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Can governance mechanisms minimize agency costs?

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ABSTRACT

The purpose of this research is (1) to know whether agency costs incurred in companies listed on IDX 30 are of high or low value? (2) The aim is to investigate how agency costs are affected by different corporate governance mechanisms, specifically the size of the board of directors, the size of the board of commissioners, and the size of the audit committee. This research employed quantitative methods through a comprehensive review of existing literature and the subsequent formulation of hypotheses. In this study, agency costs are proxied by expense comparison and the capital utilization comparison. The results show most of companies listed on IDX 30 have low agency cost. The expense comparison indicates that the size of the board of directors has a notable impact on reducing agency costs. On the other hand, the capital utilization comparison shows that the size of the board of commissioners has a significant influence in reducing agency costs. However, the size of the audit committee does not seem to have a substantial effect on agency costs. Low agency costs that occur indicate low agency conflicts that occur - so this firm can list on IDX 30.



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Introduction

The IDX-X30 index is a benchmark that gauge's performance of 30 highly liquid stocks with significant market capitalization, underpinned by favorable firm fundamentals. IDX 30 stocks included in it are sourced from LQ45 stocks, initially comprising all the stocks on the LQ45 index but then sorted through strict specifications to select only 30. The liquidity of stocks in the IDX30 index is higher compared to LQ45. LQ45 is a stock market index that evaluates price performance of 45 stocks with substantial market capitalization and high liquidity, backed by strongest firm fundamentals (Budiharjo, 2022). Ability of companies to survive on the IDX 30 list is an extraordinary management performance that can give confidence to investors, making their stocks highly sought after. Investors trust managers to run companies, so they buy the firm's IDX 30 stocks at any price in the hope of getting returns in the future.

In order to ascertain firm benchmarks, one may refer to agency theory and stewardship theory, which elucidate the dynamics between substantials (shareholders or investors) and stewards (managers or agencies). Agency theory posits that managers act in their own self-interest, but stewardship theory suggests that managers act in the best interests of the principal. Within the framework of agency theory, it is plausible for managers to engage in actions that prioritize their personal interests, hence creating a potential misalignment with the interests of the principal. In the context of stewardship theory, managers are perceived not as opportunistic agents, but rather as competent and responsible stewards of the organization. According

toJuniarti et al. (2022), managers align their actions with the objectives of the principal, operating under the belief that by promoting the growth and success of the organization, their individual interests will also be fulfilled.

The implications of agency theory can be measured by the burden comparison and capital utilization comparison indicators. Burden comparison gauges a manager's ineffectiveness in managing operational expenses, and a high burden comparison indicates higher agency costs. Conversely, capital utilization comparison evaluates proficiency of a firm's management in leveraging its capitals. A low capital utilization comparison suggests agency costs are present in the firm, indicating that capitals aren't fully utilized for operational activities. Therefore, a burden comparison surpassing median implies high agency costs, whereas an capital utilization comparison below median denotes high agency costs(M. B. Hasan et al., 2023). The burden comparison and capital comparison that occur not as they should negatively affect performance due to high agency costs, which also impacts a decrease in firm's stock prices, which means it will reduce investor returns (Pantzalis & Park, 2014).

Multiple firm governance mechanisms can lower agency costs. The balance of outside directors with executive directors in corporate governance mechanisms can curtail managerial discretion, prevent abuse of power, and safeguard their own reputation as unbiased decision-maker (Florackis in Panda & Leepsa, 2017). If a firm has excess free cash flow, it tends to use firm resources for personal purposes that do not increase value for shareholders. Firm policies for paying dividends to investors (principals) can minimize agency costs. Companies can minimize costs arising from asymmetric information and misaligned incentives by optimizing debt policies (Leland in Sadiq et al., 2021); (Vo & Nguyen, 2014).

High agency costs often occur in firms experiencing rapid growth rates compared to those with sluggish growth rates (Florackis in Khan et al., 2016) (McKnight & Weir in Vijayakumaran, 2019). On firm's listed on LSE showed a large number of firm governance measures(Jaidi et al.,2022).The distinction between this study and prior research is to the subjects of investigation, specifically focusing on firms listed on IDX 30, as well as variations in corporate governance procedures, particularly the dimensions of the board of directors, board of commissioners, and audit committee. The primary aim of this research is to determine the level of agency charges spent by companies listed on IDX 30, specifically assessing whether these costs are characterized as high or low in value. The objective of this study is to examine the impact of several corporate governance systems, namely the board of directors' size, the board of commissioners' size, and the audit committee's size, on agency costs.

Reviewing literature and developing hypotheses (quantitative)

The primary concept associated with corporate governance is the agency theory. The challenges arising from agency relationships in a company can be resolved by applying Corporate Governance (CG). CG plays a significant function in overseeing and controlling management of a firm to ensure that it is conducted in adherence to different relevant regulations and provisions. For stockholders, CG provides assurance that capital invested in firm is efficiently managed and will yield sufficient profits, which is often referred to as the stewardship theory (Donaldson & Davis in Marashdeh et al., 2021). Such efforts will undoubtedly incur agency costs that the firm must bear, thus minimizing losses arising from non-adherence, which is tantamount to escalating enforcement expenses (Jensen in Roychowdhury et al., 2019).

Two alternative comparisons for proxy agency costs that can be used (M. M. Hasan et al., 2023): 1) Expense Comparison (EXPR), which is operating costs divided by the total yearly revenue. If this cost comparison reflects ineffectiveness of cost management by management parties, a high comparison (an indication of ineffective operations) is linked to elevated agency expenses. An above-median expense comparison indicates high agency costs in firm; 2) AUR refers to ratio of total yearly sales to total capital. This comparison assesses efficiency of firm's management in utilizing its capital. When the total assets exceed total sales of firm, this means that the manager is inefficient in his investment decisions, which leads to bonuses for executives, and so on.

According to Donaldson & Davis in Naciti (2019) from agency theory, performance of a firm will improve and be guaranteed if there is a corporate governance mechanism to minimize agency conflicts. Nevertheless, according to the stewardship theory, agency mechanisms establish transactional connections between executives and stockholders, and without motivation from within, executives cannot achieve the desired firm performance. Thus, according to stewardship theory, performance of a company enhances when there is trust and goodwill between executives and shareholders.

The results of Linda et al.(2020) research, a summary of descriptive statistics for manufacturing companies from 111 samples, demonstrate that mean agency expenses calculated by the expense comparison (EXPR) was high in 82 of the 111 sampled companies. Using the Capital Usage Comparison (AUR), there were 78

companies indicating high agency costs. High agency costs often occur in firms experiencing swift expansion, compared to which has a slow growth rate (Florackis, 2008); (McKnight & Weir, 2009). Firms with rapid expansion can be evaluated using the Tobin's Q metric. A Tobin's Q above 1 signifies a firm with expensive growth rates. Study shows that the average value of Tobin's Q for LQ 45 companies is 6, which means that LQ45 companies have a high growth rate, which according to theory means that they have high agency costs (Ningrum & Hermuningsih, 2020). However, on the other hand, the IDX-30 companies, which are part of the LQ45, are able to provide investor confidence.

H1: Agency costs in IDX-30 companies are high.

Good Corporate Governance or GCG is a practice of managing a firm prudently and responsibly, taking into account the balance of concerns of every shareholder. With implementation of GCG, management of firm resources is expected to be efficient, effective, economical, and productive, always focusing on the firm's objectives and paying attention to the stakeholders' approach.

Corporate Governance (CG) mechanism measures external and internal governance of a firm, where internal CG measures include independent board of commissioners, board of directors, dual leadership, ownership concentration, and external CG measures include debt financing and competition in the product market (Guluma, 2021)(Hapsari et al., 2019). Corporate governance refers to mechanisms by which a firm is managed well by professional organizers to obtain profits for both investors and reduce agency problems (Liang et al., 2020).

Corporate governance mechanisms can be divided into two main categories, namely internal and external mechanisms, both of which can be used to tackle agency problems. The four categories of corporate governance mechanisms - legal regulatory, internal control, external control, and product market competition - exist in countries such as the US, UK, Germany, and Japan. These mechanisms can play a vital role in ensuring that the interests of all stakeholders are taken into account and that the firm operates efficiently. The legal regulatory mechanism pertains to the laws and regulations established to govern corporate behavior. Internal control mechanisms include the board of commissioners, board of directors, and dual leadership, while external control mechanisms include debt financing and competition in the product market. These mechanisms work together to maintain a proper balance between the interests of executives and shareholders, and to ensure that the company operates in an effective and transparent manner (Jensen in Misangyi & Acharya, 2014).

According to Knight and Weir inLahjie (2017), Three crucial corporate governance mechanisms are the percentage of outside directors, duality, and the arrangement of board subcommittees. Furthermore, there are four corporate governance mechanisms: (1) legal regulatory mechanism; (2) internal control mechanism in a firm, including board composition, executive and non-executive shareholding and compensation, and debt; (3) External mechanisms of control, such as auditing conducted by corporations; and (4) competitive landscape (Urban, 2019).

The involvement of a company's board of directors is essential in determining success of firm, and their responsibility in running the firm's opecomparissons and delivering performance accountability is essential. In addition, a firm may operate for the benefit of its managers rather than its owners when monitoring costs are high or when the firm is not transparent(Pantzalis & Park, 2014). The composition of the board in a The mechanism of governing a firm holds significant importance in monitoring managers, and effectiveness of directors depends on their size and composition. A larger board will be stronger than a smaller one because it is more considerate of the organization's effectiveness (Florackis in Chinelo & Iyiegbuniwe, 2018). In line with Pearce and Zahra's opinion in Ben Rejeb et al.(2020), the board, which has the power, assists in enhancing connection between company and its surroundings, provides advice on strategic options for firm, and holds significance in creating firm's identity. A larger board will be stronger because it will A larger board makes coordination, communication, and decision-making more feasible compared to a smaller one(Puni & Anlesinya, 2020).

In 2010, Marte Uadiale conducted research that demonstrated how a larger board of directors can enhance the pooling of expertise and advice for making strategic decisions, as well as provide shareholders with more information regarding business performance. However, a larger board size can also cause difficulties in collaboration and communication among the directors, resulting in increased agency costs (as stated by Lipton & Lorsch in Huu Nguyen et al., 2020). The inclusion of additional board members requires coordination costs to manage scheduling conflicts and difficulties in convening meetings with a large number of members, which can ultimately impede consensus-building and delay decision-making processes. Moreover, having too many members weakens the unity of the board due to differences in their views. It is recommended that the optimal number of directors should be limited to 7 or 8 (Eisenberg et al. in Nguyen et al., 2021). The optimal board

size is 8 or 9. A small internal board of directors can focus more on shareholders' interests, minimizing agency costs (Lipton & Lorsch in Allegrini & Greco, 2013).

H2a: Board of directors' size affects agency costs (EXPR comparison)

H2b: Board of directors' size affects agency costs (proxy for debt covenants)

The proportion balance of outside directors with executive directors in mechanism of firm governance can limit managers' policies to exploit activities that do not provide added value to the firm (OECD, 2021). The presence of external directors in the corporate governance structure improves monitoring and enhances the firm's value. Other research has shown standing and threats can incentivize outside directors to prioritize the investors' best interests (Jaidi et al., 2022). Furthermore, Liang et al., (2020), Also highlighted the significance of oversight by independent directors, which can limit corporate managers from engaging in earnings management. The majority composition of outside directors in committee structure is significant for monitoring purposes. There was a notable surge in the number of independent directors in UK firms. Studies have shown a favorable correlation between managerial ownership and capital turnover, but no significant effect between concentration ownership, board composition, and agency costs in sample of information technology firms (Parveen et al., 2023).

H3a: The number of members serving on board of commissioners impacts agency costs (EXPR comparison).

H3b: The number of members serving on board of commissioners impacts agency costs (AUR comparison).

There are difficulties associated with the board of directors' financial reporting. Companies often assign responsibility to audit committee's role is to verify and prevent inaccuracies in financial reporting are minimized to provide relevant and reliable financial statements. It is the responsibility of the audit committee to oversee control mechanisms can improve information quality for shareholders and management, as both parties have different levels of information (OECD, 2021). An effective audit committee is one aspect of implementing good firm governance. Audit committee is often seen as a monitoring mechanism that can improve the external reporting function of the firm. Companies often assign responsibility to audit committee's role is to verify and prevent inaccuracies in financial reporting are minimized to provide relevant and reliable financial statements. Therefore, the audit committee can monitor mechanisms that can improve information quality for shareholders and management, as both parties have different levels of information. Their research findings proved that there is a positive correlation between independence of audit committee and effective corporate governance, and flexibility of the board of directors, as reflected in the composition of the audit committee, can lead to several advantages. One of these is that the independence of the audit committee can enhance the effectiveness of the financial reporting oversight process, which is essential for promoting good governance and reducing agency costs within companies (Nana Yeboah et al., 2023).

Conversely, Cai et al. (2015) Studies have indicated a decline in the audit committee's activities when the chairman and CEO positions are combined in a company. Using these findings as a basis, we investigated the influence of insiders (such as executive directors) and discovered that their participation in the audit committee has a notable adverse effect on its activities. Research showed audit committee have a limited role if there are no strong policies and regulations, causing the audit committee to hold auditors accountable to conducting audits of superior quality may lead to increased audit expenses (Rainsbury et al. in (Abdillah et al., 2019).

H4a: Size of audit committee has an effect on agency costs (EXPR comparison).

H4b: Size of audit committee has an effect on agency costs (AUR comparison).

Beside size and composition of board of directors, debt structure can serve as a tool for monitoring agency costs. Argue that debt has a significant impact on agency costs. Companies with excessive debt levels will be more controlled by debtors, and therefore managers will have little opportunity to engage in value-destroying activities. An increasing proportion of debt will increase business investment risk in covering interest payments (McConnell & Servaes in Kao et al., 2019). Therefore, large interest payments due to high levels of debt will improve supervision and reduce agency costs. According to Myers in D'Amato (2020), using short-term debt is more efficient than long-term debt in managing expectations of the cost of investment shortages, which will also reduce expectations of agency costs between investors and creditors. In line with Ang et al. in Prasastine & Yulianto (2022), use of bank debt may generate favorable external effects in the shape of reduced agency costs. Furthermore, Fama and state that high agency costs resulting from inadequate supervision lead to reduced profits, resulting in the inability to provide returns to investors, there exists an inverse association between company performance and agency costs (Huu Nguyen et al., 2020).

When conducting hypothesis testing in research, the development of hypotheses is grounded in supportive theories, prior research, and logical reasoning. Once the explanation is established, the hypothesis can be written using the following format:

H1: write developed hypothesis.

In qualitative research that does not involve hypothesis testing, this section typically includes a literature review that highlights relevant theories, prior research, and arguments pertinent to the research topic. If necessary, the research focus can be presented in the form of questions using the following format:

RQ: write problem statement that represents research focus.

Method

The sample for this study consists of firms that are listed on IDX 30 in IDX during the period of 2020-2021. The entire population in this study is used as a research sample to determine whether their agency costs are low or high. This research are interim reports of firms that are listed on IDX 30. Therefore, the total population in this study is:

Table 1. Population Criteria

No	Population Criteria	number
1	Companies listed on IDX 30	30 companies
2	Observation period for interim financial reports	11 quarters
3	Total population sampled 30 Companies x 2 years x 4 interim reports	330 data

The data utilized is of a secondary nature sourced from IDX during 2020 - 2021. The research variables are based on previous studies, which can be seen in table 3 along with their measurement explanations.

Descriptive statistics of EXPR and ROA variables are used to analyze high or low agency costs. Multiple regression analysis is used to investigate the impact of corporate governance mechanisms on the level of agency costs with EXPR and AUR indicators. To obtain the best and unbiased linear regression coefficient, it must be BLUE Best Linear Unbiased Estimate because if there is a deviation from the classical assumption, the t-test and F-test carried out become invalid and statistically can confound the conclusions obtained. To produce a BLUE decision, 3 basic assumptions must be fulfilled, namely: 1. There cannot be autocorrelation 2. There cannot be multicollinearity 3. There cannot be heteroscedasticity (Economics et al., 2013).

The regression equation in this research:

$$\text{EXPR} = \alpha + \beta_1 \text{Board of Managers} + \beta_2 \text{Board of Commissioners} + \beta_3 \text{Audit Committee} + \beta_5 \text{Debt} + \beta_6 \text{ROE} + \beta_7 \text{ROA} + e$$

$$\text{AUR} = \alpha + \beta_1 \text{Board of Directors} + \beta_2 \text{Board of Commissioners} + \beta_3 \text{Audit Committee} + \beta_5 \text{Debt} + \beta_6 \text{ROE} + \beta_7 \text{ROA} + e$$

Information:

EXPR = Load Comparison

AUR = Capital usage comparison

Board of Directors = Board size

Board of Commissioners = Commissioners' Board size

Audit Committee = Audit Committee size

Debt = Comparison of short-term liabilities

ROE = Return on Equity Comparison

ROE = Return on Capitals Comparison

α = Constant

β_1 - β_7 = Regression coefficient

e = errors.

Table 2. Variables and Measurements

Variable	Measurement
Agency Fees	<p>Is a concept that refers to the costs associated with the relationship between principal and agent (A. Hasan, Riaz, & Nakpodia, 2023)(Luo, Li, & Chen, 2018); (Perera & Buvanendra, 2022); (Huu Nguyen et al., 2020) (Parveen et al., 2023)</p> <ul style="list-style-type: none"> - Expense comparison is a metric obtained by dividing operating expenses by total annual sales. If this metric represents the inadequacy of managerial parties in controlling operating costs, a high value (an indication of inefficiency) is correlated with higher agency costs. - This load comparison is formulated by $EXPR_{i,t} = \frac{OperatingExpense_{i,t}}{Sales_{i,t}}$ <p>Capital usage comparison is a measure obtained by dividing total annual sales by total capital. This metric evaluates the efficacy of firm management in utilizing capital. A low ratio of total sales to total capital suggests inefficient decision-making by managers regarding investments, executive bonuses, and other related matters.</p> <p>Ratio of the use of this capital can be formulated by</p> $AUR_{i,t} = \frac{Sales_{i,t}}{TotalAsset_{i,t}}$
Board Size	<p>A practice of managing the firm in a trustworthy and prudential manner by considering the balance of meeting the interests of all stakeholders.</p> <ul style="list-style-type: none"> - Board of directors, as measured by comparison of total directors to total boards of a firm. Board of directors in a firm has a major role in carrying out governance in the firm, namely determining firm policy and providing security for investors in the future. In this study, outside directors are total board of commissioners divided by total board ((Huu Nguyen et al., 2020); (Baatwah, Aljaaidi, & Almoataz, 2020);(Zaidi, Henderson, & Gupta, 2017);(Gupta & Sharma, 2014) - Board of commissioners comparison, i.e. firm's independent commissioners or managers. This comparison refers to research (Baatwah et al., 2020)(Pantzalis & Park, 2014)
Audit Committee Size	<ul style="list-style-type: none"> - The count of audit committees in a company is determined by dividing the total number of audit committee members by three. This is because the minimum requirement for the number of audit committee members in a firm is three people, according to OJK Regulation NUMBER 55/POJK.04/2015; Duc and Thuy, 2013; Cai et al., 2015; (Huu Nguyen et al., 2020)
Debt	<ul style="list-style-type: none"> - -Ratio of total short term debt/Total debt (Florackis, 2008); (D'Mello et al., 2018)
Firm Performance	<p>Can the business effectively employ its available resources to attain its objectives according to the company's established plans while considering their significance to users</p> <ul style="list-style-type: none"> -ROA -ROE <p>(Farrell & Gallagher, 2015)</p>

Results and Discussions

Descriptive statistics of study population

Based on population criteria for the observation period of the third quarter of 2019 to the first quarter of 2022, there are 330 firm data. To determine whether the sample in this study is low or high agency costs, which is based on the median value.

Based on population criteria for the observation period of the third quarter of 2019 to the first quarter of 2022, there are 330 firm data. To determine whether agency costs for companies listed on the IDX 30 are of low or high value, descriptive statistical analysis can be used (Pantazis & Park, 2014). Based on findings of descriptive statistics presented in table 3, median EXPR value is 0.19 and the median AUR value is 0.476.

Table 3. Summary Statistics Of Study Population

Summary statistics of study population					
	N	Min	Max	Mean	Std. Deviation
EXPR	330	0.00	0.98	0.1979	41.423
AUR	330	0.01	2.09	0.4574	53.201
Valid N (listwise)	300				

The research findings show that the average EXPR value is 2.56, indicating high agency costs (Huu Nguyen et al., 2020). However, in this study, the average EXPR value is 0.198, which means that the average agency costs of companies in IDX 30 are low. The capital utilization comparison had a value of 0.132, indicating a high value. In contrast, in this study, the capital utilization comparison (AUR) has a value of 0.4574, and most companies have an AUR value above 0.4574, indicating efficient capital utilization, which means low agency costs (Parveen et al., 2023).

This research measures level of agency costs based on the median value, where a comparison above median indicates high agency costs, while a comparison below median indicates low agency costs (Pantazis & Park, 2014). Average comparison of expenses (EXPR) for companies in IDX 30 is below the median, while the capital utilization comparison (AUR) is above the median. Therefore, H1 is rejected.

The low agency costs of companies in IDX 30 indicate the absence of three types of agency costs. Incomplete contractual agreements between shareholders (principals) and managers (agents) lead to the emergence of agency costs. (Jensen (1986); Bernanke & Gertler (1989); (Leland, 1998) agency costs include three types of costs: 1) Expenses borne by owners to oversee the actions of the agent, such as inspection costs, agent dismissal costs, or contract-following compensation contracts; 2) Expenditure costs to create mechanisms to guarantee that owners receive fair remuneration in cases where agents engage in activities that harm their profits; 3) Residual loss costs, which are relevant expenses resulting from divergence of interests between principals and agents.

Relatively low agency costs of companies in IDX-30 indicate the trustworthy nature of managers (agents) in these companies, consistent with stewardship theory. Managers are able to act responsibly, with integrity and honesty towards others, particularly principals.

Descriptive statistics of research sample

Next, the researcher selected companies that consistently listed in the IDX 30 during the observation period, resulting in 18 companies, of which 15 companies had low agency costs. Out of these 15 companies: 1) 13 companies had low agency costs proxied by the EXPR expense comparison; 2) 9 companies had low agency costs proxied by the AUR capital comparison.

Descriptive statistics for the sample of 15 (15 x 11 observation periods = 165) IDX 30 companies that consistently listed during this period can be seen in Table 5.

Table 4. Descriptive Statistics For Research Sample

	n sampel	Boar of commissioners ratio	Audit Committee Ratio	Ratio of the Board of Directors	DEBT	EXPR	AUR	ROA	ROE
Max	165	1,00	1,33	0,83	0,92	0,43	2,08	0,27	7,57
Min	165	0,17	0,67	0,29	0,00	0,00	0,22	0,00	0,00
Mean	165	0,35	0,99	0,54	0,51	0,11	0,56	0,06	2,19
Std Dev	165	0,23	0,23	0,14	0,23	0,08	0,53	0,05	1,52

In Table 4, a sample size of 165 was obtained from 15 IDX 30 companies listed on the BEI for 11 quarters starting from the third quarter of 2019 until the first quarter of 2022. The highest value for the agency cost proxy, EXPR, was 0.43, while the minimum value was 0.00. A low value for EXPR means that firm's management is can control operational inefficiencies. A low EXPR comparison also indicates low agency costs.

The AUR proxy for the latent variable of agency costs shows a maximum value of 2.08. A expensive capital utilization comparison indicates slow agency costs, though a low AUR comparison indicates high agency conflicts that suggest the firm is unable to effectively use its capitals.

According to the results of this descriptive statistics, managers (agents) in IDX 30 companies can improve performance and get listed on the IDX 30. This indicates that managers in IDX 30 companies are relatively trustworthy. According to stewardship theory, managers can act responsibly, have integrity, and honesty towards others, especially principals.

Research hypothesis analysis

Outcomes of the analysis of descriptive statistics show agency costs in IDX 30 companies are low, indicating a positive correlation between independent variables and minimization of agency costs. Multiple linear regression was conducted to test following hypothesis:

H2a - H4a with independent variable being agency costs (EXPR comparison)

H2b - H4b with the independent variable being agency costs (AUR comparison)

Where, all the directions of correlation between each independent variable, EXPR and AUR variables are positive. The Impact of the Size of the Board of Directors, Board of Commissioners, and Audit Committee on Agency Costs. Before conducting regression, BLUE testing was carried out first, followed by regression analysis testing. The results of BLUE testing showed no violation of classical assumptions, due to the high-value data being previously transformed using Lognatural (Ln). The absence of a classical assumption violation allowed for further linear regression analysis (Economics et al., 2013).

Findings of regression analysis on Impact of the Size of the Board of Directors, Board of Commissioners, and Audit Committee on Agency Costs, are as follows:

Table 5. Regression Analysis Results

	Independent Variable EXPR		Independent Variable AUR	
	Coefficient Beta	Sig	Coefficient Beta	Sig
Board of Directors Size	0.035	0.042	-244,272	0.352
Board of Commissioners Size	0.014	0.761	2751.014	0.003
Audit Committee Size	-0.022	0.095	-361.74	0.393
Short-Term Debt Comparison	0.30	0.036	871.86	0.003
ROE	0.039	0.000	230.141	0.000
ROA	2.5903E-5	0.605	0.039	0.969
Constant	0.011	0.595	-601.97	0.157
Model Summary	Sig F Change	= 0,000	Sig F Change	= 0,000
	R Square	= 0,805	R Square	= 0,335
	Adjusted R Square	= 0.798	R Square	= 0,309

Conclusions

In IDX there is an index of firms listed in IDX-30. The IDX-30 index evaluates the performance of 30 stocks that possess high market liquidity, significant market capitalization, and robust principal firm support. During this pandemic period, some companies remain listed on the IDX-30, while others are no longer listed, and new companies have joined the IDX-30.

This study aims to analyze whether the companies listed in the IDX-30 have high or low agency costs, and to examine whether corporate governance mechanisms impact the agency costs. EXPR and AUR comparisons are employed as proxies to gauge agency costs. The descriptive statistical analysis reveals that agency costs in IDX-30 companies are predominantly low. Board size, both directors and commissioners, significantly reduce agency costs, indicating a less self-serving board that refrains from misusing company resources for personal gain. The board of directors has positioned itself as a good steward of firm, and board of commissioners is able to provide supervision in accordance with its duties, so that the agency costs in companies in the IDX-30 can be low. Therefore, board of directors have behaved as described in stewardship theory, which can provide benefits for investors.

Future studies are suggested to incorporate additional variables that capture the attributes of the board of commissioners, board of directors, and audit committee, managerial ownership structure, and director remuneration. Regarding the agency cost variable, introducing variables that account for the agency conflicts arising between (i) investors and firm management and (ii) minority shareholders and majority shareholders can also be considered would be beneficial. This agency conflict indicator refers to the research.

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