

Does Corporate Governance and Eco-Efficiency Contribute to Firm Value? An Empirical Study in Indonesian State-Owned Enterprises (SOEs)



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ABSTRACT

This study examined the relationship between good corporate governance (GCG) and eco-efficiency on firm value, with firm's financial performance variable as a mediating variable. This research was motivated by an empirical gap, which there are companies that have corporate governance issues but still have a positive response by the market as indicated by an increasing share price. In addition, there are still differences results from previous studies. The results of this study indicate that eco-efficiency which proxied by the ownership of an ISO 14001 environmental management certificate has a positive and significant relationship with firm's financial performance (ROA), where ROA has a positive and significant relationship to firm value. However, eco-efficiency does not have a direct relationship with firm value. Meanwhile, good corporate governance has no relationship with firm's financial performance and firm value.

1. INTRODUCTION

Corporate governance plays an important role in ensuring that capital market players and banking are managed based on the principles of fairness, transparency, accountability, responsibility, and independence to gain investor trust (OJK, 2014). Gul et al. (2018) conducted research on corporate governance and firm value and obtained results that corporate governance plays a major role in determining market valuations of companies in

Pakistan. This shows that, corporate governance is very important for a company to maintain its performance. Improvements in corporate governance are expected to increase public companies performance. By implementing good governance, the company will run its business effectively and efficiently. Bhat et al (2018) obtained findings that show that board independence has a positive and significant relationship to firm value for state-owned enterprises (SOEs). In addition, the research result by Bhat et al (2018) also show that market capitalization and Return on Assets (ROA) have a positive and significant relationship to firm value for state-owned and non-state companies. This shows that market capitalization and Return on Assets (ROA) are more influential on firm value than corporate governance. Lutfia et al (2019) also obtained research results that corporate governance has no impact on firm value.

Apart from making improvements to corporate governance, efficiency measures are also needed to increase firm value, including ecological efficiency or eco-efficiency. By carrying out efficiency in ecological field (eco-efficiency), a company can emphasize the costs that emerge. Therefore, company profitability will increase. In addition, when the company carries out efficiency in ecological field, the company's survival will be maintained. Meutia, et al (2019) stated that eco-efficiency has a positive and significant impact on the firm's financial performance. Che-Ahmad et al (2015) obtained analysis results that showed a positive relationship between eco-efficiency and firm value. Safitri et al (2019) found that there is no relationship between eco-efficiency and firm value. Ainy et al (2019) also found the that the Malaysian and Indonesian Capital Markets did not respond to environmental responsibility information.

Based on the Press Release of the Financial Services Authority (OJK) Number SP 26/DHMS/OJK/VI/2019, June 28, 2019, OJK has sanctioned PT Garuda Indonesia (Persero) Tbk for violations in the Annual Financial Report Disclosure (LKT) of PT Garuda Indonesia (Persero) Tbk as of December 31, 2018. It showed that there was a governance issue in PT Garuda Indonesia (Persero) Tbk which is reflected in the Annual Financial Report Disclosure (LKT) as of December 31, 2018 which is not in accordance with the provisions. The result of some research that have been previously described, state that corporate governance has a positive and significant effect on firm value. It means that the better the corporate governance, the better the market response and vice versa.

However, what happened at PT Garuda Indonesia (Persero) Tbk, after receiving sanctions from the OJK regarding the issue of the Annual Financial Report Disclosure as of December 31, 2018 did not make the market respond negatively to the stock price of PT Garuda Indonesia (Persero) Tbk and quite the opposite. This is shown in the following table:

Table 1. Stock Price of PT Garuda Indonesia (Persero), June, 2019

(GIAA) Garuda Indonesia (Persero) Tbk.

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Sektor : INFRASTRUKTUR, UTILITAS DAN TRANSPORTASI > Transportasi

sejak : 10 - Juni - 2019

sampai : 28 - Juni - 2019

Date	Prev	Open	High	Low	Close	Change	Volume	Foreign Vol.	Detail
28-06-2019	396	400	400	366	366	↓ 30	68,373,700	- 3,263,400	
27-06-2019	392	390	406	390	396	↑ 4	28,930,300	+ 3,543,300	
26-06-2019	396	396	400	388	392	↓ 4	14,738,800	+ 3,568,000	
25-06-2019	398	396	404	392	396	↓ 2	17,387,100	+ 1,094,900	
24-06-2019	398	400	404	394	398	0	15,810,500	+ 2,736,600	
21-06-2019	406	408	412	394	398	↓ 8	24,709,600	+ 863,300	
20-06-2019	410	410	414	406	406	↓ 4	14,413,600	+ 3,219,000	
19-06-2019	400	400	412	400	410	↑ 10	13,209,500	+ 3,934,700	
18-06-2019	406	406	418	394	400	↓ 6	40,969,600	+ 10,724,900	
17-06-2019	428	428	430	400	406	↓ 22	25,916,900	+ 5,352,300	
14-06-2019	430	432	434	424	428	↓ 2	12,745,000	+ 1,579,000	
13-06-2019	428	428	442	426	430	↑ 2	37,330,100	+ 3,647,200	
12-06-2019	420	422	438	416	428	↑ 8	32,471,600	+ 7,770,200	
11-06-2019	428	430	438	414	420	↓ 8	33,340,100	+ 11,109,400	
10-06-2019	432	432	442	422	428	↓ 4	33,252,600	+ 12,784,800	

Source: www.duniainvestasi.com

Based on the description of table 2, this study was conducted to confirm the empirical gap related to corporate governance that occurs in State-Owned Enterprises in Indonesia and to confirm the results of previous studies related to the influence of corporate governance and eco efficiency on firm value. State-Owned Enterprises was chosen as the sample in this study with the background of a phenomenon indicating a violation of the implementation of good corporate governance by PT. Garuda Indonesia.

Table 2. Stock Price of PT Garuda Indonesia (Persero), July, 2019

(GIAA) Garuda Indonesia (Persero) Tbk.

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Sektor : INFRASTRUKTUR, UTILITAS DAN TRANSPORTASI > Transportasi

sejak : 01 - Juli - 2019

sampai : 31 - Juli - 2019

Date	Prev	Open	High	Low	Close	Change	Volume	Foreign Vol.	Detail
31-07-2019	404	404	406	398	400	↓ 4	7,011,300	+ 422,600	
30-07-2019	410	414	416	398	404	↓ 6	16,724,800	+ 478,900	
29-07-2019	390	392	412	392	410	↑ 20	32,003,000	+ 1,106,600	
26-07-2019	396	398	398	388	390	↓ 6	7,679,300	- 257,100	
25-07-2019	388	390	398	390	396	↑ 8	7,511,800	- 23,600	
24-07-2019	390	390	396	388	388	↓ 2	9,030,200	+ 703,000	
23-07-2019	400	400	404	390	390	↓ 10	15,937,900	0	
22-07-2019	404	404	414	400	400	↓ 4	10,223,200	0	
19-07-2019	402	402	412	402	404	↑ 2	13,744,600	0	
18-07-2019	410	412	412	402	402	↓ 8	12,264,700	+ 307,900	
17-07-2019	422	422	424	410	410	↓ 12	13,748,200	- 238,800	
16-07-2019	420	420	426	418	422	↑ 2	10,365,600	+ 1,171,300	
15-07-2019	410	410	426	410	420	↑ 10	25,188,000	+ 3,671,000	
12-07-2019	412	410	424	410	410	↓ 2	21,361,700	- 2,566,500	
11-07-2019	418	418	424	408	412	↓ 6	15,121,200	0	
10-07-2019	434	434	434	416	418	↓ 16	37,321,100	+ 1,534,000	
09-07-2019	436	436	444	422	434	↓ 2	64,929,000	+ 1,494,400	
08-07-2019	402	402	436	392	436	↑ 34	101,961,500	+ 11,494,700	
05-07-2019	404	406	410	402	402	↓ 2	33,431,200	- 2,527,700	
04-07-2019	380	382	404	380	404	↑ 24	68,864,000	+ 260,400	
03-07-2019	378	378	390	378	380	↑ 2	12,398,900	+ 24,800	
02-07-2019	386	386	392	374	378	↓ 8	31,252,500	+ 3,705,100	
01-07-2019	366	366	402	358	386	↑ 20	68,793,900	+ 15,174,700	

Source: www.duniainvestasi.com

This encourages researchers to look further into the relationship between good corporate governance and the value of SOEs companies in Indonesia. In addition, SOEs is considered a representation of the government, so that if the results of this study indicate a positive and significant relationship between the variables of good corporate governance and eco-efficiency on firm value, it can be taken into consideration for the government in making policies that support the increase in corporate value through increasing the quality of good corporate governance and eco-efficiency.

2. LITERATURE REVIEW AND HYPOTHESIS

Signaling Theory

Public awareness of a company is the first step in shaping public opinion about that company. The company is a player in a larger industry and competes in countries around

the world. To manage reputation globally, companies must do their best to recognize the complex nature of their development and how their value compares to other companies, industries and countries (Kelley and Thams, 2019). Based on this, companies are required to provide a good image so that people will have a good opinion on the company. This will make the community respond positively to the company that is considered good. By giving a signal that the company implements good corporate governance practices and shows concern for environmental sustainability through efficiency efforts in the ecological sector, the company will have a good image in society and society will respond positively to the company.

Firm Value

According to Sudana (2011: 23), the appraisal ratio is a ratio related to the assessment of the performance of the shares of companies that have been listed on the capital market (go public). The valuation ratio provides information on how much the public value the company, so that people are interested in buying stock at a price higher than its book value. In this study, the measurement of the firm value used Tobin's Q which refers to the research of Gul et al. (2018) and Safitri et al. (2019).

Good Corporate Governance and Firm Value

Corporate governance is a combination of laws, regulations and practices carried out by the private sector on a voluntary basis that allows companies to obtain financial capital and labor, perform efficiently, and produce economic values sustainably in long term for its shareholders, and at the same time paying attention to the interests of stakeholders and society as a whole (Maassen, 2000). By implementing good governance, companies will be more effective and efficient in running their business. When the company manages to run the business effectively and efficiently, the company's profitability and value will be positive. Gul et al. (2018) obtained research results that corporate governance plays a major role in determining market valuation of companies in Pakistan. Ammann et al. (2011) found that corporate governance has a positive and significant effect on firm value. Based on the description above, the hypothesis that can be used are:

H₁: Good corporate governance has a positive relationship with firm value.

Eco-Efficiency and Firm Value

Eco efficiency according to the environmental dictionary and the Ministry of Environment of the Republic of Indonesia is defined as an efficiency concept that includes aspects of natural resources and energy or a production process that minimizes the use of raw materials, water, energy and environmental impacts per unit of product. The World Business Council for Sustainable Development (WBCSD, 2000) in Alviani and Solihin (2015) explains that eco-efficiency is a business concept because eco-efficiency talks about the language of business, that eco-efficiency will produce good business by increasing production efficiency. The goals of eco-efficiency are:

1. To reduce the consumption of natural resources, including minimizing the use of energy, raw materials, water, and land;
2. To reduce the negative impact of business on the environment, including minimizing air and water pollution, reducing waste, and reducing the spread of toxic substances;
3. To increase the value of a product or service by providing more benefits to consumers in relation to the function, flexibility and form of the product, as well as to provide goods or services needed by consumers. It means that consumers will have the same benefits, but the use of raw materials and resources more efficiently.

The guidelines for the eco-efficiency concept according to the WBCSD are as follows:

1. Reducing the intensity of materials use in producing goods and services;
2. Reducing the intensity of energy use in producing goods and services;
3. Reducing toxic substances;
4. Increasing material recycling;
5. Maximizing the use of renewable resources sustainably;
6. Extending product durability;
7. Increasing the intensity of product services.

The concept of eco-efficiency has also been highlighted by Bran et al. (2011) which states that eco-efficiency is the process of producing goods and services at competitive prices, according to human needs and can provide a good quality of life. This can be achieved because the eco-efficiency concept requires progressively reducing environmental impacts and saving natural resources in producing goods and services. According to

Hansen and Mowen (2007), eco-efficiency means that organizations can produce goods and services that are more profitable while at the same time reducing their environmental impact, resource consumption, and costs.

Eco-efficiency can be measured in several ways. The WBCSD (2000) measures eco-efficiency by dividing the value of a good or service against its environmental impact. The value of the product is the quantity of goods or services produced and the environmental impact is the consumption of energy, raw materials and water, as well as greenhouse gas emissions produced by the company. In addition to the measures used by the WBCSD (2000), Sinkin et al. (2008) provide an alternative measurement of eco-efficiency. Sinkin et al. (2008) use ISO 14001 to assess whether eco-efficiency is carried out by companies. Sinkin et al. (2008) use this assessment because the goal of eco-efficiency is related to the goal of ISO 14001. This measurement is the same as that used by Marshall and Brown (2003), Al Najjar and Anfimiadou (2011), and Panggau and Septiani (2017).

Companies that have good environmental performance are good news for investors and potential investors. Companies that have a high level of environmental performance will be responded positively by investors (Titisari and Alviana, 2012). Utomo et al. (2017) also found that there was a positive influence between environmental performance and firm value as measured using Tobins'Q. Panggau and Septiani (2017) state that eco-efficiency has a positive and significant effect on firm value. Jacobs et al. (2010) stated that environmental awards and certifications (EAC) which provide information about the recognition given by third parties, especially for environmental performance such as ISO 14001, associate positive and significant market reactions. This means that companies that adopt the eco-efficiency concept have a higher firm value and are able to generate profits in the future than companies that do not adopt the eco-efficiency concept. Research conducted by Meutia et al. (2019) also found that eco-efficiency has a positive and significant impact on the firm's financial performance. Based on the description above, the hypotheses that can be used are:

H₂: Eco-efficiency has a positive relationship with firm value.

Good Corporate Governance and Eco-efficiency to Firm Value with Firm's Financial Performance as Mediating Variable

Financial performance is the company's ability to manage and control its resources. In a study conducted by Meutia et al. (2019) stated that the accounting-based approach in measuring financial performance that is commonly used is such as profitability, asset returns, asset turnover and growth. The better the company's ability to manage its resources, the better the company's value. Research conducted by Bhat et al. (2018) found that return on assets (ROA) has a positive and significant relationship with firm value. Based on the description above, the hypotheses that can be used is:

- H₃ : Good corporate governance has a positive relationship with firm's financial performance.
- H₄ : Eco-efficiency has a positive relationship with firm's financial performance.
- H₅ : Firm's financial performance mediates the relationship between good corporate governance and eco-efficiency on firm value.

3. RESEARCH METHOD

This study uses secondary data, that is financial statements of Indonesian State-Owned Enterprises (SOEs) listed on the Indonesia Stock Exchange during the 2015-2019 research period. The number of companies studied was 18 companies for 5 years, so that the total observations were 90 observations. The data analysis technique used in this study is to use a correlation test or statistical test to see the closeness of the relationship between variables. The correlation test used in this study is to use the Spearman Test. The strength of the relationship between variables is indicated by the correlation coefficient value, if the test results show a correlation coefficient value of 1 or close to 1, it indicates a strong relationship between the variables studied. Meanwhile, to see the significance of the relationship between variables, by looking at the Sig. (1-tailed) value. If the Sig. (1-tailed) value is less than 0.05 or 0.01, then the relationship between these variables is significant or significant. If the Sig. (1-tailed) value is greater than 0.05 or 0.01, the relationship between these variables is not significant.

The independent variables in this study are good corporate governance and eco-efficiency. The variable of good corporate governance is measured using GCG score, board meeting, and board independent. This measurement refers to the research of Bhat et al. (2018). The eco-efficiency variable is measured using an ISO 14001 environmental management certificate. This measurement refers to the research of Meutia et al. (2019). The measurement of firm value variables in this study uses Tobin's Q which refers to the research of Gul et al. (2018) and Safitri et al. (2019). The operational variables used in this study are described in the table 3.

Tabel 3. Research Operational Variables

Variable	Symbol	Measurement	Source
Firm Value	Tobins Q	$\frac{\text{Market value of shares} + \text{Total debt}}{\text{Book value of total assets of the firm}}$	Gul <i>et al.</i> (2018) and Safitri <i>et al.</i> (2019).
<i>Eco-efficiency</i>	ECO	ISO 14001	Meutia <i>et al.</i> (2019)
<i>Good Corporate Governance</i>	CG_SCORE	GCG assessment score owned by the company	Gul <i>et al.</i> (2018).
<i>Good Corporate Governance</i>	CG_BM	The number of company board meetings	Bhat <i>et al.</i> (2018).
<i>Good Corporate Governance</i>	CG_IND	The ratio of independent directors to the company's total board of directors	Bhat <i>et al.</i> (2018).
Firm's Financial Performance	<i>Return on Assets (ROA)</i>	$\frac{\text{Earning before tax}}{\text{Total assets}}$	Meutia <i>et al.</i> (2019)

4. RESULT AND DISCUSSION

This study examines the implementation of good corporate governance and eco-efficiency of 18 state-owned companies in Indonesia which are listed on the Indonesia Stock Exchange during 2015-2019. Descriptive statistical descriptions of the research variables are described in the table 4.

Tabel 4. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	90	-.06	.28	.0442	.05394
ECO	90	.00	1.00	.7222	.45041
CG_BM	90	10.00	282.00	48.1556	34.26726
CG_IND	90	.08	1.00	.7237	.30709
TOBINS	90	.60	12.56	1.7446	2.17320
CG_SCORE	90	.73	1.04	.9062	.06285
Valid N (listwise)	90				

The descriptive statistical table above shows that the return on assets (ROA) variable has a minimum value of -0.06, a maximum value of 0.28 and an average value of 0.0442. The eco-efficiency variable has a minimum value of 0, a maximum value of 1 and an average value of 0.7222. The eco-efficiency variable is a dummy variable of ownership of an ISO 14001 environmental management certificate. The companies which have an ISO 14001 certificate will be given a value of 1 and companies that do not have an ISO 14001 certificate will be given a value of 0. Based on the descriptive statistical table above, it is known that most SOEs in Indonesia, already have an ISO 14001 certificate, that is indicated by the average value of the eco-efficiency variable, which shows a value of 0.7222 or as much as 72% of SOEs already have ISO 14001 certificate. The variable good corporate governance proxied by board meetings shows a minimum value of 10, a maximum value of 282 and an average value of 48.15. This means that SOEs in Indonesia holds board of directors meetings at least 10 times a year. The variable good corporate governance proxied by independent board shows a minimum value of 0.08, a maximum value of 1 and an average value of 0.72. This shows that the board of directors of SOEs Indonesia is quite independent, this is indicated by the average value of independent boards of 0.72 or 72% of SOEs boards of directors are independent directors. The proxy good corporate governance variable shows a minimum value of 0.73, a maximum value of 1.04 and an average value of 0.90. The firm value variable proxied by Tobins'Q shows a minimum value of 0.60, a maximum value of 12.56 and an average value of 1.74.

Table 5. The Relationship between Eco-efficiency and Good Corporate Governance on Firm's Financial Performance

	ROA	ECO	CG_SCORE	CG_BM	CG_IND
Correlation Coefficient	1.000	.448**	.026	-.075	-.083
ROA Sig. (1-tailed)	.	.000	.405	.241	.219
N	90	90	90	90	90

** . Correlation is significant at the 0.01 level (2-tailed).

Table 5 show that the eco-efficiency variable has a correlation coefficient of 0.448 with a Sig. (1-tailed) 0.000. This shows that the eco-efficiency variable has a positive relationship with the firm's financial performance as proxied by return on assets (ROA) because it has a large correlation coefficient, that is 0.448 and the Sig. (1-tailed) 0.000 or less than 0.01. This means that increased efficiency in the field of ecology is effective for improving the firm's financial performance. This shows that H4 which states that the eco-efficiency variable is associated to firm's financial performance **is supported**. This is in line with the results of research conducted by Meutia et al. (2019). Meanwhile, the result for good corporate governance variable shows that there is no relationship between good corporate governance and firm's financial performance (ROA). The results show the correlation coefficient of GCG_SCORE of 0.026 with a Sig. (1-tailed) 0.405, means that there is no relationship between the GCG score that is owned and the firm's financial performance proxied by ROA because it has a very small correlation coefficient, that is 0.026 and the Sig. (1-tailed) 0.405 or greater than 0.05.

Table 6. The Relationship among Eco-efficiency, Good Corporate Governance, Firm's Financial Performance on Firm Value

	TOBINS	ROA	ECO	CG_SCORE	CG_BM	CG_IND
TOBINS Correlation Coefficient	1.000	.485**	.012	-.122	-.183*	.057
TOBINS Sig. (1-tailed)	.	.000	.456	.126	.042	.296
TOBINS N	90	90	90	90	90	90

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

The correlation coefficient of GCG_BM is -0.075 with the Sig. (1-tailed) 0.241, means that there is no relationship between the number of board meetings and the firm's financial performance proxied by ROA because it has a very small correlation coefficient, that is -0.075 and the Sig. (1-tailed) 0.241 or greater than 0.05. The correlation coefficient of GCG_IND is -0.083 with the Sig. (1-tailed) 0.219, means that there is no relationship between the independent board and the firm's financial performance proxied by ROA because it has a very small correlation coefficient, that is -0.083 and the Sig. (1-tailed) 0.219 or greater than 0.05. Based on the results, it can be concluded that there is no relationship between good corporate governance with firm's financial performance. This shows that, H3 which states that the variable good corporate governance is associated to the firm's financial performance **is not supported**. It means that the implementation of good corporate governance in Indonesian SOEs have not been able to generate the better profits. This is in line with the results of research conducted by Arora et al. (2016) which stated that corporate governance does not have a significant effect on ROA.

Table 6 shows that the firm's financial performance as proxied by return on assets (ROA) has a positive and significant relationship with firm value. This is indicated by the correlation coefficient of 0.485 with the Sig. (1-tailed) 0.000. The strength of the relationship between ROA and firm value is quite strong, that is 0.485 or 48% and very significant because it has a Sig. (1-tailed) 0.000 or less than 0.01. This shows that the value of return on assets (ROA) become a variable that investors consider when making investments. The higher ROA owned by the company, the positive market will respond. This is in line with the results of research conducted by Bhat et al. (2018) who obtained the results that return on assets (ROA) has a positive and significant relationship with firm value. Companies must increase the return on assets (ROA) in order to have a good value in the capital market. The eco-efficiency variable does not have a direct relationship with firm value, this is indicated by the correlation coefficient of 0.012 with the Sig. (1-tailed) 0.456. This shows that H2 which states that the eco-efficiency variable is associated to the variable firm value **is not supported**. Although eco-efficiency can improve a firm's financial performance, it does not have a direct effect on firm value. Meanwhile, the good corporate governance variable proxied by CGC_SCORE, and independent boards have no relationship with firm value. Meanwhile, the board meetings variable has a negative relationship with the firm value. The

results show the correlation coefficient for the GCG_SCORE variable of -0.122 with a Sig. (1-tailed) of 0.126, this result shows that there is no relationship between the good corporate governance score and the firm value because the correlation coefficient is very low and the significance level is more than 0.05. This shows that the score of good corporate governance owned by the company does not affect the market. The correlation coefficient for the board meeting variable is -0.183 with the Sig. (1-tailed) of 0.042, this result shows that there is negative relationship between the board meeting and firm value. This result is in line with the research of Bhat et al (2018). This may occur because the large number of meetings held by the directors will actually increase costs, so that the intensity of board meetings is not effective enough to increase company value. This indicates that the variable good corporate governance proxied by board meetings does not affect the market. The correlation coefficient for the independent board variable is 0.057 with a Sig. (1-tailed) of 0.296, this result shows that there is no relationship between the independent board and the firm value because the correlation coefficient is very low, and the significance level is more than 0.05. This indicates that the good corporate governance variable proxied by independent board does not affect the market. This shows that H1 which states that the variable good corporate governance is related to firm value **is not supported**. These results also indicate that the firm's financial performance variable is not able to mediate the relationship between good corporate governance and eco-efficiency with firm value, so the hypothesis H5 which states that the firm's financial performance variable is able to mediate the relationship between good corporate governance and eco-efficiency on firm value **does not supported**.

These results answer the phenomena raised in this study, where PT. Garuda Indonesia (Persero) Tbk on June 28, 2019 was sanctioned by the Financial Services Authority (OJK) for violations in Annual Financial Statements (LKT) disclosure as of December 31, 2018, but the market still responded positively after the issuance of a press release from the Financial Services Authority (OJK) related to violations by PT. Garuda Indonesia (Persero) Tbk. This shows that in the case of SOEs in Indonesia, the implementation of good corporate governance does not affect market decisions. These results are also in line with the research conducted by Bhat et al. (2018) who examined the relationship between good corporate governance and firm value for state and non-state-owned companies in Pakistan. The results of Bhat et al. (2018) show that independent boards have a relationship with firm value for

state owned enterprises but for non-state-owned enterprises independent boards have no relationship with firm value. Bhat et al. (2018) also revealed that board meetings have no relationship with firm value for state and non-state-owned enterprises in Pakistan.

5. CONCLUSION

Based on the results of good corporate governance, eco-efficiency, firm's financial performance and firm value variables, it is found that the implementation of good corporate governance in SOEs in Indonesia has no relationship with financial performance and firm value. It means that the implementation of good corporate governance in SOEs in Indonesia has not been able to increase profits and firm value. Meanwhile, the eco-efficiency variable is effective in increasing profits, but it has not been able to increase firm value significantly.

6. IMPLICATION/LIMITATION AND SUGGESTIONS

The results showed that the implementation of good corporate governance in Indonesian SOEs has no relationship with financial performance and firm value. Meanwhile, the eco-efficiency variable is effective in increasing company profits, but it has not been able to increase firm value significantly. Based on the results of the research, the implications of this study are as follows: (a) The government as the majority shareholder of SOEs must evaluate the implementation of good corporate governance in Indonesian SOEs and make the appropriate regulations to increase the role of good corporate governance in increasing profits and firm value. (b) SOEs need to establish a more stringent of Standard Operational Procedure (SOP) to increase efficiency in the ecological sector as an effort to increase financial performance and firm value.

This study is inseparable from its limitations. In this study, the eco-efficiency variable uses only dummy variables, which are seen from the ownership of ISO 14001 environmental management certificate, so that the results obtained are less good than the using of ratio. Future studies are expected to use other measures in proxying eco-efficiency variables, such as calculating the ratio that compares the ecological expense to the

goods/services produced as stated in The World Business Council for Sustainable Development (WBCSD, 2000).

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