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FINANCIAL PERFORMANCE AND COMPANY VALUE: GOOD CORPORATE GOVERNANCE AS MODERATION

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ABSTRACT

This study aims to test and analyze the effect of financial performance on firm value moderated by good corporate governance (GCG) in the banking sector listed on the IDX for 2018-2022. The population in this study was 47 companies in the banking sector. Based on the predetermined criteria, 31 banks were obtained within five years. The data used is secondary data in the form of financial reports from each bank. The data analysis techniques in this study were multiple linear regression and moderated regression analysis using SPSS software. The study results indicate that profitability, liquidity, solvency, and good corporate governance positively affect firm value. Good corporate governance strengthens the relationship between profitability and solvency with firm value. However, good corporate governance weakens the relationship between liquidity and firm value. This study contributes to the literature on the relationship between financial performance and firm value, especially in the banking sector, by showing that good corporate governance can moderate the relationship between profitability, liquidity, and solvency on firm value. This study strengthens the relevance of agency and signaling theories in explaining how good corporate governance can influence market perceptions and investor decisions. This study can reference banks in increasing firm value by considering good corporate governance.

Keywords: profitability, liquidity, solvency, company value, good corporate governance.

INTRODUCTION

A stable banking sector is a measure of an economy's ability to withstand shocks from both internal and external environments (González-Velasco, García-López, and González-Fernández 2022). In addition, the banking sector's stability indicates the financial system's safety and security. It helps avoid and mitigate banking crises and their adverse economic impacts (Athari, Irani, and Hadood 2023). Companies must be able to compete and have their competitive advantages, and it is expected that company actors can manage resources more effectively and efficiently (Bhutto, Jamal, and Ullah 2023). In addition to being required to strive for efficiency and effectiveness, companies must also be able to increase company value (Le, Nguyen, and Schinckus 2022). Company value is well reflected by the community in several ways, one of which is the information contained in the financial statements and the positive reaction of the community to the information (Permana and Rahyuda 2019). High company value indicates that the company can increase investor confidence and maintain financial stability. In the context of the banking sector, company value becomes more critical because banking is a sector that is highly dependent on market confidence and financial stability (Hasan, Micale, and Rapaccioli 2024).

Global uncertainty is increasingly occurring in a shorter period, especially since 2008. Starting with the global financial crisis and the world oil crisis,

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subsequent economic crises such as the European debt crisis, the oil crisis, the US-China trade war, and the Covid-19 pandemic occurred in a relatively close time. In 2023, global conflicts such as the war between Hamas and Israel will again add to the uncertainty. Therefore, the government must be prepared by taking quick policies to respond to this situation. Nevertheless, the Indonesian government remains optimistic about Indonesia's economic growth, which is expected to remain above 5% in 2024, while warning to remain vigilant and maintain domestic stability, such as inflation and food prices (Nugroho 2023). The stability of economic growth can have a significant impact on the value of companies, especially in the banking sector (Tang et al. 2022).

The value of companies can be influenced by profitability, liquidity, and solvency (Jannah and Handayani 2022). In general, every company aims to make a profit, so the company's management is required to achieve the planned target. The profitability ratio also provides a measure of the level of effectiveness of a company's management. ROE can measure profitability by outlining the profitability moment. This becomes profitability lag and growth profitability when observing alone predicts profit (Lim et al. 2024). A previous study on the influence of profitability on company value has been conducted by Markonah, Salim, and Franciska (2020); Jihadi et al. (2021); Saragih and Hakiman (2021); Badruzaman, Fadilah, and Abdurrahman (2022); Firdaus and Tanjung (2022); Hasanudin, Primawresti, and Lestari (2022); Jannah and Handayani (2022); Mardianti and Sunandar (2022); Pangaribuan et al. (2023), who state that profitability positively affects company value. In contrast, a study by Simanullang et al. (2021); Jamiah (2023) states that profitability does not influence company value. However, the study contained inconsistent results and did not discuss good corporate governance.

Companies with high levels of liquidity tend to have a better ability to meet their short-term obligations (Kontuš and Mihanović 2019). This increases the trust of external parties such as banks, creditors, and material suppliers. The production of bank liquidity is believed to significantly affect the financial sector in the first quarter and the economy as a whole (K.V. 2024). Sufficient liquidity can predict banking collapse and financial crisis (Huynh 2024). A previous study on the effect of liquidity on company value has been conducted by Jihadi et al. (2021); Jannah and Handayani (2022); Mardianti and Sunandar (2022), who state that liquidity positively affects company value. A study by Firdaus and Tanjung (2022) stated that liquidity negatively affects company value. In contrast, a study by Markonah, Salim, and Franciska (2020); Ambarwati (2021); Hasanudin, Primawresti, and Lestari (2022); Jamiah (2023); Pangaribuan et al. (2023) states that liquidity does not affect company value. However, the study contained inconsistent results and did not discuss good corporate governance.

Solvency shows the company's ability to meet its long-term obligations (Yenni et al. 2021). The obligations in question are debts that the company must pay. Solvency can be calculated using the debt-to-equity ratio (DER), which compares the amount of assets a company owns with the debt that must be borne. A company with a high solvency ratio will make investors reluctant to invest because it has a higher risk of bankruptcy (Idris 2021). A study on the effect of solvency on company value was conducted by Jannah and Handayani (2022), who stated that solvency positively affects company value. A study conducted by

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Permana and Rahyuda (2019); Pangaribuan et al. (2023) stated that solvency negatively affects company value. In contrast, a study by Firdaus and Tanjung (2022) stated that solvency does not affect company value. However, the study contained inconsistent results and did not discuss good corporate governance.

Good performance in a company can achieved by applying good corporate governance (GCG) in management. GCG is a system (input, process, output) and a set of rules that govern the connection between various interested parties (stakeholders), especially in the narrow sense connection between holder shares, the board of commissioners, and the board of directors For reach objective company (Orbaningsih et al. 2022). GCG is important in improving performance and is expected to continue in the long term. With the implementation of GCG, stakeholder trust in the company's sustainability performance will increase (Tjahjadi, Soewarno, and Mustikaningtiyas 2021). Previous studies on the effect of GCG on company value have been conducted by Wahidahwati and Ardini (2021), who stated that GCG positively affects company value. A study by Aisyah (2022) stated that GCG negatively affects company value. In contrast, a study by Mukhtaruddin et al. (2019) stated that GCG does not affect company value. However, the study showed inconsistent results and did not discuss liquidity and solvency.

Previous studies examining the role of GCG in moderating factors that influence company value have been conducted by Setiawanta (2019), but the factors studied were general financial performance on company value in food and beverage companies. The study by Yusuf, Ratnawati, and Brahmayanti (2023) did not discuss profitability and solvency. Then, the studies conducted by Aduroh, Fadah, and Paramu (2020); Aduroh and Paramu (2021); Widuri and Asyik (2024) had inconsistent results and did not discuss liquidity. There are still few studies on the role of GCG in moderating factors that affect company value, especially in the banking sector, so this is an element of novelty in this study. Then, previous studies on factors that directly affect company value show inconsistencies in research results, opening a research gap. Therefore, with the existence of research gaps and novelty, it is important to conduct further research with different data, especially in companies in the banking sector. This study aims to test and analyze the effect of profitability, liquidity, solvency and GCG on company value and analyze the role of GCG in moderating the relationship between profitability, liquidity and solvency on the company value in the banking sector listed on the Indonesia Stock Exchange in 2018-2022. This research is expected to be a reference for banks to increase company value by implementing good corporate governance.

LITERATURE REVIEW

Agency Theory

Agency theory describes a company as a meeting place between the company owner (principal) and management (agent). The conflict between the principal and the agent arises because the agent's choice of actions does not always match the principal's wishes. This requirement is exacerbated by the fact that the agent, as a business actor, has more inside information than the principal (Jensen and Meckling 1976). The separation of principal ownership and agent

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control in an organization usually gives rise to agency conflicts between the principal and the agent (Hardianti et al. 2023). In general, there are three assumptions underlying agency theory: assumptions about human nature, organizational assumptions, and information assumptions. The information assumption indicates that information is considered a commodity that can be traded (Farhan, Muawanah, and Suwartono 2022).

Signaling Theory

Signaling theory is appropriate for describing a situation where two interested parties (either individuals or organizations) have access to different information, often called information asymmetry (Spence 1973). This theory aims to enable investors to distinguish between companies with high and low responsibility values. The increasing awareness of sustainability among investors shows that the company cares about long-term value and social and environmental impacts. This can increase the company's value and attract investors who focus on sustainable investment.

Company Values

Company value is the market value of a company that can be used to distribute maximum welfare to shareholders if a company's share price increases (Machmuddah, Sari, and Utomo 2020). Company value is the investor's perception of the company, often associated with the stock price (Darniaty et al. 2023). This shows that one aspect investors consider when investing is the company's value that will be used as a place to invest (Margono and Gantino 2021). This study uses price-to-book value (PBV) as a proxy to measure company value. Increasing company value is identical to increasing PBV (Filatov 2022). PBV is particularly relevant for valuing banking companies, where the value of assets such as loans and investments are critical. In the banking sector, PBV indicates whether a bank is trading at a price that is in line with the net value of its assets (Hasan, Micale, and Rapaccioli 2024).

Financial Performance

Financial performance is a condition that describes the finances of a company that analyzes with financial analysis tools so that it can know about the good and bad financial condition of a company, which is a reflection of work performance (Sindhu et al. 2024). Assessment of the company's health for management, especially to measure the profitability, liquidity and solvency of the company, is one of the important factors to determine the level of efficiency of the company because with profitability, liquidity and solvency as a measuring tool, we can know to what extent the company's ability to generate maximum profit compared to the capital used by the company, becomes a benchmark for the company in paying off debts that have matured and paying off short-term and long-term debts (Jitmaneeroj and Ogwang 2023).

Profitability

Profitability, which is an important indicator in making internal and external decisions of a company, can be influenced by shares owned by management (Haryanto 2014). High profitability occurs because of increasingly

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good management performance (Dang et al. 2019). This study measures profitability using return on equity (ROE). ROE is the net profit of common shareholders divided by total shareholders' equity. ROE is a ratio to measure net profit after tax with equity (Badruzaman, Fadilah, and Abdurrahman 2022). ROE shows how well a company manages the equity capital shareholders provide to generate profits. This ratio helps investors understand whether the funds they invest are used effectively to generate profits (Orbaningsih et al. 2022).

Liquidity

Liquidity is a factor that affects the value of the company. Liquidity is a benchmark for the company in paying off matured debts (Karaman, Kilic, and Uyar 2020). Liquidity in this study is calculated using the current ratio (CR). This ratio is considered a general indicator of liquidity health, showing whether the company has sufficient assets to cover its short-term liabilities. CR signals shareholders and creditors about the company's ability to manage its short-term liabilities (Idris 2021). CR is a ratio that measures the company's ability to pay short-term liabilities due immediately when billed in full (Grundke and Kühn 2020).

Solvency

The solvency ratio is a ratio used to measure the extent to which a company's assets are financed with debt (Permana and Rahyuda 2019). The solvency ratio measures how much debt burden the company bears compared to its assets (Lim et al. 2024). Solvency in this study is calculated using the debt-to-equity ratio (DER). DER is one of the financial ratios used to measure the proportion of debt and equity used in a company's capital structure (Oke et al. 2023). This ratio is beneficial for investors and creditors to understand how much a company relies on debt in its operations and how it impacts the company's profitability, value, and risk (Lestari 2023).

Good Corporate Governance (GCG)

The World Bank stated that the weak implementation of the corporate governance system was one of the factors determining the severity of the crisis in Southeast Asia. Good corporate governance (GCG) is a collection of laws, regulations and rules that must be met to encourage the performance of company resources to work efficiently, producing sustainable long-term economic value for shareholders and the surrounding community as a whole (Farhan, Muawanah, and Suwartono 2022). This study measures GCG using the Corporate Governance Perception Index (CGPI). CGPI is a research and ranking program for implementing good corporate governance in Indonesia in public companies organized by IICG. The results of CGPI output and ranking are in the form of CGPI research and ranking reports, publication of CGPI award research and ranking results and publication of the best practices book by IICG (Wahyudin and Solikhah 2017).

Hypothesis Development

Profitability is one of the key factors that affect the value of a company in the banking sector. This relationship is positive, where increasing profitability will

generally increase the company's value (Dang et al. 2019). Based on agency theory, there is a conflict of interest between shareholders (principals) and management (agents) in a company. Agency theory has a direct relationship with profitability and company value in banking through managing conflicts of interest between owners and managers. Reducing agency costs, adequate supervision, and good corporate governance will help increase profitability and company value. Profitability can indicate banking management's performance in carrying out its duties to increase the company's value. Signal theory sees that as an indicator of financial performance, profitability provides a positive signal about how effective management is in generating profits and meeting shareholder expectations. The higher the profitability, the greater the potential for increasing the company's value, which can reduce agency conflicts (Saragih and Hakiman 2021). Studies by Markonah, Salim, and Franciska (2020); Jihadi et al. (2021); Saragih and Hakiman (2021); Badruzaman, Fadilah, and Abdurrahman (2022); Firdaus and Tanjung (2022); Hasanudin, Primawresti, and Lestari (2022); Jannah and Handayani (2022); Mardianti and Sunandar (2022); Pangaribuan et al. (2023) state that profitability positively affects company value. H1: Profitability positively affects company value.

Optimal liquidity increases the company's value by indicating stability, market confidence and sound risk management (Ishak and Selamat 2024). Based on signaling theory, companies that maintain high liquidity levels are likely to signal the market positively about the company's financial health and ability to cope with risks. The relationship between liquidity and company value lies in the market's perception of the company's financial stability (Hasanudin, Primawresti, and Lestari 2022). When a company has high liquidity, investors assume it has efficient financial management and sufficient cash reserves to support its long-term operations. This increases investor confidence in the company's prospects, which can drive demand for its shares and increase its share price. Thus, this increase in market value is reflected in an increase in the company's value. Studies by Iman, Sari, and Pujiati (2021); Jihadi et al. (2021); Jannah and Handayani (2022); Mardianti and Sunandar (2022) state that Liquidity positively affects company value. H2: Liquidity positively affects company value.

Good solvency is an important indicator of a bank's financial health and directly impacts the market's perception of the company's value (Amoa-Gyarteng 2021). Banks with high solvency levels show that they can better cope with financial risks and meet their long-term obligations (Aldasoro, Cho, and Park 2022). This increases investor confidence and can increase stock prices, increasing the company's value. In agency theory, low solvency can trigger conflicts between shareholders and creditors because the risk of default increases. However, optimal solvency reduces such conflicts and ensures the stability of the company, which ultimately supports the increase in company value (Permana and Rahyuda 2019). Signaling theory explains how good solvency a positive signal from the bank to investors is reducing uncertainty and increasing market confidence. Strong solvency indicates that the bank can manage risk, which impacts increasing the company's value. Studies by Sondakh, Saerang, and Samadi (2019); Jannah and Handayani (2022) state that solvency positively affects company value. H3: Solvency positively affects company value.

GCG encourages bank management transparency, including financial information disclosure and managerial policies. This gives shareholders, investors, and regulators more confidence in the bank. Higher trust can increase company value. Agency theory shows the importance of managing the relationship between shareholders and managers to minimize conflicts of interest and improve performance. GCG serves as a mechanism to ensure that managers act in the interests of shareholders, reduce the risk of asymmetric information, and improve corporate governance. Exemplary GCG implementation can improve bank performance and stability, increasing company value. The signaling theory explains how companies signal the market about their quality and prospects through actions and policies. GCG signals to the market about the quality of company management and its prospects. This directly affects the company's value because the market tends to value companies with good governance higher, thereby reducing risk and increasing investment attractiveness (Suryaningtyas and Rohman 2019). Studies by Suryaningtyas and Rohman (2019); Wahidahwati and Ardini (2021) state that GCG positively affects company value. H4: GCG positively affects company value.

GCG has information that is a requirement for company prospects. GCG can run well if its structure can apply GCG principles well. Well-implemented GCG can improve operational efficiency, reduce risk, and increase investor confidence, which leads to increased profitability and company value (Rajab 2023). In the banking sector, good GCG can strengthen the positive relationship between profitability and company value, ensuring that the profits generated are reflected in an increase in the company's value. Agency theory explains the potential conflict of interest between shareholders and management, while GCG plays a role in reducing this conflict through supervision, transparency, and sound risk management. GCG moderates the relationship between profitability and company value by ensuring that the profitability generated by management reflects sustainable success and benefits shareholders rather than the result of decisions taken solely for managers' interests. As a result, good GCG strengthens the positive impact of profitability on company value and prevents deviations that can harm the company. Signaling theory states that management actions, such as implementing sound GCG principles, can provide positive information to investors regarding the quality of the company and its prospects. Studies by Aduroh, Fadah, and Paramu (2020) state that GCG can strengthen the relationship between profitability and company value. H5: GCG can strengthen the relationship between profitability and company value.

GCG has information that is a requirement for company prospects. GCG can run well if its structure also applies GCG principles well. GCG can moderate the relationship between liquidity and company value in the banking sector by ensuring liquidity is managed efficiently, transparently, and responsibly. GCG reduces the risk of poor liquidity management, increases investor confidence, and ensures that liquidity supports long-term growth that increases company value (Erawati et al. 2023). In this case, GCG plays a role in managing liquidity and ensuring that the policies and decisions taken create added value for shareholders and other stakeholders (Hermiyetti et al. 2023). Agency theory highlights the conflict of interest that may arise between management and shareholders in managing a company, including liquidity management. GCG plays an important

role in moderating the relationship between liquidity and company value by reducing conflicts of interest, increasing transparency, independent oversight, and ensuring that liquidity policies are taken in the long-term interests of shareholders. With strong GCG, optimal liquidity management can translate into increased company value because decisions taken by management better reflect the interests of all stakeholders and not just managers' interests. Signaling theory suggests that good GCG practices can strengthen the signals sent regarding liquidity, increasing company value. GCG provides important signals to the market regarding a company's credibility, transparency, and ability to manage liquidity (Erawati et al. 2023). The relationship between GCG and liquidity with company value is based on the idea that good GCG practices provide positive signals to investors about how a company manages its liquid assets. Signaling theory emphasizes that companies use actions and policies such as good GCG to communicate to investors that they have a strong structure and can face financial risks. Studies by Latifah and Murniningsih (2017) state that GCG strengthens the relationship between liquidity and company value. H6: GCG strengthens the relationship between liquidity and company value.

GCG can run well if its structure also applies GCG principles well. Good GCG enhances transparency, oversight, market confidence, and effective risk management, all contributing to a better market assessment of the bank's solvency and long-term stability (Jumroh 2024). With GCG in place, the market will appreciate sound solvency management, which, in turn, will increase the company's value. Agency theory explains the potential for conflicts of interest between managers and shareholders that can affect solvency management and company value. GCG plays an important role in moderating the relationship between solvency and company value by reducing conflicts of interest, increasing transparency and accountability, and ensuring that managers act in the long-term interests of shareholders. GCG helps increase market confidence in the bank's financial stability and optimizes solvency management, increasing company value (Buniarto and Nordin 2024). Signaling theory explains how information about bank solvency can be transmitted to the market through transparent disclosure, prudent managerial decisions, and regulatory compliance. GCG is important in moderating the relationship between solvency and company value by ensuring that banks send accurate, clear, and credible signals. GCG increases transparency, reduces information asymmetry, and ensures good governance in maintaining solvency, strengthening the positive signals sent to the market (Masno et al. 2024). This can strengthen the banking sector's relationship between solvency and company value. Studies by Aduroh, Fadah, and Paramu (2020); Aduroh and Paramu (2021) state that GCG strengthens the relationship between solvency and company value in Indonesia. H7: GCG strengthens the relationship between solvency and company value.

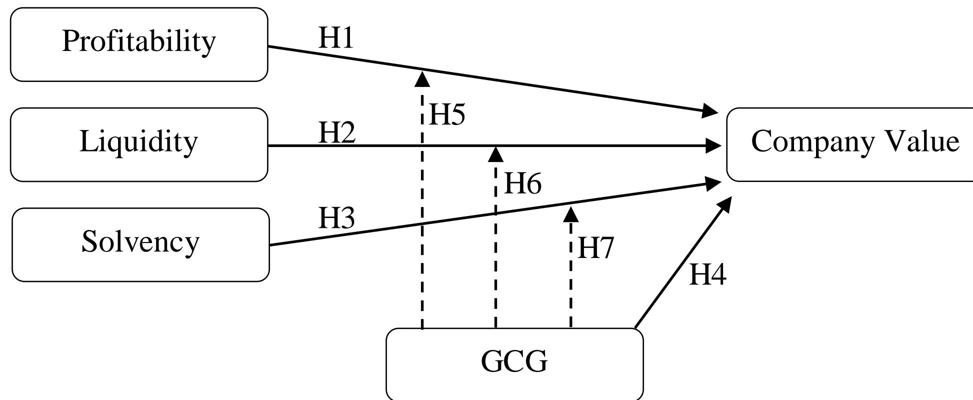

Figure 1 Conceptual Framework

METHOD

This study uses a quantitative method using secondary data in the form of financial reports of each bank. The population in this study was 47 companies in the banking sector listed on the Indonesian Stock Exchange (IDX) in 2018-2022. Sampling used a purposive sampling technique with specific criteria (Table 1), so 31 banks were obtained as research samples (appendix). This study consists of independent variables (profitability, liquidity, and solvency), dependent variables (company value), and moderating variables (GCG) for the measurement of each variable can be seen in Table 2. The data analysis techniques in this study were multiple linear regression and moderated regression analysis using SPSS software.

Table 1 Sample Distribution

No.	Criteria	Amount
1.	Banking sector companies listed on the IDX in 2018-2022	47
2.	Banking sector companies that do not emit annual report in a way complete and sustainable during period study	(16)
3.	Banking sector companies that have ROE, CR, DER, PBV and Good Corporate Governance Index	31
Total observation data (5 years x 31)		155

Table 2 Measurement of Variables

Variables	Measurements	Scale
Profitability	$\text{ROE} = \frac{\text{Net Profit}}{\text{Equity}} \text{ x } 100\%$	Ratio
Liquidity	$\text{CR} = \frac{\text{Current Assets}}{\text{Current Debt}}$	Ratio
Solvency	$\text{DER} = \frac{\text{Total Debt}}{\text{Total Equity}}$	Ratio
Company Values	$\text{PBV} = \frac{\text{Stock Price}}{\text{Book Value per Share}}$	Ratio
GCG	CGPI (Corporate Governance Perception Index) Score	Ratio

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RESULTS AND DISCUSSIONS

Descriptive Statistical

Table 3 Descriptive Statistical Results

Variables	N	Minimum	Maximum	Mean	Std. Dev.
Profitability	155	-0.21	1.40	0.1065	0.19919
Liquidity	155	0.08	8.51	0.4105	0.71747
Solvency	155	0.08	17.07	5.7396	2.88425
Company Value	155	-0.22	2.14	0.7680	0.21812
GCG	155	80.43	137.40	98.7048	12.45110
Profitability*GCG	155	-0.20	0.77	0.0740	0.11103
Liquidity*GCG	155	0.07	7.57	0.3373	0.64019
Solvency*GCG	155	8.58	1729.19	574.2796	322.47052

Source: secondary data (processed, 2024)

Table 3 shows that profitability during the research period has a minimum of -0.21, a maximum of 1.40, an average of 0.1065, and a standard deviation of 0.1991. Liquidity during the research period has a minimum of 0.08, a maximum of 8.51, a mean of 0.4105, and a standard deviation of 0.71747. Solvency during the research period has a minimum of -0.08, a maximum of 17.07, a mean of 5.7396, and a standard deviation of 2.88425. The company's value during the research period has a minimum of -0.22, a maximum of 2.14, a mean of 0.7680, and a standard deviation of 0.21812. GCG during the research period has a minimum of 80.43, a maximum of 137.40, a mean of 98.7048, and a standard deviation of 12.45110. Profitability*GCG during the research period has a minimum of -0.20, a maximum of 0.77, a mean of 0.0740, and a standard deviation of 0.11103. Liquidity*GCG during the research period has a minimum of 0.07, a maximum of 7.57, a mean of 0.3373, and a standard deviation of 0.64019. Solvency*GCG during the research period has a minimum of 8.58, a maximum of 1729.19, a mean of 574.2796 and a standard deviation of 322.47052.

Normality Test

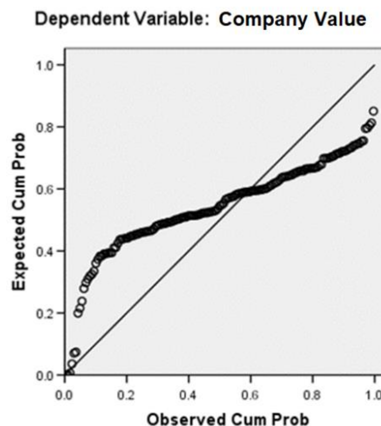

Figure 2 Normality Test Results
Source: secondary data (processed, 2024)

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The normality test helps determine whether the data distribution in a dataset follows a normal distribution. Figure 2 shows that the data plot spreads around the diagonal line and follows the diagonal line, so this result can be said that the data has met the normality test.

Hypothesis Test

The hypothesis is tested using the t-test. The t-test is used to analyze the magnitude of the influence of independent variables consisting of the Influence of financial performance proxied by ROE as a profitability indicator, CR as a liquidity indicator and DER as a solvency indicator on company value and moderated by GCG with a significant level of 0.05.

Table 4 Hypothesis Test Results

Hypothesis	Coefficient	t-value	Sig.
Profitability → Company Value	0.573	11.741	0.000
Liquidity → Company Value	0.187	13.761	0.000
Solvency → Company Value	0.028	8.193	0.000
GCG → Company Value	0.002	2.855	0.005
Profitability* GCG → Company Value	1.753	2.636	0.009
Liquidity*GCG → Company Value	-0.569	-2.573	0.011
Solvency*GCG → Company Value	0.000	2.127	0.035

Source: secondary data (processed, 2024)

Table 4 shows that profitability → company value has a coefficient of 0.573, t-value 11.741 > t-table 1.975, and sig. 0.000 <0.05, so it can be said that profitability positively and significantly affects company value, meaning H1 is accepted. Liquidity → company value has a coefficient of 0.187, t-value 13.761 > t-table 1.975, and sig. 0.000 < 0.05, so it can be said that liquidity positively and significantly affects company value, meaning H2 is accepted. Solvency → company value has a coefficient of 0.028, t-value 8.193 > t-table 1.975, and sig. 0.000 < 0.05, so it can be said that solvency positively and significantly affects company value, meaning H3 is accepted. GCG → company value has a coefficient of 0.002, t-value 2.855 > t-table 1.975, and sig. 0.005 < 0.05, so it can be said that GCG positively and significantly affects company value, meaning H4 is accepted. Profitability* GCG → company value has a coefficient of 1.753, t-value 2.636 > t-table 1.975, and sig. 0.009, it can be said that GCG strengthens the relationship between profitability and company value, meaning H5 is accepted. Liquidity*GCG → company value has a coefficient of -0.569, t-value -2.573 < t-table -1.975, and sig. 0.011 <0.05, so it can be said that GCG weakens the relationship between liquidity and company value, meaning H6 is rejected. Solvency*GCG → company value has a coefficient of 0.000, t-value 2.127 > t-table 1.975, and sig. 0.035 < 0.05, so it can be said that GCG strengthens the relationship between solvency and company value, meaning H7 is accepted.

The Effect of Profitability on Company Value

The results showed that profitability positively affects company value. This means that the higher the profitability, the higher the company's value. This reflects the bank's ability to generate profits, consistently indicating performance

and attractiveness to investors. Banking depends on operational efficiency, customer trust, and competitiveness in financial markets (Rashid et al. 2020). Banking profitability is not only an indicator of operational performance but also reflects the stability and ability of banks to manage risks and attract market trust (Olmo, Saiz, and Azofra 2021). With high profitability, banks can increase their competitiveness in the financial market, strengthen customer relationships, and create more excellent value for shareholders (Rashid et al. 2020). Within the agency theory framework, high profitability helps align the interests of shareholders and management, reduces agency conflicts, and increases investor confidence. In the banking sector, where transparency, trust, and efficiency are essential, high profitability indicates that management is performing its duties well, thus contributing to increasing the company's value (Mukhtaruddin et al. 2019). In the view of signaling theory, high profitability in banks provides a positive signal to the market about the company's management capabilities, operational stability, and growth prospects. This signal helps reduce uncertainty and asymmetric information, increases investor confidence, and increases the company's value. In the banking sector, where trust and reputation are crucial, the profitability signal becomes a key element influencing the market's perception of the company's value. This result is in line with a study by Markonah, Salim, and Franciska (2020); Jihadi et al. (2021); Saragih and Hakiman (2021); Badruzaman, Fadilah, and Abdurrahman (2022); Firdaus and Tanjung (2022); Hasanudin, Primawresti, and Lestari (2022); Jannah and Handayani (2022); Mardianti and Sunandar (2022); Pangaribuan et al. (2023) state that profitability positively affects company value.

Effect of Liquidity on Company Value

The results showed that liquidity positively affects company value. This means that the higher the level of liquidity, the better the company's value. This indicates the bank's ability to meet its short-term obligations, which increases investor confidence. Liquidity reflects the bank's ability to meet its short-term obligations, such as customer withdrawals or payments of other obligations. When a bank has good liquidity, it can maintain the trust of customers and other stakeholders. This trust directly affects the bank's reputation and stability, increasing the company's value. High liquidity provides banks with the flexibility to deal with unexpected market situations. This long-term stability is attractive to investors seeking safe and sustainable investments. Signaling theory views liquidity as an important indicator that reflects the health and performance of banking. High liquidity signals trust, stability, and good management ability in the market. This signal attracts more investors, ultimately increasing the demand for bank shares and the company's overall value. This study is consistent with the results of a study by Idris (2021); Iman, Sari, and Pujiati (2021); Jihadi et al. (2021); Jannah and Handayani (2022); Mardianti and Sunandar (2022) state that Liquidity positively affects company value. H2: Liquidity positively affects company value.

The Effect of Solvency on Company Value

The results showed that solvency positively affects company value. This means the higher the solvency level, the better the company's value. A debt-

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dominated capital structure can increase financial risk and investor confidence (Nuzula, Rahayu, and Wulandari 2023). This is because solvency reflects the bank's ability to meet its long-term obligations. A good solvency level indicates that the bank has a healthy financial structure and can effectively manage credit and operational risks (Abdallah and Bahloul 2024). Banks with high solvency can survive in unstable economic conditions. This assures stakeholders that the company can maintain its business continuity, which contributes to increasing its value. Banks with good solvency are more attractive to investors because they are less likely to experience financial difficulties (Aldasoro, Cho, and Park 2022). This makes it easier for banks to obtain additional capital by issuing shares or debt instruments, which can increase the company's value. From the agency theory perspective, solvency that positively affects company value indicates that management that maintains high solvency has succeeded in reducing conflicts of interest, information asymmetry, and agency costs. This creates trust in principals (shareholders) and external parties (investors, creditors, regulators), ultimately increasing the company's value. According to signaling theory, solvency signals the quality and credibility of the company to the market. High solvency indicates good risk management, regulatory compliance, and financial stability, all of which are positive indicators for investors and stakeholders. This signal increases market confidence, reduces information asymmetry, and ultimately increases the company's value. This result is supported by the study by Sondakh, Saerang, and Samadi (2019); Jannah and Handayani (2022) state that solvency positively affects company value.

The Effect of GCG on Company Value

The results showed that GCG positively affect company value. This means that the better the GCG, the better the company's value. This indicates that good governance increases investor confidence through transparency, accountability, and effective risk management. Good GCG increases transparency and accountability in company management, increasing investor confidence (Hariyani, Ratnawati, and Rahmiyati 2021). Investors tend to choose companies with good governance because they feel safer investing, which can increase stock prices and company value. Well-implemented GCG creates a more stable, transparent and predictable environment, which contributes to better performance and increases company value, particularly in the highly regulated and risky banking sector. Agency theory states that good GCG can reduce agency problems by reducing information asymmetry, improving internal supervision and control, and aligning interests between managers and shareholders. This will improve performance and risk management and increase company value in the banking sector. Signaling theory states that good GCG implementation is a positive signal that reduces market uncertainty, increases transparency, and demonstrates good management quality. These signals provide relevant information to investors about responsible and sustainable corporate governance and effective risk management. Therefore, companies implementing good GCG have a greater chance of attracting investors and increasing company value, especially in the banking sector, which is highly dependent on public trust and stability (Mahdi et al. 2023). This study is consistent with the findings of Suryaningtyas and Rohman (2019); Wahidahwati

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and Ardini (2021); Farhan, Muawanah, and Suwartono (2022); Darniaty et al. (2023) state that GCG positively affects company value.

The Role of GCG Moderates the Relationship Between Profitability and Company Value

The results showed that GCG strengthens the relationship between profitability and company value. This indicates that good governance increases management effectiveness in utilizing profits to create added value for shareholders. Effective implementation of GCG can create a positive relationship between profitability and company value in the banking sector, as it creates a strong foundation for efficient management and reduces unnecessary risks. Agency theory views that GCG functions to reduce problems arising from the relationship between owners and managers, minimize moral risk, and ensure that decisions taken by managers will lead to increased profitability and automatically increase the company's value. With good governance, banking can achieve better results in terms of profitability and achieving long-term goals, which ultimately increases the value of the company in the eyes of investors. Signaling theory sees that effective GCG implementation sends positive signals to the market regarding transparency, management reliability, risk management, and the company's future performance. This can increase investor confidence, strengthening the relationship between profitability and company value in the banking sector. With a strong signal of good management and long-term profit potential, companies implementing good GCG are more likely to receive market rewards through increased company value. This finding aligns with the study's results Aduroh, Fadah, and Paramu (2020) state that GCG can strengthen the relationship between profitability and company value.

The Role of GCG Moderates the Relationship Between Liquidity and Company Value

The results showed that GCG weakens the relationship between liquidity and company value. This shows that good governance reduces the impact of liquidity on company value. GCG requires banks to comply with stricter regulatory standards, including minimum capital and liquidity requirements. This may limit the bank's freedom to flexibly manage its liquidity and reduce the company's potential short-term value. GCG prioritizes long-term stability and sustainability overachieving short-term profits or company value. Thus, decisions to ensure company sustainability may reduce the potential short-term value, even though they increase long-term value. Agency theory sees that GCG weakens the relationship between liquidity and company value in banking because GCG introduces tighter monitoring mechanisms, reducing managers' freedom to make more flexible decisions. This, in turn, can reduce the potential for making decisions that increase company value in the short term, even though it increases the sustainability and stability of the company in the long term. In the context of signaling theory, GCG can weaken the relationship between liquidity and company value because GCG policies provide a stronger signal about the stability and sustainability of the company but can reduce the signal about the potential for growth and risk-taking that can increase company value. Careful and conservative liquidity management as part of GCG may be considered a positive signal in risk

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management. However, on the other hand, it can reduce market expectations of the company's growth and expansion in the short term, thereby weakening the relationship between liquidity and company value. The results of this study are inconsistent with the findings by Latifah and Murniningsih (2017) state that GCG strengthens the relationship between liquidity and company value.

The Role of GCG Moderates the Relationship Between Solvency and Company Value

The results showed that GCG strengthens the relationship between solvency and company value. This illustrates that good GCG implementation helps banks maintain their solvency by ensuring that risk management and administration are carried out carefully, ultimately increasing the company's value in the eyes of investors and the market. In agency theory, GCG serves as a mechanism to reduce conflicts of interest between shareholders and managers and address moral hazard and information asymmetry issues. By increasing transparency, supervision, and sound risk management, GCG strengthens solvency and, in turn, increases the company's value. In signaling theory, companies, including banks, send signals to investors through various policies and actions, such as transparent risk management, timely disclosure of information, and implementation of GCG principles. These signals provide important information to the market and help reduce uncertainty about the bank's solvency. When investors feel confident that the bank is well managed and its solvency is maintained, the company's value increases as investor confidence in the health and stability of the bank grows. This research aligns with the study by Aduroh, Fadah, and Paramu (2020); Aduroh and Paramu (2021) state that GCG strengthens the relationship between solvency and company value in Indonesia.

CONCLUSIONS

The conclusion of the results and discussion of this study is that profitability, liquidity, solvency, and GCG positively affect company value. In addition, GCG strengthens the effect of profitability and solvency on company value. However, GCG weakens the effect of liquidity on company value. This finding strengthens the agency theory, which states that implementing GCG is important in reducing information asymmetry between management and shareholders. By implementing GCG principles, such as transparency and accountability, the potential for conflict of interest between agents (management) and principals (shareholders) can be minimized, thereby improving the company's financial performance and directly increasing the company's value. The results of this study also contribute to the development of signaling theory, where companies with good governance send positive signals to the market and investors about healthy prospects and long-term sustainability.

In practice, these findings provide important insights for corporate management in the banking sector to prioritize further implementing good GCG. By ensuring effective governance, companies can maximize the impact of financial performance on company value. Regulators can also utilize these results to tighten regulations and supervision related to GCG implementation and promote stability and trust in the banking sector. For investors, these results

indicate that companies with good governance offer safer investment opportunities and have the potential to provide greater long-term returns. The limitations of this study lie in the scope of the sample, which is limited to banking sector companies in Indonesia for a certain period, so the results cannot be generalized to all industries or longer economic periods. For further research, it is recommended to expand the scope of the sample, including other sectors or different countries, extend the research period, and add other variables that may have an effect, such as operational efficiency or non-financial aspects such as sustainability and CSR.

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APPENDIX

Samples

No.	Code	Name
1	AGRS	Bank IBK Indonesia Tbk.
2	READ	Bank Capital Indonesia Tbk.
3	BBCA	Bank Central Asia Tbk.
4	BBMD	Bank Mestika Dharma Tbk.
5	BNI	Bank Negara Indonesia (Persero) Tbk.
6	BBRI	Bank Rakyat Indonesia (Persero) Tbk.
7	BBSI	Bank Indonesia Tbk.
8	BBTN	State Savings Bank (Persero) Tbk.
9	BDMN	Bank Danamon Indonesia Tbk.
10	BGTG	Bank Ganesha Tbk.
11	BINA	Bank Ina Perdana Tbk.
12	BJBR	Regional Development Bank of West Java and Banten Tbk.
13	BJTM	East Java Regional Development Bank Tbk.
14	BMAS	Bank Maspion Indonesia Tbk.
15	BMRI	Bank Mandiri (Persero) Tbk.
16	BNBA	Bank Bumi Arta Tbk.
17	BNGA	Bank CIMB Niaga Tbk.
18	BNI	Maybank Indonesia Tbk.
19	BNLI	Bank Permata Tbk.
20	BRIS	Bank Syariah Indonesia Tbk.
21	BSIM	Bank Sinarmas Tbk.
22	BTPN	Bank BTPN Tbk.
23	BTPS	Bank BTPN Syariah Tbk.
24	MASB	Bank Multiarta Sentosa Tbk.
25	MAYA	Bank Mayapada International Tbk.
26	MCOR	Bank China Construction Bank Indonesia Tbk.
27	MEGA	Bank Mega Tbk.
28	NISP	Bank OCBC NISP Tbk.
29	NOBU	Bank Nasionalnobu Tbk.
30	PNBN	Bank Panin Indonesia Tbk.
31	SDRA	Bank Woori Saudara Indonesia 1906 Tbk