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The Effect of Good Corporate Governance on Firm Value with Earnings Management as a Mediating Variable in Banking Companies Listed on the Indonesia Stock Exchange (2020-2024)

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ABSTRACT

This study aims to analyze the effect of good corporate governance on firm value, with earnings management as a mediating variable, in banking companies listed on the Indonesia stock Exchange during the period 2020-2024.

This research employs a purposive sampling technique, in which samples are selected based on specific criteria. Based on these criteria, 39 companies were selected, and when multiplied over a five-year observation period, a total of 195 observations were obtained. The data analysis technique used is path analysis, supported by SPSS version 27 software and the Sobel test to examine the mediating role.

The results indicate that institutional ownership has a significant effect on earnings management. Meanwhile, managerial ownership, frequency of audit committee meetings, and board independence do not have a significant effect on earnings management. Furthermore, managerial ownership, institutional ownership, frequency of audit committee meetings, board independence, and earnings management do not have a significant effect on firm value. In addition, earnings management does not mediate the relationships among managerial ownership, institutional ownership, the frequency of audit committee meetings, board independence, and firm value. These findings suggest that the mediating role of earnings management is not supported in this research model.

Keywords: *good corporate governance, earnings management, firm value*

INTRODUCTION

Firm value reflects a company's ability to provide greater benefits to all stakeholders (Alkurdi et al., 2021). One way to assess performance is by comparing a company's market value to its total assets. A firm value ratio greater than one indicates that the market views the company's prospects positively and believes its assets are being managed efficiently, even generating value above their replacement cost.

A high firm value also indicates the market's perception of management effectiveness, corporate governance quality, and long-term growth potential. It contributes to the company's perceived performance (Tenggono et al., 2023). Strong company performance is attractive to investors because it reflects the company's ability to generate profits and manage risks effectively, thereby impacting firm value growth.

In general, various studies have shown that factors such as financial performance (ROA, ROE, and leverage), corporate governance, and environmental, social, and governance (ESG) play a significant role in influencing firm value. However, the influence of each of these factors is not always consistent between sectors or countries, often causing uncertainty in decision-making, both for management and investors (Listiadi, 2023).

Table 1. Tobin's Q Values of Banking Companies

Emiten Code	2020	2021	2022	2023	2024
BACA	1,05	0,99	0,97	0,96	0,82
BBNI	0,13	0,13	0,17	0,19	0,14
BBTN	0,94	0,93	0,92	0,91	0,90
BCIC	1,34	1,01	0,98	0,96	0,99
BDMN	0,94	0,88	0,89	0,90	0,89
BGTG	0,94	1,07	0,88	0,85	0,84
BJBR	0,98	0,95	0,95	0,93	0,91
BJTM	1,00	0,98	0,97	0,95	0,82
BKSW	0,89	0,99	0,85	0,84	0,82
BNGA	0,94	0,94	0,93	0,98	0,97
BNII	0,98	0,98	0,92	0,93	0,92
BTPN	0,92	0,88	0,87	0,85	0,85
BVIC	0,89	0,92	0,92	0,92	0,92
INPC	0,92	0,95	0,90	0,90	1,00
MCOR	0,97	0,93	0,87	0,87	0,88
NISP	0,95	0,92	0,93	0,96	0,96
PNBN	0,90	0,85	0,89	0,84	0,91
PNBS	0,34	0,28	0,30	0,35	0,25
SDRA	0,94	0,90	0,90	0,90	0,87

Source: processed annual banking reports

Based on the table above, the banking firm's value decreased year-on-year from 2020 to 2024, remaining below 1. It means the market believes the company's assets generate little additional value, or that the company is undervalued relative to its asset value.

One important element that can drive improved company performance is Good Corporate Governance (GCG). GCG functions as a control system that helps align management and shareholder interests and ensures that company operations align with long-term, sustainable goals.

The issue of corporate governance (CG) and its relationship to firm value has become a significant focus in the banking industry worldwide. A good governance system not only helps ensure regulatory compliance but also contributes to increased operational efficiency, financial stability, and the banking institution's reputation in the public eye. According to Kong et al. (2020), the effective implementation of CG can strengthen investor confidence by increasing transparency, accountability, and risk management. This trust ultimately has a positive impact on the company's market value and stock performance.

However, the ideal implementation of corporate governance (CG) still faces various obstacles, particularly in the banking sector, which has a complex organizational structure and strict regulations. These challenges include the lack of board independence, weak internal oversight systems, and potential conflicts of interest between management and shareholders. Furthermore, differences in organizational culture, compliance with international standards, and human resources' understanding of corporate governance principles also influence implementation effectiveness. Therefore, to sustainably enhance firm value, banks need to strengthen their commitment to integrity-based governance practices, increase transparency, and establish more accountable oversight mechanisms (Ngoni Murungu et al., 2022).

This study focuses on four factors for good corporate governance. First, managerial ownership, which is the number of shares held by management within the company. Research by Alkurdi et al. (2021) and Al-Ahdal et al. (2023a) found that managerial ownership positively affects firm value. Meanwhile, Maryanti & Dianawati (2024) found that managerial ownership does not affect firm value.

Second, institutional ownership indicates external oversight by institutional investors such as pension funds, legal entities, institutions, governments, investment banks, and insurance companies. Research by Sakawa & Watanabel (2020), Alkurdi et al. (2021), and Maryanti & Dianawati (2024) found that institutional ownership positively affects firm value. Miao et al. (2023) and Putra (2024) found that institutional ownership has an insignificant positive effect on firm value.

Third, the frequency of audit committee meetings is also an indicator of good corporate governance. The frequency of audit committee meetings is measured by the number of meetings held by the audit committee in a year. Related research still

shows mixed results. Research by Al Sawalqa (2021) examining banking in Jordan found that the frequency of audit committee meetings positively affected firm value. Meanwhile, research by Al-Jalahma (2022) examining non-financial companies listed on the Bahrain Stock Exchange from 2005 to 2019 found that the frequency of audit committee meetings did not affect firm performance.

Fourth, board independence is also part of good corporate governance (GCG). Board independence reflects the extent to which the board of commissioners is independent, typically measured by the percentage of board members who have no financial, family, or professional ties to the company (Solarino & Boyd, 2023). Research by Almaqtari et al. (2022) found that board independence has a positive and significant effect on firm value. The greater the board independence, the higher the firm value. Meanwhile, Murhadi et al. (2024) found that board independence had no significant effect on firm value in manufacturing companies in Indonesia and Singapore.

The aforementioned research indicates that the relationship between good corporate governance (managerial ownership, institutional ownership, frequency of audit committee meetings, and board independence) and firm value remains inconsistent. It has been proven that companies with good governance systems perform better. A strong good governance system ensures that shareholders know whether management is acting appropriately (Morri et al., 2023).

Based on the Financial Services Authority (2023), POJK No. 17 of 2023 Good Corporate Governance in the banking sector is related to the structure, processes, and mechanisms of bank management to achieve the implementation of business activities that take into account the interests of all related stakeholders, creating and optimizing firm value in banks in a sustainable manner. In addition, the Financial Services Authority (2015) POJK No. 44 of 2015 concerning Work Competency Certification for members of the board of directors and members of the board of commissioners of banks. This regulation requires all members of the board of directors and the board of commissioners to hold a work competency certification issued by the Professional Certification Institute. It aims to improve sustainable Human Resources (HR) to impact the firm value of banking companies. In the banking sector, the biggest challenge is ensuring that corporate governance (CG) practices are implemented effectively, not merely as a formality. Companies with suboptimal management mechanisms are highly susceptible to accounting fraud, such as earnings management (Miao et al., 2023). Strict financial regulations, good governance practices, robust audit mechanisms, and ethical financial reporting can help mitigate earnings management. EM practices are also considered a major challenge to the implementation of effective corporate governance mechanisms. Publicly listed companies can mitigate earnings management by implementing sound corporate governance.

Earnings management has both positive and negative aspects that are important to understand within the context of corporate practices.

Earnings management may help explain the relationship between GCG and company performance. Previous research by Rizani et al. (2022) showed that earnings management can be a significant mediating factor in the relationship between GCG mechanisms and company performance. Earnings management refers to the practice of manipulating financial statements to achieve specific goals, thereby reducing corporate transparency and accountability (Muna et al., 2024).

Research by Rizani et al. (2022) shows that reducing earnings management can increase ROA by increasing GCG, as proxied by managerial and institutional ownership. Based on this research, the researchers sought to further analyze the relationship between GCG and performance by replacing ROA with Tobin's Q, with earnings

management mediating this relationship. Firm value is considered superior because it reflects both market and book value, making it better at predicting past and future performance. The researchers noted that there is still little research on earnings management as a mediating variable between the relationship between GCG and firm value. This study added the variables Frequency of Audit Committee Meetings and Board Independence, which are proxies for GCG, and used a different study period.

Based on the previous description, the researchers were motivated to conduct a study entitled "The Effect of Good Corporate Governance (managerial ownership, institutional ownership, Frequency of Audit Committee Meetings, and Board Independence) on Firm Value with Earnings Management as a Mediating Variable in Banking Companies Listed on the Indonesia Stock Exchange 2020-2024."

LITERATURE REVIEW

Firm value

In accounting, economics, and finance, firm value is widely used to assess a firm's value. Zamzamir et al. (2021) stated that firm value not only reflects a company's past performance but also indicates its expectations of future performance. In this regard, firm value is an effective measure for analyzing company performance from a long-term market perspective, where informed future cash flows represent current value. Firm value is measured using the formula (Rahayu et al., 2022):

$$\textit{Firm value} = \frac{\textit{Market value of equity} + \textit{market value of liabilities}}{\textit{Total asset}}$$

Good Corporate Governance

Agency problems arise in agency theory due to the separation of control and ownership of an organization. An ownership structure is a strategy to reduce information asymmetry in capital markets. For example, overall company performance improves with managerial ownership because it allows managers and shareholders to align interests, thereby mitigating agency problems. The ownership structure can determine the type of governance a company chooses and how that governance affects its financial performance.

According to Healy & Wahlen (1999), the interests of managers and owners will be aligned when corporate governance mechanisms function well. With good corporate governance, there is a lower likelihood of agency problems and earnings management.

Managerial ownership refers to the individuals who run and own shares in a company they manage. Institutional ownership refers to the number of company shares owned by institutions, such as insurance companies, pension funds, mutual funds, and other financial institutions that manage funds on behalf of others. These institutions function to oversee and influence the decisions of company managers, thus hopefully minimizing conflicts between managers and shareholders (agency conflict) and improving company performance. Managerial ownership and institutional ownership are important tools for strengthening corporate governance systems (Sulimany, 2023). A high proportion of institutional ownership can increase oversight of management performance and potentially increase firm value. However, the level of managerial ownership should not be too high, as it could make them overly powerful, with internal access to the company and its ownership (Feliana & Salim, 2025).

Previous research (Rizani et al., 2022) used managerial ownership and institutional ownership as proxies to measure corporate governance using the following formula:

$$MO = \frac{Number\ of\ shares\ owned\ by\ the\ manager}{Number\ of\ shares\ outstanding}$$

$$IO = \frac{Number\ of\ shares\ owned\ by\ institutions}{Number\ of\ shares\ outstanding}$$

The frequency of audit committee meetings is part of GCG and is included as a proxy for the audit committee. The frequency of audit committee meetings (Kapkiyai et al., 2020) is measured as the number of meetings held in a year.

In addition to the three factors mentioned above, board independence is also part of GCG. Board independence reflects the extent to which the board of commissioners is independent, typically measured by the percentage of board members who have no financial, family, or professional ties to the company (Solarino & Boyd, 2023). These independent board members are expected to carry out their oversight function objectively without being influenced by management interests. The proxy used to measure board independence is:

$$BI = \frac{Number\ of\ independent\ commissioners}{Total\ commissioners}$$

Earnings Management

Earnings management involves preparing annual reports that provide management with some room for maneuver and limit the use of accounting methods (Kalbuana et al., 2021).

Two of the most commonly used models to detect earnings management through accruals are the Jones (1991) model and a modified version by Dechow et al. (1995). These models divide total accruals into discretionary and non-discretionary components, enabling researchers to identify unusual accruals that may indicate earnings manipulation.

Framework

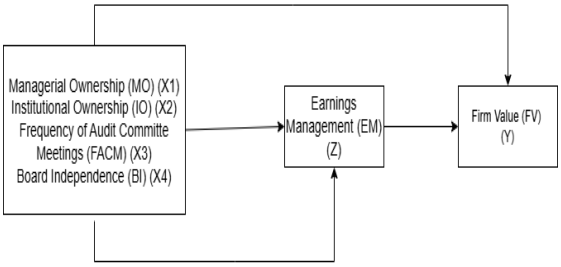

Figure 1. Conceptual Framework

H1: Managerial Ownership has a positive effect on Firm value

H2: Institutional ownership has a positive effect on firm value

H3: Frequency of audit committee meetings has a positive effect on firm value

H4: Board Independence has a positive effect on Firm value

H5: Managerial ownership has a negative effect on Earnings management

H6: Institutional ownership has a negative effect on Earnings management

H7: The frequency of audit committee meetings has a negative effect on earnings management

H8: Board Independence has a negative effect on Earnings Management

H9: Earnings management has a negative effect on firm value

H10: Earnings management mediates the relationship between Managerial Ownership and Firm value

H11: Earnings management mediates the relationship between institutional ownership and firm value

H12: Earnings management mediates the relationship between the frequency of Audit Committee Meetings and Firm value

H13: Earnings management mediates the relationship between Board Independence and Firm value

MATERIALS & METHODS

In general, this study aims to explain the causal relationship between variables by testing existing hypotheses. It aims to uncover causal relationships between variables. In this study, the population used includes all banking companies listed on the Indonesia Stock Exchange (IDX) during the period 2020 to 2024. A total of

46 banking companies fall into this category. The sample in this study used a purposive sampling technique, which, according to Sugiyono (2019), is selected based on specific criteria or characteristics and specific considerations. This research employed this technique. The criteria used in determining the sample are as follows:

1. Banking companies listed since 2017.
2. Banking companies that published annual reports from 2020 to 2024.
3. Banking companies that have complete data related to the variables studied.

Based on the above criteria, 39 banking companies were included in the study. This study observed data from 2020 to 2024, encompassing a total of five years. The number of observations is 39 companies × 5 years, yielding 195 observations. The data was processed using SPSS version 27 software and the Sobel test to examine the mediating role.

RESULT

A. Classical Assumption Test

1. Normality Test

The normality test (Sugiyono, 2019) aims to ensure that residuals are normally distributed. Normally distributed residuals support the validity of parametric inferences such as the t-test and F-test. If the significance value is ≥ 0.05, the data are considered normally distributed.

Table 2. Normality Test

Variable	Sig.Value
Sub-structural Equation I	
MO, IO, FACM, BI on EM	0.200
Sub-structural Equation II	
MO, IO, FACM, BI, EM on FV	0.094

Source: data processed by SPSS, 2027

Based on the results of the One-Sample Kolmogorov–Smirnov test in Table 2, sub-structural I (0.200 ≥ 0.05) and sub-structural II (0.094 ≥ 0.05) indicate that the data are normally distributed.

2. Multicollinearity Test

The multicollinearity test (Sugiyono, 2019) was conducted to assess the absence of multicollinearity among the independent variables. A model is considered free of multicollinearity when VIF ≤ 10 and Tolerance ≥ 0.10.

Table 3. Multicollinearity Test Sub Substructural Equation I and II

Variable	Multicollinearity Test Sub Structural Equation I		Variable	Multicollinearity Test Sub Structural Equation II	
	Tolerance	VIF		Tolerance	VIF
MO	0.855	1.170	MO	0.891	1.122
IO	0.874	1.145	IO	0.683	1.464
FACM	0.853	1.172	FACM	0.846	1.182
BI	0.889	1.124	BI	0.802	1.248
			EM	0.931	1.074

Source: data processed by SPSS, 2027

Table 3 shows that all independent variables have tolerance values above 0.10 and Variance Inflation Factor (VIF) values below 10. Therefore, it can be concluded that there is no multicollinearity among the independent variables in substructural models I and II. These indicate that each variable—managerial ownership, institutional ownership, frequency of audit committee meetings, and board independence—can independently explain earnings management, even in the absence of a strong linear relationship among the independent variables.

In substructure II, it shows that all independent variables, including earnings management, have tolerance values≥ 0.10 and VIF values ≤ 10. It indicates that there is no multicollinearity, so that each variable can explain firm value independently.

3. Heteroscedasticity Test

The heteroscedasticity test (Sugiyono, 2019) examines whether the residual variances are equal (homoscedasticity). Dissimilarity of variances can lead to misleading significance tests. A significance value of ≥ 0.05 indicates that heteroscedasticity is not significant.

Table 4. Heteroscedasticity Test Substructural I and II

Heteroscedasticity Test Substructural I		Heteroscedasticity Test Substructural II	
Variable	Sig. Value	Variable	Sig. Value
MO	0.144	MO	0.863
IO	0.519	IO	0.438
FACM	0.111	FACM	0.143
BI	0.358	BI	0.620
		EM	0.218

Source: data processed by SPSS, 2027

Based on Table 4, all independent variables have p-values ≥ 0.05. It indicates that there are no heteroscedasticity symptoms in the substructural models I and II. In other words, the residual variance is constant and unaffected by changes in the independent variables; thus, the regression model meets the assumption of homoscedasticity.

4. Autocorrelation Test

The autocorrelation test (Sugiyono, 2019) evaluates whether the residuals are independent. If the Durbin-Watson value is within the range of 1–3, there is no autocorrelation problem (Field, 2012).

Table 5. Autocorrelation Test Sub Substructural I and II

Variable	Durbin Watson
Sub-structural Equation I	
MO, IO, FACM, BI on EM	1.448
Sub-structural Equation II	
MO, IO, FACM, BI, EM on FV	1.431

Source: data processed by SPSS, 2027

Based on Table 5, the results of the autocorrelation test using the Durbin–Watson statistic obtained a DW value of 1.448 for sub-structural I and a DW value of 1.431 for sub-structural II. If the Durbin–Watson value is in the range of around 1–3, then there is no autocorrelation problem (Field, 2012). The Durbin–Watson values of 1.448 and 1.431 are within the 1–3 range, indicating no autocorrelation for sub-structural I and sub-structural II.

B. Path Analysis

Path Equality Test

Table 6. Substructural Path Equality Test I and II

Sub-structural I			Sub-structural II		
Variable	**Standardized Coefficient Beta**	**Adj. R Square**	**Variable**	**Standardized Coefficient Beta**	**Adj. R Square**
MO	-0.038	0.016	MO	-0.175	0.012
IO	0.183		IO	-0.024	
FACM	0.081		FACM	-0.034	
BI	-0.008		BI	0.114	
			EM	-0.070	

Source: data processed by SPSS, 2027

Based on Table 6 of the path equation test, there are coefficient values for the economic equation for substructural I and II. The error value is calculated by subtracting 1 from the Adj. R-squared value obtained from the autocorrelation test table for substructures I and II. The following is the economic equation for substructural I:

$Y1 = \alpha1 + \beta1X1 + \beta2X2 + \beta3X3 + \beta4X4 + e1$

$Y1 = \alpha1 - 0.038X1 + 0.183X2 + 0.081X3 - 0.008X4 + 0.984$

Here's the economic equation for substructural II:

$Y2 = \alpha2 + \beta5X1 + \beta6X2 + \beta7\ X3 + \beta8X4 + \beta9Y1 + e2$

$Y2 = \alpha2 - 0.175X1 - 0.024\ X2 - 0.034X3 + 0.114X4 - 0.070Y1 + 0.988$

C. Hypothesis Testing

1. R-square

Table 7. R-square Results

	Adjusted R-square
Earnings management	0.016
Firm value	0.012

Source: data processed by SPSS, 2027

Based on Table 7, the EM variable is influenced by four variables: MO, IO, FACM, and BI, with a value of 0.016. It means that the MO, IO, FACM, and BI variables influence EM by 1.6%. Factors outside the model explain the remaining 98.4%. Managerial ownership, institutional ownership, the frequency of audit committee meetings, and board independence collectively influence earnings management by only 1.6%.

Firm Value is influenced by five variables: MO, IO, FACM, BI, and EM, with a value of 0.012. It means that the MO, IO, FACM, BI, and EM variables influence Firm Value by 1.2%. Factors outside the model explain the remaining 98.8%. Managerial ownership, institutional ownership, frequency of audit committee meetings, board independence, and earnings management only collectively influence firm value by 1.2%.

2. F Test

Table 8. F Test Results

	Sig. Value
Earnings management	0.186
Firm value	0.299

Source: data processed by SPSS, 2027

Based on Table 8, the F-test results show a p-value of 0.186, which is greater than 0.05. It indicates that the variables managerial ownership, institutional ownership, frequency of audit committee meetings, and board independence, in combination, do not significantly influence earnings management. Therefore, corporate governance mechanisms, proxied by managerial ownership, institutional ownership, frequency of audit committee meetings, and board independence, are unable to explain variations in earnings management practices within companies. This condition could be caused by several factors, such as low variation in certain variables, very small managerial ownership, or earnings management practices influenced by other factors, such as market pressure, managerial incentives, or the company's financial condition, which are not included in the model. Furthermore, these results also indicate that the oversight function of governance mechanisms may not be effective in limiting earnings management practices.

Furthermore, the F-test results show a significance value of 0.299, which is greater than 0.05. It means that the variables managerial ownership, institutional ownership, frequency of audit committee meetings, board independence, and earnings management, when simultaneously included n substructure II, are unable to explain the variation in firm value within the sample. The insignificance of this model also indicates that earnings management, as a mediating variable, does not play a strong role in bridging the relationship between corporate governance mechanisms and firm value. In other words, the variables in this study, either directly or indirectly, cannot influence market perceptions of firm value.

3. T-Test

Table 9. T-Test Results

Substructural	Variable	Sig. Value	Condition	Results
Substructural I	MO -> EM	0.680	0.05	Not significant
	IO -> EM	0.044	0.05	Significant
	FACM -> EM	0.375	0.05	Not significant
	BI -> EM	0.924	0.05	Not significant
Substructural II	MO -> FV	0.105	0.05	Not significant
	IO -> FV	0.845	0.05	Not significant
	FACM -> FV	0.760	0.05	Not significant
	BI -> FV	0.315	0.05	Not significant
	EM -> FV	0.502	0.05	Not significant

Source: data processed by SPSS, 2027

Based on Table 8, it can be concluded that:

1. Managerial ownership's effect on Firm Value has a significant value of 0.105 (p = 0.05), indicating an insignificant relationship; therefore, H1 is rejected.
2. Institutional ownership's effect on Firm Value has a significant value of 0.845 (p-value = 0.05), indicating an insignificant relationship; therefore, H2 is rejected.
3. The frequency of Audit Committee Meetings on Firm Value has a significant value of 0.760 (p-value = 0.05), indicating an insignificant relationship; therefore, H3 is rejected.
4. Board Independence and Firm Value have a significant value of 0.315 (p = 0.05), indicating an insignificant relationship; therefore, H4 is rejected.
5. Managerial Ownership on Earnings Management has a significant value of 0.680 (p-value = 0.05), indicating an insignificant relationship; therefore, H5 is rejected.
6. Institutional Ownership on Earnings Management has a significant value of 0.044 < 0.05, indicating a significant relationship; H6 is accepted.
7. The relationship between Frequency of Audit Committee Meetings and Earnings Management has a significant value of 0.375 (p-value = 0.05), indicating an insignificant relationship; therefore, H7 is rejected.
8. Board Independence and Earnings Management have a significant value of 0.924 (p-value = 0.05), indicating an insignificant relationship; therefore, H8 is rejected.
9. Earnings Management and Firm Value have a significant value of 0.502 (p-value

= 0.05), indicating an insignificant relationship; therefore, H9 is rejected.

D. Mediation Test

A variable can be considered a mediator if the independent variable has a significant effect on the mediating variable, the mediating variable has a significant effect on the dependent variable, and the effect of the independent variable on the dependent variable decreases after the mediating variable is included in the model. If one of these paths is insignificant, then, by definition, no mediation effect can be tested with the Sobel Test (Baron & Kenny, 1986). Based on Table 9, in substructural I, the independent variables (managerial ownership, frequency of audit committee meetings, and board independence) have no significant effect on the mediating variable (earnings management). Furthermore, in substructural II, the mediating variable (earnings management) has a significant effect on the dependent variable (firm value). Although institutional ownership does influence earnings management, if one of the paths is insignificant, the Sobel test is unnecessary (Baron & Kenny, 1986) because it does not meet the criteria for a mediation test.

CONCLUSION

Based on the analysis, this study concludes that only institutional ownership significantly influences earnings management. Meanwhile, managerial ownership, frequency of audit committee meetings, and board independence do not influence earnings management. Similarly, managerial ownership, institutional ownership, frequency of audit committee meetings, board independence, and earnings management do not influence firm value. Furthermore, earnings management does not mediate the relationships among managerial ownership, institutional ownership, the frequency of audit committee meetings, board independence, and firm value. These findings indicate that the mediating role of earnings management is not established in this research model.

Limitations

The limitations of this study are as follows:

1. The low Adj R-square value indicates that the model does not optimally explain earnings management and firm value variables. Therefore, other factors outside the model may be more relevant in explaining this phenomenon.
2. The corporate governance variables used in this study do not cover all aspects of corporate governance, so the research results are limited to certain indicators.

Implications

This research has the following implications:

1. Theoretical Implications

This research demonstrates that not all corporate governance mechanisms can influence firm value or earnings management practices under certain conditions, particularly in companies with characteristics similar to those in the research sample. Institutional Ownership and the Frequency of Audit Committee Meetings have been proven to be effective corporate governance elements in increasing firm value; thus, these results can strengthen the theory that external oversight and audit committee activity play a crucial role in improving governance quality.

2. Practical Implication.

This research's results have implications for company management: strengthening institutional ownership structures and increasing the effectiveness of audit committee meetings to enhance firm value. Furthermore, investors can consider these two aspects as important indicators in investment decision-making. For regulators, these results can inform the refinement of corporate governance policies that emphasize strengthening institutional oversight and audit committee activity. Finally, the lack of a mediating role for earnings management indicates that controlling earnings

management practices should be examined using factors beyond the variables in this study.

Declaration by Authors

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