Corporate Governance Quality and Company Performance

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Abstract

The background of this research is to determine the motive associated with the low compliance level of the Financial Services Authority report on the Corporate Governance practices at public companies in Indonesia compared to those in other ASEAN countries. This study aims to analyze the quality disclosure and impact of Good Corporate Governance (GCG) practices by public companies in Indonesia. The differences between this study and the previous are in terms of measuring the assessed GCG quality based on the ASEAN Corporate Governance Scorecard (ACGS) and the five major groups of GCG dimensions. Company performance is measured by accounting and market-based performance, with data collected using the content analysis method. The research object is the annual report and other related reports published in 2017 and 2018 by public companies in the consumer goods industry. The quality of Good Corporate Governance is proportionally calculated by adding the total items disclosed. Data analysis was performed using descriptive analysis and the Mann-Whitney test. The result showed that the disclosure of GCG information by consumer goods industries in Indonesia is low. Furthermore, the relationship between the quality of GCG and company performance has empirical support for market-based performance measures. This study also provides an empirical contribution to research on the implementation of GCG on company performance

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INTRODUCTION

According to The Organization for Economic Co-operation and Development (OECD), Corporate Governance (CG) is a set of rules relating to company management, the board of commissioners, shareholders and stakeholders (OECD, 2015). With the existence of CG, companies have the mechanism to manage relationships in order to safeguard the interests of relevant stakeholders, thereby creating good organizational performance.

The Financial Services Authority (OJK) has been established as an independent institution in Indonesia since 2011. It has functions, duties and authorities in regulating, supervising, examining and investigating all activities related to the financial services sector. The financial services sector includes the banking sector, Capital market, insurance sector, pension funds, banks and other financial service institutions. OJK is expected to realize regular, fair, transparent, and accountable financial services sector activities, to create a stable and sustainable system capable of protecting the interest of consumers and society. After the 2007 crisis, the Indonesian Government has taken significant steps to strengthen the economy by undertaking reform of the CG environment. Some of the efforts include the establishment of the National Committee on Corporate Governance Policy and the formation of several organizations that are actively pioneering governance activities and regulations, such as the Indonesian Institute for Corporate Directorship, and the Indonesian Audit Committee Association.

In order to align with the ASEAN community established in 2015, the Government has also set rules for the presentation of GCG information in the issuer's annual report (Law No. 40 of 2007 on Limited Liability Companies, POJK No. 73/POJK.05/2016, for insurance companies, POJK No. 55 / POJK.03 / 2016 Commercial Banks) and publicly listed companies (POJK No. 21 / POJK.04 / 2015). It also regulates provisions concerning the implementation and disclosure of corporate governance for all Capital Market Issuers. The company's financial and annual reports need to be regularly uploaded by these companies quarterly and annually. Furthermore, information required in the capital market, such as the announcement of the General Meeting of Shareholders (GMS), their minutes etc, also need to be uploaded on the IDX online page. Therefore, OJK, through the SEOJK, requires public companies to describe good corporate governance practices in accordance with international and national regulations. The governance guidelines cover 5 (five) aspects, 8 (eight) principles, and 25 (twenty-five) recommendations. The CG of a public company includes the relationship between a public company and its shareholders in ensuring the rights of shareholders, the function and role of the Commissioners and Directors Board, stakeholders participation, and information disclosure.

The objectives of GCG reform are to strengthen the supervisory role of company instruments such as the Commissioners Board, improve their presentation quality of information disclosure and transparent practices by companies, and expand protection to shareholders and stakeholders. Therefore, with this principle, GCG facilitates effective supervision to drive companies to utilize all their resources more efficiently. It also provides the right incentives for high-ranking officials and company management to achieve the goals of shareholders (including owners) and stakeholders. However, Safyra (2017), stated that GCG implementation in Indonesia is currently relatively lagging behind other countries in the ASEAN region, with a total of two Indonesians out of 50 best issuers. Therefore, OJK continues to urge companies in Indonesia to implement GCG practices.

According to Siddiqui (2014), after the global crisis, the role of GCG has been questioned in terms of providing benefits. Therefore, it is necessary to re-examine the relationship with

different measurement, such as ACGS. This tool was chosen as the assessment instrument to determine the quality of the GCG implementation disclosure, which considers Indonesia as part of an ASEAN country preparing to enter and survive regionally.

This study is an extension of the previous research conducted by Karina & Weli (2020) in the same industry, with the addition of observation years and its effect on company performance. The purpose of this study is to analyze the presentation of GCG information in accordance with the provisions of the ASEAN Corporate Governance Scorecard for Issuers in the consumer goods industry. It also aims to determine the strategies used by companies to implement and present information related to the five major groups of GCG control dimensions, namely shareholders rights, the equitable treatment of shareholders, stakeholders role, disclosure, transparency and responsibilities of the board. Furthermore, the research is expanded by examining the relationship between the quality of GCG practices disclosure on company performance in accordance with accounting and market-based performance (Shrivastav & Kalsie, 2017).

This study is different from the previous one, which examined the possibility of GCG affecting profitability using internal and external mechanisms such as the size of the commission's board, audit committee, and share ownership. While this study uses the calculation scores from the Asean Corporate Governance Scorecard (ACGS) and is based on the five major groups of GCG dimensions. Therefore, this research is expected to provide theoretical contributions to studies related to the quality of Good Corporate Governance implementation, apart from using internal and external mechanisms. Furthermore, it also has practical implications for companies in implementing GCG to increase their Value by considering the items proposed in ACGS.

LITERATURE REVIEW

The research uses the *Stakeholder Theory* to explain the associated variables, such as managers, who strive to protect the interests of *Stakeholders*. GCG assists management in ensuring the protection of Stakeholders' property rights and also regulates the relationship between business structures and processes. The structures include shareholders, company management, and *stakeholders* such as providers of capital, which aims to achieve a predetermined rate of return and profit in accordance with the investment. Relationships involving parties with different interests make GCG a mechanism that directs and oversees the company, therefore, it can distribute the rights and obligations of all *Stakeholders* (OECD, 2015). In addition, a signal theory is also used to provide a rationale for the relationship between the qualities of GCG information disclosure to the public relating to firm Value. Important and adequate information is relevant to company values, while investors or shareholders tend to react to good information disclosed by the company.

Several studies have been carried out on the relationship between GCG and company performance due to its increasing practice and role in modern business. For instance, Siddiqui (2014) conducted a research to determine whether the implementation of GCG has an impact on company performance, not only as a cost burden. However, the results of the studies on the relationship between GCG and company performance are inconclusive (Guo & Kumara, 2012). Also, previous studies mostly used the internal and external measures of the CG mechanism, with the external measured by audit fees, auditor size, and industry specialization. Meanwhile, the Internal CG mechanism includes board and ownership structures, audit committee, management remuneration, stock options, etc.

Corporate Governance and Company Performance

Research on the relationship between GCG and company performance has been carried out using a variety of different measures, therefore, it is possible to produce different results.

Based on the results of meta-analysis research carried out by Siddiqui (2014), there are variations in the relationship between CG and company performance. This is explained from three broad perspectives, namely the influence of *legal systems, governance measures*, and *firm performance*. The *legal system* means that the application of CG differs significantly between countries. *Governance measures* emphasize the internal and external measurement through the CG mechanism, while the *measures of firm performance* describe the measurement of the impact of the application of CG on company performance. Table 1, presents some of the research results conducted in the last five years. These results are in line with the research carried out by Siddiqui (2014).

Table 1: Summary of previous research

Researcher	Country	CG Measurement	Performance Measurement	Result
(Mohamed et al., 2016)	Malaysia	*Board size and Board Independence*	ROA and ROE	*Board Size* which affects ROA
(Shrivastav & Kalsie, 2017)	India	Statement of Philosophy, Board of Directors, Board Meetings, Audit committee, Shareholder's/Investors Grievance Committee, Remuneration Committee, Nomination Committee, General Body Meetings, General Shareholder Information, Mandatory Disclosures and Non-mandatory Disclosures	Tobin's Q, *Market to Book Value Ratio, Market Value Added*, ROA, ROE, *Return on Capital Employed*	CGDI has a strong effect on Company Performance
(Vu & Nguyen, 2017)	Singapore	*CEO has a dual role on board size and Independence*	ROA, ROE, Tobin's Q.	*Board Size* has a negative relationship with *Company Performance, Board Dependence, CEO Duality* does not affect *Company Performance.*
(Ajili & Bouri, 2018)	Bahrain, Kuwait, Qatar, Oman, the United Arab Emirates and the Kingdom of Saudi Arabia	*Board of Directors, the Audit Committees, and the Shariah Supervisory, Board indices*	ROA, ROE, Tobin's Q	CG does not affect company performance
(Arora & Bodhanwala, 2018)	India	*Board Structure, Ownership Structure, Market for Corporate Control and Market Competition*	RONW (return on net worth) ROA, EPS	CGI affects company performance

This research aims to examine the quality of disclosure of GCG implementation by the Indonesian Stock Exchange Issuers using company performance measures. GCG assessment uses ACGS, which consists of 5 dimensions, including *rights and equitable treatment of shareholders, the role of stakeholders, disclosure, transparency,* and *responsibilities of the board*. This research was carried out to obtain empirical evidence associated with the fact that the higher the quality of the ACGS score, the better the management's efforts to maintain and maximize the interests of its stakeholders through improving operational and market performance. Furthermore, the existence of GCG tools plays an important role in directing finance, because investors expect a return on their investment, therefore, an increase in company returns becomes an attraction for investors (Gupta & Sharma, 2014). Also, based on the previous studies results in which the performance measurement can be distinguished

between accounting and market-based performance, the hypothesis of this research are as follows:

H1: There is a relationship between the quality of CG practice disclosure and accounting-based performance.

H2: There is a relationship between the quality of CG practice disclosure and market-based performance.

RESEARCH METHODS

This research was conducted from March to July 2020, in Jakarta using data obtained on the industrial *consumer goods industry* listed on the Indonesia Stock Exchange for the 2017 and 2018 financial years. A total of 52 companies with the *consumer goods industry* group were listed on the IDX Fact Book 2019, and only 42 had the required data types.

Determination of the number of samples using the Slovin formula

$n = N / (1 + (N \times e^2))$,

where,

n is the number of samples to be taken.

N = total population,

e = margin of error (5%),

The sampling technique was carried out using the *simple random sampling,* therefore, the sample for two years was 76 cases from the 2017 and 2018 reports, with a minimum sample size of 38 companies.

Definition of Variables Operational

Independent Variable

CG quality is a variable that explains the score for GCG information disclosure based on the ASEAN *Corporate Governance Scorecard* / ACGS (ADB, 2014). According to the ACGS, the assessment of compliance with the company's GCG practices consists of 2 levels. Level 1 consists of 5 dimensions, with a total of 185 items, as shown in Table 2. Meanwhile, Level 2 ACGS is part of the bonus and penalty, which are additional factors or a deduction for the entire item. However, this research only uses assessment recommendation points at Level 1.

Table 2: Dimensions of ACGS Level 1 assessment

Dimension	Description	Number of Items	Value
Part A. *rights of shareholders*	• The right to make decisions regarding major company matters or issues, • Has a portion of ownership in the company for the Value of its shares, • Has the right to transfer the ownership of its shares, • Receive dividends, • Checks the company's financial statements, • The right to sue the company's management in cases of violation of the rights of shareholders.	26	10%
Part B. *equitable treatment of shareholders*	The company's treatment is fair to shareholders without exception to the number or type of shares owned.	17	15%
Part C. *role of stakeholders*	The role of stakeholders in monitoring company performance.	21	10%
Part D. *disclosure and transparency*	The aim is to ensure that stakeholders can make decisions based on the company's activities. Reference is made to decisions on financial reports and other material matters regarding the company's activities.	42	25%

Part E. *responsibilities of the board*	Reflects on the company and shareholders' interests. The duties and responsibilities of the company's executive board need to be listed in the association's articles which should also be known and approved by shareholders. The role of the company's executive board is to determine its values, vision and mission, determine business strategy, delegate duties and authorities, and ensure that the interests of shareholders are safeguarded and remain accountable to *stakeholders*.	79	40%

Measurements are made by assigning 1 on the score disclosed by the company in the annual report and announcements related to investor relations on their online pages. Conversely, a score of 0 is assigned assuming the information is not available. The overall assessment of GCG compliance is the sum of the proportional scores for parts A, B, C, D, and E on the *scorecard* according to the recommendations (ADB, 2014).

Dependent variable
It consists of two company performance measures, namely the accounting measure represented by the ROA value and the market-based performance measure represented by Tobin's Q measure.
ROA = Net profit/total assets
$Q = (Market\ Value\ of\ Equity + Book\ Value\ of\ Debt)\ /\ Book\ Value\ of\ Asset$

Method of collecting data
The data collection technique used is a *content analysis on several related sources*, including annual and financial reports, notifications, and all forms of information disclosed to the public which is required by the Indonesia Stock Exchange. The data comes from the official online pages of the Indonesia Stock Exchange as well as from the official online pages of each company.

Data analysis method
This research uses *descriptive methods and hypothesis testing*, while data were analyzed by calculating the frequency and mean Value of the variables studied. The hypothesis testing was carried out using the Non-parametric analysis technique of Difference Test with the Mann-Whitney.

RESULTS AND DISCUSSION
Descriptive Analysis
The results of descriptive data processing for the variables studied are shown in Table 3.
Table 3 Description of Research Variables

Criteria	Description	Min	Max	Mean	SD
A	Rights of Shareholders	9	26	19.13	3.65
B	Equitable Treatment of Shareholders	7	17	10.87	2.29
C	Role of Stakeholders	4	21	15.57	4.67
D	Disclosure and Transparency	15	40	28.48	5.74
E	Responsibilities of The Board	21	74	41.73	11.87
SCORE	GCG Score	30.54	64.56	46.32	7.77
Tobins Q	Market-based performance	0.00	12.36	1.74	2.39
ROA	Accounting-based performance	-0.18	0.92	0.10	0.16

The characteristics of the *consumer goods industry* as the research subject, show that the company's performance ratio is very low, with a maximum and average ROA value of less than 1 and 0.1. Furthermore, this indicates that the general condition of the consumer goods industry is not effective in managing its assets to generate a larger amount of net income. However, when viewed from Tobin's Q value, an average of 1.74 means that the average firm Value is higher than the listed company's asset. Therefore, Tobin's Q value indicates the average company is rated better by the market.

Part A Rights of Shareholders
The highest score for information on shareholder rights is 26 points, which means that some companies disclose full information on the rights of their shareholders, especially in making decisions related to major issues and on company share ownership. Furthermore, the 2017 data showed that only one company had the highest score in Part A, namely Unilever Indonesia (UNVR). Meanwhile in 2018 4 companies had the highest maximum score, namely Delta Djakarta (DLTA), Budi Starch & Sweetener (BUDI), Sariguna Primatirta (CLEO), and Wilmar Cahaya Indonesia (CEKA). The average Value for Part A is 19.13, which means that the company makes disclosures related to the rights of shareholders on average of 73.58%.

Part B Equitable Treatment of Shareholders
Part B describes the strategies used by the company to treat all shareholders equally. The analysis results showed that there were no companies with full scores in 2017, however, in 2018, 5 companies had full scores, namely Tiga Pilar Sejahtera Food (AISA), Delta Djakarta (DLTA), Budi Starch & Sweetener (BUDI), Sariguna Primatirta (CLEO), and Wilmar Cahaya Indonesia (CEKA). The average information disclosure for fair treatment to all shareholders was 63.94%.

Part C Role of Stakeholders
The average information disclosure on the role of stakeholders in monitoring company performance is 74.14%. In 2017, 4 companies had full scores, namely Indofarma (INAF), Unilever Indonesia (UNVR), Multi Bintang Indonesia (MLBI), Tiga Pilar Sejahtera Food (AISA). Meanwhile, in 2018, 6 companies had full scores, namely Tri Banyan Tirta (ALTO), Delta Djakarta (DLTA), Budi Starch & Sweetener (BUDI), Sariguna Primatirta (CLEO), Multi Bintang Indonesia (MLBI) and Wilmar Cahaya Indonesia (CEKA).

Part D Disclosure and Transparency
This part describes the practice of disclosing information by the company, especially in financial reporting and other material matters regarding its activities in an accurate and timely manner. In 2017, no company was disclosed, while in 2018, 3 companies were fully disclosed, namely Delta Djakarta (DLTA), Budi Starch & Sweetener (BUDI), Sariguna Primatirta (CLEO) with an average score of 71.2%.

Part E Responsibilities of The Board
This part has the most items for assessment, with an average score of 41.73 (52.82%), which is the lowest compared to others. However, no company made full disclosures in both 2017 and 2018, although Delta Djakarta (DLTA) had the highest score, of 74 (93.67%).
Table 4 shows a summary of the CG Quality assessment based on each item and the overall quality score, which has an average of 62.13. This Value is still relatively low, however, the companies with the highest score in 2017 and 2018 are Indofarma (INAF) and Delta Djakarta (DLTA).

Table 4: Summary of the Company's GCG Disclosure Score in 2017

Code	Companies	A	B	C	D	E	SCORE
INAF	Indofarma		20	13	21	36	60	80.97
KAEF	Kimia Farma		20	13	20	37	52	77.04
KINO	Kino Indonesia		20	12	19	32	59	76.25
KLBF	Kalbe Farma		19	13	18	32	56	74.75
ICBP	Indofood CBP Sukses Makmur		19	13	18	30	55	73.06
UNVR	Unilever Indonesia		26	11	21	32	46	72.05
MLBI	Multi Bintang Indonesia		21	12	21	30	50	71.84
MYOR	Mayora Indah		17	11	18	31	54	70.61
INDF	Indofood Sukses Makmur		18	11	19	29	54	70.28
ROTI	Nippon Indosari Corpindo		20	12	18	31	49	70.11
AISA	Tiga Pilar Sejahtera Food		21	10	21	27	53	69.81
TCID	Mandom Indonesia		20	11	17	29	53	69.59
DVLA	Darya Varia Laboratoria		20	13	20	32	43	69.51
SKLT	Sekar Laut		12	12	18	31	46	65.52
SIDO	Industri Jamu dan Farmasi Sido Muncul		11	12	13	29	49	63.08
HMSP	HM Sampurna		13	10	19	30	42	61.99
MERK	Merck		20	11	17	29	33	59.46
HOKI	Buyung Poetra Sembada		20	10	20	25	36	59.15
BUDI	Budi Starch & Sweetener		21	10	19	22	39	58.79
CINT	Chitose Internasional		19	10	18	15	48	57.94
SKBM	Sekar Bumi		18	10	13	28	35	56.33
ADES	Akasha Wira International		21	9	14	24	37	55.70
WOOD	Integra Indocabinet		20	12	13	23	33	54.87
PYFA	Pyridam Farma		18	9	14	24	37	54.55
CLEO	Sariguna Primatirta		14	11	7	26	40	54.15
GGRM	Gudang Garam		22	10	15	25	30	54.50
MBTO	Martina Berto		20	7	20	24	32	53.88
CEKA	Wilmar Cahaya Indonesia		16	11	13	17	40	52.42
ULTJ	Ultrajaya Milk Industry and Trading Co.		15	7	7	25	34	47.38
DLTA	Delta Djakarta		17	12	14	17	23	45.56
CAMP	Campina Ice Cream Industry		18	9	9	23	23	44.49
PSDN	Prasidha Aneka Niaga		16	10	7	19	29	44.30
MRAT	Mustika Ratu		19	8	11	15	31	44.23
KICI	Kedaung Indah Can		18	11	8	21	21	43.57
STTP	Siantar Top		13	8	10	22	26	43.08
TSPC	Tempo Scan Pacific		20	8	7	16	21	38.24
ALTO	Tri Banyan Tirta		15	9	4	11	18	31.28
DLTA	Delta Djakarta		26	17	21	40	74	96.28
BUDI	Budi Starch & Sweetener		26	17	21	40	68	93.24
AISA	Tiga Pilar Sejahtera Food		19	17	20	36	69	88.20
CLEO	Sariguna Primatirta		26	17	21	40	54	86.15
CEKA	Wilmar Cahaya Indonesia		26	17	21	37	52	83.35
ALTO	Tri Banyan Tirta		17	16	21	35	57	80.35
CINT	Chitose Internasional		24	13	20	36	52	77.98

MLBI	Multi Bintang Indonesia	21	10	21	33	54	73.89
INDF	Indofood Sukses Makmur	23	12	19	31	49	71.75
KLBF	Kalbe Farma	20	12	17	34	45	69.40
MYOR	Mayora Indah	19	10	18	33	46	67.64
ICBP	Indofood CBP Sukses Makmur	20	11	18	31	45	67.21
ROTI	Nippon Indosari Corpindo	22	10	17	31	45	66.62
GOOD	Garudafood Putra Putri Jaya	21	10	20	35	38	66.50
SIDO	Industri Jamu dan Farmasi Sido Muncul	19	10	18	33	43	66.12
TCID	Mandom Indonesia	21	11	20	31	40	66.01
KINO	Kino Indonesia	12	8	20	33	49	65.65
KAEF	Kimia Farma	19	11	15	32	43	64.98
KICI	Kedaung Indah Can	24	10	15	30	43	64.83
HMSP	HM Sampurna	22	11	17	29	42	64.79
HOKI	Buyung Poetra Sembada	20	10	18	33	37	63.46
SKLT	Sekar Laut	18	10	20	30	40	63.38
SKBM	Sekar Bumi	21	10	12	27	41	59.45
DVLA	Darya Varia Laboratoria	17	10	17	29	36	58.95
MERK	Merck	18	10	12	29	37	57.46
INAF	Indofarma	9	7	17	25	48	56.92
WOOD	Integra Indocabinet	24	9	14	27	32	56.11
MBTO	Martina Berto	15	7	19	29	34	55.47
ADES	Akasha Wira International	18	8	10	28	36	53.64
MRAT	Mustika Ratu	12	10	11	24	36	51.19
ULTJ	Ultrajaya Milk Industry and Trading	18	8	9	27	31	50.04
GGRM	Gudang Garam	22	10	13	26	21	49.59
CAMP	Campina Ice Cream Industry	20	9	12	23	28	49.22
PYFA	Pyridam Farma	9	8	9	25	37	48.42
STTP	Siantar Top	23	9	8	22	25	46.35
UNVR	Unilever Indonesia	23	9	8	22	25	46.35
TSPC	Tempo Scan Pacific	21	10	4	24	25	45.75
PSDN	Prasidha Aneka Niaga	12	6	7	22	30	41.53
Average							64.06

Hypothesis testing

Hypothesis testing was conducted using the Mann-Whitney method by analyzing the differences in CG quality between company performance as measured by accounting-based (ROA) and market-based (Tobin's Q). The data used for hypothetical testing needs indicates that 9 outliers were not included in the test therefore, the number of data processed was 67 cases.

Table 5: CG Quality Relationship Test Results with Profitability

Profitability		N	Mean Rank	Sum of Ranks	Mann-Whitney U	Asymp. Sig. (2-tailed)
A	Low	35	33.89	1186.00	556.000	0.960
	High	32	34.13	1092.00		
	Total	67				
B	Low	35	32.97	1154.00	524.000	0.645
	High	32	35.13	1124.00		
	Total	67				
C	Low	35	32.53	1138.50	508.500	0.516
	High	32	35.61	1139.50		
	Total	67				
D	Low	35	31.94	1118.00	488.000	0.365
	High	32	36.25	1160.00		
	Total	67				
E	Low	35	34.43	1205.00	545.000	0.851
	High	32	33.53	1073.00		
	Total	67				
CGQ	Low	35	32.66	1143.00	513.000	0.555
	High	32	35.47	1135.00		
	Total	67				

The hypothetical test results showed no difference in scores in all sections of the GCG assessment of company performance as measured by ROA as indicated by a significance value above 0.05 for all items tested. Therefore, it can be concluded that Hypothesis 1 does not receive empirical support in this study.

Furthermore, the relationship between the CG score and the performance of market-based companies or Firm Value measured by Tobin's Q is conducted. Table 6, shows that Sections D, E, and the overall score have a significant value of less than 0.05 (2 tailed). Therefore, it can be concluded that Hypothesis 2 is supported for the partial measurement of CG scores.

Table 6: Test Results of Relationship between CG Quality and Firm Value

Firm Value		N	Mean Rank	Sum of Ranks	Mann-Whitney U	Asymp. Sig. (2-tailed)
A	Low	33	36.8	1214.5	468.500	0.242
	High	34	31.28	1063.5		
	Total	67				
B	Low	33	31.18	1029	468.000	0.234
	High	34	36.74	1249		
	Total	67				
C	Low	33	30.73	1014	453.000	0.174
	High	34	37.18	1264		
	Total	67				
D	Low	33	29.44	971.5	410.500	0.059

	High	34	38.43	1306.5		
	Total	67				
E	Low	33	29.27	966	405.000	0.050
	High	34	38.59	1312		
	Total	67				
CGQ	Low	33	29.58	976	415.000	0.067
	High	34	38.29	1302		
	Total	67				

Furthermore, additional testing was carried out to determine the differences in the quality of the disclosed CG scores between 2017 and 2018. The results summarized in Table 7 show that only Sections A and D provided significant values less than 0.1 (2 tailed). Therefore, it can be concluded that there is a significant difference in CG scores in Parts A and D between 2017 and 2018 as opposed to other items.

Table 7: CG Quality Relationship Test Results between different years

Year		N	Mean Rank	Sum of Ranks	Mann-Whitney U	Asymp. Sig. (2-tailed)
A	2017	33	27.79	917.00	356.000	0.009
	2018	34	40.03	1361.00		
	Total	67				
B	2017	33	36.98	1220.50	462.500	0.208
	2018	34	31.10	1057.50		
	Total	67				
C	2017	33	32.56	1074.50	513.500	0.550
	2018	34	35.40	1203.50		
	Total	67				
D	2017	33	27.55	909.00	348.000	0.007
	2018	34	40.26	1369.00		
	Total	67				
E	2017	33	33.62	1109.50	548.500	0.875
	2018	34	34.37	1168.50		
	Total	67				
CGQ	2017	33	31.73	1047.00	486.000	0.347
	2018	34	36.21	1231.00		
	Total	67				

Table 8: Companies with the Highest Score per Part

Criteria	Score Max	2017		2018	
A	26 of 26	Unilever Indonesia	Budi Starch & Sweetener	Sariguna Primatirta	
			Wilmar Cahaya Indonesia	Delta Djakarta	
B	17 of 17	-	Tiga Pilar Sejahtera Food	Sariguna Primatirta	
			Budi Starch & Sweetener	Delta Djakarta	
			Wilmar Cahaya Indonesia		
C	21 of 21	Multi Bintang Indonesia	Tri Banyan Tirta	Sariguna Primatirta	
		Indofarma	Budi Starch & Sweetener	Delta Djakarta	
		Unilever Indonesia	Wilmar Cahaya Indonesia	Multi Bintang Indonesia	
		Tiga Pilar Sejahtera Food			
D	40 of 42		Budi Starch & Sweetener		
			Sariguna Primatirta		
			Delta Djakarta		
E	74 of 79		Delta Djakarta		

Discussion

The descriptive results showed that the company's GCG practice for the consumer goods industry is still low. This is because the average level of compliance with ACGS in 2017 and 2018 were 59.2% and 64.06%, irrespective of the increase in the score on a few companies, as shown in Table 7. Based on the assessment score obtained, only 4 out of 38 (11%) companies showed full values on items in parts A, B, and C, while other criteria had not fully complied. Therefore, based on these results, it can be seen that only 11% of companies have a very good understanding of presenting information to shareholders regarding their GCG practices apart from adequately disclosing financial information to the public. This means that only a small number of companies have carried out the function of information transparency to stakeholders. Conversely, most companies still need to pay attention and improve the presentation of information related to their management. This is because, according to the previous parts, the score assessment is only based on information published by companies both on the online page and in their annual reports. Therefore, there is a possibility that the company fulfils all the provisions outlined in the ACGS in daily practice, although it has not fully disclosed it to the public.

The results provide empirical support indicating that the company produces a good response to the public. Therefore, the provision of more information on GCG in accordance with high share price tends to be appreciated by shareholders. It also supports the previous studies on the relationship between GCG and company performance on market-based measures (Shrivastav & Kalsie, 2017), as well as on studies using different CG measures (Arora & Bodhanwala, 2018; Guo & Kumara, 2012).

The results do not receive empirical support for the relationship between GCG and accounting-based company performance as measured by ROA and according to the studies carried out by Ajili & Bouri (2018) and Vu & Nguyen (2017). This phenomenon can be understood when viewed from the general condition of the descriptive analysis results for ROA measures. Furthermore, the results of the ROA value illustrate that the management of company assets in the consumer goods industry is not effective; therefore, it is unable to provide support for its relationship with CG quality. On the other hand, the results of descriptive analysis illustrate the condition of a good market assessment of Tobin's Q value. This is in line with the concept of disclosing information relevant to investors' needs, which has received a response from the

market as evidenced by better corporate value. Therefore, it can be concluded that adequate disclosure of CG information has an impact on market-based performance for companies in the consumer goods industry.

CONCLUSION

In conclusion, few companies disclosed all the items proposed in the Asean Corporate Governance Scorecard (ACGS). The research further shows that only four companies conduct full disclosure in the Shareholders Rights, Equitable Treatment of Shareholders, and Stakeholders Role. While for the GCG quality, only two companies have total scores above 90% and based on the results of the descriptive analysis, most companies have an average score of less than 50%. This value indicates the low practice of disclosing GCG information by companies in the Consumer Goods Industry.

Furthermore, it is related to the results of hypothesis testing for the relationship between GCG quality and company performance. The test results also provide partial support for the relationship between GCG measurement items to a market-based performance where D represents Disclosure and Transparency, while E is The Board Responsibilities. However, the GCG score, in general, shows a significant relationship with market-based company performance and is insignificant on accounting-based performance measures.

This study theoretically contributes to the research using the GCG information disclosure measure, as hinted in the ACGS. The quality of GCG information contributes to company value due to the feedback obtained from the market. The contribution of this research practice is for public companies to determine the benefits of disclosing GCG practices that affect investors' decisions. However, this research has not been able to obtain empirical support on the relationship between GCG and company performance based on the accounting measure, such as ROA. This study is limited to the scoring of ACGS items based on the reports submitted by the company to the public.

Furthermore, the assessment carried out at level 1 failed to consider the bonus or penalty items in level 2. Due to the complexity of the ACGS measurement items, this research is carried out only in one industry, therefore, it has not been able to reveal GCG practices by public companies in Indonesia comprehensively. Moreover, the company has fully implemented GCG practices with limitations in disclosing information to the public through its online pages and annual reports. Therefore, based on these limitations, future research needs to be carried out in a broader scope and by considering level 2 aspects to have a more comprehensive understanding of the practice of GCG disclosure and its effects on organizational performance using accounting and market-based measures.

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