Good Corporate Governance and Firm Value: The Mediating Role of Internet Financial Reporting

Indri Kartika*, Heru Sulistyo, Maya Indriastuti and Mutamimah
Faculty of Economics, Universitas Islam Sultan Agung, Semarang, Indonesia

ABSTRACT

This study enriches the corporate governance and firm value literature by testing internet financial reporting as a mediating variable. This study used 353 service companies listed on the Indonesian Stock Exchange in 2020 and analyzed it by using the SmartPLS. Corporate governance used the variables of the board of commissioners and audit committee as measured by the number of meetings. Internet financial reporting was measured by four components (namely content, timeliness, technology use, and user support). Firm value was measured by Tobin's Q. The results of this study revealed that the activities of the board of commissioners, the activities of the audit committee, and Internet financial reporting can increase investor confidence and firm value in service companies in Indonesia. This research contributes to the literature on corporate governance, internet financial reporting, and firm value. Corporate governance mechanisms can encourage the application of Internet financial reporting (accurate, timely, and attractive manner) and increase corporate value. Thus, service companies should always be committed to corporate governance mechanisms and Internet financial reporting to gain public trust. The government needs to encourage the implementation of good corporate governance through the activities of commissioners and audit committees and also improve financial reporting regulations through Internet financial reporting to facilitate investors to obtain accurate and timely information.

Keywords: Corporate Governance Mechanisms, Corporate Values, Indonesian Stock Exchange, Internet Financial Reporting, Service Companies

ARTICLE INFO

Article History:
Received: 15 December 2022
Accepted: 5 July 2023
Available online: 01 August 2023

* Corresponding Author: Indri Kartika; Universitas Islam Sultan Agung, Jl Raya Kaligawe, Semarang, Indonesia; Email: indri@unissula.ac.id: Tel: +628122936550.

INTRODUCTION

The internet has become a primary need for society, including Indonesian. A survey conducted by the Secretary General of the Indonesia Internet Service Provider Association in the second quarter of 2020 recorded that the number of Internet users in Indonesia had reached 196.7 million. This number increased by 23.5 million or 8.9% compared to 2018 (Indonesia, 2020). The massive use of the internet and the rapid growth of information technology is reflected in a large number of Indonesian investors on the Indonesian Stock Exchange (ISE). The number of investors in the ISE increased rapidly, increasing by 56.21% in 2019 compared to 2018, and increasing by 92.99% at the end of 2020 compared to the previous year (Indonesian Central Securities Depository, 2022).

The use of Internet financial reporting (IFR) has stimulated the growth of investors in the capital market. Internet financial reporting is a type of voluntary disclosure (Boubaker, 2018; and Saha & Kabra, 2020). The delivery of company's financial information via the internet is very useful for investors. This can make it easier for investors to access financial and business information that is used as material for consideration in making the right decision (Sia et al., 2018) based on the unique information needs of each stakeholder. Internet financial reporting makes financial information timely and can reduce information asymmetry between stakeholders and managers (Musleh Al Sartawi, 2018; Sandhu & Singh, 2019; Sia et al., 2018; Utami et al., 2020). By using IFR, information can be disseminated to the world and facilitate more stakeholders (Sia et al., 2018). In Indonesia, IFR has been implemented in several industries, including go public companies by 32% (Puspitaningrum & Atmini, 2012); and sharia commercial banks by 55% (Rizqiah & Lubis, 2019). However, after the existence of regulations from the Financial Services Authority related to the implementation of IFR (number 7/POJK.04/2018), there has been an increase in IFR in several public companies (Budianto, 2018).

Corporate governance can encourage the use of IFR. Several previous studies have proven that companies that have good corporate governance quality will present information in quality financial reports (Firas S. Q et al., 2020; Gospel J & Ngozi, 2019; Hezadeen et al., 2016; Sandhu & Singh, 2019). Companies with more activities on the board of commissioners and audit committees can manage the quality and timeliness of IFR (Aminar et al., 2018; Gospel J & Ngozi, 2019; Hezadeen et al., 2016). Thus, effective corporate governance encourages transparency and accuracy of company information so that investors have access to adequate information through the company's website (Saha & Kabra, 2020). Companies that can present information with these characteristics will get a positive response from stakeholders which can be seen from firm value (Adityawarman & Khudri, 2018; Bin-Ghanem & Ariff, 2016).

Based on previous research, it is known that there is rarely research that discusses increasing firm value through IFR and corporate governance. This study attempted to examine the increase in firm value due to corporate governance and used IFR as the mediating variable with firm size and profitability in countries with a two-tier system as control variables. This research used a state in the form of a two-tier system in Indonesia. Indonesia is a country that uses two tiers as stipulated in Law No. 40 of 2007 concerning Limited Liability Company which applies in Indonesia. In countries with a two-tier form of corporate governance, the functions of the executive board and supervisory board are differentiated, known as the board of directors and the board of commissioners (Sutedja, n.d.). Therefore, the supervisory role of the board of commissioners and audit committee is very important.

This study used the activities of the board of commissioners and the activities of the audit committee as determinants of IFR and firm value as a consequence. The effectiveness of the oversight function by commissioners and audit committees can be seen from the number of meetings held, especially those related to financial reporting. The frequency of commissioners and audit committee meetings can increase the effectiveness of the oversight function of the directors, with the assumption that the more often the commissioners hold meetings, the better the report will be published online (Hezadeen et al., 2016). According to (Bananuka et al., 2019), the frequency of meetings of the audit committee is required in the company's financial reporting. According to FSA Regulation Number 55/POJK.04/2015, the number of board of commissioners' meetings is at least 4 times a year and the audit committee holds a minimum of 6 (six) meetings every year.

This study contributes to the literature in three ways: *first*, the majority of previous studies used corporate governance in countries that use a one-tier system. This research was conducted in a country with a two-tier system, where the oversight role of the board of directors by the board of commissioners and the audit committee is very important. In the two-tier system in Indonesia, the effectiveness of the oversight carried out by the board of commissioners and audit committee depends on the mechanism, therefore it is very appropriate if this study used corporate governance proxies with the activities of the board of commissioners and the activities of audit committees as factors that can influence firm value. *Second*, this study used the IFR variable as a mediating variable for the relationship between board commissioners and audit committees on firm value. IFR can encourage companies to provide complete, fast, accurate and interesting information. Board commissioners and audit committees can encourage management to present information using internet financial reporting media so that it provides more benefits to users and increases firm value. Previous research only examined the relationship between corporate governance and IFR and firm value but, this research used a more holistic model. *Third*, this study used service company objects on the Indonesian Stock Exchange (ISE), which is still very rarely done. Service companies have experienced significant development in recent years, this has attracted investors' interest. Presenting information through IFR is the right strategy for service companies in Indonesia to attract investors.

This paper is presented in the following order: Section 2, presents a review of literature relevant to corporate governance, internet financial reporting, firm values and hypothesis development. Section 3 describes the research method, while Section 4 presents the empirical results and discussion and Section 5 presents the conclusion.

LITERATURE REVIEW

Agency Theory, Corporate Governance, Internet Financial Reporting and Firm Value

The Agency Theory explains the relationship between principals and agents. Jensen & Meckling (2003) defined two parties between shareholders as principals and managers as agents. Agents and principals in the Agency Theory are assumed to be rational parties who act more for their own benefit. Principals hope to get a return that is proportional to what has been invested, which is not always aligned with the interests of the agent. The agent can fully control the information about the company, while the principal cannot. These differences in interests will lead to information asymmetry, causing agency problems (Omar et al., 2017). Good corporate governance can be a solution to how the interests of the two different parties can be aligned. The implementation of good corporate governance will have an impact on financial reporting which will be presented in a transparent manner and will overcome information asymmetry. Corporate governance can encourage the use of IFR (Sanad & Al-Sartawi, 2016). IFR is information about financial performance and other relevant information that is distributed through the company's website. With IFR information can be disseminated around the world in an accurate and timely manner and facilitate more stakeholders (Sia et al., 2018), so that stakeholders respond positively to the company which can ultimately increase firm value (Adityawarman & Khudri, 2018; Al-Sartawi, 2016; Musleh Alsartawi, 2018).

HYPOTHESIS DEVELOPMENT

Board of Commissioners and Internet Financial Reporting

In the two-tier system in Indonesia, the board of commissioners is an internal corporate governance mechanism that performs an oversight and advisory function. The fulfillment of these two functions can be seen from the meeting of the board of commissioners. The meeting is a communication forum between the board of commissioners and the board of directors to equalize perceptions of business operations (García Sánchez et al., 2011). The activities of the board of commissioners have a relationship with the board agenda. A special focus is on the work of the board of commissioners through internal meetings and joint meetings with the directors to communicate various issues ranging from a review of the company's operational activities to the company's business plan (Kamal, 2015). The board of commissioners will discuss IFR in its meeting for a transparent, accountable and timeline financial reporting oversight process. Therefore, the intensity of supervision and pressure on management is getting higher to disclose company information more broadly, comprehensively and transparently through the company's website.

Marsha & Ghozali (2017)stated that the more often the board of commissioners holds meetings, the better the oversight function of the board. Periodic board of commissioners' meetings can reduce the level of fraud committed by company management, because more suggestions will be given in resolving problems, especially those related to the quality of financial reports. This causes the intensity of strategic information disclosure to increase through the company's website. Research conducted by Bin-Ghanem & Ariff, (2016); Hezadeen et al., (2016); Kamal, (2015) proves that the activities of the board of commissioners have a positive effect on IFR.

H1: The activities of the board of commissioners have a positive effect on IFR

Audit Committee and Internet Financial Reporting

The audit committee is one of the company's internal control mechanisms that helps reduce agency problems between managers and outside investors by reducing information asymmetry and increasing the quality of disclosure (Rouf & Akhtaruddin, 2018). The audit committee has the main task of supervising and examining the company's financial reporting process and the company's internal control (Kamal, 2015). The effectiveness of the audit committee will be reflected in accordance with the characteristics of professionalism, adequate competence and qualifications possessed by the audit committee. Other important audit committee characteristics include the frequency of audit committee meetings and financial expertise (Puspitaningrum & Atmini, 2012).

As stated by Bin-Ghanem & Ariff, (2016), the Audit Committee needs to carry out its activities by holding meetings that can improve the company's internal control and become an effective monitoring tool to improve the quality of financial reporting disclosures and encourage transparency via the internet. One of the media to report company information is through internet financial reporting which can be monitored by the audit committee. Bananuka & Nkundabanyanga (2022); Bin-Ghanem & Ariff (2016); Hezadeen et al., (2016) showed empirical evidence that the activities of the audit committee have a positive effect on IFR.

H2: The activities of the audit committee have a positive effect on IFR

Internet Financial Reporting and Firm Value

IFR is the disclosure of the company's financial statements taken from the company's page. IFR can help companies disseminate information to shareholders, management, creditors, government and other stakeholders in various parts of the world. Presentations have relevant, accurate and timely content and are presented in an attractive manner. Stakeholders can access this information easily and quickly so that this provides convenience and flexibility. For companies, IFR is very important to show transparency and public accountability (Waromi et al., 2019) so that it has an impact on increasing firm value. Ahmed et al., (2018) asserted that one of the company's efforts to increase their value is through reducing information asymmetry.

IFR is an effective solution for companies to provide financial information with a high level of relevance and transparency. Any financial information provided by IFR is a positive signal for external parties/investors to make better investment decisions. (Adityawarman & Khudri, 2018; Al-Sartawi, 2016; Musleh Al Sartawi, 2018) proves that IFR has a significant positive effect on firm value.

H3: IFR has a positive effect on firm value

Board of Commissioners and Firm Value

The board of commissioners is the highest internal control mechanism responsible for monitoring the policies and activities of top management through meetings held with management (Das & Dey, 2016). The increased activities of the board of commissioners provides more time for the board of commissioners to supervise the management of the company and its strategy. Utomo et al., (2018) emphasized that the number of board of commissioners' meetings is an important key in the effectiveness of management oversight. The number of commissioners' meetings regulated by the Financial Services Authority is at least 4 times a year. The effectiveness of meetings held by the board of commissioners is able to reduce information asymmetry, thus impacting the credibility of financial reports. Investors will respond positively to credible financial reports so that they can increase firm value (Yameen et al., 2019). Quality financial reports can reduce the risks of wrong investment decisions. According to Das & Dey, 2016; Yameen et al., 2019), the activities of the board of commissioners have a significant positive effect on firm value.

H4: The activities of the board of commissioners have a positive effect on firm value

Audit Committee and Firm Value

The existence of an audit committee is very important for the company's management which is a new component in the company's control system. This committee acts as a liaison between shareholders and the board of commissioners and management in dealing with control issues, especially those related to the accuracy and timeliness of publication of financial reports (Mishra & Kapil, 2018). The audit committee aims to oversee the company by holding audit committee meetings. The frequency of meetings shows the level of diligence of the audit committee in carrying out its duties. Thus, the higher the frequency of audit committee meetings, the more responsive the audit committee is in dealing with the problems faced by the company. One of the problems of financial reporting is transparency and accountability. Thus, in accordance with the financial services authority, the audit committee can carry out supervision through meetings at least 6 times a year. This supervision encourages appreciation of market players which has an impact on firm value. Al-Mamun et al., (2019). Bhagiawan & Mukhlasin, (2020); Mishra & Kapil (2018) showed that the activities of the audit committee have a positive and significant effect on firm value.

H5: The activities of the audit committee have a positive effect on firm value

RESEARCH METHOD

Sample Selection

The population of this study was service companies listed on the Indonesian Stock Exchange in 2020. This sample was taken due to service companies in Indonesia have been growing rapidly lately. In 2019, service sector companies experienced very rapid growth of 10.25% (Herman, 2020). This development was also accompanied by funding needs so that the presentation of information using IFR was needed to attract investors.

The population of service companies listed on the Indonesian Stock Exchange was 405 companies, but 8 companies were deleted due to delisting. In addition, 19 company websites were under maintenance so the data cannot be used and 25 company annual reports were incomplete. A total of 353 companies had complete data and became the final sample. Table 1 illustrates the sample selection.

Table 1: Sample Selection

Details	Total Companies
Population	405
Delisted	(8)
Website Under Maintenance	(19)
Incomplete Annual Reports	(25)
Final Sample	353

Source: Indonesia Stock Exchange, 2021

Measurement of the Variables

Firm value as the dependent variable of this study was measured using Tobin's Q comparison (Husnaint & Basuki, 2020). Furthermore, independent variables including the board of commissioners and the audit committee were measured by looking at the number of meetings held by the board of commissioners and audit committee in the company's annual report (Hezadeen et al., 2016). This study used an intervening variable, namely IFR which used measurement adapted from Budisusetyo & Almilia, (2011). The IFR reporting measurement consisted of four components which were weighted as follows: 40% of content, 20% of timeliness, 20% of technology users and 20% of user support (Budisusetyo & Almilia, 2011). The control variables included firm size which was measured by the company's total assets (Detthamrong et al., 2017; Pillai & Al-Malkawi, 2018) and profitability which was measured by Return On Assets (ROA) (Utomo et al., 2018).

Research Design

This was quantitative research using secondary data to test the hypotheses that had been determined. The data analysis technique in this study used structural equation modeling based on partial least squares with SmartPLS 3.0. Based on Hair et al., (2018), partial least squares is one of the structural equation models to test the relationship among variables. Several reasons why this study used the SmartPLS to analyze the data are that: (1) it can automatically estimate p-values for path coefficients. It can be seen that most other PLS software only give the t-value so the user must compare it with the T- table value or look for the p-value again; (2) it can provide several indicators of model fit that can be useful for comparing the best model between different models. SEM-PLS has been recognized as a reliable analytical tool by several authors such as: Henseler et al., (2016); Rouf & Akhtaruddin, (2018); Shiau et al., (2019); Indriastuti & Chariri (2021); Lanny & Utami (2023). The equation is as follows:

$$\eta1 = \gamma1\xi1 + \gamma2\xi2 + \varsigma1 \quad (1)$$
$$\eta2 = \beta1\eta1 + \gamma3\xi1 + \gamma4\xi2 + \gamma5\xi3 + \gamma6\xi4 + \varsigma2 \quad (2)$$

Which means:

$\eta1$	: Internet Financial Reporting
$\eta2$	: Firm Value
$\gamma1$ -$\gamma6$	: Coefficient
$\xi1$	: Board of Commissioners
$\xi2$	: Audit Committee
$\xi3$	: Firm Size
$\xi4$	: Profitability
$\varsigma1$–$\varsigma2$	: Residual Value

ANALYSIS AND DISCUSSION

Descriptive Analysis

This study used several variables consisting of firm value as the dependent variable, board of commissioners and audit committee as independent variables, IFR as the intervening variable, and profitability and firm size as control variables. The following are the results of the descriptive statistical test:

Table 2: Descriptive Statistical Test Results

Variable	N	Min	Max	Means	Median	Standard Deviations
The Activities of the Board of Commissioners		1,000	88,000	9,427	6,000	9,352
The Activities of the Audit Committee		1,000	47,000	6,552	4,000	5,871
Internet Financial Reporting	353	0.513	1,480	0837	0.853	0.097
Firm Value		0.096	87,345	2051	1,055	5,249
Profitability		-7,887	8.302	-0.025	0.006	0.672
Firm Size		21,906	34,952	28,636	28,616	2.158

Source: Data was processed by SmartPLS (2022)

Based on table 2, it can be seen that the average number of board of commissioners' meetings was 9,427. This complied with the financial services authority regulation, number 33/POJK.04/2014, namely 6 times a year. While the average number of audit committee meetings was 6,552, which complied with financial services authority regulation, number 55/POJK.04/2015, namely 4 meetings per year. IFR had a mean value of 0.827, a median value of 0.853 so it can be concluded that the use of IFR was high. Firm value was very good with a mean value of 2.051 (above the median value of 1.05). The control variable of profitability showed a mean value of -0.025 where service companies in 2020 during the pandemic experienced losses and the size value was quite good (with a mean value of 28,636 or slightly higher than 28,616).

Outer Model Test Results

Table 3: Outer Model Test Results

	Convergent Validity	Average Variance Extracted (AVE)	Discriminant Validity	Composite Reliability	Cronbach's Alpha
The Activities of the Board of Commissioners	1,000	1,000	1,000	1,000	1,000
The Activities of the Audit Committee	1,000	1,000	1,000	1,000	1,000
Internet Financial Reporting	1,000	1,000	1,000	1,000	1,000
Firm Value	1,000	1,000	1,000	1,000	1,000
Profitability	1,000	1,000	1,000	1,000	1,000
Firm Size	1,000	1,000	1,000	1,000	1,000

Source: Data was processed by SmartPLS (2022)

Based on the results of the convergent validity measurement above, the outer loadings value was above 0.70. Therefore, each variable was proven to have a good convergent validity value, so the requirements for convergent validity were met. Cronbach's alpha was used to evaluate the reliability of composites. If the measurement's result is more than 0.70, the construct is judged to have good dependability. The reliability test results showed that the activities of the board of commissioners, the activities of the audit committee, IFR, profitability and firm size and firm value, had met the construct's reliability criteria of greater than 0.70. This was determined by utilizing the Composite Reliability value and the Cronbach's Alpha value (Hair et al., 2019). The results of convergent validity, average variance extracted (AVE) and discriminant validity of 1 are also found in Indriastuti & Chariri, (2021).

Inner Model Test Results

Table 4: Determination Coefficient of R-Square (R^2) Test

	R Square	R Square Adjusted
Firm Value	0.920	0.919
Internet Financial Reporting	0.498	0.495

Source: Data was processed by SmartPLS (2022)

Based on the results of the measurements above, it shows that the variable of firm value was explained by the variables of the activities of the board of commissioners, the activities of the audit committee and IFR with A value of R-square of 0.920 or 92%. Meanwhile, the rest of the 8% was explained by other variables outside the variables studied. The R-square value of this study was better than the results of research by Adityawarman & Khudri (2018) which was 0.7230 and Bin-Ghanem & Ariff (2016) which was 0.5000 but lower than the results of the research by Hassan et al., (2016) which was 0.9757.

Based on the Table above, it can also be seen that the R-square value on internet financial reporting was 0.498 or 49.8%. This showed IFR can be explained by the activities of the board of commissioners, the activities of the audit committee by 49.8%, while the rest of 50.2% is explained by other variables outside the variables studied. The results of the R-square coefficient of determination can also be seen through the path diagram of the structural model. The structural model is the result of the PLS Algorithm processing method. The structural model of the PLS Algorithm is presented below:

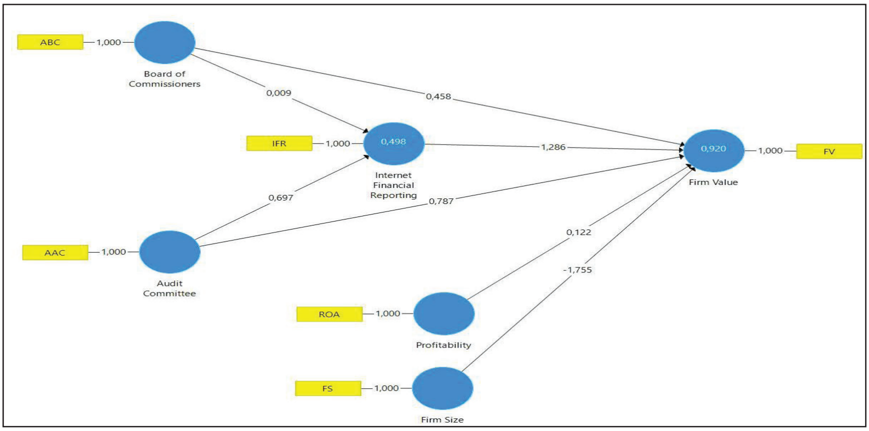

Figure1: Algorithm PLS Path Model
(Source: Data was processed by SmartPLS 2022)

T-Statistics

This test was carried out using the bootstrapping method with P values in the tables of path coefficient and specific indirect effect.

Table 5: Statistical T-Test

No.		Original Sample (O)	T Statistic (|O/STDEV|)	P Values	Decision
1	The Activities of the Board of Commissioners -> Internet Financial Reporting	0.009	0.051	**0.959**	H1 is rejected (Positive and not significant)
2	The Activities of the Audit Committee -> Internet Financial Reporting	0697	4,382	**0.000**	H2 is accepted (Positive and Significant)
3	Internet Financial Reporting -> Firm Value	1,286	2,190	**0.029**	H3 is accepted (Positive and Significant)
4	The Activities of the Board of Commissioners -> Firm Value	0.458	3,383	**0.001**	H4 is accepted (Positive and Significant)
5	The Activities of the Audit Committee -> Firm Value	0.787	5.112	**0.000**	H5 accepted (Positive and Significant)

Source: Data was processed by SmartPLS (2022)

The activities of the board of commissioners had the original sample of 0.009, a p-value of 0.959 > 0.050, a t-statistic value of 0.051 <1.96, so the data was invalid. It can be concluded that the hypothesis was rejected because the activities of the board of commissioners had no effect on IFR. Hezadeen et al., (2016) said the intensity of board activity in holding meetings will tend to contribute to increasing the effectiveness of the oversight function, especially with regard to financial reporting and board effectiveness will be increased by the duration of board meetings. However, this study gave different results. From the 353 companies, the majority of the number of meetings by the board of commissioners complied with the number of meetings determined by the financial services authority (the average number of meetings in the sample companies was 9), but there were some that were still below the minimum set by the regulations. Thus, the number of meetings held by the board of commissioners did not affect IFR. This is because IFR is already a requirement for companies to provide accurate, timely and attractive information for stakeholder decision making. This research is not in line with Agency Theory, where the number of board of commissioners' meetings is one part of the corporate governance mechanism which is believed to be able to minimize information asymmetry. This research is in line with the research of Botti et al., (2014) as it will not affect the company in publishing reports online. This research is not in line with the research conducted by Banunuka, (2019);Bin-Ghanem & Ariff, (2016); Hezadeen et al., (2016);Kamal, (2015), that proves the activities of the board of commissioners have a positive and significant effect on IFR.

The activities of the audit committee had the original sample of 0.697, a p value of 0.000 <0.050, and a t-statistic value of 4.382 > 1.96, meaning that the data is valid. Therefore, the hypothesis was accepted because the activities of the audit committee had a positive and significant effect on IFR. According to Bin-Ghanem & Ariff, (2016), the higher the effectiveness of the audit committee, the higher the company's IFR level. Therefore, companies with effective governance mechanisms are more likely to adapt to the internet as a medium for disseminating related information to satisfy stakeholders (Bin-Ghanem & Ariff, 2016). According to Hezadeen et al., (2016), the frequency of meetings held in a year reflects the ongoing involvement of committee members to discuss audits related to helping improve existing problems. These results imply that an audit committee that has regular meetings should meet three to four times a year to carry out the obligations and responsibilities of the company's financial reporting system effectively. The results of this study are in line with the Agency Theory which shows that audit committee members will improve their technical expertise and improve the quality of financial reports. This research is in accordance with research conducted by Bin-Ghanem & Ariff (2016)), that the activities of the audit committee have a positive effect on IFR. However, this research is not in accordance with the research conducted by Hezadeen et al., (2016); Puspitaningrum & Atmini, (2012) that there is no influence from the activities of the audit committee on companies in publishing financial reports via the internet.

IFR had an original sample value of 1.286, A p value of 0.029 <0.050, and A t-statistic value of 2.190 > 1.96, meaning that the data was valid. Therefore, the hypothesis was accepted because IFR had a positive and significant effect on firm value. This indicates that when IFR experiences an increase or decrease, it will be followed by firm value. According to Adityawarman & Khudri, (2018), the disclosure of financial statements through the company's website will make it easier for investors to assess the company, because the presence of ease of accessing relevant information quickly and cheaply will be useful in making decisions. The information disclosed is a signal for investors in assessing the company (Musleh Al Sartawi, 2018) and can reduce information asymmetry between company management and investors, meaning that the company's IFR can always be monitored by investors (Adityawarman & Khudri, 2018). The Agency Theory is in line with the results of this study. Basically IFR as a disclosure tool is intended to reduce information asymmetry of each company (Bin-Ghanem & Ariff, 2016), so that low information asymmetry will increase firm value. This research is in line with research of Adityawarman & Khudri, (2018); Al-Sartawi, (2016) and Musleh Alsartawi, (2018) that IFR has a significant positive effect on firm value.

The activities of the board of commissioners had an original sample of 0.458, a p value of 0.001 <0.050, and a t statistic value of 3.383 > 1.96. Thus, the hypothesis was accepted because the activities of the board of commissioners had a positive and significant effect on firm value. The presence of the board of commissioners in regular meetings is a hallmark of a good board of commissioners (Yameen et al., 2019) and it is very important in a company. According to Das & Dey, (2016), the board of commissioners holds meetings, indicating that the board of commissioners gives more time for the board of commissioners to supervise the management of the company and its strategy. According to Utomo et al., (2018), the number of board of commissioners meetings is an important key in the effectiveness of management oversight which will affect firm value. The results of this study are in accordance with the Agency Theory, that when the board of commissioner meets frequently, they will be able to monitor management to record financial performance. This reduces the information asymmetry that occurs, thus increasing firm value (Das & Dey, 2016). Research conducted by Das & Dey, (2016) and Yameen et al., (2019) proved that the activities of the board of commissioners had a significant positive effect on firm value, as this is in line with the results of this study. However, the results of this study are not in line with Sondokan et al., (2019), that there is no influence between the activities of the board of commissioners on firm value. Furthermore, this study disagrees with the research of Hassan et al., (2016), that found a negative impact of board meetings on firm performance as measured by accounting-based measures.

The activities of the audit committee had an original sample of 0.787, a p value of 0.000 <0.050 and a t statistic value of 5.112 > 1.96. Thus, the hypothesis was accepted because the activities of the audit committee had significant and positive effect on firm value. This means that when the activities of the audit committee increase or decrease, it affects the firm value. The number of audit committee meetings will provide a positive signal to the market which can increase firm value (Mishra & Kapil, 2018).

According to Al-Mamun et al., (2019), the audit committee has a goal to carry out supervision by increasing the frequency of their meeting activities to show the level of diligence of the audit committee in carrying out their duties. Thus, the higher the frequency of audit committee meetings, the more responsive the audit committee is in dealing with problems faced by companies that can affect firm value. The results of this study are consistent with the Agency Theory. Supervision from the audit committee through the large number of meetings held by the audit committee will provide solutions if there are problems within the company that can present agency problems. The results of this study are in accordance with previous studies such as: Bhagiawan & Mukhlasin, (2020); Mishra & Kapil, (2018), that the activity of the audit committee has a positive and significant effect on firm value.

Table 6: Specific Indirect Effects

	Original Sample (O)	Sample Means (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
The Activities of the Board of Commissioners -> Internet Financial Reporting -> Firm Value	**0.012**	**0.021**	**0.119**	**0.100**	**0921**
The Activities of the Audit Committee -> Internet Financial Reporting -> Firm Value	**0897**	**0.471**	**0.424**	**2,116**	**0.035**

Source: Data was processed by SmartPLS (2022)

Based on Table 6, the indirect effect of the activities of the board commissioners on firm value through IFR had a t-statistic value of 0.100 and a p-value of 0.921. This means that internet financial reporting cannot mediate the relationship between the activities of the board commissioners and firm value. The indirect effect of the activities of the audit committee on firm value through IFR had a t-statics value of 2.116 and a p value of 0.035. It can be concluded that IFR can mediate the relationship between the activities of the audit committee on firm value.

Intervening test showed that IFR did not mediate the relationship between the activities of the board of commissioners and firm value. The activities of the board of commissioners are able to influence investor confidence in the company, but during the pandemic, the activities of the board of commissioners were more focused on increasing profitability and entrusting financial reporting monitoring to the audit committee. Thus, the activities of the board of commissioners did not affect IFR and IFR did not mediate the relationship between the activities of the audit committee and firm value.

IFR becomes an intervening variable in the relationship between the activities of the audit committee and firm value. These results imply that audit committees that meet regularly to carry out obligations and responsibilities reflect the ongoing involvement of committee members to discuss the presentation of financial reports that are easily accessible, accurate and timely with internet financial reporting. The presentation of information that is easily accessible, accurate and timely really helps investors in investment decisions so that firm value increases.

CONCLUSION

The firm value of service companies listed on the Indonesia Stock Exchange in 2020 can be influenced by corporate governance through the activities of the board of commissioners and the activities of audit committee, as well as being influenced by IFR. Service companies listed on the Indonesia Stock Exchange have good firm value, meaning that investors' perceptions of the company are considered good. The activities of the board of commissioners have an effect on IFR. The activities of the board of commissioners were quite high, but the use of IFR has become a necessity for service companies in Indonesia. The activities of audit committee have a positive and significant effect on internet financial reporting. The audit committee has a high meeting frequency so that it increases the effectiveness of monitoring on financial processes and reporting with internet financial reporting. The activities of board of commissioners, the activities of audit committee, and IFR have a positive and significant effect on firm value. This shows that firm value in the perception of investors can be influenced by these three things. When the firm value is good, investors will be able to invest in the company. Thus, these three variables become important factors in increasing firm value. This study has several implications for the role of corporate governance and IFR in increasing firm value. *First*, this study can be a reference for service companies in Indonesia to be able to increase firm value through the GCG and IFR mechanisms. This can be a company strategy to attract investors to invest in the company. *Second*, for the government, this study can be used as a reference basis for making regulations related to good corporate governance and IFR, especially in service companies in Indonesia. *Third*, for investors, this study can be used as a guide in making the right decisions related to investing in the company. IFR not only publishes information on the financial performance of business organizations (financial statements only), but also all information related to business organizations, for example: management discussions and analysis, segment financial statements, and notes on financial statements that are very useful to support investment decisions. However, this study has several limitations, including: *first*, the ability of IFR can be explained by the activities of the board of commissioners, the activities of the audit committee by 49.8%, while the rest of 50.2% is explained by other variables outside the variables studied. *Second*, the results of this study are limited to service companies in Indonesia, therefore the results cannot be generalized to service companies in other countries. Future research can add other independent variables including the activities of internal auditors and also company characteristics, and can also add samples of non-service companies.

REFERENCES

Adityawarman, A., & Khudri, T. B. . Y. (2018). *The impact of internet financial reporting practices on the company's market value: a study of listed manufacturing companies in Indonesia*. *55*(Iac 2017), 48–53. https://doi.org/10.2991/iac-17.2018.9

Ahmed, A. H., Mardini, G. H., Burton, B. M., & Dunne, T. M. (2018). Is internet reporting useful? Evidence from Egypt. *Journal of Applied Accounting Research*, *7*(1), 35–60.

Al-Mamun, A., Yasser, Q. R., Rahman, M. A., Wickramasinghe, A., & Nathan, T. M. (2014). Relationship between audit committee characteristics, external auditors and economic value added (eva) of public listed firms in Malaysia. *Corporate Ownership and Control*, *12*(1), 899–910. https://doi.org/10.22495/cocv12i1c9p12

Al-Sartawi, A. M. A. M. (2016). Measuring the level of online financial disclosure in the gulf cooperation council countries. *Corporate Ownership and Control*, *14*(1), 547–558. https://doi.org/10.22495/cocv14i1c4art1

Aminar, Dewi, S., Susanti, Magdalena, F., Zulvia, M., Jhon, D., & Fernos. (2018). The effect of auditing quality and independent board of commissioners on financial performance of property and real estate companies in Indonesia. *Advances in Economics, Business and Management Research*, *57*.

Bananuka, J., Kadaali, A. W., Mukyala, V., Muramuzi, B., & Namusobya, Z. (2019). Audit committee effectiveness, isomorphic forces, managerial attitude and adoption of international financial reporting standards. *Journal of Accounting in Emerging Economies*, *9*(4), 502–526. https://doi.org/10.1108/JAEE-08-2018-0084

Bananuka, J., & Nkundabanyanga, S. K. (2022). Audit committee effectiveness, internal audit function, firm-specific attributes and internet financial reporting: A managerial perception-based evidence. *Journal of Financial Reporting and Accounting2*.

Bhagiawan, G., & Mukhlasin. (2020). The influence of corporate governance on tax planning & firm value. *International Journal of Commerce and Finance*, *6*(2), 72–80.

Bin-Ghanem, H., & Ariff, A. M. (2016). The effect of board of directors and audit committee effectiveness on internet financial reporting. *Journal of Accounting in Emerging Economies*, *6*(4), 429–448. https://doi.org/10.1108/JAEE-07-2014-0037

Botti, L., Boubaker, S., Hamrouni, A., & Solonandrasana, B. (2014). Corporate governance efficiency and internet financial reporting quality. *Review of Accounting and Finance*, *13*(1), 43–64. https://doi.org/10.1108/RAF-11-2012-0117

Boubaker, S. (2018). *Corporate Governance And Voluntary Disclosure In France Corporate Governance And Voluntary Disclosure In France*

Barros, Carlos P; Boubaker, Sabri; Hamrouni, Amal, CAEPEM. line up. https://doi.org/https://doi.org/10.19030/jabr.v29i2.7657

Budianto, B. (2018). Internet financial reporting practices on SOEs in Indonesia. *Akbis: Media Riset Akuntansi Dan Bisnis*, *1*(1). https://doi.org/10.35308/akbis.v1i1.290

Budisusetyo, S., & Almilia, L. S. (2011). Exploring financial and sustainability reporting on the web in Indonesia. *SSRN Electronic Journal*. https://doi.org/10.2139/ssrn.1219449

Das, A., & Dey, S. (2016). Role of corporate governance on firm performance: a study on large Indian corporations after implementation of Companies' Act 2013. *Asian Journal of Business Ethics*, *5*(1–2), 149–164. https://doi.org/10.1007/s13520-016-0061-7

Detthamrong, U., Chancharat, N., & Vithessonthi, C. (2017). Corporate governance, capital structure and firm performance: Evidence from Thailand. *Research in International Business and Finance*, *42*(2), 689–709. https://doi.org/10.1016/j.ribaf.2017.07.011

Firas S. Q, B., M. Victoria, L. P., Lázaro, R. A., Dr. Orobah, A. B., K. M. Anwarul, I., & C. (2020). The impact corporate governance on internet financial reporting: empirical evidence from Palestine. *International Journal of Accounting & Finance Review*, *5*.

García Sánchez, I., Rodríguez Domínguez, L., & Gallego Álvarez, I. (2011). Corporate governance and strategic information on the internet. *Accounting, Auditing & Accountability Journal*, *24*(4), 471–501. https://doi.org/10.1108/09513571111133063

Gospel J, C., & Ngozi, N. (2019). Audit committee characteristics and timeliness of corporate financial reporting in the Nigerian Insurance Industry. *International Journal of Managerial Studies and Research (IJMSR)*, *7*(4), 86–95.

Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2019). *Multivariate data analysis*. learning EMEA. https://doi.org/10.1002/9781119409137.ch4

Hassan, Y. M., Naser, K., & Hijazi, R. H. (2016). The influence of corporate governance on corporate performance: evidence from Palestine. *Afro-Asian Journal of Finance and Accounting*, *6*(3).

Henseler, J., Hubona, G., & Ray, P. A. (2016). Using PLS path modeling in new technology research: updated guidelines. *Industrial Management & Data Systems*, *116*(1), 2–20. https://doi.org/10.1108/IMDS-09-2015-0382

Herman. (2020). Indef calls indonesia's economy leading to the service sector. *Beritasatu.Com*.

Hezadeen, A. H., Djamhuri, A., & Widya, Y. (2016). Corporate governance and internet financial reporting in Indonesia (an empirical study on Indonesian manufacturing companies). *The International Journal of Accounting and Business Society*, *24*(2), 36–47.

Husnaint, W., & Basuki, B. (2020). ASEAN Corporate governance scorecard: sustainability reporting and firm value. *Journal of Asian Finance, Economics and Business*, *7*(11), 315–326. https://doi.org/10.13106/jafeb.2020.vol7.no11.315

Indonesia, A. P. J. I. (2020, November). Press release: Indonesian internet users nearly reach 200 million in 2019-Q2 2020. *Apjii.or.Id*.

Indonesia Central Securities Depository. (2022). *Capital market investors reach 10 million*.

Indriastuti, M., & Chariri, A. (2021). The role of green investment and corporate social responsibility investment on sustainable performance. *Cogent Business and Management*, *8*(1), 0–21. https://doi.org/10.1080/23311975.2021.1960120

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm : managerial behavior , agency costs and ownership structure. *Journal of Financial Economics*, *3*, 305–360.

Kamal, M. (2015). Corporate governance, audit committee, and internet strategic information reporting by UAE non-financial listed companies. *Contabilitate i Informatică de Gestiune*, *14*(3), 508–545.

Lanny, & Utami, W. (2023). Determinant of auditors ' judgment on the detection of fraudulent financial statements. *Management and Accounting Review, 22*(1).

Marsha, & Ghozali. (2017). The effect of audit committee size, external audit, number of audit committee meetings, number of board of commissioners meetings and institutional ownership on profit management (empirical study of manufacturing companies listed on IDX in 2012-2014). *Diponegoro Journal of Economics*, *6*(2), 1–12.

Mishra, R. K., & Kapil, S. (2018). Effect of board characteristics on firm value: evidence from India. *South Asian Journal of Business Studies*, *7*(1), 41–72. https://doi.org/10.1108/SAJBS-08-2016-0073

Musleh Alsartawi, A. (2018a). Online financial disclosure and firms' performance. *World Journal of Entrepreneurship, Management and Sustainable Development*, *14*(2), 178–190. https://doi.org/10.1108/wjemsd-11-2017-0082

Musleh Alsartawi, A. (2018b). Online financial disclosure and firms' performance. *World Journal of Entrepreneurship, Management and Sustainable Development*, *14*(2), 178–190. https://doi.org/10.1108/WJEMSD-11-2017-0082

Omar, O. A., Sell, D., & Rover, A. J. (2017). The Information asymmetry aspect of agency theory in business compliance contexts: a systematic review. *International Congress of Knowledge and Innovation-Ciki*, *1*(1), 1–10.

Pillai, R., & Al-Malkawi, H.-A. N. (2018). On the relationship between corporate governance and corporate performance: evidence from GCC countries. *Research in International Business and Finance*, *44*(1), 394–410. https://doi.org/10.1016/j.ribaf.2017.07.110

Puspitaningrum, D., & Atmini, S. (2012). Corporate governance mechanism and the level of internet financial reporting: evidence from Indonesian companies. *Procedia Economics and Finance*, *2*, 157–166. https://doi.org/10.1016/S2212-5671(12)00075-5

Rizqiah, R. N., & Lubis, A. T. (2019). Implementation of internet financial reporting (ifr) in islamic commercial banks in Indonesia. *Jurnal Akuntansi dan Keuangan Islam*, *5*(1), 63–81. https://doi.org/10.35836/jakis.v5i1.14

Rouf, M. A., & Akhtaruddin, M. (2018). Factors affecting the voluntary disclosure: a study by using Smart PLS-SEM approach. *International Journal of Law and Management*, *60*(6), 1498–1508. https://doi.org/10.1108/IJLMA-01-2018-0011

Saha, R., & Kabra, K. C. (2020). Corporate governance and voluntary disclosure: a synthesis of empirical studies. *Business Perspectives and Research*, *8*(2), 117–138. https://doi.org/10.1177/2278533719886998

Sanad, Z. R., & Al-Sartawi, A. M. A. M. (2016). Investigating the relationship between corporate governance and internet financial reporting (ifr) : evidence from Bahrain Bourse = العلاقة بين الحاكمية المؤسسية و الإفصاح المالي عبر الإنترنت : دليل من بورصة البحرين. *Jordan Journal of Business Administration*, *12*(1), 239–269. https://doi.org/10.12816/0030063

Sandhu, A., & Singh, B. (2019). Board composition and corporate reporting on internet: Indian evidence. *Journal of Financial Reporting and Accounting*, *17*(2), 292–319. https://doi.org/10.1108/JFRA-05-2017-0031

Shiau, W. L., Sarstedt, M., & Hair, J. F. (2019). Internet research using partial least squares structural equation modeling (PLS-SEM). *Internet Research*, *29*(3), 398–406. https://doi.org/10.1108/IntR-10-2018-0447

Sia, C. J., Brahmin, R., & Memarista, G. (2018). Corporate internet reporting and corporate performance: Evidence from Malaysia. *Contemporary Economics*, *12*(2), 153–164. https://doi.org/https://doi.org/10.5709/ce.1897-9254.269

Sutedja, S. (n.d.). One-tier and two-tier systems in corporate governance. In *www.esgi.ai*.

Utami, W., Wahyuni, P. D., & Nugroho, L. (2020). Determinants of stock liquidity: forward-looking information, corporate governance, and asymmetric information. *The Journal of Asian Finance, Economics and Business*, *7*(12), 795–807. https://doi.org/10.13106/jafeb.2020.vol7.no12.795

Utomo, M. N., Wahyudi, S., Muharam, H., & Sianturi, J. (2018). Supervised the board of commissioners to create company performance through environmentally friendly management. *Journal of Environmental Management and Tourism*, *9*(3), 659–676. https://doi.org/https://doi.org/10.14505/jemt.9.3(27).26

Waromi, J., Chairiri, A., Yuyetta, E. N. A., Imaningati, S., & Falah, S. (2019). The effect of board characteristics on internet financial reporting: a meta-analysis study. *Humanities and Social Sciences Reviews*, *7*(4), 488–492. https://doi.org/10.18510/hssr.2019.7465

Yameen, M., Farhan, N. H., & Tabash, M. I. (2019). The impact of corporate governance practices on firm's performance: an empirical evidence from Indian tourism sector. *Journal of International Studies*, *12*(1), 208–228. https://doi.org/10.14254/2071-8330.2019/12-1/14