META ANALYSIS TROUGH GOOD CORPORATE GOVERNANCE, INDEPENDENT BOARD, BANK A SIZE, CAPITAL STRUCTURE, AND FIRM VALUE PROVIDED INTERNET BANKING IN THE 4.0 INDUSTRY ERA

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ABSTRACT

Objectives: In research on Good Corporate Governance in Banks in the Industrial Era 4.0, it was proven to affect firm value. Good Corporate Governance (GCG) is a condition for managing a bank by meeting with some guidelines about a good bank management, which is expected by investors. For several previous research results shown that the role of good governance is quite large in good bank management and has a positive effect on investor response, and can increase stock prices. The results of other studies also show that the company value has many influencing factors. Measuring the value of banks implementing good governance becomes a research model, together with the variables for each different study.

Methodology/Technique: In order to be able to generate a complete condition in the theory that has been running, a meta-analysis tool is needed and the method of meta research is needed. This analysis tool is very useful for adding analysis models that are still partial so far and can also be used as a guideline for theoretical roadmaps in subsequent bank and good governance research.

Findings: a research model has been carried out in the banking industry, and has been carried out with a well-established research model, namely the "firm size" and capital structure. The formulation of phenomena and problems in research in management economics still uses the previous "established" theories with the phenomenon of the non-digital era. In the digital and internet banking era, the treatment of customers and investors should do research with existing perspectives. Good governance in the digital phenomenon of Bank has become a guideline in the implementation of bank management.

Novelty: This phenomenon directly has the potential to affect the amount of public funds supply to banking operations, so the funds can be raised by banks have some potential to change.

Type of Research: Meta Analysis

Key words: Good Corporate Governance, Firm Value, Independent Board, Bank size, Capital Structure

INTRODUCTION

Good corporate governance is a regulation relating to the relationship between management, creditor shareholders, employees, government, and other interested parties (stake holders) linked to their respective rights and obligations. The principles of good governance are used with transparency, accountability, responsibility, independency, and fairness.

In line with the principles of good governance, banks have developed with some information technology. Information technology also provided some benefits in saving service time to customers and employees, and reducing transaction costs in the digital era (Dangolani, 2011). The digital industry is an industrial business in the future by building a global network to connect machines, factories, and warehousing facilities as a physical-cyber system, which will connect and control each other by sharing information that will underlie business decisions. This era will bring improvements in overall business processes, including the use of supply chains, product life cycle management, and others. This is called by the horizontal value chain, and a vision is the Industrial 4.0 era, which is deeply integrated with every stage of the horizontal value chain to provide tremendous improvements in industrial processes. Smart products are capable of storing information on past data and future processes needed to transform into complete products. Knowledge of the industrial manufacturing process is stored in the product and makes it possible to provide alternative routes in the production process.

Industry 4.0 facilitates entities to act as a unit, such an era of the 4th industrial revolution represents a new level of organization and control over the entire value chain of the product lifecycle, which is directed at meeting increasingly personal customer needs. A cycle starts from the product idea, which covers orders, and continues through to development and manufacture, to product delivery to the end customer, and ends with recycling, covering all the services produced. The industrial era 4.0 is the availability of all relevant information in real time by connecting for all the value chains involved.

The development of information technology has changed a way banks do business. Information technology helps banks to grow, especially in developing bank services to customers, increase some productivity and managing risk (Abbasi & Weigand, 2017). In line with the bank's efforts to take advantage of information technology, so it can continue to grow and improve its business. Also present is a new business model in information technology, which is combined with activities in the financial sector, can encourages the growth of start-up companies (newly established companies) in the financial sector, known as financial technology.

Banks are complex institutions and strictly regulated by the central bank, on the other hand, financial technology has simple and flexible characteristics. So, it also contrast be able to adapt to the needs and characteristics of certain groups of people. Meanwhile, banking services actually required by a public to follow banking procedures, which tend to be less flexible. Bank regulations are less flexible due to many Central Bank rules that must be obeyed. There are intended to safeguard bank security against various possible risks and will adversely affect to the banks, including banks in Indonesia. Some limitation of flexibility on banks in meeting financial service needs, resulting in the presence for financial technology as a solution to the needs of some people, who are still classified do not have access to banking services.

For people who have become bank customers who are interested in participating in financial technology operations, either as producers (parties operating the application) or as consumers or customers (application users), who need a loan through Peer to Peer Lending facilities, Lending platforms (borrowing, payment gateway (means of payment) (Winenda, 2016). One of the Payment Gateway actors, such as GoPay, where people place a certain amount of cash into the account of a financial technology provider, to be able to enjoy transportation services (GoRide and GoCar), food order services (GoFood), and online shopping services (GoMart) (Prasandi, 2017). Financial technology also favored by the public, because from the provider side, which has the characteristics of being able to provide faster services, cheaper costs, and provide better returns. It is greater (profitable) than what in case obtained from the bank by the user side. Financial technology has many characteristics of being able provide convenience services (convenience), speed of service (speed), and security (safety) services (Saksonova & Merlino, 2017).

TEORITICAL

Good Corporate Governance

Good Corporate Governance (GCG) in Malaysia by the Finance Committee on Corporate Governance (FCCG) were defined that a corporate governance as a process and structure used to direct and manage business and corporate activities towards increasing business growth and corporate accountability (Effendi, 2016: 2). Meanwhile, according to the Corporate Governance on Indonesia (FGCI) forum, corporate governance is a set of regulations that regulate the relationship between shareholders, company managers, creditors, government, employees, and other internal and external stakeholders related to rights and obligations. In other words, a system can controls the company. According to the Ministry of BUMN, according to Article 1 paragraph 1, Regulation of the Minister of State for SOEs No. PER01 / MBU / 2011 dated 1 August 2011 concern with some implementation for Good Corporate Governance, Good Corporate Governance in SOEs, which is good corporate governance, herein after referred to as GCG, these are the principles that underline a process and mechanism to manage a company based on regulations, laws and company ethics.

The principles of Good Corporate Governance, are:
a. Transparency is openness in decision-making process and delivery on material and relevant information about company.
b. Accountability is clarity of the functions, implementation, and accountability on some organs, so management company is carried out effectively.
c. Responsibility is suitability in the management for company to the laws and regulations and the principles of a healthy corporation.
d. Independency is a condition in which the company is managed professionally without conflict of interest and influence / pressure from any party, which is not in accordance with statutory regulations and sound corporate principles.
e. Fairness is justice and equality in fulfilling the rights of stakeholders that arise based on agreements and statutory regulations. (Effendi, 2016: 3).

Capital Structure

There are several definitions of capital structure according to experts, such as:
a. Weston and Copeland (1996) was discussed that a capital structure is permanent financing, which are consisting between long-term debt, preferred stock, and shareholder capital.
b. According to Fabozzi and Peterson (2000) also discovered that a capital structure is a combination between debt and equity, which is used to finance company projects. The capital structure of a company is a mixture of debt, internally generated equity and new equity.
c. According to Keown et al., (2000) stated that a capital structure is a combination or combination of long-term sources of funds used by the company.
d. According to Margaretha (2004) said that the capital structure for company's permanent financing also consist for long-term debt and equity.

Capital structure is the most important part of the company such as good and bad of the capital structure will greatly affect the company's financial condition. Any existence of capital structure management, companies can allocate funds held for activities that are appropriate and useful for the continuity of the company.

Factors Affecting To Capital Structure

a. Asset Structure (Tangibility)
A greater number of company assets, especially current assets, a company tends to optimize the fulfillment of debt fund needs. This shows the effect between asset structure and capital structure.

b. Growth Opportunity

Companies tend to invest to develop the company, which is opportunities to develop a better company that usually not all profitable. This also affects to the company's capital structure.

c. Company Size (Form Size)
Large companies are more likely to diversify their business more than small companies. This is what makes small companies more prone to bankruptcy, while large companies are better prepared to face a crisis, because they have a larger company size.

d. Profitability
Companies with high profits must have more internal funds than those with low profits. In this way, companies have some high profits and lower debt because they have sufficient internal funds. This can affects to the company's capital structure.

e. Business Risk
Business risk can be one of the reasons why companies experience difficulties in external funding, which has an effect on the company's leverage.

Each factor influencing to the condition of the company's capital structure will also affect the company's financial condition, for example the tax position. Companies with healthy financial conditions have regularly pay taxes and do not experience tax problems. On the other hand, a company is not tax compliant or has an unhealthy financial condition, so the tax process may be hampered.

Independent Board

According to Akhtaruddin et al., (2009) stated that an effective corporate governance in reducing agency problems between management and shareholders, which is highly dependent on any composition of the board of commissioners. Usually boards are consist of members between inside and outside boards. A non-executive director who is non-insiders or has no relationship with the company is known as an independent board. Generally, when a company has a higher independent board composition, it also assumed that the company will be more effective in monitoring its management. If a company does not have an outsiders or an independent person, it is also likely that the company cannot objectively evaluate management (Kim and Nofsinger, 2007).

According to Fama and Jensen (1983) were discussed that the composition of boards have a proportion of independent or outside directors (people who are not directly involved with the company's operations). It has more control over managerial decisions. The number of independent commissioners according to POJK No. 33 of 2014 is a minimum of 30% of the total members of the board of directors. If there are only two boards of commissioners in the company, which has one of them is an independent commissioner. According to Akhtaruddin et al., (2009) said that independent board has the proportion of non-executive independent commissioners , which is indicated as the percentage of a number of independent commissioners to the total board of commissioners in the company.

Bank Size

Commercial Bank Business Activities are grouped:
a. fundraising
b. distribution of funds
c. trade finance
d. treasury activities
e. activities in foreign exchange
f. agency and cooperation activities

g. payment system and electronic banking activities
h. equity participation activities
i. temporary equity participation in the framework of credit salvation
j. another services
k. another activities commonly carried out by Banks as long as they do not contradict laws and regulations

Based on the OJK, not all Banks can carry out business activities as mentioned above, but Banks carry out business activities based on their core capital, known as BUKU (Commercial Banks based on Business Activities), including:
Bank BUKU 1, a bank with a core capital of less than IDR 1 trillion.
Bank BUKU 2, bank Rp. 1 trillion to less than Rp. 5 trillion.
Bank BUKU 3, a bank with a capital of Rp 5 trillion to less than Rp 30 trillion
Book Bank 4, a bank with a minimum capital of IDR 30 trillion.

BUKU 1 Bank Business Activities:
1. Business activities in Rupiah are includes:
a) fundraising activities which are basic products or activities
b) activities for channeling funds which are basic products or activities
c) trade finance activities
d) activities with limited scope for agency and cooperation
e) payment system and electronic banking activities with limited coverage
f) temporary equity participation in the context of salvaging credits, and
g) other services

2. Activities as a foreign exchange trader

3. Another activities also classified as basic products or activities in rupiah, which are commonly carried out by banks and do not conflict with laws and regulations.

BUKU 2 Bank Business Activities:

1. Business Activities in Rupiah and foreign currencies:
a) fundraising activities as carried out in BUKU 1
b) fund channeling activities as carried out in BOOK 1 with a wider scope
c) trade finance activities
d) limited treasury activities
e) other services

2. Business activities as in BUKU 1 with a wider scope for:
a) agency and cooperation
b) payment system and electronic banking activities
3. activities of equity participation in financial institutions in Indonesia
4. temporary equity participation in the framework of credit salvation
5. other activities commonly carried out by the Bank as long as they do not conflict with statutory regulations

BUKU 3 Bank Business Activities:
BUKU 3 Banks can carry out for all business activities, both in Rupiah and in foreign currencies and equity participation in financial institutions in Indonesia and / or abroad is limited to the Asian region.

BUKU 4 Bank Business Activities:
BUKU 4 banks may carry out all business activities both in Rupiah and in foreign currencies and participate in capital in financial institutions in Indonesia and / or in all regions overseas with an amount greater than BUKU 3.

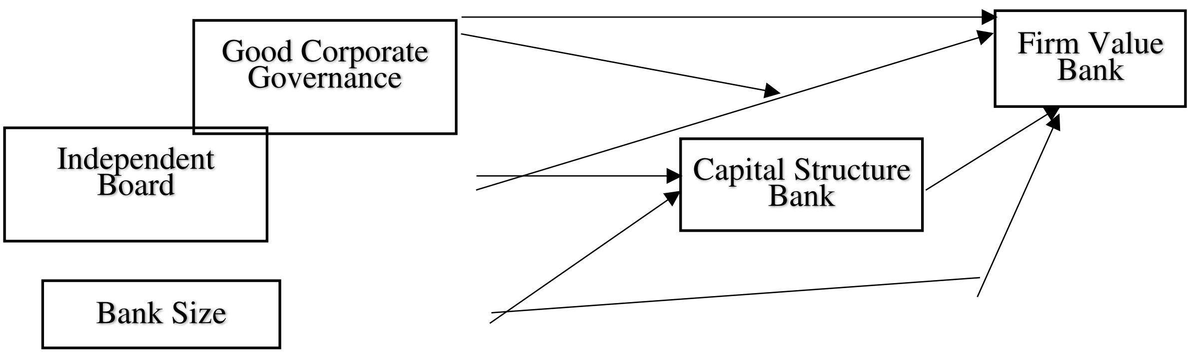
Firm Value Bank

Firm value can describes a measure of the actual economic value for company at any given moment. Firm value expresses are fair price to buy all bank assets. Firm value is a reflection of a bank's investment, financial, and dividend decisions (Rajhans & Kaur, 2013). Investors also use the company value for all outstanding shares as a proxy to measure firm value. This approach is known as market capitalization or a market value of all shares, which is equal to the number of shares outstanding. So, a measurement is related to the stock price at present. If there is a change in the composition of a bank's capital structure, for example, there is additional capital from retained earnings, it can increase its market value (Chowdhury & Chowdhury, 2010). Banks that are able to minimize costs and capital costs can maximize Firm Value.

METHODOLOGY

Meta-analysis is a study by analyzing data from the primary study. The results of the primary study analysis are used as the basis for accepting or supporting the hypothesis, rejecting / invalidating the hypothesis proposed by several researchers (Sugiyanto, 2004). Sutjipto (1995) stated that meta-analysis is an attempt to summarize various research results quantitative. In other words, meta-analysis as a technique is aimed at re-analyzing research results that have been statistically processed based on primary data collection. This research to examine a consistency or discrepancy of research results due to increase the number of replications or verification of research, which also often increases some variation in research of results.

This term was used after Glass in 1976 used the term "meta-analysis" in his article. The meta-analysis developed by Gene Glass expanded the adoption of the research. This method includes accepting some findings for each study on the effect size. For studies, it can compare an experimental group and control group, which is the effect size can calculated by subtracting the mean score for the control group on the dependent variable from the experimental group mean and dividing it by the control group standard deviation.



Picture 1. Research Methodology

Relation Framework Reference that supports research analysis 2:

a. The assets owned by the Bank have a significant effect on Firm Value
b. Total assets owned by the Bank have an effect on the Capital Structure (Loan To Deposit Ratio)
c. Independent Board of the Bank has an effect on Firm Value
d. GCG, Independent Board and Bank Size affect Firm Value mediated by the Capital Structure

e. Capital Structure affects Firm Value in the digital era

RESULTS

According to Akhtaruddin et al. (2009) effective corporate governance in reducing agency problems between management and shareholders is highly dependent on the composition of the board of commissioners. Usually boards consist of members of inside and outside boards. A non-executive director who is non-insiders or has no relationship. Research conducted by Li et al. (2008) have examined the relationship between corporate governance structures on intellectual capital with a sample of 100 companies in the UK. It was found that one of the structures of corporate governance, namely the independent board, has a significant positive effect on intellectual capital disclosure. Having an independent board of commissioners in a company increases the disclosure of intellectual capital. Cerbioni and Parbonetti (2007) examined all biotech companies in Europe, they found that the proportion of independent commissioners had a positive effect on the disclosure of intellectual capital information.

Lim et al. (2007) examined 181 companies in Australia and found that independent boards provided more voluntary disclosure. According to White et al. (2007) also examined biotechnology companies in Australia, they found that independent boards had an influence on voluntary intellectual capital disclosure. In addition, research by Akhtaruddin et al. (2009) and Wang and Hussainey (2013) also reinforce the results of previous studies, their research found that independent boards have a positive effect on voluntary disclosure. Meanwhile, according to Taliyang and Jusop (2011) who examined 150 companies listed on Bursa Malaysia found that the composition of the independent board has no influence on intellectual capital disclosure. This occurs because most companies in Malaysia are aware of disclosure of intellectual capital, but they do not know how to measure, report and disclose this information in the company's annual report. Falikhatun et al. (2011) also found that independent boards had no effect on intellectual capital disclosure.

It is commonly called an independent board. In general, when a company has a higher independent board composition, it is assumed that the company will be more effective in monitoring its management. If a company does not have an outsiders or an independent person, it is likely that the company cannot objectively evaluate management (Kim and Nofsinger, 2007).

According to Fama and Jensen (1983), the composition of boards that have a proportion of independent or outside directors (people who are not directly involved with the company's operations) has more control over managerial decisions. The number of independent commissioners according to POJK No. 33 of 2014 is a minimum of 30% of the total members of the board of directors, if there are only two boards of commissioners in the company, one of them is an independent commissioner. Independent board according to Akhtaruddin et al. (2009) the proportion of non-executive independent commissioners is indicated as the percentage of the number of independent commissioners to the total board of commissioners in the company.

CONCLUSION

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