
ASEAN Corporate Governance Scorecard and Firm Value

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Abstract:

Purpose: This research is aimed to examine the effect of ASEAN corporate governance scorecard on firm value.

Design/Methodology/Approach: Research sample consists of 491 manufacture firms listed in stock market of Thailand, Singapore, Philippines, Indonesia, and Malaysia. ASEAN corporate governance scorecard is measured by dummy variable, which is big 50 and non-big 50 firm's rank of highest ASEAN corporate governance scorecard. Firm value measured by Tobin's Q. Hypothesis test uses country fixed-effect regression analysis.

Findings: This research finds that the big 50 of highest ASEAN corporate governance scorecards have positive effect on firm value. Higher ASEAN corporate governance scorecard as improvement of rights of shareholders, equitable treatment of shareholders, role of stakeholders, disclosure and transparency, responsibilities of the board, will improve firm's value.

Practical Implications: Management could make firm policy about optimal corporate governance, so management could maximizes shareholders' wealth by firm value increasing. Investors, who have interest send their investment abroad especially in ASEAN, have to see condition of corporate governance of public-listed firms, so investors' wealth could be maximized.

Originality/Value: This research provides early evidence about new corporate governance formulation, especially in ASEAN, and its effect on firm value in stock markets in ASEAN.

Keywords: Corporate Governance scorecard, firm value, ASEAN, Tobin's Q.

JEL codes: G32, G34, O16.

Paper type: Research article.

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1. Introduction

The main financial objective of a firm is to maximize owners' wealth, in other words, firm's value improvement (Kesten, 2010). In the context of public traded share firms, stock price indicates the firm value. Stock price describes a picture of various decisions and policies making where it should determines firm value as a result of management performance (Kesten, 2010).

Conflict of interest is one of the problems that hinder the value enhancement. Conflict of interest between shareholders and management shows that management is less likely to work with the consideration of shareholders' wealth (Gilson and Whitehead, 2008; Renders and Gaeremynck, 2012; Chen *et al.*, 2012). Another conflict of interest is conflict between majority and minority shareholders (Renders and Gaeremynck, 2012) that shows controlling shareholders protected by their control right to perform abuse of power (Kesten, 2010; Cremers *et al.*, 2016). Conflict between management and other stakeholders can hinder the value enhancement as well (Jensen, 2002), because it can decrease firm's competitive advantages (Gregory *et al.*, 2016). In order to minimize conflict of interest, corporate governance has to be implemented.

Corporate governance is an internal mechanism to ensure that policies formulation, processes execution, and people behavior fill the needs of both main shareholders and other stakeholders by implementing supervision, control, and monitoring of management activities according to objective and integrated business practices (Man and Wong, 2013). Good corporate governance is needed because of the existence of conflict of interest. As the assumption of separation between firm ownership and firm management (Jensen, 2002), shareholders are not involved directly to management daily activities so they could not directly fulfill the aim of firm value maximization. In that case, shareholders need implementation of good corporate governance as controlling and monitoring function. Good corporate governance provides superior position of external marketplace commitment and legislation in order to protect shareholders and maintain board culture, policies, and processes health and safeguard (Man and Wong, 2013).

The corporate governance structure manages rights and responsibilities distribution of various stakeholders in the system, including the board members, management, owners at the same time corporate governance also provide the rules and procedures for fair decisions making (Madhani, 2016). Further, Madhani (2016) also explains that good corporate governance is a guide of ethics of objective fulfillment and monitoring performance. In the stock market, corporate governance has roles of investor protections, public policy guidance (Guillen and Capron, 2016), political and legal structure, and public monitoring (Forti *et al.*, 2011) to increase firm market value.

ASEAN Capital Market Forum (2015) makes formulation of assessment of corporate governance which implemented for all listed firms in ASEAN, called ASEAN corporate governance scorecard. It assesses critical points of "rights of shareholders",

“equitable treatment of shareholders”, “role of stakeholders”, “disclosure and transparency”, “responsibilities of the board” (ASEAN-Capital-Market-Forum, 2015). Globally, ASEAN becomes strong market which take a position as third largest economic cooperation after NAFTA and EU (Lee and Jeong, 2016), while ASEAN still has problems of governance and underdeveloped market structure (Liu, 2016). The objective of this research is to examine the role of corporate governance on firm value in ASEAN countries. Novelty of this research is the use of corporate governance in ASEAN as one region, because ASEAN is on progress in development of one integrated open market business. It leads to involvement of all business participants across countries in ASEAN in evaluation of good corporate governance in same standard of one region of ASEAN.

2. Literature Review

2.1 ASEAN Economics Community (AEC)

Coming ASEAN is a regional economic area based on ten countries with different economics performance. It ranges from Singapore as the biggest GDP per capita in ASEAN with value US\$ 55,182 (top 8 from 183 of global countries in 2013) to Cambodia as the lowest GDP per capita in ASEAN with value US\$ 1,028 (position of 156th from 183 of global countries in 2013) (Nikomborirak, 2015). In 1993, member countries of ASEAN sign the ASEAN Free Trade Area Agreement to minimize trade barriers among members (Nikomborirak, 2015). Further, in 2007, blueprint of ASEAN Economics Community (AEC) is made and in 2015, completion of AEC is about 90.5 percent (Yean and Das, 2015). The Blueprint consists of four key pillars: (1) a single market and production base; (2) a highly competitive economic region; (4) a region of equitable economic development; and (5) the region economy is fully integrated to the global economy (Nikomborirak, 2015). AEC can get more benefits if a single market such AEC can make external key partner (Lee and Jeong, 2016). AEC helps reduce business costs between ASEAN countries since trading barriers is also reduced. Regarding to condition of stock market, AEC makes stock market of each countries in ASEAN can be integrated (Lee and Jeong, 2016). It could improve investment flows in ASEAN as one integrated region.

2.2 Corporate Governance and Firm Value

Development Good Corporate Governance can mitigates conflict of interest and increases firm’s value (Renders and Gaeremynck, 2012), in this case, good corporate governance based on ASEAN corporate governance scorecard can increases firm value in ASEAN countries. First area of ASEAN corporate governance scorecard is “rights of shareholders”. This area is aimed to make sure that shareholders could use their rights to contribute in decision-making. In agency theory, Jensen and Meckling (1976) suggest benefit of shareholders with large ownership have strong incentives to monitors manager, thus mitigates agency conflict, that help to maximize their firm

value. Shareholders have to do management monitoring, so management will less likely act based on their own interests and more likely act based on shareholders wealth and firm value increasing. Previous researches have proved that share ownership factors could decrease agency conflict by information asymmetric minimizing (Shiri *et al.*, 2016), financing cost minimizing (Tan and Ma, 2016), and firm value maximizing (Wei *et al.*, 2005; Cheung *et al.*, 2011). Man and Wong (2013) shows that ownership structure can decrease conflict of interest such as the role of managerial ownership that can aligns interest differences between management and shareholders, and role of institutional ownership that have better knowledge and effective monitoring on management than individual ownership. Role of foreign ownership could increase firm value as well, by creating competitive advantages such as developing new markets for its assets from abroad (Gande *et al.*, 2009), superior research and development of marketing production capabilities and consumer goodwill (Lee *et al.*, 2015), higher labor productivity, wages, export, technological intensities (Rasiah and Malakolunthu, 2009; Wei *et al.*, 2005), international manager talents (Wei *et al.*, 2005), and more independent in management monitoring (Ahmed and Iwasaki, 2015). Since shareholders do not directly involve in daily activities of management, fulfillment of rights of shareholders such as ensures clear voting right, decision making process, approve of board selection and voting class of shares (Asian-Development-Bank, 2016a) is important, especially in firm's value creation.

Second area of ASEAN corporate governance scorecard is "equitable treatment of shareholders". This area is aimed to mitigate, conflict of principal-principal (conflict between majority and minority shareholders). In ownership structure there is the entrenchment effect. Entrenchment is the act of controlling shareholder protected by their control right to perform abuse of power (Kesten, 2010; Cremers *et al.*, 2016). The higher ownership does not always followed by good performance, because of abuse of control right to meet self-interests instead of all shareholders interests. Maher and Andersson (1999), Man and Wong (2013) stated that corporate governance tends to foster a more open and equitable distribution of information and place a stronger emphasis on the protection of shareholders rights, in particular, those of minority shareholders. Corporate governance reduces the private benefits of control enjoyed by majority shareholders by limiting the incidence of tunnelling, asset-stripping, related-party transactions, and other ways of diverting company assets or cash flows from minority shareholders (Love, 2010). Area of "equitable treatment of shareholders" ensures clear voting right, decision making process, approve of board selection, voting class of shares, and conflict of interests (Asian-Development-Bank, 2016a). It is a picture of entrenchment effect reducing of majority shareholders (Zerni *et al.*, 2010).

Third area of ASEAN corporate governance scorecard is "role of stakeholders". This area covers activities related to customer welfare, communities, creditors' rights, environmental sustainability, and employee safety, health, and welfare (Asian-Development-Bank, 2016a). It is related with stakeholder theory that explains in order to create long-run firm value, firm has to make decision that involves interest of all stakeholders, such as investors, creditors, employees and community (Jensen, 2002).

Corporate governance which related to stakeholder is, in another word, implementation of business ethic and social responsibility (Gregory *et al.*, 2016). By assimilating knowledge from stakeholders, firm gets skills and requires appropriate systems (Harrison *et al.*, 2010) and creates value (Gregory *et al.*, 2016; Sul *et al.*, 2014). Firm can increase competitive advantage and financial performance by supporting the role of stakeholders (Gregory *et al.*, 2016), such as increasing consumer goodwill (Lee *et al.*, 2015), higher labor productivity, wages, export, technological intensities (Rasiah and Malakolunthu, 2009; Wei *et al.*, 2005). Previous research found that consumer goodwill (Fang *et al.*, 2008) and technological investment (Mithas and Rust, 2016) could increase firm value through improvement of firm performance. Firm that implements corporate social responsibility can increase employee job satisfaction as well as increases firm value (Edmans, 2012). Gregory *et al.* (2016) stated that any firm committing in investment of social responsibility such as environment, community, diversity, employee relations, human rights, product and governance gets benefits and financial rewards.

Fourth area of ASEAN corporate governance scorecard is “disclosure and transparency”. It is related to annual report, ensures disclosure of board activities, risk management, financial performance, auditing activities, whistle blowing policy, related party transaction, language availability and firms’ website (Asian-Development-Bank, 2016a). Higher disclosure and transparency will reduce information asymmetric (Madhani, 2016), provides domestic and english language (Asian-Development-Bank, 2016a; Lee *et al.*, 2015) and disclosure of insider trading (Kho *et al.*, 2009). Low information asymmetric means high annual report quality. High quality of reporting and disclosure can increase firm’s value (Siagian *et al.*, 2013). Reporting quality is related to auditing process as well, where the higher auditor quality the higher reporting quality (Srinidhi *et al.*, 2012; Blay *et al.*, 2011).

Fifth area of ASEAN corporate governance scorecard is “responsibilities of the board”. It covers evaluation of board and its committee activities to implement good corporate governance (Asian-Development-Bank, 2016a). Since shareholders do not directly involve in daily firm activities, role of board is needed. Responsibilities of the board are related to management monitoring. As proxy of shareholders in management daily activities, board have important role to make sure management acts in line with shareholders interests (Man and Wong, 2013). Poor role of board leads to destroying shareholders’ wealth (Al-Maskati *et al.*, 2015). Several characteristics of the board such as the lower number of inside directors, the higher number of directors who can be considered industry experts, and the higher number of directors with management expertise can increase firm’s value (Charitou *et al.*, 2016). Based on explanation in five areas of ASEAN corporate governance scorecard that can reduce conflict of interest as well as information asymmetric, and increases performance and monitoring implementation, hypothesis will be as followed.

Ha: ASEAN corporate governance scorecard have positive effect on firm value.

3. Methodology

The research will examine the role of firms' corporate governance based on ASEAN corporate governance scorecard on firm value in five countries of ASEAN, which are Indonesia, Malaysia, Philippines, Singapore, and Thailand. These five countries have better access of data for this research than other countries of ASEAN. Data are from financial statements and the ASEAN capital market forum website. Financial statements will be accessed from the website of the stock market of five countries. The research sample is manufacture firms listed from 2012-2013 in stock market of five countries of ASEAN. Based on data available in World Bank (World-Bank, 2016), value added of manufacture industry (contributions of manufactures industry to economics) of Indonesia, Malaysia, Philippines, Singapore, Thailand, have been decrease from 2011-2013. Therefore, it is important to examine manufacture firms value related to foreign ownership as an effect of establishment of integrated stock market in ASEAN.

Firms with negative book value of equity will be excluded. Negative book value of equity indicates insufficiency of shareholder financing on firm activities, while this research examines shareholders' role on firm business activities. Insufficiency of shareholder financing means that there is lack of shareholders' role on firm business activities because financing is dominated by creditors and indicates that role of creditors dominates on firm business activities. Negative book value of equity will make bias on Tobin's Q measurement as well. The higher Tobin's Q indicates higher firm value. Negative book value of equity will leads to high Tobin's Q not because of high market value of equity but because of high domination of debt in firm financing. In order to avoid bias on lack of shareholders' role on firm business activities and Tobin's Q measurement, this research excludes firm with negative book value of equity. Based on Table 1, there are 491 firms as research sample and 982 observations.

Table 1. *Research Sample*

Firms in each country		Total	
Indonesia	Manufacture firms listed 2012-2013	93	80
	Incomplete data	(10)	
	Negative Book Value of Equity	(3)	
Malaysia	Manufacture firms listed 2012-2013	211	208
	Negative Book Value of Equity	(3)	
Philippine	Manufacture firms listed 2012-2013	20	20
Singapore	Manufacture firms listed 2012-2013	120	117
	Negative Book Value of Equity	(3)	
Thailand	Manufacture firms listed 2012-2013	71	66
	Data in local language	(5)	
Number of Firms		491	
Number of Observations		982	

Source: Own study.

The Dependent variable is firm's value. Firm's value could be seen by market share price as shareholders' wealth. Firm value measured by Tobin's Q (Cremers and Ferrel, 2014; Wei *et al.*, 2005; Ahmed and Iwasaki, 2015). Consideration of using Tobin's Q follows a substantial literature on the association between firm value and various corporate arrangements, which extensively uses Tobin's Q as a measure of firm value (Cremers and Ferrel, 2014). Tobin's Q calculated by the sum of book value of liabilities and market value of equity divided by book value of assets (Cremers and Ferrel, 2014; Wei *et al.*, 2005; Ahmed and Iwasaki, 2015):

$$\text{Tobin's Q} = \frac{\text{Book value of liabilities} + \text{Market value of equity}}{\text{Book value of assets}}$$

Independent variable is the Corporate Governance level as dummy variable. Corporate governance measured by rank of score of ASEAN corporate governance scorecard of all listed firms in five capital markets of Thailand, Singapore, Philippines, Malaysia and Indonesia accessed in ASEAN corporate governance scorecard assessment report by Asian Development Bank (2016a; Asian-Development-Bank, 2016b). It shows rank of average corporate governance score that covers area of rights of shareholders, equitable treatment of shareholders, role of stakeholders, disclosure and transparency, responsibilities of the board (ASEAN-Capital-Market-Forum, 2015). If firm includes in big 50 of the highest ASEAN corporate governance scorecard in its country, then it shows firm with the highest level of good corporate governance based on ASEAN evaluation standard. Score 1, if firm includes in big 50 of ASEAN corporate governance scorecard, 0 otherwise.

Control variables of firm level are foreign ownership, managerial ownership, institutional ownership, auditor reputation, independent board, leverage, firm size, and profitability. Ownership factors related to corporate governance area of "shareholders rights", auditor reputation related to corporate governance area of "disclosures and transparency", independent board related to corporate governance area of "responsibilities of the board". Jensen and Meckling (1976) suggest benefit of shareholders with large ownership have strong incentives to monitor manager, thus mitigates agency conflict, that helps to maximize firm value.

High auditor reputation leads to high auditor quality as well as high financial reporting quality (Blay *et al.*, 2011). The more independent member of the board, the more effective monitoring role leads to high firm value (Charitou *et al.*, 2016). Foreign managerial institutional ownership will be measured by proportion of shares owned by foreign management institution, which is the number of shares held by foreign management institution divided by the number of outstanding shares. Auditor reputation will be measured as a dummy variable, 1 if auditor affiliated with big four auditors (PricewaterhouseCooper, Deloitte, Erns&Young, KPMG), 0 otherwise. Independent board will be measured by the proportion of the number of independent commissioner board members divided by all independent commissioner members.

Consideration of leverage, size and profitability as control variables is a triangle relationship of capital structure, firm size and performance determining the firm's value (Muzir, 2011). Leverage is the use of debt in capital structure. Debt is a capital source that increases the risk associated with future earnings (Muzir, 2011), measured by debt to assets ratio (total of debt divided by total assets). Leverage has negative effect on firm value. Firm size has negative effect on firm value, because big firms have big political cost (Watts and Zimmerman, 1990). Firm size is measured by the value of logarithm of total assets. Profitability is firm ability to generate profit by its assets. Profitability has positive effect on firm value (Muzir, 2011). Profitability is measured with return on assets (net income after tax divided by total assets).

Control variable of stock exchange level of country is the score of ASEAN Corporate Governance Scorecard. It will control the big 50 of firms' ranking of ASEAN Corporate Governance Scorecard that has possibility of different score range within 50 firms in each country. Even open market and integration have been established between countries in ASEAN, there are still unilateral liberalization initiatives in each individual country (Yean and Das, 2015). Each stock exchange of these countries has optimal standards of corporate governance. It will be measured by average country score of ASEAN Corporate Governance Scorecard (Asian-Development-Bank, 2016a; Asian-Development-Bank, 2016b).

3.1 Research Analysis Model

This research will run country fixed-effect regression analysis as hypothesis test. Regression model is as followed:

$$\begin{aligned} \text{Tobin's } Q_{ijt} = & \alpha + \beta_1 \text{BIG50CG}_{ijt} + \beta_2 \text{FOR}_{ijt} + \beta_3 \text{INST}_{ijt} + \beta_4 \text{MAN}_{ijt} \\ & + \beta_5 \text{AUDITOR}_{ijt} + \beta_6 \text{BOARD}_{ijt} + \beta_7 \text{DAR}_{ijt} + \beta_8 \text{ROA}_{ijt} \\ & + \beta_9 \text{SIZE}_{ijt} + \beta_{10} \text{ASEANCG}_{jt} + \sum \text{country} \end{aligned}$$

Where *Tobin's* Q_{ijt} is the value of firm i in country j in period t , BIG50CG_{ijt} is 1 if firm i in country j is in Big 50 rank of ASEAN Corporate Governance Scorecard in period t and 0 otherwise, FOR_{ijt} is the foreign ownership of firm i in country j in period t , INST_{ijt} is the institutional ownership of firm i in country j in period t , MAN_{ijt} is the managerial ownership of firm i in country j in period t , AUDITOR_{ijt} is 1 if firm i in country j is audited by one of the big four auditors in period t and 0 otherwise, BOARD_{ijt} is the composition of independent board of firm i in country j in period t , DAR_{ijt} is the debt to assets ratio of firm i in country j in period t , ROA_{ijt} is the return on assets of firm i in country j in period t , SIZE_{ijt} is the size of firm i in country j in period t , ASEANCG_{jt} is the ASEAN Corporate Governance Scorecard in country j in period t , $\sum \text{country}$ is the country fixed-effect, a is constant, β_1 - β_{10} are coefficients.

4. Results

Descriptive statistics for the variables in the model are presented in Table 2. Based on Table 2, the average of manufacture firm value in five countries of ASEAN is 1.3047. The highest mean of firm value is in Philippine with 2.396, while the lowest is in Singapore which is 0.807. On average, corporate governance scorecard in five countries of ASEAN is 63.313. Indonesia has the lowest corporate governance scorecard with mean value 48.92, while Thailand has the highest corporate governance scorecard with mean value 71.525.

Table 2. Descriptive Statistics Based on Country

Country		Tobin's Q	FOR	INST	MAN	BOARD	DAR	ROA	SIZE	ASEANCG
Thailand	Mean	1.4426	0.1163	0.3494	0.1832	0.4013	0.4185	0.0347	9.8345	71.5250
	N	132								
	% of Total N	13.4%								
Singapore	Mean	0.8073	0.1261	0.3427	0.1661	0.4863	0.3669	0.2192	8.1559	63.6750
	N	234								
	% of Total N	23.8%								
Philippines	Mean	2.3968	0.2251	0.6088	0.0470	0.2366	0.3836	0.0263	9.8080	53.4450
	N	40								
	% of Total N	4.1%								
Malaysia	Mean	1.2324	0.1102	0.4436	0.1368	0.4685	0.3471	0.0279	8.4451	66.9900
	N	416								
	% of Total N	42.4%								
Indonesia	Mean	1.8333	0.3510	0.7164	0.0212	0.3928	0.4709	0.1221	12.4692	48.9200
	N	160								
	% of Total N	16.3%								
Total	Mean	1.3047	0.1587	0.4581	0.1276	0.4419	0.3831	0.0897	9.2741	63.3137
	N	982								
	% of Total N	100.0%								

Source: Own study.

Based on Table 3, the number of sample which includes firms in rank of big 50 of ASEAN corporate governance scorecard from 2012-2013 are 52, or 5.3 percent of the sample (sample size 982 forms). The size of sample not including firms in rank of big 50 of ASEAN corporate governance scorecard from 2012-2013 are 930, or 94.7 percent of all 982 firms. The average of firm value for non big 50 of ASEAN corporate governance scorecard is 1.183, while firm value for big 50 of ASEAN corporate governance scorecard is 3.473. Based on comparison tests, firm value for big 50 of ASEAN corporate governance scorecard is different significantly comparing to firm value for non big 50 of ASEAN corporate governance scorecard. Firm value for big 50 of ASEAN corporate governance scorecard is higher than non big 50 of ASEAN corporate governance scorecard.

Table 3. Descriptive Statistics Based on ASEAN Corporate Governance Scorecard

Firm's Rank	Tobin's Q [#]	FOR	INST	MAN	BOARD	DAR	ROA	SIZE	ASEANCG	
Non	Mean	1.1835	0.1562	0.4479	0.1329	0.4412	0.3780	0.0900	9.1723	63.3628
Big 50	N	930								
	% of Total N	94.7%								
Big 50	Mean	3.4732	0.2043	0.6399	0.0324	0.4554	0.4728	0.0840	11.0956	62.4365
	N	52								
	% of Total N	5.3%								
Total	Mean	1.3047	0.1587	0.4581	0.1276	0.4419	0.3831	0.0897	9.2741	63.3137
	N	982								
	% of Total N	100.0%								

Mann-Whitney U8,425*

Note: *Significant in 1 percent, [#]Tobin's Q is not distributed normally, so this research performs non-parametric test for comparison test of firm value between big 50 and non-big 50 firm of ASEAN corporate governance scorecard, which is Mann-Whitney U test.

Source: Own study.

4.1 Hypothesis Testing

Based on Table 4, firm rank of big 50 ASEAN corporate governance scorecard has coefficient value 2.287 (significant in 1 percent level). Analysis for each country shows similar result as well. Good corporate governance, seen by firm rank of big 50 ASEAN corporate governance, increases firm value in Thailand (significant in 10 percent), Singapore (significant in 10 percent), Philippines (significant in 5 percent), Malaysia (significant in 1 percent), and Indonesia (significant in 1 percent). ASEAN corporate governance scorecard has positive effect on firm's value.

Table 4. Main results

Variable	Coefficient					
	All	Thailand	Singapore	Philippines	Malaysia	Indonesia
Constant	3.966*	5.014*	0.483	39.687*	1.893	0.434
BIG50CG	2.287*	0.507***	0.512***	3.319**	4.401*	3.518*
FOR	0.229	-1.171**	0.007	0.912	1.095***	0.005
INST	0.798*	1.232*	0.029	3.168***	0.934***	-0.394
MAN	0.552	1.410*	0.219	9.680	-0.064	-0.050
AUDITOR	0.176	0.143	0.185**	-1.428	-0.232	0.939**
BOARD	0.210	-2.056**	0.127	-5.393	-0.336	3.770**
DAR	-0.028	0.116	0.320***	2.557	0.219	-0.340
ROA	0.015	0.548**	0.014	1.094	-0.272	0.100
SIZE	-0.308*	-0.358	-0.004	-3.994*	-0.131	-0.027
ASEANCG	0.005					
N	982	132	234	40	416	160
C Control	Yes	n/a	n/a	n/a	n/a	n/a
F-Statistics	9.026*	3.419*	1.674***	6.567*	8.764*	7.220*
Adj. R ²	0.103	0.143	0.025	0.562	0.144	0.260

Note: *Significant in 1 %, **Significant in 5 %, ***Significant in 10 %.

Source: Own calculations.

For the whole sample, institutional ownership has a positive effect on firm value (significant in 1 percent), while size has negative effect on firm value (significant in 1 percent). Foreign and managerial ownership, auditor reputation, independent board, debt to assets ratio and return on assets have no effect on firm value. For sub-sample, control variables show variant results in each country.

In order to ensure consistency in hypotheses test results, we can consider other scenarios if hypotheses test is run as other alternative tests. The research runs three alternative tests. First alternative is regression model with corporate governance as control variable. Second alternative is regression model with firm characteristics as control variable. Third alternative is regression model with market to book value as firm value measurement (Renders and Gaeremynck, 2012). Results of alternative tests are shown in Table 5.

Table 5. Alternative Tests

Variable	Coefficient				Notes
	Controlled by Corporate Governance and Firm Characteristics Factors	Controlled by Corporate Governance Factors	Controlled by Firm Characteristics	Controlled by Corporate Governance and Firm Characteristics Factors	
Constant	3.966*	1.150***	3.824*	4.894**	
BIG50CG	2.287*	1.982*	2.343*	5.327*	Consistent
FOR	0.229	0.277		1.234**	
INST	0.798*	0.674**		1.137**	
MAN	0.552	0.655		0.968**	
AUDITOR	0.176	0.072		0.478	
BOARD	0.210	0.245		1.243	
DAR	-0.028		-0.149	1.267**	
ROA	0.015		0.005	0.019	
SIZE	-0.308*		-0.212**	-0.570*	
ASEANCG	0.005	0.004	0.004	0.010	
Dependent Variable	Tobin's Q	Tobin's Q	Tobin's Q	Market to Book Value	
C Control	Yes	Yes	Yes	Yes	
F-Statistics	9.026*	10.495*	12.460*	11.962*	
Adj. R ²	0.103	0.096	0.095	0.135	

Note: *Significant in 1 %, **Significant in 5 %, ***Significant in 10 %

Source: Own study.

Based on Table 5, firm rank of big 50 ASEAN corporate governance scorecard has coefficient value 1.15 (significant in 10 percent) for regression model with corporate governance factors as control variables. Firm rank of big 50 ASEAN corporate governance scorecard has coefficient value 3.824 (significant in 1 percent) for regression model with firm characteristics as control variables. Firm rank of big 50 ASEAN corporate governance scorecard has coefficient value 4.894 (significant in 1

percent) for regression model with market to book value as dependent variable. It shows that results of alternative tests are consistent with main hypotheses tests.

4.2 Discussion

Based on data analysis, ASEAN corporate governance scorecard has a positive effect on firm value. It is consistent with previous researches such as Cremers and Ferrel (2014) and Gregory *et al.* (2016) that prove good corporate governance can increase firm's value. It shows that in ASEAN countries, good corporate is an important factor to reduce conflict of interest as well as to increase firm value.

Based on assessment of ASEAN corporate governance scorecard rights of shareholders, equitable treatment of shareholders, role of stakeholder, disclosures and transparency, responsibility of the board can mitigate conflict of interest and indicate optimal monitoring of firm management to increase firm value. Good corporate governance in area "rights of shareholder" shows that corporate governance mechanism could strengthen the role of shareholders to monitor management by ensuring rights of shareholders in involvement of important decision making. Good corporate governance in the area "equitable treatment of shareholders" shows that corporate governance mechanism can reduce the entrenchment effect as well as the abuse of power by controlling shareholders that can destroy minority shareholders' wealth.

Good corporate governance in area "role of stakeholders" shows that corporate governance mechanism can get competitive advantages by ensuring activities related to customer welfare, communities, creditors' rights, environmental sustainability, and employee safety, health, and welfare (Asian-Development-Bank, 2016a) to increase management performance. Good corporate governance in the area "disclosures and transparency" shows that corporate governance mechanism can reduce asymmetric information between management and external financial report by ensuring disclosure of board activities, risk management, financial performance, auditing activities, whistle blowing policy, related party transaction, language availability and firms' website (Asian-Development-Bank, 2016a). Good corporate governance in area "responsibilities of the board" shows that corporate governance mechanism can increase the role of board and its committee. As proxy of shareholders in management daily activities, board has an important role to make sure management acts in line with shareholders' interests.

5. Conclusion, Limitations and Avenues for Further Research

This research is aimed to examine the role of corporate governance on firm value in five ASEAN countries. ASEAN corporate governance scorecard has positive effect on firm value. Corporate governance as a function of shareholders' protection, monitoring improvement, and transparency, support firm value increasing. Good corporate governance in areas of rights of shareholders, equitable treatment of

shareholders, role of stakeholders, disclosure and transparency and responsibilities of the board can mitigate conflict of interest between management with shareholders, employees, customer and community and leads to better firm performance and firm value increasing.

The research has implication to management of firm, especially manufacture firm in ASEAN. Management could make firm policy about optimal corporate governance, so management could maximize shareholders' wealth by firm value increasing. This research has implication to stock investor as well. Investors, who have interest send their investment abroad especially in ASEAN, have to see the conditions of corporate governance of public-listed firms, so investors' wealth could be maximized.

The research is not considering the effect of each area of ASEAN corporate governance scorecard as corporate governance implementation to support foreign shareholders' role on firm value increasing, because of limitation access to data. Suggestions for future research are considered score of each area of ASEAN corporate governance scorecard to analyze firm value in ASEAN countries.

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