The effect of internal control, integrated report and external assurance on SOE's market value: the moderating role of board representation

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Abstract

This research was motivated by the expansion of businesses and enthusiasm of market participants regarding the fluctuating value of the market itself. The goal of this study is to test, analyze, and find empirical evidence of the impact of internal control, integrated report, and external assurance on market value, with board representation serving as a moderator. The sample of this study were collected using purposive sampling method from Indonesia state owned enterprises (SOEs) from 2017 to 2021 which listed on the Indonesia Stock Exchange. Analysis using multiple linear regression analysis finds that internal control has a negative effect and external assurance has a positive effect that significant on market value, while the integrated report has no effect on market value. Board representation as a moderation variable weakens the negative relationship between internal control and market value, but it cannot strengthen the positive relationship between external assurance and market value, and it has no effect on the relationship between integrated report and market value.

Keywords

internal control; integrated report; external assurance; market value; board representation

INTRODUCTION

Company is taken into account in a variety of ways to get a cash injection in running their operations. In conjunction with technological advancements from all walks of life, it is easier for market participants to access company information (Team, 2022). Companies contribute by providing a variety of important company information, so that market participants can assess and make decisions based on the information available. This information data can be obtained using applications that can be accessed from a variety of device. Furthermore, this information data will be updated at any time, ensuring that potential investors receive accurate information. Using this application, it is possible to support the maintenance of market value, because all eyes can simply monitor market movement.

Not surprisingly, with such ease of access, market interest is skyrocketing (Safitri, 2021). Given the current market, there is no range for participants in age, profession, and social circle. Unfortunately, people have insufficient knowledge to disseminate this information. As the consequences, entity should strive to make the information understandable to the reader, by providing information on critical business activities that have a material impact on the entity. This is consistent with the fact that not all market participants are business professionals who can read the information report. As a result, businesses must combine financial and non-financial information.

The enthusiasm of the market participant caused the market value upward. In the Indonesian market, which is expanding on a daily basis, encourage the government enhance the facility in the form of counselling market participant (Kemenkeu, 2022). The government also runs a financial literacy program to raise public awareness about long-

term investment. Despite the fact that the movements are predictable, fluctuations are unavoidable. This market's movement is influenced by a variety of factors. The current global financial crisis is one of them. It is claimed that Indonesia has not yet recovered from the COVID-19 pandemic, but the country is also dealing with an inflationary crisis. Furthermore, the depreciation of the rupiah exacerbates market movements. Despite the fact that the government has tried and proven a 0.59% increase in the Composite Stock Price Index in early September 2022. Even though there has been an increase, when compared to the market problems, this is still insufficient (Putra, 2022).

The preceding phenomenon reinforces of market value uncertainty. The importance of economic actors in understanding market value is knowing a company's potential assets in the market. The entity must ensure that the information provided is adequate to attract economic actors. To obtain this information, the company must have a good set of business operations control so that accurate data can be collected. All of the information must be included in a report that adheres to the standard. So that potential investors can understand with no ambiguities. Furthermore, there should be an external review to ensure that potential investors have confidence in the accuracy of the information.

Several studies on market value factors, including internal control, have been conducted. Research conducted by Khlif, Samaha, & Soliman (2019), Jadoon, et al. (2021), Elsayed & Elshandidy (2021) and Chen, Feng, & Li (2020), finds that there is significant negative effect between internal control and market value. This finding differs from the findings of Gal & Akisisk (2020), Zhu & Song (2021) and Espahbodi & Espahbodi (2019) finds significant positive influence in relationship of internal control over market value.

The second factor is integrated report, previous researcher which are Gal & Akisisk (2020) and Cosma, Soana, & Venturelli (2018) explained as having a positive influence on market value. Research by Ciubotariu, et al.

(2021) on the other hand, claims that the integrated report has a negative impact on market value. Furthermore, the third factor is external assurance, where previous research by Gal & Akisisk (2020), Eulerich & Eulerich (2020), Radhouane I., et al. (2020), Goicoechea, Gomez-Bezares, & Ugarte (2019) and Briem & Wald (2018) found that it had a positive influence over market value. However, Nishitani, Haider, & Kokubu (2019) and García-Sánchez, Martínez-Ferrero, & Garcia-Benau (2019) research found negative effect in external assurance and market value.

This research adopted by the research of Gal & Akisisk (2020) and Nekhili, et al. (2019). To strengthen or weaken the relationship between one variable and another, the author combines the internal control, external assurance, and integrated report variables over the market value obtained from Gal & Akisisk (2020) with the board representation variable from Nekhili, et al. (2019) as a moderating variable. This study employs board representation as moderation because the main journal Gal & Akisisk (2020) has limitations on results that are solely focused on shareholders, necessitating new ideas that also discuss other stakeholders. In conjunction with prior research that used board representation as a moderating variable. Previous research about board representation by Eulerich, Fligge, & Imdieke (2020), Cuypers, et al. (2016), Qureshi, et al. (2019) and Ullah, Fang, & Jebran (2019) has shown that employee representatives on corporate boards have a positive impact on market movements. Meanwhile, research from Yang, et al. (2019) and Rubino, Tenuta, & Cambrea (2016) shows that board representation has a negative impact on market value.

Furthermore, because of inconsistencies in previous research on the relationship between variables. The researcher chose internal control, integrated report, and external assurance variables as factors that influence market value because the relationship between control, presentation, and assurance of information can affect shareholder trust in a company which will increase the company's

market value (Gal & Akisisk, 2020). The selection of board representation as moderation because each board's strategic position to make decisions has a significant influence on the company's activities in order to run the business (Nekhili, et al. 2019). This research examines that fluctuations in market value may be indicated as a result of strong or weak internal control in a company, or the weak influence of guarantee reports from independent parties, or a lack of integration of financial statements that makes it difficult for readers.

This research utilized data SOE which will cover all industrial sectors on the Indonesian Stock Exchange listed. Selection of the sample, because according to a report from PT Kustodian Sentral Efek Indonesia, as many as 1.5 million out of approximately 8 million investors invested in one of the SOE's (BUMN, 2022). Furthermore, SOE are spreading their wings, accounting for 23% of market capitalists on the Indonesia Stock Exchange (Mulyana, 2022). According to Government Regulation No. 23 of 2022, article 26, SOE employees can be appointed as directors before the age of 50, which could enhance SOEs to have representation with concrete experience at the board tier.

This research makes a number of contributions to the literature, thereby improving upon existing shortcomings. First, it assists potential investors in getting an overview of a company and making decisions among the factors that cause market value fluctuations. Second, it answers questions about market value fluctuation trends as well as shares ideas and experiences in this area. Finally, it provides effective solutions to increase the profitability of the company.

The main section of an article should start with an introductory section which provides more details about the paper's purposes, motivation, research methods and findings. The introduction should be relatively nontechnical, yet clear enough for an informed reader to understand the manuscript's contribution.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Agency theory

The objective of the agent and the principal of the company are in conflict. Because of the agency costs, this is the inverse. This cost is presumed to be inconveniencing shareholders' interests (Morris, 2012). This conflict can be minimized if the director only has one role. Moreover, it has positive effect on the organization's performance (Cherian, et al., 2020). In a form of financial and non-financial information may be disclosed. The role of the director, as the highest decision-making position, can compel managers to produce high-quality financial reports. The goal is to reduce agency costs, which are a source of contention in agency theory. The variable internal control and integrated reports can be characterized as agency theory. This is explained in theory by emphasizing agency costs that must be avoided and minimizing the possibility of information asymmetry.

Signaling theory

The construction of signalling theory is based on the asymmetry of information that occurs in the labour market (Spence, 1973). However, signalling theory began to be applied to companies when reporting over time (Ross, 1977). S ignalling theory will improve the quality of trading companies by highlighting the company's hidden potential (Anifowose, Rashid, & Annuar, 2017). According to the analysis of reputation, it can optimize market value by managing communication and operational reach (Cole, 2012). As a result, companies can consensually include more disclosures than required by applicable regulations (Campbell, Shrives, & Saager, 2001). Because this is thought to send a stronger signal to investors that the company is profitable. In line with the possibility of the company increasing its market value. This signal can also indicate that one company is superior to another. This variable integrated report and market value can be characterized

as signalling theory. This is explained in theory by emphasizing the completeness disclosure of financial information and exposing the potential's company to increasing the market.

Legitimacy theory

This theory includes mechanisms to help organizations design and implement voluntary sustainability disclosures in order to meet social contracts (Burlea & Popa, 2013). This disclosure must also be based on complete transparency of all information presented. In this case, an independent party is required to verify the information's transparency. This is an application of the legitimacy theory of the organization's interests to communicate the organization's performance to community users (Simoni, Bini, & Belluci, 2020). Pressure from both within and outside the organization to disclose sustainability performance encourages businesses to seek assurance from third parties (Braam & Peeters, 2018). A good reputation can be enhanced by increasing users' trust in the company's integrity through the assurance of fair disclosure (Simnett, Vanstraelen, & Chua, 2009). The variable of external assurance can be characterized as legitimacy theory. This is explained in theory by emphasizing user's trust of completeness disclosure by assurance of independent party.

Upper echelons theory

The essence of this theory is to explain the relationship between management character traits and company results (Hiebl, 2013). There are two relationships in this theory, according to (Hambrick D. C., 2007), namely (a) in a strategic situation, the top manager acts on a personal perception of the situation. Following that, (b) it is the top management's character, expertise, and values that shape this personal figure. Therefore, the composition of the entity's top management has a significant effect on its results, including how the company performs (Bantel & Jackson, 1989). In this case, it demonstrates that the quality of an executive affects company performance. As a result, selecting representatives from the executive is a risky task.

Age, gender, education, culture, race, religion, and ethnicity are among the characteristics (Confab, 2014). This is mentioned by Ben-Amar, et al. (2013) as a character who can influence how a person makes decisions. It is about who represents the figure of the executive who can demonstrate whether or not the person is proper. The upper echelons theory is manifested by success in running a company well and having a performance that can compete with competitors. The variable of this study which is board representation can be characterized as upper echelons theory. This is explained in theory by emphasizing the characteristic, quality and background of the executive that effect when the executive makes a decision for the organization as representation.

The influence of internal control to market value

Increasing internal control can have an impact on market value development (Oussii & Boulila Taktak, 2018). Even tough, the firm must be aware that the ineffective internal control will reducing the market value of the firm (Khlif, Samaha, & Soliman, 2019). Furthermore, policymakers should promote stringent policy initiatives aimed at improving the effectiveness of internal control and reporting in order to protect minority shareholders (Jadoon, et al. 2021). Internal control has a higher investor perception risk, which can indirectly reduce market value (Elsayed & Elshandidy, 2021). Furthermore, managers' interests are aligned with shareholders' interests, and the cost of effective internal control is greater than the benefits will deprive shareholders of the return they will receive if the expenditure on internal control is excessive (Chen, Feng, & Li, 2020).

This research predicts negative effect of internal control on market value. This prediction based on the findings of research conducted by Jadoon, et al. (2021), Elsayed &

Elshandidy (2021) and Chen, Feng, & Li (2020), which demonstrates that internal control effect negative on market value. Therefore, the study's hypothesis is internal control has a negative effect over market value.

H1: Internal control negatively affects SOE market value.

The influence of integrated report to market value

The goal of this discussion is to bring together financial and non-financial data (Cosma, Soana, & Venturelli, 2018). As a result, readers will find it easier to interpret the meaning of company reports. This demonstrates the company's high efficiency on the integrated report (Benlemlih & Bitar, 2018). Because it strives to provide shareholders with clear and detailed information. Furthermore, because it has a high strength value, the company can boost its market confidence (Mervelskemper & Streit, 2016). Based on the findings of research from Cosma, Soana, & Venturelli (2018) and Ciubotariu, et al. (2021), the integrated report has a positive impact on market value. This means that any company that compiles reports in an integrated manner has the potential to influence the market's increasing value. Thus, it is hypothesized in this research the integrated report has a positive effect over market value.

H2: Integrated report positively affects SOE market value.

The influence of external assurance to market value

Companies that conduct business operations as well as those that report on these activities. In this case, it is possible that the information in the report serves the company's interests. As a result, a party with independence in terms of reporting guarantees is required (Nishitani, Haider, & Kokubu, 2019). This guarantee aims to publish that the information contained in a

company's financial statements has been fairly disclosed. This demonstrates that there are parties outside the company who can verify the reporting. External assurance can help to ensure that the company avoids material errors that are detrimental to the company's personal interests. Companies can also improve their market performance by incorporating external assurance into their financial statements (Akisisk & Gal, 2014).

The presence of a guarantee will increase the reliability of integrated report, potentially increasing market value (Briem & Wald, 2018). Companies must provide several levels of guarantee so that investors can trust them, thereby increasing the company's market value (Goicoechea, Gomez-Bezares, & Ugarte, 2019). In accordance with third-party evaluations, which are objective and independent consulting and assurance actions make to adding the value and improve the operation of entity (Eulerich & Eulerich, 2020). Environmental reporting and the higher quality of assurance provided by CPA firms can have a positive effect on firm market value (Radhouane I., et al. 2020).

According to research from Nishitani, Haider, & Kokubu (2019) and García-Sánchez, Martínez-Ferrero, & Garcia-Benau (2019) produce disparate results in which assurance has a negative effect on market value. This occurs because when a company tries to provide the best guarantee, it raises costs, lowering market value (García-Sánchez, Martínez-Ferrero, & Garcia-Benau, 2019). Furthermore, not all businesses are pleased with the two-way relationship (Radhouane I., et al. 2020). The Nishitani, Haider, & Kokubu (2019) study, too, failed to discover a link between the two. Those research serves as the foundation for making predictions in this study. This means that the more companies use third-party guarantees for their reports, the more likely market value will down. Furthermore, Eulerich & Eulerich (2020), Radhouane I., et al. (2020), Goicoechea, Gomez-Bezares, & Ugarte (2019) and Briem & Wald (2018), resulting the positive effect of external assurance over market value. Therefore, the hypothesis is

external assurance has a positive effect over market value is proposed.

H3: External assurance positively affects SOE market value.

The influence of board representation as moderating variable of internal control to market value

The quality of a director has a significant impact on a company. In terms of both education and experience. This theory corresponds to the representation of someone in the ranks of directors. Board representation is an employee who processes and has value in order to represent the company on the board of directors and can be elected based on performance rights or from shareholders (Nekhili, et al. 2019). It will be necessary to form a good image in the market as a representative who will jointly make important decisions for the company. However, representational inefficiency can occur if the representative attempts to impose an increase in self-interest (Chalmers, Hay, & Khlif, 2018).

Previous research by Eulerich, Fligge, & Imdieke (2020) and Qureshi, et al. (2019) indicates that board representation has a positive influence on market value. Similarly, research conducted by Jadoon, et al. (2021), Elsayed & Elshandidy (2021) and Chen, Feng, & Li (2020) shows a negative effect internal control over market value. This study has a hypothesis based on this research that board representation weakens the negative influence of internal control over market value.

H4: Internal control negatively affects SOE market value as board representation weakens.

The influence of board representation as moderating variable of integrated report to market value

Based on previous research by Cuypers, et al. (2016) and Eulerich, Fligge, & Imdieke (2020) indicates that board representation has a positive influence on market value. Similarly,

research conducted by Ciubotariu, et al. (2021) and Cosma, Soana, & Venturelli (2018) shows a positive effect of integrated report over market value. This study has a hypothesis based on this research that board representation strengthens the positive effect of integrated report over market value.

H5: Integrated report positively affects SOE market value as board representation strengthens.

The influence of board representation as moderating variable of external assurance to market value

Prior studies by Qureshi, et al. (2019) and Cuypers, et al. (2016) indicates that board representation increases market value. Meanwhile, Eulerich & Eulerich (2020), Radhouane I., et al. (2020), Goicoechea, Gomez-Bezares, & Ugarte (2019) and Briem & Wald (2018) research reveals a positive effect of external assurance on market value. Based on this research, the hypothesis is that board representation strengthens the positive effect of external assurance over market value.

H6: External assurance positively affects SOE market value as board representation strengthens.

METHODS

Data

The population used in this study is Badan Usaha Milik Negara which will be abbreviated hereinafter as SOE, which on the Indonesia Stock Exchange listed for all industrial sectors from 2017 to 2021, with a population of 33 companies (see on table 1. List of Samples – Appendix). On this study there are 8 observations, there are descriptive statistical analysis, normality test, multicollinearity test, autocorrelation test, heteroscedasticity test, R^2 test, F Test, and T Test. Purposive sampling was used in this study, and the samples were chosen based on criteria that

Tabel 1.
Purposive sampling

Criteria for Sample	Total
SOE enterprises registered in Indonesia Stock Exchange	33
The number of SOE enterprises that lack complete research data from 2017 to 2021	(1)
SOE enterprises that lack relevant information in the research variables between 2017 and 2021	(3)
Total Sample	29
Observation Year	5 Years
Total Observation	145

can be seen on the table. According to the criteria used in selecting the sample, 29 enterprises met the criteria. Table 1 represents the sample details.

Measurements

The secondary data used in this study, which was gathered indirectly by the author via intermediary media (obtained and recorded by other parties). The financial statements contained on the Indonesia Stock Exchange website as a reference and annual reports issued directly on the websites of each SOE are the data sources referred to in this study.

The variables in this study are dependent variable, the independent variable, and the moderating variable. Market value is the dependent variable (MRKTV). Internal control (IC), integrated report (IR), and external assurance (EXAS) are independent variables. Meanwhile, board representation (NBEMPL_BOARD) is the moderating variable (see on table 2. Measurement – Appendix).

Research model

The collected data will be analysed using multiple linear regression analysis in the SPSS program. It is used to examine the impact of multiple independent variables on a single dependent variable. The research model that used for this research is:

$$Y = a + \beta1X1 + \beta2X2 + \beta3X3 + \beta4X1*Z1 + \beta5X2*Z1 + \beta6X3*Z1 + e$$

Where the Y is the market value (MRKTV), the X1 is the internal control (IC), the X2 is the integrated report (IR), the X3 is the external assurance (EXAS), the Z is the board representation (NBEMPL_BOARD), a is constant, β is regression coefficient, and e is error term.

RESULTS

Descriptive statistic

The descriptive analysis (Table 2) of the market value variable (MRKTV) yielded a mean value of 216.547 and a standard deviation of 433.652. The average value means that most of data in this variable have a high value of market value. The company PT PP Presisi Tbk obtained the lowest value of 0.829 in 2021, and the company PT Telekomunikasi Indonesia (Persero) Tbk obtained the highest value of 2215978.7593 in 2017. The mode of this variable is 0.829 because multiple modes is existing therefore the lowest value is shown. The standard deviation value is greater than the mean value, indicating that the distribution of the data availability variable in this study is varied enough.

According to the descriptive statistical test, the internal control (IC) has a minimum value of 0.777 obtained from PT Aneka Gas Industri (Persero) Tbk in 2017 and a maximum value of 1,000. The mean is 0.991 where the data obtained tends to be complete in the internal control (IC) disclosure, with a standard deviation of 0.036. The mode of this data is 1.000 means that data of this variable complete inclination from the indices. The data distribution of the availability variable in this study is said to be less varied because the mean value exceeds the standard deviation.The minimum and maximum values for integrated report (IR) are 0.571 and 1,000,

Tabel 2.
Descriptive statistics

Variable	N	Min	Max	Mode	Mean	Std. Deviation
Market value (MRKTV)	145	0.829	2215978	0.829	216547	433652
Internal control (IC)	145	0.777	1.000	1.000	0.991	0.036
Integrated report (IR)	145	0.571	1.000	0.857	0.882	0.121
External assurance (EXAS)	145	0.800	1.000	0.900	0.922	0.072
Board representation (NBEMPL_BOARD)	145	0.100	1.000	0.500	0.424	0.181
Valid N (listwise)	145					

respectively. The average value is 0.882 means the data obtained in the integrated report (IR) disclosure is complete. In the meantime, the standard deviation is 0.121. In this variable the mode has a result for 0.857 indicate have a complete tendency from index value. The data distribution of the availability variable in this study is said to be less varied because the mean value exceeds the standard deviation.External assurance (EXAS) has a territory index of 0.800 and a threshold index of 1.000. This variable has a mean value of 0.922, indicating that there is room for improvement in terms of external assurance (EXAS). The fact that the mode of this data is 0.900 indicates that the data of this variable complete inclination from the indices. The standard deviation is around 0.072, which is lower than the mean value, implying that the data in the study is less varied.Board representation (NBEMPL_BOARD) has a value of 0.100 and a maximum value of 1.000. This variable has a mean value of 0.424, indicating that it has a neutral trend. The mode from this variable is 0.500 means that the data is indicate there is inclination neutral. The standard deviation value is 0.181, which is less than the mean value, implying that the distribution of the availability variable data in this study is less varied.

Based on the correlation matrix as shown in Table 3, internal control and integrated reporting negatively affect the market value of SOEs, while external assurance positively affects the market value of SOEs, all of which are attenuated by board representation. Shown in the table below:

Classic assumption test

This study employs a significant rate of 5%, the distribution of research data is considered normal if it has a probability value (sig) bigger than 0.05 on Normality Test (see on table 3. One-Sample Kolmogorov-Smirnov Test - Appendix).

The Asymp value is known from the one-sample Kolmogorov-Smirnov test table above. Sig. (2-tailed) in the unstandardized residual is 0.081, indicating that the data has a significance value bigger than 0.05, indicate that the data used in the study is normally distributed (see on table 4. Graph Normal P-Plot - Appendix).

According to the results of Multicollinearity test (see on table 5. Normal P-Plot – Appendix), the internal control (IC) variable has a Tolerance Value of 0.435 and a VIF Value of 2.300. The integrated report (IR) variable is next, with a Tolerance Value of

Tabel 3.
Correlation matrix

	MRKTV	*IC*	*IR*	*EXAS*	*NBEMPL_ BOARD*
MRKTV	1				
IC	-0,106	1			
IR	-0,026	0,124	1		
EXAS	0,024	0,294	0,229	1	
NBEMPL_ BOARD	-0,247	- 0,107	- 0,099	- 0,169	1

0.107 and a VIF Value of 9.312. The Tolerance Value of variable external assurance (EXAS) is 0.178, and the VIF Value is 5,622. When the Tolerance Value is bigger than 0.1 and the VIF Value is not more than 10.0, it indicates that these variables do not have multicollinearity issues (Sujarweni, 2016).

Meanwhile, the variable moderated between internal control (IC) and board representation (NBEMPL BOARD) has a Tolerance of 0.007 and a VIF of 152.189. It has a Tolerance Value of 0.018 and a VIF Value of 55.036 between the integrated report (IR) and the board representation (NBEMPL BOARD). Furthermore, external assurance (EXAS) with board representation (NBEMPL BOARD) has a Tolerance of 0.006 and a VIF of 156.607. Where this demonstrates multicollinearity symptoms in the moderated variable. In general, Moderating Regression Analysis (MRA) will produce symptoms of high multicollinearity between the independent variable and the moderating variable, for example, between variables X and Z (moderation) X*Z multiplication is performed, resulting in a high probability of multicollinearity. This is not a serious issue, as evidenced by the reasonable value of Adjusted R2 (Gujarati, 2009).

The Durbin-Watson (DW) method was used to perform the autocorrelation test in this study. The DW value from the formed regression equation is 1,998, according to table 4.9, while the Durbin-Watson table value with the number of samples (n) = 145 and the number of variables (k) = 6, then the values of dL = 1.6434 and dU = 1.8154, so the value of 4-dL = 4 - 1.6434 = 2.3566 and the value of 4-dU = 4 - 1.8154 = 2.1846. As a result, the DW value of the regression model formed in this study dU < DW ≤ 4 - dU or 1.8154 < 1.998 ≤ 2.1846, has no autocorrelation (see on table 6. Durbin – Watson Autocorrelation Test – Appendix).

The Glejser test used to perform Heteroscedasticity results show that H 0 is accepted because the probability of each variable is greater than 0.05, with internal control (IC) being 0.707, integrated report (IR) being 0.865, external assurance (EXAS) being 0.182, and internal control (IC) moderated by board representation (NBEMPL BOARD) being 0.406, integrated report (IR) moderated by board representation (NBEMPL BOARD) being 0.843, and external assurance (EXAS) moderated by board representation (NBEMPL_BOARD) being 0.470. As a result, the data in this regression model has no heteroscedasticity problem (see on table 7. Heteroscedasticity Test - Appendix).

Hypothesis testing

The coefficients for the regression equation and the significance results from this study (see on Table 4). The regression coefficient X1 is -68.489, the regression coefficient X2 is -3.084, the regression coefficient X3 is 48.142, the regression coefficient moderating between X1 and Z is 50.549, the regression coefficient X2 and Z is 8.043, the regression of X3 and Z is -66.471, and the constant value is 8.629. The following equation can be constructed using these figures:

MRKTV = 8.629 – 68.489IC – 3.084IR + 48.142EXAS + 50.549IC*NBEMPL_BOARD + 8.043IR*NBEMPL_BOARD - 66.471EXAS*NBEMPL_BOARD + e

Table 4.
Regression test

Variable	Prediction	Coef. Regression (B)	F	Coef. Correlation	Sig. 1-tailed	Result
Adjusted R^2				0.237		
F Test			8.347		0.0000	
T Test						
Constant	-	8.629			0.0000	
Internal control	Negative	-68.489			0.0000	H1 is supported
Integrated report	Positive	-3.084			0.2764	H2 is not supported
External assurance	Positive	48.142			0.0000	H3 is supported
Internal control* Board representation	Positive	50.549			0.0034	H4 is supported
Integrated report* Board representation	Positive	8.043			0.2289	H5 is not supported
External assurance* Board representation	Positive	-66.471			0.0005	H6 is not supported

The constant value is 8.629. This means that the market value is 8.629 if the variables internal control, integrated report, external assurance, and board representation moderation are constant (have a zero value).

Beside that, following the completion of the classic assumption test, which has been tested and discussed, a hypothesis test is performed, which consists of three tests, namely the R2 test, F test, and T test.

The adjusted R2 value obtained in this study is 0.237. It can be indicated that independent variables and moderating variables explain 23% of market value variables in this study, other variables not included in this research model account for the remaining 77% (100% - 23%). As a result, the correlation coefficient (R2) of 23% indicates that the research model used has a low equation model.

The results of F test where the F-count calculation yields 8.347 with a significance value (Sig.) of 0.000 < 0.05, indicating that the independent variables can jointly influence the dependent variable or that the model is appropriate for use.

The result of T Test is the test seeks to isolate the effect of independent variables.

Based on the results of hypothesis testing with a significance level of < 0.05, It is possible to conclude that there is a significant effect of the independent variables on the dependent variable. Each hypothesis is explained in detail below.

The internal control coefficient is -68.489. Furthermore, it is known that the internal control variable has a significance value of 0.000 < 0.05. The results of the test show that the coefficient value match the proposed hypothesis (negative), indicating that Ho is not rejected. Statistically, there is significant negative effect of internal control toward market value (H1 is supported).

The integrated report coefficient value is -3.084. As can be seen, the significance value is 0.2764 > 0.05. The test results show that the significant value is bigger than 0.05, indicate that the integrated report has no effect on market value. Statistically, there is no effect of integrated report toward market value (H2 is not supported).

The external assurance coefficient is 48.142. The significance value is 0.000 < 0.05. It shows that the coefficient value matches the proposed hypothesis (positive), implying that the hypothesis is not repeated and Ho is not

rejected. Statistically, there is significant effect of external assurance toward market value (H3 is supported).

The value of the internal control coefficient moderated by board representation is 50,549. Furthermore, with a significance value of 0.0000 < 0.05, Ho is rejected. As a result of the decision, board representation can weaken internal control on market value (H4 is supported).

The integrated report coefficient value moderated by board representation is 8.043. Furthermore, it is known that the significance level is 0.2289 > 0.05. Because of that value more than 0.05 means that the board representation has no effect to the relation of integrated report over market value. As a result of the decision, the board representation has no effect of the integrated report of market value (H5 is not supported).

The coefficient of external assurance moderated by board representation is -66.471. Furthermore, with a significance value of 0.0006 < 0.05, Ho is rejected. As a result of the decision, board representation can weaken external assurance on market value (H6 is not supported).

DISCUSSION

The study's goal is to determine the effect of internal control, integrated report, and external assurance on market value, as moderated by board representation. The discussion of the research findings can be summarized as follows based on testing and analysis:

The influence of internal control to SOE market value

From the multiple linear regression test results, it is clear that the internal control regression coefficient supports the hypothesis proposed in this study. The findings of this study are consistent those of Jadoon, et al. (2021), Elsayed & Elshandidy (2021) and Chen, Feng, & Li (2020), who found that internal control has a negative effect on market value.

This conclusion is reached because the company's level of internal control is disclosed in accordance with applicable regulations, making one company appear to be the same as another and seeing no special advantages that could encourage an increase in market value. Furthermore, the costs of creating effective internal controls are enormous, which will be a concern for investors for large expenditures. As a result, good disclosure of internal control in a company does not result in an increase in market value.

According to agency theory, clear information is required in order to avoid the data habit displayed to shareholders by company management. In order to provide reliable data to shareholders, management must have good control over the company being run. Disclosure about the internal control that is restricted by existing regulations can have an impact on quality, causing looks like one company to have the same internal control as another.

The influence of integrated report to SOE market value

From the multiple linear regression test results, it is clear that the significant value of the integrated report does not support the hypothesis proposed in this study. This study's findings contradict those of Gal and Akisisk (2020) and Cosma, Soana, and Venturelli (2018), who found that integrated reports have an impact on market value. Also, the findings of Ciubotariu et al. (2021), who found that the integrated report has no effect on market value. This conclusion is based on the fact that the integrated report between financial and non-financial information will be no different. As a result, no privileged information is presented to the company.

Clear information also includes the financial and non-financial information disclosure to shareholders, which is supported by Agency Theory. This presentation pattern has a tendency to make the information less interested for shareholders.

The influence of external assurance to SOE market value

Based on the results of the multiple linear regression tests discussed above, the value of the external assurance regression coefficient is consistent with the hypothesis proposed in this study. The findings of this study contradict those of Eulerich & Eulerich (2020), Radhouane I., et al. (2020), Goicoechea, Gomez-Bezares, & Ugarte (2019) and Briem & Wald (2018), who found that external assurance has positive influence on market value. The conclusion is that the auditor's opinion on the financial statements increases shareholders' confidence in an entity's ability to giving returns in the future. The legitimacy theory explains how users trust financial statements when an independent third party discloses fairness. External assurance, at a certain level, can influence the behaviour and trust of shareholders in the company, thereby increasing market value.

The influence of board representation as moderating variable of internal control to SOE market value

According to the multiple linear regression test result, the board representation variable can weaken internal control over market value. These findings suggest that Internal control can motivate a company to have a board representation. This is due to the fact that the clarity of information on employee performance and measurable achievements for company goals are constantly monitored and updated. Because of the good internal control report can motivate to develop them self to become the board of directors' candidate. The study's findings are consistent with those of Eulerich, Fligge, and Imdieke (2020) and Qureshi, et al. (2019), who found that board representation has a positive effect on market value. Meanwhile, Jadoon, et al. (2021), Elsayed & Elshandidy (2021) and Chen, Feng, & Li (2020) discovered that internal control affects negatively over market value. As a result, it is possible to conclude that the board representation is capable of

weakening the negative effect of internal control over market value. This study also lends support to the Upper-Echelons Theory, which states that information about a person's background influences his or her promotion at a company. Because that shareholders can easily obtain direct information about the company or anything that occurs in business activities in the field from board representations and can reduce costs to obtain information about internal control.

The influence of board representation as moderating variable of integrated report to SOE market value

According to the multiple linear regression test result, the board representation variable has no effect to the integrated report on market value. This means that the test is to demonstrate that there is no direct effect between the integrated report on market value and board representation as moderation in this research study. The findings of this study are contradictive with those of Eulerich, Fligge, and Imdieke (2020) and Qureshi, et al. (2019), who found that board representation has a positive impact on Market value. According to research by Gal and Akisisk (2020) and Cosma, Soana, and Venturelli (2018), integrated reports have a positive effect on market value. Even though, the previous study explains that the more complete the financial statements on financial and non-financial information are, the less likely the representatives on the board will make decisions to disclose matters that are not required by law. As a result, there are hints of the possibility of imposing self-interest disclosures. As a result of this research, the board of representatives has no effect to the integrated report on market value.

The influence of board representation as moderating variable of external assurance to SOE market value

According to the multiple linear regression test result, the board representation variable cannot strengthen external assurance on

market value, meanwhile board representation weakens external assurance on market value. This suggests that the greater of employee's representation on the board, the greater the concern for shareholders over the self-interest exercised by this representation.

This study's findings are consistent with those of Rubino, Tenuta, & Cambrea (2016) and Bøhren & Strøm (2010), who discovered that board representation has a negative effect on market value. Meanwhile, Eulerich & Eulerich (2020), Radhouane I., et al. (2020), Goicoechea, Gomez-Bezares, & Ugarte (2019) and Briem & Wald (2018) discovered that external assurance has a positive impact on market value. As a result, it is possible to conclude that board representation has weaken the positive external assurance on market value.

This study also lends support to the Upper-Echleons Theory, which states that certain characteristics and qualities influence promotion. In which this finding is in line with an individual's interests or goals when occupying a higher position.

CONCLUSION

According to the analysis of research data described in the preceding discussion, the following conclusions that there is significant negative effect of internal control toward market value and there is no effect of integrated report toward market value. Meanwhile, there is significant positive effect of external assurance toward market value. This research also concludes that board representation, as moderating variable, has weaken the negative effect of internal control over market value, has no effect of integrated report over market value, and has weaken the positive effect of external assurance over market value.

Several limitations and weaknesses discovered in this study, which can be considered as an input for which future research, that are limitation related to the data from the annual report on the company's website, which is corrupted because the storage memory is too large, causing the data to be unreadable, or the pages to be cut off, forcing researchers to consult the company's website for a more complete annual report, and limitation related to the number of SOE companies listed on the Indonesia Stock Exchange so that the data does not vary sufficiently.

Based on the existing constraints, the recommendations intended for future research is by using more variables which are related to different stakeholders (including board characteristics or consumer satisfaction) which could help organization to grow their market value.

This study contributed to numerous parties. For potential investor, it helps to getting insights into understanding company dynamics and navigating market value fluctuations, aiding well-informed decisions. Gaining a deeper comprehension of market trends, fostering researchers collaborate and exchange ideas within the field. Moreover, this research serves as a foundation for future investigations, encouraging further exploration into overlooked variables. For organizations, particularly those in Indonesia, the findings provide actionable strategies for enhancing profitability, serving as a valuable reference point for operational improvements.

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APPENDIX

1. List of samples

| No.	Code of enterprises	Name of enterprises
1	ADHI	PT Adhi Karya (Persero) Tbk
2	AGII	PT Aneka Gas Industri (Persero) Tbk
3	AGRO	PT Bank Raya Indonesia Agro Tbk
4	ANTM	PT Aneka Tambang (Persero) Tbk
5	BBNI	PT Bank Negara Indonesia (Persero) Tbk
6	BBRI	PT Bank Rakyat Indonesia (Persero) Tbk
7	BBTN	PT Bank Tabungan Negara (Persero) Tbk
8	BJBR	PT Bank Pembangunan Daerah Banten (Persero) Tbk
9	BJTM	PT Bank Pembangunan Daerah Jawa Timur (Persero) Tbk
10	BMRI	PT Bank Mandiri (Persero) Tbk
11	GIAA	PT Garuda Indonesia (Persero) Tbk
12	GMFI	PT Garuda Maintenance Facility Aero Asia Tbk
13	JSMR	PT Jasa Marga (Persero) Tbk
14	KAEF	PT Kimia Farma (Persero) Tbk
15	KRAS	PT Krakatau Steel (Persero) Tbk
16	PGAS	PT Perusahaan Gas Negara (Persero) Tbk
17	PPRE	PT PP Presisi Tbk
18	PPRO	PT PP Properti (Persero) Tbk
19	PTBA	PT Bukit Asam (Persero) Tbk
20	PTPP	PT Pembangunan Perumahan (Persero) Tbk
21	SMBR	PT Semen Baturaja (Persero) Tbk
22	SMGR	PT Semen Indonesia (Persero) Tbk
23	TINS	PT Timah (Persero) Tbk
24	TLKM	PT Telekomunikasi Indonesia (Persero) Tbk
25	WEGE	PT Wijaya Karya Bangunan dan Gedung (Persero) Tbk
26	WIKA	PT Wijaya Karya (Persero) Tbk
27	WSBP	PT Waskita Beton Precast (Persero) Tbk
28	WSKT	PT Waskita Karya (Persero) Tbk
29	WTON	PT Wijaya Karya Beton (Persero) Tbk

2. Measurement

Variables	Measurement	Source
MRKTV	Tobin's Q (Total Assets + Market Capitalization – Shareholder Equity)/ Total Assets	(Ahmadi, Nakaa, & Bouri, 2017), (Low, Roberts, & Whiting, 2015), and (Julizaerma & Sori, 2012)
IC	Internal control Disclosure Index with 18 categories. $$IC = \frac{\sum xij}{nj}$$ Explanation: - *xij* is the number of indices disclosed by the companies - *nj* is maximum number of items disclosed	(Arisandi, Islami, & Soeprajitno, 2022) and (Leng & Li, 2011)
IR	One year lagged dummy: 1 for if a firm has complete content of integrated report over 7 indices, 0 otherwise	(Vitolla F., et al. 2019)
EXAS	One year lagged dummy: 1 for if a firm has shown integrated report assured by third party over 10 indices, 0 otherwise	(García-Sánchez, Martínez-Ferrero, & Garcia-Benau, 2019) and (Maroun, 2019)
NBEMPL_BOARD	Representation employee on the board as a percentage of total board directors	(Nekhili, et al. 2019)

3. One-sample Kolmogorov-Smirnov test

		Unstandardized Residual
N		145
Normal Parameters	Mean	0.0000000
	Std. Deviation	4.32745212
Most Extreme Differences	Absolute	0.070
	Positive	0.063
	Negative	-0.070
Test Statistic		0.070
Exact Sig. (2-tailed)		0.081

3. Graph normal P-Plot

Normal P-P Plot of Regression Standardized Residual
Dependent Variable: MRKTV
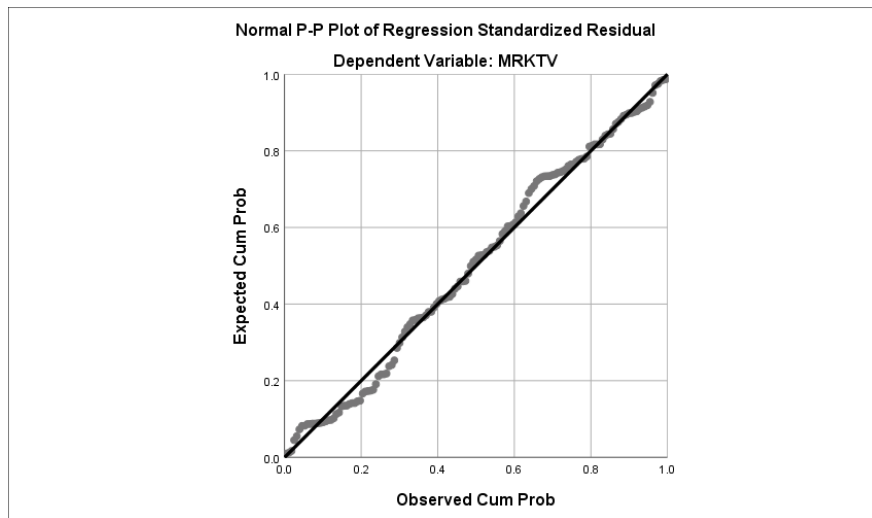
4. Graph Normal P-Plot

Model	Collinearity statistics	
	Tolerance	VIF
(Constant)		
IC	0.435	2.300
IR	0.107	9.312
EXAS	0.178	5.622
IC*NBEMPL_BOARD	0.007	152.189
IR*NBEMPL_BOARD	0.018	55.036
EXAS*NBEMPL_BOARD	0.006	156.607

5. Durbin – Watson autocorrelation test

Model	R	R Square	Adj R Square	Std. Error of Estimate	Durbin-Watson
(Constant), EXAS, IR, IC, IC*NBEMPL_BOARD , IR*NBEMPL_BOARD, EXAS*NBEMPL_BOARD	0.519	0.269	0.237	2,73911	1,998

6. Heteroscedasticity test

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	3,119	1,709		1,825	0,070
IC	3,483	9,240	0,048	0,377	0,707
IR	0,625	3,679	0,044	0,170	0,865
EXAS	-9,823	7,326	-0,268	-1,341	0,182
IC*NBEMPL_BOARD	-10,892	13,073	-0,868	-0,833	0,406
IR*NBEMPL_BOARD	1,524	7,668	0,124	0,199	0,843
EXAS*NBEMPL_BOARD	10,354	14,300	0,765	0,724	0,470