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The Influence of Good Corporate Governance on Firm Value before and during COVID-19 in Indonesia

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ABSTRACT: This study investigates the impact of independent commissioners, audit committees, institutional ownership, and managerial ownership on the firm value of Indonesian manufacturing companies, both before and during the COVID-19 pandemic. Employing a quantitative research design and associative research approach, our findings reveal a positive relationship between independent commissioners and firm value, supporting existing literature on the role of independent commissioners in enhancing corporate governance. Conversely, the analysis indicates a negative influence of audit committees on firm value, emphasizing the need for a balanced approach to their formation to avoid undue restrictions on managerial autonomy. The examination of institutional and managerial ownership's effects on firm value yields inconclusive results, suggesting the need for further exploration. Additionally, our study evaluates the impact of the COVID-19 pandemic on firm value using a dummy variable and a t-test, revealing no significant change in values during the pandemic. The focus on the Indonesian manufacturing sector provides valuable context, suggesting potential sector-specific resilience to pandemic challenges. Overall, this research contributes nuanced insights into corporate governance dynamics and their resilience in the face of unprecedented global events.

KEYWORD: Audit Committees, Corporate Governance, Covid-19, Firm Value, Independent Commissioners, Institutional Ownership, Managerial Ownership.

1. INTRODUCTION

Running a business in today's volatile environment is fraught with challenges and uncertainties about the future. The global economic crisis of 2008-2009 had far-reaching implications worldwide, including in Indonesia. During this crisis, the Indonesian currency's exchange rate experienced a significant decline, leading to economic instability (Mahiri et al., 2023).

The primary objective of any company is to benefit its owners and shareholders. Increasing stock prices directly impact shareholders' well-being, and a higher stock price signifies a higher company value (Badruddien et al., 2017). A positive company value not only leads to profits but also satisfies the interests of the company's stakeholders. This concept aligns with the agency theory, which emphasizes that shareholders entrust their capital to company management, and their wealth is largely tied to the company's stock price. Therefore, enhancing shareholder value is a central objective of corporate governance (Jensen & Meckling, 2019).

Investors, when deciding which shares to purchase, often begin by evaluating a company's value. The company's value is intricately connected to its stock price: when the company's value is high, the stock price tends to be high as well, and vice versa (Fiadicha & Hanny, 2016). Shareholders entrust their authority to professionals who understand the company's operations with the aim of maximizing the company's value. However, this delegation can give rise to conflicts of interest, which can be mitigated through the implementation of good corporate governance. Shareholders firmly believe that proper GCG implementation can have a positive impact on the company's value (Widyasari, 2015).

Effective corporate governance often referred to as good corporate governance (GCG), plays a pivotal role in managing risks associated with events like exchange rate fluctuations. Beyond risk management, GCG also contributes to a company's financial standards and overall value (Rahmadani & Rahayu, 2017). It encompasses relationships among management, shareholders, the board of directors, and stakeholders, shaping how a company operates and performs.

Independent commissioners are the cornerstone of corporate governance, offering an external perspective to a firm's board of directors. They are tasked with safeguarding shareholder interests, promoting transparency, and ensuring accountability within the organization (Jaswadi, 2013). Their role in enhancing firm value has been extensively studied, with research showing their positive impact on financial performance (Purbawangsa et.al, 2020).

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The level of ownership held by a firm's managers plays a pivotal role in shaping their decision-making processes. Greater managerial ownership can foster alignment between managerial and shareholder interests, potentially influencing firm value (Jensen & Meckling, 2019). Recent studies have underscored the positive correlation between managerial ownership and firm value (Benson & Davidson, 2009).

Institutional investors, such as mutual funds and pension funds, wield substantial influence in corporate governance. Their presence often leads to enhanced monitoring and governance practices, which can have a significant impact on firm performance (Masry, 2016; Klein, 2002). Research indicates that higher levels of institutional ownership are associated with improved firm performance and valuation (Ali et al., 2007). Audit committees play a pivotal role in ensuring the accuracy and reliability of financial reporting. An effective audit committee bolsters the credibility of financial statements, which can have downstream effects on firm value (Agyemang-Mintah & Schadewitz, 2018). Studies have consistently highlighted the importance of robust audit committees in maintaining financial transparency and firm value (Klein, 2002).

The COVID-19 crisis, which emerged in late 2019, has disrupted economies worldwide, making the role of corporate governance mechanisms increasingly crucial. Research by Johnson and Duberstein (2020) reveals that the pandemic exacerbated existing vulnerabilities in corporate governance structures. Firms with weaker governance systems faced greater difficulties in adapting to the challenges posed by the pandemic. Indonesia, as a major Southeast Asian economy, is no exception. It is home to a diverse array of firms across various sectors, each facing unique challenges during the pandemic. The pandemic has had a profound impact on stock market fluctuations, underscoring the crucial role of effective corporate governance in maintaining stability in stock prices and company value (Liu et al., 2023). As companies face increased competition, there is a growing need to enhance their financial performance to raise their value. A higher company value is indicative of superior performance, which is especially important in turbulent times (Rahmadani & Rahayu, 2017).

In our research, we focused on manufacturing companies in Indonesia, crucial for the country's economy across various sectors like automotive, electronics, textiles, and food processing. Despite their significant contributions to employment, exports, and economic growth, these companies encountered unique challenges during the COVID-19 pandemic. Understanding the importance of robust corporate governance was paramount, as it directly impacted stock prices in the market (Katadata.co.id). Our choice to study manufacturing aligns with the resource-based view (RBV) theory, emphasizing a firm's internal resources and governance structure as key determinants of competitive advantage and value creation (Barney, 1991). By examining corporate governance within this sector, our aim was to highlight how industries can leverage governance mechanisms to bolster their competitive edge and long-term

Our research aims to address complex business issues by investigating the following questions regarding manufacturing companies in Indonesia: (1) what is the effect of independent commissioners on firm value, (2) what is the effect of managerial ownership on firm value, (3) what is the effect of institutional ownership on firm value, (4) what is the effect of audit committee effectiveness on firm value, and (5) and what is the influence of Covid-19 on firm value. Based on the above question we aim to investigate the influence of independent commissioners, managerial ownership, institutional ownership, and audit committee effectiveness on firm value. Additionally, we will examine the impact of Covid-19 on these companies' value.

2. LITERATURE REVIEW

2.1 Theory Review

2.1.1 Agency Theory

Agency theory, as elucidated by Tijjani & Bello (2019), lies at the core of corporate governance, illuminating the dynamic relationship between a company and its owners. This theory gains prominence in contractual settings where conflicts may emerge between insiders and outsiders. Michael and William (2019) expand on this, defining agency theory as a contractual arrangement wherein a principal engages an agent to execute tasks, shaping decision-making in line with their interests. Jenkins et al. (2017) delve into the behavioral patterns of decision-makers, emphasizing the alignment of decisions with their interests. Brunninge et al. (2007) highlight the modern trend of separating management and ownership, echoing agency theory's emphasis on entrusting organizational authority to professional agents. This trend resonates with the concept of agency conflicts, as noted by panda and leepsa (2017), which pose governance challenges and ethical considerations. Michael and William (2019) propose increasing insider ownership to mitigate agency conflicts, while Maher and Andersson (2000) underscore shareholders' delegation of management

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responsibilities to maximize returns. Ultimately, agency theory shapes governance dynamics, emphasizing the delicate balance between owners and managers' interests..

2.1.2 Good Corporate Governance

Good corporate governance (GCG) functions as a structured system aimed at regulating and controlling companies to achieve their objectives while maintaining balance and accountability. It oversees relationships among shareholders, managers, and stakeholders to mitigate conflicts and address issues early on (Syofyan et al., 2015). According to the Cadbury Committee, GCG directs and controls companies to balance authority and accountability, safeguarding stakeholders' interests and preventing conflicts (Peizhi & Ramzan, 2020). By adhering to best practices, GCG assures shareholders of effective management, fostering confidence in investments and protecting stakeholders from misconduct (Peizhi & Ramzan, 2020). It emerges from interactions among shareholders, managers, and stakeholders, with rule-based and principled approaches enhancing competitiveness and ensuring effective conflict management when properly implemented (Arslan & Alqatan, 2020). Overall, GCG is essential for companies, regulating various aspects and promoting effective management and competitiveness.

2.1.3 Independent Commissioner

According to Rahmawati and Handayani (2017), independent commissioners, originating from outside the company, play a pivotal role in ensuring good corporate governance (GCG) by serving as a link between shareholders and company management. Their supervisory duties include monitoring management, evaluating performance, and aligning strategies with shareholder interests to enhance company value. Permatasari et al. (2009) assert that the board of commissioners, including independent commissioners, safeguards the company's interests against all parties, not just shareholders, by overseeing policies and mediating internal disputes. Hindasah and Akmalia (2023) highlight the board of commissioners' pivotal role in internal management, policy oversight, and conflict resolution. Rizqia et al. (2021) outline the duties of independent commissioners, emphasizing the promotion of GCG implementation, risk management, compliance, and transparency in financial reporting and transactions to ensure accountability and fairness to stakeholders. Overall, independent commissioners play a crucial role in upholding GCG principles and enhancing company value by fostering transparency, accountability, and compliance with regulations.

2.1.4 Managerial Ownership

Managerial ownership, as described by Wardhani et al. (2019), denotes the proportion of shareholders who hold decision-making authority within the company, such as directors, managers, and commissioners. This ownership structure is anticipated to mitigate conflicts and incentivize prudent decision-making, as managers bear the consequences of their actions. Conversely, institutional ownership, as defined by Chung and Zhang (2011) and Wardhani et al. (2019), refers to shares held by non-bank financial entities or institutions, which serve as external monitors overseeing company operations. Higher institutional ownership levels correlate with increased external control, aiding in mitigating agency conflicts and enhancing managerial accountability, according to research by Tijjani and Bello (2019). Overall, both managerial and institutional ownership play crucial roles in governing companies and influencing managerial behavior to optimize company performance and value.

2.1.6 Audit Committee

The audit committee, as highlighted by Peizhi and Ramzan (2020), serves as a critical mechanism within organizations, overseeing both internal and external auditors to monitor financial processes and reports, thus safeguarding shareholder interests and reducing the risk of financial fraud. Pangaribuan et al. (2019) emphasize its role in supporting the board of commissioners by ensuring the effectiveness of internal control systems and facilitating communication with external auditors. Biegelman and Bartow (2012) stress the importance of the audit committee's principles in optimizing oversight functions to prevent information discrepancies and uphold transparency and accountability, crucial for good corporate governance. According to Abbott et al. (2004), the committee should consist of at least three members, including an independent chairman and external individuals with financial expertise. DeZoort (1997) reaffirms that the audit committee, established by the board of commissioners, is responsible for assisting in oversight duties to prevent adverse effects resulting from information discrepancies.

2.1.7 Company Value

Firm value represents the perception of investors and the public towards a company. Company value is often closely linked to stock prices. Why is this case? Because a company's value is essentially a reflection of its image, and it can be said that a good company possesses a positive image, which in turn signifies good corporate value. Every company has a value that varies depending on its assets. The greater the assets owned by a company, the higher its value. As noted by Arslan & Alqatan (2020), a company's value encompasses its internal strengths and institutions that monitor corporate behaviour. A high company value reflects the well-

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being of shareholders and serves as a crucial indicator for investors when making decisions about investing in the company. Company value can be assessed through metrics such as the price-to-book value ratio, which helps investors determine whether stock prices are cheap or expensive and whether stocks are on an upward or downward trend. A higher ratio indicates a more expensive stock price, while a lower ratio indicates a cheaper stock price, implying that a higher ratio corresponds to a higher company value.

According to Rappaport, (1983) the value of shares is determined by stock market participants based on the performance delivered by the company. In general, this is reflected in the company's overall value or its stock price, which is influenced by supply and demand dynamics in the stock market, shaped by market participants. Ryan and Buchholtz, (2001) emphasize that financial performance is a fundamental aspect that can significantly impact a company's value. Shareholders often assess a company's financial condition to gauge its value. This assessment is done through the analysis of various financial ratios over specific periods to gain insights into the company's financial health.

2.3 Conceptual Framework

Based on the background, problem formulation, and the literature review previously described, we can now present a conceptual framework. In this research, the independent variables are the Managerial ownership, Institutional ownership, audit committee and independent commissioners, while the dependent variable is the company's value. Below, you can see the conceptual framework.

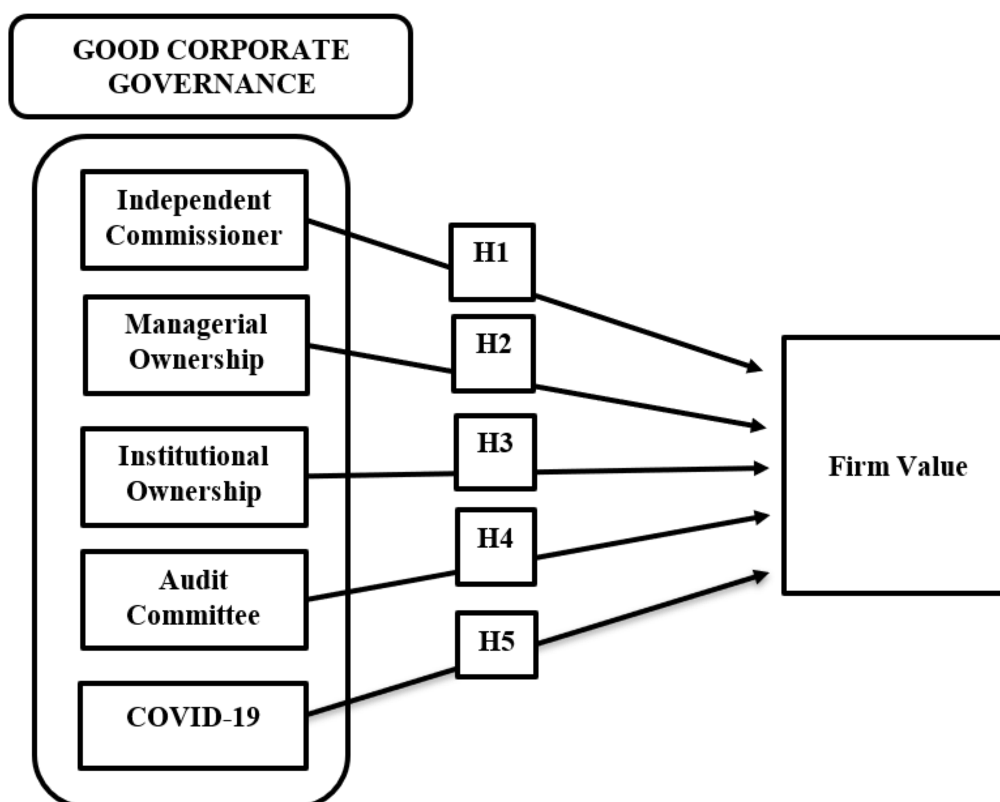

Figure 1: Conceptual Framework

2.4 Hypothesis Development

A hypothesis is a fundamental assumption or a provisional answer to a research problem. It is of a presumptive nature because its validity is subject to examination. These conjectures represent preliminary assumptions that may be proven incorrect as researchers collect and test data to reveal the truth. Based on the previously described background, problem formulation, and literature review, we can formulate hypotheses or provisional assumptions for this study as follows:

2.4.1 Influence of Independent Commissioners on Company Value

The board of commissioners plays a pivotal role in a company, especially in terms of Good Corporate Governance (GCG). The presence of independent commissioners can mitigate internal conflicts within the company, allowing it to focus on enhancing its value. Independent commissioners have relevance to agency theory, which postulates that they play a role in minimizing agency problems between shareholders or principals and bridging the gap between principals and managers.

Research conducted by Andesto (2022) indicates that independent commissioners significantly and positively impact company value. This suggests that adding more independent commissioners may increase the company's value. A greater presence of independent commissioners within a company is anticipated to enhance the board's ability to oversee and offer effective guidance to the directors. Independent commissioners may play an active role in urging management to implement policies aimed at boosting stock market values. The board's composition can influence how management prepares financial statements, aiming to achieve a favorable profit status (Abdullah, 2006).

Conversely, Research by Setiawan and Kusumawati (2020) suggests that independent commissioners have a positive yet insignificant effect on company value. Consequently, it can be argued that they do not significantly affect firm value, as the composition of independent board members may currently be inefficient in their supervisory functions. Therefore, the hypothesis in this study is as follows:

H1: Independent commissioners has positive influence on company value.

2.4.2 Influence of the Audit Committee on Company Value

The audit committee is established to be accountable to the board of commissioners and assists in carrying out the commissioners' duties and functions. The quality and characteristics of the audit committee can significantly impact a company's transparency and accountability, ultimately boosting investor confidence in share investments. Additionally, the audit committee's responsibilities include protecting minority shareholders' interests, reassuring investors about their investments in the company. According to agency theory, the formation of an audit committee is a means of addressing agency conflicts. This is because the primary function of the audit committee is to oversee the company's internal operations, ensure the quality of financial reports, and enhance the effectiveness of the audit function.

While the influence of the audit committee on company value has been widely acknowledged, recent research findings suggest a nuanced and potentially negative relationship. The study conducted by Tunpornchai and Hensawang (2018) aligns with these results, emphasizing the significant impact of the audit committee on company value. Despite the acknowledged importance of the audit committee in maintaining the credibility of financial reporting and contributing to good corporate governance, an excessively dominant or overactive audit committee may paradoxically lead to adverse effects on firm value.

Salafudin's research (2016) highlights the critical role of the audit committee in ensuring the credibility of the financial report preparation process, emphasizing its strategic significance in maintaining an effective corporate supervision system. However, an overly intrusive audit committee may inadvertently restrict managerial autonomy and hinder the company's ability to respond promptly to market dynamics, ultimately leading to a decrease in firm value. Moreover,

Chan and Li's study (2008) underscores the audit committee's role in overseeing internal controls, emphasizing that while this supervision is crucial for optimal company performance, an excessively stringent approach may impede operational flexibility and negatively impact firm value. Consequently, the hypothesis in this study is as follows:

H2: The audit committee has negative influences on company value

2.4.3 Effect of Institutional Ownership on Firm Value

Institutional ownership typically serves as a means of monitoring a company. It plays a crucial role in overseeing management and ensuring efficient utilization of company assets. Higher levels of institutional ownership are expected to encourage more efficient asset utilization by deterring management from wasteful practices (Hartzell & Starks, 2003). Institutional investors, due to their significant stake in the company, have a vested interest in promoting sound management practices and strategic decision-making. This monitoring function is particularly important for protecting the interests of shareholders and enhancing corporate governance.

Institutional ownership plays a vital role in minimizing agency conflicts that can arise between managers and shareholders. It is considered a monitoring mechanism to enhance the effectiveness of managerial decisions (Shleifer and Vishny, 2003). Institutional investors, with their substantial ownership stakes, serve as a check on managerial actions, aligning the interests of managers more closely with those of shareholders. This monitoring function is instrumental in maintaining corporate governance

and ensuring that managerial decisions prioritize shareholder value. Research by Morck (2000) suggests that institutional ownership has a positive, albeit not significant, impact on firm value. The prevalence of majority shareholders can lead to the neglect of minority shareholders' interests, as institutional investors tend to side with management. This assumption can lead to a decline in the company's share price in the capital market, as it implies that management may prioritize personal interests over shareholder interests (Shleifer & Vishny, 2003).

Rresearch by Donaldson and Davis (1991) argues institutional investors may act as responsible custodians of corporate resources, actively participating in governance processes to ensure the sustainability and growth of the companies in their portfolios. In the context of higher institutional ownership, these stewardship behaviors can manifest in enhanced external oversight, leading to a reduction in agency costs within the company. A study by Chen, et.al (2007) provides empirical evidence supporting the notion that institutional ownership leads to more effective monitoring of managerial performance. The study suggests that institutional investors, due to their expertise and incentive to maximize returns, are better positioned to monitor managerial decisions and contribute to improved corporate governance practices and reduces opportunistic behaviour, ultimately increasing the company's value. Consequently, the hypothesis in this study is as follows**:**

H3: Institutional ownership has positive effect on firm value.

2.4.4 The Effect of Managerial Ownership on Firm Value

Managerial ownership can help reduce agency costs and align the interests of management and shareholders. Managers benefit directly from their decisions but also bear the consequences of incorrect decisions, as articulated by Michael C. Jensen and William H. Meckling (2019). However, higher managerial ownership may lead to actions more aligned with managerial interests than shareholders' interests, according to Kultys (2016). This divergence in interests between managers and shareholders, as per agency theory, can result in conflicts known as agency conflicts. Effective mechanisms are needed to protect shareholders' interests in this context. Agency theory can be applied to minimize conflicts between principals and managers, thereby reducing the weakening of shareholders' authority over managers.

Research by Fahlendbrach and Stutz (2009) indicates that managerial ownership has a significantly positive impact on firm value. This suggests that higher levels of managerial ownership increase a company's value. Greater managerial ownership can reduce agency costs, mitigate agency conflicts, and benefit both management and shareholders, motivating management to actively enhance performance to maximize the interests of both parties. Research by Ferina and Nucahaya (2014) also demonstrates that managerial ownership positively influences firm value. Increased managerial ownership enhances a company's ability to create value. Managerial ownership influences a company's operations and, ultimately, its performance in achieving its goals, particularly optimizing the company's value through the control it provides. Therefore, the hypothesis in this study is as follows:

H4: Managerial ownership has positive effect on firm value.

2.4.5 The Effect of COVID-19 on Firm Value

The onset of the COVID-19 pandemic has ushered in unprecedented challenges across various sectors of the global economy. Within the Indonesian context, the pandemic has exerted a notable influence on the nation's economic landscape, particularly affecting the capital market sector. This is evidenced by a significant decline in the Jakarta Composite Index (JCI), as highlighted by Kusnandar and Bintari (2020). The concomitant decrease in share prices, a direct consequence of the diminishing JCI, is a critical factor contributing to the adverse effects on firm value.

As posited by Darmayanti (2020), share prices serve as a reflection of a company's intrinsic value, thereby establishing a direct link between market performance and overall firm worth. Consequently, the tangible decline in share prices due to the impact of COVID-19 is indicative of a broader diminution in firm value. The intricate interplay between market dynamics and firm valuation underscores the potential detrimental repercussions of the pandemic on businesses operating within the Indonesian economic milieu. In light of these considerations, it is plausible to hypothesize that the disruptive forces unleashed by COVID-19 are likely to have an unfavorable and enduring impact on the overall value of firms in the Indonesian context. This hypothesis forms the basis for further empirical investigation into the intricate relationship between the pandemic-induced market fluctuations and the consequential effects on firm valuation.

H5: COVID-19 has negative effect on firm value.

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3. RESEARCH METHODS

3.1 Research Design

The approach used in this research is quantitative research, which is a well-established and widely employed research method in various fields. Quantitative research is characterized by the collection and analysis of numerical data using statistical techniques. Mohajan (2020) emphasizes that quantitative research is a traditional and time-tested approach that has been instrumental in providing empirical evidence to address research questions. It involves the systematic measurement and analysis of components, phenomena, and the relationships between them using mathematical or computational tools, as defined by Gunter (2013).

In the context of this study, the choice of an associative research design is rooted in the work of Fiadicha and Hanny (2016), who recommend this approach for investigating causal relationships between variables and examining how one variable influence or affects others. An associative research design is particularly well-suited when the researcher seeks to establish connections and interactions among different factors. This design allows for the exploration of not only the presence of relationships but also the strength and direction of these relationships, offering valuable insights into the dynamics of the variables under investigation.

The focus on quantitative research and using an associative research design will highlight the significance of precise measurement and statistical analysis to ensure trustworthy findings in this study. This study will follow the rules of quantitative research to examine the variables of the research carefully and systematically. This approach will help us better understand the phenomena we are studying.

3.2 Population and Sample

Population

In research, the population refers to the encompassing domain comprising individuals, objects, or subjects with earmarked characteristics for investigation. Defining the population of interest, as emphasized by Leedy and Ormrod (2019), is crucial, ensuring that findings can be generalized to the larger group from which the sample is drawn. Accurately characterizing the research population allows for valid inferences and contributes to the advancement of knowledge in the field. The population of this study was all manufacturing companies listed on the Indonesia Stock Exchange (IDX) between 2018 and 2021.

Sample

According to Fraenkel and Wallen (2006), a sample refers to a smaller group chosen from a larger population to represent it for drawing inferences or generalizations. The criteria set aim to ensure selected companies are directly relevant to our research and possess specific characteristics needed for investigation, enabling efficient and intentional selection aligned with research objectives. Specifically, manufacturing firms listed throughout the observation period (2018-2021) with accessible financial reports from 2018-2022 on http://www.idx.co.id are considered. Firms demonstrating positive profitability are included, ensuring financial stability and potential positive impact on firm value. This sampling approach facilitates the examination of the effects of Audit Committee, Independent Commissioner, Institutional Ownership, and Managerial Ownership on firm value within the manufacturing sector**.** As a result, 81 companies were finalized as our sample for the study.

3.3 Definition and Operational Variables

Variable Name	Definition	Formula
Independent Commissioner	Board members with no affiliations or family ties with other commissioners; they oversee and monitor company managers to ensure alignment with the company's objectives (Bakhtiar et al., 2021; Badruddien et al., 2017)	Independent Commissioners (%) = (Number of Independent Commissioners / Total Number of Commissioners) x 100%
Managerial Ownership	Percentage of shares owned by directors, managers, and members of the board of commissioners; implies decision-making responsibility and consequences (Widianingsih, 2018)	Managerial Ownership (MOWN) = (Number of Shares Owned by Managers and Directors / Total Number of Outstanding Shares) x 100%
Institutional Ownership	Ownership of shares by institutions such as investment companies, banks, and financial institutions; serves	Institutional Ownership (%) = (Total Shares Owned by Institutions / Total

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	supervision and control purposes (Nafanda Hafsah Nur A, 2020)	Number of Outstanding Shares) x 100%
Audit Committee	Oversight body intended to enhance internal oversight quality, optimize checks and balances, and ensure compliance; assists in fulfilling supervisory functions (Ikai, 2020)	Audit Committee (%) = (External Audit Committee / Total Member of Audit Committee) x 100%
COVID-19	The COVID-19 pandemic refers to the global outbreak of the novel coronavirus disease (COVID-19) caused by the SARS-CoV-2 virus, which emerged in late 2019. This pandemic has led to widespread transmission of the virus, resulting in significant public health, economic, and societal impacts worldwide.	Dummy variable distinguishing between periods before and during the COVID-19 pandemic (0: during pandemic, 1: before pandemic)
Firm Value	Representation of a company's achievements and community trust over time; measured by the Price-to-Book Value (PBV) ratio (Fiadicha & Hanny, 2016; Badruddin et al., 2017)	PBV = (Market Price per Share) / (Book Value per Share)

3.4 Data Analysis Methods

This study employs Multiple linear regression analysis as the chosen data analysis technique. Multiple linear regression analysis, as elucidated by Imam Ghozali (2018), is a statistical method employed to assess the impact of multiple independent variables on a single dependent variable. This analysis model serves to elucidate relationships and quantify the influence of these independent variables on the dependent variable. The primary objective of this analysis is to estimate or predict the value of Y, given that the values of all X variables are known, using the multiple regression equation derived via the least square's method. Furthermore, it aims to determine the extent of influence exerted by each independent variable featured in the equation (Tony Wijaya, 2013).

Based on the previously articulated hypotheses, the multiple linear regression model for this study can be established as follows:

$Y = \beta + (\beta_1 IC) + (\beta 2AC) + (\beta 3IO) + (\beta 4MO) + B5DCovid\text{-}19\ e$

Where:

β = indicate the impact of each independent variable on the dependent variable.

Y = Firm Value

a = Constant

IC = Independent Commissioner

AC= Audit Committee

IO = Institutional Ownership

MO = Managerial Ownership

DCovid-19 = Dummy Variable covid-19 (0 for before and 1 for after covid-19)

e = Prediction Erro

3.5. T-Test

The t-test stands as a valuable statistical tool employed for comparing means between two groups, gauging whether a statistically significant difference exists between them. In the context of this research, a t-test is applied as a robustness test to scrutinize the impact of the COVID-19 pandemic. Specifically, the focus is on evaluating how the pandemic has influenced firm values, comparing their magnitudes before and during this unprecedented global health crisis. As a robustness check, the t-test becomes an instrumental analysis to ascertain the resilience and stability of the findings related to the COVID-19 dummy variable. By directly comparing firm values before and during the pandemic, the objective is to discern any statistically significant shifts in the means, providing additional insight into the nuanced effects of the pandemic on the economic landscape.

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4: RESULT AND DISCUSSION

4.1 Results of Descriptive Analysis:

Descriptive statistics serve the fundamental purpose of summarizing and elucidating the key features of a dataset. These statistical measures, such as mean, median, mode, range, and percentiles, contribute to a comprehensive understanding of the central tendencies and variability present in the data. The primary aim of employing descriptive statistics is to simplify complex datasets, transforming voluminous information into manageable and comprehensible forms. By doing so, researchers, analysts, and readers can more easily grasp the overarching patterns and characteristics inherent in the data. Beyond simplification, descriptive statistics play a crucial role in exploring data, revealing patterns, trends, and relationships that are essential for forming initial insights and hypotheses.

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
FV	324	.00	963.00	35.5355	86.30782
IC	324	.00	.83	.4172	.11758
AC	324	.00	2.00	.5581	.28601
IO	324	.00	1.00	.6524	.25361
MO	324	.00	37.68	.1902	2.09456
Valid N (listwise)	324				

The descriptive statistics provide a comprehensive overview of the key variables in the study, shedding light on their central tendencies and variations within the dataset. The dependent variable, Firm Value (FV), exhibits considerable variability, ranging from 0 to 963, with a mean value of 35.54 and a standard deviation of 86.31. This wide range suggests significant diversity in firm values across the observed cases.

Independent Commissioners (IC) have a range from 0 to 0.83, with an average of 0.42 and a standard deviation of 0.12. The data on Independent Commissioners indicates that, on average, companies in the study have approximately 42% of their board positions occupied by independent commissioners, contributing to governance diversity within the board.

Audit Committee (AC) data shows a range from 0 to 2, with an average of 0.56 and a standard deviation of 0.29. This suggests variability in the number of members within audit committees across the sampled companies, reflecting different governance structures and practices.

Institutional Ownership (IO) ranges from 0 to 1, with a mean of 0.65 and a standard deviation of 0.25. The data on institutional ownership indicates a substantial presence of institutional investors in the companies, on average constituting around 65% of ownership. This underscores the significance of external monitoring and oversight through institutional involvement.

Managerial Ownership (MO) ranges from 0 to 37.68, with an average of 0.19 and a standard deviation of 2.09. The data on managerial ownership indicates a wide variation in the extent to which managers hold ownership stakes in the companies, with an average ownership of 19%. This suggests diverse levels of alignment between managerial and shareholder interests.

4.2 F test (Simultaneous test)

The F test (simultaneous test) is utilized to determine if the independent variables within the regression model jointly impact the dependent variable or not, according to Ghozali (2018:98). The measurement approach for the F test involves comparing the significance level with an alpha (α) value of 5%. If the significance value is less than the alpha (α) value, it indicates that all independent variables (explanatory variables) collectively and significantly affect the dependent variable (response variable). The subsequent section presents the outcomes of the F test.

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	74865.657	4	18716.414	2.561	.039[b]
	Residual	2331174.410	319	7307.757		
	Total	2406040.067	323			

a. Dependent Variable: FV

b. Predictors: (Constant), MO, AC, IO, IC

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The results presented in Table 4.23 reveal a significance value of 0.039, which is below the alpha (α) threshold of 0.05. This suggests that the combined impact of the independent commissioner, audit committee, institutional ownership, managerial ownership has an influence on the firm value.

4.3 Result of Regression Analysis:

The aim of conducting a multiple linear regression in this research is to assess the strength of the association between the impact of the independent commissioner, audit committee, institutional ownership, managerial ownership, and firm value. Besides quantifying the relationship strength, multiple linear regression also aims to indicate the direction of the relationship between independent and dependent variables, whether it is positively or negatively influential. The subsequent section presents the outcomes of the multiple linear regression analysis utilizing SPSS version 22.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	26.499	21.696		1.221	.223		
	IC	112.053	43.496	.153	2.576	.010	.868	1.153
	AC	-38.156	17.923	-.126	-2.129	.034	.864	1.158
	IO	-23.099	18.946	-.068	-1.219	.224	.983	1.017
	MO	-1.067	2.289	-.026	-.466	.642	.987	1.013
	DCovid-19	-2.299	9.538	-.013	-.241	.810	.995	1.005

a. Dependent Variable: FV

Independent Commissioners (IC): The results of the regression analysis for the influence of independent commissioners on company value are presented in the coefficients table. The standardized coefficient (Beta) for independent commissioners (IC) is 0.153 with a t-value of 2.576 and a significance level of 0.010. This coefficient suggests a positive relationship between independent commissioners and company value. In other words, as the number of independent commissioners increases, there is an increase in the company's value. Therefore our hypothesis 1 is accepted.

Audit Committee (AC): The results of the regression analysis for the influence of the audit committee on company value are presented in the coefficients table. The standardized coefficient (Beta) for the audit committee (AC) is -0.126 with a t-value of -2.129 and a significance level of 0.034. This coefficient suggests a negative relationship between the audit committee and company value. In other words, as the number of audit committee members increases, there is a decrease in the company's value. This supported hypothesis H2, which posits a negative influence of the audit committee on company value.

Institutional Ownership (IO): The results of the regression analysis for the effect of institutional ownership on firm value are presented in the coefficients table. The standardized coefficient (Beta) for institutional ownership (IO) is -0.068 with a t-value of -1.219 and a significance level of 0.224. This coefficient suggests a negative relationship between institutional ownership and firm value, although it is not statistically significant ($p > 0.05$), providing insufficient evidence to either accept or reject H3.

Managerial Ownership (MO): The results of the regression analysis for the effect of managerial ownership on firm value are presented in the coefficients table. The standardized coefficient (Beta) for managerial ownership (MO) is -0.026 with a t-value of -0.466 and a significance level of 0.642. This coefficient suggests a negative, but not statistically significant, relationship between managerial ownership and firm value. Hence, The results providing insufficient evidence to either accept or reject H4.

DCovid_19 (Dummy, 0 for before & 1 for after Covid-19):

The regression analysis includes a dummy variable for COVID-19, denoted as COVID_19, measured with values of 1 and 0. The unstandardized coefficient for COVID_19 is -2.299, with a standard error of 9.538, a Beta of -0.013, a t-value of -0.241, and a significance level of 0.810. These statistics suggest that the presence of the COVID-19 dummy variable has no significant impact on the dependent variable, firm value (FV), therefore, our h4 is rejected.

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4.5 Additional Analysis

T-TEST

Paired Samples Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	BEFORE	36.3599	162	84.66707	6.65207
	AFTER COVID - 19	34.7111	162	88.17295	6.92752

Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	BEFORE & AFTER COVID -19	162	.306	.000

Paired Samples Test

	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 BEFORE - AFTER COVID -19	1.64882	101.84086	8.00137	-14.15235	17.45000	.206	161	.837

The paired samples t-test is conducted as a robustness test to assess whether there is a significant difference in the mean values of a variable before and after the onset of COVID-19. The analysis involves a sample of 162 observations.

The paired samples statistics indicate that the mean value of the variable "BEFORE" was 36.3599, with a standard deviation of 84.66707 and a standard error mean of 6.65207. The mean value of the variable "AFTER COVID-19" was 34.7111, with a standard deviation of 88.17295 and a standard error mean of 6.92752.

The paired samples correlations show a correlation coefficient of 0.306 between the "BEFORE" and "AFTER COVID-19" variables, which is statistically significant at the 0.000 level.

The paired samples test results reveal a paired difference mean of 1.64882, a standard deviation of 101.84086, and a standard error mean of 8.00137. The 95% confidence interval for the difference in means ranges from -14.15235 to 17.45000. The t-value is 0.206 with 161 degrees of freedom, and the p-value is 0.837 (two-tailed).

Interpreting the results, the non-significant p-value of 0.837 suggests that there is no statistically significant difference in the means of the variable "BEFORE" and "AFTER COVID-19". This indicates that, based on the available data, the variable in question did not exhibit a significant change in its mean value before and after the onset of the COVID-19 pandemic. The confidence interval further supports this conclusion, as it includes zero, indicating that the observed difference is not statistically distinguishable from zero.

In summary, the results of the additional t-test provide robustness to the analysis by confirming that there is no significant difference in the mean values of the variable before and after the impact of COVID-19. The findings support the initial analysis and contribute to the overall understanding of the stability of the variable across the two time periods.

4.6 DISSCUSSION

Influence of Independent Commissioners on Company Value

The regression results shows that that independent commissioners have a positive influence on company value. The findings from this study support this hypothesis, aligning with research conducted by Mardiyaningsih & Kamil (2020), which indicates that independent commissioners significantly and positively impact company value.

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The positive relationship can be interpreted in the context of agency theory, which postulates that independent commissioners play a crucial role in minimizing agency problems between shareholders or principals and bridging the gap between principals and managers. The presence of independent commissioners is expected to mitigate internal conflicts within the company, allowing it to focus on enhancing its value. The study by Rachmawati and Triatmoko (2007) suggests that a greater presence of independent commissioners enhances the board's ability to oversee and offer effective guidance to the directors.

Therefore, based on the regression results and in line with the hypothesis and previous studies, it can be concluded that independent commissioners have a positive influence on company value. This implies that the inclusion of independent commissioners in the board structure contributes to better corporate governance and, consequently, enhances the overall value of the company. The findings contribute to the understanding of the role of independent commissioners in corporate governance and their impact on firm value.

Influence of the Audit Committee on Company Value

The result of regression analysis shows that Audit Committee has negative relationship on firm value. The findings from this study support this hypothesis, aligning with recent research by Tunpornchai and Hensawang (2018) and Salahudin, 2016 who have suggested a nuanced and potentially negative relationship between the audit committee and firm value.

The negative relationship could be attributed to the idea that an excessively dominant or overactive audit committee may have adverse effects on firm value. While the audit committee is crucial for maintaining the credibility of financial reporting and contributing to good corporate governance, an overly stringent approach may impede operational flexibility and negatively impact firm value. The study by Chan and Li (2008) highlights the delicate balance required in overseeing internal controls without hindering operational flexibility.

Therefore, based on the regression results and in line with the hypothesis and previous studies, it can be concluded that the audit committee has a negative influence on company value. This implies that a careful and balanced approach in forming and empowering the audit committee is essential to ensure that it enhances corporate governance without unduly restricting managerial autonomy, which may negatively affect the overall value of the company. The findings contribute to the ongoing discourse on the role of the audit committee in corporate governance and its implications for firm value.

Effect of Institutional Ownership on Firm Value

The hypothesis (H3) posited that institutional ownership has positive effects on firm value. However, the findings from this study do not support this hypothesis. The coefficient is negative, indicating a potential decrease in firm value as institutional ownership increases, but the lack of statistical significance suggests caution in drawing definitive conclusions.

The mixed findings are in contrast to the expectations based on prior research by Widianingsih (2018), Nuraina (2012), and Wardhani, Chandrarin, and Rahman (2017), which suggested a positive impact of institutional ownership on firm value. The discrepancy might arise from the complex nature of the relationship between institutional ownership and firm value, which could be influenced by various factors, including the behavior of majority shareholders and the dynamics of external oversight.

Therefore, based on the regression results and the lack of statistical significance, it is inconclusive to assert that institutional ownership has a positive or negative effect on firm value in this study. Further investigation and consideration of contextual factors may be necessary to better understand the nuances of the relationship between institutional ownership and firm value. The findings highlight the complexity of corporate governance dynamics and the need for a nuanced approach in interpreting the impact of institutional ownership on firm value.

Effect of Managerial Ownership on Firm Value

The results of the regression analysis for the effect of managerial ownership on firm value are presented in the coefficients table. The standardized coefficient (Beta) for managerial ownership (MO) is -0.026 with a t-value of -0.466 and a significance level of 0.642. This coefficient suggests a negative, but not statistically significant, relationship between managerial ownership and firm value.

Contrary to the initial hypothesis (H4), which posited a positive effect of managerial ownership on firm value, the findings from this study do not support such a relationship. The coefficient is negative, indicating a potential decrease in firm value as managerial ownership increases, but the lack of statistical significance urges caution in drawing definitive conclusions.

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These inconclusive findings resonate with the results of research conducted by (Br prba & Effendi, 2019) and (Andriza & Yusra, 2019), which also concluded that managerial ownership has no significant effect on firm value. The results of the statistical t-test for individual coefficients in this study align with their findings, suggesting that higher managerial ownership does not necessarily lead to an increase in firm value.

A possible explanation for this non-significant relationship lies in the intricate dynamics associated with managerial decision-making. The managerial ownership impact may not be linear, and it is essential to recognize that managers, despite having ownership stakes, must navigate the policies and preferences of other shareholders. As highlighted by (Br prba & Effendi, 2019) and (Andriza & Yusra, 2019), the managerial decision-making process is influenced not only by individual ownership but also by the collaborative considerations of all shareholders.

Therefore, based on the regression results and the supporting evidence from previous studies, it is inconclusive to assert a significant positive effect of managerial ownership on firm value in this study. The findings underscore the complexity of managerial ownership dynamics and the need for a nuanced interpretation that considers the collaborative decision-making framework within the context of varying shareholder policies. Further research and exploration may be necessary to unravel the intricacies of the relationship between managerial ownership and firm value.

Effect of Covid-19 on Firm value

The effect of the COVID-19 pandemic on firm value has been a subject of considerable interest, prompting an in-depth exploration in this research. Two key analytical approaches were employed to scrutinize this impact: the use of a COVID-19 dummy variable and an additional robustness test in the form of a t-test.

The dummy variable helped us see if the pandemic had a clear impact on company values. The results suggested that, overall, the pandemic didn't significantly change how companies were valued during our study period. To double-check our findings, we ran a t-test comparing the average values of companies before and during the pandemic. This test supported our earlier results, indicating that, on average, there wasn't a big shift in company values.

Our findings align with the results of Jessica Lavena, Y. (2021), who also conducted various tests and concluded that there was no significant difference in the average firm value before COVID-19. The choice of focusing on the manufacturing sector in Indonesia in our study may provide insights into the reasons behind the observed pattern. It's plausible that the manufacturing sector, being an essential component of economic activity, demonstrated resilience or adaptability to the challenges posed by the pandemic. Government interventions, industry-specific dynamics, or the nature of manufacturing operations could contribute to the sector's overall stability in terms of firm values.

5. CONCLUSION

This study aimed to address four key objectives concerning corporate governance elements and the impact of the COVID-19 pandemic on the firm value of Indonesian companies, employing a quantitative research design with an associative approach. The findings revealed a positive relationship between independent commissioners and firm value, underscoring their crucial role in effective corporate governance. Conversely, the analysis indicated a negative relationship between audit committee size and firm value, highlighting the need for a balanced approach in committee formation. However, results regarding institutional and managerial ownership's impact on firm value were inconclusive, necessitating further investigation. Regarding the COVID-19 pandemic, findings indicated no significant change in firm values, suggesting potential resilience within the manufacturing sector. While the study focused solely on manufacturing companies, its insights hold implications for policymakers and investors alike. Policymakers can tailor governance regulations based on sector-specific nuances, fostering sustainable growth, while investors can utilize findings for informed decision-making in the manufacturing sector. Despite limitations, this study lays the groundwork for future research endeavors exploring the broader landscape of corporate governance and firm value, offering valuable insights for stakeholders.

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