The Impact of Governance on Corporate Value With Corporate Risk Management As Moderator

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Abstract. This study aims to analyze the effect of corporate governance on company value by considering company risk management as moderation. In 2022, the technology sector on the Indonesia Stock Exchange experienced a significant decline of 42.61%, indicating serious challenges with the poor performance of startup companies after the IPO, emphasizing the need for resilience and increased corporate value in the face of competition for the future. Novelty: the corporate governance proxy which originally consisted of six variables, is now replaced by the Corporate Governance Index which includes nine categories reflecting relevant corporate governance structures, practices, and policies. This research is a type of descriptive quantitative research. The study population included technology companies listed on the Indonesia Stock Exchange between 2020 and 2022, with sample selection using the purposive sampling method, which resulted in 20 samples. The research data was obtained from the financial statements and annual reports of technology companies, and the analysis was carried out using the Random Effect Model (REM) with the help of E-Views 12 software. The results of the analysis show that corporate governance has a positive and significant effect on company value, while corporate risk management weakens the positive impact of corporate governance on company value. The implementation of good corporate governance creates a positive environment, increases corporate value, and provides long-term benefits. However, the complex integration between risk management and corporate governance can make it difficult to disclose information, confusing investors who tend to want a simpler approach. Since the selection of populations that are too small, for the next research, it is recommended to add multinational companies and industrial sectors that are rarely studied so that the research results are more representative and comprehensive.

Keywords: Corporate Value, Corporate Governance, Corporate Risk Management.

1. Introduction

In 2022, the technology sector faces serious challenges in the stock market. According to data from the Indonesia Stock Exchange, the technology sector experienced a decline of 42.61% in one year in 2022. This decline is reflected in the poor performance of companies that were previously startups after conducting initial public offerings (IPOs).

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Bukalapak.com (BUKA) shares decreased by 69% from the IPO price, while GoTo Gojek Tokopedia (GOTO) shares decreased by 73% from the IPO price. This decline in stock price has caused a significant reduction in market capitalization value on the domestic stock exchange [1].

Global markets are also witnessing a decline in share prices in the technology sector. This includes shares of major technology companies such as Meta Platforms Inc. Meta shares decreased by 64%, while Netflix shares decreased by 51%, and three other stocks saw declines of at least 27%. The simultaneous decline in FAANG stocks such as Facebook, Amazon, Apple, Netflix, and Google caused the market capitalization value to decrease by more than 3 trillion US dollars, which had an impact on the overall stock market decline. The S&P 500 fell 19%, making it its worst year since the 2008 financial crisis.

The decline in stock prices encourages investors' evaluation of their investments. Companies need to reconsider business prospects, financial performance, and other factors that affect long-term value. Higher transparency and improvements in operational strategy and financial management are the demands of investors. In fierce business competition, companies must maximize value to attract investors and achieve future profits. Increasing company value is a key indicator of performance and an important consideration for investors when they make investment decisions.

Corporate governance governs the company's operations, while risk management focuses on comprehensive risk management. Further studies are needed to understand how risk management affects the relationship between corporate value and governance, because of the high level of risk in the industry, risk management helps companies recognize and manage risk effectively in increasing company value.

This research uses the company's age and leverage as controllers. Leverage is used to control the effect of debt on the relationship under study. Using the lifespan of the company, research can concentrate on how ERM and GCG freely affect the value of the company. Research results can be influenced by control variables used to control behavior and governance practices.

The technology sector is one of the most innovative sectors, which is experiencing rapid technological development. The market environment in this sector is often highly dynamic and volatile, creating challenges for corporate governance and risk management. Research within the technology sector can provide insight into how corporate governance and risk management adapt to constant technological change. Further studies are needed to understand how risk management affects the relationship between corporate value and governance, because of the high level of risk in the industry, risk management helps companies recognize and manage risk effectively in increasing company value.

Research on corporate value using corporate governance has previously been widely encountered in Indonesia. Therefore, the author tries to improve it by adding moderation

variables, namely company risk management. This research uses the Corporate Governance Index which includes nine categories that are expected to describe the structure of corporate governance, practices and policies related to CG. This measurement refers to the corporate governance index applied to the Australian literature issued by the ASX Corporate Governance Board (2003). Researchers also changed the manufacturing sector to the technology sector with the 2020-2022 research period. This study examines how the influence of corporate governance on company value with risk management has a role as moderation. The purpose of this study confirms agency theory through an understanding of how corporate governance mechanisms and corporate risk management disclosures can affect corporate value.

1.1 Literature Review

Agency Theory

Agency Theory states agency relationship refers to an agreement in which an agent or other individual is utilized by one or more principals to carry out operational actions within the company involving such activities [2]. Agency Theory explains the relationship between agents (management) and principals (company owners) who often face conflicts of interest. To overcome these conflicts, companies need good corporate governance, including disclosure of information regarding Enterprise Risk Management (ERM). ERM is a tool that helps reduce agency conflicts between management and company owners, as well as provide benefits to the company's creditors and stakeholders. By implementing strong control regulations and procedures and good governance practices, companies can improve overall performance and reduce the likelihood of conflicts of interest.

Company Value

The company's ability to reduce operating risk and generate future cash flow is mirrored by the company's value. The high value of a company can reflect a solid business strategy, bright future prospects, and strong financial performance. Conversely, a low firm value indicates financial problems or poor business strategy, and the company's future prospects may not be very optimistic. Increasing company value is the company's main focus, with high value generating profits for stakeholders [3].

By looking at stock prices in the capital market can be an effective way to find out the value of a company. This share price shows investors' assessment of the company's total equity and is how investors assess the success of the business in increasing its value [4]. A high stock price can indicate that investors are looking at the company's performance and future prospects well. Conversely, a company's low stock price may indicate that investors view the company's performance and future prospects poorly

Corporate Governance

Corporate governance refers to an internal system of a company whose main purpose is to manage significant risks with the aim of meeting its business targets. This system also aims to protect company assets and increase the value of shareholder investment in the long term [5]. Corporate governance includes a framework or system that governs and controls the company with a focus on creating added value for all stakeholders. The core principles on which it is theoretically based are transparency (information disclosure), accountability, responsibility, independence, and justice (equality and justice) [6].

Corporate governance is also an important part of the company's internal control. This helps companies manage risk and maintain asset security, thereby increasing investment value for the business in the long run. The main objective of GCG is to ensure that the company's operations run efficiently, transparently, and accountably, and consider fairly the interests of all company stakeholders (shareholders, workers, customers, business partners, communities, and the environment).

Enterprise Risk Management

Disclosure of enterprise risk management is an integral component in the preparation of reports on the effective implementation of the company's management system. In this context, the company presents information about the risks it faces and also the risk management strategy, with the aim of ensuring that these risks do not hinder the achievement of company objectives [7]. Company risk management as a holistic effort in dealing with risk, and also a management effort in increasing company value [8]. Disclosure of corporate risk management becomes a risk management approach, where all risks will be carefully considered and handled with structured actions. Structured corporate risk management activities encourage management to understand the uncertainty faced by the company to finally be able to handle the uncertainty.

Enterprise Risk Management has become a key strategy in maintaining the continuity of company operations, maintaining good performance, and increasing its profitability. The implementation of risk management requires companies to systematically identify, measure, control, and monitor risks associated with all aspects of their activities. Therefore, companies need to disclose various information regarding these risks because such information will play an important role in helping investors in making better choices, especially related to achieving company goals.

Enterprise risk management involves a series of steps such as identification, assessment, and management of risks faced by organizations in an effort to achieve their goals. Enterprise Risk Management (ERM) is very important in an effort to manage risks that have the potential to negatively affect company value. Corporate risk management is achieved by identifying and reducing risks that may interfere with the company's financial, reputational, or operational performance. Because it ensures that risks are identified,

assessed, and managed proactively and systematically, enterprise risk management is an essential component of good management. Therefore, risk management protects and increases the value of the company.

The Effect of Corporate Governance on Corporate Value

Agency theory explains that the conflict between principals (shareholders) and agents (management) stems from differences in interests. Typically, management has vested interests that do not always align with the interests of shareholders. However, in developing countries, agency conflicts are not only limited to shareholders and management, but can also involve conflicts between majority and minority shareholders.

Studies by La Porta et al., 2000) and (Claessens et al., 2000) show In developing countries, it is seen that agency conflicts involve not only shareholders and management, but also conflicts between majority and minority shareholders[9,10]. The imbalance of power and control in business decision making leads to this conflict. In these situations, majority shareholders have the possibility to make decisions that benefit themselves or a particular group, while minority shareholders may feel less involved or have limitations in controlling the decision-making process. This situation creates a potential agency conflict between the two groups of shareholders.

To overcome both conflicts, companies can implement effective governance practices. This is because corporate governance has a role as a balancing tool among various parties who have interests in the company. This is so that those who have power do not abuse their position that can harm others who are in a weaker position. When a manager carries out company management well, this can be an example of corporate governance practices that are worth following, especially if the company's goals are in line with applicable values and provide benefits to shareholders [11]. In addition, a company with a strong governance system will protect the rights of shareholders, both majority and minority.

Based on the description above, the formulation of the hypothesis is as follows:

H1: Corporate Governance has a significant positive effect on Corporate Value.

The Effect of Corporate Risk Management in Moderating Corporate Governance on Corporate Value

Agency theory illustrates how various parties involved in a company interact, because agents and principals have different orientations and interests, resulting in agency conflicts. Management has an important role in providing confidential information about the company's activities to reduce the risk of loss for stakeholders. Implementing efficient regulations and control mechanisms is an effective way to reduce conflicts of interest and achieve company goals. With good regulations to manage company operations, a more transparent and structured environment can be created. In addition, a company's ability to identify and interact with a wide range of stakeholders, including shareholders, employees,

customers, and business partners, is also a key factor in maintaining a balance between various interests.

Voluntary disclosure is a form of disclosure that may include information regarding a company's risk management. This is part of a procedure integrated within the Corporate Governance framework, which aims to monitor and control mechanisms in regulating the relationship between agents and principals to mitigate agency issues. Voluntary disclosure regarding Enterprise Risk Management (ERM) is very important to maintain company stability [12]. A high level of risk management reflects that the company has strong risk governance practices and that the company's internal controls are well maintained. .

A positive view received by the market regarding a company will offer a higher price if the market sees it well, which will increase its value. Companies need to improve understanding related to corporate governance by considering the regulation of corporate risk management to reduce asymmetric information [13]. Thus, the determination and calculation of risks and benefits of investing in a company is better for investors.

H2: The Company's Risk Management is able to positively and significantly moderate the influence of Corporate Governance on Corporate Value.

Conceptual Framework

In this study, the independent variable is Corporate Governance, while the dependent variable is Company Value. In addition, Enterprise Risk Management also serves as a moderation variable. Thus, the research framework can be presented as follows:

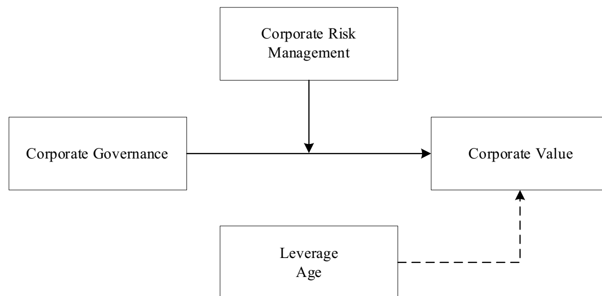

Fig 1. Conceptual Framework

2. Methods

This research adopts a quantitative approach and applies quantitative descriptive research methods. The quantitative approach is based on the philosophy of positivism, which aims to test hypotheses by examining populations and samples [14]. The polling used in this

study is 34 technology sector companies listed on the IDX in 2020-2022, with 20 samples obtained from analysis units for the three years in accordance with the criteria of this study.

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Table 1. Operating Variables

Variable Name	Measurements
Company Value	Tobin's Q equals the addition of total market value and total book value of liabilities, and the divided by total book value of assets.
Corporate Governance Items	
Board Size	If the number of councils exceeds the average, it is rated 1 If the number of councils does not exceed the average, it is rated 0.
Size of Independent Board of Commissioners	If the result exceeds 50% of the average number of independent board of commissioners, rated 1, If the result is less than 50% of the average number of independent board of commissioners, it is rated 0.
Board of Commissioners Meeting	If the number of meetings of the board of commissioners exceeds the average, it is rated 1 If it is less than average, it is rated 0.
Managerial Share Ownership	If the management's shareholding exceeds 5% of the total outstanding shares, it is valued at 1 If the managerial shareholding is less than 5% of the total outstanding shares, it is valued at 0
Audit Committee Size	If the number of audit committees exceeds the average, it is rated 1 If it is less than average, it is rated 0.
Audit Committee Meeting	If the number of meetings of the audit committee exceeds the average, it is rated 1, If the number of audit committee meetings is less than the average, it is rated 0.
Big Four Hood Use	If the company uses Big Four KAP, rated 1, If the company does not use the Big Four KAP, it is rated 0.
Size of Nomination and Remuneration Committee	If the number of nomination and compensation committees exceeds the average, it is rated 1, If the number of nomination and compensation committees is less than average, it is rated 0
Nomination and Remuneration Committee Meeting	If it exceeds the average Number of nomination and compensation committee meetings, rated 1, If less than the average Number of nomination and compensation committee meetings, it is rated 0

Enterprise Risk Management	ERM equals disclosed items divided by total ERM items (108)
Leverage	Leverage equals total amount of debt divided by total equity (DER)
Company Age	Age = Research Year – First Listing Year

The data used in this study comes from the annual reports of companies in the Technology sector listed on the Indonesia Stock Exchange during the period 2020 to 2022. These data are obtained through the official website of www.idx.co.id and the official website of the related company. The ultimate goal of this study is to understand the relationship between variables and test the validity of the hypotheses proposed based on the results of data analysis. The analysis tool used to process the data in this study is E-Views 12 software. Eviews is software used to process statistical and econometric data in research. This software allows building simple regression models and making predictions. Moderated Regression Analysis is used to determine whether corporate risk management variables can strengthen or weaken the relationship of corporate governance to company value. Panel data model analysis in this study has the following mathematical equation:

$$Y = \alpha + \beta 1CG + \beta 2ERM + \beta 3LEV + \beta 4AGE + \beta 5(CG*ERM) + \varepsilon \quad (1)$$

3. Results and Discussions

3.1 Results

Descriptive Statistics

Descriptive analysis is an analysis used to provide a concise overview of the distribution of research variables. Descriptive statistical analysis provides an overview of research variables through minimum, maximum, mean, standard deviation, median, quartile, range, and mode values.

Table 2. Descriptive Statistics

Variables	Min.	Max.	Mean	Std. Dev.
GCG	2,00	9,00	6,42	1,81
NP	0,19	128,50	7,72	19,53
ERM	0,60	0,85	0,73	0,05
LEV	0,04	54,98	2,09	7,74
AGE	2,00	39,00	17,60	10,75
GCG*ERM	1,39	6,92	4,69	1,41

From the table above, it can be explained that, the corporate governance variable shows the highest value of 9 with the lowest value of 2. The average corporate governance is 6.42 with a standard deviation of 1.81, where an average value close to the maximum value (9) indicates a high degree of variation in the data, indicating that the majority of companies in

the technology sector have adopted good corporate governance. Therefore, it can be concluded that a number of relevant indicators have been successfully implemented by companies in the technology sector on the IDX.

Enterprise risk management variables show significant value variation, with a range between the highest value of 0.85 and the lowest value of 0.60. On average, the company's risk management achieved a score of 0.73, and its standard deviation was 0.05. These results illustrate a fairly high degree of variation in risk management practices in the companies observed. Thus, it can be concluded that some companies have succeeded in achieving a higher level of excellence in implementing corporate risk management to deal with various risks and threats that may arise.

The variable value of the company showed significant variation, with the highest value reaching 128.50 and the lowest value only 0.19. Although the company's average value is 7.72, a high standard deviation of 19.53 indicates that there is a large variation in the data. Furthermore, an average value close to the minimum value (7.72) illustrates that the majority of companies in the technology sector tend to have low company values. It should be noted that the presence of some companies with very low values can affect the overall average in this data.

Model Selection Test

In a panel data regression test, a series of tests are used to determine the best approach to analyzing panel data. Focus in the selection of suitable models is carried out with the Chow Test, Hausman Test, and Lagrange Multiplier Test. This process has an important role in panel data analysis because it will ensure that the model used is the most appropriate to describe the relationship between the variables being studied. Thus, the use of the Chow test, Hausman Test, and Lagrange Multiplier Test will provide a deeper understanding of the best models that can be used in this study.

Table 3. Model Selection Results

Test Chow			
Effects Test	Statistics	d.f.	Prob.
Cross-section F	2,90	-19,35	0,0031
Cross-section Chi-square	56,78	19	0,0000
Hausman Test			
Test Summary	Chi-sq. Statistics	Chi-sq. D.F	Prob.
Cross-Section Random	3,831	5	0,574
Lagrange Multiplier Test (LM Test)			
	Cross-Section	Test Hypothesis Time	Both.
Breusch-Pagan	7,1763	0,0788	7,2552
	0,0074	-0,779	-0,0071

The Chi-Square value in the chow test test is lower than the established significance level (0.0000 < 0.05), confirming that the most suitable regression model is the Fixed Effect Model (FEM). Furthermore, in the Hausman test, the probability value of the random cross section test is higher than the specified significance level (0.5739 > 0.05), indicating that the most suitable regression model is the Random Effect Model (REM). Finally, the results of the Lagrange Multiplier Test (LM Test) show a Breusch-Pagan probability value lower than the established significance level (0.0071 < 0.05), confirming that the most suitable regression model is the Random Effect Model (REM).

Goodness Of Fit Test (F Test)

Table 4. Test Results F of REM Model

R-squared	0.232435	F-statistic	3.270475
Adjusted R-squared	0.161364	Prob(F-statistic)	0.011876
S.E. of regression	1.306.329		

The results of the F test show that the calculated F value is greater than the table F value (3.270475 > 2.38), and the probability value (0.011876) is smaller than the significance level (0.05), indicating that the variables of corporate governance, corporate risk management, leverage, and company age have a significant influence on company value.

Hypothesis Test (T Test)

Table 5. REM Model T Test Results

Variable	Coefficient	t-Statistic	Prob
C	-442,710	-3,094	0,003
GCG	62,389	2,671	0,010
ERM	6,063	3,301	0,002
LEV	-0,274	-0,846	0,401
AGE	-0,241	-0,791	0,432
GCG*ERM	-0,833	-2,803	0,007

From table 5 above can be written the regression equation as follows:

$$Y = -442.710 + 62.389*X + 6.063*Z - 0.274*C1 - 0.241*C2 - 0.833*X_M + \varepsilon \quad (2)$$

Based on the results of the t test, the t-count value of the corporate governance variable was 2.671, while the t-table value ($\alpha = 0.05$ and df = 55) was 2.00404. Therefore, t-count is greater than t-table (2.671 < 2.00404). Moreover, the probability value is 0.010, which is lower than the significance value (0.05). Thus, the hypothesis (H1) is accepted, and it can be concluded that corporate governance variables have a significant positive influence on

the value of the company. The results of the t test show that neither the leverage variable nor the age of the company as a control variable have a significant influence on the value of the company, so it is not able to control the influence of the independent variable (corporate governance) on the dependent variable (company value).

The results of the moderation test are probability values (0.0070< α 0.05) with t-statistics of -2.803904 show that the interaction between corporate governance and corporate risk management has a negative and significant impact on company value, indicating that corporate risk management weakens the positive influence of corporate governance on company value

3.2 Discussions

The Effect of Corporate Governance on Corporate Value

Corporate governance variables are proxied with 9 corporate governance indicators measured using dummy variables. The results of the analysis state that the first hypothesis (H1) which assumes that good governance has a positive impact on increasing the value of the company is accepted. That is, these findings indicate that when companies implement effective and good governance practices, this significantly contributes to an increase in corporate value. Thus, corporate governance variables play an important role in supporting the growth and increase of company value, according to the expectations expressed in the first hypothesis of the study.

This research is in line with the concept of agency theory which emphasizes that the implementation of good governance in companies can play a role in reducing agency conflicts that arise between shareholders and management. Within this framework, strong governance is seen as a solution to improve a company's performance and the value of its shares. As a result, if the assessment of governance indicators shows high quality, it is expected to have a positive impact on investor perception and the assessment of the company's stock price [15]. Investors tend to feel more confident and have the potential to value a company better when good governance is considered a profitable asset for the company that can result in better performance. This result is in line with research suggesting that corporate governance has a positive and significant effect on company value [15,16]. Assessment of governance indicators has a significant impact on investor perception and valuation of a company's share price.

In the fast-changing technology industry, shareholders and investors increasingly value the implementation of GCG as an indication of the company's commitment to running a business with good governance. This shows that technology companies are willing to maintain high ethical standards in their operations and safeguard the interests of shareholders well. In addition, the condition of the business environment in Indonesia that supports the implementation of good governance in the company also plays an important role. The existence of regulations that support good governance, as well as increasing

awareness among companies and stakeholders about the importance of good governance, further strengthens the drive to integrate good governance as an integral part of the company's business strategy (16). Thus, the implementation of good governance can increase shareholder confidence, support long-term growth, and create significant added value for companies in the technology sector.

In technology sector companies, where innovation, speed, and change are constant, the implementation of good governance is key to achieving sustainability and long-term growth. With increased investor confidence, continuous innovation, and strict regulatory compliance, technology sector companies can achieve greater long-term growth and value. Therefore, the implementation of good corporate governance creates a positive environment for the company and its shareholders, which ultimately results in an increase in overall corporate value and provides long-term benefits for all stakeholders.

The Effect of Corporate Risk Management in Moderating Corporate Governance on Corporate Value

The second hypothesis that corporate risk management is capable of moderating the relationship of corporate governance to corporate value is rejected. The results of the analysis show that the company's risk management is unable to increase the positive effect of corporate governance on company value. By implication, there are indications that in the context of this study, risk management and corporate governance may not be effectively connected or well-coordinated. While corporate governance practices can be considered solid, risk management cannot be a major or in-depth consideration in decision-making processes that affect corporate value. This provides important insight into how risk management practices and corporate governance may or may not interact in the context of the company under study.

The results of this study are unable to support agency theory, namely that corporate risk management in a company has an important role to maintain company stability where high corporate risk management describes good corporate risk governance, including ensuring the company's internal control is still maintained [12]. The results of this study suggests that the company's risk management variables are unable to moderate governance disclosure on company value [17]. Good corporate governance in terms of disclosing risk management has not been able to make investors interested in assessing the performance of a company. This indicates that investors do not consider this information in their decision-making.

Deep integration between risk management and corporate governance often has complex and technical consequences for information disclosure. This problem can create barriers for some investors who do not have a financial background or a deep understanding of risk management. The uncertainty and confusion arising from this complex information can be a barrier for investors, who prefer a simpler approach in valuing companies [17].

Too much complexity can also make the company's evaluation process more complicated and time-consuming, which has the effect of influencing investors' decisions to look for alternatives with financial statements that are easier to understand. Furthermore, an excessive focus on risk management in corporate governance can distract from other important aspects that investors also want. This includes evaluating financial performance, growth prospects, business strategy, and other factors that are more directly related to the potential value of an investment. Investors feel that too much emphasis on risk management can dampen attention on these aspects[18].

In technology industries that are often oriented towards innovation and rapid growth, enterprise risk management focuses more on identifying and controlling technological and market risks related to new products and rapid market changes. High risk management reflects good corporate risk governance, where the company's internal control is maintained [19]. Nonetheless, investors in the technology sector are already anticipating the high level of risk inherent in the tech industry and are focusing more on growth potential, product innovation, and large market opportunities

4. Conclusions

The results of the first hypothesis test prove that corporate governance has a significant positive effect on company value. Because the implementation of good corporate governance creates a positive environment for the company and its shareholders, which ultimately results in an increase in overall corporate value and provides long-term benefits for all stakeholders. The results of the second hypothesis test prove that the company's risk management is unable to strengthen the positive influence of corporate governance on company value. Deep integration between risk management and corporate governance often has complex and technical consequences for information disclosure. The uncertainty and confusion arising from this complex information can be a deterrent for investors, who prefer a simpler approach to valuing companies.

This study had limitations because the population selection was too small. For the next research, it is recommended to add multinational companies and industrial sectors that are rarely studied so that the research results are more representative and comprehensive. Then the enterprise risk management proxy used in this study does not cover all aspects of risk relevant in understanding the effect of enterprise risk management in the technology sector on company value. Therefore, a more specific measurement of risk against a particular type of risk will be more useful in analyzing its impact on the value of the company. For future research, it is advisable to consider the use of risk management variables with different models or proxies, especially more specific proxies that can describe the types of risks faced by technology sector companies more accurately

Authors' Contributions

Janie, Septiana & Nurcahyo conceived and planned the experiments. Septiana contributed to sample preparation and performed the computations. Janie & Septiana contributed to the interpretation of the results. Janie took the lead in writing the manuscript. All authors provided critical feedback and helped shape the research, analysis and manuscript.

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