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The Effect of Corporate Governance on Corporate Value: The Role of Enterprise Risk Management

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ABSTRAK

Guna mengetahui pengaruh *corporate governance* terhadap *corporate value* kemudian memoderasi hubungan tersebut dengan *enterprise risk management* (ERM) menjadi poin yang dituju melalui penelitian ini. Penelitian ini dilaksanakan dengan melakukan pengumpulan data dari 87 perusahaan sebagai sampel. Data yang diolah berasal dari data sekunder berbentuk laporan tahunan serta laporan keuangan pada tahun 2016-2020 dari setiap sampel perusahaan. Pengujian regresi data panel difasilitasi dengan pemanfaatan program E-Views 12. Hasil penelitian menunjukkan adanya pengaruh signifikan positif *audit commitee* terhadap *corporate value*, *independent commisioner* yang memiliki pengaruh signifikan negatif, dan yang lain tidak memiliki pengaruh terhadap *corporate value*. Serta dapat dimoderasinya hubungan di antara *audit committee* dan *corporate value* serta *managerial ownership* dan *corporate value* dengan ERM.

Kata kunci: Tata kelola perusahaan, nilai perusahaan, ERM.

ABSTRACT

In order to know the impact of corporate governance on the corporate value, then moderating all relationship by enterprise risk management (ERM) is the aim of this study. This study gathered data from annual reports and financial statements in periods 2016-2020 of 87 companies as the sample and used panel regression as the analysis method. The results showed audit committee have a significant positive effect on corporate value, while an independent commissioner had a significant negative effect. This study also shows no significant effect on the corporate value of managerial ownership, institutional ownership, board size, and board director. However, ERM moderated the relationship between the corporate value and audit committee and between managerial ownership and corporate value.

Keyword: Corporate governance, corporate value, ERM.

INTRODUCTION

A newly formed company causes competition between companies to increase every year. It underlines the company's efforts to increase value through its competitive advantage to be better than its competitors. The maximization of corporate value can affect shareholders' wealth, so they have to become more maximum (Manurung et al., 2019). However, to achieve high corporate value, which is required to applicate good corporate governance (GCG) implementation. If a company performs the GCG well, certainly it will make an investor assured to having an investment because the good images have formed from the company so that corporate value will increase too. In an increasingly competitive competition, companies that implement better GCG will be able to survive in the face of it.

In the use of corporate values that are more maximum, it is not uncommon for uncertainty to arise in a business, which is also known as risk. Risk can arise from many things; one of the risks comes from other factors out of the company's control (Sibarani & Lusmeida, 2021). Risk management is required to identify risks so the possibility of undesirable events can be reduced (Steinberg, 2011:13). Enterprise risk management (ERM) is risk management which have correlations to GCG and also able to give a holistic point of view to the process of company's risk management (Candy, 2021). ERM, which was first introduced by the Committee of Sponsoring Organizations (COSO) in 2004, can be a monitor or control mechanism in reducing problems related to GCG and assisting companies in

understanding more about risks and mitigating, assessing, and efficiently managing risks (COSO, 2004).

The manufacturing sector is the leading sector with an enormous contribution of 20.79% to Gross Domestic Product (GDP) of Indonesia in 2020 (Badan Pusat Statistik, 2020). Although the manufacturing sector in Indonesia is expected to grow significantly in 2020, not a single Indonesian company from the manufacturing sector has succeeded in being ranked as the company with the highest GCG score in 2020 based on the assessment CLSA (2020). GCG's implementation for manufacturing companies in Indonesia needs to be reviewed in conjunction with stakeholders working even more challenging to achieve a better and ideal implementation. The role of government is also vital to maintain and pay attention to the manufacturing sector. Likewise, in terms of risk disclosure, companies included in the manufacturing sector must be prioritized because they are closely related to investment in these companies. Investors tend not make an investment in risky companies, stock prices impacted by decreased due to investors' decline influence in stock purchases against these companies (Sun et al., 2016). Stock prices and corporate value go hand in hand. The increase in stock prices will show increased corporate value and vice versa (Iswajuni et al., 2018).

To find out the effect of CCG on the corporate value, then moderating the connection with ERM is the purpose of this research. The importance of this research is to prove the signaling theory, GCG mechanisms, ERM disclosure, and the theories related to GCG, like agency theory and stewardship theory. Through this research, it is expected that every company can increase the understanding of CCG and ERM, which can affect corporate value. Besides that, this study is expected to contribute to regulators with considering organizing the ERM regulation to reduce any asymmetric information. Therefore, determining and calculating the risk and the benefit of investing in a company is better for the investors.

Signaling theory refers to information about the company's past and future, which is company conveyed to the investors. The information can be utilized to evaluate whether the performance of the company is up to the task of surviving to face the competition. Before deciding to invest in a company, an investor needs complete information, accurate, comprehensive, and reliable information to use as material for analysis and consideration for making a decision (Jogiyanto, 2015:392).

The theory of agency defines the difference perceptions among the principal who becomes the company owner and the agent who becomes company management. As a result, the agency problem arises from agents who are more concerned with their personality than with the company's goals, even those that may conflict with or counteract the main goals of the company (Suhadak et al., 2019). The importance of voluntary disclosure as a way to monitor whether the company is running transparently or not (El-Diftar et al., 2017). Voluntary disclosure can be in the form of ERM disclosure, a procedure in the GCG framework that can monitor or control the mechanism in aligning the principals' agent connection to reduce agency problems (Maruhun et al., 2018).

As one of the theories from GCG, stewardship theory explains the loyalty of the managers in gaining high company performance. Gaining that will undoubtedly maximize the shareholder's profits and maintain the company's reputation (Limijaya et al., 2021). Subramanian (2018) emphasizes that a manager's stewardship can result in exemplary GCG practices when company values are in line with prevailing values, creating value for the shareholders. In analyzing its effect, several GCG mechanisms are used which are considered to affect corporate value, such as audit committee, ownership structure composed of institutional ownership, managerial ownership, independent commissioner, the board size and board of director.

A company entity should implement GCG, which has an audit committee in the company (Indriastuti & Kartika, 2021). Research by Manu et al. (2019) obtained the results of a significant positive influence given by the audit committee on corporate value. With also supported by the research of Masitha and Djuminah (2019), which found that improvement in the implementation of GCG and corporate value go hand in hand. If there is an increase in one of them, then the other will also increase. It is known that the ability to moderate the impact of audit committee to corporate value with the existence of ERM due to the task of the audit committee is to control financial performance and assess whether the manager's report is functionally optimal or not. So it will make managers report risk management in the company's financial statements correctly and adequately (Burhanuddin et al., 2020; Sibarani and Lusmeida, 2021). Hence, the formulation of hypothesis as follows:

H_{1a}: Among the audit committee and corporate value have a significant positive relationship.

H_{1b}: The relationship between audit committee and corporate value moderated by enterprise risk management.

Suhadak et al. (2019) stated that the higher managerial ownership, the more control they have over the company's operation so that the performance and corporate value are also affected. From the explanation, it can be concluded that managerial ownership positively influences corporate value. Anita and Yulianto (2016) also found the same result. The implementation of ERM disclosure makes the risk strategy even better because it prioritizes the company's primary goal, which is higher corporate value. In addition, the incompatibility of interests among agents and principals can be reduced (Burhanuddin et al., 2020; Rasmini, 2019). Hence, the formulation of hypothesis as follows:

H_{2a}: Among managerial ownership and corporate value have a significant positive relationship.

H_{2b}: The relationship between managerial ownership and corporate value moderated by enterprise risk management.

Arifin (2017) states that the independent commissioner has influenced corporate value in negative relationship significantly. Because the appointment of an independent commissioner is only for legal purposes, not based on GCG implementation, it impacts ineffectiveness in supervision, which results in the company's performance decrease that can be represented in the financial statements. Likewise, the corporate value will decrease too. The same result was also found by Farida et al. (2019) and Indriawati et al. (2017). Burhanuddin et al. (2020) have a research that stated between the independent commissioner and corporate value there is a significant positive relationship after being moderated by ERM. It happens because the independent commissioner runs optimally, thus encouraging the implementation of GCG. Hence, the formulation of hypothesis as follows:

H_{3a}: Among the independent commissioner and corporate value there is a significant negative relationship.

H_{3b}: The relationship between the independent commissioner and corporate value moderated by enterprise risk management.

Handayani (2017) revealed that institutional ownership could significantly positively affect corporate value. If the value of institutional ownership is higher, it will reduce agency conflict because there will be more control over a company, impacting corporate value. Suhadak et al. (2019) also found a same result. Institutional ownership is part of GCG, which shows a positive influence given by institutional ownership to ERM. Institutional ownership can be a monitor in realizing good ERM by reducing the level of conflict in the company increasing the trust and confidence of investors to invest their capital in the company

(Hidayah et al., 2021) to enlarge the company's value. Hence, the formulation of hypothesis as follows:

H_{4a}: Among the institutional ownership and corporate value there is a significant positive relationship.

H_{4b}: The relationship between institutional ownership and corporate value is moderated by enterprise risk management.

The research of Ahulu and MacCarthy (2020) revealed between board size and corporate value have a significant positive relationship. This relationship aligned with the theory of agency and GCG guidelines that separate which CEO position from the chairman of the board position will be impacted the performance of realizing maximum corporate value. The more the number of boards, the higher the level of supervision to achieve more the value of the company. This statement which also supported by Husaini and Saiful (2017) and Mishra and Kapil (2018). As a part of GCG, board size positively influences ERM (Maruhun et al., 2018). So the board size is an important determinant of ERM implementation. Good ERM implementation will make the company aware of the risks that may occur and how to resolve them so it will not affect corporate value. Therefore, the formulation of hypothesis as follows:

H_{5a}: Among board size and corporate value is significant positive relationship.

H_{5b}: The relationship between board size and corporate value is moderated by enterprise risk management.

The results of the research (Indriastuti and Kartika, 2021; Ahulu and MacCarthy, 2020; Phuong and Hung, 2020; Masitha and Djuminah, 2019) explain the significant positive relationship of the board of directors on corporate value, this is because in the company there will always have a conflict between the directors and shareholders. Thus, the board of directors was formed as a mechanism to monitor the activities of the company's directors. The board of directors is one part of GCG, as stated in the research by Hidayah et al. (2021), which found a positive relationship between the board of directors and ERM. Align with theory of agency that the existing board of directors can supervise managers under the board's direction so managers' opportunistic behavior can be minimized, including risk management information to reduce information asymmetry. Moreover, the ERM existence can be considered in creating company management judgement to maintain the stability of the company's sustainability in the future. Hence, the formulation of hypothesis as follows:

H_{6a}: Among board of director and corporate value there is a significant positive relationship.

H_{6b}: The relationship between board of director and corporate value moderated by enterprise risk management.

RESEARCH METHODS

The listed companies on Indonesia Stock Exchange (IDX)/Bursa Efek Indonesia (BFE) are the population, whereas the company manufacturers are the sample. To collect the data using purposive sampling, with some criteria to be met. 1) Is a manufacturing company; 2) Has complete annual report data for the 2016-2020 period; and 3) reports its financial statements in Rupiah. It was discovered that 87 companies successfully met the previously mentioned criteria.

A quantitative approach was used as the design of this research to obtain answers through theory testing using the measurement of research variables (Creswell & Creswell, 2018:206). In this study, the data sources was used secondary data, namely annual reports and financial reports for 2016-2020 from each sample company published on the IDX website (www.idx.co.id) and the company's official website.

This research is a hypothesis test that aims to recognize the significance of the nature of the correlation between variables by putting these variables to the test (Cooper & Schindler, 2014:428). The GCG hypothesis on corporate value will be tested in this study, and enterprise risk management variables will be used to moderate the relationship. A study model is developed to demonstrate an influence, such as a positive, negative, or no significant, as shown in Figure 1, with measurements listed in Table 1 below:

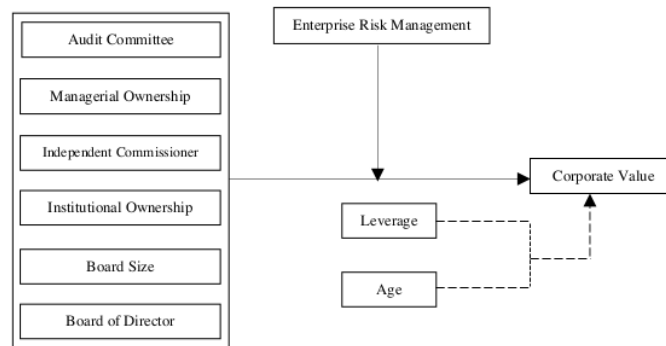


Figure 1. Research Model

Table 1. Variable Measurement

No.	Variable Type	Variable Name	Measurement	Source
1.	Dependent	Corporate Value	$\frac{\text{Market Value of Equity} + \text{Total Debt}}{\text{Total Asset}}$	Manu et al. (2019)
2.	Independent	Audit Committee	Number of Audit Members in the Company	Handayani (2017)
		Managerial Ownership	$\frac{\Sigma \text{Shares owned by directors \& commissioner}}{\Sigma \text{Shares outstanding}}$	Rahmadiani & Asandimitra (2017)
		Independent Commissioner	$\frac{\Sigma \text{Independent Commissioner}}{\Sigma \text{Commissioner}}$	Arifin (2017)
		Institutional Ownership	$\frac{\Sigma \text{Shares owned by institutions}}{\Sigma \text{Shares outstanding}}$	Manurung et al. (2019)
		Board Size	$\frac{\Sigma \text{Director and Commissioner in the Company}}{\Sigma \text{Director in the Company}}$	Ahulu & MacCarthy (2020)
		Board of Director	$\frac{\Sigma \text{Disclosed items of ERM}}{108}$	Phuong & Hung (2020)
3.	Moderation	ERM	$\frac{\Sigma \text{Disclosed items of ERM}}{108}$	Husaini & Saiful (2017)
4.	Control	Leverage	$\frac{\text{Total Amount of Debt}}{\text{Total Equity}}$	Rahmadiani & Asandimitra (2017)
		Age	Research Year – First Listing Year	Wahyudin & Solikhah (2017)

Source: Data processed (2022)

In order to get more accurate research results, a program that is able to perform calculations on the data analysis of the research model is needed. Therefore, this research will be assisted by the E-Views 12 program. The data collected will be analyzed using the panel data regression method to reveal the linear relationship formed among the independent and dependent variables (Zulfikar, 2018). The following is the panel regression model in this study:

$$CV = a + \beta_1 AC + \beta_2 MO + \beta_3 IC + \beta_4 IO + \beta_5 BSIZE + \beta_6 BOD + \beta_7 LEV + \beta_8 AGE + \beta_9 M1 + \beta_{10} M2 + \beta_{11} M3 + \beta_{12} M4 + \beta_{13} M5 + \beta_{14} M6 + e \dots \dots \dots (1)$$

Dimana:

CV	=	Corporate Value	AGE	=	Age
a	=	Constanta	M1	=	AC * ERM
β_{1-13}	=	Coefficient	M2	=	MO * ERM
AC	=	Audit Committee	M3	=	IC * ERM
MO	=	Managerial Ownership	M4	=	IO * ERM
IC	=	Independent Commissioner	M5	=	BSIZE * ERM
IO	=	Institutional Ownership	M6	=	BOD * ERM
BSIZE	=	Board Size	e	=	Standart Error
BOD	=	Board of Director			
LEV	=	Leverage			

RESULT AND DISCUSSION

Through Table 2 give a information about the sample using the purposive sampling method as a guide in obtaining it.

Table 2. Sample Selection

Description	Number of Observations
Companies listed on the Stock Exchange	774 companies
Companies that are not engaged in manufacturing	(593 companies)
Companies engaged in manufacturing	181 companies
Companies that do not meet the criteria	(94 companies)
Companies that meet the criteria and become as research sample	87 companies
Number of sample for 5 years	435 samples
Number of outlier	(45 samples)
Number of sample after outlier	390 samples

Source: Data processed (2022)

Thus, 87 companies meet the criteria, so the total sample is 435 data for five years. Due to the extreme data, an outlier test is needed, which refers to a Z-score less than -3 or more than 3 using SPSS version 26 so that the remaining data is 390 data that can be used in the next test.

Table 3. Descriptive Statistical Test Result

Variable	Minimum	Maximum	Mean	Std. Deviation
Corporate Value	0.3099	269.0054	3.9768	18.2644
Audit Committee	0.0000	5.0000	3.0298	0.5138
Managerial Ownership	0.0000	0.8732	0.0641	0.1615
Independent Commissioner	0.0000	1.0000	0.3835	0.1284
Institutional Ownership	0.0000	0.9971	0.6346	0.2633
Board Size	3.0000	23.0000	9.3448	3.8336
Board of Director	2.0000	16.000	5.1471	2.4118
ERM	0.1296	0.6574	0.3559	0.0809
Leverage	-10.1881	162.1920	1.4809	8.0101
Age	2.0000	39.0000	21.3793	8.6619

Source: Data processed (2022)

Refer to Table 3 shows the corporate value with a minimum value of 0.3099 and a maximum value of 269.0054. Between the two values, there is a mean value of 3.9768. Because of the maximum corporate value, the shareholders can be affected by their wealth to the maximum. In addition, the standard deviation value is shown to be 18.2644, and the resulting value exceeds the mean value. It indicates a reasonably significant deviation in the data on the corporate value to the mean value.

The maximum number of audit committees from the research sample is five people. Meanwhile, some companies do not have an audit committee at all. Judging from the mean value, the sample company has an audit committee of 3.0298. Variation audit committee among sample companies is not too high. It can be proven that the resulting standard deviation has a value smaller than the mean value ($0.5138 < 3.0298$). Refer to official letter that issued by BEJ with reference no. SE-008/BEJ/12-2001 which informs the composition of audit committee must consist of three people, the chairman is included. And the results of descriptive statistics for the audit committee variable show that there are still companies that do not comply with the official letter that issued by BEJ.

From 87 companies during 2016-2020, managerial ownership of manufacturing companies in Indonesia aren't sufficiently spread out. The results of descriptive statistics on managerial ownership show that there are still managements that do not have ownership in the form of shares in their companies. The highest value of this variable is 0.8732, which means that the management owns 87.32% of the shares in the company. The mean value of 0.0641 describes the average percentage of managerial ownership of 6.41%. Then the value of standard deviation is 0.1615, which describes the relatively more significant deviation of the data.

Independent commissioner has a minimum and maximum value of 0.0000 and 1.0000. The mean value of 0.3835 indicates that the average independent commissioner for the five years is 38.35%, which has complied with OJK No. 33/POJK.04/2014 states that a public company must have at least two people as commissioners, and 30% consists of independent commissioners. The standard deviation value of 0.1284 means the data of independent commissioner is less varied because it is smaller than the mean value.

Institutional ownership has the lowest value, namely 0.000 and 0.9971 as the highest value. The mean value shown is 0.6346, indicating that from all shareholders, the level of ownership from outside parties such as institutions or other companies is 63.46% which can make supervision even better. In addition, the standard deviation value is shown to be 0.2633, and the resulting value is not more than the mean value. It indicates a low deviation in the institutional ownership on the mean value.

Board size show that three people as the minimum value, 23 people as the maximum value, and the average is 9.3448. These results indicate that all objects of research have complied with the regulations of UU RI No. 40 Tahun 2007, which provides information that a company should have a board size of at least two people. In addition, the deviation of the board size is relatively small because it is smaller than the mean value ($3.8336 < 9.3448$).

The board of directors shows that the minimum value is two people, the maximum value is 16 people, and the average is 5.1471. In addition, the deviation of the board of directors is relatively small because it is smaller than the mean value ($2.4118 < 5.1471$). The following variable is the moderating variable in enterprise risk management (ERM) which has a 0.1296 as minimum and 0.6574 as a maximum value. The higher the value, the more strategies the company uses to manage and evaluate every risk that occurs in the company. The mean value of 0.3559 proves that the object in this study does not apply ERM. In addition, the standard deviation value is shown to be 0.0809, and the resulting value is not more than the mean value. It indicates a low deviation in the ERM variable data to the mean value.

Furthermore, the control variable is leverage which is proxied by DER. The analysis shows that the lowest DER value is -10.1881, and the highest DER value is 162.1920. A DER ratio value that exceeds 1 or 100% indicates that the fundamental condition of the company is not running well. The average leverage is 1.4809 or 148.09%. It indicates that many objects have poor fundamental conditions because their debts are more significant than

their assets. In addition, the deviation of the leverage is relatively large because it is greater than the mean value ($8.0101 < 1.4809$).

The last variable, namely age, shows how long the company can maintain its existence in business competition. The minimum age of the object is two years and the maximum age indicated is 39 years. Judging from the mean value is shown at 21.3793 years, which means the average age of the object can maintain its existence in business competition for 19-20 years. In addition, the deviation of the age is classified as less varied because it is smaller than the mean value ($8.6619 < 21.3793$).⁸

In the panel regression test, there will be three models, namely the common effect model (CEM), fixed effect model (FEM), and random effect model (REM). It takes some testing first so that the model used later is the best and by the conditions of the research data of the researcher as a whole. Each of these tests is described as follows:

Chow Test can be useful in selecting the best model between CEM and FEM. Refer to Table 4, which indicates that the best model is FEM with probability. Cross-section F and Cross Section Chi-Square are 0.000, smaller than α ($\alpha = 0.05$). Thus, the test will continue with the Hausman Test.

Table 4. Chow Test Result

Effects Test	Statistic	d.f.	Prob.
Cross-section F	11.380576	(80,301)	0.0000
Cross Section Chi-Square	543.059321	80	0.0000

Source: Data processed (2022)

Hausman test can be useful in choosing the best model between FEM and REM. Refer to Table 5, which indicates that the best model is REM with probability. Cross-section random is 0.3005 which is greater than α ($\alpha = 0.05$). Thus, the test will continue with the lagrange multiplier test.

Table 5. Hausman Test Result

Test Summary	Chi-Sq Statistic	Chi-Sq d.f.	Prob.
Cross-section random	9.518136	8	0.3005

Source: Data processed (2022)

The lagrange multiplier test it can be useful in choosing the best model between FEM and CEM. Refer to Table 6, which indicates that the best model is REM with probability. Breusch-Pagan value is 0.0000, which is less than α ($\alpha = 0.05$). Thus, REM is the best model for this research from these three tests.

Table 6. Lagrange Multiplier Test Result

	Cross Section	Time	Both
Breusch-Pagan	357.1095 (0.0000)	0.227857 (0.6331)	357.3374 (0.0000)

Source: Data processed (2022)

Based on the results of the F-test in Table 7, it indicates that there is an effect of the independent variable on the dependent variable simultaneously. The F-test results' probability value (F-Statistic) does not exceed 0.05.

Table 7. F-Test Result – Random Effect Model

Weighted Statistics	Sig.	Result
Prob (F-Statistic)	0.006781	Significant

Source: Data processed (2022)

The hypothesis test consists of a T-test and a test of the effect of moderating variables. By using the hypothesis test can show a significant effect of the independent

variable on the dependent and also the effect of the moderating variable. Through Table 8 and Table 9, the results of hypothesis testing on REM can be shown.

Table 8. T-Test Result

Variable	Coefficient	Prob.	Result	Hypothesis
Contant	0.616205	0.8119	-	-
Audit Committee	3.938609	0.0043	Significant Positive	Accepted
Managerial Ownership	-28.69496	0.0662	Insignificant	Rejected
Independent Commissioner	-12.02192	0.0410	Significant Negative	Accepted
Institutional Ownership	-0.506312	0.9152	Insignificant	Rejected
Board Size	-0.468880	0.5570	Insignificant	Rejected
Board of Director	0.044213	0.9716	Insignificant	Rejected
Leverage	-0.090275	0.1751	Insignificant	Rejected
Age	-0.009222	0.7984	Insignificant	Rejected

Source: Data processed (2022)

Table 9. Result of Moderating Effect

Variable	Coefficient	Prob.	Result	Hypothesis
M1	-9.436867	0.0071	Moderate	Accepted
M2	97.71434	0.0403	Moderate	Accepted
M3	24.26403	0.1501	Not Moderating	Rejected
M4	5.362996	0.6638	Not Moderating	Rejected
M5	1.947284	0.3273	Not Moderating	Rejected
M6	-1.152591	0.7111	Not Moderating	Rejected

Source: Data processed (2022)

From the results of the hypothesis test, the panel regression equation in this research can be formed as follows:

$$CV = 0.616205 + 3.938609AC - 28.69496MO - 12.02192IC - 0.506312IO - 0.468880BSIZE + 0.044213BOD - 0.090275LEV - 0.009222AGE - 9.436867M1 + 97.71434M2 + 24.26403M3 + 5.362996M4 + 1.947284M5 - 1.152591M6 + e \dots \dots \dots (2)$$

The 0.0043 as probability value and 3.938609 as the coefficient value of the audit committee state a significant positive influence to corporate value given by audit committee because the probability value is not greater than 0.05. It can be done through internal control to produce a high-quality financial report for a company because an audit committee can analyze the credibility of a financial report which investors usually use as a source in terms of assessing the feasibility of a company before investing in the company. It will also positively affect the corporate value. Thus, H_{1a} is accepted, and this result is in sync with the research proposed by Indriastuti and Kartika (2021), Manu et al. (2019), Masitha and Djuminah (2019), Samasta et al. (2018), Chairunesia and Sulistiyani (2019). With the existence of ERM that is able to moderate audit committee with corporate value. The disclosure of the company's risk management can positively signal investors regarding the quality of the resulting financial reports, which is the responsibility of the audit committee. Thus, it can encourage the growth of corporate value. H_{1b} accepted, and the same results were also found in the research by Burhanuddin et al. (2020) and Sibarani and Lusmeida (2021).

With the data obtained from the test results can indicate that the managerial ownership is not significant to corporate value. Therefore, H_{2a} is rejected, and these results are in sync with the research that has been proposed by (Rahmadiani & Asandimitra, 2017; Hertina et al. 2021; Ilmi et al. 2017; Ratnasari et al. 2018; Trisnawati et al. 2020; Chairunesia & Sulistiyani, 2019; Farida et al. 2019). In terms of moderation, among managerial ownership and corporate value can be moderated by ERM. It is proven the probability value obtained has a value less than 0.05. Through managerial ownership, the incompatibility of

interests among agents and principals can be reduced. The implementation of ERM disclosure makes the risk strategy even better because it prioritizes the company's primary goal, namely corporate value (Burhanuddin et al. 2020; Rasmini, 2019; Trisnawati et al. 2020). Thus, H_{2b} is accepted.

Independent commissioner has a significant negative effect because the probability value is not more than 0.05, and the coefficient value is negative. It is appointing an independent commissioner only for legal purposes, not based on the implementation of GCG. It impacts ineffectiveness in supervision, which results in the company's performance decrease that can be represented in the financial statements. Likewise, the corporate value will decrease too. Thus, H_{3a} is accepted, and these results are in sync with the research that has been proposed by (Arifin, 2017; Farida et al. 2019; Indriawati et al. 2017). In terms of being moderated by the ERM variable, the test results show that among independent commissioner and corporate value can't be moderated by ERM. Because when a risk is faced by a company, risk management is needed which will be delegated directly to related parties under the company's board such as the risk committee or audit committee and other supporting committees according to regulation that issued by OJK with reference no. 17/POJK.03/2014. Therefore, H_{3b} is rejected, and these results are in sync with the research that has been proposed by (Sibarani & Lusmeida, 2021; Rivandi, 2018; Sari, 2013; Agista et al. 2017).

Table 8 indicate that institutional ownership is not significant to corporate value because the probability value is more than 0.05. Because when a potential investor invests in the company, the potential investor does not see who the institutional investor is. However, it will look at company management and corporate value. Thus, H_{4a} is rejected, and these results are in sync with the research that has been proposed by (Rahmadiani & Asandimitra, 2017; Chairunesia & Sulistiyani, 2019; Manurung et al. 2019; Puspaningiri, 2021; Samasta et al. 2018; Farida et al. 2019; Hertina et al. 2021). In terms of moderation, among institutional ownership and corporate value can't be moderated by ERM. Institutional ownership in the composition of shares does not affect the implementation of ERM in a company because, in ERM disclosure, supervision remains to the management. Therefore, H_{4b} is rejected, and the same result was also found by Jamaluddin et al. (2020).

Board size is not significant to corporate value because the probability value is 0.5570. Because the salary paid to the directors will increase the company's cost, decision-making takes longer if there are more boards in the company and the issue of agency conflict is not being effectively examined in front of many councils. Thus, H_{5a} is rejected, and this result is in sync with the research proposed by (Asante-Darko et al. 2018; Nguyen et al. 2016; Oktari et al. 2018; Bhat et al. 2018). In terms of being moderated by ERM variable, the test results show that among board size and corporate value can't be moderated by ERM. So H_{5b} is rejected because the board size that exceeds seven people will usually result in communication problems, and coordination among the boards usually becomes more ineffective. So when a company has many investment opportunities, the board size with many members does not necessarily reduce the company's ability to choose projects that have the potential to pose a risk to the company. Although more projects are likely to be disapproved, there will still be risky projects that pass the board selection process. Therefore, the company must be able to implement good investments that will ultimately contribute to higher corporate value. Thus, H_{5b} is rejected, and the same result was also found by (Akbar et al. 2017; Allini et al. 2016; Tao & Hutchinson, 2013; Makoto & Pascal, 2012).

The board of directors has probability values and coefficient values of 0.9716 and 0.044213. These results indicate that the board of directors is not significant to corporate value because the probability value is more than 0.05. Thus, H_{6a} is rejected, and this result is

in sync with the research proposed by (Samasta et al. 2018; Arora & Sharma, 2016; Kritika & Choudhary, 2015; Alfaraih et al. 2012). In terms of moderation, among board of directors and corporate value can't be moderated by ERM. Therefore, H_{6b} is rejected. It is necessary to review the board of directors' involvement in implementing ERM. Therefore, board of directors must be active in ensuring the successful implementation of ERM through monitoring activities. The same result was also found by Kanu (2020), and Selamat and Ibrahim (2018).

With the adjusted R-Square in Table 10, which shows a value of 4.216%, the independent variable is able to explain the dependent variable. The rest is explained by other variables not tested in this study. Examples are foreign ownership, female board, BOD meeting frequency, gender board, firm size, and auditors' reputation.

Table 10. Coefficient of Determination Test Result

Dependent Variable	R-squared	Adjusted R-squared
Corporate Value	0.076633	0.042160

Source: Data processed (2022)

This study supports signaling theory because an investor needs information about a company's risk profile, which is a place where investors invest their capital. The wider the risk disclosure, the better information for investors (Rasmini, 2019). Because it can implement good risk management to minimize problems that will threaten the company to maintain its business continuity, according to Moudud-Ul-Huq et al. (2020) and (Shan, 2019), shows that among managerial ownership and theory of agency is not closely related. From the agency theory point of view, the incompatibility of interests among agents and principals is caused by management failing to optimize the owner's welfare. By implementing ERM disclosures, the company's risks that may become a failure can be minimized. Thus, agency theory is supported in this study.

Research of Shan (2019), Kyere and Ausloos (2021), Taufik and Chua (2016), Makhoul et al. (2017) revealed that the board of directors supporting stewardship theory must have a composition of directors that is greater than independent directors in a significant proportion. For decision-making to be effective and efficient, directors better understand business performance. The change in regulation No I-A states that issuers do not need to have an independent director since it was implemented on December 27, 2018. Because this research covers the research year from 2016 to 2020, the first three years, there is still a composition of independent directors on the board of directors. Therefore, this study does not support stewardship theory.

CONCLUSION

This study aims to analyze the manufacturing sector seen in the influence of GCG on corporate value and then moderate the relationship. The GCG mechanism includes six variables: audit committee, managerial ownership, institutional ownership, board size, independent commissioner, and board of directors. Moreover, the conclusions obtained from the explanation of the discussion show a significant positive effect of the audit committee on corporate value, the independent commissioner has a significant negative effect, and the others do not affect corporate value. Furthermore, in terms of moderating relationships, ERM can moderate the relationship between the audit committee and corporate value and managerial ownership and corporate value. Several limitations were found in carrying out this research, such as the relatively short research time from 2016-2020 and the low adjusted R-Square value. In further research, there are several recommendations, such as expanding the period and the companies that will be used in further research. The data obtained can be

studied more and show more significant results. Then further research can consider another good corporate governance mechanism that may affect corporate value. There are more sources for more in-depth research and samples from other countries, so it is not limited to samples from Indonesia.

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