Implementation of Good Corporate Governance on Corporate and Market Performance

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ABSTRACT

Good Corporate Governance (GCG) is a governance system that regulates and oversees the company's management process to increase share value and give attention to stakeholders, employees and the public. Indonesia in the implementation of GCG in 2010 to 2018 ranks last among 12 countries, Australia, Hong Kong, Singapore, Malaysia, Taiwan, Thailand, India, Japan, Korea, China, and the Philippines. The condition of state-owned enterprises in Indonesia is very difficult to develop due to government intervention so that directors do not perform well. The performance of state-owned enterprises (SOE) is not optimal due to the weak implementation of GCG principles as a whole. GCG variable as a corporate governance that will maximize the value of the company in the market. The management of assets and capital of a company can be seen from the existing financial performance. The data used in this study is the SOE found on the Indonesia Stock Exchange (IDX) for a period of three years, 2016-2018. This study used panel data analysis. The results of the study that there is no influence of GCG on market performance. The GCG mechanism has not been able to increase the value of SOE companies in the capital market. Financial information published as one of the elements of GCG is not used by investors. SOE need to reassess the implementation of GCG so that it can be carried out professionally in carrying out the oversight function of the company's management. Regulation regarding GCG must be stronger with clear sanctions.

Keywords: company performance, good corporate governance, market performance, state-owned enterprise

INTRODUCTION

Good corporate governance (GCG) is a governance system that regulates and oversees the company's management process to increase share value and give attention to stakeholders, employees and the public (Tunggal, 2012). The concept of GCG is known in Indonesia after the economic crisis in 1997 which occurred due to poor corporate governance in Indonesia, such as irresponsible managers, neglected regulations, and the presence of KKN (corruption, collusion, nepotism). In 1998, the government introduced the concept of GCG to companies through proposed regulations for listed companies listed on the JSX which required the formation of an independent commissioner and an audit committee. The government realizes that the concept of GCG is very important to be applied in Indonesia, so a National Governance Policy (KNKG) was formed. The government issued a policy in reforming the economic sector in Indonesia through the decision of the Coordinating Minister of the Republic of Indonesia No. KEP49/M.EKON/11/2004 with the establishment of KNKG's policy with the mission of encouraging and increasing the effectiveness of the application of good governance in Indonesia in order to build a culture that has good governance, both in the public and corporate sectors. Based on Limited Liability Company Law (PT) No. 40 that every company is obliged to implement good corporate governance (GCG). KNKG functions as providing

guidelines for implementing GCG, so there is an independent institution that supports the development of GCG in Indonesia called the Indonesian Institute for Corporate Governance (IICG).

Indonesia in the implementation of good corporate governance (GCG) from 2010 to 2018 ranks last among 12 countries, namely Australia, Hong Kong, Singapore, Malaysia, Taiwan, Thailand, India, Japan, Korea, China, and the Philippines by Asian Corporate governance association (ACGA 2018). ACGA is one of the independent international institutions that measures the implementation of GCG in Asia Pacific countries. The score explains that the implementation of good corporate governance (GCG) in Indonesia is still very low compared to other countries as seen from the declining score from 2016-2018. A report on GCG by ACGA (2016) ranks Indonesia at the bottom with a score of 33 for the political environment, 58 accounting and auditing standards, and 32 for GCG culture. This fact shows that the implementation of GCG in Indonesia requires a comprehensive approach and more real enforcement. A comprehensive approach includes the application of regulations, consistent implementation, and sustainability.

State-Owned Enterprises (SOE) are corporations whose majority shares are owned by the government from all sectors. All State-Owned Enterprises (SOEs) are required to apply the GCG principles stipulated in the Decree of the Minister of SOEs KEP-117 / M-MBU / 2002. The purpose of implementing GCG in SOEs is to increase company value and encourage effective and efficient, transparent, accountable, fair, trustworthy and responsible governance by stakeholders. The implementation of GCG in SOEs is generally determined by 6 basic guidelines: (1) effective implementation of laws and regulations, (2) actions by the state are separately carried out by owners and managers, (3) shareholders are treated fairly, (4) relations between stakeholders is

maintained, (5) transparency and adequate publication, (6) responsibilities of the Board of Commissioners. There are three obstacles to the implementation of GCG in SOEs. First, conflicting interests between government and management. Second, there is a political tendency in the election of directors, so that management power is limited. Third, limited management performance due to the lack of incentive systems. The problem of implementing GCG in state-owned companies is in the government bureaucracy. This phenomenon occurs because state-owned companies in Indonesia implement GCG only for regulation and avoid sanctions compared to GCG as part of corporate culture.

The condition of SOE companies in Indonesia is very difficult to develop due to government intervention so that directors do not perform well. Various ways have been carried out to encourage changes in SOEs, such as restructuring, privatization, profitability, and SOE holding. This method did not get the expected results because SOE could not be separated from corruption cases. The performance of SOE companies is less than optimal due to the weak implementation of GCG principles as a whole.

The implementation of corporate governance mechanism in SOE has ineffectiveness. This is shown through the downward trend in market value and accounting value of SOE companies even though corporate governance mechanisms have been applied. Based on the financial statements of the Indonesian Ministry of SOE, there are indications that the performance of SOE companies is not good. This can be seen from the decrease in total assets, total equity, and total profits. The Ministry of State-owned Enterprise (2005) said that the performance of SOE companies is less than optimal due to the weak implementation of the principles of corporate governance (GCG) as a whole. State-Owned Enterprises made it possible to implement GCG only as a formality and not yet fully applied to SOEs. This research

needs to be reviewed in the application of GCG in state-owned enterprises. Information from the CSPI is expected to be able to effectively reflect company conditions in the market. JCI declined, reflecting the price of all shares on the IDX, including state-owned companies. Companies that implement good corporate governance can control the occurrence of problems that are very risky affecting the value of company shares, such as the lack of transparency of relevant issues and current information, acts of fraud, misuse of accounting information and so forth.

External mechanisms have a relationship with market performance conditions that are controls that are formed by the capital market, product markets, and the labor market (Syakhroza, 2005). Changes in the composite stock price index as a measure of investment decisions experienced a sharp correction of -12.13% in 2015. The weakening of the JCI to 34.52 points from 2014 to 2015, shows that stock prices have decreased. If the CSPI increase, it means that the majority of the share price including SOEs on the IDX is on the rise. The rate of composite stock price index can be seen in Figure 1.
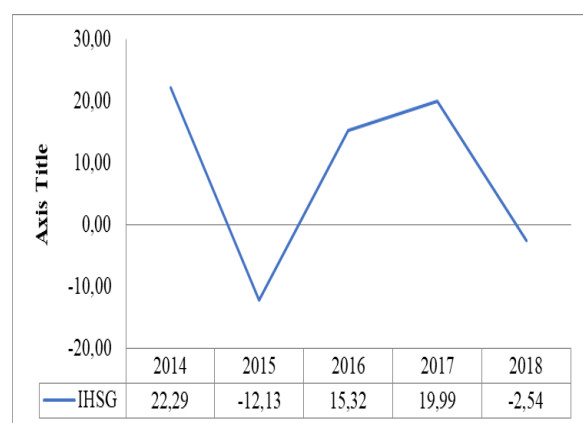

Figure 1 Joint Stock Price Growth Rate
(Source: Stock Exchange Indonesia Annual Report 2014-2018)

Market performance is one indicator used by internal and external parties of a company to be able to measure how big and developing a company is. Measures used in measuring market performance are Price Earning Ratio (PER), Price to Book Value

(PBV), and tobin's Q. Research conducted by Darmawati, et al. (2005), said that the application of corporate governance has a negative relationship to Tobin's Q as a market ratio in public companies listed on the Indonesia Stock Exchange 2001-2002. Sabrinna and Adiwibowo (2010), said that market performance using the Tobin's Q ratio has negative relationship with corporate governance. The negative relationship between corporate governance and market performance means that the influence tends to be seen only in the long term because it is related to the level of investor confidence.

Previous studies have shown that the importance of implementing corporate governance to the achievement of company goals, not only during the crisis but also in the period of crisis recovery and the future because of inconsistent results. Inconsistent results indicate the importance of reviewing the implementation of corporate governance. This study will re-analyze the application of corporate governance to company performance and market performance. Based on the description above, the purpose of this study is to analyze the effect of GCG on company performance and market performance in state-owned companies. In addition, looking at the effect of company performance and market performance in state-owned companies, and analyzing the impact of GCG as a moderating variable relationship between company performance and market performance in state-owned companies.

Hypothesis
The Effect of GCG on Company Performance

The success of corporate governance mechanisms is reflected in the company's performance, it can be measured from financial ratios. Company performance can also be measured based on economic value added (Lambert, 2001; Ittner and Larcker, 2001 quoted from Sunarto, 2003). Hidayati and Setiawan (2012) research on the effect of good corporate governance on financial performance shows that GCG has a positive

influence on financial performance with economic value added (EVA) indicators. The research is in line with Veno's research (2015) which also shows that GCG has a positive effect on the company's financial performance. Based on the description above, it can be concluded the following hypothesis:

H_0: GCG has no positive effect on company performance

H_1: GCG has a positive effect on company performance

The Effect of GCG on Market Performance

Market value added (MVA) shows the market performance of a company. This measurement method can describe how much the company's ability to capital owned by investors because it involves stock prices as its main component. Companies that implement good corporate governance will provide protection to shareholders and increase the company's market value. Saidi (2007) states that companies with GCG tend to have a high value in the market (market value), better access to funding, as well as a higher credit rating. Black, et al. (2003), said that corporate governance is an important factor in explaining the market value of 515 public companies in Korea. The results show that the application of good corporate governance causes high market value of the company.

H_0: GCG has no positive effect on market performance

H_2: GCG has a positive effect on market performance

Effect of Company Performance on Market Performance

EVA shows a good measure of the extent to which companies have added value to shareholders. If company managers focus on EVA, this will help ensure that company managers have carried out company operations in a manner that is consistent with the aim of maximizing shareholder wealth. According to Mertayasa (2014: 6), show that return on assets does not have a significant effect partially on market value added, while economic value added has a significant effect partially. The results of this study also concluded that return on assets and economic value added have a significant effect simultaneously on market value added. While Febriyanti (2014: 22), show that return on equity, earnings per share, dividends per share, and economic value added have a significant effect both partially and simultaneously on market value added. Based on the description, the alternative hypothesis proposed is as follows.

H_0: Company performance has no positive effect on market performance

H_3: Company performance has a positive effect on market performance

The Effect of Company Performance Through GCG On Market Performance

GCG variable as a corporate governance that will maximize the value of the company in the market. Good corporate governance illustrates how business management manages its assets and capital well to attract investors. The management of assets and capital of a company can be seen from the existing financial performance. If the management is done well, it will automatically increase the value of the company. Improved company performance is also expected to increase the company's stock price as an indicator of market performance, so that the company's value increases. Based on the description, the alternative hypothesis proposed is as follows.

H_0: Company performance has no positive effect through GCG on market performance

H_4: Firm performance is positively related through GCG to market performance

MATERIALS & METHODS

The data used in this study is the data of SOE companies found on the Indonesia Stock Exchange (IDX) for a period of three years, 2016-2018. This period was chosen because it is a period the rate of growth of the stock price index (CSPI) has decreased. The sample in this study was selected based on a purposive sampling technique, based on certain

considerations (Sugiyono, 2015). Consideration or criteria that are targeted by the sample is that the company publishes financial statements in a row and has data related to the variables used in the study.

Statistical Analysis

Classic assumption test

Normality test

Normality test aims to test whether the variable has a normal distribution or not. One of them is by using a graph analysis method, either normally plot or histogram graph, with reference if the data spreads around the diagonal line and follows the direction of the diagonal line or the histogram graph shows a normal distribution pattern, then the regression model meets the normality assumption. Otherwise, if the data spreads far from the diagonal line and or does not follow the direction of the diagonal line or the histogram graph does not show a normal distribution pattern, then the regression model does not meet the assumption of normality. In addition to graph analysis, the normality test can also be seen by statistical analysis with the Kolmogorov-Smirnov test (KS) provided that if the significance value of KS on the variable is smaller than the significance value ($\alpha = 0.05$) that has been determined then the data is normally distributed. Conversely, the data is not normally distributed.

Multicollinearity Test

This test to determine whether the regression model found a correlation between independent variables. A good regression model should not occur correlation between independent variables. Multicollinearity can be seen from the value VIF (Variance Inflation Factor) methods. The VIF explains the degree of an independent variable which is explained by other independent variables (Ghozali 2006) The VIF value should not be more than 10.

Heteroscedasticity Test

This test aims to test whether in the regression model there is an inequality of variance from the residuals of one observation to another. If the variance from the residuals of one observation to another is fixed, then it is called homoscedasticity, and if the variance from the residuals of one observation to another observation is called heteroscedasticity. To detect the presence or absence of heteroscedasticity can be done by looking at scatterplot graphs, on the basis of analysis (Ghozali, 2006). If there are certain patterns, such as points that form certain regular patterns (wavy, widened and then narrowed), then indicate heteroscedasticity has occurred. If there is no clear pattern, and the points spread above and below the number 0 on the Y axis, then heteroscedasticity does not occur.

Autocorrelation Test

Autocorrelation arises because sequential observations all the time are related to one another. This problem arises because residuals are not free from one observation to another. A good regression model is a regression that is free from autocorrelation. Testing of the existence of the phenomenon of autocorrelation in the analyzed data can be done using the Durbin-Watson test (Ghozali, 2006).

Panel Data Analysis

Panel data is data that contains elements of time (time series) and individual elements themselves (cross section data). Panel data is obtained when a number of objects are observed for some time. According to Gujarati (2004) the advantage of using panel data relates to individuals, group and others from time to time there is heterogeneity in units or individuals. The regression model is:

$Yit = \alpha + \alpha1X1it + \alpha2X2it$

Company Performance it $= \alpha + \alpha1$ Good Corporate Governance it

Market Performance it $= \alpha + \alpha1$ Good Corporate Governance it $+ \alpha2$ Company Performance it

Market Performance it $= \alpha + \alpha1$ Firm Performance it * Good Corporate Governance it

Information:

α = coefficient

Yit = dependent variable for the i-th individual unit and the t-time unit

Xit = independent variable (independent) for i-th individual units and t-time units

* = moderation variable

Where the value of i is 1, 2, ..., N, the value of t is 1, 2, ..., T, i is the index of individuals in space, describes the dimensions of the cross section, t is the index of individuals in time, describes the dimension of time series.

Based on the parameter estimation method, ordinary panel data regression is divided into three, pooled model, fixed effect model and random effect model. Pooled data is a combination of individual data and time series data. The pooled model uses the usual least squares method in estimating its parameters. The fixed effect model and the random effect model on panel data are more specific forms than the pooled model.

Dependent Variable

According to Sugiyono (2015), the dependent variable or the dependent variable is the variable that is affected or that changes due to the independent variables.

Market Value Added (MVA)

The formula for calculating market value added based on to Young and O'Byrne (2001: 26) is

MVA = Market value of the stock - Capital invested or

MVA = (Market Value x Share Outstanding) - Capital invested

Meanwhile, according to Brigham and Houston (2006; 68), market value added can be calculated by the formula:

MVA = Stock market value - Equity of capital provided by shareholders or

MVA = (Number of shares outstanding x Stock price) - Total equity of ordinary shares

Independent Variable

Independent variables are independent variables that affect changes or the emergence of dependent variables (Sugiyono 2015).

Good Corporate Governance (GCG)

In this study, the mechanism of good corporate governance will be proxied with five variables in accordance with the research of Gwenda and Juniarti (2013), good corporate governance is proxied in:

CGI = A + (B + C) / 2 + D + E

Information :

1. Shareholder Rights / Subindex A)
2. Boards of Directors (subindex B)
3. Outside Directors (subindex C)
4. Audit Committee and Internal Auditor (subindex D)
5. Disclosure to Investors (subindex E)

Each criterion will be given point 1 if it is fulfilled, otherwise 0 will be given a point. The higher the level of GCG score shows the implementation of GCG implementation The better, on the contrary the lower the level of GCG score shows the implementation of GCG implementation is not good.

Economic Value Added (EVA)

According to Tunggal (2005) in Dwimulyani and Djamhuri (2014: 114), the steps to calculate economic value added are:

1) Calculating Net Operating After Tax (NOPAT)

NOPAT = Net income before taxes

2) Calculate Invested Capital

Invested Capital = Total debt and equity - Short-term debt

3) Calculate Weighted Average Cost Of Capital (WACC)

WACC = [(D x rd) (1-Tax) + (E x re)]

Notation:

Capital level (D) = (Total debt) / (Total debt and equity) x 100%

Cost of Debt (rd) = (Interest expense) / (Total debt) x 100%

Level of capital and equity (E) = (Total equity) / (Total debt and equity) x 100%

Tax rate = (tax burden) / (net profit before tax) x 100%

4) Calculate Capital Charges

Capital Charges = WACC x Invested Capital

5) Calculating Economic Value Added (EVA)

EVA = NOPAT - Capital Charges

RESULT

General Description of State-Owned Enterprises

State-owned enterprises (SOE) are one of the important pillars in driving the country's economy. According to Law Number 19 of 2003, SOEs are business entities which part of their capital owned by the state through direct statements originating from separated state assets. Since 2001 all SOE companies have been under the supervision and management of the Ministry of State-owned enterprises. Based on Presidential Instruction No. 7 of 1967 SOEs are divided into three forms, namely, company companies (Persero), public companies (Perum), and service companies (Perjan). SOE companies listed on the Indonesia Stock Exchange (IDX) are only limited liability companies whose capital is in the form of shares. Ownership of shares by the government is wholly or partially owned with a minimum of 51%. At present there are 118 SOE companies and 20 of them have gone public. The object of

this research is SOE, because the function of SOE has a direct impact on the welfare of the community and the state as the largest shareholder. Based on the SOE Ministerial Regulation number PER-01/MBU/2011, SOE companies are required to implement GCG in carrying out their operational activities. Good implementation of GCG in SOEs is a good example so that other companies can follow the implementation of GCG. This study uses a SOE company to go public as an object of research, with certain criteria in determining the sample.

Assumption Test
Normality Test

Normal testing performed using the Breusch Pagan test. Normal or not can be seen in the value of z or its probability. Based on Figure 2, the results show a Probability value of 0.90700 or the value is greater than the alpha that is set at 5% then the decision taken is to accept H_0 or data is normally distributed.
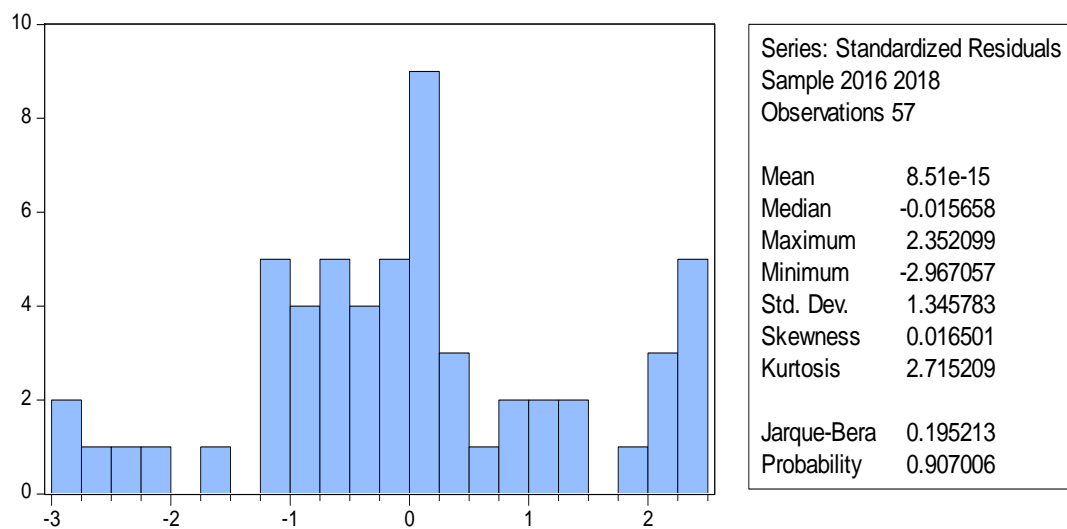

Series: Standardized Residuals
Sample 2016 2018
Observations 57

Mean	8.51e-15
Median	-0.015658
Maximum	2.352099
Minimum	-2.967057
Std. Dev.	1.345783
Skewness	0.016501
Kurtosis	2.715209
Jarque-Bera	0.195213
Probability	0.907006

Figure 2 Normality test using Breush Pagan test result

Heteroskedasititas Test

The panel test does not look at the assumption of heteroscedasticity, because the calculation of the model has considered the weight of each cross section is different, which means the panel model has taken into account heteroscedasticity, which means also without the need for hetero test, the panel model is homogeneous. It can be seen in Table 1 that the sum squared residual weighted (101.4234) greater than sum squared residual unweighted (28.26504), which means the model is homogeneous.

Table 1 Heteroskedasititas test result

	Weighted Statistics		
R-squared	0.068547	Mean dependent var	7.928025
Adjusted R-squared	0.034048	S.D. dependent var	0.736123
S.E. of regression	0.723482	Sum squared resid	28.26504
F-statistic	1.986961	Durbin-Watson stat	1.693870
Prob(F-statistic)	0.147011		
	Unweighted Statistics		
R-squared	0.027472	Mean dependent var	24.52617
Sum squared resid	101.4234	Durbin-Watson stat	0.472054

Autokolinierity Test

Autokolinierity test on linear regression models to see the correlation between the error of the intruder in the period t with errors in the period t-1 (previous). The results of the autokolinierity test on Table 2 show that the dw value is 1.6938 where the value is between du and 4-du, which means that dw is in the zone where there is no autokolinierity.

Table 2 Autokolinierity test result using Durbin-Watson

	Weighted Statistics		
R-squared	0.068547	Mean dependent var	7.928025
Adjusted R-squared	0.034048	S.D. dependent var	0.736123
S.E. of regression	0.723482	Sum squared resid	28.26504
F-statistic	1.986961	Durbin-Watson stat	1.693870
Prob(F-statistic)	0.147011		

Multicollinearity test

Multicollinearity test aims to determine whether the regression model found a correlation between independent variables. Based on Table 3. multicollinearity showed that the VIF value was not> 10, so there was no multicollinearity.

Table 3 Multicollinearity test result

	Coefficient	Uncentered	Centered
Variable	Variance	VIF	VIF
GCG	57.56618	17705.80	1.008194
EVA	0.001601	57.31806	1.008194
C	591.1358	17942.13	NA

The Effect of Good Corporate Governance (GCG) on Company Performance

The coefficient of determination can be seen from the value of R square. The higher the value of R-square, the better the model. The value of R square itself is from 0 to 1. Based on the results on Table 4, using panel data model with pooled effect produce an R-squared value of 99.73% or it can be said that the independent variables GCG and AR (1) of 99.73% are able to explain the diversity of company performance. These results have shown that the model obtained is good.

Table 4 Simultaneous test on the effect of GCG on company performance

R-squared	0.997308	Mean dependent var	33.72149
Adjusted R-squared	0.997154	S.D. dependent var	5.625623
S.E. of regression	0.300113	Akaike info criterion	0.506344
Sum squared resid	3.152383	Schwarz criterion	0.635627
Log likelihood	-6.620542	Hannan-Quinn criter.	0.552342
F-statistic	6482.929	Durbin-Watson stat	1.835612
Prob(F-statistic)	0.000000		

The next step simultaneous test, panel data analysis is not different from regression analysis. The rejection of the H_0 hypothesis can be seen from the F-statistic or the probability. If F-statistic value is greater than the F table or probability is smaller than the alpha value set at 5% then reject H_0. Simultaneous test results that see the relationship of GCG with company performance in Table 4 shows a prob value of 0.0000 whose value is smaller than alpha of 5%, the conclusion drawn is reject H_0 or there is a joint effect on company performance.

After knowing that the results of the F-test indicate there is an influence together or at

least there is one independent variable that affects Y then it is continued by the T test to see the independent variables that have a partial effect on Y. Following the hypothesis and the results of the t-test.

Table 5 T Test (Partial) GCG on company performance

Variabel	Coefficient	Std. Error	t-Statistic	Prob.
X1	0.100265	0.110794	0.904967	0.3717
C	34.36526	0.352642	97.45077	0.0000
AR(1)	19.40790	0.171506	113.1616	0.0000

The GCG independent variable produces a t-statistic value of 0.904 and a prob value of 0.3717. This indicates a prob value greater than alpha of 5%, which indicates that accepting H_0 or GCG has no effect on company performance. The independent variable AR (1) produces a t-value of 113,161 and a prob value of 0.0000. This shows the prob value is smaller

than alpha by 5% which indicates the decline H_0 or AR (1) affect the company's performance. The coefficient value of AR (1) of 34,356 indicates that if the company's performance in the previous time increased, the performance of the company + 1 (thereafter) will increase as well as before.

The Effect of Good Corporate Governance (GCG), Company Performance on Market Performance

The results of the coefficient of determination using panel data with random effects in Table 6 produce an R square value of 6.85% or it can be said that the independent variable is GCG and company performance at 6.85% able to explain the diversity of market performance variables. These results have shown that the model obtained is not good.

Table 6 Simultaneous test on the influence model of Good Corporate Governance (GCG), company performance against market performance

	Weighted Statistics		
R-squared	0.068547	Mean dependent var	7.928025
Adjusted R-squared	0.034048	S.D. dependent var	0.736123
S.E. of regression	0.723482	Sum squared resid	28.26504
F-statistic	1.986961	Durbin-Watson stat	1.693870
Prob(F-statistic)	0.147011		

Simultaneous test to see the relationship between GCG variables and company performance on market performance in Table 6 shows a prob value of 0.1470 whose value is greater than alpha of 5%, the conclusion drawn is accept H_0 or there is no joint effect on the performance variable market or none of the independent variables that affect market performance variables.

After knowing that the results of the F test showed no influence together or at least there was one independent variable that affected Y then continued with the T test to see which independent variables partially affected Y. The following hypotheses and the results of the t test.

Table 7 T-Test (Partial) GCG, company performance on market performance

Variabel	Coefficient	Std. Error	t-Statistic	Prob.
X1	-2.027653	12.46378	-0.162684	0.8714
X2	0.050460	0.025726	1.961429	0.0550
C	29.26290	39.71679	0.736789	0.4644

The GCG independent variable produces a t-value of 0.162 and a prob value of 0.8714. This indicates a prob value greater than alpha of 5%, which indicates that GCG has no effect on market performance. The independent variable of company performance produces a t-value of 1,961 and a prob value of 0.0550 This shows a prob value greater than alpha of 5%, which indicates company performance has no effect on market performance.

The Effect of Company Performance on Market Performance Moderated by Good Corporate Governance (GCG)

The results using the panel data model with random effects (Table 8) produce a R-squared value of 6.68% or it can be said that the independent variable is the company's performance which is moderated by GCG of 6.68% able to explain the diversity of market performance variables. These results have shown that the model obtained is not good.

Table 8 Simultaneous test on the model the effect of company performance on market performance moderated by Good Corporate Governance (GCG)

	Weighted Statistics			
R-squared	0.066800	Mean dependent var	8.160595	
Adjusted R-squared	0.049833	S.D. dependent var	0.742326	
S.E. of regression	0.723594	Sum squared resid	28.79734	
F-statistic	3.937005	Durbin-Watson stat	1.662566	
Prob(F-statistic)	0.052234			

Furthermore, a simultaneous test is performed to see the relationship between company performance and GCG as a moderating variable on market performance in appendix 14 showing a prob value of 0.0522 whose value is greater than alpha at 5%, the conclusion drawn no joint effect with market performance or none of the independent variables that affect market performance.

Then do the T test to see the company's performance variables are moderated by GCG variables that have a partial effect on market performance variables. The following hypotheses and t test results.

Table 9 T-test (partial) GCG moderated company performance on market performance

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C (MVA)	22.81555	0.917284	24.87293	0.0000
EVA*GCG	0.015788	0.008029	1.966214	0.0543

The independent variable of corporate performance which is moderated by GCG produces a t-value of 1.966 and a prob value of 0.0543. This indicates a prob value greater than alpha of 5%, which indicates that GCG is not able to moderate the company's performance to market performance.

DISCUSSION

The GCG mechanism has not yet become a SOE corporate culture. Companies that carry out the GCG mechanism should encourage good company performance, so that the value of the company in the capital market increases. Based on data processing, it is known that GCG has no relationship to company performance. In calculating the GCG score in SOE companies fulfilling good GCG implementation, but in reality the performance of SOE companies is poor. The results of this study illustrate that the application of GCG in state-owned companies is still not effective in influencing company performance. GCG elements consisting of shareholder rights, board of commissioners, independent commissioners, audit committee and internal audit, information disclosure has not been able to perform professional oversight functions to improve company performance. This result is also consistent with Siahaan's (2008) study which states that there is a negative relationship between the implementation of GCG and the company's financial performance as measured by EVA. This research is not in accordance with Soembodo's (2002) research which says that poor SOE performance is due to inefficient use of capital as well as poor GCG implementation. There are indications that SOE companies are implementing GCG mechanism only in compliance with government regulations, namely in the Decree of the Minister of SOEs KEP-117 / M-MBU / 2002. The legal nature and soft sanctions in implementing the GCG mechanism are only as a code of conduct or business ethics, so that the enforcement of GCG in state-owned companies is quite weak. Even though the GCG score element was fulfilled, the implementation of its function was still hampered. Company performance in state-owned companies has more negative EVA. Negative EVA means that the use of capital or profits is inefficient. This can also indicate that there is self-interest by the government as a regulator and operator in this case corruption, collusion and nepotism (KKN).

Government self-interest is one of the assumptions of agency theory.

The results of the study said that the GCG has no effect on market performance. Market performance on SOEs company shares has a positive MVA value and GCG score on SOE companies is good, but has no effect. So, companies that do not carry out the GCG mechanism will also still get a good stock price. This is not consistent with Saidi's (2007) study which states that companies with GCG tend to have a high market value, better access to funding, and higher credit ratings. The performance of SOE companies also does not affect their market performance. This can be seen from the fact that many SOE companies have a negative EVA value, it will not have an impact on the performance of the SOE stock market that has a positive MVA value. This is not in accordance with research conducted by Jack et al., (2015) which states that EVA has an influence on MVA. So, investors value the company's share price in SOEs high. Indications that occur are the number of investors not using published financial information for decision making (Darmadi, 2013). Agency problems in SOEs can also occur due to information asymmetry. Information asymmetry can be avoided if the disclosure of SOE company information is in accordance with GCG principles.

Based on these results, SOE companies need to implement an optimal GCG implementation in accordance with the principles of GCG in every element of GCG. Good GCG implementation will reduce agency problems. Good GCG companies are able to achieve benefits for stakeholders.

CONCLUSION

State-owned enterprise is one of the pillars of building the national economy, having very large stakeholders including all the people of Indonesia. Although the Government has a role as regulator and operator in state-owned companies. The mechanism of good corporate governance

(GCG) has no influence on the company's performance, because the elements of internal mechanisms (the rights of shareholders, board of directors, independent commissioners, audit committee and internal audit, disclosure to investors) GCG has not been effective in carrying out its functions and duties, thus influencing on company performance. Many SOE companies implement GCG mechanisms merely by complying with government regulations in the Decree of the Minister of SOEs KEP-117 / M-MBU / 2002. Government intervention also weakens the implementation of GCG in state-owned companies. This government intervention raises self interest for political interests (government bureaucracy). This self interest is one of the assumptions about the existence of agency problems.

SOE companies in implementing GCG are still mandatory, so that the awareness of GCG to become a culture within the company must continue to be improved. The results of the study can be seen that there is no influence of GCG on market performance. The GCG mechanism has not been able to increase the value of SOE companies in the capital market. Financial information published as one of the elements of GCG is not used by investors, so that the stock prices of SOE companies are high even though the company's performance is low. The information asymmetry is also a form of agency problem. This is consistent with the results of the study that company performance has no effect on market performance either directly or indirectly through GCG as a moderating variable.

SUGGESTION

State-owned Enterprise companies need to reassess the implementation of GCG so that it can be carried out professionally in carrying out the oversight function of the company's management. Compliance in implementing GCG has not been implemented optimally. Regulation

regarding GCG must be stronger with clear sanctions.

With the existence of insignificant results it is necessary to test by adding other variables besides EVA as a corporate performance variable and MVA as market performance variable. The relationship between the variables with each GCG element rather than the GCG score, so that it can be seen in more detail about the problems that might occur in the implementation of GCG. In addition, further research is also recommended to increase the number of samples in each sector listed on the IDX, to see the conditions of broad GCG implementation in Indonesia.

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