

Market Reaction to Announcement of the Corporate Governance “Comply or Explain” Regulation and Determinants of Compliance Level

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Abstract—The purpose of this study is to investigate the market reaction in Indonesia to the announcement of the Financial Services Authority Regulation (POJK) on the implementation of corporate governance guidelines using a “comply or explain” approach. In addition, the study examines the effects of trends in industry (financial industry or other industries) and the degree of ownership concentration on compliance with the POJK, as intended, in the annual reports of companies. An event study test reveals that the POJK’s announcement has not been responded to by the market. The public had been aware of the regulation in the context of corporate governance for certain particular industries, in addition to other specific regulations, prior to it being issued by the Financial Services Authority (OJK). Furthermore, the results of the analysis revealed a higher trend for compliance with the POJK for the financial industry. This is indicative of more accountable and transparent management within the financial industry. In relation to ownership concentration, firms with high ownership concentrations have tended not to contravene the POJK with respect to the inclusion in their annual reports of the implementation of corporate governance guidance, since these regulations are mandatory for all public firms.

Index Terms—event study, corporate governance, market reaction, types of industry, ownership concentration

I. INTRODUCTION

Corporate governance first became a concern in Indonesia during the period 1997–1998, when the economic crisis led to the collapse of the Indonesian economy [1]. According to Bank Indonesia, the occurrence of an economic crisis can be detected by a very sharp decline in the exchange rate of the Indonesian currency against the US dollar [2]. Such a crisis can arise as a result of the inconsistent implementation of good corporate governance (GCG) in terms of the application of business ethics. This is in line with the results of a study by the Asian Development Bank (ADB) [3], which concluded that weak corporate governance was a principal cause of the economic crisis (Zhuang, et al. (2000), in the Roadmap of Indonesian Corporate Governance-OJK). The implementation of corporate governance in Indonesia requires further improvement, with the country continuing to be ranked lowest in certain international appraisals. Indeed, in the 2015 ASEAN Corporate Governance (CG) Scorecard,

Indonesia was in the second lowest position, above Vietnam, but below Malaysia, Philippines, Singapore, and Thailand. Credit Lyonnais Securities Asia (CLSA), in an international survey from 2016 conducted through CG Watch, also placed Indonesia in the bottom position out of the 12 Asia-Pacific countries [4].

According to OJK, the suboptimal implementation of corporate governance in Indonesia has been caused by the partial and sporadic improvements that have taken place, with the issuing of regulations being insufficient to engender further advances [1]. As a result, there must be comprehensive efforts made to strengthen governance. On November 17, 2015, OJK announced POJK No.21/POJK.04/2015 on the Implementation of Corporate Governance Guidelines for Public Companies [5]. The regulation applies to all public companies, commencing from their annual reports for the period ending December 31, 2016.

The purpose of this study is to investigate the market reaction in Indonesia to the announcement of the POJK on the implementation of corporate governance guidelines with a comply or explain approach. In addition, the study will look at the effects of trends in industry (financial industry or other industries) as well as ownership concentration on compliance with the implementation of the POJK, as intended, in the annual reports of companies.

II. LITERATURE REVIEW

A. Capital Market

Pursuant to Article 1 paragraph (13) of Law of the Republic of Indonesia Number 8 of 1995 concerning the Capital Market, the capital market is defined as activities related to public offerings and securities trading, securities issuing of public companies, institutions and professions related to securities. Efficiency in the capital market occurs when stock prices reflect all available information [6]. Theoretically, in an efficient market, information that is positive will be met with an instant stock price rise, and vice versa. In practice, however, the reaction of the market varies greatly, with some stocks

responding slowly to information and others tending to overreact; however, they will all eventually reach the same point. The Efficient Market Hypothesis (EMH) has implications for both investors and companies. In the case of companies with stocks for trade on stock exchanges, the EMH states that such stocks will always trade at their fair value, with “fair” meaning that the price received from the issuance of a security is a present value. As such, efficient capital markets present no opportunity to sell overvalued stocks. For investors, since information is instantly reflected in the price of stocks, they will only ever be able to earn a normal rate of return, with any abnormal price of a security changing before the investor is able to carry out a transaction.

B. Event Study

An event study is a useful method for testing market efficiency, namely by return analysis on the occurrence of an event, before and after the announcement of the event, for the purpose of assessing whether or not the event has led to an excess return (abnormal return). If an event includes new information, then the market will react through a price change to produce an abnormal return. In contrast, no abnormal return will be produced if the event contains no new information for the capital market [7]. Event studies are thus used to examine the market reaction and excess return in the case of an event that contains specific information [8]. Such information may be market-wide, such as macroeconomic policy announcements, occurrences of force majeure, or firm-specific events. It is crucial however that the event window is known so that the event does not become contaminated by news of other events. This is an important part of the analysis process so that the result is not biased.

According to Bodie, Kane, and Marcus, there are several methodologies that can be used to estimate abnormal returns, with one of the simplest being to measure the difference of stock returns against market index returns [9]. It is also possible to compare stock returns with other stocks based on different criteria such as firm size, beta, current performance, and price to book value (PBV) ratio per share. Another approach is to use the CAPM or Fama and French three-factor model. One concern in event study relates to the leakage of information at some point prior to the event occurring. As a means of overcoming this, cumulative abnormal return (CAR), as the sum of abnormal returns, serves as a better indicator for assessing the market’s reaction to an event. Research using the event study method involves two periods of time [10], namely the estimation period and the event window.

C. Corporate Governance

The International Finance Corporation (IFC) defines corporate governance as a structure and process for directing and managing the company; as such, it serves as a framework for building accountability, trust, and transparency [11]. Corporate governance is capable of dealing with the agency problem owing to the separation between agents (managers) and shareholders. Strong corporate governance mechanisms can thus

reduce agency problems [12]. The implementation of corporate governance will also reduce risks for both the company and the funder, in addition to serving as the basis for analyzing the company’s financial strategy [13]. Since corporate governance generates a positive impact on the company, the market should, in turn, react positively to events related to corporate governance.

III. RESEARCH METHODOLOGY

A. Data Sources and Data Period

This study uses secondary data obtained from Thomson Reuters Datastream and companies’ 2016 annual reports. The data used in this research are adjusted daily price, Composite Stock Price Index (IHSG), industry type of each public company, and ownership data. In addition, it is necessary to examine the data of companies listed on the stock exchange through the Fact Book of Indonesia Stock Exchange Years 2015 and 2016. This study uses all companies listed on the stock exchange, totaling 514 companies in 2015 and 529 companies in 2016.

B. Research Hypotheses

Although the “comply or explain” approach under POJK No. 21 provides companies with a certain measure of flexibility, from an investor’s point of view the most important issue is the quality of the explanation given by a company that fails to implement the necessary requirements [14]. Policies related to corporate governance should generate a positive reaction from the market due to the fact that GCG implementation can minimize agency problems [15]. In line with this, Bonazzi and Islam revealed that corporate governance contributes to the solving of agency problems, namely that supervision of the CEO will improve CEO performance and avoid conflict of interest [16]. Utrero-Gonzales and Callado-Munoz concluded from their results that the market reacted positively and significantly to an announcement regarding the Spanish Corporate Governance Code [17]. In line with Utrero-Gonzales and Callado-Munoz, Bebchuk, et al. also found a positive correlation between the market reaction and corporate governance [18].

H1: POJK announcements on the implementation of corporate governance guidelines for public companies with a “comply or explain” approach have a positive effect on market reaction.

The implementation of corporate governance can provide a long-term perspective for the market and will increase institutional participation. Risk-taking is common, especially for financial institutions, although the impact can at times go beyond the expected economic and social levels and lead to financial instability [19]. Just as in Indonesia, corporate governance for the banking and insurance industries has been a focus for Bank Negara Malaysia ever since the Asian financial crisis of 1997, reflecting the fact that the financial industry plays an important role as an intermediary that greatly affects public trust [20]. The results of a study in Romania show that the finance industry ranks second best in terms of the

implementation of corporate governance, compared to other industries [21].

Any threat to the financial industry has the potential to create systemic risks that subsequently lead to failures in other industries. The implementation of corporate governance in the financial industry is expected to become a consideration for shareholders. This was evident in the results of the Indonesia Institute for Corporate Directorship (IICD) in 2016, whereby the companies that won the best overall awards, in both the large cap and mid cap categories, were from the financial industry. Moreover, two Indonesian companies included in the Top 50 Publicly Listed Companies are from the financial industry, namely PT Bank CIMB Niaga and PT Bank Danamon Indonesia.

H2: The financial industry tends to be more compliant with the POJK via the inclusion of good governance guidance in their annual reports, for either comply or explain.

In relation to its profile, the capital market in Indonesia is also characterized by a high concentration of ownership that reaches, on average, more than 50%. This high level of concentration of ownership can also be seen in other developing countries [22]. With a high concentration of ownership, the shareholders control the company in full, which can hinder the implementation of corporate governance. Mapitiya, Ajward, and Seneratne [23] and Alhazaimah, Palaniappan, and Almsafir [24] found a negative relationship between concentration of ownership and level of compliance with corporate governance.

Ozili and Uadiale revealed that the concentration of ownership in a company is important because it may affect or limit the ability of managers to extract financial benefits [25]. With a high concentration of ownership, the majority shareholders will seek to control, exert great influence on the company, and tend to limit the application of corporate governance and the transparency it produces for the public. Moreover, such companies face relatively fewer public demands related to the implementation of corporate governance, along with its associated transparency, compared to companies whose majority shares are owned by the wider community.

H3: Companies with concentrated ownership structures tend not to comply with POJK via the inclusion of good governance guidance in their annual reports, for either comply or explain.

C. Return

Calculation of the daily individual stock return is performed using the following formula:

$$\begin{aligned}
 R_{iT} &= \text{Ln}(P_t/P_{t-1}) & (1) \\
 R_{iT} &= \text{Stock return of company } i \text{ for period } t \\
 P_t &= \text{Stock price of company } i \text{ for period } t \\
 P_{t-1} &= \text{Stock price of company } i \text{ for period } t - 1
 \end{aligned}$$

D. Beta

The beta coefficient reflects the sensitivity of a stock to market movements and is one of the parameters of time series regression. Beta is usually estimated using a standard market model, with the statistical model linking stock returns with the market index [26]. This study uses an estimation period of 210 days as the observation period for estimating beta values [27].

The regression coefficient or beta (β) can be calculated using the following regression equation:

$$R_{it} = \alpha + \beta R_{mt} + \epsilon_{it} \quad (2)$$

R_{it} = Stock return of company i during the estimation period (210 days)

α = Intercept from regression process result of daily stock return with daily stock return during the estimation period (210 days)

β = Regression coefficient

R_{mt} = Return of IHSG during the estimation period (210 days)

ϵ_{it} = Residual error that reflects other risks not available as beta or systematic risk

Beta estimated using the market model will be biased for an illiquid market; thus, for Indonesia, which has an illiquid market, one of the methods that can be used to correct the occurrence of bias is Dimson beta. This is calculated by summing the lead and lag coefficients in a multiple regression of market returns with the dependent variable as the time series return rate and the independent variables as the market return and the lead and lag variables on the market index [26].

E. Abnormal Return

Stock prices should reflect information on the risks and expectations of future returns or returns on efficient markets. If there is no important event during a given period, then the resulting return is a normal return. However, if the market is not efficient, then the resulting return is an abnormal return, defined as the difference between the realized and expected return obtained by investors at the time of the occurrence, which may turn out to be a mere hope if an event does not actually transpire. The formula for the abnormal return is given as follows:

$$AR_{it} = R_{it} - \beta(R_{mt}) \quad (3)$$

AR_{it} = Stock abnormal return for company i during period t

R_{it} = Stock return for company i during period t

β = Regression coefficient

R_{mt} = Return of IHSG during period t

TABLE I: Average return around event window

Period	t-5	t-4	t-3	t-2	t-1	t
Average Return	-0.0048	-0.0052	0.0045	-0.0069	-0.0075	0.0021
Period	t+1	t+2	t+3	t+4	t+5	
Average Return	-0.0037	0.0073	0.0039	-0.0014	0.0007	

Source: Data from Thomson Reuters, processed by the authors (2018)

F. Cumulative Abnormal Return

A CAR value is needed to describe the overall abnormal return during the event window. The following formula is used to obtain the value of CAR:

$$CAR_{it} = \sum_{i=1}^n AR_{it} \quad (4)$$

CAR_{it} = Cumulative stock abnormal return during observation period (*event window*)

AR_{it} = Stock abnormal return for company i during period t

G. Logistic Regression Model Testing

Logistic regression testing is used to predict the probability of response of the dependent variable based on the odds ratio, which represents the probability of success compared to the probability of failure [28].

$$\ln(\text{Estimated odds ratio}) = b_0 + b_1X_1 + b_2X_2 + \dots + b_kX_k$$

The interpretation in the logistic regression is to use the probability approach, so a negative number is considered to denote a probability of 0 and a number greater than 1 is considered as a probability of 1 [29].

$$\ln(\text{Estimated Odds of Comply}) = \alpha_i + \beta_1IT + \beta_2OC \quad (5)$$

$COMPLY$ = Company's compliance or non-compliance with the implementation of POJK. In this research, there are 2 categories, namely 0 for companies that do not include the implementation of corporate governance guidelines in their annual report, and 1 for others.

α = Intercept from regression process result

β_1 = Regression coefficient 1

IT = Dummy of industry type, with a value of 1 for the financial industry, and 0 for other industries

β_2 = Regression coefficient 2

OC = Ownership concentration, majority ownership percentage

According to Santoso, there are three stages in the testing of a logistic regression model: a regression model feasibility test, a test of the whole model, and the regression coefficient test [29].

IV. RESULTS

Based on the company data obtained from Fact Book 2015, there are 514 companies listed on the Indonesia Stock Exchange (IDX) [30], [31]. Processing of the adjusted closing price data generated a total of 252 companies suitable for further research.

A. Event Window Determination

In this research, the event day is November 17, 2015, in accordance with the date on which the regulation was announced to the public. At the initial stage, a time limit was set of 5 working days before and after the date of the announcement. According to Basdas and Oran, the use of time constraints (-5,+5) is appropriate for daily data [32]. By using this time limit (-5,+5), the average return obtained is relatively fluctuating, which is detailed as follows:

After setting the time limit, the next step is to identify the best model for determining the event window to be used in the research. This is carried out by looking at the values of Log likelihood, Akaike information criterion, Schwarz information criterion, and R-square. The model chosen using R-square can produce an empirical dataset [33]. From the results of this exercise, it can be seen that the best model (-5,5) is obtained using Log likelihood, which has the biggest value, while the best result with the Akaike information criterion is (-1,2), and the Schwarz criterion yields the smallest value (-1,2). Since these results do not align, we use R-squared to give an event window in this research of (-1,2), which was the greatest possible value. It can thus be concluded that the event window used is November 16, 2015 to November 19, 2015, with an event date of November 17, 2015. The estimated period is 210 working days prior to November 16, 2015, thus January 8, 2015 to November 13, 2015.

B. Market Reaction Analysis

This research looks at the difference in CAR using two beta values, namely beta CAPM and Dimson beta. Dimson beta is a method used to adjust the beta value in a thin trading market. Moreover, the use of two betas is intended to function as a robustness check of each beta as a factor that generates CAR. The following CAR values are obtained from the calculation results:

The CAR calculation result shows that the market does not react to the announcement of the POJK, which does not accord

TABLE II: Calculation of CAR during the event window (-1,2)

	AR-1	AR0	AR1	AR2	CAR(-1,2)
Beta CAPM	-0.002506	-0.007117	-0.003465	0.004162	-0.008926
Beta Dimson	-0.002302	-0.007509	-0.003445	0.004023	-0.009232***

*** Significant at the 1% level

Source: Data processed by the authors (2018)

TABLE III: Company profile

	94 Financial Companies (18.54%)
	413 Non-Financial Companies (81.46%)
	459 companies with majority ownership > 50% (90.53%)
	48 companies with majority ownership < 50% (9.47%)
507 companies	145 companies include the implementation of CG guidelines in their annual reports (28.60%), categorized as "COMPLY"
	362 companies do not include the implementation of CG guidelines in their annual reports (71.40%), categorized as "NOT COMPLY"

Source: Data processed by the authors (2018)

with the hypothesis that the announcement of the POJK on corporate governance with a "comply or explain" approach will have a positive effect on the market reaction. It can be alleged that this is because the public had previously been made aware of the regulation through the submission of a draft regulation to obtain their input. In addition, OJK had previously issued certain corporate governance regulations, namely in relation to specific industries (e.g., for commercial banks, insurance companies, venture capital firms, and finance companies), as well as other specific regulations (e.g., for general meetings of shareholders, board of directors, board of commissioners, and nomination and remuneration committees). The results of this study are not in line with those obtained by Utrero-Gonzalez and Callado-Munoz [17], where an announcement related to the Spanish Corporate Governance Code produced a positive reaction in the market.

C. Implementation of POJK on Corporate Governance with the "Comply or Explain" Method

The OJK regulation on corporate governance using the "comply or explain" approach was announced on November 17, 2015, with its application mandatory for the annual reports of companies from the period ending December 31, 2016. The following details were obtained as the results of research to assess the implementation of the regulation by 2016, based on a total of 507 out of 529 companies that could be used as research samples:

Multicollinearity Test Analysis

A multicollinearity test is used to determine whether there is a relationship between independent variables, whereby a tolerance value > 0.1 and a variance inflation factor (VIF) < 10 means no multicollinearity. The result shows that there is no correlation between the independent variables owing to a tolerance value of 0.996 > 0.1 and a VIF value of 0.004 < 10. There is thus no sign of multicollinearity.

Average Difference Test Analysis of POJK Compliance Level by Type of Industry

The result of the difference test for the POJK compliance rate based on industry type is used to explain the difference in the data for one variable. The data comprise two or more sample groups within one population. The result indicates that the compliance rates for the financial industry are greater than those of other industries. This is indicated by $\mu_{DHR} = 0.436 > \mu_{\text{other industry}} = 0.252$.

Pearson Correlation Test Analysis

Having conducted the analysis, the following three things must be considered: the strength, or not, of the correlation between variables; the significance at the 1%, 5%, and 10% levels; and whether the direction of the correlation between these variables is positive or negative. The correlation between the industry type variable and dummy 1 in the financial industry and 0 in other industries on compliance is positive and significant at the 1% level, which means that firms in the financial industry tend to comply with the POJK. The negative relation for the concentration of ownership variable indicates that the greater the concentration of ownership, the less the industry tends to comply with the POJK on corporate governance, although the value is insignificant.

Logistic Regression Analysis

The Hosmer–Lemeshow test is used to assess the feasibility of the regression model. A probability value greater than 0.05 indicates that the binary regression model is appropriate for further analysis since there is no significant difference between the predicted and observed classifications. The SPSS output yielded a probability of 0.448, which is more than 0.05, therefore the model can be used.

TABLE IV: Hosmer–Lemeshow test

Chi-square	df	Sig.
7.848	8	0.448

Source: SPSS Output (2018)

Furthermore, testing of the whole model is conducted to determine whether or not the model is in accordance with the

data. The overall model is assessed by comparing the Log-likelihood number in block 0 (beginning) with that in block 1. In block 0, the number -2 Log likelihood is 606.907, whereas in block 1 it falls to 594.729. This decrease in the number -2 Log likelihood indicates a better regression model.

TABLE V: Test of overall model (blocks 0 and 1)

-2 Log likelihood	Coefficients	
	Constant	
607.269	-0.856	
606.907	-0.914	
606.907	-0.915	

-2 Log likelihood	Coefficients		
	Constant	IT	OC
595.472	-0.856	0.743	-0.188
594.730	-0.918	0.837	-0.232
594.729	-0.919	0.839	-0.233
594.729	-0.919	0.839	-0.233

Testing of the regression coefficients is carried out using a t-test, namely by examining the influence of each independent variable on the dependent variable. This can be determined by looking at the significance of each independent variable.

TABLE VI: Regression coefficients test

Variables	B	Sig.
Industry Type (IT)	0.839	0.000
Ownership Concentration (OC)	-0.233	0.675
Constant	-0.919	0.028

Source: SPSS Output (2018)

Table VI contains a mathematical illustration of the result of the logistic regression as estimated using the following equation:

$$\ln(\text{Estimated Odds of COMPLY}) = -0.919 + 0.839 \text{ IT} - 0.233 \text{ OC}$$

Furthermore, we can deduce the following based on the estimation results:

- 1) The results of the data show that the industry type that is proxied by looking at the financial industry or other industries has a positive regression coefficient of 0.839 with a significance level of 0.000 (less than 0.01). It can thus be concluded that companies in the financial industry have a higher probability of complying with provisions related to governance and have a significant effect on corporate compliance in the implementation of the POJK on corporate governance with a “comply or explain” approach.
- 2) The variable of ownership concentration with a negative regression coefficient of -0.233 indicates that the greater the concentration of ownership, the lower the probability that the company will implement regulation related to governance. However, the variable has a significance

level of 0.675 (greater than 0.05), thus revealing that a concentrated ownership structure does not indicate a tendency to be less compliant with the POJK in terms of the inclusion of governance guidelines by firms in their annual reports.

V. DISCUSSION

A. POJK Compliance Tendencies by Industry Type

The results of the data show that firms in the financial industry are more likely to comply with the POJK through the inclusion of implementation of governance guidelines in their annual reports, for either comply or explain. This result is in line with the research hypothesis and demonstrates that firms in the financial industry are managed more accountably by taking into account the interests of stakeholders to support the long-term going concern of the company as well as to maximize its value. The financial industry is also considered to be better prepared to implement corporate governance-related provisions in view of the fact that prior regulations have specifically targeted governance for certain industries, covering commercial banks, insurance, finance companies, and venture capital firms. The results of this study are in line with those obtained by Achim and Borlea [21]. This Romanian study concluded that firms in the financial sector had adopted the principles of good governance as demonstrated by the second highest corporate governance score after the extractive industry.

B. Tendencies of Ownership Concentration to POJK Compliance

The results of the data show that a concentrated ownership structure is not associated with a tendency for non-compliance with the POJK in terms of the inclusion in companies’ annual reports of implementation of governance guidelines. This result is not in line with the research hypothesis. This is presumably because compliance with the POJK is mandatory, namely that a public company should provide information in its annual report pertaining to the application of the recommendations contained in the governance guidelines. In addition, this provision was published in November 2015 and is widely known by the public, which means that companies with both high and low ownership concentrations adhere to it. The findings of this study are not in line with those of Mapitiya, et al. [23] and Alhazaimh, et al. [24], however, which indicated a negative influence of ownership concentration on the level of corporate governance compliance.

VI. CONCLUSION

Based on the results of this study examining the market reaction at the time of the announcement of the POJK on corporate governance, it can be concluded that the market did not react to the announcement of the POJK on corporate governance with the “comply or explain” approach, which is not in line with the research hypothesis. The lack of a reaction by the market may be attributed to the fact that the public had already been made aware of the regulation

by OJK's publishing of a draft regulation for the purpose of gathering input from the public. Besides, OJK had previously issued provisions related to corporate governance, namely for certain industries (commercial banks, insurance companies, venture capital firms, and finance companies) as well as other specific provisions (general meetings of shareholders, board of directors, board of commissioners, and nomination and remuneration committees).

Associated with companies' compliance with the POJK, the financial industry was found to display a tendency to be more compliant with the POJK, as evidenced by the more widespread inclusion by firms of implementation of governance guidelines in their annual reports compared to firms in other industries, for both comply and explain. This result is in line with the research hypothesis. Owing to the relatively high levels of risk inherent in the financial industry, there is a need to pay greater attention to and comply with existing regulations. In addition, supervision of the financial industry is relatively more stringent. Currently, the financial industry is considered to be better prepared to implement the necessary provisions related to governance. There have already been governance provisions specifically issued for commercial banks, insurance companies, finance companies, and venture capital firms.

There were insignificant results for the association of compliance with the POJK and the concentration of ownership. This indicates that companies with concentrated ownership structures do not have a tendency to fail to comply with the POJK via the inclusion of governance guidelines in their annual reports, for either comply or explain. This can also be attributed to the fact that compliance with the POJK is mandatory, in addition to the fact that the public has been aware of the regulation, meaning that companies with both high and low ownership concentrations have implemented the regulation.

This study has examined only the level of corporate compliance with POJK in the annual report as a whole and has not attempted to assess companies' level of compliance with any specific recommendations provided by OJK. Future research may wish to further develop this area by combining a number of events related to the implementation of corporate governance. In addition, future studies may seek to add other variables that affect the level of compliance in order to obtain more comprehensive results. Moreover, further research can examine the level of compliance with each of the recommendations set out in the regulation in order to assess how much compliance of the company to the recommendations given.

Regulators may use this research to determine companies' focus of supervision. As such, greater emphasis may be placed on companies engaged in non-financial sectors. In addition, the regulator may seek firmer enforcement of the law in consideration of the fact that only 28.6% of public companies include implementation of governance guidelines in their annual reports, despite them being mandatory. The hope is that there will be more optimal results in the implementation of corporate governance so that the competitiveness of all

companies working in the international arena can be increased.

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