company's value and growth opportunities are represented:

Market to Book Value Equity (MTBVE) reflects that the market rate of investment return in the future companies will be greater than the expected return of equity.

Market to Book Value Asset (MTBVA) reflects that the market rate of investment return in the future companies will be greater than the expected return of the book value of company assets.

Capital Expenditure to Market Value Asset (CAPMVA) indicates the presence of an additional flow of capital stock of the company.

Tobin's Q, the ratio shows a company's performance as measured by market value and the value of the company measured by market capitalization value of equity plus total debt with the difference in liquid assets outside of the book value of inventory which is then divided by total assets.

Firm value to book value of PPE (Property, Plant, and Equipment), this ratio shows the company's investment in productive fixed assets.

Value to Depreciation Expense (VDEP) This ratio indicates the extent of reduction in assets in place.

Capital Expenditure to book value assets (CAPBVA) indicates the presence of an additional flow of capital stock of the company.

Table 3
Mann Whitney Test

Variable	Sig (2-tailed)
MTBVE	0.018
MTBVA	0.011
CAPMVA	0.842
TOBIN Q	0.062
VPPE	0.060
VDEP	0.062
CAPBVA	0.763

Based on Tables 2 and Table 3 can be concluded that the variable Market Value To Book Equity (MTBVE) and the variable Market Value To Book Assets (MTBVA) among the top ten companies CGPI and that does not make the top ten in the CGPI showed a difference. This is evidenced by 0.018 and 0.011 significance levels. Therefore, hypotheses 1 and 2 are shown as the company receiving the top ten corporate governance index is higher than companies that did not receive the top ten corporate governance index.

Based on Tables 2 and Table 3 is also seen that the Capital Expenditure to Market Value Asset (CAPMVA), Tobin's Q, firm value to book value of PPE (Property, Plant, and Equipment), Value to Depreciation Expense (VDEP), Capital Expenditure to book value assets (CAPBVA) has a significance level> 0.05. This shows that the value of the company and the opportunity to grow not show a difference between companies that entered the top ten CGPI and that does not make the top ten in the CGPI. Therefore hypothesis 3, 4, 5, 6 and 7 does not prove the hypothesis, in the top 10 corporate recipients of corporate governance index is higher than companies that did not receive the top 10 corporate governance index

From the result above show that activity of announcement Corporate Governance Perception Index is a good news for the company, so if the announcement has information content, then this announcement will reacted indicated by the presence of Market Value To Book Equity (MTBVE) and the variable Market Value To Book Assets (MTBVA) is significant activity around the balance sheet date. The investor tend to use the market rate of investment return in the future companies. The investor hope that if company manage public confidence with corporate governance, so the investment opportunity set of that company will arise.

CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATION

High value of the company became the desire of the owners of the company, because a high score indicates the prosperity of the shareholders are also high. Wealth of shareholders and the company was presented by the market price of the stock which is a reflection of investment decisions, financing (financing), and asset management. Corporate value in the concept of intrinsic value not just the price of a set of assets, but the value of the company as a business entity that has the ability to generate profits in the future

The results of this study indicate that only the value of the variable Market Value To Book Equity (MTBVE) and the variable Market Value To Book Assets (MTBVA) among the top ten companies CGPI and that does not make the top ten in the CGPI showed a difference. This is evidenced by 0.018 and 0.011 significance level. Therefore, the enterprise value as indicated by the Market To Book Value Equity (MTBVE) and Asset Market Value To Book (MTBVA) the company receiving the top 10 corporate governance index is higher than companies that did not receive the top 10 corporate governance index.

The results of this study have implication to investor that want react to good news. The publication of Corporate Governance Perception Index impacted to Market Value to Book Equity and Market Value To Book Assets. Market to Book Value Equity (MTBVE) reflects that the market rate of investment return in the future companies will be greater than the expected return of equity and Market to Book Value Asset (MTBVA) reflects that the market rate of investment return in the future companies will be greater than the expected return of the book value of company assets.

This paper only observes the company's which participate in Corporate Governance Perception Index, so that maybe cannot generalize to all companies. The researcher letter can use good news, not only publication of CGPI.

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