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The Influence of The Corporate Governance Perception Index on The Share Price of PT. Bank Rakyat Indonesia, Tbk for The Period of 2015-2023

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I N D E X I N G

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A B S T R A C T

This study investigates the impact of the Corporate Governance Perception Index (GCPI) on the stock price of PT. Bank Rakyat Indonesia, Tbk, from 2015 to 2023. Effective corporate governance (GCG) is crucial for the long-term profitability and sustainability of a firm, particularly in the banking industry, which plays a critical role in the economy. The Corporate Governance Perception Index (CGPI) is utilized in Indonesia to assess the level of GCG implementation and gauge its quality. This study employs a quantitative approach to examine the impact of CGPI on the stock price of the company within the time frame of 2015-2023, utilizing data extracted from financial statements and annual reports. The analysis conducted using SPSS indicates a robust correlation between CGPI (Consumer Goods Price Index) and stock prices. The descriptive analysis and normality test results indicated that the residual data exhibited a normal distribution, without any indications of multicollinearity or heteroscedasticity. The association between the Consumer Goods Price Index (CGPI) and stock price is statistically significant. A regression model indicates that for each unit increase in CGPI, the stock price increases by 0.220 units. The coefficient of determination, which is 0.728 in this case, signifies that this model can account for 72.8% of the fluctuations in stock prices. The partial test of T indicates a statistically significant impact of CGPI on stock prices, with a significance level below 5%. This study highlights the significance of corporate governance (GCG) in exerting an influence on stock prices. It suggests conducting additional research that incorporates other variables, such as macroeconomic conditions or government regulations, in order to evaluate the reliability of the findings. Furthermore, the study proposes exploring different sectors to assess the consistency of the results.

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INTRODUCTION

In the current era of intricate globalization, ethical corporate governance (GCG) has emerged as a crucial determinant of a company's performance and long-term viability. The banking sector, like other industries, plays a crucial part in the economy of a country. The Corporate Governance Perception Index (CGPI) is a key metric utilized in Indonesia to assess the level of quality in implementing Good Corporate Governance (GCG). The CGPI program is a research and ranking initiative that specifically examines the implementation of the Good Corporate Governance (GCG) concept in Indonesian enterprises. CGPI promotes the enhancement of corporate governance (CG) by encouraging organizations to do evaluations and benchmarking studies as part of their research design. This approach aims to achieve ongoing improvement in the execution of the CG idea (Sari, 2023).

An effective application of Good Corporate Governance (GCG) is crucial not only for the internal operations of the firm but also for shaping the perception of investors and other stakeholders. Corporate governance is a principle rooted in agency theory that aims to instill investor trust (Kurnia *et al*., 2020). Consequently, this might have an impact on the company's market performance, which is then manifested in its stock price. Multiple prior studies have established a direct correlation between the application of GCG (Good Corporate Governance), corporate performance, and the value of stocks in the market. For instance, a study conducted by Nurulrahmatiah & Pratiwi (2020) examined the impact of good corporate governance and financial performance on a company's stock price. The study revealed that the presence of a board of directors and independent commissioners, as part of the good corporate governance framework, had a notable and favorable influence on the stock price.

LITERATURE REVIEW

Banks have a crucial and indispensable role in the expansion of financial services in the current economy, ultimately contributing to the general prosperity of a country's economy (Isayas, 2022). Banks serve as fiduciary institutions and community intermediaries within the monetary system (Werner, 2016). PT Bank Rakyat Indonesia (BRI), one of the largest banks in Indonesia, is a compelling subject to examine in this particular setting. BRI has a longstanding reputation for continuously applying good corporate governance (GCG) principles and actively participating in assessments conducted by the Corporate Governance Perception Index (CGPI) (Faqih & Sholeha, 2022). Nevertheless, there has been a lack of extensive exploration about the correlation between BRI's success in CGPI and its stock price changes from 2015 to 2023. The price of a stock is influenced by multiple elements, including the macro economy, industry growth, enterprise performance, and investments, and it experiences frequent fluctuations (Zhao *et al*., 2023). Stock prices exhibited a persistent increasing trajectory, notwithstanding the absence of economic expansion (Hirota, 2023). Knowledgeable investors require dependable techniques for forecasting stock values (Sadorsky, 2021)

The time period from 2015 to 2023 was selected because to its sufficient duration for observing trends and patterns, as well as its coverage of diverse economic conditions, including the repercussions of the COVID-19 pandemic that commenced in 2020. The COVID-19 pandemic has severely disrupted economic stability by forcing the closure of numerous small and medium-sized enterprises (SMEs) and leaving millions of workers unemployed (Campbell *et al*., 2021). During this period, Indonesia's banking sector faced various challenges, ranging from a global economic slowdown and regulatory changes to technological disruptions that changed the landscape of the financial industry. In this context, the implementation of strong GCG is becoming increasingly crucial for banks to maintain investor confidence and performance stability (Agustia *et al*., 2020).

While several research have examined the correlation between GCG (Good company Governance) and company performance in Indonesia, the majority of these

studies have concentrated on shorter time frames, utilized a more extensive sample, and encompassed a diverse array of industries. As an illustration, the research conducted by Gusriandari *et al*. (2022) investigated the impact of GCG (Good Corporate Governance) on the value of mining businesses that are listed on the Indonesia Stock Exchange between 2017 and 2020. Concurrently, a research conducted by Rosada (2021) examined the influence of GCG adoption on the monetary efficacy of Islamic banks in Indonesia during the period of 2015 to 2019. Nevertheless, there are still deficiencies in the existing body of knowledge concerning a comprehensive, extended examination of one of Indonesia's major financial institutions, particularly within the setting following the global epidemic.

This study aims to fill this gap by in-depth analysis of the influence of CGPI on PT Bank Rakyat Indonesia's share price during the 2015-2023 period. This analysis will not only provide insight into the effectiveness of GCG implementation in BRI but can also provide a better understanding of how Indonesia's capital market responds to information related to corporate governance, especially in the banking sector.

Furthermore, the research object selection of BRI is based on several considerations. First, BRI is one of the banks with the largest assets in Indonesia and an extensive service network, so its performance can be considered an important indicator for the national banking sector (Yuliana, 2020). Second, BRI has consistently participated in CGPI assessments and often received excellent ratings, which allows for comprehensive longitudinal analysis. Third, because BRI is a public company, its stock price data is widely available and accessible, allowing for an in-depth analysis of the market's reaction to corporate governance practices.

This research is theoretically based on several fundamental theories in finance and corporate governance. Jensen & Meckling's (2019) agency theory is the foundation for understanding the importance of GCG. This theory explains that effective corporate governance can reduce conflicts of interest between shareholders (principals) and management (agents), thereby increasing the value of the company. Furthermore, the signaling theory introduced by Spence (1973) in (Djaelani, 2022) is relevant in this study because the implementation of a good GCG can be considered a positive signal by investors regarding the company's future prospects.

This study seeks to examine the impact of the Corporate Governance Perception Index (CGPI) on the stock price of PT Bank Rakyat Indonesia from 2015 to 2023. This analysis aims to gain a comprehensive understanding of the success of implementing Good Corporate Governance (GCG) at one of Indonesia's leading banks. Additionally, it seeks to examine the impact of GCG on market perception, as represented in the movements of stock prices.

RESEARCH METHOD

This study employs a quantitative methodology to examine the influence of the Corporate Governance Perception Index (CGPI) on stock prices. The quantitative method was selected due to its emphasis on empirically testing hypotheses, measuring pertinent variables, and generating generalizable results to a broader population.

According to Sugiyono (2015), quantitative research is a type of research that follows the positivist ideology. It focuses on studying a certain population or sample and seeks to evaluate hypotheses that have been predetermined. Ansori, M., and Iswati (2009) highlighted that quantitative research is characterized by a well-defined structure and the use of quantitative data measurement, which allows for generalization of the results.

The data sources used in this study are the company's financial statements and annual reports for 2015-2023. The data analysis that will be carried out in this study uses software, namely SPSS.

Data collection is done through documentation, which entails collecting and reviewing official documents relevant to the research. The documents collected include annual reports, GCG index scores, financial statements, and stock price data.

Statistical descriptive tests were conducted to describe the basic characteristics of the data used in the study, such as the mean, median and maximum of the variables studied.

Normality tests are necessary to ensure that the data is normally distributed, which is a basic assumption in many statistical methods. The test to be used is Kolmogorov-Smirnov (K-S), whose success rate is measured based on the normality test's p-value. If the p value > 0.05, the data is considered normally distributed, but if $p < 0.05$, the data is not normally distributed.

Correlation tests are an important tool in statistics because they help researchers identify and understand the relationships between variables, which can provide valuable insights for future decisions and analysis.

The heteroscedasticity test revealed that all independent variables had a significance value above 0.05, indicating that they had no significant influence on the residual absolute. Thus, it can be concluded that the regression model in this study is free from heteroscedasticity problems. (Ronia *et al*., 2022)

Simple regression analysis is used to determine the relationship between two variables, one independent variable (X) and a dependent variable (Y).

The determination coefficient, or R2 test, is a measure of the proportion of variability in dependent variables that can be explained by independent variables. The R2 value ranges from 0 to 1, with higher values indicating a better model at explaining the variability of the data.

The partial test of T is used to test the regression coefficient's individual significance. This test determines whether there is a significant linear relationship between the independent variable and the dependent variable.

A hypothesis is an initial conjecture or prediction about how something works or happens, serving as a guide for research. In other words, a hypothesis is an initial step in the research process that helps researchers focus on a specific aspect of the problem they want to research.

Nuswandari's (2009) research findings indicate that good corporate governance (GCG) has a considerable positive impact on company performance. The findings of this study align with the findings of researcher Pranata (2007) regarding the impact of corporate governance implementation on the financial performance of companies listed on the JSE from 2002 to 2005. Pranata's study concluded that corporate governance has a positive influence on companies, as evidenced by an increase in return on equity (ROE) and improved company performance measured by net profit margin (NPM).

The study conducted by Nur Hisamuddin and M. Yayang Tirta in 2019 demonstrates that

Good Corporate Governance (GCG) has a significant impact on financial performance, as measured by Return on Assets (ROA) and Return on Equity (ROE). This demonstrates that the adoption of GCG (Good Corporate Governance) by Business Intelligence (BI) in commercial banks can enhance the efficiency of Islamic banking, particularly in terms of persuading investors to boost their investments.

RESULT AND DISCUSSION

Table 1. GCG Index and stock prices in 2015-2023

Year	GCG Index	Stock Price
2015	86,92 %	2,655
2016	87,74 %	2,335
2017	88,48 %	3,640
2018	89,06 %	3,660
2019	90,75 %	4,400
2020	93,25 %	4,170
2021	95,10 %	4,110
2022	95,18 %	4,940
2023	95,21 %	4,730

Table 2. Results of Descriptive Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
GCG Index (X)	9	86.92	95.21	91.2989	3.42264
Stock Price (Y)	9	2.335	4.940	3.84889	.883066
Valid N (listwise)	9				

Based on the SPSS output, we can determine that the total number of samples is 9 observation units. Column N, which has a value of 9, illustrates this. When looking at each of the observed variables, there are several descriptive characteristics encountered, namely minimum values, maximum values, mean or average values, and standard deviations that measure how far the value of each sample is relative to the average.

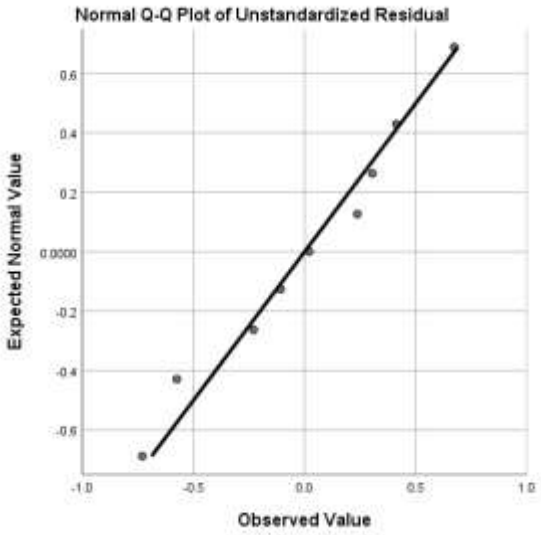
In the GCG index variable, it is known that the average observation is 91,298 and the data distribution from the average is 3.42. The smallest value in this variable is 86.92, while the largest value is 95.21. Meanwhile, in the stock price variable, it is known that the average observation is 3.85 and the data distribution from the average is 0.88. The smallest value in this variable is 2.335, while the largest value is 4.94.

H0: Normally distributed error

H1: Normally undistributed error

Significance level: $\alpha = 0.05$

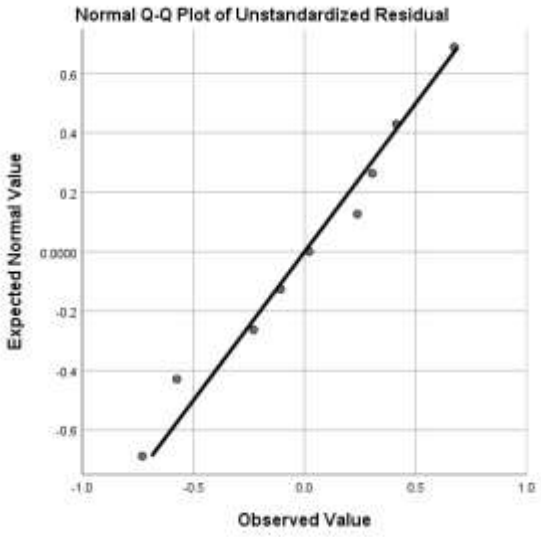
Reject area : Reject if $H_0 H_0 p - value < \alpha$



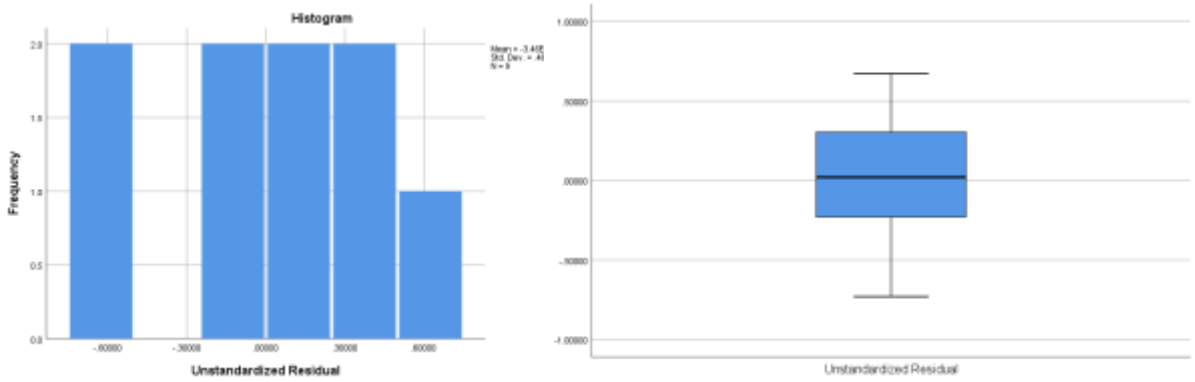
According to the output above, the Q-Q plot forms a straight line. This indicates that the normality assumption is fulfilled. This can be confirmed by formal testing. The output is as follows:

Table 3. Normality Test Results

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Unstandardized Residual	.141	9	.200*	.971	9	.901



The Kolmogorov-Smirnov test yields a value of Sig. = 0.200, while the Shapiro-Wilk test yields a value of Sig. = 0.901, which is greater than 0.05. Therefore, the test fails to reject H0, indicating a normal distribution of the residuals. These results are in line with visual observations through the Q-Q plot.



Based on observations with the histogram plot and box plot above, it can also be seen that the residuals are normally or symmetrically distributed.

Table 4. Correlation Test Results

		GCG Index (X)	Stock Price (Y)
GCG Indeks (X)	Pearson Correlation	1	.853**
	Sig. (2-tailed)		.003
	N	9	9
Stock Price (Y)	Pearson Correlation	.853**	1
	Sig. (2-tailed)	.003	
	N	9	9

There is a strong correlation between the GCG index (X) and the stock price (Y). This indicates the presence of multicollinearity in the model. Another way to indicate multicollinearity is to use the VIF (variance inflation factor) value. If the VIF value exceeds 10, it suggests the presence of multicollinearity.

Table 5. Multicollinearity Test Results

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	-16.244	4.650		-3.494	.010		
	GCG Indeks (X)	.220	.051	.853	4.324	.003	1.000	1.000

a. Dependent Variable: Stock Price (Y)

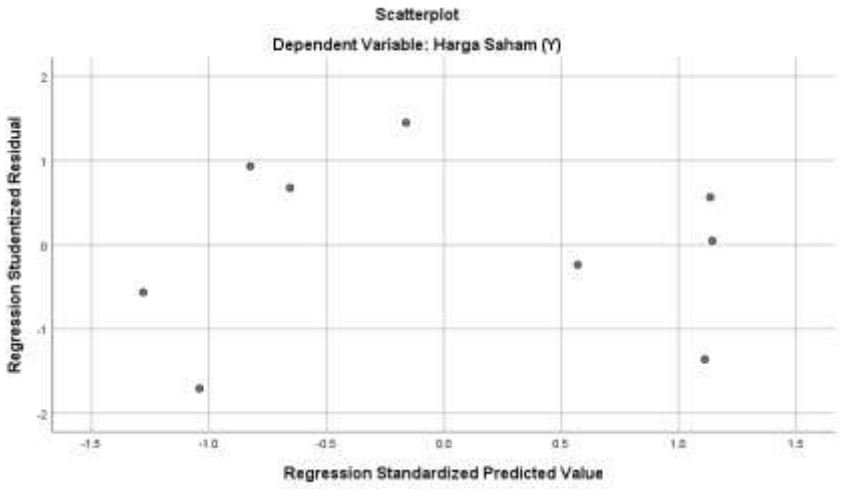
The VIF value for the GCG index (X) and stock price (Y) is less than 10. This confirms the assumption of non-multicollinearity.

H_0: Variance eras constancy normal

H_1: Variance error is not constant

Significance level: α = 0.05

Reject area : Reject if $H_0 H_0 p - value < \alpha$



From the plot above, it can be seen visually whether the residual variance is constant or not. The output shows that there is no pattern between the stock price variable and the GCG index variable. This indicates that heteroscedasticity does not occur.

Table 6. Heteroscedasticity Test Results

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	122.667	90.707		1.352	.218
	lnX	-13.893	10.048	-.463	-1.383	.209

A regression analysis was done with natural logarithms from residual squares and free variable squares to find heteroscedasticity through formal tests. The regression coefficient value for lnX, or the natural logarithm of the square of the GCG index, is not significant from the output above. This shows that there is no heteroscedasticity in the model.

Table 7. The Result of Simple Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	-16.244	4.650		-3.494	.010		
	Indeks GCG (X)	.220	.051	.853	4.324	.003	1.000	1.000

Based on the calculation of regression analysis using SPSS, the following equation is obtained.

$$\hat{Y} = -16.244 + 0.220X$$

Y = Stock price
X = GCG Index
The regression coefficient in the above equation can be interpreted as follows:
When the GCG index variable is 0 (zero), the estimated average share price is -16,244. This value corresponds to the constant b0 = -16.244. If the GCG index rises by 1 unit, then the stock price will increase by 0.220.

Table 8. Determination Coefficient Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.853[a]	.728	.689	.492713	1.904

The coefficient of determination, denoted as R-squared (R^2), ranges from 0 to 1. A value closer to 1 indicates a higher level of precision and effectiveness in the regression model utilized. Based on the aforementioned results, the value of R-2 was ascertained. The coefficient of determination, denoted by 0.728, signifies that the regression model, which is influenced by the GCG index (X), can account for about 72.8% of the variability in the share price (Y). The model does not account for approximately 27.2% of the remaining variability. This is due to the omission of other factors or variables in the model.

$H_0: \beta_1 = 0$ or the GCG index affects the stock price
$H_1: \beta_1 \neq 0$ or the GCG index has no effect on stock prices
Level of significance: α = 0.05
Reject area : Reject if $H_0 H_0 p - value < \alpha$

Table 9. Partial Test Results T

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	-16.244	4.650		-3.494	.010		
	GCG Indeks (X)	.220	.051	.853	4.324	.003	1.000	1.000

The coefficients table shows that the significance value (Sig.) is 0.003, which is less than the significance level (α) of 0.05. When the significance level reaches a point below the error level, it triggers the rejection of the null hypothesis, H-0. Consequently, the GCG index has a direct impact on stock prices.

CONCLUSION

The investigation indicates a robust correlation between the Corporate Governance Perception Index (CGPI) and the stock price. The descriptive analysis reveals that there are a total of 9 observation units, each possessing distinct properties such as minimum, maximum, mean, and standard deviation values. The normality of the residuals was confirmed by doing the Q-Q plot, as well as the Kolmogorov-Smirnov and Shapiro-Wilk tests.

There was no indication of multicollinearity or heteroscedasticity that could impact the regression model's validity. The correlation test showed a strong correlation between the GCG index and the stock price, but the VIF value showed no multicollinearity. The heteroscedasticity test failed to reveal a specific pattern that would indicate the absence of heteroscedasticity.

The regression equation reveals that a one-unit increase in the GCG index corresponds to a 0.220 increase in the stock price. Furthermore, the coefficient of determination of 0.728 indicates that the utilized regression model can account for around 72.8% of the fluctuations in stock prices. The partial t-test indicates that the GCG index has a substantial impact on stock prices, with a significance value significantly lower than the 5% error rate. These findings demonstrate the significance of effective corporate governance in impacting the company's stock price.

The suggestion for researchers to further add other variables that may affect stock prices, such as macroeconomic conditions, changes in government policy, or other external factors, is to conduct similar studies on other banks or other industry sectors to see if the results are consistent or there are significant differences.

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