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Investor Protection, Corporate Governance, Firm Value: Research on the Companies in Asia

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Abstract

This study examines the effect of investor protection on the firm value, either directly or through the implementation of corporate governance as an intervening variable in 10 countries in Asia. Investor protection as independent variable was measured by the score of investor protection consisting of legal tradition, corporate law and enforcement, and securities law. Firm value as the dependent variable was measured with Tobin's q. The research hypotheses were tested using partial least square model. This study found that investor protection had no significant impact on firm value, but it did have a significant impact on corporate governance, which further had a significant impact on firm value; hence, investor protection had significant impact on firm value with the implementation of corporate governance as mediating variable.

Keywords: investor protection, corporate governance, firm value, corporate governance score

1. Introduction

Investment is a commitment to invest some funds at the current time with the aim of obtaining profits in the future (Tandelilin, 2010: 1). Before investing, investors will certainly choose a company that will provide benefits for it. One way to look at a company's performance is through its value. High corporate value is undoubtedly followed by high prosperity of shareholders. High corporate values in addition to reflecting good company performance at that time can also reflect future prospects.

Management of the company also relates to corporate value. A company will get higher value when they deal with better corporate governance, ensuring the higher value of the company. This is in accordance with corporate governance definition according to the National Committee on Governance Policy that corporate governance is one of the pillars of the market economy system because corporate governance is closely related to the trust companies apply to it as well as the business climate of a country.

Muryati and Suardhika (2014) examined the influence of corporate governance on corporate values with internal mechanisms (managerial ownership, independent board of commissioners, boards of directors, independent audit committees, and external institutional ownership mechanisms) in banking companies listed on BEI in 2009–2012 and found that corporate governance had an effect on corporate value. Siallagan and Machfoedz (2006) examined the relationship between corporate governance and the quality of the firm's earnings and values. The results of the study found that corporate governance affects the quality of earnings, the quality of profit affects firm values, and corporate governance affects firm value.

The legal approach of La Porta et al. (2002) in 27 countries with a prosperous economy found that the better the investor protection impacted, the better the company's value. La Porta et al. (2000) have proven that, in some countries, expropriation by managers and controlling shareholders of minority shareholders and creditors is enormous. They also state that the law and the quality of its implementation are important determinants of what rights the securities holders hold and how well those rights are protected. According to Klapper and Love (2004), the legal environment relating to the protection of investors in a country will affect the application of corporate governance at the corporate level.

Klapper and Love (2004) examined investor protection relationships against corporate governance and market valuation. The results of this study found that the better the corporate governance, the better the market valuation. Corporate governance is important for companies in countries with weak investor protection. Corporate governance is seen to compensate for weak investor protection. Wardhani (2009) examined the effect of investor protection on the implementation of corporate governance in Asian countries. The results of this study found that investor protection has a positive effect on the implementation of corporate governance.

Previous studies have examined the effect of investor protection on corporate governance and the influence of corporate governance on corporate value. However, these studies have not considered the implementation of corporate governance, which may be additional in the protection of investors as intervening variables in estimating the effect of investor protection on firm value. Previous researches underlie the researcher's examination of the influence between investor protection, corporate governance implementation, and firm value on companies listed in Asian stock exchanges in the range of 2010–2012.

The results of this study are expected to academically increase the knowledge and understanding of the relationship of investor protection, corporate governance implementation, and corporate values as well as provide a reference and basis for conducting further research. As for practice, it can be used as input and consideration of management in decision-making relevant to the company.

2. Literature Reviews

2.1. Agency theory

Agency theory is defined as one in which one or more people (investors) involve others (agents) to perform some services on their behalf, one of which includes delegating authority over decision-making to agents (Jensen and Meckling, 1976). The problem here is that financiers and agents can choose different actions because of differences in risk preferences (Eisenhardt, 1989).

2.2. Signaling theory

Brigham and Houston (2006) argue that signaling theory is a behavior of corporate management in giving direction to investors related to management views on the prospects of the company for the future. Ross (1977) stated that the company signals for the market to gain insight about the quality of the company.

2.3. Investor protection

Investor protection can be defined as degree to which law and its enforcement protect investors from insiders' expropriation. La Porta et al. (1996) explain how investor protection is done through the mechanisms of a legal tradition, law and enforcement, and securities law. La Porta et al. (1996) classified this according to legal origin, divided into two major groups: common law and civil law. A country with legal origin common law protects its investors better for minority shareholders compared to countries with legal origin civil law (La Porta et al., 1996).

2.4. Corporate governance

Blair (1995 cited in Fransisca, 2005) defines corporate governance as the whole of the legal, cultural, and institutional arrangements that govern: (i) what a public company can do; (ii) who has the right to control the company; (iii) how controls are performed; and (iv) how the risks and returns on the shares of the activities undertaken by the enterprise are allocated. The Forum for Corporate Governance Indonesia (FCGI) says there are several benefits of corporate governance: companies are easier to raise capital, lower capital costs, improve business and economic performance, and give effect to stock prices.

2.5. Firm value

The value of the firm is the price that would be paid by the prospective buyer if the company is sold (Husnan and Pudjiastuti, 2004). If stock prices are high, firm value will also be high; and vice versa (Fakhruddin and Hadianto, 2001). The value of the company can provide maximum prosperity if the stock price increases (Nurlela and Islahuddin, 2008).

2.6. Hypothesis development

2.6.1. The effect of investor protection on firm value

La Porta et al. (2002) discovered evidence that better legal protection of investors will increase firm value. When the law better protects stockholders' rights, outside investors are willing to pay more for financial assets, such as equity and debt. Based on La Porta's research, this study constructed the first hypothesis as follows.

H_1: Investor protection has an effect on firm value.

2.6.2. The effect of investor protection on corporate governance implementation

The Klapper dan Love (2004) empirical test proved that better corporate governance is highly correlated with better operating performance, and market valuation. Countries with weak legal environment have lower firm-level governance and performance. This second premise of this study is based on Klapper and Love's (2004) arguments.

H_2: Investor Protection has an effect on Corporate Governance Implementation.

2.6.3. The effect of implementation of corporate governance on firm value

Agency relationship is a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf, which involves delegating some decision-making authority to the agent. If both parties to the relationship are utility maximizers, there is good reason to believe that the agent will not always act in the best interests of the principal; there will be some divergence between the agent's decisions and those decisions which would maximize the welfare of the principal (Jensen and Meckling, 1976). Corporate governance principles implementation has been believed as having an important role to reduce agency conflict. Good corporate governance performance will increase value added for all parties and value of the firm as well.

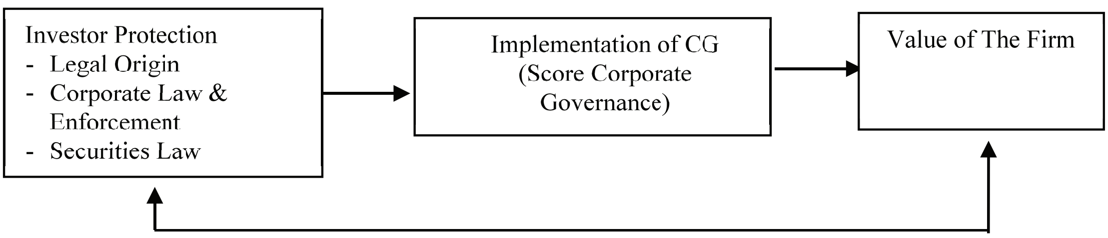
H3: Implementation of Corporate *Governance* affects Value of The Firm.

2.6.4. The effect of investor protection on the value of the firm nilai perusahaan regarding corporate governance implementation as an intervening variable

Klapper dan Love (2004) found that better corporate governance is highly correlated with better operating performance and market valuation. Their research suggests that firms can partially compensate for ineffective laws and enforcement by establishing good corporate governance and providing credible investor protection. The next hypothesis is developed from Klapper and Love's study.

H4: *Investor Protection* has an effect on Firm Value regarding implementation of *Corporate Governance* as an intervening variable.

2.7. Research framework



3. Research Methods

The dependent variable used in this study is firm value calculated using Tobin's Q Ratio. The independent variables in this study are Investor Protection measured by the value of protection for investors consisting of legal tradition as measured by dummy variable, corporate law, and enforcement measured by the anti-director rights index and securities law, and there are intervening variables of Corporate Governance consisting of CG rules and practices, enforcement, political and regulatory environments, accounting, auditing, and CG cultures.

This study used Credit Lyonnais Securities Asia (CLSA) data in collaboration with the Asian Corporate Governance Association (ACGA), and CLSA Corporate Governance Watch 2010 and 2012. Investor Protection calculations consist of legal tradition measured with dummy, corporate law and enforcement variables where corporate law is measured by an anti-director rights index that has values ranging from 0 to 6, with the following criteria (La Porta et al., 1997): (1) The ability to vote by mail; (2) The ability to gain control of shares during investors' meetings; (3) The possibility of cumulative voting for directors; (4) The ease of calling an extraordinary investors meeting; (5) The availability of mechanisms allowing minority investors to make legal claims against the directors; (6) The presence of shareholders' preemptive rights that can be waived only by a shareholders' vote.

Countries with anti-director value, an index score of more than or equal to 3, have good investor protection, and vice versa, while enforcement variables are measured with values ranging from 0 to 10 with four aspects (La Porta et al., 1998): (1) Efficiency of the judicial system; (2) Rule of law; (3) Corruption; (4) Risk of expropriation.

The state is considered to have a good investor protection if the average enforcement value is ≥ 5, and vice versa. The variable securities law is measured by three aspects (La Porta et al., 2006), namely: disclosure requirements; litigation standard, and public enforcement. The state is considered to have a good investor protection if the average value of securities law is greater than or equal to 5, and vice versa.

The types of data sources used are secondary data consisting of financial reports and annual reports listed on the Stock Exchange of ten countries in Asia during 2010 to 2012, namely Hong Kong, India, Indonesia, Japan, Korea, Malaysia, Philippines, Singapore, Taiwan and Thailand. Other data are in the form of investor protection data quoted from La Porta et al. (1997, 1998, 2006) consisting of legal tradition, corporate law and enforcement, securities law and country corporate governance score data taken from Credit Lyonnais Securities Asia (CLSA) CG Watch 2010 and 2012.

The model used in this research is the causality model or the relationship of influence between research variables with the technique of causality analysis of Structural Equation Model (SEM) based on component or variance or better known as the Partial Least Square (PLS) model. Outer model measurement is used with 0.5 factor loading value on each indicator in the research, while inner model measurement to test the relationship between variables in research used R-Square value (R2) and relationships between variables in the system built in the study are calculated using predictive-relevance (Q2) values (Yamin and Kurniawan, 2011: 124).

The hypothesis test design in this study is presented based on the purpose of the study *t*-test hypothesis. In this research, there is an intervening variable, implementation of corporate governance. Testing of mediation hypothesis can be done by a procedure developed by Sobel (1982) and known as the Sobel test (Sobel test). Sobel test is done by testing the indirect effect of independent variable (X) to the dependent variable (Y) through the intervening variable (Z).

4. Result and Discussion

4.1. Subject general description and research object

The research objects are listed companies on the Stock Exchange in ten Asian countries, namely Hong Kong, India, Indonesia, Japan, Korea, Malaysia, Philippines, Singapore, Taiwan and Thailand. The population used is a company included in the top quartile (score of highest corporate governance) contained in CLSA Corporate Governance Watch 2010 and 2012, and meeting the criteria specified in the purposive sampling. Of the 126 companies included in the top quartile of CLSA CG Watch 2010, except for banking companies, there are 77 companies that meet the criteria determined with the requirements of the presentation of the financial statements and the annual report is completely presented.

4.2. Descriptive statistic

Based on Table 1, legal tradition (LEGAL) has the lowest value of 0 and the highest value of 1, with the average legal tradition owned by all sample countries of 0.50 with a standard deviation of 0.513. This shows the distribution of legal tradition data has a level of variation of 100.26%, which means the data tend to be heterogeneous (relatively different). While on corporate law (LAW), average enforcement (ENFOR),

Table 1: Descriptive statistic.

	N	Minimum	Maximum	Mean	Std. Deviation
LEGAL	20	0	1	0.50	0.513
LAW	20	2	5	3.80	1.281
ENFOR	20	4	9	6.73	1.693
SECURE	20	5	9	7.03	1.247
RULES	20	35	68	49.40	10.034
ENFO	20	15	68	42.25	14.917
POLIT	20	33	73	54.70	11.712
IGAAP	20	62	88	74.95	7.215
CULTUR	20	25	54	42.65	9.762
TOBINS	20	1.00	3.67	1.6275	0.70397
Valid N (listwise)	20				
Source: Processed Data, 2015.					

average securities law (SECURE), rules and practices (RULES), enforcement (ENFO), political and regulatory environment (POLIT), accounting and auditing (IGAAP), CG culture (CULTUR), and on the proxy value of the company (TOBINS) distribution of data tends to be homogeneous (relatively similar).

4.3. Model analysis and hypothesis verification

This research uses Structural Equation Model (SEM) with Partial Least Square (PLS) analysis model to test the hypothesis used. There are steps to the test to examine the relationship between investor protection variables, corporate governance implementation and firm value.

4.4. Outer mode measurement estimation

The initial structural model used in this study can be seen in Figure 1.

Based on the result of outer loading factor shown in Figure 2, it can use the outer loading factor value table for the first iteration. Table 2 describes the reflective value of the indicator for each variable. It is shown in Table 2 that all proxies have an outer loading factor greater than 0.5. It can be concluded that all proxies are eligible to be an indicator that can reflect on each of the corresponding variables. The results in Table 2 can also conclude that the first iteration is the final iteration to determine the proxy used as a reflective indicator of each variable.

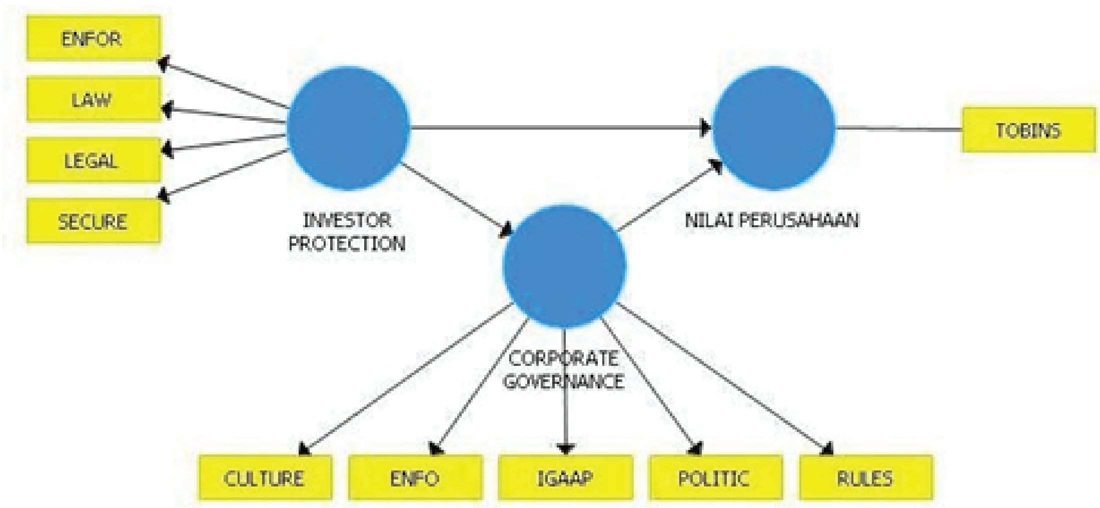


Figure 1: Initial Structural Model. Source: Processed Data, 2015.

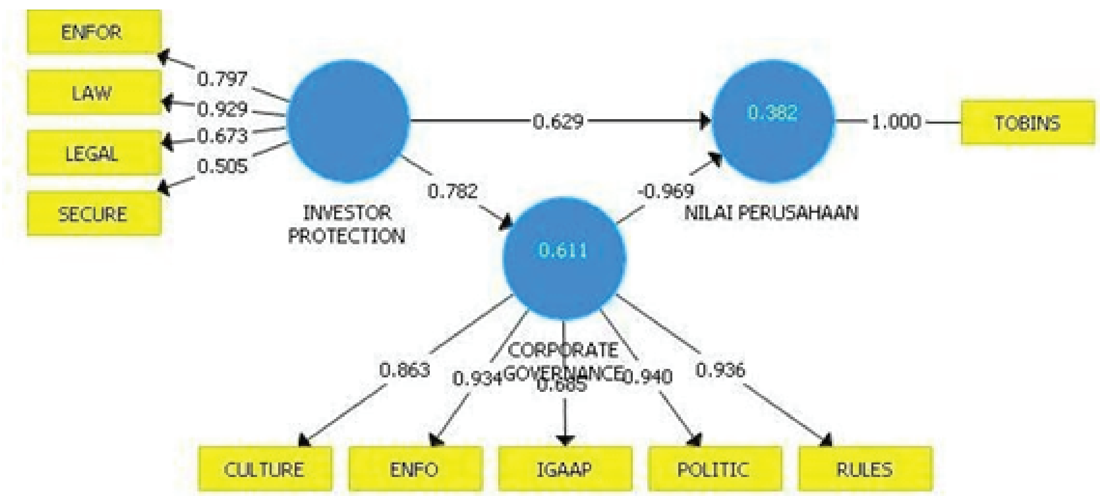


Figure 2: Outer Loading Factor Result. Source: Processed Data, 2015.

4.5. Inner model measurement estimation

Table 3 presents that corporate governance implementation variables have R-Square (R2) value of 0.589 and R-Square (R2) company value of 0.309. It means that corporate governance implementation variables can be explained by 58.9% by investor protection variables, and corporate value variables can be explained by 30.9% by investor protection variables and corporate governance implementation.

To see the overall relationship of variables in the system built on this research, the predictive-relevance calculations (Q2) are as follows.

Q2 = 1 – (1 – R2 ICORPORATE GOVERNANCE IMPLEMENTATION) (1 – R2 FIRM VALUE)

Q2 = 1 – (1 – 0.589) (1 – 0.309)

Q2 = 1 – (0.411) (0.691)

Table 2: Estimated Value of Outer Loading Factor Iteration 1.

VARIABLE	INDICATOR	OUTER LOADING VALUE	RESULTS
INVESTOR PROTECTION	ENFOR	0.797	SIGNIFICANT
	LAW	0.929	SIGNIFICANT
	LEGAL	0.673	SIGNIFICANT
	SECURE	0.505	SIGNIFICANT
CORPORATE GOVERNANCE IMPLEMENTATION	CULTUR	0.863	SIGNIFICANT
	ENFO	0.934	SIGNIFICANT
	IGAAP	0.685	SIGNIFICANT
	POLIT	0.940	SIGNIFICANT
	RULES	0.936	SIGNIFICANT
FIRM VALUE	TOBINS	1	SIGNIFICANT
Source: Processed Data, 2015.			

Table 3: R-Square (R2) Value.

ENDOGENOUS VARIABLE	R-Square Value
CORPORATE GOVERNANCE IMPLEMENTATION	0.589
FIRM VALUE	0.309
Source: Processed Data, 2015.	

Q2 = 1 – 0.284001

Q2 = 0.715999

Based on the calculation of predictive-relevance (Q2), the predictive-relevance (Q2) value is 0.715999. This shows that the built model can explain the corporate value phenomena of 71.59%, while the rest is explained by other variables that are not involved in this study.

4.6. Investor protection influence toward firm value

Based on the results in Table 4, it can be concluded that investor protection does not affect the value of the company. This can be seen based on *p*-value greater than 0.1 (0.158 < 0.1). As presented, the value of the estimated original regression coefficient (original sample) that is equal to 0.629, it can be concluded that investor protection is positively related to firm value. The positive value of the regression coefficient indicates a unidirectional relationship between investor protection and firm value, where if investor protection increases once, then the value of the company will increase by 0.629 times.

Table 4: *T*-test result of investor protection influence toward firm value.

RELATION BETWEEN VARIABLES	Original Sample (O)	Standard Error (STERR)	*T*-Statistics (|O/STERR|)	*P*- Values
INVESTOR PROTECTION → FIRM VALUE	0.629	0.445	1.414	0.158
Source: Processed Data, 2015.				

Based on the *p*-value and regression coefficients to see the effect of investor protection against firm value, it can be concluded that investor protection does not affect the value of the company. This shows that hypothesis 1 which states that investor protection has an effect on the company's value is not proven.

4.7. Investor protection influence toward the corporate governance implementation

Based on the results in Table 5, it can be concluded that investor protection has an effect on the implementation of corporate governance. This can be seen based on *p*-value smaller than 0.01 (0.000 < 0.01). Based on the value of the estimated original regression coefficient (original sample) that is equal to 0.782, it can be concluded that investor protection has a positive effect on the implementation of corporate governance. The positive value of the regression coefficient shows the one-way relationship between investor protection and the implementation of corporate governance, where, if investor protection increases once, then the implementation of corporate governance will increase by 0.782 times.

Table 5: *T*-test result of investor protection influence toward corporate governance implementation.

RELATION BETWEEN VARIABLES	Original Sample (O)	Standard Error (STERR)	*T*-Statistics (|O/STERR|)	*P*-Values
INVESTOR PROTECTION → CORPORATE GOVERNANCE IMPLEMENTATION GOVERNANCE	0.782	0.114	6.835	0.000
Source: Processed Data, 2015.				

Based on the value of *p*-value and regression coefficients to see the effect of investor protection on the implementation of corporate governance, it can be concluded that investor protection has a positive effect on the implementation of corporate governance. This supports hypothesis 2, which states that investor protection has a significant effect on the implementation of corporate governance.

4.8. Corporate governance implementation influence to firm value

Based on the results in Table 6, it can be concluded that the implementation of corporate governance affects the value of the company. This can be seen based on *p*-value smaller than 0.01 (0.003 < 0.01). Based on the value of the estimated original regression coefficient (original sample) is –0.969, it can be concluded that the implementation of corporate governance negatively affects the value of the company. The negative sign of the regression coefficient shows the opposite relationship between corporate governance implementation and firm value, where, if the implementation of corporate governance increases once, then the value of the company will decrease by 0.969 times.

Table 6: *T*-test result of the corporate governance implementation influence toward firm value.

RELATION BETWEEN VARIABLES	Original Sample (O)	Standard Error (STERR)	*T*-Statistics (|O/STERR|)	*P*-Values
CORPORATE GOVERNANCE IMPLEMENTATION → FIRM VALUE	−0.969	0.322	53.009	0.003
Source: Processed Data, 2015.				

Based on the *p*-value and regression coefficients, it can be concluded that the implementation of corporate governance negatively affects the value of the company. This supports hypothesis 3, which states that investor protection has a significant effect on the implementation of corporate governance.

Investor Protection Influence toward Firm Value with Corporate Governance Implementation as the Intervening Variable

Based on the results in Table 7, it can be concluded that the implementation of corporate governance is a variable that can mediate the influence of investor protection against corporate value. This can be seen based on *p*-value results that are smaller than 0.05 (0.015 < 0.05).

Table 7: Sobel test result.

RELATION BETWEEN VARIABLES	Original Sample (O)	Standard Error (STERR)	*T*-Statistics (|O/STERR|)	*P*- values
INVESTOR PROTECTION → CORPORATE GOVERNANCE IMPLEMENTATION → FIRM VALUE	−0.757	0.311	2.434	0.015
Source: Processed Data, 2015.				

Based on the estimated value of the regression coefficient (original sample) resulting from each relationship, the estimation of regression coefficient of corporate governance implementation as a mediating variable is -0.757. It can be concluded that the implementation of corporate governance has a negative effect in mediating the influence of investor protection on company value. The negative sign of the regression coefficient shows a contradictory relationship between corporate governance implementation and firm value, where, if the implementation of corporate governance increases once and investor protection remains, then the value of the company will decrease by 0.757 times.

Based on the value of Sobel Test and regression coefficients, it can be concluded that the implementation of corporate governance has an effect on mediating the influence of investor protection against firm value. This indicates that hypothesis 4, which states that investor protection against corporate value with the implementation of corporate governance, is not proven.

5. Discussion

5.1. Investor protection influence toward firm value

Hypothesis 1 (H1) states that investor protection has an effect on firm value. The result of the research shows that investor protection does not have an effect on firm value and proved significant. Corporate value is not affected by investor protection as measured by legal tradition (LEGAL), enforcement (ENFOR), corporate law (LAW), and securities law (SECURE). The results of this research prove that investor protection, which is information about the power of law in a country that protects investors in the country, does not affect the value of the company. Investors pay more attention to information about the return on their investment than information about the protection of their rights as investors. The belief is that the state has guaranteed their rights as investors.

5.2. Investor protection influence toward corporate governance implementation

Hypothesis 2 (H2) states that investor protection affects the implementation of corporate governance. The result of the research shows that investor protection influences the implementation of corporate governance and proves significant.

The results of this study prove that the implementation of corporate governance is a reflection of investor protection in a country and whether or not the implementation of corporate governance can be seen from the score of corporate governance owned by the nation. This study proves that there are five measures of corporate governance implementation that reflect how corporate governance is run to support corporate governance: CG rules and practices, enforcement, political and regulatory environments, accounting and auditing, and CG culture. Companies will base on investor protection of the nation in the making of CG rules and practices because the CG rules and practices will certainly adapt to the legal basis protecting investors in the nation. Enforcement in corporate governance is also influenced by investor protection. Poor investor protection indicates that the enforcement of corporate governance is also not very strong, and vice versa. Political and regulatory environment reflects the preparation of corporate governance governed by the state and the process is top-down. Because the state plays a role in this, the strength of investor protection influences the political and regulatory environment. Investor protection is also done by the state through the establishment of institutions that have the authority to set standards; such institutions should be able to establish an accounting standard that can provide protection to investors. How companies, investors, intermediaries, non-profit organizations and media seek to improve corporate governance can be seen from the nation's CG culture. The parties in doing business to improve CG culture will certainly pay attention to how investors are protected in a nation. Therefore, investor protection also affects CG culture.

The better value of state investor protection as measured through the average enforcement and corporate law will result in the company better implementing corporate governance. Companies with good investor protection in a nation will also certainly have a higher standard in corporate governance. Companies with good investor protection in a nation will be easier to implement corporate governance. This is because companies can adopt provisions that are similar to the law in that nation.

The results of this study are in line with research conducted by Klapper and Love (2004) who found the influence of investor protection against corporate governance ranking. Wardhani (2009) also found that investor protection influences the corporate governance index.

This research, in accordance with the research of Klapper and Love (2004) and Wardhani (2009), reinforces the assertion that protecting investors influences the implementation of corporate governance. The better investor protection the nation makes, the better standard of corporate governance and its implementation. If the law on investor protection is not good, it will be difficult to improve the corporate legal environment, which can impact on the difficulty of maximizing corporate governance.

5.3. Corporate governance implementation influence toward firm value

Hypothesis 3 (H3) states that the implementation of corporate governance affects the value of the company. The result shows that the implementation of corporate governance affects the value of the company and is proved significant. The result of this research proves that the value of the company is a reflection of corporate governance implementation. Company value is measured by looking at the ratio of the market value of the company's assets to the value of the replacement of the company's assets. This ratio is considered to provide good information because it can explain the phenomenon in corporate activities. Companies with high value show that the company has a good growth prospect. CG rules and practices affect the value of the company because, if the rules and practices of corporate governance are done well, the company will be managed excellently as well. This will affect the value of the company. Enforcement in corporate governance is very important. Sometimes companies have corporate governance rules, but they are not implemented maximally because companies do so only to comply with regulations. This is certainly not in line with the initial goal of corporate governance. Good enforcement will prevent the occurrence of things like this. Strong enforcement will lead the implementation of corporate governance to be maximized and will impact on rising corporate value. A good political and regulatory environment will support the implementation of corporate governance as corporate governance is influenced by how the country's laws and regulations are governed. A good legal environment will strengthen corporate governance. The existence of standards governing companies that must use International Financial Reporting Standards (IFRS) and International Standards on Auditing (ISA) makes accounting and auditing play a role in shaping company value. Companies that meet these standards well will earn the trust of higher investors, which will affect the value of the company. A good CG culture will get the company to implement corporate governance optimally and continue to improve corporate governance as well. In countries with high corporate governance scores, firms should adopt good corporate governance as well. In countries with low corporate governance scores, firms will maximize the company's management so that companies can still demonstrate to investors that the company has good prospects.

The results of this study are in line with Klapper and Love's (2004) research that found that corporate governance has an influence on firm value. Siallagan and Machfoedz (2006) also found that corporate governance mechanisms influence firm value.

This research, in line with Klapper and Love (2004) and Siallagan and Machfoedz (2006), reinforces the assertion that the implementation of corporate governance affects firm value. Implementation of corporate governance is one form of corporate compliance to the rules, but, if the implementation of corporate governance is done properly and to the maximum, it can better affect the value of the company.

Investor Protection Influence toward Firm Value with Corporate Governance Implementation as the Intervening Variable

Hypothesis 4 (H4) states that investor protection influences corporate value with the implementation of corporate governance as the intervening variable. The result shows the investor protection influence of corporate value with the implementation of corporate governance as the mediating variable, but it is not strong enough to become an intervening variable. This is because there is no direct influence between investor protections against corporate value.

Investor protection does not affect the value of the company. Investors, while investing, do not pay attention to the protection of investors' rights as they are convinced that their rights are protected by the state. Implementation of corporate governance is a reflection of corporate management. Companies in countries with low corporate governance scores will seek to improve corporate governance at the enterprise level. This is so that investors still believe that they will get a good return from the company. If the company has good corporate governance, it will be shown by a high corporate value. This is in accordance with the results of research by Klapper and Love (2004) and Siallagan and Machfoedz (2006).

This research proves that investor protection is not a matter of concern by investors when investing in a country. However, investor protection affects the implementation of corporate governance in a country. The implementation of corporate governance attracts investors, because it also affects how the company is managed. Companies, if managed properly, will increase investor confidence, which means the company will find it easier in getting funding, so the impact can be seen from the good company value.

6. Conclusion

Based on the results of testing and analysis, it shows that investor protection does not affect the value of the company and proved significant. Investors pay more attention to information about returns on their investments than information about protecting their rights as investors. Investors are convinced that the state has guaranteed their rights as investors. On the other hand, the result of the analysis shows that investor protection influences the implementation of corporate governance and proves significant.

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