The Transformation of Corporate Reputation Driven by Corporate Governance, Environmental Social, and Governance (ESG), Business Activity, and Profitability in Indonesia

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Abstract: This study proves that agency theory is a reliable framework for describing the impact of various factors associated with corporate governance on corporate reputation (corporate value). These factors include the board's size, the number of independent commissioners, the size of the audit committee, environmental, social, and governance (ESG), business activity, and profitability. Companies included in the Jakarta Islamic Index in 2018–2022 provided the panel data for these variables, which were then quantitatively examined using ordinary least squares regression analysis, fixed effects, random effects, and robust tests. The first finding explains that board size has a negative influence on corporate value, the second finding explains that independent commissioner size has a positive influence on corporate value, the third finding explains that audit committee size does not influence corporate value, the fourth finding explains that environmental, social, and governance (ESG) have a positive influence on corporate value. In contrast, the fifth finding explains that business activity has no positive influence on corporate value, and the sixth finding explains that profitability positively influences corporate value.

Keywords: Corporate governance, ESG, business activity, profitability, and corporate reputation.
JEL Classification: G32, G02, M1, G34, Z1.

1. INTRODUCTION

Indonesia is a developing country with significant economic potential (Fahmi, McCann, & Koster, 2017). Stable economic growth and high foreign investment make Indonesia increasingly attractive to investors (Fahmi, Koster, & van Dijk, 2016). However, the challenges faced by companies in Indonesia cannot be ignored (Pratomo & Sudibyo, 2023). Unstable regulations, underdeveloped infrastructure, and low environmental and social standards are some of the challenges that companies in Indonesia must face (Charina, Kurnia, Mulyana, & Mizuno, 2022). These challenges can significantly affect corporate reputation/value.

Creating a sustainable corporate reputation (corporate value) is crucial for companies to ensure long-term business continuity. In this regard, companies need to consider factors that can influence corporate reputation/value in both the short and long term, including economic, social, and environmental dimensions (Susbiyani, Halim, & Animah, 2022). This indicates that creating sustainable corporate value extends beyond mere profitability and encompasses social and environmental responsibilities (Suhadak, Kurniaty, Handayani, & Rahayu, 2019). As responsible entities, companies must pay attention to their relationships with various stakeholders, such as employees, customers, suppliers, the community,and the environment (Rudyanto & Siregar, 2018). In managing these stakeholder relationships, companies must consider the values that are important to them (Mutamimah & Saputri, 2022). By doing so, companies can generate sustainable corporate value that strengthens the organization's long-term viability. Furthermore, companies should also consider corporate governance, corporate social responsibility (CSR), and profitability in creating sustainable corporate value (Khan, Khan, Khan, Suleman, & Ali, 2023; Mutamimah & Saputri, 2022; Rudyanto & Siregar, 2018).

Corporate governance has been recognized as critical in creating sustainable corporate value (Berkman, Cole, Lee, & Veeraraghavan, 2023). Aligned with agency theory, which asserts that principles and elements must be applied to companies to enhance their value and performance in maintaining organizational sustainability (Indy, Uzliawati, & Yulianto, 2023), the need to implement corporate governance becomes highly significant. Sound corporate governance practices can positively impact a company's efficiency, transparency, accountability, and credibility (Yammeesri & Herath, 2010). In Indonesia's evolving regulatory landscape, implementing good corporate governance practices can help companies reduce legal risks and uncertainties, strengthening the long-term corporate value (Budiani & Rahayu, 2023; Nasution, Hasibuan, Abdi, & Rohman, 2023; Salsabila & Yunita, 2023; Susbiyani et al., 2022). Therefore, companies must adopt good corporate governance practices to create a

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sustainable corporate value (Suhadak et al., 2019; Susbiyani et al., 2022). Consistent with previous research, the findings indicate that good corporate governance practices can enhance firm performance and increase corporate value (Latief & Fauziah, 2023; Nasution, Hasibuan, Abdi, & Rohman, 2023; Salsabila & Yunita, 2023; Al-Shaer, Kuzey, Uyar, & Karaman, 2023; Mishra & Kapil, 2018; Yammeesri & Herath, 2010). However, studies conducted by (Andini, Ajim, & Agung, 2023; Arofah & Khomsiyah, 2023; Budiani & Rahayu, 2023; Andoh, Abugri, & Anarfo, 2023) reveal that not all corporate governance mechanisms are capable of improving corporate value.

Creating sustainable corporate value in Indonesia has become an increasingly important challenge in the era of globalization, particularly with the growing attention to environmental, social, and corporate governance (ESG) factors (Ye et al., 2023). In this context, companies must consider their operations' social and environmental impacts and strengthen good corporate governance practices (Sadiq et al., 2023). Additionally, companies must provide transparent (Aydoğmuş, Gülay, & Ergun, 2022) and accurate reporting on their ESG performance to enhance stakeholder trust and gain support from investors and consumers increasingly concerned about ESG issues (Jain & Tripathi, 2023). However, creating sustainable corporate value through ESG practices is not easy, especially amidst the uncertain business environment and low social standards in some regions of Indonesia (Hapsari, 2023). Therefore, companies must strengthen their ESG practices, engage in innovation and business restructuring, and form strategic partnerships to create sustainable corporate value and enhance their ability to benefit all stakeholders (Chen & Xie, 2022).

Consistent with previous research, studies have indicated that implementing sustainability, which has evolved into ESG, can enhance corporate value (Hapsari, 2023). However, in contrast, research conducted by (Arofah & Khomsiyah, 2023; Jeanice & Kim, 2023; F. Kartika, Dermawan, & Hudaya, 2023) suggests that the implementation of ESG in Indonesia is not yet strong enough to influence corporate value significantly.

The activities undertaken by a company have a significant relationship with the corporate value (W. Kartika & Meidiyustiani, 2023). By conducting regular activity analysis, companies can identify value-added activities and eliminate or reduce activities that do not contribute to value-added (Yang, Liu, & Shih, 2023). This can enhance operational efficiency, optimize resource utilization, and create a stakeholder value (Ardian & Wahyudi, 2023). Furthermore, efficient companies can enhance competitiveness, deliver superior products or services (Mardiana, Wahyuni, & Sukamto, 2022), increase market share, and generate shareholder value (Heng & Nugroho, 2023). Therefore, activity analysis is crucial in creating sustainable corporate value, encompassing environmental, social, and economic aspects.

Consistent with previous research findings, studies have indicated a significant relationship between company activities and corporate value (W. Kartika & Meidiyustiani, 2023). However, contrary to these findings, research conducted by (Ardian & Wahyudi, 2023; Heng & Nugroho, 2023; Mardiana et al., 2022; Putri & Binasturi, 2023; Sintarini & Djawoto, 2023) found that business activities do not have a significant relationship with corporate value.

Profitability is crucial in creating sustainable corporate value in Indonesia (Sintarini & Djawoto, 2023). Despite encountering various challenges in an evolving business environment (F. Kartika et al., 2023), companies must strive to maintain optimal levels of profitability in the long run to achieve sustainable objectives (Mardiana et al., 2022). Strong profitability can help companies strengthen their corporate value (Ararat, Black, & Yurtoglu, 2017), enhance investor appeal (Niyas & Kavida, 2022), and reinforce their ability to create value for stakeholders (Mangesti Rahayu, Suhadak, & Saifi, 2020). Companies must take appropriate actions, such as innovation or business restructuring, to attain optimal profitability (Aydoğmuş et al., 2022). However, they must also consider the impact of these actions on other stakeholders, such as employees, customers, and the surrounding community. Therefore, companies should carefully consider all aspects to achieve optimal profitability levels, thus creating sustainable corporate value in the long term (Heng & Nugroho, 2023).

Consistent with previous research, it has been shown that profitability plays a significant role in enhancing corporate value (Ardian & Wahyudi, 2023; W. Kartika & Meidiyustiani, 2023; Latief & Fauziah, 2023; Sintarini & Djawoto, 2023). However, different findings have been reported by other studies (Eka, Jasman, & Asriany, 2023; Fauziah & Nurhayati, 2023; Sari & Sulistyowati, 2022), suggesting that profitability does not necessarily lead to an increase in corporate value.

2. LITERATURE AND HYPOTHESIS

2.1. Agency Theory

Agency theory, developed by (Jensen, M. C., & Meckling, 1976), is a contractual relationship model between two people (the principal and the agent) in an organization. It explains the relationship of the principal with the agent and suggests that the latter may act in ways that go against the principal's best interests. According to proponents of this philosophy, success can be achieved through cutting expenses and maximizing output (Kalbuana, Kusiyah, et al., 2022). The principal entrusts the agent with certain responsibilities, counting on the latter to carry them out in the principal's best interests. When a principal and an agent have conflicting goals, and the principal lacks sufficient information to evaluate the agent's actions, a dilemma of agency arises. These difficulties in the principal-agent relationship can be overcome with the help of agency theory, which offers essential research solutions (Kalbuana, Taqi, Uzliawati, & Ramdhani, 2022).

Agency costs or agency expenses are a primary concern in agency theory as agency problems between agents and principals often occur within organizational or corporate settings (Kalbuana, Taqi, Uzliawati, & Ramdhani, 2023). The concept of agency costs encompasses three types: bonding costs, monitoring costs, and residual costs, all of which can hinder the effectiveness of the agency relationship (Jensen, M. C., & Meckling, 1976).

Agency theory also assumes three characteristics of human beings that influence agency relationships: conflicting interests, limitations in predicting the future impact of actions, and efforts to avoid risk (Kalbuana et al., 2023). Therefore, it is necessary to reduce agency costs by implementing monitoring and bonding mechanisms between agents and principals, to establish effective and efficient agency relationships. In the context of companies, awareness of the importance of agency theory can assist management in understanding and addressing agency problems that arise within the organization (Eisenhardt, (1989).

2.2. The Conceptual Framework of the Research

The conceptual framework plays a crucial role in elucidating the relationships between independent and dependent variables. In this study, the identified independent variables include corporate governance represented by the composition of the audit committee, board size, the presence of independent directors, Environmental, Social, Governance (ESG), business activities of the company, and profitability. On the other hand, the main dependent variable in this study is Corporate value. Combining these variables can be seen as a well-structured conceptual framework capable of systematically depicting the relationships between the dependent and independent variables. The following conceptual framework aims to explain the relationships between these variables:

2.3. Hypotheses

2.3.1. Board of Size has a Positive Impact on Corporate Value

The board of directors is crucial in making strategic decisions and overseeing the company's performance (Al-Shaer et al., 2023). A board size that is too large can slow decision-making and responsiveness to market changes. This can reduce individual accountability and make it more challenging to monitor and evaluate the performance of individual board members (Latief & Fauziah, 2023). On the other hand, a smaller board size can enable faster decision-making and responsiveness to market changes (Berkman et al., 2023). Overall, the size of the board of directors can impact decision-making effectiveness and the company's performance (Andoh et al., 2023).

When determining the appropriate board size, companies must consider business complexity, shareholding structure, and company size. Furthermore, companies must ensure that the board of directors comprises members with diverse expertise, experience, and perspectives (Mishra & Kapil, 2018). This can improve decision-making effectiveness and help the company achieve its goals. The optimal board size can facilitate faster decision-making and responsiveness to market changes. Additionally, ensuring that the board of directors is composed of diverse members can aid in making more accurate decisions and enhance investors' assessment of corporate value (Yammeesri & Herath, 2010). Therefore, companies must consider the appropriate board size and composition of members to ensure effective decision-making and improve corporate performance (Mishra & Kapil, 2018); the hypothesis in this research is as follow:

H_1 = Board of size has a positive influence on corporate value.

2.3.2. Independent Commissioner Size has a Positive Impact on Corporate Value

The Board of Commissioners is a vital body that supervises and regulates a company's management (Abbas, Ismail, Taqi, & Yazid, 2021). The board's effectiveness in fulfilling its responsibilities is influenced by its size, particularly the number of Independent Commissioners (Wahyudi, 2021). Research has indicated that having more Independent Commissioners on the board results in better oversight and regulation of the company's management. This improves the company's accountability and transparency, ultimately leading to an increase in the company's value.

In today's complex business environment, having a larger Independent Board of Commissioners can improve the quality of supervision and control over a company's management. This can increase the company's value through greater accountability and transparency (Nasution et al., 2023). However, it's important to consider that other factors may influence the relationship between the size of the Independent Board of Commissioners and the company's value (Pratomo & Sudibyo, 2023). Further research is needed to understand these factors fully. Companies should carefully analyze and evaluate the ideal size of their Board of Commissioners, considering all factors that affect the board's performance and the company's value; the research hypothesis is as follow:

H_2 = Independent commissioner size has a positive influence on corporate value.

2.3.3. Audit Committee Size has a Positive Impact on Corporate Value

The audit committee is an important body responsible for overseeing the auditing process and the disclosure of financial information within a company (Pratomo & Sudibyo, 2023). A larger audit committee can offer benefits such as better representation and a wider range of expertise (Ding & Wei, 2023). This can improve less transparent accounting practices oversight and reduce the risk of fraud (Al-Ahdal, Hashim, Almaqtari, & Saudagaran, 2023).

Having a larger audit committee can improve transparency and accountability within a company, leading to increased confidence from investors and shareholders (Lajmi & Yab, 2022). This can increase the company's value, especially if investors perceive the company to have strong corporate governance practices and high levels of accountability (I. Kartika, Sulistyowati, Septiawan, & Indriastuti, 2022). On the other hand, a smaller audit committee may raise concerns among investors about the company's transparency and accountability, which can negatively impact its value; the hypothesis in this research is as follow:

H_3 = Audit committee size has a positive impact on corporate value.

2.3.4. Environment, Social & Governance (ESG) has a Positive Impact on Corporate Value

Environment, Social, and Governance (ESG) refers to a sustainable business approach focusing on three key areas: envi-

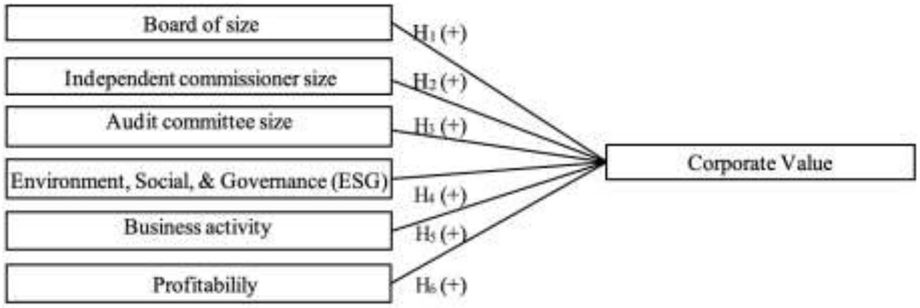

Fig. (1). The Concepts Framework.

ronmental impact, social responsibility, and corporate governance (Tsang, Frost, & Cao, 2023). The goal of ESG practices is to manage the effects of business activities on the environment, society, and the company's overall performance (Ji, Xu, Zhao, & Jia, 2023). Companies that effectively implement ESG practices are expected to deliver added value to their stakeholder's (Hapsari, 2023), including shareholders, employees, customers, and the broader community (Rezaee, Homayoun, Poursoleyman, & Rezaee, 2023).

Companies can increase their value by developing a comprehensive ESG strategy that includes environmental risk management, reducing carbon emissions, corporate social responsibility, sustainable product development, and improved corporate governance (Qoyum, Sakti, Thaker, & AlHashfi, 2022). It's also important for companies to measure and transparently report their ESG performance to build trust and loyalty among stakeholders (Jeanice & Kim, 2023), ultimately increasing overall corporate value (Arofah & Khomsiyah, 2023). Effective implementation of ESG practices can result in long-term benefits for companies by creating value for shareholders (Hapsari, 2023), employees, customers, and the wider community; the research hypothesis is as follow:

H_4 = Environment, Social & Governance (ESG) has a positive impact on corporate value.

2.3.5. Business Activity Has a Positive Impact on Corporate Value

In the business context, business activity is essential since it increases a company's effectiveness in turning its resources into revenue and profit (Yang et al., 2023). Activity ratios, which measure the efficiency of asset utilization in generating sales, and total asset turnover, which measures how often a company utilizes its total assets to generate sales, are important indicators in assessing the effectiveness of asset utilization by a company (W. Kartika & Meidiyustiani, 2023). Efforts to improve activity ratios can be made by reducing costs and enhancing productivity in asset utilization (Ardian & Wahyudi, 2023). On the other hand, increasing total asset turnover can be achieved through revenue growth and operational efficiency to maximize asset utilization and achieve higher sales (Mardiana et al., 2022).

Furthermore, disclosing social activities in sustainability can also be a factor that helps improve the overall corporate image and attract public interest in the company (Heng & Nugroho, 2023). This can have a positive long-term impact by enhancing customer trust and loyalty and increasing the company's access to markets and capital (Mardiana et al., 2022). Companies must continuously improve their efficiency in utilizing assets and disclose their social activities in sustainability reports to increase their overall value (Sintarini & Djawoto, 2023), the hypothesis in this research is as follow:

H_5 = Business activity has a positive impact on corporate value.

2.3.6. Profitability Has a Positive Impact on Corporate Value

Profitability is a key factor in determining a company's value (Aydoğmuş et al., 2022). Consistent and high profits indicate the company's ability to generate stable income and offer profitable investment opportunities (Niyas & Kavida, 2022). Investors and shareholders perceive companies that can generate high earnings as having the potential for continuous growth and development in the future (Ararat et al., 2017). Therefore, companies should focus on business strategies that can enhance profitability, such as improving operational efficiency, optimizing resource utilization, and increasing market share (Han, Li, & Philbin, 2023).

Profitability is considered a primary indicator of company performance that influences the confidence and interest of investors and shareholders to invest in the company (Sintarini & Djawoto, 2023). Companies that generate consistent and high profits are more attractive to investors and shareholders for investment opportunities (F. Kartika et al., 2023). Conversely, companies that experience losses or generate low profits are less appealing to investors and shareholders (Mardiana et al., 2022). Therefore, enhancing profitability and other factors that influence corporate value can help companies increase their market value and gain the trust and interest of investors and shareholders (Mangesti Rahayu, Suhadak, & Saifi, 2020); the research hypothesis is as follow:

H_6 = Profitability has a positive impact on corporate value

3. METHOD

3.1. Approaches to Research and Population

This study is conducted to provide significant empirical evidence by utilizing a quantitative approach to analyze statistical data. Within this context, the research examines the impact of specific variables, namely board size, independent commissioner size, audit committee size, Environment, Social & Governance (ESG), business activity, and profitability, on corporate value. The study employs an explanatory research design, and the population and sample consist of 24 companies listed on the Jakarta Islamic Index from 2018 to 2022. The information is obtained from the Indonesia Stock Exchange's primary website, accessed at www.idx.co.id. Using the Stata statistical program, an Robust, Fixed Effects, Ordinary Least Square, and Random Effects regression model are utilized to analyse panel data.

3.2. Variable Measurement

The measurement of variables in this study involves quantifying and assessing the independent variables, which include board size, independent commissioner size, audit committee size, Environment, Social & Governance (ESG), business activity, and profitability. These variables are factors that are expected to have an influence on the dependent variable, which is corporate value. The measurement process includes collecting relevant data and applying appropriate metrics or indicators to capture the characteristics or dimensions of each variable.

Table 1. Variable Measurements.

Variables	Notation	Measurement
Corporate value	CoV	TobinsQ
Audit committee size	ACZ	Σ Audit committee
Board of size	BoZ	Σ Board of Size
Independent commissioner size	ICZ	Σ Independent commissioner size
Audit committee size	ACZ	Σ Audit Committee
Environment, Social, & Governance (ESG)	ESG	Check list by scoring
Business activity	TATO	Ratio of total asset turnover
Profitability	ROE	Ratio of return on equity

3.3.3. Research Regression Model

Regression analysis is a statistical method used to examine the strength of the relationship between variables. It is employed to predict or forecast the dependent variable (Y) values based on the independent variable's varying values (X). In this research, panel data regression analysis is utilized as the methodology. Panel data, also referred to as pooled data, longitudinal data, or micro panel data, is used in this analysis. The panel data regression analysis is employed to investigate the impact of board size, independent commissioner size, audit committee size, Environment, Social & Governance (ESG), business activity, and profitability on corporate value. Based on the above independent and dependent variables, the following equation model is derived and will be utilized:

$CoV_{i,t} = \beta_0 + \beta_1 BoZ_{i,t},+ \beta_2 ICZ_{\ i,t}+ \beta_3\ ACZ_{i,t},+ \beta_4\ ESG_{i,t}+ \beta_5 TATO_{\ i,t},+ \beta_6\ ROE_{i,t}+ \ \mathcal{E}$…(1)

The following is a description of the models of the variables board size, independent commissioner size, audit committee size, Environment, Social &; Governance (ESG), business activity, and profitability:

Table 2. Descriptive Variable.

Notation	Information
i	Cross-sectional data company
t	Time series data company
CoV	Corporate value
BoZ	Board of size
ICZ	Independent commissioner size
ACZ	Audit committee size
ESG	Environment, Social, & Governance (ESG)
TATO	Business activity
ROE	Profitability
α	Constant
β_1, β_2, β_3, β_4, β_5, β_6	Regression coefficients of variables BoZ, ICZ, ACZ, ESG, TATO, ROE
ϵ	Error

4. RESEARCH FINDINGS AND DISCUSSION

4.1. Descriptive Statistics Analysis

The findings of descriptive statistics analysis can be provided with the minimum (min), maximum (max), mean, and standard deviation (std-dev) of the variable from the sample of companies. These values can be found in the table below. The following table provides a data presentation that is on a sample of companies that will be listed on the JII between the years 2018 and 2022:

Table 3. Descriptive Statistics.

Variables	Obs	Mean	Std. Dev.	Min	Max	p1	p99	Skew.	Kurt.
CoV	120	2.383	3.208	.566	23.286	.598	17.678	4.434	24.476
BoZ	120	7.025	1.872	4	12	4	11	.604	2.549
ICZ	120	.273	.061	.143	.455	.143	.455	.475	4.691
ACZ	120	3.492	.81	3	7	3	6	1.936	6.856
ESG	120	.235	.11	.033	.462	.033	.462	.466	2.314
TATO	120	.848	.697	.063	3.822	.077	3.38	1.891	6.98
ROE	120	.195	.259	-.18	1.451	-.002	1.4	3.742	17.224

The table above displays the descriptive statistics of the variables used in the research. There are seven independent variables measured, namely Corporate value (CoV), Audit committee size (ACZ), Board of Size (BoZ), Independent commissioner size (ICZ), Activity (TATO), Environment Social

Governance (ESG), and Profitability (ROE). The number of observations (N) is 120, indicating significant variation in these variables. Corporate value (CoV) has a mean value of 2.383 and a standard deviation (stand-dev) of 3.208, with a minimum and maximum (min and max) range of 0.566 and 23.286, respectively. Audit committee size (ACZ) has a mean value of 3.492 and a stand-dev of 0.81, with a min and max range of 3 and 7, respectively. Board of Size (BoZ) has a mean value of 7.025 and a stand-dev of 1.872, with a min and max range of 4 and 12, respectively. Independent commissioner size (ICZ) has a mean value of 0.273 and a standard deviation of 0.061, with a min and max range of 0.143 and 0.455, respectively. Activity (TATO) has a mean value of 0.848 and a stand-dev of 0.697, with a min and max range of 0.063 and 3.822, respectively. Environment Social Governance (ESG) has a mean value of 0.235 and a stand-dev of 0.11, with a min and max range of 0.033 and 0.462, respectively. Profitability (ROE) has a mean value of 0.195 and a stand-dev of 0.259, with a min and max range of -0.18 and 1.451, respectively. Some variables have low stand-dev, such as Independent commissioner size (ICZ) and Environment Social Governance (ESG). In contrast, others have relatively large standard deviations, such as Corporate value (CoV) and Board of Size (BoZ). Additionally, the skewness and kurtosis values indicate the distributional shape of each variable.

4.2. Pearson Test of Correlation

Pearson test of correlation is conducted to determine the weakness or strength of the correlation between board size, independent commissioner size, audit committee size, Environment, Social & Governance (ESG), business activity, and profitability on corporate value. Suppose the Pearson test of correlation coefficient (r) value is under 0.05 (5%). In that case, it indicates a strong correlation between board size, independent commissioner size, audit committee size, Environment, Social & Governance (ESG), business activity, and profitability on corporate value. On the other hand, if the Pearson test of correlation coefficient value is under 0.05 (5%), it indicates a weak relationship between board size, independent commissioner size, audit committee size, Environment, Social & Governance (ESG), business activity, and profitability on corporate value.

Table 4. Pearson Correlation Test.

Variable Name	(1)	(2)	(3)	(4)	(5)	(6)	(7)
(1) CoV	1.000						
(2) ACZ	-0.164	1.000					
	(0.073)						
(3) BoZ	0.192	0.031	1.000				
	(0.035)	(0.740)					
(4) ICZ	0.622	0.018	0.268	1.000			
	(0.000)	(0.846)	(0.003)				
(5) TATO	0.432	-0.279	0.020	0.203	1.000		
	(0.000)	(0.002)	(0.831)	(0.026)			
(6) ESG	-0.197	0.002	0.064	-0.385	-0.091	1.000	
	(0.031)	(0.984)	(0.486)	(0.000)	(0.325)		
(7) ROE	0.861	-0.139	0.273	0.581	0.402	-0.256	1.000
	(0.000)	(0.130)	(0.003)	(0.000)	(0.000)	(0.005)	
(1) CoV	1.000						
(2) ACZ	-0.164	1.000					
(3) BoZ	0.192	0.031	1.000				
(4) ICZ	0.622*	0.018	0.268*	1.000			
(5) TATO	0.432*	-0.279*	0.020	0.203	1.000		
(6) ESG	-0.197	0.002	0.064	-0.385*	-0.091	1.000	
(7) ROE	0.861*	-0.139	0.273*	0.581*	0.402*	-0.256*	1.000

* $p<0.1$, ** $p<0.05$, *** $p<0.01$.

According to the information provided in the table above, it can be inferred that the variables board size, independent commissioner size, audit committee size, Environment, Social & Governance (ESG), business activity, and profitability on corporate value have values above 0.05 (5%). Therefore, it can be concluded that all of the variables are deemed valid for use in the testing model. The reliability testing results, with values above 0.05 (5%), indicate that all the variables used are equally reliable when tested.

4.3. Goodness of Fit Model Testing

The reliability of a study's scientific conclusions hinges on the results of its hypothesis test. The output results of the OLS (Ordinary Least Square), FE (Fixed Effects), RE (Random Effects), and Robust tests are as follows, and they are used to evaluate the scientific adequacy of the model:

Table 5. Goodness of fit Model.

Variables	OLS	Fixed Effects	Random Effects	Robust
	(Model 1)	(Model 2)	(Model 3)	(Model 4)
BoZ	-.131	-.19	-.115	-.131*
	(.08)	(.182)	(.113)	(.076)
	0.105	0.300	0.310	0.088
ICZ	12.612***	-1.95	10.739***	12.612***
	(3.022)	(5.525)	(3.869)	(2.734)
	0.000	0.725	0.006	0.000
ACZ	-.159	-.143	-.198	-.159
	(.181)	(.326)	(.239)	(.101)
	0.380	0.662	0.406	0.116
ESG	2.756*	-1.12	1.547	2.756**

	(1.409)	(5.692)	(2.137)	(1.3)
	0.053	0.844	0.469	0.036
TATO	.418*	.664	.481	.418*
	(.227)	(.529)	(.32)	(.22)
	0.068	0.212	0.133	0.06
ROE	8.967***	.698	7.83***	8.967***
	(.724)	(1.754)	(1.002)	(1.619)
	0.000	0.692	0.000	0.000
Constant	-2.331**	4.314	-1.346	-2.331**
	(1.151)	(2.646)	(1.6)	(1.058)
Observations	120	120	120	120
R-squared	.786	.036	.z	.786
Country RE		YES		
Country FE			YES	
Number of YEAR		5	5	

*** p<0.01, ** p<0.05, * p<0.1

4.4. Discussion

4.4.1. The Positive Influence of Board of Size on Corporate Value

A negative value for the Board of Size coefficient goes against the null hypothesis. According to the t-test results, Board of Size has a negative and insignificant effect on Corporate Value in the OLS, FE (Fixed Effects), RE (Random Effects), and Robust models. The p-values for these models are 0.105, 0.300, 0.310, and 0.088, all greater than or equal to the significance level of 5%. Empirical testing proves that an increase in board of size results in a decrease in Corporate Value, while a decrease in board of size leads to an increase in Corporate Value. The empirical findings of this research do not support the initial expectation that Board of Size positively affects Corporate Value, which is rejected. Previous positive research findings supported the initial hypothesis (Al-Shaer et al., 2023; Mishra & Kapil, 2018; Yammeesri & Herath, 2010). The difference between the expected and actual outcomes is caused by the Board of Size coefficient having an opposite effect on Corporate Value in companies listed on the JII from 2018 to 2022. The negative coefficient of determination indicates that Boards of Size has an opposite effect on the company's Corporate Value ratio compared to previous research. This discrepancy in empirical findings will impact the decision-making process regarding the Board of Size policy toward Corporate Value.

These findings are supported by agency theory, where Board of Size as an agent is interested in maintaining their position and power within the company. However, this can lead to conflicts of interest with principals (shareholders) interested in increasing the company's value or Corporate Value. Based on the research results, it was found that a larger Board Size is associated with lower corporate value. This can be attributed to agency costs, such as coordination and conflict costs that arise from having many members on the board of directors. Coordination costs occur when board members must coordinate and communicate intensively to make optimal decisions. In contrast, conflict costs arise when there are differences in views and interests among board members. In this case, a board of size that is too large can lead to increased agency costs that hinder company performance and disadvantage the principals. Therefore, in decision-making regarding board of size, it is important to consider that an optimal size can minimize agency costs and enhance corporate value.

4.4.2. The Positive Influence of Independent Commissioner Size on Corporate Value

The Independent commissioner size variable exhibits a positive coefficient estimate consistent with the hypothesis. The t-test results indicate that the size of the Independent commissioner has a significant positive impact on Corporate Value in the OLS and Robust models, with a p-value of 0.000 which is less than or equal to the significance level of 0.05 (5%). In the RE (Random Effects) model, the p-value is 0.006, which is also less than or equal to the significance level of 0.05 (5%), indicating a significant positive impact. In comparison, the p-value in the Fixed Effects model is 0.725 ≥ 0.05 (5%). Empirical testing demonstrates that as Independent commissioner size increases, it leads to an increase in Corporate Value. Conversely, as Independent commissioner size decreases, it results in a decline in Corporate Value. The results of this empirical study lend credence to the null hypothesis that a larger number of independent commissioners would increase Corporate Value (p-value 0.000 ≤ 0.05 (5%)).

Hypothesis submission in a favourable direction, supported by findings from related research (Budiani & Rahayu, 2023; Nasution et al., 2023; Suhadak et al., 2019; Susbiyani et al., 2022). Independent commissioner size coefficient results are consistent with corporate value coefficient results of businesses listed in JII for the 2018-2022 timeframe, providing empirical support for the hypothesis with the outcome. Independent commissioner size is favourably associated with the Corporate Value, as indicated by the positive direction of the coefficient of determination. Therefore, these empirical findings suggest that as Independent commissioner size increases, it enhances Corporate Value, and vice versa. Companies with a larger Independent commissioner size may face challenges in communication, coordination, supervision, and decision-making compared to those with fewer board members. Consequently, the performance of companies with a larger Independent commissioner size is likely to be lower when compared to those with a smaller size.

These findings are supported by agency theory, where a larger Independent commissioner size can benefit shareholders by reducing agency costs. With more Independent commissioners, there is expected to be improved monitoring of management actions that may not align with the shareholders' interests. In this regard, the larger Independent commissioner size positively impacts Corporate Value, as shareholders feel more secure and protected from detrimental management actions. The findings of this study are consistent with the human assumption in the agency theory concept. The presence of Independent commissioners strengthens their role in monitoring corporate activities. Effective monitoring by Independent commissioners improves the company's performance, impacting the corporate value (Uzliawati, 2015).

However, agency theory also states that having too many Independent commissioners can lead to higher agency costs due to additional expenses incurred by the company, such as honorarium and transportation costs. Therefore, although the research findings indicate that Independent commissioner size positively impacts Corporate Value, companies also need to consider the optimal limit of Independent commissioner size to avoid unnecessary cost wastage. Companies must weigh the trade-off between benefits and costs when determining the optimal number of Independent commissioners.

4.4.3. The Positive Influence of Audit Committee Size on Corporate Value

The predicted coefficient for the audit committee size is negative, contradicting the null hypothesis. With p-value are 0.380; 0.3662; 0.406, 0.116 ≥ 0.05 (5%) on the OLS, Random Effects, Fixed Effects, and Robust model, the t-test results explain that the size of the Audit committee has a negative and insignificant effect on Corporate Value. The empirical testing results prove that as Audit committee size increases, it decreases Corporate Value. Conversely, as Audit committee size decreases, it leads to an increase in Corporate Value. The hypothesis that the size of the Audit Committee positively impacts Corporate Value is not supported by the empirical research findings and is therefore not approved or rejected. This is because the p-value of 0.116 is greater than or equal to the significance level of 0.05 (5%).

This hypothesis is not consistent with the results of previous studies that showed a positive relationship (Budiani & Rahayu, 2023; Nasution et al., 2023; Pratomo & Sudibyo, 2023). The discrepancy between the expected and actual outcomes is caused by the Audit committee size having an opposite effect on companies listed on the JII from 2018 to 2022. A negative coefficient of determination suggests that the Audit committee size aligns with the previous Audit committee size of the companies. These divergent empirical findings will impact the decision-making regarding Audit committee size and its effect on Corporate Value.

The results are supported by agency theory, which suggests that in the context of agency theory, a company's management may have interests that conflict with those of shareholders when making decisions. Therefore, establishing an Audit committee makes sure that the company's management operates ethically and complies with applicable regulations, thereby enhancing the corporate value for shareholders. However, the research results indicate that Audit committee size does not positively impact corporate value, raising questions about the audit committee's effectiveness in fulfilling its role. In the context of agency theory, this may suggest that the company's management still has significant autonomy in decision-making without paying sufficient attention to the advice provided by the audit committee or that an ineffective and non-independent audit committee may not adequately safeguard the interests of shareholders. The research findings should be considered by companies when determining the size of their audit committees and how they interact with the company's management. Furthermore, these research results can also provide insights for regulators and policymakers to consider more stringent regulations regarding the independence and effectiveness of audit committees in performing their functions.

4.4.4. The Positive Influence of Environment, Social & Governance (ESG) on Corporate Value

The results confirm the initial idea that ESG (Environment, Social, and Governance) initiatives positively affect Corporate Value. T-test results indicate that ESG has a positive and statistically significant effect on Corporate Value, with p-values of 0.036 ≥ 0.05 (5%), 0.053 ≥0.05 (5%), 0.844 ≥ 0.05 (5%), and 0.469 ≥ 0.05 (5%), respectively, across four different models. The results of the empirical research show that when ESG activities are high, the corporate value rises, and when they are low, the corporate value falls. Consistent with prior studies by (Chen & Xie, 2022; Hapsari, 2023; Qoyum et al., 2022), these empirical data provide credence to the idea that ESG initiatives have a beneficial influence on Corporate Value (Chen & Xie, 2022; Hapsari, 2023; Qoyum et al., 2022). The alignment between the initial hypothesis and the empirical results can be attributed to the positive coefficients of ESG activities about the registered companies' ESG activities during 2018-2022. The positive direction of the coefficient of determination indicates that the ESG activities align with the companies' previous ESG activities. The consistency of these empirical findings will impact policymaking regarding ESG activities and their relationship with Corporate Value.

In the context of agency theory, companies are regarded as agents acting on behalf of shareholders or equity owners. Therefore, companies should consider the aspects of environmental, social, and corporate governance (ESG) to ensure that they are not solely focused on short-term profits but also responsible for the social and environmental impacts of their business decisions.

The findings of this study indicate that companies that consider ESG aspects can create added value for shareholders and build long-term sustainability. This is consistent with corporate social responsibility (CSR) in agency theory, which emphasizes that companies should consider their business decisions' social and environmental impacts and be accountable for the consequences. These findings can strengthen the argument that stakeholders, including shareholders, should consider ESG aspects when selecting their investment companies. Furthermore, company management should also pay attention to ESG aspects and ensure that their business decisions incorporate considerations of environmental, social, and corporate governance factors.

4.4.5. The Positive Influence of Bussiness Activity on Corporate Value

According to the findings of this study, there is a positive correlation between Business Activity and Corporate Value, but it is not statistically significant. This is evident from the t-test results, where the p-values are greater than the significance level of 0.05 in all models (Robust, Fixed Effects, OLS and Random Effects). The initial hypothesis that Business Activity positively impacts Corporate Value is not supported by the empirical findings and is therefore rejected. This finding is consistent with a study by (W. Kartika & Meidiyustiani, 2023; Yang et al., 2023) but contradicts the significant and positive relationship found by (W. Kartika & Meidiyustiani, 2023; Yang et al., 2023), where Business Activity was found to have a significant effect on Corporate Value. The positive direction of the coefficient of determination indicates that Business Activity aligns with the previous Business Activity of the company. These inconsistent empirical findings will impact the decision-making process regarding Business Activity and its impact on Corporate Value.

The research findings indicate that Bussiness Activity has a positive but insignificant effect on Corporate Value at a 5% significance level. These findings have important implications in the context of agency theory, where corporate management acts as agents responsible for managing the company to achieve the shareholders' goals as principals. Although Bussiness Activity positively influences Corporate Value, this research suggests that corporate management needs to balance increasing business activities with maintaining stable company performance. This is related to management incentives that may be more focused on personal interests, sometimes neglecting the interests of shareholders. Shareholders are interested in controlling corporate management and ensuring business decisions align with their interests. Therefore, these research findings can be used by shareholders to monitor and evaluate management actions in managing Bussiness Activity and assess its impact on Corporate Value. Additionally, these research findings emphasize the importance of appropriate oversight and control mechanisms to ensure that corporate management considers the interests of shareholders in making business decisions. These empirical findings highlight the importance of considering agency factors in business decision-making and emphasize the relationship between management and shareholders in achieving optimal company goals.

4.4.6. The Positive Influence of Profitability on Corporate Value

The analysis's findings corroborate the null hypothesis that Profitability has a positive and statistically significant effect on Corporate Value. T-test results for the OLS, Random Effects, and Robust models show that Profitability significantly positively affects Corporate Value at the p-value of $0.00 \leq 0.05$. However, the p-value of $0.692 \geq 0.05$ (5%) in the Fixed Effect models indicates no significant effect. These results provide empirical evidence that increasing and decreasing Profitability are associated with changes in Corporate Value. Consistent with prior research (Ardian & Wahyudi, 2023; W. Kartika & Meidiyustiani, 2023; Latief & Fauziah, 2023; Sintarini & Djawoto, 2023), the empirical data support the null hypothesis that Profitability positively influences Corporate Value. From 2018 through 2022, the JII-listed companies' profitability coefficients correlated positively with their Corporate Value. The direction of the coefficient of determination is positive, further corroborating the empirical result that better Profitability leads to a growth in Corporate Value and vice versa.

From the agency theory perspective, the relationship between profitability and corporate value can be explained by the relationship between corporate management (agent) and shareholders (principal). Conflicts of interest between the two parties arise because agents tend to have different interests from principals. Profitability serves as an indicator of the company management's performance in managing assets and resources. Higher profitability signifies better performance in asset and resource management, increasing in corporate value (Mangesti Rahayu, Suhadak, & Saifi, 2020). Conversely, low profitability may indicate ineffective management performance in managing assets and resources, leading to shareholder mistrust and dissatisfaction, which can decrease corporate value. In this context, agency theory provides an understanding of the relationship between profitability and corporate value. Profitability levels influence shareholder trust and satisfaction with the company's management performance. Therefore, companies should pay attention to and enhance profitability levels to increase corporate value and gain shareholder trust and satisfaction.

5. CONCLUSIONS AND IMPLICATIONS OF RESEARCH RESULTS

This research shows that the board of size has a negative impact on corporate value, which means that the larger the board of size, the lower the company's value. Conversely, the smaller the board of size, the higher the value of the company. In addition, independent commissioner size has a positive impact on the company's value, which means that the larger the independent commissioner size, the higher the company's value. Conversely, the smaller the independent commissioner size, the lower the company's value. Audit committee size also impacts the company's value, which means that the larger the audit committee size, the lower the company's value. Conversely, the smaller the Audit committee size, the higher the company's value.

In addition, the implementation of Environment Social Governance (ESG) also has a positive impact on the company's value, which means that the higher the application of ESG, the higher the company's value. Conversely, the lower the ESG implementation, the lower the company's value. In addition, business activity also impacts company value, which means that the higher the business activity, the lower the company's value. Conversely, the lesser the business activity, the greater the company's value. Profitability also impacts the company's value, which means the greater the company's value. Conversely, the lesser profitability, the lesser the company's value.

These research results have significance for corporate management's policy decisions about the composition of boards, the number of independent commissioners, the number of auditors, and the extent to which ESG principles are applied in business. These findings can also help enrich knowledge in the accounting field and become a reference for future research.

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Received: May 19, 2023 Revised: May 26, 2023 Accepted: Sep 04, 2023