Research Article

Does Financial Performance Mediate the Relationship between Corporate Governance and Corporate Value? Evidence from Indonesian Banking Companies

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Published: 5 April 2024

Publishing services provided by Knowledge E

Selection and Peer-review under the responsibility of the BICBATT 2023 Conference Committee.

Abstract.
The banking sector has the potential to progress and grow sustainably. This is reflected in the increase in the value of distributed funds and the value of commercial bank assets. However, this increase was not in line with the increase in company value. Therefore, companies must be able to optimize their resources to increase corporate value. This study aims to analyze and explain the factors that can affect corporate value. The variables used in this research are corporate governance as an independent variable, financial performance as a mediating variable, and corporate value as a dependent variable. The type of research used is explanatory research with a quantitative approach. The samples for this research were Bank Rakyat Indonesia (BBRI), Bank Mandiri (BMRI), Bank Negara Indonesia (BBNI), and Bank Tabungan Negara (BBTN). The data analysis was done using descriptive statistical analysis and partial least squares (PLS) analysis which is processed using SmartPLS software. The results of this research indicate that corporate governance has a negative and insignificant effect on corporate value. Furthermore, corporate governance variables also had a negative and insignificant effect on financial performance. Apart from that the results also show that the financial performance variable is not able to mediate the relationship between corporate governance and corporate value significantly. The practical implication of this research was to encourage banking management in Indonesia to implement good corporate governance as it can boost financial performance.

Keywords: banking, corporate governance, corporate value, financial performance

1. Introduction

One indicator of a nation's economic development success is its rate of economic growth. As per reference [1], economic growth pertains to the advancement of a nation's production of goods and services, encompassing the augmentation and multiplicity of industrial goods production, infrastructure development, school population growth, service sector production, and capital goods production. The GDP growth rate is one of the metrics used to assess a nation's economic progress over a certain time frame.

A nation's economy is considered to be expanding when the GDP (gross domestic product) for that year is higher than it was the year before.

The financial services and insurance sector is one of the important sectors that is able to support Indonesia's economic growth. In 2022, The insurance and financial services industries will have a big impact on the US economy. Official News Statistics for 2023 show that the financial services and insurance sector contributes 4.13% of Indonesia's total Gross Domestic Product (GDP) based on current prices by business sector. Apart from that, the contribution value of the financial services and insurance sector has also continued to increase every year since 2020. In 2020, the contribution value of the financial services and insurance sector was IDR 457.5 trillion, this figure increased in 2021 to IDR 464.6 trillion, then increasing again in 2022 to IDR 473.6.

Banking as a sub-sector of financial services and insurance also recorded growth again amidst slowing national growth and the global economic downturn. BPS data shows that the contribution of banks in the financial intermediary services sub-sector grew from 2.52% to 2.54% during the fourth quarter of 2022 in terms of their contribution to Indonesia's GDP [2]. The banking sector also has the potential to progress and grow sustainably. The rate of banking growth can be seen from the amount of funds channeled by commercial banks, where the amount has increased significantly from year to year. In addition, when viewed from the level of assets owned, it shows an increase in asset ownership in commercial banks.

However, the increase in the value of channeling bank funds and bank assets was not in line with the increase in value on the infobank15 index and the idxfinance index. The poor performance of both indices is due to the ongoing significant weakness in digital banks. Since last year, investors have slowly withdrawn from digital banks, one of the reasons is that the estimated growth and market penetration is not as fast as investors expected. Apart from that, monetary conditions with high interest rates also make investors more careful, considering that digital bank liquidity is not as strong as conventional banks. The decline in the two indices illustrates the decline in share prices of financial sector companies, especially banks. Stock market prices can also reflect corporate value.

An efficient market will measure company performance by looking at the increase in corporate value. Companies that perform well will receive very high market valuations based on market-based performance. Apart from describing company performance, corporate value also reflects the company's future growth prospects. Therefore, corporate value is an indicator that can attract investors to invest capital in a company.

Increasing corporate value is the company's big goal, which of course requires a long process. Companies must be able to optimize their resources to increase corporate value. However, the process of maximizing corporate value often creates agency problems for shareholders and company managers. Agency problems are often caused by the separation between ownership and control functions in the company. Shareholders as capital owners give authority to company managers as managers of company resources.

Good corporate governance is very important for companies because of the complexity of the problems they face. [3] argues that the implementation of good corporate governance can reduce conflicts between shareholders and company management. Good corporate governance is still lacking, which leads to this tension. According to agency theory, a company's corporate value will decrease if it does not adopt sound corporate governance practices. This is due to agency fees that the principle paid to oversee management performance; these charges burden the business and lead it to make fewer profits, which lowers corporate value..

Corporate value and corporate governance are closely related, as may be inferred from the explanation provided above. Nonetheless, some research continues to yield inconsistent findings. After analyzing the impact of corporate governance on company value, [4, 5] came to the conclusion that corporate governance significantly increases business value. These findings, however, diverge from those of a study by [6], which showed that corporate governance and business value had a substantial negative relationship. Moreover, [7, 8] claimed that business principles and corporate governance had no discernible relationship.

Previous research has yielded conflicting findings, indicating the necessity for a variable to enhance the link between corporate governance and corporate values. The possible mediating component, financial success, which has not been examined in prior studies, might be the reason for these inconsistent findings. [9; 10], who investigated the relationship between sound corporate governance and financial performance, also came to the same conclusion: there was a positive relationship. Meanwhile, research that found that financial performance can encourage an increase in corporate value was conducted by [8, 11].

To boost its financial performance, each business has to be able to use sound corporate governance. Conflicts between firm stakeholders should decrease as a result of sound corporate governance procedures. Good corporate governance practices can encourage conducive conditions for all stakeholders in the organization, in order for this to benefit the business's financial performance. This is further highlighted by stakeholder theory, which holds that organizations must develop stakeholder alignment to foster harmony and enable business performance that increases profitability.

Companies must improve their financial performance in order to draw in investors. A company's improved financial performance may encourage investors to make an investment in it. [12] explains the need for businesses to send signals, or signals in the form of information that represents a company's state and is advantageous to the recipient (investor). signaling theory, a company's capitalization value will increase if its financial performance is strong, and as a result, it will be able to communicate with investors and other parties and send signals. This signal will help external parties to see the financial condition or financial performance of a company, which will later be used as material for consideration in investing in shares in the company.

The problem statement for this study is: 1) Does corporate governance have a significant impact on corporate value? ; 2) Does corporate governance have a significant impact on financial performance? ; and 3) Does financial performance have an impact on corporate value? Based on the background information mentioned above,the problem formulation leads to the conclusion that the following are the objectives of this study: 1) Analyze and elucidate the relationship between corporate governance and corporate value; 2) Test and elucidate the relationship between corporate governance and financial performance; and 3) Test and elucidate the relationship between financial performance and corporate value.

theoretical contributions of this research are: 1) Providing the latest empirical evidence regarding agency theory explained by Jensen and Meckling in 1976, in an effort to clarify how corporate governance affects company value. Agency theory views that managing agency conflicts efficiently through corporate governance mechanisms is considered to be able to stimulate an increase in corporate value; 2) Presenting the latest empirical evidence regarding stakeholder theory which was first introduced by Freeman (1984) and then developed [13], is an effort to clarify how corporate governance affects financial performance. According to stakeholder theory, businesses must strike a balance between the interests of different stakeholders in order to foster peaceful circumstances that might enhance their financial performance; and 3) Providing the latest empirical evidence regarding the signaling theory described by [12], with the intention of outlining how financial performance affects company value. The idea of signaling posits that a company's strong financial performance will positively impact its corporate value, enabling it to disseminate signals or information to investors or external parties. Furthermore, the practical contributions of this research are: In order to make informed investment decisions and evaluate the company's future prospects, investors are anticipated to receive knowledge and insight from this study; 2) In order to consistently improve the corporate governance framework and raise company value, managers or business owners should be able to get advice from this study; and 3) This research is expected to provide input to the government and the Indonesian Stock Exchange (BEI) as the regulator to be able to formulate and establish policies related to strengthening the corporate governance system in order to increase corporate value.

2. Material and Methods

2.1. Literature review

2.1.1. Agency theory

The link between capital owners, acting as principals, and corporate management, acting as agents, is explained by agency theory. Jensen and Meckling presented this notion in 1976. According to this view of agency, a relationship of agency is created when one or more principals employ an agent to provide a service and then give the agent decision-making authority. The management is a group of trained employees (agents) who are better at managing the business to ensure that the owner makes the greatest money at the lowest expense. While the principal is the owner of the company (shareholders) who wants to get the maximum possible profit with the costs that have been issued and will provide incentives to agents for various kinds of facilities, both financial and non-financial.

In agency theory, People all behave in their own self-interest. Increasing financial outcomes or their investment in the firm is typically the only goal of shareholders as principals. It is presumed that the agents would be satisfied with their work when they are paid financially and have the related terms of the agreement. Everybody wants to increase their own earnings because of these divergent interests. By using management reports to boost the dividend percentage of each share they own, the principle seeks the highest and quickest return on investment. But there is often a tendency for management to polish the report to make it look good so that management performance can look good in the eyes of the company owner.

In agency theory, A mutually beneficial partnership should arise from the principal-agent relationship. But instead, a conflict of interest between investors or shareholders and management arises, which is known as the agency problem (agency conflict). This conflict arises from each person prioritizing their personal interests while carrying out their responsibilities and powers. Having supervision processes that align the interests of the firm from shareholders and management might help avoid agency conflicts. Subsequently, the idea of corporate governance emerged, with the goal of preventing or lessening conflicts and agency costs while also boosting shareholder trust in management's ability to run the business. This will also have a good impact on corporate value.

2.1.2. Stakeholder theory

Stakeholders are individuals or groups with whom the firm has a relationship through which they may affect or be influenced [14]. These parties include employees and management, creditors, suppliers, local communities, companies, government, and shareholders. According to stakeholder theory, a business cannot exist for its own purpose; instead, it must serve the interests of all parties involved. The main objective of financial management is the welfare of stakeholders.

According to [13], for managers to better manage the environment of their business, stakeholder theory primarily aims to assist them understand their stakeholder environment. Stakeholder theory also has a broader aim, namely, assisting company managers in efforts to increase corporate value and minimize losses for stakeholders. The impact or outcomes that follow from the interaction between management and stakeholders are the central idea of this theory. Stakeholders have an impact on management's efforts to fully realize the organization's potential. If the organization manages all of its potential well and optimally, then the organization can create added value that drives the company's financial performance.

2.1.3. Signaling theory

The earliest explanation of signal theory was provided by [12], who stated that information represents a company's state and is sent from the transmitter (the owner of the information) to the recipient (investor). As per reference [15], a signal refers to a move made by a company's management to give investors direction on how the management evaluates the company's projects. This demonstrates how crucial it is for a business to provide information to other parties, especially investors as material for consideration in making decisions [13]. Information is an important element for investors because it provides information about the company's track record and its sustainability in the future. However, managers often have better information than outside investors. This is what triggers the emergence of asymmetric information, where the management has different information about the company's prospects compared to investors.

The concept of signaling theory is very important for outside parties, especially investors. According to [16], In order to affect investor decisions, signaling theory analyzes how stock prices rise and fall in the market.. Various conditions that occur in company shares will cause different decision effects depending on investors as the party that catches the signal.

Signal theory is primarily concerned with conveying internal firm operations that are not directly visible to external stakeholders. When investors are able to recognize and evaluate these signals as either favorable or bad, this knowledge may be very helpful to them. The information submitted by the company includes specific information about products or services. This information may include the initial results of the research and development stage or further news about sales results reported by sales agents [17]. Signal theory has elements that make it up to the final goal in the form of feedback from external parties in a decision.

2.2. Hypothesis

According to [18], hypotheses are temporary answers to research problem formulations, which are usually arranged in question sentences. A hypothesis is referred to be a provisional solution since it is not grounded in empirical facts derived from data collecting outcomes, but rather solely on pertinent theory. Using the theoretical and empirical investigations discussed in the preceding chapter, the hypothesis model for this study was developed by examining the relationship between variables..

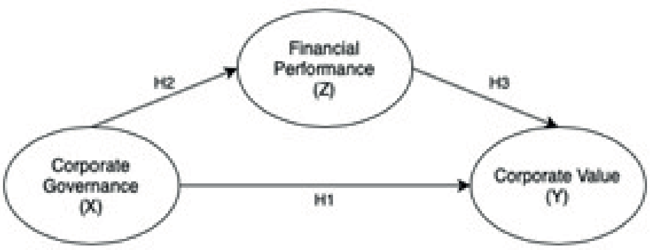

Figure 1: Hypothesis Model. Source: Author's own work.

2.2.1. The influence of corporate governance on corporate value

The contractual connection between principals and agents is explained by the idea of agency theory. According to contracts that let agents take part in several decision-making processes, Jensen and Meckling (1976) explain the agency relationship between shareholders and agents. As a response to agency issues, the idea of corporate governance developed, and it may be considered an extension of agency theory [3]. Based on legal requirements, moral principles, and stakeholder interests, corporate governance is a framework and procedure utilized by corporate organs to generate long-term shareholder value [19]. Because of the complexity of the issues that businesses encounter, good corporate governance is essential. [3] makes the case that putting sound corporate governance into practice helps lessen disputes between shareholders and business management.

There is still a lack of strong corporate governance, which leads to this tension. According to agency theory, a company's value will decline if it does not follow sound corporate governance procedures.. This is due to the agency costs incurred by the principal to oversee the performance of management become a burden for the company so that it will reduce the profit generated which results in a decrease in corporate value.

H1: Corporate governance has a significant effect on corporate value.

2.2.2. The influence of corporate governance on financial performance

Stakeholder theory states that a company must pay attention to and safeguard the interests of all parties who have an interest in or have a relationship with the company. These parties include shareholders, employees, customers, suppliers, local communities, and so on. Stakeholder theory also emphasizes that companies need to build alignment between stakeholders in order to create a harmonious situation to be able to encourage company performance in increasing company profits.

In this approach, Evaluating the requirements and interests of these many stakeholders is a function of corporate governance. The laws, regulations, and procedures that determine how businesses are run and managed are known as corporate governance. A framework for managing businesses to help them reach their objectives and satisfy stakeholders is included in the idea of corporate governance. Good corporate governance practices are expected to reduce conflicts between stakeholders within the company.

The company's financial performance can benefit from good corporate governance. By considering the interests of all interested parties, companies can create a stable environment, build strong relationships, minimize risks, and improve operational efficiency and effectiveness. This can increase corporate value and long-term financial performance.

H2: Corporate governance has a significant effect on financial performance.

2.2.3. The influence of financial performance on corporate value

The link between a company's worth and its financial success is explained by signaling theory. According to this notion, a company's financial success may serve as a signal to the capital market. investors and other stakeholders about the actual condition and future prospects of the company. Signaling theory states that the behavior of companies in communicating their financial information to the market can affect market perceptions of corporate value. In the context of the relationship between financial performance and corporate value, signaling theory argues that strong financial performance can function as a positive signal to the market and can increase market perceptions of corporate value. One key factor that characterizes the company's financial situation is its financial performance. Financial performance, according to [20], is an evaluation of how well a business has used the principles of sound financial execution.

Strong financial performance reflects sound financial conditions, stable revenue growth, consistent profits, and sound financial ratios. When companies have strong financial performance, They can convey to the market that they are businesses with promising futures and the ability to reward shareholders. Companies must improve their financial performance in order to draw in investors. In order to maximize the company's financial performance and raise corporate value, it is necessary to manage and use capital, or human resources, as effectively as possible.

H3: Financial performance has a significant effect on corporate value.

2.3. Methods

This research uses explanatory research with a quantitative methodology. The study's population consists of banking sub-sector businesses that were listed between 2012 and 2021 on the Corporate Governance Perception Index (CGPI) and the Indonesia Stock Exchange (BEI). Four businesses—Bank Rakyat Indonesia (BBRI), Bank Mandiri (BMRI), Bank Negara Indonesia (BBNI), and Bank Tabungan Negara—were included in the sample that satisfied the requirements (BBTN). The present study employs quantitative data as its data type and secondary data as its data source. The Corporate Governance Perception Index (CGPI) Research Report, financial statements, and annual reports that have been posted on the official websites of each firm and the Indonesia Stock Exchange will be the sources of secondary data used in this study. Documentation approaches are used in this research to locate the necessary data. Partial least squares (PLS) analysis, which is conducted using SmartPLS software, and descriptive statistical analysis were the methods of data analysis employed in this study.

3. Results and Discussion

3.1. Results of descriptive statistical analysis

The results of descriptive analysis are information to describe or describe the data that has been collected without the intention of making generally applicable conclusions or making generalizations. This analysis involves several statistical values such as average (mean), standard deviation, minimum value and maximum value of the corporate governance, financial performance and corporate value variables.

3.1.1. Corporate governance

Corporate governance variables are measured through the corporate governance perception index (CGPI). The CGPI ranking and assessment process takes into account three indicators, specifically, governance results, governance processes, and governance structures. The Indonesian Institute for Corporate Governance (IICG) conducts the CGPI ranking and evaluation.

The distribution of corporate governance variable data varies significantly. Overall, corporate governance data shows a stable development trend with an increasing trend. This data illustrates that banking sub-sector companies have implemented a governance system that aims to manage the company professionally. This shows that banking sub-sector companies in Indonesia are showing positive attention to developing the application of corporate governance principles in their business operations. The following is a presentation of corporate governance variable data in the table below.

The table above presents complete data regarding the value of the corporate governance variable. The corporate governance perception index (CGPI) value for banking sub-sector companies on the IDX and included in the CGPI ranking during the 2012 to

Table 1: Results of descriptive analysis of corporate governance variables.

Indicator		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
CGPI	Min	85,42	84,94	85,75	86,59	86,86	87,97	88,62	89,62	89,83	90,02	84,94
	Max	91,88	92,36	92,88	93,29	93,32	93,86	94,86	94,94	95,1	95,18	95,18
	Mean	87,23	87,73	88,25	88,84	89,26	89,96	90,99	92,14	92,89	92,99	90,03
	SD	2,69	2,79	2,74	2,61	2,43	2,29	2,36	2,08	2,26	2,23	3,18

Source: Author's own work

2021 period was the lowest at 84.94, while the highest was 95.18. State Savings Bank (BTN) won in 2013 with a score of 84.94, while Bank Rakyat Indonesia (BRI) won in 2021 with a score of 95.18. The average or mean of the CGPI score in this study is 90.03.

3.1.2. Financial performance

The primary indicator of a company's financial health is its financial performance. Three indicators return on assets (ROA), return on equity (ROE), and total assets turn over (TATO) are used in this research to quantify financial success. The following is a description of the financial performance variable data in this research.

Table 2: Results of descriptive analysis of financial performance variables.

Indicator		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
ROA	Min	1,67	1,19	0,79	1,08	1,22	1,16	0,92	0,07	0,37	0,64	0,07
	Max	3,39	3,41	3,02	2,89	2,61	2,58	2,50	2,43	1,19	1,83	3,41
	Mean	2,42	2,38	2,21	2,02	1,78	1,90	1,86	1,62	0,79	1,34	1,83
	SD	0,63	0,79	0,85	0,67	0,54	0,50	0,59	0,92	0,38	0,49	0,81
ROE	Min	16,19	13,47	9,35	11,65	9,55	12,61	11,78	0,88	2,94	8,68	0,88
	Max	28,80	26,92	24,82	22,46	17,86	17,36	17,50	16,48	8,99	13,75	28,80
	Mean	21,02	20,15	17,90	16,29	13,47	14,40	14,23	10,85	7,02	11,02	14,64
	SD	4,80	4,82	5,57	4,19	2,97	1,78	2,07	5,94	2,38	1,82	5,72
TATO	Min	8,40	8,80	7,94	7,42	8,61	8,30	8,13	8,93	7,65	7,48	7,42
	Max	10,52	10,83	10,53	11,14	11,39	11,19	10,73	10,98	11,18	11,43	11,43
	Mean	9,43	9,66	9,52	9,71	10,00	9,67	9,41	9,74	9,03	8,67	9,49
	SD	0,75	0,75	0,99	1,49	0,99	1,03	0,99	0,78	1,32	1,62	1,17

Source: Author's own work

Overall, the development of financial performance shows decreasing fluctuations. Table 2 displays the average of each financial performance indicator. This data illustrates that companies in the banking subsector on the Indonesia Stock Exchange (BEI) and included in the CGPI ranking during the 2012 to 2021 period have not completely succeeded in improving their business performance.

Table 2 presents complete information about the value of the financial performance variable. This data includes return on assets (ROA) of companies in the banking subsector listed on the IDX and included in the CGPI ranking during the period 2012 to 2021. The lowest value range is 0.07, while the highest is 3.41. Bank Tabungan Negara (BTN) recorded a value of 0.07 in 2019, while Bank Rakyat Indonesia recorded a value of 3.41 in 2013. The average or median value of ROA in this study was 1.83. The standard deviation value of ROA is 0.81. This shows that ROA is generally around 0.81 $\pm$ 1.83.

The return on equity (ROE) value of companies in the banking subsector listed on the IDX and included in the CGPI ranking during the period 2012 to 2021 has varying values. The lowest value is 0.88, while the highest value is 28.80. In 2019, Bank Tabungan Negara (BTN) recorded the lowest value, while Bank Rakyat Indonesia (BRI) recorded the highest value in 2012. In this research, the average ROE value was 14.64, with a standard deviation of 5.72. it can be concluded that the ROE value generally ranges between 5.72 $\pm$ 14.64.

Likewise, the total assets turn over (TATO) value of companies in the banking subsector listed on the IDX and included in the CGPI ranking also has variations in value. The lowest value range is 7.42, while the highest value is 11.43. Bank Negara Indonesia (BNI) recorded the lowest value in 2015, while Bank Rakyat Indonesia (BRI) recorded the highest value in 2021. In this study, the mean TATO value was 9.49, with a standard deviation of 1.17. be concluded that the TATO value generally ranges between 1.17 $\pm$ 9.49.

3.1.3. Corporate value

Corporate value is a measure used to evaluate how valuable a company is in a market context. The corporate value variable in this research is measured through three indicators, namely Tobin's Q, PER and MBV. The following is a description of the corporate value variable data in this research.

Overall, the development of corporate value shows a stable development trend with a tendency to stagnate. Table 3 displays the average of each corporate value indicator. According to this data, firms in the banking subsector that were listed on the Indonesia Stock Exchange (BEI) and that were ranked in the CGPI between 2012 and 2021 have a good reputation among shareholders.

Table 3 presents complete information about the value of the corporate value variable. This data includes the Tobin's Q value of companies in the banking subsector listed on

Table 3: Results of descriptive analysis of corporate value variables.

Indicator		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
TQ	Min	1,04	0,98	0,92	0,99	0,99	1,00	0,95	0,94	0,94	0,93	0,92
	Max	1,19	1,16	1,24	1,19	1,14	1,23	1,19	1,22	1,16	1,20	1,24
	Mean	1,11	1,06	1,08	1,06	1,05	1,11	1,06	1,05	1,01	1,02	1,06
	SD	0,06	0,06	0,11	0,08	0,06	0,08	0,09	0,11	0,09	0,10	0,09
PER	Min	9,18	5,88	0,01	7,40	7,04	12,48	9,58	9,52	11,42	7,72	0,01
	Max	12,19	10,06	11,87	11,09	54,55	18,09	13,83	106,00	35,09	17,27	106,00
	Mean	10,24	8,11	8,57	9,84	27,44	14,87	12,03	36,05	22,88	12,05	16,21
	SD	1,15	1,49	4,97	1,44	20,16	2,12	1,83	40,45	9,07	3,40	17,25
MBV	Min	1,46	0,79	0,00	0,99	0,96	1,75	1,13	0,94	0,91	0,86	0,00
	Max	2,64	2,25	2,94	2,49	1,96	2,68	2,44	2,60	2,24	2,13	2,94
	Mean	2,04	1,66	1,76	1,62	1,46	2,11	1,73	1,61	1,40	1,37	1,68
	SD	0,52	0,57	1,09	0,59	0,41	0,37	0,48	0,64	0,52	0,50	0,64

Source: Author's own work

the IDX and included in the CGPI ranking during the period 2012 to 2021. The lowest value range is 0.92, while the highest is 1.94. Bank Tabungan Negara (BTN) recorded a value of 0.92 in 2014, while Bank Rakyat Indonesia (BRI) recorded a value of 1.94 in 2014. The average or middle value of Tobin's Q in this study was 1.06. The standard deviation value of Tobin's Q is 0.09. This shows that Tobin's Q is generally around 0.09 ± 1.06.

Variations in value are also evident in the PER value of the banking subsector enterprises registered on the IDX and included in the CGPI ranking between 2012 and 2021. 105.00 is the greatest value, while 0.01 is the lowest. The lowest score was recorded by Bank Tabungan Negara (BTN) in 2014, while the highest score was likewise reported by BTN in 2019. The average PER value in this study was 16.21, with a standard deviation of 17.25. it can be concluded that PER values generally range from 16.21 ± 17.25.

Likewise, the MBV values of companies in the banking sub-sector that are listed on the IDX and included in the CGPI rating also have varying values. The lowest value range is 0.00, while the highest value is 2.94. Bank Tabungan Negara (BTN) recorded the lowest value in 2014, while Bank Rakyat Indonesia (BRI) recorded the highest value in 2014. The average MBV value in this study was 1.68, with a standard deviation of 0.64.it can be concluded that the general MBV value ranges from 0.64 ± 1.68.

3.2. Results of partial least square (pls) analysis

3.2.1. Validity testing

Establishing if indicators are reliable for measuring variables is the goal of testing the model's validity. According to the test if the alpha (5%), the significance threshold, then the indicator is considered valid in measuring latent variables.

TABLE 4: Validity Testing.

Variable	Indicator	Indicator Weight	P-value	Dec
Corporate Governance (X1)	Corporate Governance Perception Index (X1.1)	1,000	-	Valid
Financial Performance (Z)	Return on Assets (Z1.1)	0,317	0,066	Invalid
	Return on Equity (Z1.2)	0,292	0,243	Invalid
	Total Assets Turnover (Z1.3)	0,732	0,000	Valid
Corporate Value (Y)	Tobin's Q (Y1.1)	0,882	0,000	Valid
	PER (Y1.2)	0,081	0,694	Invalid
	MBV (Y1.3)	0,233	0,208	Invalid

Source: Author's own work

Table 5.9 indicates that the corporate governance variable is measured by a single indicator, the corporate governance perception index (CGPI). It has been determined that the corporate governance perception index (CGPI) is a reliable tool for assessing corporate governance factors. Moreover, three indicators return on assets (ROA), return on equity (ROE), and total assets turnover (TATO) serve as proxies for the financial performance variable. Among the three indicators, only TATO has a p-value ≤ level of significance (alpha = 5%), so that the indicator is declared valid in measuring financial performance variables. However, the ROA and ROE indicators have a p-value > level of significance (alpha = 5%), so that the two indicators are declared invalid in measuring financial performance variables.

3 indicators are used to quantify corporate value variables: market to book value (MBV), price earnings ratio (PER), and Tobin's Q (TQ). Only TQ has a p-value < threshold of significance (alpha = 5%) among the three metrics. so that the indicator is stated to be valid in measuring corporate value variables. Meanwhile, the PER and MBV indicators have a p-value > level of significance (alpha = 5%), so that the two indicators are declared invalid in measuring corporate value variables.

Four out of the seven indicators used to measure the four study variables are known to be invalid based on the validity testing findings shown in Table 5.9. This is because the p-value for these indicators is higher than the level of significance (alpha = 5%)..

Even though the p-value is negative and greater than 5%, the four indicators are not eliminated and are still included in the research model. This concept is based on the statement of Ghozali and Latan (2015) which states that the indicator of the research variable with the formative construct model cannot be removed because it will change the meaning of the research construct itself, even though the indicator has a negative weight and a p-value that is greater than the level of significance.

3.3. Hypothesis test results

The direct influence hypothesis test aims to confirm the existence or absence of a direct impact of exogenous variables on endogenous variables. In this test, the p-value serves as the assessment standard. The exogenous variable significantly influences the endogenous variable if the p-value is less than or equal to the significance level (alpha = 5%). The following table displays the results of the hypothesis test:

Table 5: Hypothesis testing results (direct effect).

Exo	Endo	Path Coefficient	t-statistics	P-Value	Dec
CG	CV	-0,279	1,472	0,141	Not significant
CG	FP	0,068	0,816	0,415	Not significant
FP	CV	-0,132	0,719	0,472	Not significant

Source: Author's own work

Furthermore, The indirect impact hypothesis was also investigated in this study in order to determine how exogenous variables indirectly affect endogenous variables through mediating variables. The direct effect hypothesis test and this test use the same set of criteria. The table below shows the outcomes of the indirect effect hypothesis test:

Table 6: Hypothesis testing results (indirect effect).

Exo	Med	Endo	Path Coefficient	t-statistics	P-Value	Dec
CG	FP	CV	-0,009	0,360	0,719	Not significant

Source: Author's own work

3.4. Discussions

3.4.1. The influence of corporate governance on corporate value

The influence of corporate governance (X) on corporate value (Y) has a path coefficient value of -0.279, with a p-value of 0.141 and a t-statistics value of 1.472, according to the findings of the hypothesis test. The test's results show that the corporate value variable is negatively impacted by the corporate governance variable, but not significantly. The results of research by [7, 8] are consistent with the findings of this investigation. These results, however, go counter to the conclusions of studies carried out by [4, 5]. this result contradicts agency theory, which holds that implementing sound corporate governance practices will lower the agency fees that principals must pay to monitor management performance. This should help reduce the burden on the company and not reduce the profits generated, which in turn will prevent a decrease in corporate value. Furthermore, based on descriptive data from these two variables, it can be concluded that the indicators used to measure the two variables do not have similar values in terms of data distribution range. This descriptive information indicates that corporate governance values tend to increase every year, while corporate value variables do not show significant changes from year to year. This difference in data is thought to be the cause of the insignificant influence between the two variables.

3.4.2. The influence of corporate governance on financial performance

The influence of corporate governance (X) on financial performance (Z) has a path coefficient value of 0.068, with a p-value of 0.415 and a t-statistics value of 0.816, according to the findings of the hypothesis test. The test's findings show that while corporate governance improves financial performance, this effect is not statistically significant. The study's findings are consistent with the stakeholder hypothesis. although they do not have a significant impact overall. Stakeholder theory suggests that by taking into account the interests of the various parties involved, companies can create a stable environment, build strong relationships, reduce risk, and increase operational efficiency and effectiveness. All of this can ultimately contribute to an increase in long-term financial performance. In addition, This study's findings are consistent with those of other studies carried out by [8, 21, 22]. Nevertheless, the results of this investigation do not agree with those of [9, 10]. Furthermore, based on the descriptive analysis of the two variables, it can be concluded that the indicators used to measure the two variables do not have similar data distribution ranges. This descriptive information suggests that the value of corporate governance tends to increase every year, while the financial performance variable does not show significant variations from year to year. This data discrepancy is thought to play a role in the insignificant effect between the two variables.

3.4.3. The influence of financial performance on corporate value

According to the findings of the hypothesis test, the path coefficient value of the financial performance (Z) on the corporate value (Y) is -0.132, with a p-value of 0.472 and a t-statistics value of 0.719. The test's findings show that while the financial performance variable has a negative influence, the effect on the corporate value variable is not thought to be statistically significant. The present study's conclusions are consistent with those of a follow-up investigation carried out by [23]. the findings of this investigation differ from those of [8, 11]. In addition, these findings are also not in line with signaling theory which argues that solid financial performance can act as a positive signal to the market and can increase market perceptions of corporate value. Based on descriptive analysis of these two variables, it can be stated that the indicators used to measure both do not show similar value trends. This descriptive picture illustrates that although there has been a slight decline from year to year, the financial performance value remains relatively stable. Meanwhile, the corporate value variable did not change significantly from one year to the next. The difference in these data is thought to be the main factor of the insignificant effect between these two variables.

3.4.4. Indirect effect of corporate governance on corporate value through financial performance

The influence of corporate governance on corporate value through financial performance has a path coefficient of -0.009, a p-value of 0.719, and a t-statistics value of 0.360, according to the data in Table 2. the p-value is greater than the predefined significance level (alpha = 5%). Accordingly, the test findings indicate that there is no evidence of a significant relationship between corporate governance and financial success as a measure of organizational value.

4. Conclusion

It is clear from the above hypothesis testing results that none of the research's hypotheses are supported. the impact of corporate governance on firm value is negligible and unfavorable. financial performance is positively and marginally impacted by company governance. Third, the impact of financial performance on business value is negligible and unfavorable. Finally, the influence of corporate governance on corporate value through financial performance also indicates a negative and insignificant relationship.

This research has several limitations, namely 1) the small number of samples in this research is due to the limited number of companies that are continuously included in the CGPI ranking; 2) This research applies a formative construct model approach which requires researchers to still include all indicators in the model, even though they have negative weights and p-value > significance level (5%); and 3) There are several indicators that show uneven data patterns in their distribution, resulting in low or invalid contributions in variable formation.

The corporate governance perception index (CGPI) should be studied further as there haven't been many studies using it to measure corporate governance variables. Other factors like intellectual capital and competitive advantage that may be able to enhance financial performance and maximize corporate value should also be included. Lastly, a larger sample size should be used to further explore the variables used in this study.

Researchers' suggestions for regulators and the government are: 1) The government is expected to have the ability to encourage companies to optimize the implementation of good corporate governance principles; 2) It is hoped that the Indonesia Stock Exchange can adopt a special system that can prevent and reduce excessive speculation from investors on the value of certain companies. Furthermore, the researcher's suggestion for investors is that investors are expected to have the ability to analyze objectively when choosing companies that are worth investing in. It is recommended for investors to monitor the company's progress in aspects of implementing corporate governance, resource management, especially intellectual resources, and the company's financial performance which has a direct impact on the potential benefits that can be obtained in the future. Lastly, the researchers' suggestions for company management are: 1) To optimize corporate value, company management must be able to put in place a system of corporate governance and boost financial performance; and 2) Company management is expected to reduce inefficiencies in the implementation of corporate governance principles with the aim of increasing financial performance and achieving maximum corporate value.

Acknowledgment

The researcher expresses gratitude to BEI, FIA UB, and IICG for their support and assistance in supplying data and information necessary to complete this study.

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