East Asian Journal of Multidisciplinary Research (EAJMR)
Vol. 3, No. 8, 2024 : 3673 - 3692

The Effect of Good Corporate Governance and Capital Structure on Firm Value with Financial Performance as an Intervening Variabel

Shinta Syafitri[1]*, Wirmie Eka Putra[2], Salman Jumaili[3]
Universitas Jambi
Corresponding Author: Shinta Syafitri shintasyafitri123@gmail.com

A R T I C L E I N F O

Keywords: Good Corporate Governance, Capital Structure, Financial Performance, Firm Value, Structural Equation Modeling - Partial Least Square (SEM-PLS)

Received : 14, July
Revised : 27, July
Accepted: 28, August

A B S T R A C T

With financial performance serving as an intervening variable case study of retail companies listed on the Indonesia Stock Exchange in 2019–2022, the goal of this research is to ascertain the impact of sound corporate governance and capital structure on firm value. There were forty-two retail companies in the study's population. Of the 42 companies that used the purposive sampling approach for sample withdrawals, 29 of them satisfied the sample requirements. Secondary data was obtained by obtaining the annual report of the firm via the website of the Indonesia Stock Exchange or the company itself, together with the documentation data gathering process. Using SmartPLS software, the partial least square (PLS) analysis of structural equation modeling, which is component- or variance-based, is combined with descriptive analysis to analyze the data. The findings demonstrated that capital structure and sound corporate governance both have an impact on a company's value. Financial performance is not able to mediate the relationship between excellent corporate governance and capital structure on company value, but neither do good corporate governance nor capital structure have any effect on financial performance.

DOI prefix: https://doi.org/10.55927/eajmr.v3i8.10430
ISSN-E: 2828 - 1519
https://journal.formosapublisher.org/index.php/eajmr

INTRODUCTION

A company is established with the aim of achieving maximum profit or profit as much as possible and can optimize company value. A firm's condition and financial success can be characterized by its company value. Furthermore, one of the factors that prospective investors take into account while making judgments is the company's worth (M. L. Sari & Juniati Gunawan, 2023). In order to accomplish and fulfill corporate goals in the current globalized period, organizations need to be able to compete as well as assess and pay attention to company performance. How well a business uses its assets and resources to maximize profits is measured by its financial performance. The business uses a plan to optimize the performance of all business processes in order to maximize earnings (Ayuningtya & Mawardi, 2022).

Economic conditions can be affected by several things such as the emergence of the corona virus disease 2019 (COVID-19) outbreak in Wuhan China. The company is one of the parts that is quite affected by the pandemic, so the company must make more efforts to maintain its survival. One of the impacts of the pandemic on the company is the company's declining performance (Khairunnisa & Besli, 2023). One of the most affected industries is the retail industry.

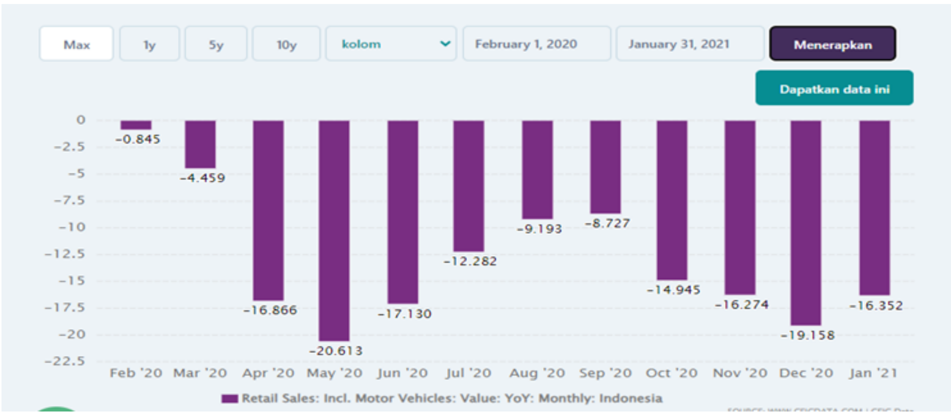

Figure 1. Indonesia's Retail Sales Growth

Figure 1.1's data from CEIC Indonesia shows that retail sales in Indonesia are trending upward. In May 2020, retail sales were recorded at -20.6%, this value created a record low in the history of retail sales in Indonesia. Furthermore, in June 2020 it continued with a decline in sales of -17.13%. July 2020 showed a slight recovery with sales growth of -12.28%, but this figure still reflected the difficult conditions. In August, the situation continued to improve with sales growth of -9.19%, showing an improvement but still facing challenges. The retail industry is faced with difficult conditions to achieve positive sales growth and adapt their business strategies to the changes taking place (CEIC, 2021).

Indonesia's retail industry has been touched by this pandemic phenomena. For instance, during this time, PT Ramayana Lestari Sentosa Tbk (RALS) and PT Mitra Adiperkasa Tbk (MAPI), two well-known retailers, faced significant difficulties. RALS experienced serious impacts from the COVID-19 pandemic in 2020 recording a net loss of Rp 138.87 billion with a 54.02% decline in revenue to Rp 2.57 trillion from the previous year's figure of Rp 5.59 trillion in 2019. The company's assets fell by 6.38% to IDR 5.28 trillion which in the previous year reached IDR 5.64 trillion. Meanwhile, liabilities increased 5.4% to IDR 1.56 trillion, and equity decreased 10.81% to IDR 3.71 trillion. On the other hand, MAPI recorded a net loss of IDR 553.71 billion in 2020, a far cry from the net profit in 2019 of IDR 933.49 billion. Despite successfully reducing cost of goods sold and direct expenses, MAPI faced an increase in financial expenses in 2020 of Rp552.20 billion from the previous year of Rp212.42 billion. PT Hero Supermarket Tbk (HERO) is responding to market changes by taking the radical step of closing all giant stores in Indonesia starting in July 2021. This closure not only impacts HERO's financial performance, but also has a major impact on the fate of 7,000 employees who were fired.

This research refers to the research of R. Utami & Yusniar (2020) which examines "Disclosure of Islamic Corporate Social Responsibility (ICSR) and Good Corporate Governance (GCG) on Firm Value with Financial Performance as an Intervening Variable". There are other characteristics of this study that set it apart, such as the research object, the research time, and the research variable indicators. Prior research, which covered the years 2016–2018, used companies that were listed on the Jakarta Islamic Index (JII) as objects. Retail businesses in the consumer non-cyclicals and consumer cyclicals sectors listed on the IDX for the 2019–2020 financial report period are the objects used by the authors in the current study. This study adopts a more comprehensive approach by examining aspects like the board of commissioners, independent commissioners, audit committee, managerial ownership, and institutional ownership as GCG indicators. Previous studies primarily focused on disclosing GCG compliance using the GCG index. Additionally, there are variations in financial performance and company value indices. Previous studies relied on Price to Book Value and Return On Equity, while this study uses more indicators, including Price to Book Value, Price Earning Ratio, Tobin's Q, Return On Assets, Current Ratio, Asset Growth, and Sales Growth. The author also adds capital structure variables in this study.

THEORETICAL REVIEW

Signal Theory

Spence (1973) introduced the concept of signal theory after observing a signal model in the labor market. This model proposed that, in the presence of a signal, the information owner seeks to provide data that the recipient can use to modify its behavior based on its interpretation of the signal (Fitriasuri & Helmi, 2022). Company management based on signaling motivation related to dividend distribution is the hope that company performance can provide a positive signal for an investment. Investors will make investments by buying firm shares as a result of this signal. An growth in the number of trades in the company's shares will be encouraged by the increased number of investors. This requirement will affect whether the market price of the company's shares rises or the company's value increases. (Fauziah, 2017).

Agency Theory

Jensen and Meckling (1976) introduced agency theory by demonstrating that managers prioritize their own well-being over the interests of the business owners. According to agency theory, the manager's activities may result in agency costsSupervisory mechanisms that might align these connected interests help to minimize the conflict of interest that exists between managers and shareholders (Gunawan, 2016). The decentralization or delegation of decision-making power from principals to agents is one of the key concepts of agency theory. Agency relationships are expected to create goal alignment between principals and agents. Agency theory is expected to reducer agent actions that are beyond the control of the principal, replacing zero-sum gamer with plus-sum games solutions so as to ensure the prosperity of principals and agents (Supriyono, 2018).

Firm Value

The investor's assessment of the company's success rate, or firm value, is frequently linked to the stock price. A high stock price raises the market's perception of a company's worth and boosts confidence in both the company's present and future performance. For a business, enhancing company value is crucial because it equates to optimizing the primary goals of the organization. Increasing the worth of the business is a success that complies with the owners' desires because it will raise their standard of living. (Huluqi et al., 2021).

1. Price to Book Value (PBV)

$$\text{Price To Book Value} = \frac{\text{Harga Pasar Per Saham}}{\text{Nilai Buku Per Lembar Saham}}$$

Book value of shares can be calculated:

$$\text{Book value per share} = \frac{\text{Total Modal}}{\text{Jumlah saham yang beredar}}$$

2. Price Earning Ratio (PER)

$$\text{Price Earning Ratio} = \frac{\text{Harga Per Saham}}{\text{Laba Per Saham}}$$

3. Tobin's Q

$$\text{Tobin's Q} = \frac{(\text{Harga saham x saham beredar}) + \text{Total Liabilitas}}{\text{Total Aset}}$$

Appropriate Corporate Governance

According to Franita (2018), good corporate governance (GCG) is a system that monitors and controls the business control process that is ongoing in order to increase share value, which in turn will increase the value of the company. It also serves as a means of accountability to stakeholders by taking into account their interests, which include creditors, employees, and society at large. This study employs the Board of Commissioners, Independent Board of Commissioners, Audit Committee, Managerial Ownership, and Institutional Ownership as indicators of the corporate governance methods employed.

Commissioners' Board

As a corporate body, the Board of Commissioners is in charge of overseeing and counseling the Board of Directors and making sure the Company follows GCG (Kusmayadi et al., 2015).

Independent Commissioners' Board

According to independent commissioners, other investors and other interested parties are represented by their attendance as representatives of independent (minority) shareholders. Protecting the interests of minority shareholders and other stakeholders while upholding the fairness principle is one of the key advantages of having independent directors and independent commissioners (Erfferndi, 2020).

Audit Committerer

The company's internal control system can be further enhanced by the audit committee working in tandem with internal audit. In the event that the commissioners receive charges of irregularities or fraud involving the company's directors, they may designate the audit committee to carry out a special audit, sometimes known as a fraud audit. In this situation, the audit committee may ask for outside help (outsourcing) to carry out a forensic or investigative audit in order to uncover any major instances of fraud within the organization (Effendi, 2020).

Institutional Ownership

Institutional ownership is ownership of company shares owned by institutions or organizations such as insurance companies, banks, investment companies, and other institutional ownership. Institutional ownership has an important meaning in monitoring management because the existence of institutional ownership will encourage an increase in more optimal supervision. (S. P. Lestari & Al Ghani, 2020).

Managerial Ownership

According to N. Nasution et al. (2019), managerial ownership is when management actively participates in company decision-making (managers, directors, and commissioners) and is given the chance to participate in owning company shares (shareholders).

Capital Structure

The capital structure refers to the fixed financing of the company, which consists of both long-term debt and stock. The choice of capital structure is under the purview of financial management since it has an impact on the company's worth (Sarianti, 2023).

The ratio of long-term debt to equity, which represents the balance of the company's long-term finance, is known as the capital structure. The company's own capital, which is derived from reserves, retained earnings, and shareholder capital, is sufficient to meet its financial demands. Debt financing, or firm funding from outside sources, must be taken into consideration if the company's funding from its own capital encounters a shortage (deficit). But in order to meet its finance requirements, the business needs to find effective funding sources. If the business has an ideal capital structure, funding will be efficient (Martono, 2005).

Financial Performance

Any business that wants to be successful needs to value performance because it has to do with how operations are carried out inside the organization. The performance must also be measured; this is useful for determining future planning. The existence of performance measurements carried out by the company can provide information relating to deficiencies and advantages that will have an impact on the decision-making process by management. Financial performance is one area of the business that will be affected by decisions made based on performance evaluation (Khairunnisa & Bersli, 2023).

According to Fahmi, (2017), An analysis of a company's financial performance determines how well it has applied the rules of financial implementation, such as creating financial reports that adhere to GAAP (Generally Accepted Accounting Principles) or SAK (Financial Accounting Standards), among other requirements.

Hypothesis

The hypothesis of this study are :

H1: Corporate governance's impact on business value

H2: Company value is influenced by capital structure.

H3: Financial performance is directly impacted by good corporate governance.

H4: Capital Structure has a direct influence on financial performance

H5: Financial performance has a direct influence on company value

H6: The relationship between firm value and effective corporate governance is mediated by financial performance.

H7: The relationship between capital structure and firm value is mediated by financial performance.

METHODOLOGY

Quantitative research is the kind that was employed. The annual reports of businesses listed on the Indonesia Stock Exchange (IDX) serve as the source of secondary data for this analysis. Retail companies that were listed on the IDX between 2019 and 2022 made up the study's population. A total of 29 enterprises were sampled using the purposive sampling approach as the sampling technique.

The two forms of data analysis used in this study are partial least squares (PLS) analysis in structural equation modeling (SEM) and descriptive statistics. According to Hamid & Anwar, (2019) SmartPLS is a variant-based SEM program. This program is designed to solve problems that occur in regression modeling and structural modeling. The problems faced can be small sample sizes, missing data, or strict OLS regression assumptions, such as normally distributed data and multicollinearity assumptions between independent variables. 29 retail companies that are listed on the Indonesia Stock Exchange (IDX) and that released annual financial reports for the years 2019 through 2022 were included in the sample. So that the sample to be processed amounts to 116 data (29 x 4).

RESULTS

Following is the presentation of the findings from a descriptive statistical analysis of 116 data points, which took the form of statistics on the average maximum value, average lowest value, and standard deviation of each indicator for every latent variable:

Table 1. Descriptive Statistical Analysis

	N	Mean	Min	Max	Standard Deviation
DK	116	4.336	1.000	9.000	1.747
DKI	116	45.224	25.000	100.000	12.000
KI	116	1.277	0.000	76.400	7.010
KM	116	0.043	0.000	0.989	0.157
KA	116	2.897	1.000	5.000	0.621
DAR	116	0.730	-1.079	5.937	0.864
DER	116	2.878	-1.037	24.559	4.841
ML	116	1.754	-2.994	15.076	3.224
ROA	116	-0.015	-2.485	4.693	0.547
CR	116	3.277	0.004	113.910	11.188
PA	116	0.120	-0.777	5.027	0.571
PP	116	1.959	-0.939	219.295	20.273
PBV	116	1.726	-2.994	36.337	4.753
PER	116	5.443	-127.143	407.143	46.193
TOBIN'S Q	116	10.370	-1.078	172.541	32.490

Sourcer : Research Data, 2024

Convergent validity, discriminant validity, and reliability criteria are tested using the outer model. The loading factor value indicates the need for convergent validity testing. If an indicator's loading factor value is more than 0.70, it is considered dependable. However, loading between 0.5 and 0.6 is still appropriate during the research development stages (Ghozali, 2021). According to Putra Wirmie et al. (2023), the external model is also known as the external relationship or measurement model since it uses manifest variables to ascertain the attributes of the construct. It establishes the relationship between latent variables and indicators. In this investigation, the loading factor value for indicators included in the model was limited by the researcher to values greater than 0.7.

Table 2. First Model Outer Loading Results

	Good Corporate Governance	Kinerja Keuangan	Nilai Perusahaan	Struktur Modal
CR		0.946		
DAR				0.809
DER				-0.528
DK	0.703			
DKI	-0.547			
KA	0.860			
KI	0.051			
KM	0.082			
ML				-0.570
PA		0.933		
PBV			-0.515	
PER			-0.328	
PP		0.936		
ROA		-0.078		
TOBIN'S Q			0.935	

Sourcer : Research Data, 2024

Indicators with loading factors below 0,7 will then be removed from the reserach model.

Table 3. Second Model Outer Loading Results

	Good Corporate Governance	Kinerja Keuangan	Nilai Perusahaan	Struktur Modal
CR		0.957		
DAR				1.000
DK	0.717			
KA	0.907			
PA		0.933		
PP		0.947		
TOBIN'S Q			1.000	

Source : Research Data, 2024

The outer loading value in Table 3 is above 0.7. This value can be interpreted that each variable has a good convergent validity value, so the requirements for convergent validity have been met.

Table 4. Average Variance Extracted (AVE)

	***Average Variance Extracted* (AVE)**	**Keterangan**
Good Corporate Governance	0.669	Memenuhi Kriteria
Kinerja Keuangan	0.894	Memenuhi Kriteria
Nilai Perusahaan	1.000	Memenuhi Kriteria
Struktur Modal	1.000	Memenuhi Kriteria

Source : Research Data, 2024

The average extracted variance value above 0.50 is displayed in Table 4. This value can be understood to mean that since all structures are deemed to be excellent, they qualify.

Table 5. Cross Loading

	Good Corporate Governance	Kinerja Keuangan	Nilai Perusahaan	Struktur Modal
CR	0.177	0.957	-0.081	-0.161
DAR	-0.482	-0.126	0.762	1.000
DK	0.717	-0.023	-0.397	-0.274

KA	0.907	0.242	-0.579	-0.481
PA	0.169	0.933	-0.144	-0.099
PP	0.117	0.947	-0.030	-0.081
TOBIN'S Q	-0.611	-0.100	1.000	0.762

Sourcer : Research Data, 2024

To ensure that each latent variable has a different concept among the variables assessed, Examining the cross loading value is essential for determining the discriminant validity value. The discriminant validity value is adequate if the cross loading of the construct with the measured indicator is higher than that of other constructs; this shows. Table 5 shows that the value of each construct and its indicators has a higher cross loading value than other constructs.

Table 6. Reliability

	Cronbach's Alpha	Reliabilitas Komposit
Good Corporate Governance	0.527	0.799
Kinerja Keuangan	0.942	0.962
Nilai Perusahaan	1.000	1.000
Struktur Modal	1.000	1.000

Source : Research Data, 2024

The composite reliability and Cronbach alpha values of each construct show the reliability requirements. If the composite reliability and Cronbach alpha values are greater than 0.7, a construct is considered to have good reliability (Hair et al., 2011). Table 4.6 indicates that all constructs have met the reliability criteria because the composite reliability of the variables related to financial performance, capital structure, firm value, and strong corporate governance is more than 0.7.

In addition, the Cronbach's alpha value of financial performance variables, firm value, and capital structure is greater than 0.7. Meanwhile, the Cronbach's alpha value for the good corporate governance variable is still below 0.7. Cronbach's alpha value below 0.5 is still acceptable or said to be reliable, but with the concept that the reliability value is low reliability.

Thus, all constructs have met their reliability criteria. All variables and indicators in this study have met all test criteria, so it can be concluded that this study is reliable and valid.

Table 7. R-Square Test

	R Square
Kinerja Keuangan	0.032
Nilai Perusahaan	0.658

Source : Research Data, 2024

According to Table 7, the financial performance variable has an R-Squared of 0.032. These findings show that the financial performance variable can be described by the variables of strong corporate governance, capital structure, and company value by 0.032 or 3%, with the remaining portion being explained by additional variables not covered by the study's hypotheses. The firm value variable's R-Squared value comes out to 0.658. According to these findings, the firm value variable can be described by the financial performance, capital structure, and excellent corporate governance variables by 0.658, or 66%. The remaining percentage can be explained by other variables not included in the study's hypotheses. Furthermore, it must pay attention to the Q-Squared value. To meet the criteria, the Q-Squared value must be positive or exceed the zero value and not be negative.

$$Q^2 = 1 - (1 - R_1{}^2) (1 - R_2{}^2)$$
$$Q^2 = 1 - (1 - 0{,}025) (1 - 0{,}657)$$
$$Q^2 = 1 - 0{,}334$$
$$Q^2 = 0{,}666$$

The predictive relevance value of 0.666, or 67%, as calculated from the data suggests that 67% of the data diversity can be described by the model, with the remaining 33% being explained by factors not considered in this study. Because of its relevant predictive value, these results indicate that the study model is practical.

Table 8. F- Square Test

	Good Corporate Governance	Kinerja Keuangan	Nilai Perusahaan	Struktur Modal
GCG		0.016	0.229	
Kinerja Keuangan			0.003	
Nilai Perusahaan				
Struktur Modal		0.003	0.835	

Sourcer : Research Data, 2024

The aforementioned table indicates that the impact of sound corporate governance on financial performance has a modest f-squared value of 0.016. Because of its effect size, or f-squared > 0.15, excellent corporate governance has a moderate influence on company value, as evidenced by its 0.229 effect on value. Because their f-squared values are less than 0.02, the impact of capital structure on financial performance and the impact of financial performance on company value can both be disregarded. Thus, it may be said that there is no significant relationship between capital structure and financial performance or firm value. Lastly, f-squared > 0.35 indicates a bigger effect size for capital structure, which has an effect size of 0.835 on firm value.

Table 9. Hypothesis Test Of Direct Effects

	Sampel Asli (O)	Rata-Rata Sampel (M)	Standar Deviasi (STDEV)	T Statistics (|O/STDEV|)	P Values
Good Corporate Governance -> Kinerja Keuangan	0.143	0.162	0.106	1.348	0.168
Good Corporate Governance -> Nilai Perusahaan	-0.318	-0.312	0.112	2.837	0.006
Kinerja Keuangan -> Nilai Perusahaan	-0.031	-0.029	0.065	0.480	0.993
Struktur Modal -> Kinerja Keuangan	-0.057	-0.105	0.099	0.579	0.723
Struktur Modal -> Nilai Perusahaan	0.609	0.612	0.109	5.602	0.000

The specific indirect effect test shows how much the independent variable's indirect effect on the dependent variable through the intervening variable is.

Table 10. Indirect Effect Hypothesis Test

	Sampel Asli (O)	Rata-Rata Sampel (M)	Standar Deviasi (STDEV)	T Statistik (IO/STDEVI)	P Values
Good Corporate Governance -> Kinerja Keuangan -> Nilai Perusahaan	-0.000	-0.002	0.020	0.258	0.797
Struktur Modal -> Kinerja Keuangan -> Nilai Perusahaan	0.000	-0.001	0.009	0.009	0.191

Sourcer : Research Data, 2024

Effective corporate governance's impact on firm value

Table 9 indicates that there is a relationship between good corporate governance and firm value, which is supported by the research test results showing a significant value of 0.006 (<0.05). Therefore, it can be said that this hypothesis (H1) is "accepted" and that there is a relationship between good corporate governance and firm value.

The study's findings are consistent with earlier research by Utami & Yusniar (2020), Tierp Ler & Nguyern (2022), Oncioiu et al. (2020), and P. A. Sari & Khuzaini (2022), which found a substantial correlation between business value and effective corporate governance. Every business needs good corporate governance because it can impact the value of the organization. By successfully putting the five fundamentals of good corporate governance into practice, a firm can indirectly build a favorable reputation that will draw in investors and improve the value of the business because of the positive reputation's inherent effects. Effective management of resources and capital to align with shareholder interests is referred to as good corporate governance. Companies must use Good Corporate Governance (GCG) to address this issue. Because managers have a monitoring role, the corporate governance system can stop management from adopting actions that could hurt shareholders. Thus, it may be said that firm value is impacted by sound corporate governance.

The capital structure's impact on company value

Based on Table 9, it can be concluded that capital structure has a significant influence on firm value. This is evidenced by the results of the research test with a significance value of 0.000 (<0.05). So this hypothesis (H2) can be said that capital structure has an effect on firm value and is "accepted." The study's findings are consistent with those of Pramersti et al. (2021), who found that capital structure significantly affects firm value. Accordingly, choices on financing that involve a lot of debt may raise the value of the company. Firm value is significantly impacted by a company's level of capital structure. According to signaling theory, a low capital structure will result in a rise in the value of the company. Because a low capital structure indicates that the company can pay off its debt with its owned capital when its entire debt is less than its total equity. Thus, it may be said that firm value is impacted by capital structure.

Financial performance and sound corporate governance

Based on past studies, it can be argued that there is no significant impact of effective corporate governance on financial performance (Hypothesis 3). The research test's results, which showed a significance value of 0.168 ($p > 0.05$), support this. The hypothesis (H3) posits that there is no relationship between financial performance and effective corporate governance, and hence it is "rejected."

This study's findings diverge from those of Ferbrina (2012), whose research indicates that the audit committee and board of commissioners have an impact on financial performance. Sulistyowati & Fidiana (2017) state that a company's fraud can be reduced the more boards of commissioners it has since the board of commissioners can perform the monitoring function as effectively as possible.

The findings of this investigation, however, are consistent with those of Khafifah et al.'s (2022) study, which shows that sound corporate governance has little bearing on financial success. The financial performance of retail enterprises has not improved despite good corporate governance. One of the claims that GCG has no bearing on the financial success of retail enterprises in this research stems from the company's conflict of interest, which prioritizes one-sided interests over the rights of shareholders. According to agency theory, a positive relationship between managers and stakeholders is necessary for the financial performance of the organization to increase.

Capital structure's impact on financial performance

Based on past research, hypothesis 4 testing has led to the conclusion that capital structure has no discernible impact on financial performance. The research test's results, which showed a significance value of 0.723 ($p > 0.05$), support this. Thus, it may be concluded that hypothesis (H4) on capital structure's impact on financial performance is "rejected."

The findings of this analysis are not consistent with those of Christian Prayogo et al.'s research from 2022, which demonstrates that capital structure affects financial performance. This demonstrates how financial performance is impacted by capital structure. Nonetheless, Jessica & Triyani's research from 2022, which also shows that capital structure has little bearing on financial success, is consistent with the study's findings. According to Susanto (2016), capital structure is a crucial topic for businesses since both excellent and poor capital structures will directly impact the financial standing of the organization, which will then have an impact on the company's valuation.

How financial performance affects the value of a company

According to research on hypothesis 5, which has been tested by other scholars, there is no discernible relationship between financial performance and corporate value. These findings suggest that corporate value cannot be directly impacted by financial performance. The research test's results, which showed a significance value of 0.993 ($p > 0.05$), support this. The hypothesis (H5) that financial performance has no bearing on business value is thus seen to be "rejected."

In this study, the results are different from Agustin et al., (2022) research which states that financial performance has a positive effect on firm value, while Triyani et al., (2018) research shows that asset growth has no effect on firm value. This study found that even though asset growth increases, firm value does not always increase, because high asset growth can lead to larger funding requirements to manage company operations. This can reduce investor confidence and have a negative impact on firm value.

The relationship between firm value and effective corporate governance is mediated by financial performance.

Table 10 leads to the conclusion that there is no relationship between effective corporate governance and firm value that can be mediated by financial performance. The research test's results, which showed a significance value of 0.191 ($p > 0.05$), support this. It can be concluded that hypothesis H6, which states that financial performance can moderate the relationship between excellent corporate governance and business value, is "rejected." The study's findings indicate that, in contrast to previous research, GCG directly affects business value, and that financial performance is unable to moderate the relationship between GCG and firm value. Positive social responsibility activities and enhanced business performance can lead to a direct rise in company value through effective GCG. Accordingly, there is no requirement for financial success to mediate the relationship between GCG and business value.

Financial performance mediates the relationship between capital structure and company value

The testing of hypothesis 7 finds that there is no relationship between capital structure and business value that can be mediated by financial performance. The research test's results, which showed a significance value of 0.797 ($p > 0.05$), support this. It can be concluded that hypothesis H7, which suggests that financial performance cannot mediate the relationship between capital structure and business value, is "rejected." This is because, based on the fourth hypothesis where capital structure does not affect financial performance, thus indirectly financial performance fails to mediate the influence between capital structure and firm value. Brigham and Houston (2008) explain that companies that have a high level of return use relatively low debt. So that the interest expense generated from debt is not too large. When the debt used does not increase the interest expense, it will not affect the company's profit. Capital structure cannot affect financial performance, so financial performance cannot mediate the effect of capital structure on firm value.

DISCUSSION

Effective corporate governance's impact on firm value

Table 9 indicates that there is a relationship between good corporate governance and firm value, which is supported by the research test results showing a significant value of 0.006 (<0.05). Therefore, it can be said that this hypothesis (H1) is "accepted" and that there is a relationship between good corporate governance and firm value.

The study's findings are consistent with earlier research by Utami & Yusniar (2020), Tierp Ler & Nguyern (2022), Oncioiu et al. (2020), and P. A. Sari & Khuzaini (2022), which found a substantial correlation between business value and effective corporate governance. Every business needs good corporate governance because it can impact the value of the organization. By successfully putting the five fundamentals of good corporate governance into practice, a firm can indirectly build a favorable reputation that will draw in investors and improve the value of the business because of the positive reputation's inherent effects. Effective management of resources and capital to align with shareholder interests is referred to as good corporate governance. Companies must use Good Corporate Governance (GCG) to address this issue. Because managers have a monitoring role, the corporate governance system can stop management from adopting actions that could hurt shareholders. Thus, it may be said that firm value is impacted by sound corporate governance.

The capital structure's impact on company value

Based on Table 9, it can be concluded that capital structure has a significant influence on firm value. This is evidenced by the results of the research test with a significance value of 0.000 (<0.05). So this hypothesis (H2) can be said that capital structure has an effect on firm value and is "accepted."

The study's findings are consistent with those of Pramersti et al. (2021), who found that capital structure significantly affects firm value. Accordingly, choices on financing that involve a lot of debt may raise the value of the company. Firm value is significantly impacted by a company's level of capital structure. According to signaling theory, a low capital structure will result in a rise in the value of the company. Because a low capital structure indicates that the company can pay off its debt with its owned capital when its entire debt is less than its total equity. Thus, it may be said that firm value is impacted by capital structure.

Financial performance and sound corporate governance

Based on past studies, it can be argued that there is no significant impact of effective corporate governance on financial performance (Hypothesis 3). The research test's results, which showed a significance value of 0.168 ($p > 0.05$), support this. The hypothesis (H3) posits that there is no relationship between financial performance and effective corporate governance, and hence it is "rejected."

This study's findings diverge from those of Ferbrina (2012), whose research indicates that the audit committee and board of commissioners have an impact on financial performance. Sulistyowati & Fidiana (2017) state that a company's fraud can be reduced the more boards of commissioners it has since the board of commissioners can perform the monitoring function as effectively as possible.

The findings of this investigation, however, are consistent with those of Khafifah et al.'s (2022) study, which shows that sound corporate governance has little bearing on financial success. The financial performance of retail enterprises has not improved despite good corporate governance. One of the claims that GCG has no bearing on the financial success of retail enterprises in this research stems from the company's conflict of interest, which prioritizes one-sided interests over the rights of shareholders. According to agency theory, a positive relationship between managers and stakeholders is necessary for the financial performance of the organization to increase.

Capital structure's impact on financial performance

Based on past research, hypothesis 4 testing has led to the conclusion that capital structure has no discernible impact on financial performance. The research test's results, which showed a significance value of 0.723 ($p > 0.05$), support this. Thus, it may be concluded that hypothesis (H4) on capital structure's impact on financial performance is "rejected."

The findings of this analysis are not consistent with those of Christian Prayogo et al.'s research from 2022, which demonstrates that capital structure affects financial performance. This demonstrates how financial performance is impacted by capital structure. Nonetheless, Jessica & Triyani's research from 2022, which also shows that capital structure has little bearing on financial success, is consistent with the study's findings. According to Susanto (2016), capital structure is a crucial topic for businesses since both excellent and poor capital structures will directly impact the financial standing of the organization, which will then have an impact on the company's valuation.

How financial performance affects the value of a company

According to research on hypothesis 5, which has been tested by other scholars, there is no discernible relationship between financial performance and corporate value. These findings suggest that corporate value cannot be directly impacted by financial performance. The research test's results, which showed a significance value of 0.993 ($p > 0.05$), support this. The hypothesis (H5) that financial performance has no bearing on business value is thus seen to be "rejected."

In this study, the results are different from Agustin et al., (2022) research which states that financial performance has a positive effect on firm value, while Triyani et al., (2018) research shows that asset growth has no effect on firm value. This study found that even though asset growth increases, firm value does not always increase, because high asset growth can lead to larger funding requirements to manage company operations. This can reduce investor confidence and have a negative impact on firm value.

The relationship between firm value and effective corporate governance is mediated by financial performance.

Table 10 leads to the conclusion that there is no relationship between effective corporate governance and firm value that can be mediated by financial performance. The research test's results, which showed a significance value of 0.191 ($p > 0.05$), support this. It can be concluded that hypothesis H6, which states that financial performance can moderate the relationship between excellent corporate governance and business value, is "rejected." The study's findings indicate that, in contrast to previous research, GCG directly affects business value, and that financial performance is unable to moderate the relationship between GCG and firm value. Positive social responsibility activities and enhanced business performance can lead to a direct rise in company value through effective GCG. Accordingly, there is no requirement for financial success to mediate the relationship between GCG and business value.

Financial performance mediates the relationship between capital structure and company value

The testing of hypothesis 7 finds that there is no relationship between capital structure and business value that can be mediated by financial performance. The research test's results, which showed a significance value of 0.797 ($p > 0.05$), support this. It can be concluded that hypothesis H7, which suggests that financial performance cannot mediate the relationship between capital structure and business value, is "rejected." This is because, based on the fourth hypothesis where capital structure does not affect financial performance, thus indirectly financial performance fails to mediate the influence between capital structure and firm value. Brigham and Houston (2008) explain that companies that have a high level of return use relatively low debt. So that the interest expense generated from debt is not too large. When the debt used does not increase the interest expense, it will not affect the company's profit. Capital structure cannot affect financial performance, so financial performance cannot mediate the effect of capital structure on firm value.

CONCLUSIONS AND RECOMMENDATIONS

With financial performance serving as an intervening variable, this study attempts to objectively demonstrate the impact of sound corporate governance and capital structure on firm value in retail companies listed on the Indonesia Stock Exchange between 2019 and 2022. Drawings from the test findings that the researchers conducted lead to the following conclusions:

1. Firm value is impacted by effective corporate governance.
2. The impact of capital structure on business value.
3. Good corporate governance has no effect on financial performance.
4. Capital structure has no effect on financial performance.
5. Financial performance has no effect on firm value.
6. Financial performance was not able to mediate the relationship between the effect of good corporate governance on firm value.
7. Financial performance was not able to mediate the relationship between the effect of capital structure on firm value.

FURTHER STUDY

It is quite feasible to do more sophisticated, thorough, and in-depth study with this one. It is advised that future study be conducted to enhance the suggested approach by utilizing factual strategies and research from a variety of sectors to produce reliable findings. Furthermore, moderating variables should be included to aid in future research as this study only includes mediating variables and excludes moderating ones.

ACKNOWLEDGMENT

Lastly, I would want to express my gratitude to my parents for their financial and time contributions, which have made this research possible. We are grateful to our supervisors, Mr. Salman and Mr. Wirmier, for their leadership and support in carrying out this research. I am grateful to all of my friends who have encouraged me to finish my project and supported me.

REFERENCES

Agustin, E. D., Made, A., & Retnasari, A. (2022). Pengaruh Struktur Modal, Ukuran Perusahaan, Intellectual Capital Terhadap Nilai Perusahaan, Dengan Kinerja Keuangan Sebagai Variabel Interverning (Studi Kasus Pada Perusahaan Manufaktur Yang Terdaftar Di BEI Periode 2017–2019). Jurnal Akuntansi Indonesia, 11(1), 37.

Ayuningtya, A. H., & Mawardi, W. (2022). Analisis Pngaruh Struktur Modal, Ukuran Perusahaan, Tangibilitas, Dan Pertumbuhan Penjualan Terhadap Kinerja Keuangan Perusahaan Dengan Good Corporate Governance Serbagai Variabel Modrasi. Diponergoro Journal of Management, 11(6), 1–13.

Christian Prayogo, B. A., Indarwanta, D., & Suratna, S. (2022). Pngaruh Struktur Kepemilikan Dan Struktur Modal Terhadap Kinrja Keuangan Dan Dampaknya Terhadap Nilai Perusahaan Studi Pada Perusahaan Sktor Consumer Non-Cyclicals Yang Tercatat Di Bursa Efek Indonesia Tahun 2016-2020. Paradigma: Jurnal Masalah Sosial, Politik, Dan Kebijakan, 26(2), 61.

Effendi, A. M. (2020). The Powr of Good Corporater Governance Teori dan Implemntasi (Edisi 2). Salemba Empat.

Fahmi, I. (2017). Analisis Kinerja Keuangan. Alfabeta

Fauziah, F. (2017). Kesehatan Bank, Kebijakan Dividen Dan Nilai Perusahaan (Ker-1). RV Pustaka Horizon.

Ferbrina, V. (2012). Pengaruh Dwan Komisaris, Dwan Direksi, Komite Audit, Dan Kepemilikan Manajerial Terhadap Kinerja Keuangan. Jurnal Informasi Akuntansi, 1(1), 77–89.

Ghozali, I. (2021). Partial Least Squares (Konsep, Teknik, dan Aplikasi) Menggunakan Program SmartPLS 3.2.9 Untuk Penelitian Empiris. Badan Penerbit Universitas Diponergoro.

Hair, J. F., Ringler, C. M., & Sarstedt, M. (2011). PLS-SEM: Indeed a silver bullet. Journal of Marketing Theory and Practice, 19(2), 139–152.

Hamid, R. S., & Anwar, S. M. (2019). Structural Equation Modeling (SEM) Berbasis Varian Konsep Dasar dan Aplikasi Program Smart PLS 3.2.8. dalam Riset Bisnis (Pertama). PT Inkubator Penulis Indonesia.

Huluqi, M. H., Wijaya, R., & Eka P, W. (2021). Pengaruh Struktur Pertumbuhan, Profitabilitas, Likuiditas Terhadap Nilai Perusahaan (Studi Pada Peusahaan Manufaktur Industri Makanan Dan Minuman Yang Terdaftar di BEI). Jambi Accounting Review (JAR), 2(2), 178–195.

Jessica, J., & Triyani, Y. (2022). Pengaruh Struktur Modal, Likuiditas , Ukuran Perusahaan Dan Umur Perusahaan Terhadap Kinerja Keuangan. Jurnal Akuntansi, 11(2), 138–148.

Khafifah, A., Amiruddin, Nurfadila, N., Muslim, M., & Ahmad, H. (2022). Analisis Faktor Good Corporate Governance, Nilai Perusahaan, dan Profitabilitas Perusahaan Perbankan di Bursa Efek Indonesia pada Masa Pandmi Covid-19. Center of Economic Students Journal, 5(1), 63–73.

Khairunnisa, & Besli, E. (2023). Pengaruh Mekanisme Good Corporate Goverrnance (GCG) Terhadap Kinerja Keuangan Perusahaan Sebelum Masa Pandemi Covid-19. 4(3), 308–318.

Kusmayadi, D., Rudiana, D., & Badruzaman, J. (2015). Good Corporate Goverrnance. LPPM Universitas Siliwangi.

Martono, A. harjito. (2005). Manajermen Keuangan (Ker-1). Ekonisia Fakultas Ekonomi UI.

Oncioiu, I., Petrescu, A. G., Bîlcan, F. R., Petrescu, M., Fülöp, M. T., & Topor, D. I. (2020). The influencer of corporate governance systems on a company's market value. Sustainability (Switzerland), 12(8).

Pramesti, N. P. E., Yasa, P. N. S., & Ningsih, N. L. A. P. (2021). The Effect of Capital Structure and Sales Growth on Company Profitability and Value in the Cosmertics Manufacturing and Household Neds Manufacturing Companies. Jurnal Ekonomi & Bisnis JAGADITHA, 8(2), 187–193.

Putra, W. Er., Kusuma, I. L., & Yuliusman. (2023). Model Peningkatan Nilai Perusahaan Syariah (Pendekatan CSR dan Tax Avoidance). Sketsa Media.

Sari, M. L., & Juniati Gunawan. (2023). Pengaruh Profitabilitas Likuiditas Keputusan Investasi Dan Keputusan Pendanaan Terhadap Nilai Perusahaan. Jurnal Ekonomi Trisakti, 3(1), 1871–1880.

Sari, P. A., & Khuzaini, K. (2022). Pengaruh Good Corporate Governance Terhadap Nilai Perusahaan Dengan Kinerja Keuangan Sebagai Variabel

Intervening (Studi Perusahaan Perbankan Yang Terdaftar Di Bursa Efek Indnesia Periode 2016-2020). Jurnal Ilmu Dan Riset Manajemen, 11(8), 15.

Sarianti, K. dkk. (2023). Manajemen Keuangan Perusahaan (Ke-1). PT Sada Kurnia Pustaka.

Sulistyowati, & Fidiana. (2017). Pengaruh Good Corporate Governance Terhadap Kinerja. 6, 121–137.

Supriyono. (2018). Akuntansi Keperilakuan. Gadjah Mada University Press.

Susanto, E. (2016). Pengaruh Profitabilitas, Kepemilikan Manajerial, dan Pertumbuhan Perusahaan (Growth) terhadap Struktur Modal dan Nilai Perusahaan. Jurnal STIE Sermarang, 8(3), 139–141.

Tiep Le, T., & Nguyen, V. K. (2022). The impact of corporate governance on firms' value in an ermerging country: The mediating role of corporate social rersponsibility and organisational identification. Cogent Business and Management, 9(1), 1–24.

Triyani, W., Mahmudi, B., & Rosyid, A. (2018). Pengaruh Pertumbuhan Aset Terhadap Nilai Perusahaan dengan Profitabilitas Sebagai Variabel Intervening (Studi Empiris Perusahaan Sektor Pertambangan yang terdaftar di Bursa Efek Indonesia Periode 2007 - 2016). Tirtayasa Ekonomika, 13(1), 107.

Utami, R., & Yusniar, M. W. (2020). Pengungkapan Islamic Corporate Social Responsibility (ICSR) Dan Good Corporate Governance (GCG) Terhadap Nilai Perusahaan Dengan Kinerja Keuangan Sebagai Variabel Intervening). EL Muhasaba Jurnal Akuntansi, 11(2), 162–176.