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GOOD CORPORATE GOVERNANCE AS A STRATEGIC MODERATOR OF FINANCIAL SUSTAINABILITY: A STUDY OF INDONESIAN CORPORATIONS

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Abstract

This study aims to examine the effect of profitability, liquidity, capital structure, and dividend policy on firm value with good corporate governance as a moderating variable. The population of this study consists of manufacturing companies listed on the Indonesia Stock Exchange for the period 2017-2022. The data used are secondary data, and the research employs purposive sampling. The total population consists of 196 companies, and 30 companies that meet the criteria were selected. The data analysis methods used in this study include descriptive statistical analysis, hypothesis testing, and moderated regression analysis (MRA) using the Eviews 12 data analysis software. The research results went through several stages, starting with the determination of the model to be used. The results of the Chow test and Hausman test, which compared the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM), indicated that the best model selected was the Fixed Effect Model (FEM). From this model, the results of the moderation regression test showed that only the variables of profitability and capital structure on firm value could be moderated by Good Corporate Governance (GCG), which is referred to as pure moderation. For the variables of liquidity, capital structure, and dividend policy, none of them could be moderated by GCG.

Keywords: capital structure, Good Corporate Governance, value of the firm, dividend policy

INTRODUCTION

Corporate value remains a popular research topic to this day. Although it may seem fundamental, studies on corporate value continue to be a dynamic and critical field of research. (Șerban et al., 2023) define corporate value as a multifaceted issue influenced by the complex interaction between financial performance, tangible assets, and non-financial factors. This indicates that business value is shaped not solely by financial variables (single bottom line) but also by non-financial aspects (triple bottom line), including social and environmental responsibilities.

This means that corporate value is not only influenced by financial factors (single bottom line) but also by non-financial factors (triple bottom line), namely social and environmental responsibility (John, 1998). This complexity ensures that research on corporate value remains highly relevant for academics and practitioners seeking to understand and optimize the drivers of corporate value in the rapidly evolving business landscape (Meckling, 1976).

There are several factors that influence company value, including corporate governance mechanisms. Previous studies on this topic have been conducted extensively in developed countries, but due to the large number of scandals in several companies, the topic of corporate governance mechanisms will be discussed in greater depth in the context of developing countries (Sarker & Hossain, 2023). For example, Bangladesh has experienced corporate bankruptcies such as the Hallmark scandal (2012) and the Share Market Downturns (2010). The failure of these companies due to poor corporate governance systems has emphasized the need to improve and restructure corporate governance systems to enhance corporate value. In recent years, corporate governance practices in developing countries have become a major topic, and developing countries are still seeking appropriate mechanisms for corporate governance. Poor corporate governance practices not only lead to declining company performance but can also trigger macroeconomic crises (Claessens et al., 2002; Iqbal, M., & Javed, 2017), such as Pakistan, which has implemented a mechanism where majority shareholders in companies have control over financial decision-making, which significantly impacts the sustainability of company performance and financing decisions in manufacturing companies in Pakistan.

This study will explore phenomena in manufacturing companies in Indonesia, as Indonesia is still classified as a developing country. Based on information from the prospectus of manufacturing companies in Indonesia, it can be seen that there is a gap phenomenon, namely sharp fluctuations and a significant decline in company value as measured by Price to Book Value (PBV). Companies experiencing a decline in company value include PT. AALI, ASII, CAMP, INDF, INTP, JPFA, WTON, IGAR, SCCO, TSPC, and UNVR. PBV fluctuations indicate that these companies will strive to maximize their company value. However, the fluctuating company value creates uncertainty regarding the profits that shareholders will receive. A good company will have a PBV score of more than 1, meaning that the company's book value is almost equal to the share price. The higher the PBV score, the higher the confidence of investors in the company.

The theories related to corporate governance are the agency theory (Meckling, 1976) and the stewardship theory (Davis, 1997), which are contradictory to each other. The stewardship theory is defined as a situation where managers do not have personal interests but prioritize the interests of the principal. (Bintara, 2018) state that if the share value is high, It will influence the rising valuation of the company; hence, shareholders desire a high company valuation. The company's elevated valuation will signify the substantial wealth of its stockholders. Firms with substantial valuation can persist in and advance their objective of being publicly traded. The valuation of a corporation is assessed using the Price to Book Value (PBV) metric. The value of this corporation can be affected by various aspects, including profitability, liquidity, dividend policy, capital structure, and good corporate governance.

Profitability refers to how much assets and equity capital generate profits at the sales level (Bintara, 2018). A company's profitability will influence potential investors' decisions on the investments they will make. The capacity of a firm to produce profits A company's ability to generate profits will encourage investors to invest with the aim of expanding its business reach, while low profit margins will cause investors to refrain from injecting capital (Meivinia, 2018). The scale of profitability is measured using Return On Assets (ROA).

Prior research undertaken by (Bintara, 2018) showed positive and significant results between the profitability variable and the company value variable. Similar results were found in studies by (Dhani & Utama, 2017; Hartanti et al., 2019; Martha et al., 2018; Noviani et al., 2019), which indicated that profitability has a significant positive influence on firm value. In contrast, the results of research by (Sondakh, 2019) state that profitability has no effect on company value, and research by Meivinia (2018) found a negative and significant effect of profitability on company value.

Liquidity measures the extent to which a company can pay off its short-term debts that are due soon. A company that can pay its obligations on time can be considered a liquid company. A company must have a good amount of cash available and continuously monitor the development of its liquidity level over time (Hery, 2016). The scale of liquidity measurement is measured using the Current Ratio (CR).

Previous research by (Sondakh, 2019) stated that liquidity has a significant positive effect on company value. The same results were found in the research by (Gusti & Ni, 2019), which showed a significant positive effect on company value. However, previous research by (Dewi & Abundanti, 2019; Meivinia, 2018) found that liquidity was not significant and had a negative impact on company value.

Capital structure refers to the amount of liabilities a company must take on to fulfill its assets. Capital structure is used to evaluate a company's ability to meet all its short-term and long-term obligations. Companies with high debt can impact company value because they must bear or be burdened with large interest payments on their debt. Therefore, if a company wants to maximize profits in increasing company value, the company's finances must be balanced between debt and working capital (Hery, 2016). The scale of capital structure measurement is measured using the Debt to Equity Ratio (DER).

Previous research by (Bintara, 2018) showed that capital structure can have a positive effect on company value. Research by (Hartanti et al., 2019; Hidayat & Sugiyono, 2017) obtained the same results, namely that capital structure has a significant positive effect on company value. Conversely, research by (Dhani & Utama, 2017; Kurniasih, 2018; Lubis, 2017) states that capital structure has an insignificant and negative effect on company value.

Dividend policy is a corporate decision on the distribution of earnings to shareholders in the form of dividends at the end of the fiscal year. Increased dividend disbursements to shareholders provide a favorable signal to investors, so enhancing the company's worth. (Ayem & Nugroho, 2016). A successful company is an organization that provides profits in the form of high dividends, both now and in the future. The scale of dividend policy measurement is measured using the Dividend Pay Out Ratio (DPR).

The results of (Sondakh, 2019) research show that dividend policy affects company value. The same results were found in the studies by (Kurniasih, 2018; Kurniawan & Asmara Putra, 2019), and (Ayem & Nugroho, 2016), which stated that dividend policy significantly and positively affects company value. However, in the study by (Martha et al., 2018), the results were the opposite, indicating that dividend policy does not significantly affect company value and has a negative direction.

Good Corporate Governance (GCG) is a means of controlling company management to ensure it remains within appropriate limits. Efforts to increase business success in achieving value require shareholders to constantly pay attention to the interests of company stakeholders based on ethical standards and principles in business. GCG can maximize company value in the form of improved performance (high performance). GCG promotes professional, transparent, and efficient governance, empowering functions and enhancing corporate independence (Kusmayadi, 2015). (Bintara, 2018) research findings indicate that GCG can have a moderating effect, strengthening the relationship between profitability and corporate value. The GCG measurement scale is proportioned using the Independent Board of Commissioners.

The results of (Bintara, 2018) research show that GCG can have a moderating effect, strengthening the relationship between profitability and corporate value. Contrary results were found in studies by (Kurniawan & Asmara Putra, 2019; Mariani et al., 2016; Purnamasari, 2018; Suryawati & Puspitasari, 2019), which stated that GCG cannot strengthen the relationship between profitability and firm value. The results of the study by (Kurniawan & Asmara Putra, 2019) state that GCG can moderate liquidity on company value. Conversely, the study by (Mariani et al., 2016) found that GCG does not moderate the relationship between liquidity and company value. The study by (Bintara, 2018) shows that GCG can strengthen the relationship between capital structure and company value. However, the research by (Noviani et al., 2019) found that GCG does not moderate the relationship between capital structure and firm value. The research by (Sari & Wahidahwati, 2018) shows that GCG can moderate the relationship between dividend policy and firm value. However, the research by (Ashary & Kasim, 2020) found that GCG cannot moderate the relationship between dividend policy and firm value.

This study advances the prior research by addressing the identified gap and research gap issues (Bintara, 2018) Utilizing the determinants of profitability and capital structure in manufacturing firms listed on the IDX from 2012 to 2015 and adding the variables of liquidity and dividend policy as independent variables from (Sondakh, 2019) study. In the previous study, the research subjects were manufacturing companies listed on the IDX from 2012 to 2015, while this study still uses the same subjects in the manufacturing industry with a research period starting from 2017 to 2022. The reason for selecting this period is based on two main considerations, namely data completeness and macroeconomic stability after the pandemic.

LITERATURE REVIEW AND HYPOTHESIS FORMULATION

The theoretical basis used in this study is Signaling Theory (Spence, 1973), Irrelevant Theory (Kowerski & Haniewska, 2022), Agency Theory (Meckling, 1976) and stewardship theory (Davis, 1997). According to (Brigham, 2019), signaling theory states that signals are actions taken by company management to provide investors with clues about how management is generating prospects for the company's value. Companies with high prospects will try not to sell their shares and will try to find other ways to obtain any new capital required. Companies with good prospects will send positive signals to investors to invest in the company. Conversely, companies with poor prospects will sell their shares to maintain the company, which sends negative signals to investors. Signaling theory explains that the amount of investment provides clues about the company's future development, thereby increasing the share price and company value (Hidayat & Sugiyono, 2017), while the Irrelevance Theory explains that dividend policy is irrelevant or has no effect on share price (share value). Stock value is determined by other factors, such as business risk and the company's ability to generate profits, rather than the size of the dividends paid by the company (Kowerski & Haniewska, 2022). Dividend policy is actually irrelevant to debate; if a company applies this theory, it does not need to focus on the size of dividends to be paid, as dividend payments do not affect stock prices.

Agency theory and stewardship theory are the theories that are employed in the context of corporate governance. Stewardship theory delineates a scenario in which management is not driven by personal interests and individual goals, but rather by their primary objectives for the organization's benefit or the interests of the principal. Managers will behave in accordance with the common interest in stewardship theory. Agency theory, on the other hand, concentrates on two individuals: the principal and the agent.

Profitability

According to (Bintara, 2018), profitability is the ability to generate profits in relation to sales, assets, and capital, which will have a long-term impact on investors' decisions regarding profitability analysis. The profitability ratio proposed by ROA is the ratio between net income and total assets, which shows how much a company is able to generate profits (Hery, 2016). Profitability is the level of net profit that can be obtained while carrying out the company's functions, so that this profitability has a significant impact on investors' income in terms of their resource allocation. This is because when profitability increases, organizations can consistently obtain greater benefits. Companies with high profitability will drive the creation of high company value. By emphasizing profitability, companies will attract investors to invest in the company so that they can maximize company value. The higher the profitability, the better the company value.

This is supported by research by (Bintara, 2018; Damaianti, 2020; Dewi & Abundanti, 2019; Dhani & Utama, 2017; Kurniasih, 2018; Kurniawan & Asmara Putra, 2019; Lubis, 2017; Martha et al., 2018; Meivinia, 2018; Noviani et al., 2019; Suryawati & Puspitasari, 2019) who stated that profitability has a positive effect on company value.

H1: Profitability has a significant effect on company value.

Liquidity

According to (Hery, 2016), liquidity is the extent to which a company is able to meet its debts in the current period, which will occur in the near future. The higher a company's liquidity, the more funds it can channel into the company. The liquidity ratio is the ratio between a company's current

assets and current liabilities. Liquidity plays a role in estimating how smoothly a company can collect its immediate liabilities. A liquid company is characterized by its ability to pay all its commitments in the near future. Companies with high liquidity indices can attract investors to invest because investors must invest their capital in companies with good subsidy quality. Thus, the more liquid a company is, the greater its influence on the company's value. This is supported by research by (Gusti & Ni, 2019; Sondakh, 2019) which states that liquidity has a significant positive effect on company value.
H2: Liquidity has a significant effect on company value.

Capital Structure

Capital structure is the basis for managing company costs, which includes long-term liabilities, capital costs, and investments (Hery, 2016). According to (Bintara, 2018), capital structure is known as a source of long-term funding obtained from internal and external funds as a proportion of meeting the company's spending needs. Capital structure is a key issue for companies because the results of capital financing will directly impact the company's finances (Hery, 2016). An increase in company value can be achieved through effective management and collaboration with stakeholders to make decisions aimed at maximizing working capital. If a company can manage its loans well, it will increase profits, which will in turn increase company value. The better the management of capital funds, the higher the level of company value obtained (Bintara, 2018). This is supported by research by (Hartanti et al., 2019; Hidayat & Sugiyono, 2017) which states that capital structure has a positive and significant effect on company value.
H3: Capital structure has a significant effect on company value.

Dividend Policy

Dividend policy is the company's ability to distribute profits in the form of dividends to shareholders in order to achieve the welfare and prosperity of the shareholders (Martha et al., 2018). This is because the amount of profit distributed will affect the level of income received (Martha et al., 2018). Companies that decide to distribute profits to stakeholders in the form of dividends will reduce the company's internal funds for its growth, whereas companies that decide to retain their dividends will increase internal funds, which will be used to develop the company's capabilities (Hidayat & Sugiyono, 2017). The amount of dividends distributed will send signals to investors to invest their capital in the company. If the dividend distribution increases, the company's value will also increase (Ashary & Kasim, 2020). This is reinforced by the research of (Ayem & Nugroho, 2016; Kurniasih, 2018; Kurniawan & Asmara Putra, 2019; Senata, 2016) which state that dividend policy has a positive and significant effect on company value.
H4: Dividend policy has a significant effect on company value.

Good Corporate Governance (GCG)

Good Corporate Governance is a system of control and regulation of a company that can be assessed from the mechanisms of relationships between various parties managing the company or from the values contained in the management mechanisms themselves (Kusmayadi, 2015) To what extent the company adheres to the basic principles of GCG becomes an important factor in investment decision-making. The application of GCG principles and practices will be able to increase investor confidence in the company. Good GCG management in a company will enhance the prosperity of stakeholders, thereby continuously improving management performance, which will lead to business activities achieving maximum profits, and in this case, will also influence the increase in the company's value. This statement is supported by the research of (Bintara, 2018), (Noviani et al., 2019; Rufiyad Mawati et al., 2017), which state that GCG can moderate the relationship between profitability and company value.

H5: Good Corporate Governance moderates the relationship between Profitability and Company Value.

The company's management may be motivated to consistently manage, regulate, and control its liquidity in order to attain the status of a liquid company by the influence of GCG on the company's ability and timeliness in meeting its current obligations. The implementation of effective corporate governance will enhance and facilitate financial activities in terms of the company's liquidity. A company's value will increase if it is liquid. This idea is supported by the research of (Kurniawan & Asmara Putra, 2019), which found that GCG is capable of moderating the relationship between liquidity and company value.
H6: Good Corporate Governance moderates the relationship between Liquidity and Firm Value.

In agency theory, it is explained that the conflict between the company's management and the principal will be resolved and a solution will be obtained by increasing the share ownership by the company's management. Good GCG management will assist the administration in managing working capital, thereby maximizing the profits obtained, which will increase the company's value. That statement is supported by (Bintara, 2018) research, which states that GCG can moderate the relationship between capital structure and company value.
H7: Good Corporate Governance moderates the relationship between Capital Structure and Firm Value.

The existence of a good GCG process will help to improve the management performance of the organization, thereby enhancing its image and underlining its oversight. High GCG firms will help boost investor confidence in capital investment in the business, therefore raising the company's worth. This is bolstered by studies of (Sari & Wahidahwati, 2018), which states that GCG is capable of moderating the dividend policy towards the company's value.
H8: Good Corporate Governance moderates the relationship between Dividend Policy and Firm Value.

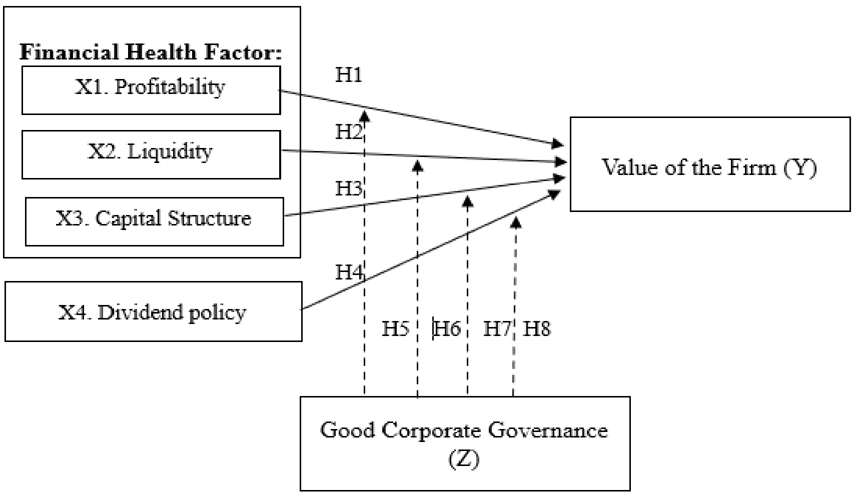

Figure 1. Framework

RESEARCH METHODS

This research uses a quantitative research type with a population of manufacturing companies listed on the IDX for the period 2017-2022, totaling 196 companies. The sample obtained used the purposive sampling technique, which is a determination technique that considers certain rules to produce ideal data, resulting in 30 companies that meet the established sample criteria. Below are some of the criteria in this test, namely:

1. The company publishes financial statements presented in Rupiah currency.
2. The company has complete data regarding the variables related to the research.
3. The company did not incur losses from 2017-2022.
4. The company has an independent board of commissioners within its organization.

Operational Definition of Variables

The operational definition of a variable is an explanation of the variable formulated based on the characteristics of the variable that can be observed using a measurement tool.

Table 1. Operational Definition of Variables

Variable	Measurement	Scale
Value of The Firm (Y)	*Price to Book Value* $BV = \frac{Total\ Equity}{number\ of\ shares\ outstanding}$ $PBV = \frac{stock\ price}{BV}$	Ratio
Profitability (X_1)	*Return On Assets:* $ROA = \frac{Net\ Profit}{Total\ Assets}$	Ratio
Liquidity (X_2)	*Current Ratio* $CR = \frac{Current\ Assets}{Current\ Liability}$	Ratio
Capital Structure (X_3)	*Debt to Equity Ratio* $DER = \frac{Total\ Liability}{Total\ Equity}$	Ratio
Dividend policy (X_4)	*Dividend Payout Ratio* $DPR = \frac{Dividend\ per\ share}{Earning\ per\ Share}$	Ratio
Good Corporate Governance (Z)	Independent Board of Commissioners $IBC = \frac{Independent\ company\ commissioner}{Total\ Number\ of\ Commissioners}$	Rasio

RESULTS AND DISCUSSION

The tabulated data will then undergo the following stages of analysis:

Descriptive Statistical Analysis

Below is the descriptive statistical analysis of all the variables used in the research.

Table 2. Descriptive Statistical Analysis

	X1 (Profitability)	X2 (Liquidity)	X3 (Capital Structure)	X4 (Dividen Policy)	Y (Value of the Firm)	Z (GCG)
Mean	0.104727	2.999762	0.757973	0.427171	2.388572	0.433349
Median	0.068006	2.155977	0.555612	0.374415	1.585821	0.400000
Maximum	1.700000	15.82231	3.582672	3.063178	16.48889	0.833333
Minimum	0.005398	0.608233	0.067269	0.000000	0.063305	0.250000
Std. Dev.	0.175593	2.762016	0.649849	0.381820	2.555978	0.119537
Skewness	6.469816	2.552677	1.991093	3.287993	2.785583	1.481340
Kurtosis	52.34490	9.796399	7.780363	18.80900	12.30999	5.743410
Jarque-Bera	16806.86	466.6513	250.0000	1893.376	760.2348	105.2952
Probability	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Sum	16.23272	464.9631	117.4858	66.21144	370.2286	67.16905
Sum Sq. Dev.	4.748288	1174.825	65.03484	22.45115	1006.085	2.200513
Observations	155	155	155	155	155	155

Source: output from eviews 12

Table 4 indicates that the profitability variable has a minimum value of 0.005, a maximum value of 1.70, an average value of 0.104, and a standard deviation of 1.175. The liquidity variable has a minimum value of 0.608, a maximum value of 15.822, an average value of 2.999, and a dispersion level of 2.672. The capital structure variable exhibits a minimum value of 0.067, a maximum value of 3.582, an average value of 0.758, and a standard deviation of 0.649. The dividend policy variable exhibits a minimum value of 0.000, a maximum value of 3.063, an average value of 0.427, and a standard deviation of 0.382. The Value of The Firm variable has a minimum of 0.063, a maximum of 16.488, an average of 2.388, and a standard deviation of 2.556. The Good Corporate Governance (GCG) variable has a minimum value of 0.250, a maximum value of 0.833, an average value of 0.433, and a data dispersion level of 0.119.

Model Selection Analysis

In the regression model estimation method using panel data, three approaches can be used: Pooled Least Square (PLS), Fixed Effect Model (FEM), or Random Effect Model (REM). Among the three regression models that can be used to estimate panel data, the model with the best results will be used for analysis. Therefore, in this study, to determine the best model to be used in the analysis, whether using Pooled Least Square (PLS), Fixed Effect Model (FEM), or Random Effect Model (REM), preliminary tests will be conducted using the Chow test and the Hausman test. If the results of both tests are inconsistent, the Lagrange Multiplier (LM) test will be conducted.

Step 1. Chow Test

That is comparing the best model of the Common Effect Model (CEM) with the Fixed Effect Model (FEM).

Table 3. Common Effect Model (CEM)

Variable	Coefficient	Std. Error	t-Statistic	Prob.

C	-2.088186	0.786673	-2.654453	0.0088
X1 (Profitability)	2.863086	1.029063	2.782227	0.0061
X2 (Liquidity)	0.151821	0.074393	2.040788	0.0430
X3 (Capital Structure)	1.018952	0.351941	2.895233	0.0044
X4 (Dividen Policy)	0.804677	0.482450	1.667898	0.0974
Z (Good Corporate governance)	6.012288	1.800966	3.338369	0.0011

Source: output from eviews 12

Table 4. Fixed Effect Model (FEM)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.297348	1.676721	1.966546	0.0515
X1 (Profitability)	-0.319422	0.973563	-0.328096	0.7434
X2 (Liquidity)	0.092683	0.136277	0.680110	0.4977
X3 (Capital Structure)	-0.824752	0.625113	-1.319364	0.1896
X4 (Dividen Policy)	0.159663	0.428841	0.372314	0.7103
Z (Good Corporate governance)	-1.376294	3.476901	-0.395839	0.6929

Source: output from eviews 12

Table 5. Chow test

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	5.522265	(29,120)	0.0000
Cross-section Chi-square	131.411794	29	0.0000

Source: output from eviews 12

The Chow test is conducted to compare or choose the best model between CEM or FEM. This is done by looking at the probability level of the cross-section F. If the p-value > 0.05, then the chosen model is CEM, but if the p-value < 0.05, then the chosen model is FEM. Based on the Chow test above, both the cross-section probability values and the chi-square value are < 0.05, indicating that the best model to use is the FEM model. Based on the results of the Chow test, the next step will be to conduct the Hausman test.

Step 2. Hausman Test

That is comparing the best model of the Random Effect Model (REM) with the Fixed Effect Model (FEM).

Tabel 6. Random Effect Model (REM)

Variable	Coefficient	Std. Error	t-Statistic	Prob.

C	-0.708900	1.051845	-0.673959	0.5014
X1 (Profitability)	0.833052	0.898720	0.926932	0.3555
X2 (Liquidity)	0.095193	0.096161	0.989934	0.3238
X3 (Capital Structure)	0.401102	0.431698	0.929126	0.3543
X4 (Dividen Policy)	0.386068	0.409120	0.943656	0.3469
Z (Good Corporate governance)	5.177674	2.196771	2.356947	0.0197

Source: output from eviews 12

Tabel 7. Hausman Test

Correlated Random Effects - Hausman Test

Equation: Untitled

Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	17.807536	5	0.0032

Source: output from eviews 12

The Hausman test is performed to evaluate and select the optimal model between Random Effects Model (REM) and Fixed Effects Model (FEM). The model selection process is predicated on the probability value (p) of the random cross-section. If the p-value exceeds 0.05, the selected model is the Random Effects Model (REM); conversely, if the p-value is less than 0.05, the selected model is the Fixed Effects Model (FEM). The Hausman test results indicate a p-value of 0.0032, which is less than 0.05, so the optimal model employed is the Fixed Effects Model (FEM). The subsequent test administered is the Lagrange Multiplier (LM) test. This test assesses if the random effects model is superior to the common effects model and also verifies the consistency of the fixed and random effects models in the preceding Chow test. This study did not employ the LM test, as the Hausman test indicated that the appropriate model was the fixed effects model, and the Chow test likewise confirmed the consistency of the fixed effects model.

Moderating Regression Analysis (MRA)

This study employs hypothesis testing through interaction moderation testing, or Moderating Regression Analysis (MRA), a specific application of multiple linear regression that incorporates interaction terms (the product of two or more independent variables) (Ghozali, 2011). The interaction test analysis was performed with the Eviews 12 software. In hypothesis testing, an examination of the coefficient of determination, simultaneous effect testing (F test), and partial effect testing (t test) will be performed. The data processing conducted with Eviews 12 yielded the statistical values for the coefficient of determination, F test, and t test, as follows:

Table 8. coefficient of determination, F-test, and t-test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.297348	1.676721	1.966546	0.0515
X1 (Profitability)	-0.319422	0.973563	-0.328096	0.7434
X2 (Liquidity)	0.092683	0.136277	0.680110	0.4977
X3 (Capital structure)	-0.824752	0.625113	-1.319364	0.1896
X4 (Dividen Policy)	0.159663	0.428841	0.372314	0.7103
Z (Good Corporate Governance)	-1.376294	3.476901	-0.395839	0.6929
Effects Specification				
Cross-section fixed (dummy variables)				
Root MSE	1.417801	R-squared		0.690310

Mean dependent var	2.388572	Adjusted R-squared	0.602564
S.D. dependent var	2.555978	S.E. of regression	1.611352
Akaike info criterion	3.987704	Sum squared resid	311.5748
Schwarz criterion	4.674929	Log likelihood	-274.0471
Hannan-Quinn criter.	4.266840	F-statistic	7.867178
Durbin-Watson stat	1.896828	Prob(F-statistic)	0.000000

Source: output from eviews 12

The coefficient of determination (R-Squared) is $R^2 = 0.6903$, as indicated in the table above. The value can be interpreted that the variables of profitability, liquidity, capital structure, and dividend policy together influence the company's value by 69.03%, and the remaining 30.97% is influenced by other factors. In the interim, the F-test, utilized as a model fit assessment, indicates from the analysis results in the table that the probability value (F-Statistic) is 0.000, which is less than 0.05. Consequently, it can be inferred that all variables employed in this study exert a positive and substantial influence on the company's value.
The following is the multiple linear regression equation, based on the results of the analysis test in the table 8:

$$Y = 3{,}297 – 0{,}319X1 + 0{,}093X2 – 0{,}825X3 + 0{,}159X4 + e \quad (1)$$

Tabel 9. Moderating Regression Analysis (MRA)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.956374	2.196220	2.256775	0.0255
X1 (Profitability)	-6.013783	2.778966	-2.164036	**0.0321**
X2 (Liquidity)	-0.341479	0.599008	-0.570075	0.5695
X3 (Capital structure)	-1.587644	1.037764	-1.529871	0.1282
X4 (Dividen Policy)	-2.078749	2.142387	-0.970296	0.3335
Z (Good Corporate Governance)	-8.793861	5.647465	-1.557134	0.1216
X1Z	22.05693	7.148348	3.085598	**0.0024**
X2Z	1.076380	1.750676	0.614837	0.5396
X3Z	4.156595	1.956619	2.124376	**0.0353**
X4Z	5.614042	4.550947	1.233599	0.2193

Source: output from eviews 12

$$Y = 4{,}956 – 6{,}014X1 - 0{,}341X2 – 1{,}588X3 – 2{,}079X4 – 8{,}794Z + 22{,}057X1Z + 1{,}076X2Z + 4{,}157X3Z + 5{,}614X4Z + e \quad (2)$$

Discussion

The Influence of Profitability on Company Value

The study shown in table 10 indicates that profitability significantly influences the company's value. The hypothesis testing results indicate that the profitability variable has a coefficient of -6.013, a t-value of -2.164, and a probability value of 0.032, which is less than 0.05. It can be inferred that H1 is accepted.

From the results of this study, it shows that the level of profitability has a significant negative effect on the value of the company. (Meivinia, 2018; Sondakh, 2019) mentioned that there is no effect of ROA on the value of the company because management performance is unable to maximize the company's assets. Additionally, ROA is not a measure of the size of a company, so investors may choose to invest in other financial assets, such as deposits, rather than buying shares in the company, which ultimately leads to a decrease in the company's value even though the company's profit has increased.

The Influence of Liquidity on Company Value

The findings of hypothesis testing 2 in this study demonstrate that liquidity exerts a minor influence on the company's value. The test findings indicate that the liquidity variable has a coefficient of -0.341, a t-value of -0.570, and a probability value of 0.569, which exceeds 0.05. It can be inferred that H2 is rijected. A high current ratio is deemed unfavorable since it suggests inefficient fund management, whereas a low current ratio is perceived as a sign of liquidity problems. A high availability of current assets inside a corporation indicates suboptimal operations, hindering the organization's capacity to maximize shareholder prosperity and potentially diminishing its overall value. The results of this study are in line with the research by (Dewi & Abundanti, 2019; Meivinia, 2018).

The effect of capital structure on company value

The results of hypothesis testing in this study indicate that capital structure has no significant effect on company value. Based on the results of hypothesis testing, the capital structure variable has a coefficient value of -1.588 with a t-value of -1.529 and a probability value of 0.128 > 0.05. Therefore, H3 is rejected.

The findings of the regression analysis demonstrate that capital structure has a negative and insignificant correlation with business value. This suggests that firms utilize substantial debt for corporate financing, which will adversely affect company value due to the associated bankruptcy expenses and escalating interest obligations that the firm must endure. Thus, the results of this study are in line with the research by (Dhani & Utama, 2017; Lubis, 2017).

The effect of dividend policy on company value

The results of testing hypothesis 4 of this study indicate that dividend policy does not have a significant effect on company value. Based on the hypothesis testing results, the dividend policy variable has a coefficient value of -2.079, a t-value of -0.970, and a probability value of 0.333 > 0.05. Therefore, H4 is rejected.

The findings of the regression analysis demonstrate that dividend policy exerts a negative and minor influence. This indicates that a reduction in dividends may enhance firm worth, as diminished distributions will augment the business's internal funds through retained earnings, thereby enhancing firm performance and contributing to an increase in firm value. This interpretation is corroborated by a hypothesis in dividend policy known as the irrelevance theory, which posits that there is no correlation between stock price (dividends) and corporate value. This result is consistent with previous research, namely the study by (Martha et al., 2018).

Good Corporate Governance moderates the relationship between Profitability and Company Value.

The results of hypothesis testing 5 in this study indicate that profitability has a significant positive effect on company value, with good corporate governance acting as a moderating variable. Based on the hypothesis testing results, the profitability variable has a coefficient value of 22.057, a t-value of 3.086, and a p-value of 0.0024 < 0.05. Therefore, H5 is accepted. From the analysis results, GCG strengthens the relationship between profitability and company value.

The proper implementation of GCG in a company will result in transparent company management and managers being able to exercise sufficient public control. Companies with high GCG scores will impact investors' perceptions that the company has a good reputation. This aligns with signaling theory, which states that information about a company can provide positive signals to investors. This will impact an increase in company value. Profitability is a commonly used indicator for investment decision-making, leading to changes in stock prices that impact company value. This study aligns with previous research by (Bintara, 2018).

Good Corporate Governance moderates the relationship between Liquidity and Company Value.

The results of hypothesis testing 6 in this study indicate that liquidity has a positive but insignificant effect on company value, with good corporate governance as the moderating variable. Based on the hypothesis testing results, the liquidity variable has a coefficient value of 1.076, a t-value of 0.614, and a p-value of 0.539 > 0.05. Therefore, H6 is rejected. From the analysis results, GCG is unable to moderate the relationship between liquidity and company value.

The analysis results reveal that the objective of using GCG is to facilitate management optimization within firms. This study indicates that the adoption of sound corporate governance in organizations has not yet enhanced the effectiveness and efficiency of management. Effective management of corporate assets can improve operational efficiency, therefore preventing waste. A high liquidity level signifies the company's favorable situation; nevertheless, an excess of assets suggests inadequate management in the allocation of funds for the company's interests. The results of this study are in line with previous studies by (Hendrianto, Yulia Efni, Andewi Rokhmawati, 2018; Mariani et al., 2016).

Good Corporate Governance moderates the relationship between Capital Structure and Company Value.

The results of hypothesis testing 7 of this study indicate that capital structure has a significant positive effect on company value with Good Corporate Governance as a moderator. Based on the results of hypothesis testing, the capital structure variable has a coefficient of 4.157 with a t-value of 2.124 and a significance value of 0.034 < 0.05. Therefore, H7 is accepted, meaning that GCG can strengthen the relationship between capital structure and corporate value.

GCG improves the correlation between capital structure and corporate value. Independent boards of commissioners enhance oversight of corporate debt utilization and exert greater influence over choices to reduce corporate debt, ultimately affecting a rise in company value. This corresponds with stewardship philosophy, wherein managers govern the organization in concert with the owners, favoring collective objectives over personal interests, specifically the enhancement of business value. This research is supported by studies from (Bintara, 2018) which show that the relationship between capital structure and company value, moderated by GCG, has a positive and significant direction. Therefore, GCG can moderate the relationship between capital structure and company value.

Good Corporate Governance moderates the relationship between Dividend Policy and Company Value.

The results of hypothesis testing in this study indicate that dividend policy has a significant effect on company value, with GCG acting as a moderator. Based on the hypothesis testing results, the dividend policy variable has a coefficient of 5.614, a t-value of 1.233, and a probability value of 0.219 > 0.05. Therefore, H8 is rejected, meaning that GCG is unable to moderate the relationship between dividend policy and company value.

The responsibilities and powers of independent commissioners in this instance are to serve as intermediaries between management and shareholders, as well as to supervise corporate policy. This analysis concludes that independent commissioners do not influence dividend distribution practices that enhance business value. Furthermore, managerial ownership, in this instance GCG, does not influence dividend policy or the valuation of the company, as payouts are determined by corporate profitability rather than the quantity of shares held by the company. The results of this study are in line with the results of the study by (Ashary & Kasim, 2020).

CONCLUSION

This study's results demonstrate that only profitability significantly influences firm value, but liquidity, capital structure, and dividend policy do not exert a substantial impact on company value. The results of the moderation interaction test indicate that effective corporate governance can moderate the relationship between profitability and capital structure concerning business value; however, it does not modify the association between liquidity and dividend policy with company value. This study seeks to analyze the impact of profitability, liquidity, capital structure, and dividend policy on company value, with effective corporate governance serving as a moderating variable, focusing on manufacturing companies listed on the Indonesia Stock Exchange from 2017 to 2022.

Investors can utilize this research to comprehend the significance of assessing a company's health indicators, including profitability, liquidity, capital structure, and dividend policy, in their investing decisions. Investors must evaluate the significance of GCG in determining a firm's success and stability, as robust corporate governance improves investor welfare, resulting in favorable market perceptions and heightened business valuation.

The research findings can be employed by organizations to enhance financial management techniques, encompassing profitability, capital structure, and dividend policy. Implementing efficient GCG is crucial for enhancing corporate value. This study is limited to companies registered on the Indonesian capital market; future research could incorporate data from other Asian regions. This study solely identifies aspects pertaining to company health and fundamentals; however, subsequent research may incorporate external factors.

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