International journal of applied management and economics
Vol : 02 , N° 15, August 2025
ISSN : 2509-0720

An Analysis of Enterprise Value Determinants in Public Companies with Asia Sustainability Report Rating (ASRRAT) in Indonesia.

- **Author 1 :** RAHMI Amelia,
- **Author 2 :** WIDYASTUTI Tri,
- **Author 3 :** DARMANSYAH,

(1) : PhD Student, Postgraduate School, Universitas Pancasila, Jakarta, Indonesia.
(2) : Professor, Accounting Department, Universitas Bhayangkara, Jakarta, Indonesia.
(3) : Professor, Postgraduate School, Universitas Pancasila, Jakarta, Indonesia.

Conflict of interest: The author declares no conflict of interest.

To cite this article : RAHMI .A, WIDYASTUTI .T & DARMANSYAH (2025) « An Analysis of Enterprise Value Determinants in Public Companies with Asia Sustainability Report Rating (ASRRAT) in Indonesia»,

IJAME : Volume 02, N° 15 | Pp: 343 – 367.

Submission date: July 2025
Publication date: August 2025

DOI : 10.5281/zenodo.17091655

Abstract

This study investigates the determinants of enterprise value in Indonesian public companies recognized by the Asia Sustainability Reporting Rating (ASRRAT). It examines the effect of corporate governance as measured through Managerial Compensation, Board Size, and Good Corporate Governance (GCG) Index, also Internal Control, Enterprise Risk Management (ERM), and the Environmental, Social, and Governance (ESG) aspects of Sustainability Reporting. This study uses purposive sampling with 31 ASRRAT-recognised companies listed on the Indonesia Stock Exchange from 2019 to 2023 were selected. The analysis uses multiple linear regression using SPSS 29.

Results show that Managerial Compensation has a significant negative effect on enterprise value, whereas Board Size, ERM, Social disclosure, and Governance disclosure shows significant positive effects, indicating that broader board capacity, integrated risk management, and transparent sustainability reporting particularly for social and governance aspects are valued by the market. In contrast, GCG Index, Internal Control, and Environmental disclosure show no significant effect on enterprise value possibly due to limitations in measurement scope, investor perception, or disclosure quality. Simultaneously all independent variables influence enterprise value.

The study contributes by showing that effective corporate governance, risk management practices, and credible sustainability disclosures are important to enhance enterprise value, while also highlighting the limited market relevance of compliance-based disclosures and governance practices thus providing implications for regulators, investors, and corporation in strengthening their internal practices and sustainability practices in Indonesia's capital market.

Keywords: Enterprise Value, Enterprise Risk Management, Corporate Governance, Internal Control, Sustainability Reporting.

1 Introduction

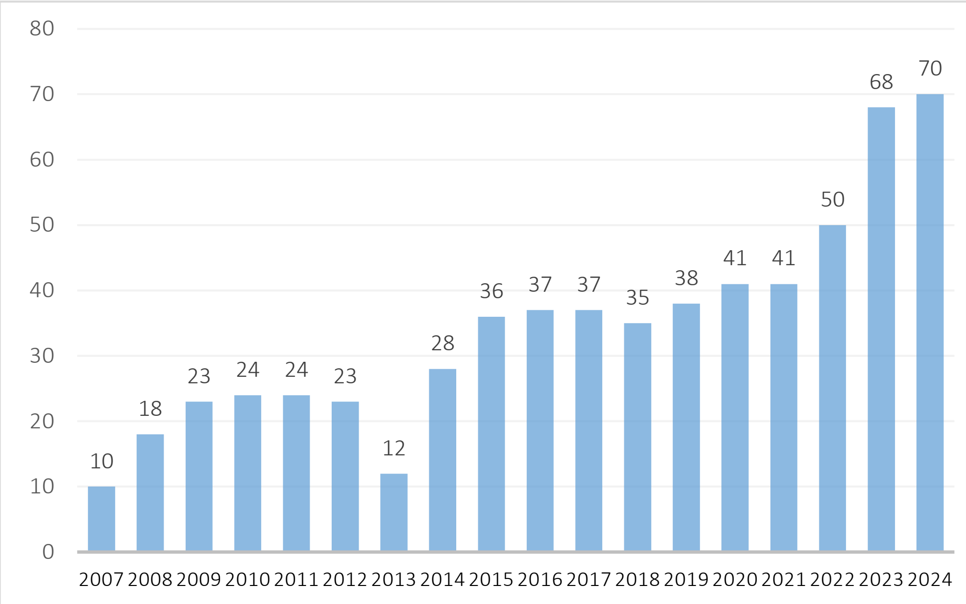
Over the past decade, the global business environment has experienced significant transformation in how enterprises define and measure its success. Traditional financial indicators, such as profitability, revenue growth, while still important, are no longer adequate to represent a firm's overall performance and sustainability of its business operations. Increasingly, investors, regulators, and stakeholders are focusing on non-financial aspects, particularly those related to environmental, social, and governance (ESG) performance as key determinants of enterprise value (Qian, 2024). This shift in paradigm is driven by increasing environmental challenges, evolving social expectations, and stricter standards of corporate governance, all of which have altered the priorities of stock markets worldwide (Zochowski & Dalton, 2023; Meier et al., 2024).

In Southeast Asia, the importance of sustainability reporting has been growing considerably, driven by increasing stakeholder demand for transparency and accountability. One of the leading institutions in this regard is the Asia Sustainability Reporting Rating (ASRRAT), organized by the National Centre for Corporate Reporting (NCCR) with support from professional accounting and reporting institutions. ASRRAT evaluates and recognizes high-quality sustainability reporting across industries and countries, serving as a guideline and incentive for companies to improve their own sustainability reporting (NCCR, 2024). For Indonesian public companies, participation in ASRRAT indicates a commitment to sustainability. Moreover, recognition through ASRRAT enhances corporate credibility, thus strengthens investor trust and signals effective social responsibility management, which can generate positive market reactions, thus effectively increasing the overall enterprise value and also give a competitive advantage over non-participating competitors, while strengthening the enterprise's reputation in both the domestic and global markets (Ningrum & Masdiantini, 2023).

However, the increasing prevalence of greenwashing, in which companies publish sustainability reports without taking substantive actions, raise a significant concern as these practices can erode stakeholder trust, reducing the credibility of the sustainability report, thus ultimately reducing the Enterprise Value (De Freitas Netto et al., 2020; Aptasari et al., 2024).

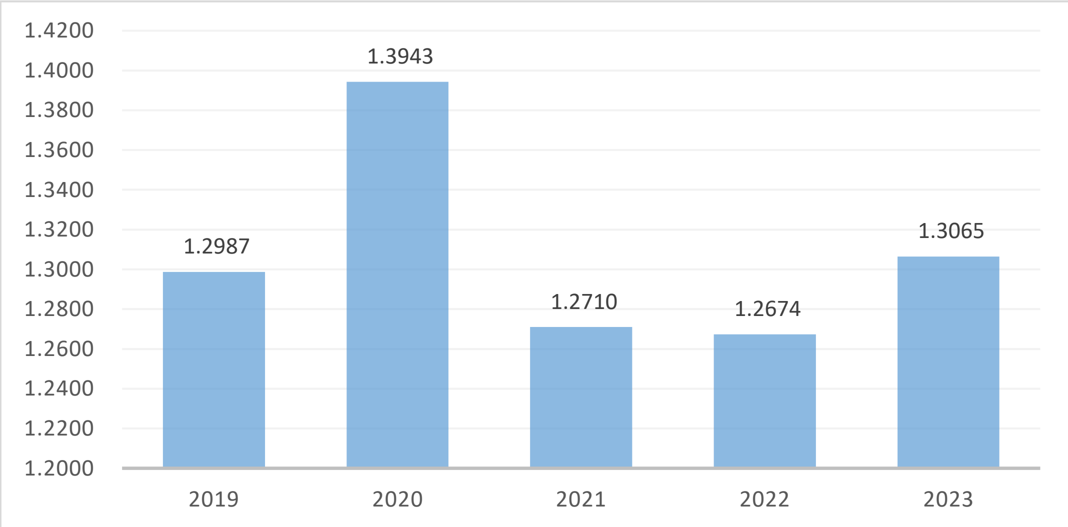
However, recent trends indicate that recognition through ASRRAT does not always align with increases in enterprise value. As will be shown in Fig. 1 and Fig. 2, the number of Indonesian public companies receiving ASRRAT recognition has risen significantly over the years from, yet their average enterprise value and stock prices have experienced fluctuations, especially in the 2021–2023 period. This particular pattern may indicates that although forma sustainability recognition such as ASRRAT conveys a company's commitment on stakeholders' interest, additional determinants are likely required to ensure that such recognition is effectively transformed into measurable enterprise value.

Fig. 1. Number of ASRRAT Recipients Public Companies in Indonesia (2007-2024)



Source : nccr.id, processed by authors (2025)

Fig. 2. Average Enterprise Value (Price-to-Book-Value) of ASRRAT Recipients in Indonesia (2019-2023)



Source : Indonesian Stock Exchange (IDX), processed by authors (2025)

The steady increase in the number of ASRRAT recipients public companies in Indonesia during 2021-2023 contrasts with the fluctuations and even immediate decline from 202-2021 in enterprise value observed in those public companies in Indonesia, indicating the existence of a discrepancy between theoretical expectations and empirical market outcomes. According to signalling theory, high-quality sustainability reporting is expected to serve as a credible signal of a company's commitment to environmental, social, and governance (ESG) values, therefore it should directly increases investor trust and ultimately enhance enterprise value (Rukmiyati et al., 2023; Jadoon et al., 2021). Stakeholder theory states that by meeting stakeholder expectations through transparent, comprehensive and credible sustainability reports, it can help to strengthen the relationships with stakeholders, therefore it supports long-term enterprise value creation (Aptasari et al., 2024).

However, these perspectives from signalling and stakeholder theory, do not fully explain the observed gap. Agency theory emphasizes on the need for effective corporate governance mechanisms, to align the interests of managers (as agent) and shareholders (as principals), thus reducing agency costs and ensuring that the disclosed information in sustainability report is genuinely implemented (Ramadan & Abdallah, 2019; Ed-Dafali et al., 2024). Stewardship theory, in contrast, states that managers act as stewards whose motives align with the objectives of shareholders by extension other stakeholders, by focusing on trust, transparency, and organizational performance.

From this perspective, strong Corporate Governance, Internal Control, and Enterprise Risk Management (ERM) frameworks are not merely implemented for compliance, but also as a mechanism to enable managers to protect stakeholder interests and deliver sustainable value. Legitimacy theory further explains that sustainability reporting can be used to gain and secure societal legitimacy or societal approval, particularly in industries under public scrutiny such as mining industry, but emphasizes that without credible governance, comprehensive internal control and risk managment, legitimacy can be vulnerable to accusations of greenwashing (Gentiara, 2023; Jouha, 2021).

Weaknesses in governance and flaws in internal control systems such as poor segregation of duties or inadequate monitoring (Wahyu et al., 2019), also limited integration of Enterprise Risk Management (ERM) into the firm’s information systems (Trisnawati et al., 2023) can directly decrease enterprise value. Such weaknesses can undermine the credibility of the sustainability report disclosed thus eroding investor trust, leading to lower market valuations. Even with ASRRAT recognition, which signals sustainability commitment to stakeholders, enterprise value may not increase unless it is supported by strong corporate governance, effective internal controls, and well-integrated risk management.

This study examines how Good Corporate Governance (GCG), Internal Control (IC), Enterprise Risk Management (ERM), and Sustainability Reporting which is assessed through its environmental, social, and governance (ESG) aspects, affect the enterprise value of Indonesian public companies recognized by ASRRAT. By applying multiple theoretical perspectives, which includes signalling theory, stakeholder theory, agency theory, stewardship theory, and legitimacy theory, the study aim to develop a comprehensive understanding of how sustainability practices, governance quality, internal control, and risk management determine enterprise value.

2 LITERATURE REVIEWS

2.1 Grand theories

Agency Theory

Agency theory explains how conflicts of interest and information asymmetry between shareholders (as principal) and managers (as agents) can lead to inefficiency and value loss for the company (Jensen & Meckling, 1976). Within this context, corporate governance serves as a mechanism to align managerial actions with shareholder interests through monitoring, transparency and accountability (Bessler et al., 2023; Fuzi et al., 2024). Sustainability reporting complements this by reducing uncertainty and increasing more information disclosed particularly about Environmental, Social, and Governance (ESG) (Handayati et al., 2025), thus, a strong corporate governance and a credible sustainability report can therefore improve investor confidence thus directly increases enterprise value.

Stewardship Theory

Stewardship theory states that managers, as stewards, are intrinsically motivated to act in the best interests of the firm and its stakeholders, thus prioritising long-term organisational success over short-term personal gain (Donaldson & Davis, 1991). In the context of this study, sustainability reporting reflects a commitment by the managers to sustainable values, transparency, and rather than a mere compliance (Banda & Mwange, 2023). When supported by strong internal control systems that safeguard resources and effective enterprise risk management that mitigate risks, stewardship behaviour signals organizational stability, and ethical management. These qualities can strengthen investor trust, thus ultimately contribute to enterprise value (Banda & Mwange, 2023).

Signalling Theory

Signalling theory states that a credible signal must be difficult to imitate, therefore it helps to reduce information asymmetry between companies and its stakeholders (Spence, 1973). Within the context of this study, recognition through ASRRAT and the publication of sustainability reports serve as high-credibility signals of a company's governance quality and commitment to ESG values (Bae et al., 2018; Hassan et al., 2020). That kind of signals are more persuasive when supported by strong internal controls which ensure the reliability of the information disclosed and the integration of risk management which demonstrate a proactive risk mitigation thus convey to investors that the company is both well-managed and then contributes to a higher enterprise valuation.

Legitimacy Theory

Legitimacy theory states that company must align their operations with the social norms, values, and expectations from society to maintain their "social licence to operate" (Dowling & Pfeffer, 1975). Sustainability reporting, particularly when recognised through a formal rating such as ASRRAT, can help to strengthen legitimacy by demonstrating that the company addresses environmental, social, and governance values in line with stakeholder expectations (Ngu & Amran, 2021). This perceived alignment can reduce reputational risk and fosters public trust, also shields the from potential regulatory or societal backlash. When complemented by strong corporate governance, transparent internal control, and comprehensive risk management, legitimacy is further reinforced, thus enhancing investor confidence and contributing to the growth of enterprise value.

Stakeholder Theory

Stakeholder theory asserts that sustainable corporate success requires balancing and fulfilling the needs of diverse stakeholders, including shareholders, employees, customers, suppliers, and the wider community (Freeman, 1984). Sustainability reporting functions as a strategic communication tool, evidencing how the company creates long-term value across these groups (Mahajan et al., 2023). Corporate governance provides structures that ensure equitable consideration of stakeholder interests, internal control systems safeguard stakeholder assets from misuse or inefficiency, and ERM identifies and mitigates risks that could disrupt stakeholder relationships or value delivery. Together, these mechanisms build trust, strengthen long-term partnerships, and support sustainable enterprise value growth.

2.2 Key concepts and hypotheses development

Corporate Governance (CG)

Effective corporate governance mechanisms, can help to strengthen enterprise value by emphasizing in transparency, accountability, and credibility of their business operation through the information disclosed both in the financial statements or in the sustainability report (Putra & Dewayanto, 2019). Moreover, previous studies show a reciprocal positive relationship between managerial compensation as a part of corporate governance mechanism and firm performance (Al Farooque et al., 2019). Board size also directly influences oversight capacity and the quality of decision-making (Putra & Dewayanto, 2019). In this study, corporate governance is measured using the GCG Index, which is based on the measurement approaches of Putra & Dewayanto (2019).

Internal Control (IC)

Internal control is defined as a process implemented by an entity's board, management, and personnel to provide reasonable assurance regarding the achievement of operational, reporting, and compliance objectives (COSO, 2013). In this study, internal control is measured using the Internal Control Disclosure Index, which is based on the five components of the COSO Internal Control – Integrated Framework (2013), that is control environment, risk assessment, control activities, information and communication, and monitoring. These components are considered the international standard for evaluating internal control effectiveness. The disclosure index item was also based on the previous studies Sari & Wardhani (2020) and Leng & Ding (2011), which allows secondary data to assess internal control quality.

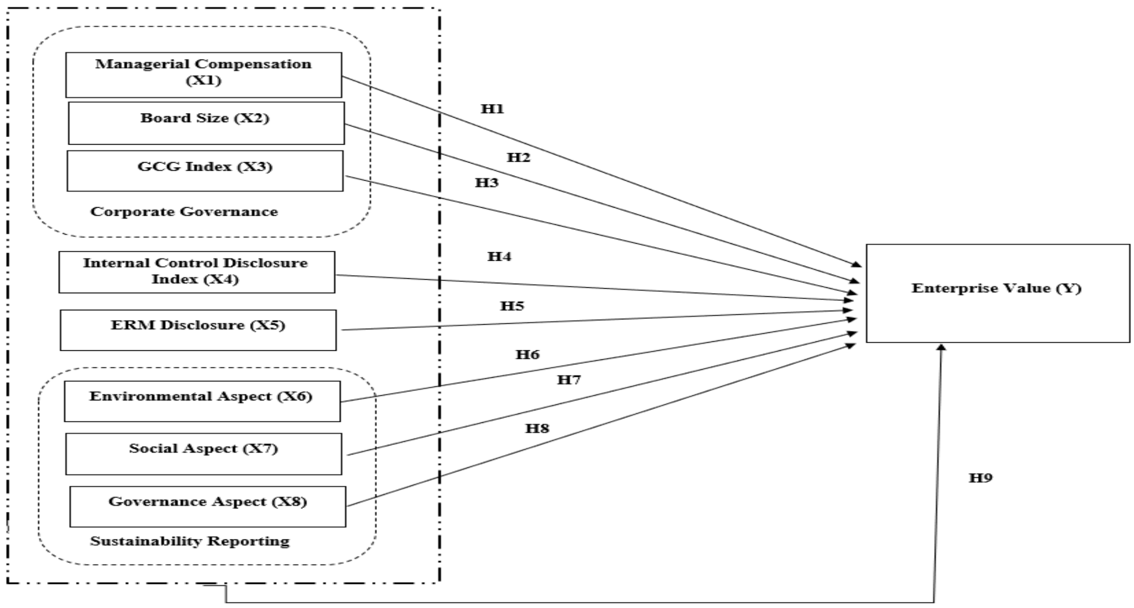
Enterprise Risk Management (ERM)

Enterprise Risk Management is a strategic process enabling organisations to identify, assess, and manage risks while capitalising on opportunities aligned with strategic objectives (Shah et al., 2024). ERM play an important role in the sustainability of a company by integrating risk management and mitigation into corporate strategy and performance monitoring. In this study, ERM is measured using the aspects of the COSO ERM – Integrating with Strategy and Performance (2017).

Enterprise Value (EV)

Enterprise Value is the market's total valuation of a company, which incorporates both equity and liability, and serves as an indicator of financial performance and growth potential of a company. In this study, enterprise value is proxied by the Price-to-Book-Value (PBV) ratio, which reflects how the market values a company's net assets. A higher PBV indicates that investors perceive the company to have stronger profitability prospects, better asset utilisation, and sustainable competitive advantages (Ying et al., 2013).

Fig. 3. Research Framework and Hypotheses Development



theoretical perspective of several grand theories, thus the hypotheses developed in this study are as shown in Fig.3. above.

H_1: Managerial compensation has a positive effect on enterprise value, measured by Price-to-Book-Value.

H_2: Board size has a positive effect on enterprise value, measured by Price-to-Book-Value.

H_3: GCG Index has a positive effect on enterprise value, measured by Price-to-Book-Value.

H_4: Internal control Disclosure Index, has a positive effect on enterprise value, measured by Price-to-Book-Value.

H_5: Enterprise Risk Management Disclosure Index has a positive effect on enterprise value, measured by Price-to-Book-Value.

H_6: Sustainability reporting in terms of environmental disclosures has a positive effect on enterprise value, measured by Price-to-Book-Value.

H_7: Sustainability reporting in terms of social disclosures has a positive effect on enterprise value, measured by Price-to-Book-Value.

H8: Sustainability reporting in terms of governance disclosures has a positive effect on enterprise value, measured by Price-to-Book-Value.

H9: Corporate governance (managerial compensation, board size, and GCG Index), internal control, enterprise risk management, and sustainability reporting (environmental, social, and governance) have a positive simultaneous effect on enterprise value, measured by Price-to-Book-Value.

3 Research method

3.1 Population and Sample

In this study, the population comprises companies that received sustainability ratings from the National Centre for Sustainability Reporting (NCSR) through the Asia Sustainability Reporting Rating (ASRRAT) between 2019 and 2023, with a total of 98 organisations. The sample was determined using purposive sampling. The criteria for selecting the research sample are as follows:

1. Entities that are not public sector organisations or government institutions, but legally business entities, including private companies, state-owned enterprises, and publicly listed companies that received the Asia Sustainability Reporting Rating (ASRRAT) award during the 2019–2023 period.
2. Companies listed on the Indonesian Stock Exchange (IDX) or publicly listed companies that received the Asia Sustainability Reporting Rating (ASRRAT) award during the 2019–2023 period.
3. Companies that provide all required research data openly and completely through their sustainability reports, annual reports, or financial statements.

Based on the established selection criteria as above, 31 companies were identified as the research sample of this study.

3.2 Methodology and Variable Measurements

This study uses a correlational, verificative, and explanatory research design with a quantitative statistical approach to examine the effect of Managerial Compensation, Board Size, GCG Index, Internal Control, Enterprise Risk Management, and the Environmental, Social, and Governance aspects of sustainability reporting on enterprise value, measured by Price-to-Book-Value (PBV). Multiple linear regression is use to analyse the effect of each independent variable on the dependent variable. Hypothesis testing in this study includes the *t*-test which is use to assess the partial effect of each independent variable on enterprise value, the *F*-test which is use to evaluate the simultaneous effect of all independent variables, and the coefficient of determination which is used to determine the explanatory power of the multiple linear regression model. All statistical analyses are conducted using SPSS 29.

To standardise measurement scales, monetary values such as managerial compensation uses in this study were transformed using natural logarithms, while the other variables used were already constructed in ratio form. This is to ensures that all variables in this study are expressed on a ratio scale rather than nominal or ordinal scales, thus allowing for a meaningful comparison and valid regression analysis.

Moreover, to ensure the validity of the regression model used in this study, we also conducted the classical assumption tests, which includes the normality test, multicollinearity test, heteroskedasticity test, and autocorrelation test. These classical assumption test ensures that the regression model meets the criteria of a Best Linear Unbiased Estimator (BLUE), therefore producing valid estimates and enhancing both theoretical and practical contributions of this study.

Table 1. Variable Measurements

Variable	Sub-variable(s)	Indicator(s)	Measurement	Measurement Method
Corporate Governance	Managerial Compensations (X1)	The total compensations for Board of Directors	$MC = Ln\,(Managerial\ Compensation)$	Annual Report
	Board Size (X2)	Number of Board of Directors	$BS = \sum Total\ Board\ of\ Directors$	
	GCG Index (X3)	CG Performance	$GCG\ Index = \left(\frac{\sum Assessment\ Score}{Maximum\ Score}\right) \times 100\%$	ASEAN CG Scorecard
Internal Control	Internal Control Disclosure Index (X4)	Internal Control Disclosure	$IC\ Index = \left(\frac{\sum Items\ Disclosed}{Total\ Disclosure\ Items}\right) \times 100\%$	COSO Framework
Enterprise Risk Management (X3)	ERM Disclosure Index (X5)	Enterprise Risk Management Disclosure	$ERM\ Index = \left(\frac{\sum Disclosed\ ERM\ Items}{Total\ ERM\ Items}\right) \times 100\%$	COSO ERM Framework
Sustainability Reporting (Y)	Environmental Aspect (X6)	Environmental Disclosure	$ENV = \left(\frac{\sum ENV\ Items}{Total\ ENV\ Items}\right) \times 100\%$	GRI Standards

Variable	Sub-variable(s)	Indicator(s)	Measurement	Measurement Method
	Social Aspect (X7)	Social Disclosure	$SOC = \left(\frac{\sum SOC\ Items}{Total\ SOC\ \ Items}\right) \times 100\%$	
	Governance Aspect (X8)	Governance Disclosure	$GOV = \left(\frac{\sum GOV\ Items}{Total\ GOV\ Items}\right) \times 100\%$	
Enterprise Value	Price-to-Book-Value (Y)	Market Price per Share and Book Value per Share	$PBV = \frac{Market\ Price\ per\ Share}{\frac{Total\ Equity}{Number\ of\ Shares\ Outstanding}}$	Market Valuation and Annual Report

Source : Multiple sources, processed by authors (2025).

The measurements in this study were selected based on data availability across companies and their widespread use in prior research and practice particularly in Indonesia. Managerial compensation was obtained from annual reports and then standardised with natural logarithms to reduce skewness in monetary values. Board size was measured by the total number of directors. Good Corporate Governance Index was derived from the ASEAN CG Scorecard, which provides a widely recognised assessment for governance in Indonesia. Internal control disclosure was measured using the COSO framework, while enterprise risk management disclosure followed the COSO ERM framework. Sustainability reporting was assessed using the Global Reporting Initiative (GRI) Standards, which are widely applied, but then divided into environmental, social, and governance aspects to see which aspects influences the market the most rather than just viewed as one aspect.

Enterprise value was proxied by the Price-to-Book Value (PBV), and it was chosen because it is consistently available across companies listed on the Indonesia Stock Exchange and is widely used in prior research. In addition to that, PBV also captures how the market values a company relative to its net assets and provides more consistent measurement than alternative measurement such as Tobin's Q.

4. Research Results

4.1 classical assumption tests results

For this study, classical assumption tests were conducted prior to the multiple linear regression analysis to ensure the validity of the data used for the regression model. The normality test is conducted through the Kolmogorov–Smirnov test, which produced Asymptotic significance value of 0.200, exceeding the 0.05, which indicates the residual in the data used is distributed normally. This result was further supported by the P–P plot, where data distributions points closely followed the diagonal line, and by the histogram, which the data was distributed closely normal distribution curve (Bell Curve).

For heteroskedasticity testing, scatterplot and the Glejser test were used, which the results showed that all variables in this study had significance values greater than 0.05, indicating constant variance in the residuals, thus no heteroskedasticity problem detected. The Durbin–Watson statistic shows the value of 1.967 fell between the upper bound (1.8467) and the lower bound of 4 – 1.8467 (2.1533), indicating the absence of autocorrelation. Lastly, all tolerance values for all the variables in this model exceeded 0.10 and all VIF values were below 10, indicating that multicollinearity is not present. Collectively, these results confirm that the regression model in this study meets the classical assumptions required for the Best Linear Unbiased Estimator (BLUE).

4.2 Multiple Linear Regression Result and Hypotheses Testing

For this study, multiple linear regression analysis was conducted after confirming that the dataset used in this study confirmed to satisfy all requirements of the classical assumption tests. This analysis was used to evaluate the effect of each independent variable on the dependent variable. The results also include the *t*-test to evaluate the partial significance each independent variable on the dependent variable. The multiple linear regression outputs, including coefficients, significance levels, are presented in Table 2. below.

Table 2. Multiple Linear Regression Results and t-Test Results

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-8.454	11.342		-.745	.457		
	X1 - MC	-1.551	.135	-.427	-11.462	<.001	.898	1.114
	X2 - BS	2.639	.146	.841	18.037	<.001	.571	1.750
	X3 - GCG Index	5.470	11.481	.018	.476	.634	.882	1.134
	X4 - IC	.287	3.400	.003	.085	.933	.729	1.372
	X5 - ERM	6.011	2.734	.090	2.198	.030	.741	1.350
	X6 - ENV	-2.373	1.503	-.068	-1.579	.117	.671	1.491
	X7 - SOC	4.439	1.293	.140	3.433	<.001	.750	1.334
	X8 - GOV	6.445	2.004	.143	3.217	.002	.627	1.594

Coefficients[a]							
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
a. Dependent Variable: Y - PBV							

Source: Output SPSS 29, processed by authors (2025)

The multiple linear regression result and hypotheses testing results indicate that not all independent variables of this study have a significant effect on enterprise value as measured by Price-to-Book Value, which also indicates that not all independent variables in this study are the significant determinants of enterprise value.

Managerial compensation has a probability significance value of less than 0.001 and a regression coefficient of -1.551, indicating that managerial compensation has a significant negative effect on enterprise value. A higher managerial compensation based on this result, tends to decrease enterprise value, possibly due to increased agency costs which indicates the failure of managerial compensation as a tool to reduce the misalignment of managerial interest with the stakeholders.

Board Size also shows a probability significance value of less than 0.001 and a regression coefficient of 2.639, indicating that board size has a significant positive effect on enterprise value. This implies that larger boards of directors help to increase enterprise value by providing a broader strategic capacity and decision-making which directly support firm growth. For Enterprise Risk Management, the result shows a probability significance value of 0.030 with a coefficient of 6.011, suggesting that stronger risk management practices that were integrated comprehensively with the business operation of the company contribute positively to increase enterprise value.

Moreover, the Social Aspect disclosure items disclosed in sustainability reporting also has a probability value of less than 0.001 with a coefficient of 4.439, indicating that the more an enterprise disclosed their social responsibility aspect then the higher enterprise value. Governance Aspect also has a probability value of 0.002 which is less than the significance threshold of 0.05 and a coefficient of 6.445, indicating a significant positive effect, suggesting that stronger governance disclosures are more valued by the market as it provides the stakeholder a more transparent on governance practices of the company.

In contrast, the GCG Index has a probability value of 0.634 and a coefficient of 5.470. This may due the GCG Index focuses more on regional governance standards which was based on the ASEAN CG Scorecard, which might not align with global investor expectations or facilitate international comparability compared to the Governance Aspect which use GRI Standards, that can limit its influence on global market perception.

Internal Control with a probability value of 0.933 and a coefficient of 0.287. This may be explained as Internal Control Disclosure may be limited in detail or perceived by investors as compliance-oriented, thus failing to generate a better enterprise value. As for the Environmental Aspect with a probability value of 0.117 and a coefficient of -2.373 do not have a statistically significant impact on enterprise value, this result may indicate that Environmental disclosures in ASRRAT Company are either insufficient in quality or not prioritized by the market in Indonesia compared to other sustainability aspects, thus limiting their effect on enterprise value. Furthermore, the *F*-test was used to evaluate whether all independent variables simultaneously have a significant effect on enterprise value. In addition to that, the coefficient of determination was also examined to determine the proportion of variance in enterprise value explained by the all the independent variables in this study, providing an indication of this regression model's goodness of fit. The results are presented in Table 3. and Table. 4. Below.

Table 3. F-test Result

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9540.426	8	1192.553	82.523	<.001[b]
	Residual	2080.961	144	14.451		
	Total	11621.387	152			
a. Dependent Variable: Y - PBV						
b. Predictors: (Constant), X8 - GOV, X3 - GCG Index, X1 - MC, X5 - ERM, X4 - IC, X7 - SOC, X6 - ENV, X2 - BS						

Source: Output SPSS 29, processed by authors (2025).

As shown in Table 3 above, the F-test has a significance value of less than 0.001 with an F-statistic of 82.523, indicating that all independent variables simultaneously have a significant effect on enterprise value. This confirms that this regression model is valid to explain the variations in enterprise value as measured by Price-to-Book Value.

Table 4. Coefficient of Determination Result

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.906[a]	.821	.811	3.8014624	1.967
a. Predictors: (Constant), X8 - GOV, X3 - GCG Index, X1 - MC, X5 - ERM, X4 - IC, X7 - SOC, X6 - ENV, X2 - BS					
b. Dependent Variable: Y - PBV					

Source: Output SPSS 29, processed by authors (2025)

As shown in Table 4. above, the coefficient of determination (R-Square) is 0.821, meaning that 82.1 percent of the variation in enterprise value within the sample in this study is explained by the independent variables included in the multiple linear regression model. This high value of coefficient of determination indicates that the regression model has strong explanatory power. The adjusted R-Square of 0.811 or 81,1 percent which accounts for the number of predictors, indicates that the explanatory power of the regression model remains strong even after correcting for potential overestimation. The remaining 17.9 percent of variation is attributed to other factors not included in the model, which may include external economic conditions, or other firm-level variables outside the scope of this study.

4.3 discussion

The discussion section examines the study's findings in based on the perspective provided by the grand theories used in this study and prior research, for managerial compensation as previous research suggest that it can has a positive effect on enterprise value (Utomo et al., 2021), but excessive or misaligned pay structures within the company may lead to adverse outcomes (Uang & Hu, 2025). While competitive managerial compensation can motivate managers (e.g. Directors) to engage in value-enhancing activities such as research and development, excessive compensation often increases agency problems (Chen et al., 2019). In such cases, managers may prioritize their personal interests, short-term benefits, or prestige-driven projects over the long-term interests of shareholders or other stakeholders. This can take resources away from projects that would bring lasting benefits for shareholders and other stakeholders.

For ASRRAT-recognized companies, very high or poorly designed managerial compensation can cause the same problems. These companies are expected to show a substantive commitment to sustainability, but if their managerial compensation is not tied to actual sustainability performance, it can look like the ASRRAT recognition is being used mainly for image rather than real impact by the stakeholders. As a result, even with ASRRAT recognition, investor trust may fall, and enterprise value may also decrease.

Within the Indonesian context, empirical evidence suggests that although managerial compensation can be linked to innovation, its positive effect can be weakened by governance weaknesses (Bintarto et al., 2022). These conditions may foster cronyism, where close ties between executives and directors reduce accountability. Correlated abnormal compensation between CEOs and directors can also lower the likelihood of leadership changes even in periods of poor performance, diminishing responsiveness to market conditions. Furthermore, excessive managerial compensation can create a negative cycle in which stakeholder complaints about high remuneration, which in turn drives managers to demand even higher pay, heightening tensions and eroding investor confidence (Cho et al., 2025).

From an agency theory perspective, this reflects increased agency costs due to weak alignment between managerial compensations and shareholder interests. Moreover, Stakeholder theory suggests that disproportionate compensation for the managers may decrease the trust among other stakeholders, thus weakening support for the company's long-term strategies. Signalling theory further implies that excessive managerial compensation sends a negative market signal about governance quality and resource efficiency within the company, therefore discouraging investment. Stewardship theory, which assumes managers act as stewards of the company, is challenged here, as personal incentives seemed to override stewardship motives within the context of the study. Lastly, in the perspective of legitimacy theory excessive managerial compensation can erode social legitimacy, especially in contexts where governance integrity the directly reducing enterprise value.

In this study, board size has a significant positive effect on enterprise value, indicating that a larger board of directors can increase the enterprise value in ASRRAT-recognised public companies. From the perspective of agency theory, a larger board of directors can reduce agency costs by ensuring that sustainability commitments associated with ASRRAT recognition are implemented effectively. Stewardship theory suggest that board of directors, acting as stewards of the company, can use their collective expertise to guide the company toward long-term success, particularly in aligning sustainability initiatives with strategic objectives (Muazaroh et al., 2025).

As per signalling theory, a larger board of directors in an ASRRAT-recognised public company can sends a positive signal to the market that the company has the governance capacity to manage a credible sustainability reporting and compliance requirements. Stakeholder theory states that a larger board of directors may allows for broader representation of stakeholder interests, improving responsiveness to the expectations of investors, regulators, and the community (Sepulveda-Nuñez et al., 2025). In Legitimacy theory's perspective that having a bigger board of directors may enhances the company's societal legitimacy by ensuring sustainability practices are credible, transparent, and aligned with societal values.

The GCG Index in this study shows no significant effect on enterprise value. While prior research suggests that a high GCG Index score can improve market confidence and valuation (Putra & Dewayanto, 2019), the results in this study indicate that the GCG Index may not fully capture the governance aspects that investors value in ASRRAT-recognised companies. This could be because the GCG Index is based on the ASEAN Corporate Governance Scorecard, which emphasises regional standards that may not align with global investor expectations and only within certain region like ASEAN.

Based on agency theory, a high GCG Index score may not reduce agency costs if the governance practices measured are not substantive (Tan & Dipendra, 2024). Stakeholder theory also suggests that governance standards that are less relevant to global stakeholders may fail to enhance trust or engagement (Hamdouni, 2025). From a stewardship theory viewpoint, formal compliance without strategic integration into sustainability efforts may limit the board of director's effectiveness as stewards of the company and legitimacy theory may suggest that if the governance practices measured are not widely recognised internationally, their legitimacy-enhancing effect on enterprise value may be minimal.

Internal Control also has no significant effect on enterprise value. Previous research notes that internal control systems are mainly designed to provide reasonable assurance, not absolute protection, against fraud or misstatement (COSO, 2013; Sutter & Somerhalder, 2023). In ASRRAT companies, internal control disclosures may be perceived as compliance-driven rather than as a signal of strong control and risk management, limiting the effect towards market valuation. From the agency theory perspective, weak alignment between internal controls and actual performance monitoring means agency costs are still high and remain a concern particularly for shareholder (Martin et al., 2021). In addition to that, stakeholder theory suggests that if stakeholders view internal control disclosures as routine compliance rather than value-creation, stakeholder trust is not significantly improved (Chatzopoulou et al., 2024). Moreover, signalling theory also implies that generic disclosures may fail to send a signal about efficiency or governance integrity (Suprabha et al., 2024). Stewardship theory notes that without integration into strategic decision-making, internal controls alone do not fully empower managers to act as effective stewards (Feng & Mohd Saleh, 2024). Whereas in the perspective of legitimacy theory, if internal control disclosures are not perceived as credible, it means that it fails to strengthen societal legitimacy, thus limiting their effect on enterprise value.

Enterprise Risk Management shows a significant positive effect on enterprise value, indicating that comprehensive risk management is highly valued by investors, particularly in the context of ASRRAT-recognised companies which sustainability in very important. Effective ERM not only address traditional risks such as financial and business risks but also integrate sustainability-related risks into corporate strategy, therefore supporting long-term operational sustainability (Pecina et al., 2022). In ASRRAT companies, strong ERM also demonstrates that sustainability is not just compliance-based but also integrated management practices, which strengthens market trust thus increasing enterprise value.

From the agency theory perspective, ERM reduces agency costs by aligning managerial risk-taking with shareholder risk preferences and ensuring that sustainability goals are not compromised by unmanaged risks (Rashid et al., 2024). Whereas stewardship theory suggests that managers acting as stewards use ERM to protect the organisation's long-term viability, which in turn benefits all stakeholders (Mitter et al., 2022) Signalling theory views that a strong ERM framework sends a powerful market signal of strong and commitment to sustainable operations. Based on legitimacy theory, proactive enterprise risk management may enhance societal legitimacy by demonstrating that the company mitigates potential harms for the society which can directly increase enterprise value.

The findings reveal differing market responses to the three sustainability reporting aspects in ASRRAT-recognised companies. Environmental disclosures (ENV) do not significantly influence enterprise value, likely because investors perceive them as lacking depth, measurable outcomes, or clear strategic integration (Li et al., 2024). In such cases, even with ASRRAT recognition, environmental reporting may be seen as symbolic or prone to greenwashing, limiting its market impact. Agency and stewardship theories perpectives environmental actions should reduce long-term risks and protect resources, yet weak or compliance-based reporting can weaken this positive impact. From a signalling and legitimacy perspective, vague and compliance-based disclosures send a weaker market signal and fail to reinforce societal approval, especially when investors prioritise short-term returns.

In contrast, the Social Aspect positively influences enterprise value in ASRRAT-recognised companies, as credible disclosures on employee welfare, community engagement, and labour practices strengthen reputation, stakeholder trust, and operational stability. These initiatives align managerial and stakeholder interests while signalling ethical commitment and reinforcing legitimacy through tangible human impact. Similarly, Governance disclosures also has a positive impact on enterprise value that because it can provide a globally comparable, credible information disclosed as per GRI Standard, reassuring investors that sustainability report disclosure are supported by transparent and accountable governance (Monteiro et al., 2024).

Conclusion

In the context of ASRRAT-recognised public companies in Indonesia, enterprise value is not only determined by the presence of sustainability recognition, but also by corporate governance, internal control systems, risk management, and sustainability disclosures that is perceived by the market. The results of this study indicates that ASRRAT-recognition alone is insufficient to guarantee higher enterprise value, rather, the credibility, quality, and strategic alignment of supporting internal mechanisms such as corporate governance, internal control, and enterprise risk management to determine whether recognition translates into tangible enterprise value.

Negative effects of managerial compensation may suggest that excessive compensation can undermine the credibility of sustainability commitments, signalling potential agency conflicts and eroding stakeholder trust. Positive effects from board size and enterprise risk management highlight the importance of diverse expertise and integrated risk governance in increasing market trust. The market also highly values governance and social disclosures grounded in internationally recognised standards, such as GRI standards, reflecting investor preference for globally comparable and transparent sustainability disclosures. Conversely, the lack of significant effect from the GCG Index, internal control disclosures, and environmental disclosures suggests that regionally focused, compliance-driven, or less substantive reporting is not in investor priorities.

For ASRRAT to serve as a force to increase of enterprise value, companies must ensure that sustainability reporting is integrated within a strong governance structure, which directly linked to performance-based incentives, and supported by transparent, globally credible disclosures. Without these, ASRRAT risks being viewed as symbolic compliance rather than a meaningful indicator of long-term value creation.

Companies especially ASRRAT-recognised companies can make their sustainability reports more credible by ensuring that the sustainability reporting is tied to measurable performance outcomes and integrated into day-to-day management functions and managers should embed sustainability values and metrics directly into operational decisions, capital allocation, and risk management processes within their operations. Moreover, the information disclosed should be aligned with internationally recognised frameworks such as GRI, supported with verifiable data, and linked to long-term targets rather than general statements. To strengthen credibility, companies should also connect sustainability disclosures with performance-based incentives, establish clear accountability for reporting quality, and where possible, obtain independent assurance on the sustainability reporting, By treating sustainability reporting disclosures as part of business management rather than compliance, companies can deliver information that is more transparent, decision-useful, and trusted by investors and stakeholders, therefore can help to enhance enterprise value.

In addition, regulators should prioritise disclosure quality over formal compliance. Since managerial compensation can negatively affect enterprise value when misaligned, regulators in Indonesia may introduce clearer rules that tie remuneration disclosures to measurable performance outcomes, including sustainability objectives. The lack of market response to the GCG Index and internal control disclosures also indicates the need for regulators to strengthen these aspects by updating governance scorecards and disclosure requirements so they better reflect investor expectations and provide more useful information. These measures would reduce symbolic reporting practices, improve transparency, and ensure that sustainability recognition is more strongly linked to tangible enterprise value.

References

Al Farooque, O., Buachoom, W., & Hoang, N., 2019. Interactive Effects of Executive Compensation, Firm Performance and Corporate Governance: Evidence from an Asian Market. *Asia Pacific Journal of Management*, 36(4), 1111–1164. https://doi.org/10.1007/s10490-018-09640-2

Aptasari, R., & Sari, D.W., 2024. Greenwashing Practices and Their Impact on Corporate Reputation and Financial Performance. *Journal of Business Ethics*, 175(3), 567–589. https://doi.org/10.1007/s10551-023-05412-7

Bae, J., Kim, S., & Oh, H., 2018. Corporate Social Responsibility and Signaling Theory: Stakeholder Response to Environmental Signals in the Lodging Industry. *International Journal of Hospitality Management*, 68, 58–66. https://doi.org/10.1016/j.ijhm.2017.09.003

Banda, M., & Mwange, A., 2023. Corporate Governance: A Theoretical Review. *European Journal of Business and Management*, 15(16), 60.

Bessler, W., Gönenç, H., & Hernandez Tinoco, M., 2023. Information Asymmetry, Agency Costs, and Payout Policies: An International Analysis of IFRS Adoption and the Global Financial Crisis. *Economic Systems*, 47, 101129. https://doi.org/10.1016/j.ecosys.2023.101129

Chatzopoulou, E.-C., Lioukas, S., & Voudouris, I., 2024. HQ Controls, Agency Costs, and Procedural Justice. *Global Strategy Journal*, 14(3), 421–451. https://doi.org/10.1002/gsj.1473

Chen, Y.L., Chuang, Y.W., Huang, H.G., & Shih, J.Y., 2019. The Value of Implementing Enterprise Risk Management: Evidence from Taiwan's Financial Industry. *North American Journal of Economics and Finance*, 54, 100926. https://doi.org/10.1016/j.najef.2019.02.004

Cho, J., Yang, D., Baek, K., & Bu, Y., 2025. Market Competition, Downward-Sticky Pay, and Stock Returns: Lessons from South Korea. *Journal of Risk and Financial Management*, 18(5), 280. https://doi.org/10.3390/jrfm18050280

Committee of Sponsoring Organizations of the Treadway Commission (COSO), 2013. *Internal Control—Integrated Framework*. COSO.

De Freitas Netto, S.V., Sobral, M.F.F., Ribeiro, A.R.B., & Soares, G.R.L., 2020. Concepts and Forms of Greenwashing: A Systematic Review. *Environmental Sciences Europe*, 32(1), 19. https://doi.org/10.1186/s12302-020-0300-3

Donaldson, L., & Davis, J.H., 1991. Stewardship Theory or Agency Theory: CEO Governance and Shareholder Returns. *Australian Journal of Management*, 16(1), 49–64. https://doi.org/10.1177/031289629101600103

Dowling, J., & Pfeffer, J., 1975. Organizational Legitimacy: Social Values and Organizational

Behavior. *Pacific Sociological Review*, 18(1), 122–136. https://doi.org/10.2307/1388226

Ed-Dafali, S., Özsungur, F., & Mohiuddin, M., 2024. *Intersecting Corporate Governance, Financial Performance, and Long-Term Value Creation*. IGI Global. https://doi.org/10.4018/979-8-3693-8954-6

Feng, X., & Mohd Saleh, N., 2024. Managerial Ability and ESG Risks: The Moderating Effect of Internal Control Quality. *Sustainability*, 16(22), 9838. https://doi.org/10.3390/su16229838

Freeman, R.E., 1984. *Strategic Management: A Stakeholder Approach*. Pitman. https://doi.org/10.1017/CBO9781139192675

Fuzi, S.F.M., Hassan, M.S., Jaffar, R., & Abdullah, M.H.S.B., 2024. Board Risk Committee, Corporate Governance Mechanisms, and Firm Value. In: *Corporate Governance and Sustainability: Navigating Malaysia's Business Landscape*, 3–25. Springer. https://doi.org/10.1007/978-981-97-7808-9_1

Hamdouni, A., 2025. The Impact of ESG Disclosure on Corporate Performance: Empirical Evidence from Saudi Arabia's Listed Heavy-Polluting Companies. *International Journal of Innovative Research and Scientific Studies*, 8(3), 1164–1174. https://doi.org/10.53894/ijirss.v8i3.6766

Jadoon, I.A., Ali, A., Ayub, U., Tahir, M., & Mumtaz, R., 2022. The Impact of Sustainability Reporting Quality on the Value Relevance of Corporate Sustainability Performance. *Sustainable Development*, 30(6), 1586–1601. https://doi.org/10.1002/sd.2138

Jensen, M.C., & Meckling, W.H., 1976. Theory of the Firm: Managerial Behavior, Agency Costs, and Ownership Structure. *Journal of Financial Economics*, 3(4), 305–360. https://doi.org/10.1016/0304-405X(76)90026-X

Li, H.-Y., Chi, H.-Y., & Chen, C.-H., 2024. The Effects of Environmental Information Disclosure on Investors' Perceptions of Earnings Quality: The Difference in Managerial Ownership Structure. *NTU Management Review*, 34(1). https://doi.org/10.6226/NTUMR.202404_34(1).0004

Martin, G.P., Wiseman, R.M., & Gomez-Mejia, L.R., 2019. The Interactive Effect of Monitoring and Incentive Alignment on Agency Costs. *Journal of Management*, 45(2), 701–727. https://doi.org/10.1177/0149206316678453

Mitter, C., Kuttner, M., & Berchtenbreiter, A., 2022. Risk Management in a Small Family-Owned Nursery: A Case Study Approach. *Journal of the International Council for Small Business*, 3(2), 75–91. https://doi.org/10.1080/26437015.2021.1944790

Monteiro, A.P., Cepeda, C., Macedo, C., Cardoso, C., & Oliveira, C., 2024. Impact of sustainability strategies on ESG performance disclosure. In: *The Nexus of Corporate Sustainability Management, Accounting, and Auditing*. IGI Global, pp. 115–136. https://doi.org/10.4018/979-8-3693-5663-0.ch006

Muazaroh, Lestari, W., & Sari, L.P., 2025. The Role of Gender Diversity, Board Size, and ESG Disclosure in Improving Performance and Managing Risks. *Problems and Perspectives in Management*, 23(1), Article 21. https://doi.org/10.21511/ppm.23(1).2025.21

NCCR (National Center for Corporate Reporting), 2024. Asia Sustainability Reporting Rating (ASRRAT) 2024 — Registration and Overview. *NCCR*. Available at: nccr.id/asrrat-2024/ (accessed 15 Aug 2025).

Ningrum, N.M.N.R., & Masdiantini, P.R., 2023. Reaksi pasar atas pengumuman Asia Sustainability Reporting Rating periode 2020–2021. *Jurnal Akuntansi Profesi*, 14(3), 513–522.

Qian, S., 2024. The Effect of ESG on Enterprise Value Under the Dual Carbon Goals: From the Perspectives of Financing Constraints and Green Innovation. *International Review of Economics & Finance*, 93, 318–331. https://doi.org/10.1016/j.iref.2024.03.010

Ramadan, M., & Abdallah, F., 2019. The Effect of Corporate Governance Proxies on Firm's Financial Performance: An Empirical Analysis from Beirut Stock Exchange. *International Journal of Recent Technology and Engineering*, 7(6), 1653–1658.

Rashid, I.M.A., Razak, N.A., Shafiai, S., Zaini, M.R., & Esquivias, M.A., 2024. Risk Management Towards Performance of Agropreneur Firm: The Case of Sustainable Environmental in Malaysia. *Asian Journal of Agriculture and Rural Development*, 14(3), 305–315. https://doi.org/10.55493/5005.v14i3.5176

Rukmiyati, N.M.S., Purbawangsa, I.B.A., Baskara, I.G.K., & Chandraningrat, I.R., 2023. The Role of Investor Recognition Mediates the Effect of Sustainability Reporting Quality on Firm Value. *Uncertain Supply Chain Management*, 11(4), 1561–1568. https://doi.org/10.5267/j.uscm.2023.7.013

Sari, S.H., & Wardhani, R., 2020. Corporate Governance and Internal Control Disclosure: Evidence from Indonesia. In: *Proceedings of the 32nd International Business Information Management Association Conference*, 5220–5229.

Shah, S.Q.A., Lai, F.-W., Shad, M.K., Hamad, S., & Ellili, N.O.D., 2024. Exploring the Effect of Enterprise Risk Management for ESG Risks Towards Green Growth. *International Journal of Productivity and Performance Management*. Advance online publication. https://doi.org/10.1108/IJPPM-10-2023-0582

Spence, M., 1973. Job Market Signaling. *The Quarterly Journal of Economics*, 87(3), 355–374.

https://doi.org/10.2307/1882010

Suprabha, K.R., Sreepriya, J., & Prasad, K., 2024. The Impact of ESG Disclosure on Mitigating Financial Distress: Exploring the Moderating Role of Firm Life Cycle. *International Journal of Disclosure and Governance*. https://doi.org/10.1057/s41310-024-00225-8

Sutter, E., & Sommerhalder, B., 2023. Internal Control System (ICS) in Times of Crises: The Proactive and Reactive Role of the ICS in Switzerland. In: *Contributions to Finance and Accounting*. Springer. https://doi.org/10.1007/978-3-031-48071-3_6

Tan, F., & KC, D., 2024. Tensions Between Materiality Assessments and Stakeholder Engagements in Thai Corporate Sustainability Leaders. *Sustainability*, 16(17), 7711. https://doi.org/10.3390/su16177711

Uang, J.-Y., & Hu, C.-W., 2025. Can Firms Create Value Through Excess Managerial Compensation? Evidence from Taiwan. *Finance a úvěr – Czech Journal of Economics and Finance*, 75(1), Article 4. https://doi.org/10.32065/CJEF.2025.01.04

Utomo, S.D., Machmuddah, Z., & Hapsari, D.I., 2021. The Role of Manager Compensation and Integrated Reporting in Company Value: Indonesia vs. Singapore. *Economies*, 9(4), 142. https://doi.org/10.3390/economies9040142

Ying, L., Ping, T., & Yan, J.-C., 2013. Empirical Research of Price-to-Book Value's Influencing Factors in the Listed Real Estate Companies. In: *2013 International Conference on Management Science and Engineering (ICMSE)*. IEEE. https://doi.org/10.1109/ICMSE.2013.6586552

Zochowski, T.R., & Daulton, R., 2023. Monetary Impact Accounts: An Opportunity to Improve Product Design. *Amplify* (Cutter Consortium), 36(7). https://www.cutter.com/article/monetary-impact-accounts-opportunity-improve-product-design