The impact of CSR disclosure, audit committees, independent commissioners, and managerial ownership on corporate value: An empirical study of basic materials sector companies listed on the Indonesian stock exchange

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Abstract: *Negative sentiments stemming from declining aluminum exports, coal price fluctuations, a global economic slowdown, and environmental pressures influence investors' perceptions of investing in the raw materials sector. CSR disclosure and implementing Good Corporate Governance principles through audit committees, independent commissioners, and managerial ownership are vital strategies for enhancing investor confidence and long-term corporate value. This study investigates the effect of CSR disclosure and corporate governance attributes on corporate value, with Return on Assets as the control variable. It utilizes secondary data from annual and sustainability reports, focusing on companies in the basic materials sector listed on the Indonesia Stock Exchange from 2020 to 2023. Quantitative methods are employed, with panel data regression analysis. The results indicate that, partially, CSR disclosure has a negative and significant impact on corporate value, whereas the proportion of the audit committee exhibits a positive and significant effect. The frequency of audit committee meetings and the proportion of independent commissioners do not demonstrate a significant impact. Audit committee competence positively and significantly influences corporate value, while managerial ownership adversely and significantly affects it. Collectively, these variables influence corporate value. These findings provide valuable insights for company management to enhance CSR and governance practices, thereby increasing the company's appeal to investors.*

Keywords: *Corporate value; Corporate social responsibility; Audit committee; Independent commissioners; Managerial ownership*

Introduction

The capital market is crucial in bolstering a country's economic landscape by facilitating access to financial resources for companies and providing individuals with diverse investment opportunities. Through the capital market, investors can purchase shares of various companies, driven by the aspiration to accumulate significant wealth over time. In this dynamic environment, investors meticulously evaluate corporate value, a critical factor in their investment decisions. It reflects the overall health and performance of a company's operations and its potential for growth in the competitive marketplace (Sunardi et al., 2023).

In recent years, the basic materials sector in Indonesia, which encompasses essential industries such as aluminum, ethanol, cement, and paper, has confronted many significant challenges. Fluctuations in global economic conditions and evolving international trade policies have pressured the sector's performance considerably. These transformative changes have disrupted supply chains and directly influenced the stability and market value of the companies operating within this crucial industry.

In 2020, the trade conflict between the United States and China resulted in a drop in aluminum exports, significantly affecting the financial results of companies like Alumindo Light Metal Industry Tbk (ALMI), which saw sales decline by nearly 60%. In 2022, rising coal prices forced cement companies, including Indocement Tunggal Prakarsa Tbk (INTP), to grapple with higher production costs, leading to a 21.63% drop in net profit. The paper sector faced similar challenges, as falling raw material prices and local demand adversely impacted the net profit of PT Indah Kiat Pulp & Paper Tbk (INKP). Furthermore, the basic materials sector requires particular attention due to its potential for waste generation and environmental harm. For instance, the basic materials industry in Banten Province produces millions of tons of chemical waste annually, contributing to severe air pollution. In 2023, PT Toba Pulp Lestari engaged in extensive deforestation, undermining community resources and heightening pollution risks. These instances highlight that neglecting environmental impacts can lead to negative perceptions from the public and investors, ultimately diminishing corporate reputation value.

Disclosure of Corporate Social Responsibility (CSR) and implementation of Good Corporate Governance (GCG) through the presence of an audit committee, independent commissioners, and managerial ownership can be effective strategies for restoring investor confidence in the sector. Good CSR practices can be a strategic tool for companies to communicate with stakeholders and build a positive reputation. Research shows that transparent and high-quality CSR disclosures create trust among investors and society and contribute to corporate value (Hendratama & Huang, 2021).

In addition, GCG practices through the proportion and competence of the audit committee and the presence of independent commissioners also play a crucial role in influencing corporate value. Research shows that the existence of an effective audit committee and independent commissioners can reduce agency problems, protect shareholders from manipulative behavior, and increase investor confidence (Al-Shaer et al., 2023; Usry et al., 2022). On the other hand, managerial ownership is also considered an essential factor in determining corporate value. Managers who own shares in the company tend to be more committed to achieving good performance and reducing potential conflicts of interest between management and shareholders (Cecilia & Sjarief, 2021).

With this background, this study explores the effect of CSR disclosure, audit committees, independent commissioners, board of commissioners, and managerial ownership on corporate value in the basic materials sector listed on the Indonesia Stock Exchange from 2020-2023. This research is expected to understand the relationship between these factors better and help companies make strategic decisions to face the challenges and improve their performance and reputation in the market. As such, this research will contribute to the existing literature and guide better corporate governance practices in the basic materials sector.

Literature review

Corporate value

Corporate value encompasses the investors' perception of a company's ability to optimize and manage its resources to achieve specific objectives strategically. This perception is often mirrored in the company's stock price, as Aditya et al. (2023) and Martha & Rina (2023) highlighted this perception. Notably, when a company exhibits a high corporate value, it fosters increased investor confidence and optimism about its future. This is because a high corporate value indicates that the company possesses valuable assets, robust growth potential, and the capability to generate substantial profits, which in turn signals a promising trajectory for the company's growth and sustainability, as underscored by Anisyah & Purwohandoko (2017).

Moreover, a high corporate value can lead to several benefits for a company. It may improve the company's ability to attract and retain top talent, as employees often seek to work for organizations with robust financial health and growth prospects. Furthermore, it may give the company greater leverage in negotiating favorable terms with suppliers and partners, enhancing its overall operational efficiency. High corporate value can also facilitate easier access to capital markets, allowing the company to secure funding for expansion and innovation at more favorable terms.

In addition, companies with high corporate value often enjoy an enhanced reputation, which can further strengthen their brand image and customer loyalty. This, in turn, may result in increased market share and competitive advantage. Investors looking for long-term growth opportunities will likely prioritize these companies in their portfolios, reinforcing the growth and value creation cycle. Thus, understanding and enhancing corporate value is crucial for attracting investment and sustaining long-term business success.

Corporate social responsibility disclosure

Corporate Social Responsibility (CSR) disclosure enables companies to communicate their societal and stakeholder commitments (Handayati et al., 2022). CSR reports are essential as they allow stakeholders to assess company performance, influencing their decision-making processes. This CSR information can be included in annual reports or compiled into separate sustainability reports (Nasution & Adhariani, 2016). A company's sustainable value growth relies on integrating economic, environmental, and social dimensions. Companies can address these three areas by adopting CSR practices, demonstrating a commitment to their surrounding environment, and enhancing stakeholder welfare (Machmuddah et al., 2020). Providing insights into CSR practices can mitigate investors' concerns about potential social and environmental liabilities, boosting confidence in the company's financial future and promoting corporate value (Tsang et al., 2024).

According to legitimacy theory, CSR is often employed to maintain favorable societal relations and ensure business continuity (Ryou et al., 2022). Nevertheless, the costs linked to CSR implementation—such as reporting, auditing, and compliance with standards—can be significant, potentially straining the company's financial resources without yielding proportionate financial gains. Therefore, companies must balance CSR investments with anticipated returns and periodically assess the financial implications of their CSR strategies. Research by Tsang et al. (2024), Aditya et al. (2023), Wahidahwati & Ardini (2023), Handayati et al. (2022), Machmuddah et al. (2020), and Hasibuan & Wirawati (2020) indicates a positive correlation between CSR disclosure and corporate value. Conversely, studies by Akal et al. (2023) and Afifah et al. (2021) suggest that CSR disclosure negatively impacts corporate value. These inconsistent results have led researchers to propose a hypothesis for further investigation:

H1: There is a significant influence between CSR disclosure on corporate value

Audit committee

The audit committee is an independent, professional body formed by the board of commissioners. It is responsible for risk management, audit implementation, supervision of financial reporting, and implementation of Good Corporate Governance principles (IKAI, 2024). An audit committee plays a vital role in overseeing company managers and reducing agency costs by ensuring that their decisions benefit the company and not only themselves.

The extent to which an audit committee's increased membership can enhance its independence hinges on several factors, such as the diversity of its members' backgrounds, their expertise, and the committee's ability to function without undue influence from management. When an audit committee is larger and more independent, it is often better positioned to scrutinize financial reporting processes rigorously, thus ensuring that the financial statements are both accurate and transparent, as suggested by Octaviani (2023). This positive impact is crucial in maintaining stakeholder trust and meeting regulatory requirements, potentially leading to improved financial performance and reduced risk of financial misstatements or fraud.

Audit committees need to coordinate their evaluations of the effectiveness of their supervisory actions. Such coordination is often done through formal meetings so that all members can harmonize perceptions and ensure all supervision aspects are well covered. A high frequency of meetings demonstrates a strong commitment from the audit committee to carrying out its responsibilities. This more intensive oversight can improve management quality and is expected to improve operational and financial performance and overall corporate value (Shatnawi, 2021).

Audit committees consisting of individuals with strong financial backgrounds, such as accounting or finance, play an essential role in improving the quality of reporting, managing corporate risk, reducing accounting errors, and improving the effectiveness of internal controls. A competent audit committee makes the company more transparent and well-managed, which in turn has a positive impact on investor perceptions of it (Dakhlallh et al., 2020).

Research conducted by Octaviani (2023), Arfamaini & Soewarno (2022), Hasibuan & Wirawati (2020), and Djashan & Agustinus (2020) has shown a substantial impact of the audit committee's proportion on corporate value. Additionally, Shatnawi et al. (2021) found that the frequency of audit committee meetings also affects corporate value. Studies by Dermawan & Nurastuti (2021) and Dakhlallh et al. (2020) indicated that the audit committee's proportion, meeting frequency, and competence significantly influence corporate value. Conversely, research by Wahidahwati & Ardini (2023) and Ardillah & Chandra (2021) suggests that the audit committee's role and existence, concerning proportion, meeting frequency, and competence, are not strong enough to affect corporate value meaningfully. These inconsistencies in results have led researchers to propose a hypothesis.

H2: There is a significant influence between the proportion of audit committees on corporate value

H3: There is a significant influence between the frequency of audit committee meetings on corporate value

H4: There is a significant influence between the competence of the audit committee on corporate value

Independent commissioners

Independent commissioners are crucial entities within a company's governance structure, providing an unbiased perspective in decision-making processes untainted by affiliations with other board members. Their primary role is to safeguard stakeholders' interests that are not involved in direct management, ensuring that the company’s actions align with broader objectives beyond internal biases. These commissioners are instrumental in mediating internal conflicts by offering impartial resolutions that align with the company's strategic goals. Additionally, they provide valuable advice to management, drawing on their independent stance to enhance corporate governance. Their oversight of company policies ensures that all implemented strategies are legal, ethical, and beneficial to shareholders and stakeholders, fostering organizational transparency and accountability (Wijaya & Radianto, 2023). This structure is critical in promoting trust and confidence among investors, employees, and the public, ultimately contributing to the long-term sustainability and success of the company.

Establishing independent commissioners is crucial for company owners as it serves as a control and supervisory mechanism for evaluating management's performance and behavior. An increased number of commissioners enhances guidance and supervision over management. Alongside augmenting the number of independent commissioners, boosting the frequency of board meetings can also enhance the company's supervisory performance. The primary goal of these meetings is to facilitate better coordination and communication among board members as they fulfill their responsibilities. Consistent meetings and a higher proportion of board members aim to bolster investor confidence and improve efficiency in corporate decision-making (Al-Shaer et al., 2023; Kusuma et al., 2024; Usry et al., 2022).

Studies by Khan & Sukarno (2024), Al-Shaer et al. (2023), Wijaya & Radianto (2023), and Usry et al. (2022) suggest that independent commissioners influence corporate value. In addition, research by Kusuma et al. (2024) and Shatnawi (2021) indicates that the frequency of board meetings affects corporate value. Conversely, Wahidahwati & Ardini (2023) reported no significant impact of independent commissioners on corporate value. Due to these inconsistent findings, researchers are proposing a hypothesis:

H5: There is a significant influence between the proportion of independent commissioners on corporate value.

H6: There is a significant influence between the frequency of Board of Commissioners meetings on corporate value

Managerial ownership

Managerial ownership is a concept that involves executives, including directors and commissioners, holding shares in the company. This shared ownership signifies their active participation in the business's decision-making processes and strategic planning. The investment of these executives in the company's shares aligns their interests with those of the shareholders, promoting a sense of responsibility toward the company's success. As stakeholders with a personal financial stake, these managers are likely to be more vigilant and proactive in monitoring and enhancing the company's financial and operational performance (Ifada et al., 2021a). This alignment of interests can drive better decision-making, ensuring that the managers' decisions benefit the organization as a whole. Furthermore, this involvement can lead to increased accountability, as managerial ownership allows executives to experience firsthand the impact of their decisions on the company's valuation and performance. Through this mechanism, managerial ownership can serve as a valuable governance tool that fosters transparency, accountability, and long-term strategic alignment within the organization.

When management has high share ownership, managers have significant company ownership. This condition causes the interests between management and shareholders to be aligned or more uniform. With significant share ownership, management tends to be more motivated to make decisions that benefit the company. They have a personal interest that is directly connected because good decisions will benefit them financially through an increase in the value of their shares (Ifada et al., 2021). On the other hand, high managerial ownership can have a negative impact on corporate value. Directing managers to focus on short-term profits and providing an excessive sense of security can reduce motivation in encouraging company growth (Kusumawati & Setiawan, 2019; Rohim et al., 2019).

The findings from various research studies indicate both consistent and inconsistent evidence regarding the influence of managerial ownership on corporate value. Specifically, studies by Harahap and Dewi (2023), Suratman and Ismedt (2023), Ifada et al. (2021), and Saona et al. (2020) suggest that managerial ownership exerts a positive and significant impact on corporate value. Conversely, research by Indy et al. (2023) reveals that there is no significant relationship between managerial ownership and corporate value. These contradictory outcomes highlight a gap in the literature and underscore the need for further investigation into this relationship. As a result, researchers are prompted to propose a hypothesis to explore whether certain conditions or variables might mediate or moderate this relationship as follows:

H7: There is a significant influence between the managerial ownership on corporate value

Research Methods

Population and sample

In this study, we focus on companies within the basic materials sector that are publicly listed on the Indonesia Stock Exchange, covering the analysis period from 2020 to 2023. To ensure a representative selection of these companies, we employed a purposive sampling method, resulting in a comprehensive sample size of 236 firms. The data utilized in this research comprises secondary data meticulously gathered from annual reports and sustainability reports, which are readily accessible on each company's official website. The sample selection results are presented in Table 1 for further examination.

Table 1. Sample selection

Criteria	Total
Number of basic materials sector companies listed on the Indonesia Stock Exchange (IDX) during the period 2020 to 2023	102
Basic materials sector companies that do not publish annual reports and / or sustainability reports consecutively from 2020 to 2023	(31)
Companies in the basic materials sector that do not have complete information or data as needed for each variable analyzed	(8)
Basic materials sector companies with outlier data	(4)
Total basic materials sector companies meeting the criteria	59
Total Sample × 4 (research period)	236

Variable definition and operationalization

This research identifies and utilizes three distinct categories of variables to assess the dynamics influencing corporate value. The first category comprises independent variables, which are factors believed to drive changes or outcomes in the dependent variable. These include CSR Disclosure, the proportion of audit committees, the frequency of audit committee meetings, the competency of audit committees, the proportion of independent commissioners, the frequency of board of commissioners meetings, and managerial ownership. The second category involves control variables, which are used to isolate the effects of the main variables by accounting for other potential influences. In this study, Return on Assets is employed as the control variable. Lastly, the dependent variable, which is the outcome of interest or the variable that is expected to change based on variations in the independent variables, is Corporate Value. Below, we delineate the specific indicators that have been selected to represent and measure each of these variables effectively, ensuring that the research captures a comprehensive view of the corporate governance landscape and its impact on corporate value.

Table 2. Variables Operationalization

Variables	Indicator
Corporate Social Responsibility Disclosure (X1)	$\mathrm{CSRIj} = \frac{\sum \mathrm{Xij}}{\mathrm{n}}$ Where: CSRIj = CSR Index for company j Xij = 1 if disclosed, and 0 if not disclosed n = Total number of GRI Standards, consisting of 89 items
Proportion of Audit Committee (X2)	$\mathrm{ACSize} = \text{Number of the Company's Audit Committee Members}$
Audit Committee Meeting Frequency (X3)	$\mathrm{ACMeet} = \text{Number of Audit Committee Meetings per Year}$
Audit Committee Competence (X4)	$\mathrm{ACComp} = \frac{\text{Audit Committee Members with a Background in Finance and Accounting}}{\text{Number of Audit Committee Members}}$
Proportion of Independent Commissioners (X5)	$\mathrm{ICSize} = \frac{\text{Number of Independent Commissioners}}{\text{Number of Board of Commissioners Members}}$
Board of Commissioners Meeting Frequency (X6)	$\mathrm{BCMeet} = \text{Number of Board of Commissioners Meetings per Year}$
Managerial Ownership (X7)	$\mathrm{MO} = \frac{\text{Number of Shares Owned by Management}}{\text{Total shares outstanding}}$
Corporate Value (Y)	$\text{Tobin's Q Ratio} = \frac{\mathrm{MVE} + \mathrm{TL}}{\mathrm{TA}}$ Where: MVE (Market Value of Equity) = closing price* x outstanding shares *Closing price = Average closing price over the 7 days following the annual report publication date TL = Total Liabilities TA = Total Assets
Return on Assets (Z)	$\mathrm{ROA} = \frac{\text{Net Income}}{\text{Total Assets}}$

Model analysis and description

The study employs a comprehensive analysis method known as panel data regression analysis to better understand the factors influencing corporate value, often measured by Tobin's Q (TBQ). The model equation used for this analysis is structured as follows:

$$TBQ = \alpha + \beta_1 CSRD + \beta_2 ACSize + \beta_3 ACMeet + \beta_4 ACComp + \beta_5 ICSize + \beta_6 BCMeet + B_7 MO + B_8 ROA$$

Where each component of the equation is defined as:

- TBQ (Tobin's Q): This represents the corporate value. Tobin's Q is a ratio that compares the market value of a company with the replacement cost of its assets, providing insights into how effectively a company is utilizing its resources.
- α (Alpha): A constant term that captures the baseline level of TBQ when all other variables are zero.
- β_1-β_8 (Regression Coefficients): These coefficients quantify the effect of each independent variable on TBQ, allowing us to determine which factors have the most significant impact on corporate value.
- CSRD (CSR Disclosure): Refers to the extent of a company's disclosure regarding its Corporate Social Responsibility practices. This variable captures how transparency and ethical practices might influence corporate value.
- ACSize (Audit Committee Proportion): This variable measures the size or proportion of the audit committee in relation to the total board, providing an indication of oversight and financial scrutiny.
- ACMeet (Audit Committee Meeting Frequency): This represents the frequency of meetings held by the Audit Committee, which could affect the effectiveness of their oversight.
- ACComp (Audit Committee Competence): Measures the competence of the Audit Committee, often determined by the qualifications and experience of its members, which can impact financial governance.
- ICSize (Independent Commissioners Proportion): This variable assesses the proportion of independent commissioners on the board, which can influence objectivity and corporate governance standards.
- BCMeet (Board Committee Meeting Frequency): Similar to ACMeet, it focuses on the broader board committee and its meeting frequency, impacting decision-making processes.
- MO (Managerial Ownership): Refers to the stake or ownership held by managers within the company, often affecting agency costs and alignment of interests between management and shareholders.
- ROA (Return on Assets): This is a control variable that measures how efficiently a company is using its assets to generate earnings, offering an indirect indicator of operational performance.

This regression model provides a structured approach to analyzing how various factors, such as governance practices, managerial interests, and operational efficiency, contribute to the overall value of a corporation. Understanding these relationships can assist in strategic decision-making and policy formulation for enhanced corporate governance.

Result

Panel data regression analysis

Panel data regression analysis is a powerful statistical tool used to explore the intricate relationships between dependent and independent variables. It effectively considers variations across individuals (also known as cross-sectional units) and temporal changes, thereby providing a more comprehensive understanding of the data. In this particular study, the Fixed Effects Model (FEM) will be employed.

The FEM is chosen due to its ability to control for unobserved heterogeneity by allowing individual-specific intercepts. Before applying the FEM, a series of model estimation tests, including classical assumption tests such as tests for multicollinearity, heteroscedasticity, and serial correlation, will be conducted to ensure the robustness and validity of the model. The outcomes of the panel data regression analysis, including parameter estimates, significance levels, and goodness-of-fit measures, are meticulously detailed in Table 4.

By applying this rigorous analytical framework, researchers aim to derive insights that are not only statistically significant but also relevant and practical for decision-making processes.

Table 4. Panel data regression outcome

Variables	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.032822	0.319362	-0.102773	0.9183
CSRD	-0.411317	0.104840	-3.923277	0.0001
ACSize	0.380991	0.082945	4.593280	0.0000
ACMeet	0.000978	0.006054	0.161561	0.8718
ACComp	0.389121	0.115771	3.361116	0.0010
ICSize	-0.418675	0.237591	-1.762164	0.0798
BCMeet	0.005188	0.004826	1.074932	0.2839
MO	-1.724571	0.721155	-2.391403	0.0179
ROA	0.002106	0.002411	0.873238	0.3838

Based on the detailed analysis presented in Table 5, it is observed that both corporate social responsibility (CSR) disclosure and managerial ownership exert a significantly negative influence on corporate value. This indicates that as either CSR disclosure levels or managerial ownership percentages increase, there is a corresponding decline in the overall value of the corporation. In contrast, the findings reveal that both the proportion of members within the audit committee and their respective competence contribute positively and significantly to enhancing corporate value. This suggests that a higher representation in the audit committee, along with their increased expertise, plays a crucial role in bolstering the corporation's market worth. However, it is noteworthy that certain factors, including the proportion of independent commissioners, the frequency of audit committee meetings, the frequency of meetings among the board of commissioners, and the Return on Assets (ROA), do not show a significant impact on corporate value. This highlights important areas where improvements might not yield the expected benefits in terms of enhancing overall corporate performance.

Table 5. Hypothesis testing individual variable

Model	t-statistic	t-table	α	Prob.	Decision	Conclusion
X1 → Y	-3,923	-1,970	0,05	0,0001	Ha1 accepted	Significant
X2 → Y	4,593	1,970	0,05	0,0000	Ha2 accepted	Significant
X3 → Y	0,162	1,970	0,05	0,8718	Ha3 rejected	Insignificant
X4 → Y	3,361	1,970	0,05	0,0010	Ha4 accepted	Significant
X5→ Y	-1,762	-1,970	0,05	0,0798	Ha5 rejected	Insignificant
X6→ Y	1,075	1,970	0,05	0,2839	Ha6 rejected	Insignificant
X7→ Y	-2,391	-1,970	0,05	0,0179	Ha7 accepted	Significant

Discussion

The effect of CSR disclosure on corporate value

CSR (Corporate Social Responsibility) Disclosure significantly influences corporate value among companies in the basic materials sector listed on the Indonesia Stock Exchange. This conclusion aligns with the research of Akal et al. (2023) and Lima Crisóstomo et al. (2011), which suggest that poorly managed CSR activities—those not aligned with a company's capacity—can divert attention from crucial areas such as innovation, efficiency, and operational effectiveness. This misalignment often adds an undue burden, negatively impacting overall company performance. Additional findings by Yuen & Lim (2016) indicate that several limitations, including inadequate support from top management and restricted financial resources, can further obstruct the successful implementation of CSR strategies.

Furthermore, excessive CSR activities without a clear assessment of associated costs and benefits, as highlighted by Sun et al. (2019), risk misallocating funds to ineffective programs. Such misallocation can ultimately diminish the company's value as perceived by investors. In the context of Indonesia, Azzahra (2016) points out that the limited public awareness regarding the significance of CSR might intensify these negative effects, as the efforts made by companies may go unrecognized by investors.

Despite the potential for CSR to yield long-term benefits, it requires meticulous management to avoid adverse effects on corporate value in the short term. Companies must carefully balance CSR initiatives with strategic objectives to ensure they contribute positively to both societal welfare and shareholder value. By doing so, businesses can enhance their reputation, foster investor trust, and ultimately achieve sustainable growth through well-managed CSR practices. Effective strategies include thorough stakeholder engagement, precise alignment of CSR activities with core business competencies, and regular evaluation of program impacts to ensure they deliver tangible benefits both socially and economically.

The effect of the proportion of the audit committee on corporate value

The composition of the audit committee plays a crucial role in influencing the corporate value (Y) of companies within the basic materials sector that are listed on the Indonesia Stock Exchange. This observation aligns with the findings of earlier studies conducted by Ozcan (2021), Kadarningsih et al. (2020), and Dakhlallh et al. (2020). These studies suggest that a robust audit committee, characterized by a substantial number of members who bring varied experiences and expertise, is vital in enhancing the perception of a company's performance among investors.

When a company boasts an audit committee with diverse backgrounds, it fosters a wider perspective in evaluating the company's policies and financial statements. This diversity is instrumental in conducting a thorough assessment of potential risks, reducing biases in the oversight process, and subsequently improving the overall performance of the company. A well-structured audit committee enhances corporate governance, which is a critical factor for today’s investors. Investors are more likely to gain confidence and show willingness to invest in companies that demonstrate strong corporate governance practices. A diverse audit committee not only ensures comprehensive evaluation and sound decision-making but also fortifies investor trust, thus potentially increasing the company's market value. This is because investors often perceive a well-governed company as a lower-risk investment, which diminishes the cost of equity and boosts the company's valuation.

The importance of the audit committee's composition cannot be overstated, as it directly influences the strategic direction and financial integrity of a company. As companies continue to navigate the complexities of the global market, having a proficient audit committee is indispensable for sustaining long-term growth and success. Hence, fostering diversity within audit committees should be a priority for companies aiming to enhance their value and secure investor confidence.

The effect of the frequency of audit committee meetings on corporate value

The frequency of audit committee meetings appears to have no significant impact on corporate value within companies in the basic materials sector listed on the Indonesia Stock Exchange. This conclusion contrasts with earlier findings by Shatnawi et al. (2021) and Ozcan (2021), who argue that a high frequency of audit committee meetings reflects a robust commitment and can enhance the quality of management oversight. However, the current study suggests that frequent meetings by the audit committee do not necessarily guarantee an improvement in their supervisory function nor more effective prevention or reduction of fraud and errors in the company's financial statements. Many investors perceive the number of audit committee meetings as insufficient to ascertain the true performance of a company, often viewing them merely as a compliance measure to satisfy regulatory guidelines (Ardillah & Chandra, 2021).

This divergence in findings highlights the complexity of corporate governance and the multifaceted nature of audit committee roles. It raises questions about the real indicators of effective oversight and whether other factors, such as the quality of the discussions during the meetings or the expertise of the committee members, might play a more substantial role in influencing corporate performance and value. Furthermore, the study's results prompt a reevaluation of the metrics used to assess the effectiveness of corporate governance structures, suggesting that perhaps more qualitative measures should be integrated alongside quantitative ones to provide a more comprehensive assessment of a company's governance and its implications on corporate value.

The effect of audit committee competence on corporate value

The competence of the audit committee plays a pivotal role in enhancing corporate value, particularly within basic materials sector companies listed on the Indonesia Stock Exchange. This conclusion is consistent with earlier studies by Dermawan & Nurastuti (2021) and Dakhlallh et al. (2020), both of which underline the importance of a skilled audit committee in ensuring a stringent audit process. Such rigor in auditing can significantly contribute to producing financial reports that are free from material misstatements and that disclose information with greater accuracy. This meticulous approach provides investors with additional assurance that their investment decisions are based on trustworthy and reliable data.

When investors scrutinize annual reports, they tend to focus on various elements, among which the expertise of the audit committee stands out. A competent audit committee not only enhances confidence in the authenticity and integrity of financial statements, but it also assures investors that critical aspects of corporate governance are being diligently monitored. These aspects include regulatory compliance, risk management, internal controls, and the transparency of reporting. The presence of an expert audit committee thus assures stakeholders that these governance elements are meticulously and professionally managed, thereby bolstering investor confidence and potentially increasing corporate value.

Moreover, in the competitive landscape of the basic materials sector, effective audit oversight can serve as a differentiating factor for companies striving to attract investment. Companies known for robust governance practices and transparency are more likely to appeal to investors seeking stable and sustainable investment opportunities. As regulatory requirements continue to evolve, the role of the audit committee becomes increasingly critical in navigating these changes and ensuring that the company remains compliant while upholding the highest standards of corporate governance.

The effect of the proportion of independent commissioners on corporate value

In the realm of basic materials sector companies listed on the Indonesia Stock Exchange, the proportion of independent commissioners appears to have no significant impact on corporate value. This conclusion diverges from earlier studies such as those by Khan & Sukarno (2024), Al-Shaer et al. (2023), Wijaya & Radianto (2023), and Usry et al. (2022), which suggested otherwise. The findings of the current study indicate that merely increasing the number of independent commissioners does not guarantee an enhancement in corporate value. This is because the presence of independent commissioners alone may not sufficiently influence investor perceptions regarding the company's performance. Often, adjustments in the number of independent commissioners are conducted primarily to satisfy administrative requirements rather than to achieve meaningful performance gains (Rusli et al., 2020).

This insight prompts a reconsideration of corporate governance practices within the sector. It suggests that companies might need to evaluate the effectiveness of independent commissioners beyond mere numerical adjustments. To truly enhance corporate value, firms should focus on integrating independent commissioners who bring substantial expertise, experience, and an objective perspective that can drive strategic decisions and meaningful change. Moreover, fostering a board culture that values transparency, accountability, and active engagement may be more beneficial than simply meeting regulatory quotas.

Thus, future research could explore the qualitative aspects of independent commissioners' contributions and how their engagement in strategic initiatives correlates with corporate performance. This could help identify the underlying factors that truly enhance corporate value, providing a more nuanced understanding of corporate governance dynamics in the industry.

The effect of frequency of Board of Commissioners meetings on Corporate Value

In the basic materials sector companies listed on the Indonesia Stock Exchange, the frequency of board of commissioner's meetings (X6) appears to have no significant impact on corporate value (Y). This conclusion diverges from the findings of earlier research by Kusuma et al. (2024) and Shatnawi et al. (2021). This study suggests that while frequent meetings may demonstrate a dedication to oversight, they do not necessarily enhance corporate value. This can be attributed to the fact that investors are more concerned with the quality and effectiveness of these meetings than merely their number. They value how meetings influence decision-making processes and the oversight mechanism rather than just the frequency of occurrences (Wiguna & Yusuf, 2019; Rachmanda & Fuad, 2014).

Further analysis reveals that the effectiveness of board meetings is determined by multiple factors, including the agenda, the preparation of board members, and the resulting decisions that drive strategic directions. It's essential to consider how these meetings are conducted, the extent to which they facilitate open dialogue and constructive criticism, and how they ultimately contribute to transparent and informed decision-making. Therefore, for companies seeking to enhance their corporate value, focusing on the substantive quality of the board meetings rather than their frequency might be more beneficial.

The effect of managerial ownership on corporate value

The relationship between managerial ownership and corporate value is a crucial area of study, particularly within the context of companies operating in the basic materials sector listed on the Indonesia Stock Exchange. Recent findings underscore that managerial ownership indeed has a significant impact on corporate value, aligning with the conclusions drawn in previous studies conducted by Safitri et al. (2023) and Rohim et al. (2019).

Several interrelated factors elucidate the potential negative consequences of high managerial ownership on corporate value. Firstly, when managers possess a substantial proportion of shares, they often prioritize immediate financial gains, such as dividends or performance bonuses. This short-sighted focus can detract from investments in sustainable, long-term strategies that are essential for the growth and stability of the company.

Secondly, managers with high ownership stakes may adopt a more conservative approach to investment decision-making, avoiding risks that are necessary for fostering long-term corporate growth. Research by Kusumawati and Setiawan (2019) highlights this tendency, pointing out that such caution can hinder innovation and expansion efforts that benefit shareholders over time.

Thirdly, an environment of high ownership can inadvertently breed complacency among managers. A sense of excessive security may arise, leading to diminished motivation to actively pursue enhancements in company performance. Abdullah et al. (2017) emphasize that this lack of drive can stifle competitiveness and reduce the organization's overall effectiveness in responding to market dynamics.

Lastly, the absence of adequate oversight from external shareholders can exacerbate these issues. When there is insufficient scrutiny, managers may prioritize personal interests over the broader objectives of the company, resulting in decisions that do not align with the long-term growth and sustainability goals. Consequently, these four factors contribute to negative perceptions among investors regarding the company's management practices and their alignment with sustainable growth objectives (Rohim et al., 2019). Therefore, understanding and addressing the implications of managerial ownership is essential for enhancing corporate value and fostering a climate of accountability and strategic foresight in the basic materials sector.

Conclusion

This study aims to examine the impact of corporate governance mechanisms (audit committee, independent commissioners, and managerial ownership) on corporate value in the basic materials sector. Based on the analysis of 59 companies listed on the Indonesia Stock Exchange (IDX) from 2020 to 2023, it was found that CSR disclosure has a significant negative effect on corporate value, mainly due to inefficiencies in program management and lack of top management support. On the other hand, a higher proportion of audit committee members and a competent audit committee positively affect corporate value by improving financial oversight and reporting. However, the frequency of audit committee meetings and board meetings has no significant impact on corporate value. In addition, managerial ownership shows a significant negative effect, as high managerial ownership tends to prioritize short-term gains over long-term stability, thus reducing investor confidence. Overall, this study concludes that governance factors, including CSR practices and audit committee quality, are critical in influencing corporate value, accounting for 81% of the variance in corporate value.

Limitation

This study has several limitations that may affect the findings. First, it relies solely on secondary data from annual reports and sustainability reports, which vary in quality and detail across companies. Some companies did not fully disclose information over the past four years, such as economic, social, and environmental aspects, or the breakdown of their shareholding structure. Second, this study only considers a limited set of internal factors, and there are many other factors, such as macroeconomic conditions and industry market dynamics, that could influence investor perceptions. Third, the study is limited to companies in the basic materials sector and does not account for regional differences (such as variations between companies from different countries or regions) or company size (such as differences between large and small firms). Finally, there is a timing discrepancy between the publication of the annual reports, which provide information about the audit committee and independent commissioners, and the sustainability reports, which disclose CSR practices. This gap in reporting periods for 5 out of the 236 samples could potentially affect investor response and stock price determination.

Suggestion

For companies, they can conduct internal audits of CSR initiatives to ensure relevance and added value for the company, ensure that all audit committee members have the appropriate qualifications, and re-evaluate the company's share ownership structure by maintaining a balance between share ownership owned by management and external parties.

For future research, it is expected to combine quantitative data with qualitative data to provide greater insight, conduct further exploration of variables that may affect corporate value, such as ESG and other financial performance other than ROA, conduct research covering different and even longer periods, and consider regional differences and company size in order to expand the scope of research.

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