THE INFLUENCE OF THE INDEPENDENT BOARD OF COMMISSIONERS AND CORPORATE SUSTAINABILITY ON FIRM VALUE IN MINING ON THE INDONESIA STOCK EXCHANGE (BEI) IN 2021-2022

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Abstract

This research aims to examine the effect of the independent board of commissioners and corporate sustainability on firm value. This research uses a causality quantitative approach. The research data is secondary data taken from the IDX data website. The sample used amounted to 15 mining sector companies during the two-year observation period. Purposive sampling is a technique used for data collection. The analysis method used is linear regression analysis with SPSS 23 analysis tool. The results showed that the independent committee and corporate sustainability have a significant influence on firm value.

Keywords: *Independent Board of Commissioners, Corporate Sustainability, Firm Value*

1. INTRODUCTION

Firm value is an economic phrase that describes the market value of a risk company and is the basis of the company used to measure business value and analysis. (Bayu Adi Nugroho and Jasman in Mappadang, 2019). The firm's performance is reflected in its valuation which can affect investors' views of the firm. The goal of an investor is of course to get aprofit from his investment in a firm. When the firm value increases, it indicates thatthe firm is growing and has the potential to be more successful in the future. Investors can use this information to assess whether a firm is worth investing in or not. Firm value also reflects the potential profits that investors can earn.

According to Sonia in Wedayanthi and Darmayanti (2016) investors who buy shares ofa firm indicate that these investors buy prospects or hopes for the firm's success. Basedon signaling theory, it is explained that companies send signals to parties with an interest in the firm's conditions and results. The information in the financial statements interpreted by the company reflects the value of the company, allowing interested parties to analyze the company's current financial status and make forecasts about the company's future. As a result, the independent board of commissioners plays an important role in the long-term viability and value of the firm.

The independent board of commissioners also has a role in overseeing management in running the firm to achieve firm goals. According to agency theory, boards of commissioners that have a large size of independent commissioners tend to have more effective monitoring. IDX must have at least one Independent Commissioner, which amounts to at least 30% (thirty percent) of the total number of Commissioners

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(Kep- 315/BEJ/062000). Good governance is a guideline for firm managers to manage the firm properlybecause the supervision of independent commissioners will make managers work effectivelyand efficiently and the decisions taken can benefit the parties in the firm. Good corporate governance will be able to manage activities effectively and efficiently to increase firm value.

In the concept of corporate sustainability, the focus of the firm is to formulate a sustainable development strategy for the long-term future of the firm. Corporate responsibility is the way the firm is organized and managed in such a way that it can generate benefits for the firm through the achievement of economic, social, and environmental results (Aryani, 2012). The concept of sustainable business development interprets the three pillars of ″sustainable development″, namely: economic, social, and environmental, as an "interrelated system". Then the firm prepares a separate report called the "Sustainable Development Report", which describes in detail the management structure of the firm's stakeholders. Framing and implementation of the triple bottom line (Aggarwal, 2013).

From the description above, the purpose of this research is to determine the effect of the independent board of commissioners and corporate sustainability on firm value. The findings of this research are based on signaling theory and agency theory. Factors and population selection, namely mining companies on the IDX in 2021-2022, contradict the uniqueness of this research because mining companies, which of course have high sensitivity and have the most impact on the environment.

2. LITERATURE REVIEW

Firm Value

Firm value, which is often correlated with stock price, is an investor's assessment of the firm and is likely to have a significant impact on the fixed value assigned by stock market indicators. According to Houston (2006) the price to earnings ratio reveals how much money investors are ready to spend, every dollar reported determines how the market assesses the firm's earnings per share, one of which uses the Price Earning Ratio (PER). According to Hidayah (2014) Firm value is an investor's perspective on a company that is often associated with stock prices, higher stock prices result in higher firm value and large dividends to investors. Franita (2018) argues that value is the price that potential buyers are willing to pay if the company is sold.

Independent Board of Commissioners

The independent board of commissioners is in charge of managing every aspect of the business. To ensure that the control mechanism runs efficiently and in accordance with the provisions, there must be an adequate number of independent commissioners.. Independent commissioners are the best position to create good governance (Alfinur, 2016). The presence of an independent board of commissioners is expected to increase the compliance of directors inacting and reduce agency problems which in turn can improve shareholder welfare.

Corporate Sustainability

According to the Brundtland report (WCED, 1987), the term "corporate sustainability" is rooted in "development that meets the needs of the present without jeopardizing the ability of future generations to meet their own needs". While for-profit enterprises play a key role in sustainable development, as they represent productive economic resources (Bansal 2002), "individual organizations cannot become sustainable:

Individual organizations only contribute to large systems in which sustainability may or may not be achieved" (Jennings and Zandbergen 1995, P. 1023). By definition, corporate sustainability thus represents a level-spanning concept that links organizational activities to outcomes in the overarching societal and natural systems in which "business enterprises are expected to improve the general well-being of society" (Schwartz and Carroll 2008, p. 168).

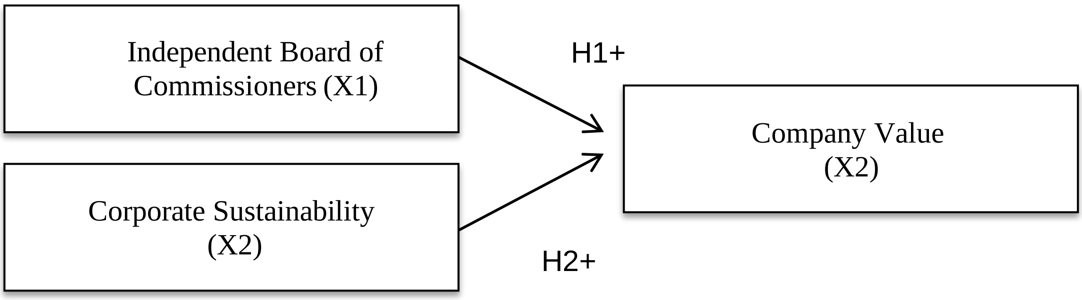

Figure 1. Research Hypothesis

3. RESEARCH METHODOLOGY

Multiple linear regression was used in this research quantitative causative technique to test the findings (Y = bo + b1X1 + b2X2. Multiple linear regression is a regression model that involves more than one independent variable. Multiple linear regression analysis is performed to determine the direction and how much influence the independent variable has on the dependent variable (Ghozali, 2018). 44 mining companies listed on the Indonesia Stock Exchange (IDX) in 2021-2022 constitute the research population. Purposive sampling is a sample selection technique used in sampling to select samples based on certain considerations or criteria. The criteria are as follows: (1) Mining companiesthat are consistently listed on the Indonesia Stock Exchange (IDX) for the 2021-2022 period; (2)Mining companies that present Annual Financial Reports and Sustainability Reports based onthe G4 Guidelines of the Global Reprting Intiative (GRI 4); (3) Mining companies that report share prices in Rupiah figures. Based on these criteria, 15 sample companies were obtained.

Table 1. Variables Formulas

Variables	Formulas
Independent Board of Commissioners (X1)	$DPI = \frac{\text{Independent Board of Commissioner}}{Total\ Number\ of\ Commissioners} x\ 100\%$
Corporate Sustainability (X2)	$CSDI = \frac{Total\ Corporate\ Sustainability\ Disclosure}{Item\ Corporate\ Suistanability}$
Firm Value (Y)	$PER = \frac{Market\ price\ per\ share}{Earnings\ per\ share}$

Source*:* processed by the author, 2023

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4. RESULTS AND DISCUSSION

Clasical Assumption Test

Table 2. One-Sample Kolmogorov-Smirnov

	Unstandardized Residual
N	30
Asymp. Sig. (2-tailed)	.000[c]

Source: Data processed by the author, 2023

Table 2 gives the p-value <0.05, then H_0 is rejected, so the residuals of the data are not normally distributed.

Table 3. Multicollinearity Test

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	52.456	98.295		.534	.598		
Independent Board of Commissioners	352.233	161.947	.356	2.175	.039	.994	1.006
Corporate Sustainability	-14.036	6.210	-.369	-2.260	.032	.994	1.006

Source: Data processed by the author, 2023

Test Statistics:
Variance Influence Factor (*VIF*)

$$VIF = \frac{1}{1 - R_i^2}$$

Table 3 gives, the three independent variables used have a value below 10 which means H_0 is accepted and there is no multicollinearity.

Table 4. Autocorrelation Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.532[a]	.283	.230	107.29915	1.989

Source: Data processed by the author, 2023

Based on the DW table with = 30 and the number of independent variables = 2, the dl and du values are 1.2837 and 1.5666. Because the value $DW > dl$, namely 1.989> 1.5666, it canbe concluded that autocorrelation occurs.

Table 5. Multiple Linear Regression Model

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	52.456	98.295		.534	.598
Independent Board of Commissioners	352.233	161.947	.356	2.175	.039
Corporate Sustainability	-14.036	6.210	-.369	-2.260	.032

Source*:* Data processed by the author, 2023

Table 5 gives, firm value is influenced by several variables used in this research, so that thefollowing regression model is formed:

$$\mathbf{Y} = 52{,}456 + 352{,}233\ \mathbf{(X1)} - 14{,}036\ \mathbf{(X2)}$$

So, the regression model can be explained as follows:

a. The independent board of commissioners variable (X1) has a regression coefficient value of 352.233, The independent board of commissioners variable (X1) has a regression coefficient of 352.233 which is the advantage of the independent board of commissioners on firm value (Y).
b. The corporate sustainability variable (X2) has a regression coefficient of 14.036. As a result, corporate sustainability has a detrimental impact on firm value (Y).
c.

Hypothesis Test

Table 6. F-test

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	122524.835	2	61262.417	5.321	.011[b]
Residuals	310853.928	27	11513.108		
Total	433378.762	29			

Source*:* Data processed by the author, 2023

Table 6 gives, the p-value = 0.011<0.05 and acceptance of H_0 indicates that the independent board of commissioners and corporate sustainability have an influence on firm value.

Table 7. t Test

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	52.456	98.295		.534	.598
Independent Board of Commissioners	352.233	161.947	.356	2.175	.039
Corporate Sustainability	-14.036	6.210	-.369	-2.260	.032

Source*:* Data processed by the author, 2023

The T test results can be explained by the p - $value$ value on each variable:

a. Independent Board of Commissioners (X1)
   With a significance value of 0.039 < 0.05, it is clear that the independent board of commissioners does have an effect on firm value.
b. Corporate Sustainability (X2)
   With a significance value of 0.032 < 0.05 it appears that the sustainability report has an influence on firm value.

Table 8. Coefficient of Determination (R)²

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.532[a]	.283	.230	107.29915

Source: Data processed by the author, 2023

According to Table 8, where the R2 value is 0.283, the independent board of commissioners and corporate sustainability account for 28.3% of the variation in firm value, while the remaining percentage (100% - 28.3% = 71.7%), is accounted for by causes not accounted for by the regression equation or by factors not considered in this research.

Independent Board of Commissioners on Firm Value

The independent board of commissioners variable has a t statistic of 0.039 with a significant level (0.000 <0.05) which indicates that it has an effect on firm value, meaning that Ha is approved and H0 is rejected. According to Vincentius and Widyasari (2023), the independent board of commissioners significantly affects firm value. According to Husin and Subardjo (2019), the percentage of independent commissioners has a favorable and considerable effect on the value of business value. Several factors related to the independent board of commissioners affect firm value, namely:

a. The existence of an independent board of commissioners helps ensure that decisions made by management are truly in the interests of firm stakeholders, especially investors. The independent board of commissioners helps prevent practices that harm the firm.
b. The presence of a strong and competent independent board of commissioners can increase the credibility of the firm in the eyes of investors and other stakeholders.

c. Independent commissioners can provide objective insights and perspectives in evaluating the risks faced by the firm and provide good advice in developing effective risk management strategies. By reducing risk operations, compliance and reputation, the firm can maintain its corporate value and protect shareholders' interests.
d. The independent board of commissioners plays a role in ensuring that the firm follows the principles of good corporate governance.
e. Independent commissioners bring diverse knowledge, experience and expertise to the board. In formulating policies and making important decisions, the presence of independentcommissioners can enrich discussions and help in making more rational and objective decisions. This can reduce the risk of poor decisions and increase the long-term value ofthe firm.

Corporate Sustainability on Firm Value

From this research, the *t test* results show that the t statistic of the corporate sustainability variable is 0.032 with a significant level (0.000 <0.05) corporate sustainability has a positive effect on firm value. Thus H_0 is rejected and H_a is accepted. This indicates that there is an increase in investor understanding regarding the sustainability disclosures implemented by the firm. In addition, this research indicates that disclosures that refer to GRI 4 can be well understood by investors. Abdul Izza et al (2021) argue that sustainability disclosure has a positive effect on firm value. Consistent with Masruroh and Mekayanawati (2020), Machmuddah et al, (2020. However, research by Firmansyah and Febrian (2021), Yovani and Sekar (2015) shows that *corporate* sustainability h*as a* negative effect on firm value.

5. CONCLUSIONS

Based on the results of research and discussion, it can be concluded that the independentboard of commissioners and corporate sustainability *are* able to increase the value of mining companies listed on the Indonesia Stock Exchange (IDX) in 2021-2022. The findings of this study have implications for Indonesian management, investors and regulators. The government and businesses in Indonesia are expected to be motivated by the findings of this study to increase firm value. The limitations of this research are the relatively small sample of mining companies and the time used for this research period is only two years. In addition, this research obtained a determination test result R2 of 28.3%, which means that there are still other variables that affect firm value. For future researchers, it is recommended to use populations from other sectors and extend the observation period to get more accurate results. Future researchers are also expected to add other variables outside of this research, such as CSR, firm size, and Environment Management Accounting (EMA) which can affect firm value. With the growth of the Indonesian capital market.

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