



Effect of governance, risk management and compliance on a firm's value (healthcare industry)

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ABSTRACT

A high firm's value is one of the main goals of investors. Management will seek to optimize all factors that have the potential to increase the firm's value, including the GRC component. The healthcare sector is one of the industries that has shown good performance in several years, including during the crisis due to the Covid-19 pandemic. This pandemic is considered a catastrophic event. Using the explanatory quantitative method, this research aims to prove the difference in the effect of GRC on firm value through two different conditions, before and after the pandemic. The firm's value is proxied by Tobin's Q, and GRC is measured based on the Indonesian GRC Award scoring method. Through purposive sampling technique on the population of the healthcare industry, as many as 22 companies listed on the Indonesia Stock Exchange, this research took a sample of 11 companies with data sources from 2018 to 2021. The data was processed using a simple linear regression statistical model. The study results show that GRC positively affects firm value, with an explanatory level of 33.8% in pool data. Based on data segregation, the results show that the explanatory level during the pandemic period is more significant.

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INTRODUCTION

Increased company value is a fundamental desire of shareholders because high value reflects the prosperity of the company's owners. In principle, the firm value can be represented through the company's share price because the market price of the company's shares reflects a comprehensive investor assessment of each equity owned. The stock market price shows the market participants' judgment, a barometer of the company's management performance. If the firm's value is proxied by the stock price, then maximizing the company's market value related to maximizing the stock price.

Healthcare industry shares are shares of companies engaged in the medical field by offering products and services in medical devices, health laboratories, pharmaceuticals, and hospitals. The healthcare industry has been designated as one of the strategic sectors in implementing industry 4.0 in Indonesia. The pharmaceutical industry is proliferating because the public's need for health

services and the supply of medicines is enormous, causing high consumption characteristics, especially in health examination services, medical device products, multivitamins, and immune boosters. When Covid-19 began to enter Indonesia, the demand for body protection products, especially masks and health products to enhance immunity, increased sharply. The healthcare industry is a high-demand category amid the pandemic. The performance of the healthcare index is strengthened chiefly. If observed in the short term, the trend of increasing shares in the health sector from the second semester of 2020 to 2022 is because market players are optimistic that the current condition of companies in the health sector is still the prima donna through the products they sell. It's just that market participants must be selective in determining which shares to buy. Special attention is needed because of rising stock prices in the health sector listed on the IDX in a certain period of observation because the increase in the company's stock price can change the image or view of the firm value, which will have an impact on the interest of investors in the company. The fast-changing healthcare industry market requires companies to be adaptive to address regulatory, strategic, and other risks.

GRC are three pillars that work together to ensure the company meets its objectives (Spanaki and Papazafeiropoulou, 2013). Governance is a combination of the processes established and carried out by the board of directors, which is reflected in the organizational structure and how it is managed and carried toward achieving objectives (Rasmussen, 2018). Despite the growing importance of effective management, many healthcare providers have slowly adopted a GRC approach well integrated into business processes and management. Often in reactive mode, healthcare companies are stuck with minimal results for maximum effort. Meanwhile, risk management predicts and manages risks that have the potential to hinder the company from achieving its goals (Krause and Tse, 2016). Compliance with company policies, procedures, laws, and regulations. Robust and efficient governance is the key to the company's success (Arora and Sharma, 2016). In implementing integrated risk management and governance, the implementation of GRC is a solution and an urgent need for the health industry and its conglomerates to achieve compliance with regulatory rules. Such steps are to perform work and cost efficiency to avoid duplication of assurance processes carried out in governance, risk management, internal audit, compliance, control, and audit committees that can mitigate risk to a minimum level. This is to encourage the creation of reliable quality health services to provide a sense of trust to consumers and all stakeholders, and ultimately the firm value will increase.

Research to determine the effect of GRC still needs to be done, especially regarding firm value. So that this research has a novelty on the topic mainly concentrated in one industry, this researcher aims to know the impact of the pandemic event on the firm's value which is affected by the presence of GRC. Research comparing stock and financial performance of the financial sector before and during Covid 19 gave mixed results. Alisyah and Susilowati's research (2022) stated that there was no effect of Covid-19 on the performance of health stocks, while the results of Setiawan and Asbaniar's (2021) research found different results for each health sector issuer's stock. However, the research of Oncu (2021), Mazur et al. (2021), and Virtyani et al. (2021) clearly state that there are differences in the performance of the health sector stocks before and during the pandemic. Taufiqurrohman (2021) found a significant difference between stock prices 30 days before and 30 days after Indonesia's COVID- 19 pandemic in health sub-sector companies.

The number of companies listed has increased yearly. Data from www.idx.co.id shows that the number of registered companies at the end of 2021 was 766 (Fig.1).

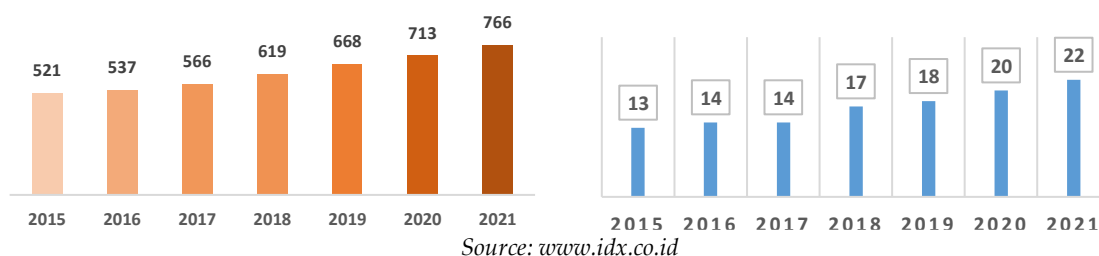
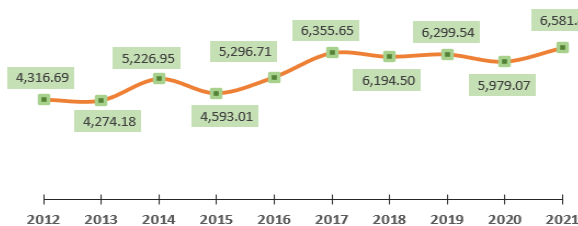


Figure 1. Number of Listed Companies & Healthcare Industries

The increasing number of companies listed on the stock exchange increases the number of listed healthcare companies, though the increase is insignificant. (Fig. 1). Healthcare financing is an important and growing portion of public funds. Health expenditures cannot expand indefinitely to assure long-term viability and are constrained by public finance constraints. Spending on healthcare is typically portrayed as inefficient and out of control, and there are mounting calls to prevent what appears to be an exponential rise in healthcare spending (Jagric et al., 2022). Health services are intangible products that cannot be touched, felt, seen, counted, or measured like manufactured goods (Mosadeghrad, (2013).

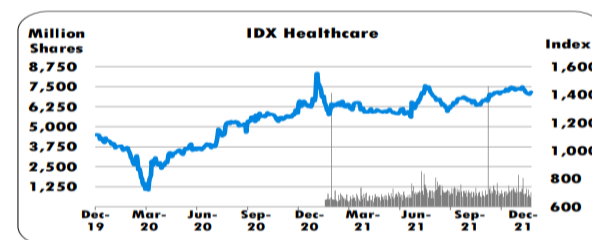
From Fig. 2, the IDX composite movement in the last ten years has fluctuated. After slumping in 2020, the IDX composite strengthened again at the end of 2021.



Source: www.idx.co.id

Figure 2. IDX Composite in Ten Years

Meanwhile, there was a significant upward trend after the division of industry classification and sectoral stock index data in the health industry from the pandemic in early 2020 until the end of 2021. (Fig. 3).



Source: www.idx.co.id

Figure 3. Healthcare Industry Index Composite

The Jakarta Composite Index (JCI) has contracted in response to economic conditions due to the pandemic, resulting in a decline in share prices. Even though regulators and the government have made efforts through various policies, such as buying back the company's outstanding shares and temporarily suspending trading on the stock exchange (trading halt), all of these were not significant in preventing the JCI from falling.

The firm's value can be determined by its stable stock price, which rises over time; high stock prices tend to result in a high firm value.

A higher firm valuation indicates a rise in shareholder returns. The firm's value is affected by several factors, including profitability and capital structure. Typically, a company that has been established or operating for a long time discloses its social and environmental data to enhance its reputation in the community (Badulescu et al., 2018).

GRC is a term that refers to the concepts of governance, risk management, and compliance. When effectively implemented in a business, they can lower expenses, reduce inefficiency, and improve communication within the company; GRC can assist in ensuring that a company's goals and objectives are more clearly defined, the company structure is improved, and regulations are correctly followed. Strong GRC does lay the groundwork for future business expansion (Greenhalgh, 2020). When GRC requirements are disregarded, the room is opened for unethical business practices to proliferate (Haugh, 2019). Organizations have increased internal audit and risk management functions and budgets due to the increased focus on governance, risk, and compliance activities. Integrated GRC programs were developed to increase the effectiveness and efficiency of risk and control functions carried out across an organization due to concerns regarding the overall cost associated with these activities (Handoko et al., 2020).

Changes in healthcare aim to reinforce the need for new approaches to GRC in the healthcare industry (Alharbi et al., 2022). GRCs have become highly relevant to the healthcare industry, as they are increasingly under the magnifying glass of the public, government, and regulatory bodies. Over the last few years, the government introduced many new regulations and policies in the health sector relating to licensing, supervision even sanctions (Batenburg et al., 2014). The healthcare industry is one of the highly regulated industries and is fraught with compliance challenges.

RESEARCH METHOD

Operationalization Variables

The operationalization of each variable is summarized in Table 1.

Table 1. Operationalization Variable

| Variable | Definition | Indicator | Scale |
|-------------------|---|--|-------|
| GRC (X) | By aligning strategies, processes, technology, and people, an integrated and holistic approach ensure that they act ethically by risk appetite, internal policies, and external regulations, thereby boosting efficiency and effectiveness. | 1. Annual Report 2. Financial Statement 3. Infrastructure 4. Soft Structure 5. Problem transparencies 6. Profitability (Source: Indonesia GRC Award) | Ratio |
| Firm Value (Y) | Investors' perception of the company's success is related to stock prices and potential income for investors. | Tobin's Q $Q = \frac{MVS + D}{TA}$ | Ratio |

Event Study and Window Period

The window period is the period the event occurs and its effects. According to Jogiyanto (2018: 24), the research period used in the window period structure ranges from 3 to 250 days for daily data and 3 to 121 months for monthly data. Through Figure 4, this study uses an event window in early 2020 with a window period of 24 months before and 24 months after the pandemic.

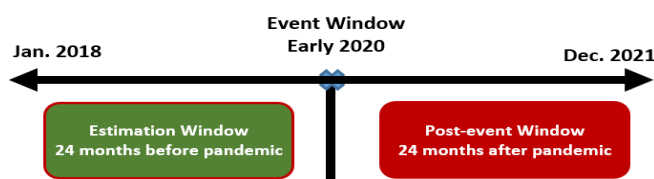


Figure 4. Window Period of Research

An event study is used to analyze the effect of extraordinary events on the value of a company. The stock price is one indicator that can describe the performance or value of the company. Event studies can directly measure the effect of events on the company's stock price when the event occurs. In addition, research data through an event study approach is relatively easy to obtain (Jogiyanto, 2018). The Covid-19 pandemic is catastrophic and will impact activities in the capital market, especially stock prices. It started with the announcement of the first case of Covid-19 in Indonesia in February 2020 as a trigger for the pandemic, making the capital market react immediately. Changes in stock prices and transaction volumes indicate this reaction.

Development of Hypothesis

The fulfillment of the GRC as non-financial information is a positive signal for investors in assessing the company's prospects. Investor prosperity can be achieved if investors invest in companies that can be high-performance, stable, and sustainable because such companies will be able to provide dividends as expected. The completer and more positive the company's GRC information is, the more comfortable and confident investors will be in the security of the funds invested. From Figure 5, based on the theory and previous research, the hypothesis can be derived to prove that GRC positively affects firm value.

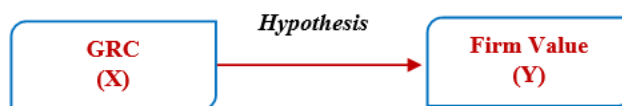


Figure 5. Research Framework

- H1: GRC positively and significantly effect on a firm's value
- H2: There is a difference in GRC scores before and during the Covid-19 pandemic.
- H3: There is a difference in the firm's value before and during the Covid-19 pandemic.

Population and Sample Selection

This research uses a quantitative analysis approach to examine the information cited by healthcare companies listed from 2018 to 2021. Several factors influenced the selection of the healthcare industries. First, it is observed that the healthcare industry contributes significantly to Indonesia's GDP. Second, the healthcare industries invest a significant amount of investable funds. The healthcare industry classification includes 22 businesses. Purposive sampling yielded as many as 11 companies that became the research sample.

Analysis and Measurement

The study takes a quantitative approach, using descriptive analysis and verification techniques to demonstrate systematic and factual truths and the correlations between variables, which are tracked via data collection, processing, analysis, and interpretation in statistical tests. Previously, the classical assumption test was carried out. The hypothesis test consists of the coefficient of determination test (adjusted R²) and the t-test. The empirical model's formula is:

$$Y = \alpha + \beta_1 + \epsilon \dots\dots\dots (1)$$

Where, Y is the Firm’s Value; α is Constant; β_1 is the Regression Coefficient for independent variable X (GRC); ϵ is Residual.

Tobin’s Q formula:

$$Q = \frac{MVS+D}{TA} \dots\dots\dots (2)$$

The GRC variable was measured using an assessment conducted at the Indonesian GRC Award for companies in Indonesia. Higher scores indicate better GRC implementation.

RESULTS AND DISCUSSIONS

Conditions without Event Segregation

Table 2 shows the result of the statistical descriptive related to the effect of the GRC on firm value in healthcare companies listed in the IDX from 2018 to 2021.

Table 2. Descriptive Statistics

| | N | Minimum | Maximum | Mean | Std. Deviation |
|--------------------|----|---------|---------|--------|----------------|
| GRC | 44 | 0.5597 | 0.9376 | 0.7703 | 0.1048 |
| Firm’s Value | 44 | 0.6020 | 0.9760 | 0.8179 | 0.1039 |
| Valid N (listwise) | 44 | | | | |

Source: Data processed by SPSS 26

Table 2 indicates that the mean value of the firm’s value is 0.8179, which suggests that, on average, healthcare companies in Indonesia are undervalued. The standard deviation of the firm value is 0.1039, which is relatively low. The firm’s value proxied by Tobin’s Q ratio in the healthcare sector is more diverse. GRC and firm’s value have standard deviations smaller than the mean value, indicating the disseminated size of the healthcare sector and the minimum of the lowest and highest gaps. Before using the regression to test the hypothesis, the regression prerequisite testing is performed to ensure that the BLUE (Best Linear Unbiased Estimation) model is met. The data passed the classical assumption test.

Table 3. Linear Regression Test (Model 1) Results

| Model | Unstandardized Coefficients | | Standardized Coefficients | t-Statistics | Sig. |
|---------------------|-----------------------------|------------|---------------------------|--------------|-------|
| | B | Std. Error | Beta | | |
| Constant | 2.049 | 0.093 | | 2.027 | 0.000 |
| GRC (X) | 3.964 | 0.117 | 3.962 | 2.824 | 0.025 |
| R | | | 0.374 | | |
| R Square | | | 0.338 | | |
| Adj. R ² | | | 0.307 | | |

Source: Processed Secondary Data by SPSS 26

The hypothesis testing shows that the GRC is significantly by 0.025 (<0.05) and has a positive effect based on the coefficient value = 3.964. So, the first hypothesis is accepted. The positive direction shows that investors feel confident and believe that the GRC, with governance, adequate risk management, and compliance with all existing regulations, will spur trust from the public and investors to increase the firm value.

Event Segregation

Table 4 indicates that the mean value of a firm’s value 24 months before the pandemic is 0.8135 lower than during the pandemic, which is 0.8224.

Table 4. Descriptive Statistics

| | Before Pandemic | | | | | During Pandemic | | | |
|--------------|-----------------|--------|--------|--------|-----------|-----------------|--------|--------|-----------|
| | N | Min. | Max. | Mean | Std. Dev. | Min. | Max. | Mean | Std. Dev. |
| GRC | 22 | 0.5597 | 0.9376 | 0.7753 | 0.1403 | 0.5862 | 0.9210 | 0.8009 | 0.0938 |
| Firm's Value | 22 | 0.6020 | 0.9760 | 0.8135 | 0.1161 | 0.6340 | 0.9680 | 0.8224 | 0.0909 |

Source: Data processed by SPSS 26

Each mean value indicates that healthcare companies in Indonesia are undervalued on average. The standard deviation of the GRC and firm value on segregation data is lower than the mean value. The firm's value proxied by Tobin's Q ratio in the healthcare sector is more diverse. GRC and firm's value have standard deviations smaller than the mean value, indicating the disseminated size of the healthcare sector and the minimum of the lowest and highest gaps.

The results of this study show that the stock price of healthcare companies in the capital market tends to be stable and increase during a pandemic.

Table 5. Linear Regression Test (Model 2) Results: Before the Pandemic

| Model | Unstandardized Coefficients | | Standardized Coefficients | | t-Statistics | Sig. |
|---------------------|-----------------------------|------------|---------------------------|--|--------------|-------|
| | B | Std. Error | Beta | | | |
| Constant | 4.821 | 0.203 | | | 4.627 | 0.000 |
| GRC (X) | 4.957 | 0.137 | 4.965 | | 2.381 | 0.037 |
| R | | | 0.377 | | | |
| R Square | | | 0.348 | | | |
| Adj. R ² | | | 0.294 | | | |

Source: Data processed by SPSS 26

The hypothesis testing shows that the GRC is 0.037 (< 0.05) with a coefficient value = 4.957. The positive direction shows that investors feel confident and believe that the GRC, with good governance, adequate risk management, and compliance with all existing regulations, will spur trust from the public and investors to increase the firm value. The R-value shows 0.377. Interprets the R-value in the range of 0.20 - 0.39 as the Low category (Sugiyono (2017)). The R-Square (R^2) as an explanatory level is 0.348. Those values show that in the range of 0.33 - 0.67, according to Hair et al. (2019), the range of values is categorized as Moderate.

The impact of GRC on the firm value is significant. The downward trend in the 2020 correlation between GRC on firm value is assumed because other variables outside the research model reduce the role of GRC.

Table 6. Linear Regression Test (Model 3) Results: During the Pandemic

| Model | Unstandardized Coefficients | | Standardized Coefficients | | t-Statistics | Sig. |
|---------------------|-----------------------------|------------|---------------------------|--|--------------|-------|
| | B | Std. Error | Beta | | | |
| Constant | 4.013 | 0.294 | | | 3.954 | 0,000 |
| GRC (X) | 5.328 | 0.137 | 4.531 | | 2.297 | 0,033 |
| R | | | 0.457 | | | |
| R Square | | | 0.409 | | | |
| Adj. R ² | | | 0.369 | | | |

Source: Data processed by SPSS 26

From Table 6, the hypothesis testing shows that the GRC is significantly by 0.033 (< 0.05) and has a positive effect based on the coefficient value = 5.328. The positive direction shows that investors feel confident and believe that the GRC, with good governance, adequate risk management, and compliance with all existing regulations, will spur trust from the public and investors to increase the firm value.

The correlation coefficient value is 0.457. Interprets the correlation coefficient (R) in the range of 0.20 – 0.39 as the Low category (Sugiyono (2017)).

The R-Square (R²) as an explanatory level is 0.409. Those values show that in the range of 0.33 – 0.67, according to Hair et al. (2019), the range of values is categorized as Moderate. The impact of GRC on the firm value is significant.

Paired Sample T-Test

From Tabel 7, the mean value of GRC during pre-pandemic was 0.8265, while during or post-pandemic was 0.7753. The GRC implementation score was higher during the pandemic. The pandemic has even triggered an increase in GRC implementation.

Table 7. Paired Samples Statistics - GRC Variable

| | | Mean | N | Std. Deviation | Std. Error Mean |
|--------|------|--------|----|----------------|-----------------|
| Pair 1 | PRE | 0.7753 | 22 | 0.0938 | 0.7753 |
| | POST | 0.8265 | 22 | 0.1169 | 0.0249 |

Source: Data processed by SPSS 26

Table 8 shows the correlation between before and during pandemic measurements using the output r = 0.803 with Sig. 0.027 (Sig. < 0.05). Thus, there is a significant positive correlation between measurements before or pre-pandemic and during or post-pandemic.

Table 8. Paired Samples Correlations - GRC Variable

| | | N | Correlation (r) | Sig. |
|--------|------------|----|-----------------|-------|
| Pair 1 | PRE & POST | 22 | 0.803 | 0.027 |

Source: Data processed by SPSS 26

From Table 9, at the 5% significance level, there was a significant difference in GRC scores between pre-pandemic and during or post-pandemic (t = 4.595 and Sig. 0.036 (Sig. <0.05)). The mean value shows the difference in the mean value of both two conditions.

Table 9. Paired Samples Test - GRC Variable
Paired Difference

| | | Mean | Std. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference | | t | df | Sig. (2-tailed) |
|--------|------------|---------|----------------|-----------------|---|--------|-------|----|-----------------|
| | | | | | Lower | Upper | | | |
| Pair 1 | PRE - POST | -0.0512 | 0.1403 | 0.0539 | 0.3977 | 3.0221 | 4.595 | 21 | 0.036 |

From the analysis results, the mean value is positive at -0.0512; thus, the GRC value in the healthcare industry was higher than during the pandemic. In the case of this analysis, this tolerance uses a 95% confidence level, so with a 95% confidence level, the range of concentration difference between the control and experimental groups is 0.3977 to 3.0221. Thus, it can be concluded that GRC effectively influences the increase in firm value. The second hypothesis is accepted.

Table 10. Paired Samples Statistics - Firm's Value Variable

| | | Mean | N | Std. Deviation | Std. Error Mean |
|--------|------|--------|----|----------------|-----------------|
| Pair 1 | PRE | 0.7703 | 22 | 0.1069 | 0.0239 |
| | POST | 0.8224 | 22 | 0.1081 | 0.0251 |

From Table 10, the number of subjects was 22. The mean value of the firm pre-pandemic was 0.7703, while the post-pandemic was 0.8224. From this, we can see that the firm's value proxied by Tobin's Q ratio was higher during the pandemic. Statistically descriptive, there is a difference in stock performance before the Covid-19 pandemic with the average stock performance during the Covid-19 pandemic.

Table 11. Paired Samples Correlations - Firm's Value Variable

| | | N | Correlation (r) | Sig. |
|--------|------------|----|-----------------|-------|
| Pair 1 | PRE & POST | 22 | 0.966 | 0.001 |

Table 11 shows the correlation between pre- and post-pandemic measurements using the output $r = 0.966$ with Sig. 0.001 (Sig. < 0.05). Thus, there is a significant positive correlation between measurements during pre-pandemic and post-pandemic. This shows the alignment of pre-pandemic and post-pandemic data.

Table 12. Paired Samples Test - Firm's Value Variable

| | | Paired Difference | | | | | | | |
|--------|------------|-------------------|---------------|-----------------|---|---------|---------|----|-----------------|
| | | Mean | td. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference | | t | df | Sig. (2-tailed) |
| | | | | | Lower | Upper | | | |
| Pair 1 | PRE - POST | -0.0471 | 0.0881 | 0.0219 | -0.0510 | -0.0432 | -24.252 | 21 | 0.000 |

From Table 12, at the 5% significance level, there was a significant difference in the firm's value between pre-pandemic and during the pandemic ($t = -24.252$ and Sig. 0.000 (Sig. < 0.05)). The Mean value shows the difference in mean value between the pre-and post-pandemic. From the analysis results, the mean value is negative at -0.0471; thus, the firm's value in the healthcare industry was higher during the pandemic. In the case of this analysis, this tolerance uses a 95% confidence level, so with a 95% confidence level, the range of concentration difference between the control and experimental groups is -0.0510 to -0.0432. Thus, it can be concluded that the firm's value during the pandemic was increased than before the pandemic by the GRC effect. The third hypothesis (H_3) is accepted.

The fluctuations in stock prices are typical in an economy because supply and demand in the market affect stock prices. For instance, the stock price will increase if there is a high demand for capital and vice versa. The share price will drop if the capital market's supply expands. Due to internal and external factors affecting a company, share prices have typically increased and decreased. The massive spread of Covid-19 in early 2020, which decreased global economic activity, is one of many factors that contributed to the decline in share prices during the pandemic. Covid-19 is an external factor in this decline.

The research results show a significant difference in the value of Tobin's Q and GRC from healthcare companies before and during the COVID-19 pandemic. In detail, the increase in the mean value of Tobin's Q increases along with the increase in the GRC value. This indicates that the implementation of governance, risk management, and the level of compliance in the healthcare industries have improved during the Covid -19 pandemic, which has increased firm value. The hypothesis test results show that the explanatory level (R^2 value) of the effect of GRC on firm value is 33.8 percent. Thus, the increase in firm value is also influenced by 66.8 percent by other variables outside the research, one of which is suspected to be the increase in demand for healthcare product goods and services. While investors avoid investing in many industries, they still see the healthcare

industry as profitable. In parallel with this, it has been observed that firms in the health sector have positive abnormal returns in studies (He et al., 2020; Mazur et al., 2021).

The results of this study support the research result by Suwarsono et al. (2022), Khofifah et al. (2022), Mustikaningrum and Herawati's (2022) explanation that the stock price of health companies in the capital market tends to be stable and grow during a pandemic and found significant differences in the financial performance of healthcare industry on the IDX before the Covid -19 pandemic and when the Covid-19 pandemic occurred. The Covid -19 pandemic has not made all companies lose money, especially health sector companies that provide health services and medicines, so they made bigger profits during the Covid -19 pandemic.

The results of research on the importance of the existence of GRC in a company that has been listed on the stock exchange are in line with the results of research by Kembaren and Endro (2022), which examined all industry classifications listed on the stock exchange, and research by Al Habsyi et al., (2021). Meanwhile, Devi et al. (2017) found that ERM disclosure proxied as a GRC component had a positive and significant effect on firm value. The importance of implementing GRC in increasing the achievement of company goals will attract the interest of stakeholders, especially investors, to know GRC information as a basis for conducting investment decision analysis. Investors will positively evaluate companies that have successfully implemented ERM more broadly because they show better commitment from companies regarding risk management. Investor confidence in the quality and commitment of a company's risk management will further encourage positive perceptions of investors.

This is because, in controlling Covid-19, the government prioritizes the health sector so that investors are interested in investing in the stock of health sector companies because they are considered safer and more stable during the pandemic. Meanwhile, research by Gita et al. (2022) found differences in outcomes among healthcare companies during a pandemic.

This study's results align with the study of Anur et al. (2022). There are significant differences in stock prices pharmaceutical sub-sector before and during the COVID-19 pandemic. A study from Nurmasari (2020) also stated a significant decline in share prices at retail companies due to the Covid-19 case in Indonesia.

Regression analysis shows that GRC has a significant positive effect on firm value. The higher the score or value of the GRC item, the potential to increase the firm's value. The research results show that despite the pandemic conditions, with the implementation of GRC in healthcare industries, the GRC implementation score is improving, impacting firm value. The results of this study also show that the more complete the company has GRC infrastructure and provides information on GRC implementation. Hence, the market responds positively because the market believes that GRC can be used as relevant information in predicting a company's prospects and sustainability (going concern).

CONCLUSION

This study investigates the effect of GRC on firm value. This research's empirical results indicate that GRC positively and significantly affects a firm's value. GRC can strengthen the firm's value that the implementation of GRC will have a sustainable strategy and focus on developing priority programs. GRC has a positive effect on firm value in the healthcare industry.

Through the paired sample t-test, it can be seen that there are significant differences in the level of GRC and the firm's value in the healthcare sector in conditions before and during the pandemic. This can be explained by the stock price reaction from the average movement of the health sector business, which has increased. There are indications that investors continue to believe in health sector issuers because the company already has a foundation of good governance, reliable risk management, and regulatory compliance. This is clarified through data segregation with the explanatory level (R^2) before and during the increasing pandemic.

As a result, suggesting replicating this research because it could develop GRC and its causes and boost measurement methodology accuracy. The GRC measurement method in this study examined the annual report and financial statement documents. It recommends using other methods for measuring GRC, such as observation, document analysis, and interviews with related parties by self-assessment or independent parties on a quarterly or annual basis.

This study's results align with stakeholder theory and signaling theory. In stakeholder theory, it is emphasized that stakeholders, in principle, have the right to receive information about the company's operational activities, especially those that have the potential to influence stakeholder interests. GRC information shown to stakeholders is a manifestation of management's strong commitment to running the company through good governance, maintained corporate risk management, and a reliable level of compliance. Therefore, information on GRC implementation is part of the good news that deserves to be part of the positive signal. In agency theory, the principal expects the agent to take actions that will benefit the principal, but generally, what happens is that the actions and decisions of the agent are not following the principal's wishes. Agency theory describes the separation of roles between agent and principal, which has the potential to cause agency conflicts due to differences in interests. At this point, the application of GRC is needed as a system capable of directing the company through corporate governance, adequate mitigation of corporate risk, and compliance commitments to reduce the chances of agency conflicts. Finally, it is expected that the firm value can continuously increase.

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