

## The Effect of Profitability, Growth Opportunity and Capital Structure on Firm Value with Good Corporate Governance as Moderation

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### ABSTRACT

The business world is growing. The birth of small and large companies has become a common phenomenon. This study was conducted with the aim of testing income, growth opportunities and capital structures on the value of haha and with good corporate governance as moderation variables. Research in quantitative research terms. The population used is the primary consumer goods sector company listed on the Indonesia Stock Exchange for the period 2019-2022. The analysis method used is data panel regression and processing using Eviews software version 10. Research results show that profitability affects corporate value. However, growth opportunities and capital structures do not improve the value of the company. Good Corporate Governance is unable to accelerate profitability, growth opportunities and capital structure to corporate value.

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**INTRODUCTION**

The business world is growing. The birth of small and large companies has become a common phenomenon. This phenomenon will result in increased company competition. With competition, in this instance, the company's long-term objective is to increase corporate value, which it should do. Stock prices have the ability to indicate a significant increase in business value. Investors frequently evaluate businesses based on changes in the stock prices of those that have gone public. (Bintara, 2018). Stocks fluctuating up and down are common in economic theory (OJK, 2016). It's driven by the power of supply and demand. If the supply is high, then the stock price will fall, and if the demand is high, the stock price will rise.

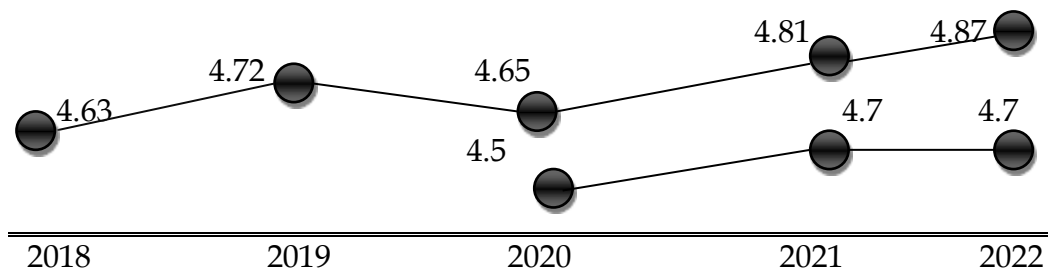
The business competition index in Indonesia recorded In the annual report of the Business Competition Supervisory Commission (BCSC) From 2020-2022 continues to increase. BCSC measures the business competitiveness index using a scale system of 1 - 7. The measurement of the competition index used the concept used by Heise (1970) that divided the assessment into several groups (KPPU, 2022).

**Table 1. Competition Index Measurement Assessment**

<b>Business Competition</b>	<b>Index Score</b>
Business competition is very high	Index Score 6.51 - 7.00
Business competition is quite high	Index Score 5.51 - 6.50
Business competition is slightly high	Index Score 4.51 - 5.50
Moderate business competition	Index Score 3.51 - 4.50
Business competition is slightly low	Index Score 2.51 - 3.50
Business competition is quite low	Index Score 1.51 - 2.50
Business competition is very low	Index Score 1.00 - 1.50

Source : Business Competition Index Report, 2022

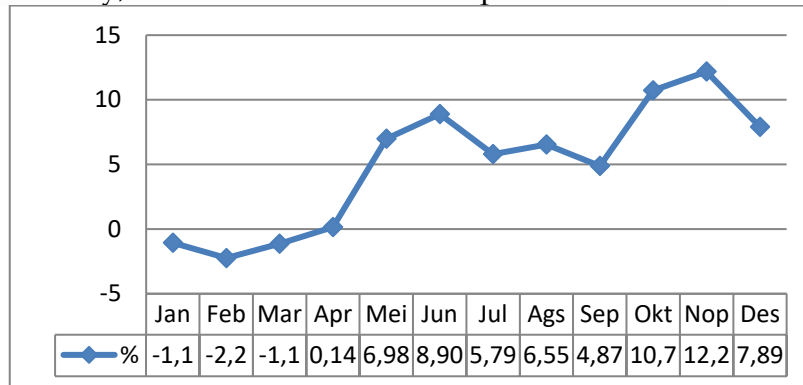
In 2022, Indonesia's business competition index was at the level of 4.87, which means that national business competition is included in the category of slightly higher business competition (index score 4.51 - 5.50).



Source: data processed by the author, 2024

**Figure. 1. Competition Index in 2022**

Fierce competition in the corporate world, they use a variety of strategies to maintain their value at the highest level. One of the corporate sectors that engages in the capital market is the primary consumer products sector. The company is one of the future-oriented sectors to be able to make investments and this is useful for investors and industry players (Riki et al., 2022). The stock movement of the primary consumer goods sector in 2022 fluctuated upward and downward. In economic theory, the rise and fall of stock prices is common



Source: data processed by the author, 2024

**Figure.2 2022 Movement of Primary Consumer Goods Sector Shares**

On the Indonesia Stock Exchange, the primary consumer goods sector is one of the dominant companies, because every year new companies always go public on the Indonesia Stock Exchange. There are around 828 companies listed on the Indonesia Stock Exchange which are grouped into subcategories.

**Table 2. Indonesia Stock Exchange Sector**

Sector	The Number of Companies
Energy	76
Basic Materials	96
Industrials	56
Consumer Non-Cyclicals	113
Consumer Cyclicals	142
Healthcare	28
Financials	106
Properties & Real Estate	85
Technology	34
Infrastructures	62
Transportation & Logistic	30
<b>TOTAL</b>	<b>828</b>

A high firm value demonstrates the wealth of shareholders, which is what the business owner wants to see (Rohaeni et al., 2020). Because investors may be drawn to the company by its high value. A significant growth in company value will instill confidence in the market regarding the company's financial performance and future prospect.

Company value is an important thing and of course, this makes companies continuously try to always increase company value. However, the fact is that the company value fluctuates erratically up and down so research on company value is interesting to study. Numerous elements, including profitability, development potential and capital structure affect a company's **value**. A handful of these components influence inconsistent company values and are related to each other.

The ability of a business to turn a profit indicates how successful it is. Depending on how profitable assets or capital are in relation to each other, there are several methods to evaluate profitability of the company. The performance of management is measured by profitability, which is indicated by obtaining profits during the administration of the business's assets (Virna et al., 2019). Research conducted by (Ginting, 2021) and (Cahyono & Surasni, 2019) acknowledge a positive relationship between profitability and corporate value. Companies can make profits in fundamental considerations for investors in making investments. On the other hand, a company's value will drop if its profitability declines.. Meanwhile, research conducted by (Nathanael, 2020) shows that the company's profitability has nothing to do with its stock price.

A growth opportunity is one that will allow the business to expand in the future. The company's rapid expansion indicates that it has more opportunities to grow and expand. With a high growth rate, it's hoped that the business can turn a sizable profit in the future (Sabilah, 2023). (Zidane et al., 2022) learned that the company's value rises with growth chances. In contrast, Study carried out by (Hermawan, 2018) demonstrated that there is no substantial correlation between the growth potential variables and company value.

Capital structure can boost business earnings by maximizing the ratio of return to risk, which in turn can also prosper company owners through increasing company value by maximizing share prices (Virna et al., 2019). A company's capital structure plays a significant part in optimizing its performance. The result of research conducted by (Nathanael, 2020) discovered that a company's capital structure can raise its worth. Research (Pranidia et al., 2021) discovered that firm value is unaffected by capital structure.

The last factor that can affect corporate value is good corporate governance. Seeing the inconsistency in the result of the above research, this study includes moderating variables in the form of good corporate governance by involving proxied managerial ownership. To achieve a balance of corporate authority and power while holding responsibility to all relevant parties, in good corporate governance there is a process of managing and controlling the company. *Good corporate governance* is considered to influence firm value, an increase in firm value does not rule out the possibility that good corporate governance can be managed properly (Virna et al., 2019).

Research conducted by (Virna et al., 2019) states that with corporate governance as a moderate variable, profitability can affect corporate value. However, research conducted by (Puspitasari & Suryawati, 2019) states that corporate governance as a moderate cannot moderate the effect of profitability on corporate value. Then, research conducted by (Wardani & Djando, 2022) states that the effect of capital structure on corporate value can be strengthened by corporate governance. However, research conducted by (Virna et al., 2019) found that the effect of profitability on corporate value cannot be modernized by good corporate governance. In addition, research conducted by (Dian Novita Sari, Yamasitha, 2021) (Dian Novita Sari, Yamasitha, 2021) states that the effect of capital structure on corporate value can be strengthened by corporate governance. However, research conducted by (Virna et al., 2019) shows that the capital structure is not able to strengthen the influence of the capital structure on corporate value.

The research to be carried out is development research from previous study carried out by (Virna et al., 2019) by adding a growth opportunity variable. Growth opportunity is a total change in activities owned by the company (Adhitya Ananda & Nugraha Ardana P, 2018). Better the company's condition can be marked by positive company growth opportunities. The company's high growth allowed the company to expand its business. Growth opportunity will be measured by the total change in activa formula (Bintara, 2018). Then another difference from previous studies lies in the object of his research. In previous studies, focused only on companies listed in Business Index 27, this study was expanded to include all sub-sector primary consumer goods as an object of research, as the list of listed companies in that sector is increasing every year. As of 2021, the primary consumer goods sector is 98 companies. By 2022 it had increased significantly to 113 listed companies.

Based on the above and looking at many previous studies with different results, researchers want to prove the effect of profitability, growth opportunity and capital structure on corporate value with good corporate governance acting as a moderator.

## **LITERATURE REVIEW**

### **Signalling Theory**

A signaling theory proposed by Spence (1973) indicates that information that can reflect the state of the organization is sent by the sender, who is the owner of the information (Michael Spence, 1973). The investor, who is the recipient, benefits from this condition. This signal takes the form of data outlining management's attempts to carry out the owner's instructions. When making investment decisions, businesspeople and investors might use this information as a reference. Investors will first evaluate the information issued by the company to see if it is a positive signal (good news) or even a negative signal (bad news) (Michael Spence, 1973). A positive signal will make investors assess the company with a positive reaction, which will increase the stock price and increase the company's value. However, in the nation, if investors have a poor perception, they will consider the company to be less qualified, which will reduce their desire to invest and lower the company's worth.

### **Pecking Order Theory**

Pecking order theory is the company in determining the preferred source of funds. The level of ability to determine the source of funds can be known by the company itself (Amalia & Bambang Suryono, 2022). The theory was originated in 1961 by Donaldson, who conducted a scale study of the precepts of funding for large corporations (Nirmala et al., 2016). According to this theory, corporate management when in need of funding tends to prefer using internal funds or its own funds. The pecking order theory is a theory that states that the company will be more concerned with retained earnings than debt, and the issuance of shares as the final determination in determining the source of funds (Amalia & Bambang Suryono, 2022). This means, when a company needs external funds, the company prefers to issue safe securities instead of using debt. Companies that have more profits, generally borrow in small amounts (Suastra et al., 2023). This is because companies with high profit rates do not need large external funds.

### **Firm Value**

Firm value is the market value of a business where, if share prices grow, the welfare level of the shareholders will likewise rise since they have selected well-qualified individuals for their positions (Kusumawati & Setiawan, N.D.). Potential investors will take the company's value movement into account when choosing their investments, particularly in firms that have gone public. A notable shift in the firm's worth indicates that the business can endure over the long haul. This will affect how well the business performs, which will help it fulfill its objective of maximizing earnings and benefitting shareholders. One method to determine the worth of a company is to use Price to Book Value (PBV). The value of this ratio is displayed in the company's financial statements, which is used to gauge how a company is doing. Investors use the Price to Book Value (PBV) to determine the value of the company.

### **Profitability**

Sartono (2010) defined profitability as a company's capacity to make a profit on sales, total assets, and own capital (Sartono, 2010). Meanwhile, Munawir (2010) defines a profitability ratio as the ratio that shows a company's ability to make a profit (Munawir, 2010). Every business strives to increase performance since it can only sustain itself and grow with substantial profits. The share price may rise in response to the increase in profit earned. The increase in a company's worth is directly correlated with its share price. One way to measure profitability is through the use of profitability ratios, which are used to assess how successfully a business uses its assets to generate profits. Based on this explanation, is strengthened by research conducted by (Ginting, 2021) which asserts that the value of this business is affected by profitability.

H<sub>1</sub> : Profitability affect firm value.

### **Growth Opportunity**

A business that has the potential to expand, grow at a faster rate, or otherwise improve itself is said to have a growth opportunity. In the future, businesses that are expanding quickly may need more capital, especially from outside sources to support their growth or meet their investment requirements (Indrajaya, 2011). Companies with high growth potential will be those that can keep growing their firm; large sums of money are required, and internal fund ownership is rare enough to influence capital structure decisions. Businesses that anticipate rapid expansion in the future typically favor using shared funds to support their daily operations. The method for calculating changes in total assets can be used to quantify growth opportunities. Based on this explanation, strengthened by research by (Zidane et al., 2022) indicates that growth opportunities positively impact corporate value.

H<sub>2</sub> = Growth Opportunity affects firm value.

### **Capital Structure**

According to Husnan (2009), capital structure is the ratio of long-term funding sources—internal and external—that the company uses to meet its expenditure demands. Put another way, capital structure is the combination of own and foreign capital (Husnan, 2009). Thus, the financial structure consists of more than only the capital structure. Unlike the debt ratio, which only explains the intended long-term composition of debt and equity in a firm, the organization's capital structure is its debt and equity arrangements inside its financial framework (Arifin, 2005). An organization with a sound capital structure will benefit from an increase in its worth. Based on this explanation, strengthened by research by (Nathanael, 2020) indicates that capital structure positively impact corporate value.

H<sub>3</sub> = Capital Structure affect firm value.

### **Good Corporate Governance**

A defined set of guidelines, protocols, and a relationship between decision-makers and those in charge of overseeing and controlling them are all components of good corporate governance. A well-designed corporate governance mechanism aims to oversee and guarantee how an organization's governance system is operated (Walsh and Schward) (Arifin, 2005). Barnhart and Rosenstein (1998) distinguish between two types of effective corporate governance processes: internal mechanisms, which include executive salary, management ownership, and board composition, and external mechanisms. An external mechanism, such market control or the amount of debt financing, is the second mechanism. Because there are data restrictions on another mechanism, the corporate governance used in this study is managerial ownership.. The greater the managerial ownership in this study. It is anticipated that the management will make every effort to maximize shareholder value. This is so that if the business turns a profit, the management will also gain.

Based on signal theory, providing investors with an explanation of a company's management's activities might help them gauge the company's prospects. Businesses with excellent corporate governance will send a positive message to their stakeholders. Stakeholders assume that companies that have high corporate governance scores pay attention to stakeholders. Thus, this can increase company value. Based on this, strengthened by research conducted by (Virna et al., 2019) shows how effective corporate governance can have a profitability effect on corporate value.

H<sup>4</sup> = Good Corporate Governance can moderate the effect of profitability on firm value

If Good Corporate Governance is properly implemented in a company, it will increase the value of the company, supported by the signal theory. The company's growth opportunity is its chance to make potentially profitable investments. A successful investment will provide a good message about the expansion of the business. Based on this, strengthened by research conducted by (Dian Novita Sari, Yamasitha, 2021) shows how effective corporate governance can have a growth opportunity effect on corporate value.

H<sup>5</sup> = Good Corporate Governance can moderate the effect of growth opportunity on firm value.

It shows that it favors using debt as a source of funding based on the pecking order principle, because the advantages of tax reduction while using debt might raise a company's value. The business's capacity to manage itself is demonstrated by the adoption of sound corporate governance. The idea that every level of debt, if small, will increase corporate value is a sign of good corporate management. Inadequate corporate governance can make it difficult for businesses to manage their financial structures, which can lead to bankruptcy. Based on this, strengthened by research conducted by (Dian Novita Sari, Yamasitha, 2021) shows how effective corporate governance can have a capital structure effect on corporate value.

H<sup>6</sup> = Good Corporate Governance can moderate the effect of capital structure on firm value

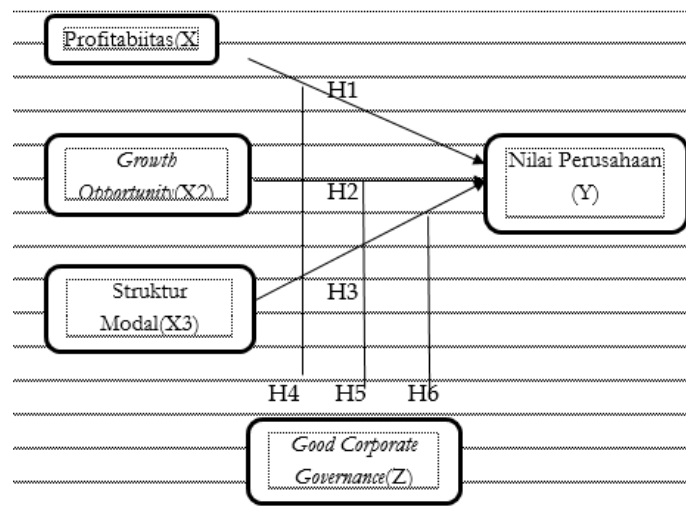


Figure 3. Research Framework

## METHODOLOGY

Secondary data or information obtained from study participants indirectly was used in this type of study. The data used in this study came from financial statements recorded from 2019 to 2022 on the Indonesia Stock Exchange (IDX) through [www.idx.co.id](http://www.idx.co.id). The population of this study is a company in the primary consumer goods industry listed on the Indonesia Stock Exchange (IDX) between 2019 and 2022. As of 2023, the Indonesia Stock Exchange (IDX) has 113 listed companies. In this study, purposive samples were used, and 40 companies were selected as samples with the following criteria :

1. Primary consumer goods sector companies listed on the IDX 201-2022.
2. The company published consecutive annual reports during the 2019–2022 period.
3. The company used a unit of rupiah value in its financial statements.
4. The company suffered no losses during the research year (2019–2022).

This study used corporate value dependent variables, the dependent variables were profitability, growth opportunity and capital structure, and added a moderation variable, good corporate governance, which is proxied by managerial ownership. The operational definitions and measurements of each variable are as follows:

**Table 3. Operational Definitions and Measurement of Variables**

Variable	Operational Definitions	Operational Definitions
Firm Value (Y)	Market value is the market perception that comes from investors, creditors, and other stakeholders of the company's condition which is reflected in the market value of the company's stock which can be a measure of the company's value (Irawan & Kusuma, 2019)	$\frac{\text{Stock Price}}{\text{Book Value per Share}}$ (Putri Zafirah Nabila Amro, 2024)
Profitability(X1)	The profitability ratio is a major indicator of all financial statements because the entity's primary objective is the outcome of its income business activities The profitability ratio is a major indicator of all	$\frac{\text{Net Profit}}{\text{Equity}}$ (Jemani & Erawati, 2020)

	financial statements because the entity's primary objective is the outcome of its income business activities (Jemani & Erawati, 2020)	
Growth Opportunity (X2)	Growth opportunity is the company's possible future progress (Pratiwi & Muthohar, 2021)	$\frac{\text{Total Assets}^t}{\text{Total Assets}^{t-1} - \text{Total Asset}^{st-1}}$ (Pratiwi & Muthohar, 2021)
Capital Structure (X3)	A capital structure is a decision regarding the composition of funds that have been selected by a company (Nathanael, 2020)	$\frac{\text{Net Profit}}{\text{Debt}}$ (Nathanael, 2020)
Good Corporate Goovernance (Z)	A rule of play, procedure and clear relationship between the decision-making party and the control party, supervision of the decision (Bintara, 2018)	$\frac{\text{Management's Share}}{\text{Shares in Circulation}}$ (Wardana et al., 2024)

Source: data processed by the author, 2024

Regression study on panel data, combining cross-sectional and time series data, is used in this study's analysis. This research covers the period 2019-2022 so it uses time series data. Furthermore, the existing data is also taken from different companies, so it uses cross-section data. The analytical tool used is Eviews (Econometric Views) software version 10. Here is an example of how to formulate the regression equation:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 Z + \beta_5 X_1 * Z + \beta_6 X_2 * Z + \beta_7 X_3 * Z + e$$

Keterangan

Y = Firm Value

$\alpha$  = constant

$\beta$  = Variable regression coefficient

$X_1$  = Profitability

$X_2$  = Growth Opoortumity

$X_3$  = Capital Structure

Z = Good Corporate Governance

$\varepsilon$  = error

## RESEARCH RESULT

160 data collected will be executed using the Eviews 10 program given the information obtained. The analysis will consist of a descriptive statistical test, evaluating hypotheses, conducting a classical assumption test, and selecting a model. The test's outcomes are as follows :

### Descriptive Statistics

Table 4 presents the test result derived from the descriptive statistics table using 113 data samples in total.

**Table 4. Descriptive Statistics**

	<b>Firm Value</b>	<b>Profitability</b>	<b>Growth Opportunity</b>	<b>Capital Structure</b>	<b>Good Corporate Governance</b>
Mean	3.950208	0.181496	0.083714	0.997444	0.099335
Median	1.945521	0.138611	0.064639	0.742362	0.000078
Maximum	60.67179	1.450882	1.676057	4.413093	1.000000
Minimum	0.000521	0.000135	-0.846118	0.108542	0.000000
Std. Dev.	8.203925	0.229613	0.185830	0.913439	0.228006

Source: data processed by the author, 2024

### Chow Test

**Table 5. Chow Test**

<b>Effects Test</b>	<b>Statistic</b>	<b>d.f.</b>	<b>Prob.</b>
Cross-section F	32.349059	(39,116)	0.0000
Cross-section Chi-square	395.922815	39	0.0000

Source: data processed by the author, 2024

The model used is the Fixed Effect Model, and the results of the cow test table 5 show that the p-value is 0.0000 ( $p < 0.05$ ).

### Hausman Test

**Table 6. Hausman Test**

<b>Test Summary</b>	<b>Chi-Sq.Statistic</b>	<b>Chi-Sq.d.f.</b>	<b>Prob.</b>
Cross-section random	37.286590	4	0.0000

Source: data processed by the author, 2024

Table 6 shows the results of a thirst test that shows that the probability value is 0.0000 ( $p < 0.05$ ). Thus, the model used was the H Fixed Effect Model.

**Multicollinearity Test**

**Table 7. Multicollinearity Test**

		<b>Growth Profitability Opportunity</b>	<b>Capital Structure</b>	<b>Good Corporate Governance</b>
Profitability	1	-0.044671	0.351137	-0.111810
Growth Opportunity	-0.044671	1	-0.034854	0.052035
Capital Structure	0.351137	-0.034854	1	-0.238973
Good Corporate Governance	-0.1118107	0.052035	-0.23897	1

Source: data processed by the author, 2024

Based on the output of the correlation matrix in table 3 the correlation between X1 and X2 is -0.071, the correlation between X2 and X3 is 0.349. There is no correlation between independent variables high above 0.90 (Imam Ghazali, n.d.). Thus, it can be inferred that there are no symptoms of multicollinearity.

**Heteroscedasticity Test**

**Table 8. Heteroscedasticity Test**

<b>Variable</b>	<b>Coefficien t</b>	<b>Std. Error</b>	<b>t-Statistic</b>	<b>Prob.</b>
C	1.126513	0.244423	4.608872	0.0000
Profitability	5.440759	0.642978	8.461817	0.1854
Growth Opportunity	0.430426	0.744739	0.577955	0.5641
Capital Structure	-0.087448	0.165323	-0.528950	0.5976
GCG	-0.609833	0.624628	-0.976314	0.3304

Source: data processed by the author, 2024

Based on the results of the heteroskedasticity test table 8 probability values > 0.05, there are no heteroskedasticity symptoms.

**Regression Analysis**

**Table 9. Regression Analysis**

<b>Variable</b>	<b>Coefficient</b>	<b>Std. Error</b>	<b>t-Statistic</b>	<b>Prob.</b>
C	2.961380	1.137595	2.603194	0.0105
Profitability	13.78607	2.452697	5.620777	0.0000
Growth Opportunity	-0.653860	0.997126	-0.655745	0.5133
Capital Structure	-1.280784	0.853657	-1.500349	0.1363
Good Corporate Governance	-1.017671	6.491336	-0.156774	0.8757
Profitabilitay-GCG	-8.635538	19.41905	-0.444694	0.6574
Growth Opportunity-GCG	1.003563	102.3984	0.009801	0.9922
Capital Structure-GCG	26.48686	151.9102	0.174359	0.8619

Source: data processed by the author, 2024

In Table 9, the regression analysis results are shown as follows :  
 $Y = 2,961 + 13,78X_1 - 0,653X_2 - 1,280X_3 - 1,017Z - 8,635X_1*Z + 1,00X_2Z + 26,48X_3Z + \varepsilon$

**Coefficient of Determination**

**Tabel 10. Coefficient of Determination**

		Mean	dependent
R-squared	0.958102	var	3.950208
Adjusted R-squared	0.941046	S.D. dependent var	8.203925
S.E. of regression	1.991957	Akaike info criterion	4.455826
Sum squared resid	448.3718	Schwarz criterion	5.359158
		Hannan-Quinn	
Log likelihood	-309.4661	criter.	4.822638
F-statistic	56.17387	Durbin-Watson stat	1.678392
Prob(F-statistic)	0.000000		

Source: data processed by the author, 2024

The R-squared value for Table 6 is 0,958, meaning that other factors not included in this study account for the remaining 95.85% of the company value, which is influenced by profitability, growth opportunity, capital structure, profitability\_GCG, growth opportunity\_GCG, and capital structure\_GCG.

**DISCUSSION**

**The Effect of Profitability on Firm Value**

Firm value is positively impacted by profitability. This is related to the idea of signals, which states that different shareholders will react differently to the same signal, based on market conditions and whether it is good or negative. Profit income is one of the company's positive signals. When evaluating a company, investors typically consider its profit margin. The rise in capital market stock prices will be influenced by the company's increased profits as well. The value of the company rises in tandem with the capital market share price. Investors will react favorably to a rise in profitability, It will unavoidably increase the company's value. Furthermore, a high profitability level shows that the business can continue to turn a profit in the future. Conversely when a company's profitability fluctuates, investors typically react with a negative signal because they think that the investment to be made has a level of risk, thus reducing investor motivation to invest in the company. Some shareholders are profit-oriented, which is oriented towards earning profits or profits. Companies that adhere to profit-oriented will always try to increase their profits from year to year because the company's profits will be used by shareholders to evaluate the business. This result supports the research conducted (Ginting, 2021), (Ali et al., 2021), (Robiyanto et al., 2020), (Izza Noor Fauziah, 2020) and (Atmikasari et al., 2020) which says that the company's value is positively affected by its profitability.

### **The Effect of Growth Opportunity on Firm Value**

The value of a business is unaffected by growth opportunities. High growth rates mean that these businesses will eventually require additional funding, particularly in the form of loans from outside sources, to satisfy their growing needs. Because there is a significant business risk involved, the market typically reacts unfavorably to the usage of large debt. There's little doubt that this will lower the company's worth. A high debt load indicates that the business must be able to make its future payments. Of course, the corporation will face bankruptcy threats if it is unable to pay its debts in the future. Businesses with strong sales growth will contribute to rising firm valuations. The study's findings, however, do not support this. In this instance, it is likely that the company's operational expenses will rise significantly in tandem with the growth in sales, resulting in a decline in the company's profit margin. The study's conclusions go counter to the signal hypothesis, which maintains that judgments made by management can provide investors with information about a company's prospects for the future. This result supports the research conducted (Nathanael, 2020), (Pratiwi & Muthohar, 2021), (Retnasari et al., 2021) and (Hardiansyah & Lailiy, 2020) which argues that growth opportunity increases the worth of the company.

### **The Effect of Capital Structure on Firm Value**

Capital structure has no effect on corporate value. Capital structure is a funding that uses long-term debt. However, if the company uses the debt continuously as a source of funding, it can result in companies that cannot repay the debt with interest. The use of excessively high debt can result in the company's non-optimal value and is threatened with bankruptcy if it is unable to repay its obligations in the future. The use of debt will increase the risk of the company's revenue stream being affected by external factors. Meanwhile, debt causes a fixed burden without looking at income (Putri & Puspitasari, 2022). In addition, the higher the debt, the higher the debt burden will increase than the tax savings, so the use of debt has a negative effect on corporate value. The company's capital structure policy that uses more debt will decrease the stock price so that it will lower the company's value. This result supports the research conducted (Mahanani & Kartika, 2022), (Wardhani et al., 2021), (Nurhayati et al., 2020) and (Elysa Yulianti, Sri Hermuningsih, 2022) which argues that growth opportunity increases the worth of the company.

### **Good Corporate Governance Moderates the Effect of Profitability on Firm Value**

The impact of profitability on firm value cannot be mitigated by good corporate governance. This is because Good Corporate Governance proxied by managerial share ownership still tends to be low, even some companies do not have managerial ownership in their companies. The average managerial ownership in Indonesia is still 9.1% (Mufidah & Purnamasari, 2018). The low value of managerial ownership led to the lack of influence of the Good Corporate Governance variable as moderation. And managerial ownership owned by companies tends to be dominated by families so they tend to increase value for

their interests rather than common interests. The low share ownership owned by management is unable to strengthen profitability on firm value. Investors can determine if a company can create profits or not by looking at its profitability ratio, which serves as a benchmark for making investment decisions. A company's performance can also be evaluated by its profitability higher performance levels will result in more profitability, It will increase the company's worth. It was studied by (Puspitasari & Suryawati, 2019), (Mufidah & Purnamasari, 2018) dan (Ballo, 2020) who argued that sound corporate governance could not moderate the impact of profitability on corporate value.

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### **Good Corporate Governance Moderates the Effect of Capital Structure on Firm Value**

The impact of capital structure on corporate value cannot be strengthened with good corporate governance. If a company does not play an optimal role in overseeing the management of debt management as part of the capital structure, the application of Good Corporate Governance will not be effective. The companies that do not even have managerial ownership serve as proof that the level of company management share ownership is still low. Companies in Indonesia have implemented Good Corporate Governance policies as a form of controlling company activities. However, this does not guarantee that investors will respond positively to the investment. It was studied by (Sabilah, 2023), (Irawati et al., 2021) and (Osok & Hwihanus, 2023) who argued that sound corporate governance could not moderate the impact of growth opportunity on corporate value.

## CONCLUSIONS AND RECOMMENDATIONS

This research examines how firm value is impacted by profitability, growth potential, and capital structure, with strong corporate governance serving as a moderating factor. This study generates 160 data from 40 samples of qualifying businesses. Furthermore, the analysis's findings demonstrate how the company's value is impacted by both profitability and capital structure. Growth potential, however, has no bearing on business value. Thus, sound corporate governance is unable to offset the effects of profitability, growth potential, and capital structure on company value.

These results provide benefits to investors, before making a decision to invest should first pay attention to profitability ratios, corporate growth opportunities and capital structure ratios that can be seen in financial statements. For companies should always try to increase the company's value in order to attract potential investors.

## ADVANCED RESEARCH

Future research be conducted in order to broaden the corporate sector's scope and make it more than just the primary consumer product sector. It is advised to conduct more research to include additional financial factors that have a bigger impact on firm value.

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