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FIRM'S CHARACTERISTICS ANDA GOOD CORPORATE GOVERNANCE: EMPRICAL STUDY ON LISTED COMPANIES IN INDONESIAN STOCK EXCHANGE

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Abstract

The study entitled analysis of the influence company' size, company's age, leverage and profitability towards Good Corporate Governance case studies on companies that is included in the IICG period 2010-2012. The purpose of the examination is to analyze the effect of company size, company's age, leverage and profitability on Good Corporate Governance (GCG). The theory used in this research is the theory of Agency. Methods of data analysis used are the method of statistical analysis using software E-Views 6 data panels. The population in this research is the company that included in the IICG period 2010 – 2012. The dwarf sampling purposive sampling was used. The sample in this study consists of 13 companies. The results of this research show that: (1) there is a positive and significant effect between company size and GCG. (2) There is a positive and significant effect between aged companies and GCG. (3) There is a positive and significant effect between leverage and GCG. (4) There is a positive and significant effect between profitability and GCG. The advice in this research we recommend that companies can increase the total assets, the existence of the company, and investor confidence so that net income and percentage of GCG are also rising. Further research can be appealing with the three metod i.e Pooled Least Square method, the Fixed Effect Model and Random Effect models.

Keywords: Aged Companie, Company size, Leverage, GCG and Profitability

I. INTRODUCTION

Background Research

Emerging issues of Corporate Governance is based on the theory of agency (agency theory) and used as a solution to overcome the possibility of conflict in the relationship between the principal and the agent are usually referred to agency problems. Conflicts arise as a result of the gap between the interests of shareholders as owners and management as a manager. Manager acts as the manager of the company, so knowing the internal information and prospects of the company in the future. While the owner of the assessment of the performance of the resulting company. If the company has good corporate governance then follow the rating of Good Corporate Governance (GCG), investors as shareholders would provide more ratings for companies that have a high value rating (Herly, 2011). Corporate governance (CG) or Corporate Governance (CG) is one thing that is important, not only the interests of the company's management to determine the extent to which the structure of the company and the practices they have done, but it is also important to every actor in the market. The main characteristic of a bad CG is the action of the manager who put themselves to the exclusion of the interests of investors, which will lead to the collapse of the investors' expectations about the return on investment that they expect (Darmawati et al, 2004). The development of the global CG resulted in several organizations in the world do the assessment and ranking of the companies that have implemented CG practices. Assessment of CG practices and then published in the form of an annual report which can be viewed by the general public and stakeholders companies in particular.

Governance Metrics International (2004), Institutional Shareholders Services (2003), and the S & P Ratings are examples of agencies that do the assessment and ranking of the corporate governance practices. Report the results of the assessment and ranking of GCG be something of interest to investors and creditors because it is considered as a result of reflection from the application of CG that has been done by the company. The higher the score and rank obtained by the company, the greater the confidence of the stakeholders of the company. In Indonesia alone GCG is still relatively weak. Phenomenon which occurs in most companies in Indonesia is not yet able to perform in a professional management company (Zakarsyi, 2008). According to the survey results ACGA (Asian Corporate Governance Association) in 11 countries against foreign business people in Asia in 2012 ranked Indonesia as the worst country in the field of CG. It can be seen from the following table:

Table 1 Rating of Corporate Governance Quality in Asia

NO	Market	2007	2010	2012
1	Singapore	65	67	69
2	Hongkong	67	65	66
3	Thailand	47	55	58
4	Japan	52	57	55
5	Malaysia	49	52	55
6	Taiwan	54	55	53
7	India	56	48	51
8	Korea	49	45	49
9	China	45	49	45
10	Philippines	41	37	41
11	Indonesia	37	40	37

Sources: *CG Watch market scoresreport by ACGA*, 2012

From Table 1.1 Indonesia got a low score, the lower the score of a country indicates the worse the GCG implementation in the country. In order to improve the economy in Indonesia established non-governmental organizations that the national committee for good corporate governance. SOE ministerial decree No. 117/M-MBU / 2002 dated July 31, 2002 on the application of corporate governance in SOEs and public companies also prove that the implementation of GCG is needed to repair the economy in Indonesia. Survey on the implementation of GCG has been done on the company through its Corporate Governance Perception Index (CGPI). One organization that is conducting the rating of the CG practices, namely the Indonesian Institute for Corporate Governance (IICG). IICG is an independent agency of dissemination activities and the development of good corporate governance in Indonesia. IICG always seeks to develop concepts, practices, and the benefits of good corporate governance to the business world in particular, and society in general. The main activities undertaken are implementing GCG implementation research conducted by the company, which then results are outlined in a report called the CGPI. CGPI is a research and rating GCG implementation in the public and state-owned enterprise based survey and scoring. CGPI implementation based on the idea of the need to determine the extent of public companies in Indonesia has adopted the practice and the concept of good corporate governance. Results of research conducted by IICG, namely the rating CGPI, regarded as an achievement for public and state-owned enterprises that fall into the category of highly reliable, trustworthy, and quite reliable. Therefore, it will encourage companies to improve performance management in order to obtain highly reliable predicate and apply the concepts and practices of corporate governance. Each year, in the CGPI report will include the names of public and state-owned companies whose performance is considered to have an effective and efficient in accordance with the scores and rankings have been determined.

Research on CG becomes an interesting research problem for many researchers. Some researchers to analyze the factors that affect the CG by rating them is Ariff, et al (2007) examined the effect of firm characteristics on the level of corporate governance based on Corporate Governance Reporting Initiative (2004) in Malaysia. Factors examined included the characteristics of the company's profitability, leverage, firm age, market valuation, growth, size of company, the operational state, and ownership structure. From this research, Ariff, et al (2007) found that only affects the size of the company against significant CG rating, while other variables had no significant effect. Studies analyzing the GCG assessment were also conducted by Sulistiyowati et al (2010), which examines the effect of profitability, leverage, and the growth of the GCG as the dependent variable. The research results prove that the variable profitability, leverage, and growth had no significant effect, to use the GCG CGPI index as a proxy. In Indonesia research conducted by Taman and Nugroho (2012) that analyzed the effect of concentration of ownership, investment opportunities, and leverage on the quality of the implementation of the CG. Measuring the quality of implementation of CG performed using CGPI index as a proxy. Based on the results of tests that have been done, it is known that the only variable leverage significant effect on the quality of the implementation of the CG. Subsequent research conducted by Setiawan (2012), which examines the analysis of the influence of the characteristics of the company are firm size, leverage, and profitability of the implementation of the CG. This study used multiple linear regression to test the research hypotheses. The results obtained based on the test results is profitability significant positive effect on the implementation of the CG. The studies Pamungkas and Dul Muid (2012) analyze the factors that affect the GCG rating. The study proved the age of the company and a significant positive effect on the GCG Rating. The inconsistency of research - from previous studies of the effect of firm characteristics proxied by firm size, firm age, leverage and profitability, led to this study. This study was conducted to further examine the effect of firm characteristics proxied by firm size, age persahaan, leverage and profitability of the GCG is reflected in the CGPI index using panel data as renewal. The formulation of the issues to be discussed and analyzed in this study is how the characteristics of the diprokxikan Integration with firm size, firm age, leverage and profitability affect the GCG?

II. STUDY LITERATURE AND HYPHOTESIS DEVELOPMENT

Agency Theory

According to Jensen and Meckling (1976) agency theory is a contract between the manager (agent) and the owner (principal). In order for this relationship can work well, the owner will delegate decision-making authority to the manager. Planning contractual right to align interests between the agent and the owner is what is at the core of the concept of agency theory. Agency theory is based on the assumptions; further assumptions are divided into three types, namely the assumption of human nature, organizational assumptions, and assumptions information. Assumption of human nature emphasizes that people often selfish (self-interest), humans have a limited idea about the perception of the future (bounded rationality), and people always avoid the risk (risk averter). Organizational assumption is that there is a conflict between members of the organization, efficiency as criteria for effectiveness, and the existence of asymmetry information between managers and owners. The assumption is that the information the information is a commodity that can be traded. Between the owner (principal) and managers prioritize mutual self-interest; it is based on the assumption of human nature. Principal motivated binding contract to benefit the ever-increasing levels of profitability, while managers are motivated to maximize the economic and psychological needs are, among others, to obtain investment funds, loans, and contracts compensation. There are two interests between principal and agent. The problems arise as a result of differences in interests between the agent and the principal so-called agency problems. Agency problems caused partly because of the presence of asymmetric information. Asymmetry information is an imbalance of information held by the principal and the agent, when the principal does not know much about the company information and performance management, while the opposite managers as agents know more about the corporate environment, the capacity of self, and the overall condition of the company. Therefore, principals need to create a system that can monitor the performance of managers to run in accordance with expectations. It covers the cost of the creation of standards, the cost of monitoring agents, and creation of accounting information systems, and so on. Activities are then usually referred to as the agency cost. Agency theory is basis concept of corporate governance as a variable in this study. GCG is expected to serve as a tool to convince investors that they will still make a profit on the investment that has been made against the company. Thus, companies that implement GCG can reduce agency cost. Rating GCG implementation mechanism in the CGPI report is considered as a tribute to the company that has been managing performance with good management. It invites a lot of companies are motivated to improve their corporate governance in order to always get the trust of the community through the rating done by IICG.

Corporate Governance

Corporate Governance arises at a company as a result of the separation of interests between the owners of the company (principal) with the management company (the agent). sufficient information sought is obtained so that the owner of the company can ensure the use of funds by the appropriate management of the project, therefore the need for corporate governance to align interests between agent and principal. Cadbury Committee in 1992 defines that, "Corporate Governance is the system to direct and control the company" (Susilo and Simarmata, 2007). The Organization for Economic Cooperation and Development (OECD) provide opinions regarding the definition of corporate governance. OECD (2004) stated that corporate governance is a set system of relationships between the company management, directors, directors, shareholders, and other stakeholders. The Indonesian government has its own views on the definition of corporate governance of SOEs Ministerial Decree No. KEP-117/M-MBU / 2002 defines corporate governance as a process and structure used by the organs of state-owned enterprises to improve the success of the business and corporate accountability in order to create shareholder value in the long term with due regard to the interests of other stakeholders, based on legislation and ethical values. It emphasizes that Corporate Governance is a balance between the goals of economic and social aims and objectives of individual and community goals. Besides, it also emphasizes accountability in the management of all the resources that takes into account all the interests of individuals, companies, and communities. It can be concluded that corporate governance is a process and structure as a result of regulatory mechanisms that are used to direct and manage the company that used to strike a balance between the goals of economic and social objectives. This mechanism is done in order to improve the progress of business and corporate accountability which also emphasizes the importance of compliance with the responsibility to shareholders and other stakeholders. Indonesian Forum for Corporate Governance (IFCG) explained that the application of the principles of good corporate governance to be (1) Accountability. Describes the function, system, structure, and accountability organ company that management companies take place effectively, (2) Transparency. Requiring the existence of open information, accurate and timely on all things that are important to the company, ownership, and shareholders, (3) Fairness). Ensure equal justice between each stakeholder in accordance with the agreement and applicable laws and regulations. This principle emphasizes that each shareholder of both minority and foreign should receive the same treatment, (4) Accountability. Ensure compliance in the company to a healthy corporate. In this case the company has a social responsibility to the community or stakeholders and avoids the abuse of power and ethics in business to create a good economic environment.

Mechanism of Corporate Governance

A mechanism is needed so that the activity of the company can be run in accordance with established healthy. The mechanism can be said sebgai agreement with the parties conducting the supervision of the decision. In the context of quoting control, Syakhroza (2005) stated a mechanism known as the internal mechanisms and external mechanisms. Internal mechanisms associated with the control performed using the rules and policies of the company to the managers of the company. External mechanism is often referred to as market mechanisms, associated with controlling formed by the capital markets, product markets and labor markets (Syakhroza, 2005).

Corporate Governance Rating

Many agencies are doing the rating GCG implementation, international agencies which conduct assessment and ranking of the GCG implementation of which is Governance Metrics International (2004), Institutional Shareholders Services (2003), S & P Ratings. Development of GCG implementation in Indonesia resulted in the establishment of institutions that perform the function of assessment and ranking of the application of which is the Forum for Corporate Governance in Indonesia (FCGI), Indonesian Institute for Corporate Directorship (IICD), and the Indonesian Institute for Corporate Governance (IICG). The Indonesian Institute for Corporate Governance (IICG) which was established on June 2, 2000 is an independent agency of dissemination activities and development of Good Corporate Governance (GCG) in Indonesia. The main activities undertaken are carrying out research GCG implementation, which results in the Corporate Governance Perception Index (CGPI). This study uses CGPI index as a proxy of the implementation of GCG. CGPI is a ranking of GCG implementation in companies in Indonesia through research that is designed to encourage companies to improve the quality of the application of the concept of corporate governance through continuous improvement (continuous improvement) to carry out the evaluation and conduct benchmarking markers (benchmarking). CGPI organized by the IICG in cooperation with SWA magazine is an annual program since 2001 as a tribute to the initiatives and results of the company's efforts in creating ethical business and dignified. CGPI research program has been underway since 2001. CGPI encourages and requires participating companies to perform improvement or increase corporate governance practices in their environment.

Research Methodology and Ratings CGPI

GCG through the application of the basic principles of Transparency, Accountability, responsibility, independence, and Fairness, in this research is reflected and measured by six scope of research assessment and ranking (CGPI, 2005), namely (1) A commitment to good corporate governance, (2) Rights of Shareholders and Key Ownership functions, (3). Equal Treatment for All Shareholders, (4) Role of Stakeholders in Corporate Governance, (5) Disclosure and Transparency, and (6) Responsibilities of the Board of Commissioners and Board of Directors. According to the Corporate Governance Perception Index (2008) measuring instruments used by IICG to examine CGPI is (1) Commitment, (2) transparency, (3) Accountability, (4) Responsibility, (5) independency, (6) Justice, (7) Compensation, (8) leadership, (9) ability to Cooperate, (10) Investments Vision, mission and values, (11) Moral and Ethics, and (12) Strategy. Research conducted by IICG to assess CGPI has an assessment .Tahapan this observation is direct observation of activities throughout the company participants CGPI. CGPI assessment includes four stages with different weighting. The weight of assessment is presented in the following table:

Table 2 Process and Value of CGPI

No	Indikator	Bobot
1	*Self Assesment*	20
2	Document Completed	20
3	Papers that reflected of\GCG Implementation and GCG implementation result as system in company	20
4	Field Observation	40

Sources: CGPI Report, 2010

Stages of the research process or order of ranking of corporate governance are as follows: (1) Self-assessment. The company was asked to fill out questionnaires Self-assessment regarding the application of the concept of governance in the company, (2) Collection of Documents. At this stage the company will be required to undertake the collection of a number of documents and evidence to support the application of governance in the company, (3) Preparation of Papers. At this stage the company was asked to make an explanation of the activities of the company in applying the principles of governance in the form of paper, and (4) Observation Company. At this stage, the team will travel to the location CGPI participating companies to examine the application of the principles of certainty GCG.

After going through the stages of observation, the company participants only need to wait until the assessment is completed by IICG. CGPI value is accumulated value of each phase as mentioned above. CGPI research results will be the basis for determining the acquisition reference ranked by score has been determined. CGPI ranking results are divided into three categories, namely quite reliable, trustworthy, and very reliable. Summary rating based on scores will be described in the following table:

Table 3 Category of CGPI Rating

Score	Trusteed Level
85 – 100	Very Trusteed
70 – 84	Trusteed
55 – 69	Trusteed Enough

Sources: CGPI Report, 2008.

Hypothesis Development

Company size and GCG

Size companies describe large or small a company. The size of the company can be proxied by various means, including the number of assets, number of employees, and market capitalization. Hasseldine (1982) in Pramod (2011) states that the size of the company is the company's most dominant characteristic in the practice of corporate governance disclosure because of the pressures faced by companies both from within and from outside. Large companies have greater pressure to do so would tend to GCG disclosure or implement GCGe. In agency theory says that there is asymmetric information between agents and principals. With the increasing size of the company, the role of CG practices is increasingly required to reduce the information gap between agent and principal. Accordingly, shareholders are more stringent supervision of the management, resulting in high ratings to the company's CG. Large companies have greater agency costs that management needs to disclose more extensive information to reduce the agency conflict (Sembiring, 2005). The size of the company is the company's most dominant characteristic in the practice of corporate governance disclosure because of the pressures faced by companies both from within and from outside (Hasseldine, 1982 in Pramod, 2011). Large companies have greater pressure to do so would tend to disclosure GCG GCG or implement good corporate governance. Ariff, et al (2007) analyzed the influence of corporate characteristics on GCG rating in Malaysia found on the company size affect the CG Rating, the first hypothesis was formulated that H1: The size of the company has positive and a significant effect on the GCG

Age Company and GCG

Age companies used to see the extent to which the company operates on the performance of the company and to determine the extent of the company's ability to survive (Putri and Meiranto, 2011). An age company illustrates the extent to which the company can survive doing business. The long company's age showed management system that is well established based on experience and learning mature (Pamungkas and Dul Muid, 2012). According to Wallace et al. (1994), the longer the life of the company will provide disclosure of financial information that is wider than the other companies that flourescent by reason of the company. Age Company demonstrated to exist, able to compete and take advantage of business opportunities in an economy. Age Company that is characteristic of companies that show the long term establishment of a company. According to Wallace et al. (1994), the longer the life of the company will provide disclosure of financial information that is wider than the other companies that flourescent by reason of the company. Age Company demonstrated to exist, able to compete and take advantage of business opportunities in an economy. In addition, the company is quite mature age raises the confidence of the public and the public on the ability of a company's going concern so many investors are interested to invest in the company. More and more investors and increasing public confidence in the company caused the company must always implement corporate governance practices consistently. Therefore, the age of the company may affect the GCG rating; the second hypothesis is formulating that H2: Age firm has positive effect on CGC.

Leverage and GCG

According to Gitman (2006 :), leverage can be divided into three kinds, namely operating leverage, financial leverage, and combined leverage, but according to Penman (2007), operating leverage and financial leverage is a systematic risk prediction tools which are fundamental. In principle, the concept of leverage is a result of the use of the fixed cost of an asset or wealth funds to increase the return on the company owner (Gitman, 2006). Final and Muid Dul (2012) suggested that leverage is the ratio that shows how much the company assets financed by debt funding from creditors. The high ratio of corporate debt will lead to the principal exert pressure on management as an agent to improve the performance of the company that the debt ratio decreases. The pressure of the principals will force the management to implement the concept of better corporate governance. Cho and Kim (2003) found a high level of leverage ratios, management tends to come under pressure from the lender so that the need for the implementation of good corporate governance. Opinion was evidenced by the Parks and Nugroho (2010) in his research that states that leverage significant positive effect on the quality of the implementation of the CG. Referring to the agency theory, as the principal shareholder of course expects a return on investment that they have done. The high ratio of corporate debt will lead to the principal exert pressure on management as an agent to improve the performance of the company that the debt ratio decreases. The pressure of the principals will force the management to implement the concept of better corporate governance. With the awareness of management as an agent to reduce the debt ratio, the mechanisms of corporate governance of the company will generate a score and assessment GCG higher. Thus, the hypothesis can be formed in this study is H3: Leverage has a positive effect on GCG.

Profitability and GCG

Profitability is the company's ability to generate income or profit. Klapper and Love (2004) using the rate of return on assets (ROA) to measure the performance of companies that look of profitability. Increasing the company's profitability can also come from increased funding and others resourrces to run its business activities. When a company get funding from shareholders, creditors, and other stakeholders, the company can develop the company's activities that have an impact on profit improvement. In line with the increase in funding that generate greater profits, it is the responsibility of the company to implement a larger corporate governance practices. This resulted in the assessment and the scores given by IICG also getting better. The impact that arises then is the rating of IICG will get better and the company with a great level of profitability that maintains the corporate governance practices can be run regularly and continuously. Agency theory explains the contractual relationship between principal and agent. The large companies have high probability to distribute of profit to the principal. Profitability is considered in making investment decisions. The amount of profitability will attract investors to invest into the company. Many investors make the magnitude of the responsibility of a company to improve performance. The responsibilities of managers to investors as shareholders are done by applying GCG, and so the score GCG implementation in the company to be better. On the other hand, the company believes that the implementation of GCG is another form of business ethics enforcement and work ethic that has long been a firm commitment, and implementation of GCG associated with an increase in the company's image. The role and the demands of foreign investors and creditors regarding the application of the principles of good corporate governance is one of the factors in the decision to invest in a company. Investors or prospective investors will continue to analyze the financial statements of the company before making a decision to invest. The purpose of investors or potential investors to invest in a company is to obtain the return, if the return is expected is derived from normal business activities, the investor or prospective investors tend to assess the profitability of the company. The magnitude of the company's profitability will cause companies to implement GCG which is reflected in a good rating (Riandi and Siregar, 2011). Thus, the hypothesis that can be formed is H4: Profitability positive effect on corporate governance.

Theoritical Framework

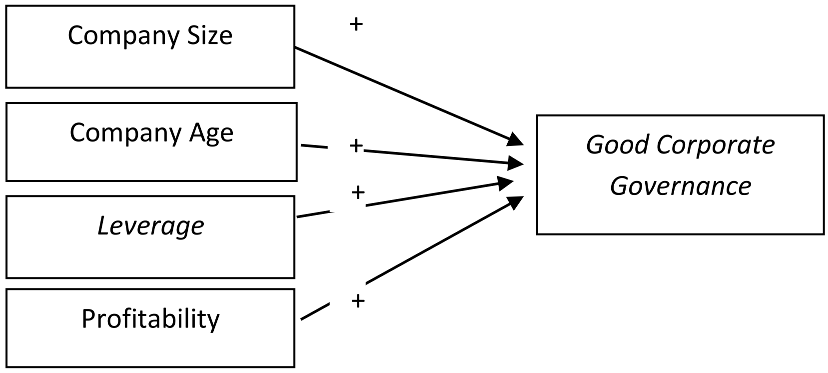

Figure 1 Theoritical Framework

III. RESEARCH METHODS

Population and Sample

The population is all collection of elements that exhibit - certain characteristics that can be used to make inferences (Sanusi, 2011). The populations in this study are the companies listed on the Indonesia Stock Exchange. Of the population, then the researchers draw samples using non-probability sampling technique with purposive sampling, which means that every element of the population does not have the same probability of being sampled. Samples were taken with the intent or purpose. Consideration specified by the author in sampling is a company registered in CGPI ranking conducted by IICG that publish financial statements respectively - also on the Stock Exchange from the year 2010-2012 and the company for which the unit of currency in the financial statements prepared in Rupiah (IDR). Based on this criterion was obtained by 13 (thirteen) companies as samples during the time period from 2010 to 2012 the number of data is at least 39 (thirty-nine).

Operational Definition of Variables

The operational definition of dependent and independent variables in this study are as follows: Company size is. Scale for measuring the size of a company that is visible from the company's assets. Firm size is measured by log (Total Assets)

Age of company that length of a company stand. Age companies measured by log (the company stands - years of research).

Leverage Ratios that shows how much the company's assets are financed by debt funding from creditors. Leverage is measured by total liabilities divided by Total Assets

Profitability is the ability of the company's profitability or profit generating profits. ROA is an overall measurement of the company's ability to generate earnings by the number of assets. Profitability is measured by ROA Net Income divided by Total Assets.

GCG is company has done a good management so that the company has an assessment of high CG practices and gains the confidence of the public and other businesses. GCG is measured by the CGPI.

Data Analysis Methods

Data analysis method used is the method of statistical analysis using software E-Views 6 by using panel data. Hypothesis testing is done by using the panel data model with the following formula:

$$GCG = \acute{\alpha} + \beta_1 \, SIZE_{it} + \beta_2 AGE_{it} + \beta_3 LEV_{it} + \beta_4 PROF_{it} + \varepsilon_1 \ldots\ldots\ldots\ldots\ldots(1)$$

Test coefficient of determination (R2)

The coefficient of determination (R2) or (adjusted R2) indicates the ability of the regression line which describes the variation of the dependent variable can be explained by the independent variables. Value (R2) or (adjusted R2) ranges from 0 to 1. The closer to 1 is better. (Ajija et al, 2011). In this study, the coefficient of determination (R2) or (adjusted R2) is useful to measure how big a role the variable firm size, firm age, and leverage jointly explain the changes in corporate governance variables.

Hypothesis Testing

F test

F test is used to determine that the independent variables (firm size, firm age, leverage and profitability) simultaneously have a significant influence on the dependent variable (GCG).

t test

t test is used to determine that the independent variables (firm size, firm age, leverage and profitability) partially have a significant influence on the dependent variable (GCG).

IV. RESULTS AND DISCUSSION

Economic Analysis

Regression in this study is as follows:

GCG = -1.131705 + 0.107341 SIZE + 0,285847 UMUR + 0,182974LEV + 0,125305 PROF + ε

The coefficient of company size is 0.107341 by using the measurement scale on the company's total assets. This means the increase in the percentage of GCG implementation in the company rose 0.107341 if the size of the company rose by 1% while the age of the firm, leverage and profitability constant. The coefficient of age is 0.285847. It shows that the increase in the percentage of GCG implementation in the company rose 0.285847 age when companies grow 1% while firm size, leverage and profitability constant. Leverage coefficient of 0.182974 illustrates the percentage increase in GCG implementation of 0.182974 to the company when the leverage increased 1% while the company's size, age and constant profitability. The increase in the percentage of GCG implementation in the company amounted to 0.125305 if the profitability of the company rose 1% whiles firm size, firm age, and a constant leverage. The influence of the coefficient of 0.107341 affected company size of besarnnya average - average growth of the total assets of the company that the research samples. The coefficient of 0.285847 firm age, it is proved that the company that the sample had an average existence long enough or the ability of a good going-concern that the increase in the percentage of GCG implementation in the company also increased by 0.285847 when the age of the company increased 1%, while firm size, leverage and profitability constant. The amount of leverage coefficient of 0.182974 caused each - each company that has a relatively high leverage growth also has the ability to increase the percentage of implementation. GCG is also high. Profitability has a coefficient of 0.125305 means an increase in the percentage of GCG implementation in the company amounted to 0.125305 when profitability rose 1% while firm size, firm age and constant leverage. This was due to an increase in profit for each - each company is also an impact on increasing the percentage of GCG implementation is relatively high.

Coefficient of Determination

The coefficient of determination is a value that describes how much the independent variable. From processing the data obtained coefficient of determination () of 0.933142. This figure show that the independent variables (firm size, firm age, Leverage and Profitability) are jointly able to explain variations or changes in the GCG by 93% while the other variables outside the model is able to explain the variation or change in the dependent variable only for 0.7%.

F test

This test is used to determine whether the independent variables in the regression equation overall significant effect in predicting the value of the dependent variable. The test is performed by comparing the value probabiltas F-count of the significance level α (5% or 0.05), with the test criteria if the probability of the F-count> α (0.05), the influence of the independent variables) was not significant, so accepted, which means that the variable size of the company, firm age, Leverage and Profitability in whol not affect corporate governance variables, otherwise if the probability of t count <α (0.05) then significant influence, so that Ha is accepted, which means that the independent variables can affect the overall the dependent variable. In this study, the probability of F-Statistic shows 0.0000, this means the independent variables affect the overall dependent variable, namely the size of the company, firm age, Leverage and Profitability together - at a significant effect on corporate governance.

t test

This test is used to determine whether the independent variables in the regression equation individually significant in predicting the value of the dependent variable. The test is performed by comparing the value probabiltas t-test for significance level α (5% or 0.05), with the test criteria if the probability of t count> α (0.05), the influence of the independent variables was not significant, so it is accepted, the means that the independent variable does not affect an individual basis dependent variable, otherwise if the probability of t count <α (0.05) then significant influence, so that Ha is accepted, which means that the independent variable can affect an individual basis dependent variable.

Table 4 Testing Result Summary

Variable	Coefisien	t-statistics	α	Description
Company Size	0.107341	22.90185	0.05	Accepted
Company Age	0.285847	15.59608	0.05	Accepted
Leverage	0.182974	8.584976	0.05	Accepted
Profitability	0.125305	2.997552	0.05	Accepted

The size of the company has a t-test probability 22.90185 this means that the probability of t count> t table with a 0.05 significance is 22.90185> 1.69092. From the test results prove that the size of the company has a positive and significant influence on corporate governance, the size of a company affects the percentage of GCG implementation in the company. The larger company is better implementation of GCG.

Size companies describe large or small a company. Size companies in this study in proksikan by total assets of the company. Hasseldine (1982) in Pramod (2011) states that the size of the company is the company's most dominant characteristic in the practice of corporate governance disclosure because of the pressures faced by companies both from within and from outside. Large companies have greater pressure to do so would tend to disclosure GCG GCG implement. In agency theory says that there is asymmetric information between agents and principals. With the increasing size of the company, the role of corporate governance practices is increasingly required to reduce the information gap between agent and principal. Accordingly, shareholders are more stringent supervision of the management, resulting in high ratings to the company GCG. In this study supports previous research the opinion that large companies have greater agency costs that management needs to disclose more extensive information to reduce the agency conflict (Sembiring, 2005). Large companies have greater pressure to do so would tend to disclosure GCG GCG implement. This study is in line with research Ariff, et al (2007) who analyzed the influence of corporate characteristics on corporate governance in Malaysia Rating found on the company size affects the GCG Rating.

Age company has t count 15.59608 it showed t count> t-table is 15.59608> 1.69092 with a significance level of 0.05. From these results we can prove that the age of a company has a positive and significant impact on the implementation of GCG. This study proves that the longer the existence of a company the better the percentage of the GCG implementation. This study supports the statement proposed by Wallace et al. (1994), the longer the life of the company will provide disclosure of financial information that is wider than the other companies that flourescent. Age Company demonstrated to exist, able to compete and take advantage of business opportunities in an economy. So in this study showed the same thing that the company listed as the most trusted company through CGPI in 2010-2012 the company that has a long life or existence of the company that the longer the better the GCG implementation in the company. Age fairly mature company raises the confidence of the public and the public on the ability of a company's going concern so many investors are interested to invest in the company. More and more investors and increasing public confidence in the company caused the company must always implement corporate governance practices consistently. Leverage has the t-test 8.584976; this means that the t-test t-table is 8.584976> 1.69092 with a significance level of 0.05. From the results of the statistical tests meyatakan that leverage has a positive and significant impact on corporate governance. Final and Muid Dul (2012) suggested that leverage is the ratio that shows how much the company assets financed by debt funding from creditors. The high ratio of corporate debt will lead to the principal exert pressure on management as an agent to improve the performance of the company that the debt ratio decreases. The pressure of the principals will force the management to implement the concept of better corporate governance. In this study proves the statement that the higher the debt ratio in the

company makla the better the GCG implementation in the company based on the company that includes the most trusted company in the CGPI 2010-2012. This is in line with research Cho and Kim (2003) who also found high levels of leverage ratios, management tends to come under pressure from the lender so that the need for the implementation of GCG. In this study evidenced by t-test t-table so as to prove the greater the pressure on the management of the lender result the better the corporate governance of a company. Opinion was evidenced by the Parks and Nugroho (2010) in his research that states that leverage significant positive effect on the quality of GCG implementation. Referring to the agency theory, as the principal shareholder of course expects a return on investment that they have done. The high ratio of corporate debt will lead to the principal exert pressure on management as an agent to improve the performance of the company that the debt ratio decreases. The pressure of the principals will force the management to implement the concept of better corporate governance. With the awareness of management as an agent to reduce the debt ratio, the mechanisms of corporate governance of the company will generate a score and assessment GCG higher.
Profitability has a t-test 2.997252 this indicates that the t count> t-table is 2.997252> 1.69092 to 0.05. In this study proves that the company's profitability significantly influence the implementation of GCG. Agency theory explains the contractual relationship between principal and agent. By the principle expectation, the large company will distribute the profit for the principal. Profitability is considered in making investment decisions. The amount of profitability will attract investors to invest into the company. Many investors make the magnitude of the responsibility of a company to improve performance. Company responsibility to investors as shareholders applies GCG and GCG implementation score to be better. On the other hand, the company believes that the implementation of GCG is another form of business ethics enforcement and work ethic that has long been a firm commitment, and implementation of GCG associated with an increase in the company's image. The role and the demands of foreign investors and creditors regarding the application of the principles of good corporate governance is one of the factors in the decision to invest in a company. Investors or prospective investors will continue to analyze the financial statements of the company before making a decision to invest. The purpose of investors or potential investors to invest in a company is to obtain the return, if the return is expected is derived from normal business activities, the investor or prospective investors tend to assess the profitability of the company. So that the profitability will caused by companies implement of GCG which is reflected in a good rating (Riandi and Siregar, 2011). This study supports the theory of agency to prove that high profitability in a company will be reflected in the implementation of GCG with a high rating. This study is also consistent with the results of research Setiawan (2012) which states that the profitability thinking about poisitif and significant influence on corporate governance.

V. CONCLUSIONS AND RECOMMENDATIONS

Conclusion

This study discusses the effect of firm size variables, age of firm, leverage and profitability of the corporate governance variables. Company size has a positive effect on corporate governance, which hasa coefficient of 0.107341. That is, if the size of the company increased by 1%, the percentage of implementation of GCG increased by 0.107341. Age firm has a positive effect on corporate governance with a coefficient of 0.285847, meaning that when the age of the company rose by 1%, the percentage of implementation of GCG increased by 0.285847. Leverage positive effect on corporate governance with a coefficient of 0.182974, meaning that when leverage is increased by 1%, the percentage of implementation of GCG increased by 0.182974. Profitability positive effect on corporate governance with a coefficient of 0.125305, meaning that when profitability increased by 1%, the percentage of implementation of GCG increased by 0.125305.

Suggestion

From the research that has been tested and analyzed, the authors provide suggestions for the company: The Company should be able to increase the total assets, the existence of the company, and investor confidence so that the net income and the percentage of GCG also increased. Suggestions for further research should increase research into the time period of 5 (five) years to 10 (ten) years. With the addition of the study time period to 5 (five) to 10 (ten) years hence further research can see more real influence. Future studies can analyze and compare the results of panel data regression model with three methods: Pooled Least Square, Fixed Effect Model and Random Effect Model.

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