Original Research Article

The Effect of Financial Performance on Firm Value: The Moderating Role of Corporate Governance

ABSTRACT

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| --- |
| This study aims to empirically examine the effect of financial performance, proxied by liquidity, leverage, activity, and profitability ratios, on firm value with corporate governance as a moderating variable. This study uses a quantitative approach, utilizing secondary data from the financial statements of energy sector companies listed on the Indonesia Stock Exchange from 2019 to 2023. Sampling was conducted using purposive sampling, and 154 samples were analyzed. The data analysis technique was moderated regression analysis with the aid of IBM SPSS Statistics 26. As a result, this study indicates that the liquidity ratio, proxied by the current ratio, has a negative effect on firm value, the leverage ratio, proxied by the debt-to-asset ratio, has a positive effect on firm value, the activity ratio, proxied by total asset turnover, has a positive effect on firm value, the profitability ratio, proxied by the net profit margin, has a negative effect on firm value. Corporate governance can moderate a firm value's liquidity, leverage, activity, and profitability ratios. |

*Keywords: corporate governance; financial performance; firm value; energy stock exchange*

1. INTRODUCTION

The development of a company can be measured through various aspects, one of which is the enhancement of firm value. Firm value serves as a crucial indicator reflecting how well a company is managed and how effectively it generates profits. An increase in firm value indicates that a company is growing and has promising future prospects. Firm value is influenced by several aspects of financial performance, including liquidity, solvency, activity, and profitability. Each of these aspects offers a distinct perspective on a company’s performance and potential, and when combined, provides a comprehensive view of its value. Strong and sustainable financial performance can enhance the perceived value of a firm among investors, creditors, and other stakeholders. Financial performance can be measured in terms of liquidity, solvency, profitability, and activity.

Liquidity is an essential aspect of financial management, describing a company's ability to meet its short-term obligations or liabilities that must be settled immediately. It not only enables a company to manage its liabilities effectively but also enhances its ability to seize growth opportunities, thereby contributing to an increase in firm value. This is supported by previous research conducted by Rifayani and Yunita (2023), Priatna and Sakir (2023), and Dewi et al. (2022), which found that liquidity, as measured by the current ratio (CR), influences firm value. However, a study by Nazariah (2019) on the effect of financial ratios on firm value in manufacturing companies in the consumer goods sector listed on the Indonesia Stock Exchange (2012–2017) found that the CR had no significant effect on firm value.

Leverage significantly affects firm value through several channels. Financial leverage refers to the use of debt to finance business operations with the aim of increasing returns for shareholders. While leverage may amplify potential gains, it also increases risk (Al Fadihillah & Sri Utiyati, 2022). Companies with high leverage may face reduced financial flexibility, limiting their capacity to fund new investments, expand, or weather adverse market conditions. This limitation may ultimately hinder growth and negatively impact firm value.

The activity ratio is a key indicator used to assess how efficiently a company utilizes its assets to generate sales or revenue. A higher activity ratio may indicate strong management and growth potential (Rifayani & Yunita, 2023). However, it is important to note that extremely high activity ratios are not always favorable. For example, a very high inventory turnover ratio might indicate insufficient stock to meet demand, potentially leading to lost sales and decreased customer satisfaction (Nazariah et al., 2019).

Profitability is one of the primary indicators of a company’s financial health. Companies with high net profit margins (NPM) are generally perceived as more financially sound, as they demonstrate the ability to generate more profit from their revenues. This enhances investor confidence and may increase firm value (Rifayani & Yunita, 2023). However, Priatna and Sakir (2023) argue that higher NPM may result in lower firm value. In contrast, lower NPM may lead to a higher firm value. This is because higher margins typically raise product or service prices, which can reduce competitiveness in the long term. Such conditions may deter investors who prefer companies with more competitive pricing.

Good corporate governance plays a critical role in determining firm value. Corporate governance entails the application of principles such as transparency, accountability, and fairness. Implementing these principles enhances investor trust, which can stimulate investment and, in turn, boost the company's market value (Saragih & Forever, 2024). However, corporate governance does not always strengthen or moderate the impact of financial performance on firm value. This was demonstrated by Tzaniatuzaima and Maryanti (2022), who studied the effect of CR, ROA, and DER on firm value with Good Corporate Governance as a moderating variable, and found that GCG could not significantly moderate the relationship between CR and ROA and firm value.

This study focuses on companies in the energy sector listed on the Indonesia Stock Exchange (IDX). The energy sector includes some of the largest-cap companies on the IDX, and fluctuations in their stock prices can significantly influence the Jakarta Composite Index (IHSG). This is evident from data published by the IDX, which lists energy companies among the top contributors to IHSG movements. The focus on the energy sector and the inclusion of corporate governance—proxied by managerial ownership—as a moderating variable represent the novelty of this research.

2. REVIEW OF Literature and hypothesis DEVELOPMENT

**2.1 REVIEW OF literature**

**2.1.1 Signaling Theory**

Signaling theory is based on the assumption that the information received by each party is asymmetric. The information disclosed by the company and received by investors will first be interpreted and analyzed to determine whether it is perceived as a positive signal (good news) or a negative signal (bad news) (Jaya et al., 2023:109).

**2.1.2 Agency Theory**

Agency theory, as proposed by Jensen and Meckling (1976) in Iqbal and Indira (2015), explains the relationship between a company's management as the agent and the owner of the company as the principal. Through accountability reports prepared by management as the agent, the principal receives the necessary information, which also serves as a tool to evaluate the agent's performance over a specific period.

**2.1.3 Capital Structure Theory**

Capital Structure Theory, as introduced by Franco Modigliani and Merton Miller (1958) and cited by Triyonowati and Maryam (2022:54), explains whether changes in capital structure affect firm value, assuming that investment decisions and dividend policies remain constant. In other words, it examines whether replacing a portion of equity with debt, or vice versa, will alter the stock price, provided that the company does not change other financial decisions.

**2.1.4 Firm Value**

Noerirawan as cited in Adnyana (2021:21), firm value is defined as the condition achieved by a company that reflects public trust in the company, developed through a series of activities since its establishment. This value can be measured using the company’s stock price.

**2.1.5 Financial Performance**

Riswan, as cited in Darmawan (2020:2), states that financial performance is a depiction of the economic outcomes achieved by an entity during a specific period through activities carried out to generate profit effectively and efficiently. Good financial performance can be observed through liquidity, solvency, activity, and profitability, all of which indicate favorable results.

**2.1.6 Corporate Governance**

Syofyan (2021:104), corporate governance is a set of systems used to regulate, manage, and supervise the control processes of a corporation in order to create added value. It also serves as a form of accountability to stakeholders, employees, creditors, and the surrounding community, aiming to establish a clean, transparent, and professional managerial environment.

**2.2 HYPOTHESIS DEVELOPMENT**

**2.2.1 The Effect of Liquidity Ratio on Firm Value**

The liquidity ratio in this study is proxied by the current ratio. A high current ratio indicates better liquidity, meaning the company has sufficient resources to meet its obligations when they come due, without having to sacrifice long-term assets or seek additional financing. Rifayani and Yunita (2023), who examined the effect of the current ratio, return on equity, net profit margin, total assets turnover, and debt-to-assets ratio on firm value in the property and real estate sector listed on the IDX, found that the current ratio has a positive effect on firm value. Similarly, Priatna and Sakir (2023), in their study on the influence of capital structure policies and financial performance using a conventional model on firm value in the property and real estate sector of the IDX, also found that the current ratio positively affects firm value. Dewi et al. (2022), in their study on the effect of CR, DER, TATO, and ROA on PBV at PT Indomobil Sukses Internasional Tbk, revealed that the current ratio has a positive influence on firm value. A higher current ratio reflects a more liquid company. A high current ratio indicates sufficient cash availability, which increases investor confidence, thereby enhancing the company’s reputation among investors and ultimately boosting its firm value. Based on the above discussion and previous research findings, the hypothesis proposed in this study is:

H1: The liquidity ratio has a positive effect on firm value.

**2.2.2 The Effect of Leverage Ratio on Firm Value**

The leverage ratio in this study is proxied by the debt-to-assets ratio. A higher debt-to-assets ratio indicates a greater degree of leverage, which may increase risk for shareholders since debt obligations must be paid before equity. This elevated risk perception can negatively impact firm value, as investors may respond by reducing demand for the firm’s shares, driving prices down. Yunita and Halim (2023), in their study titled Effect of Intangible Assets, Leverage and Rate of Return on Assets and Their Effect on Company Value, found that the debt-to-assets ratio has a negative effect on firm value. Similarly, Sabela and Purnamasari (2023), in their research on The Role of GCG and ISR in Moderating Capital Structure and Company Growth on Firm Value, concluded that the debt-to-assets ratio negatively affects firm value. Priatna and Sakir (2023), in their analysis of the influence of capital structure policy and financial performance using a conventional model on firm value, also reported a negative impact of the debt-to-assets ratio on firm value. Based on these findings, the hypothesis proposed is:

H2: The leverage ratio has a negative effect on firm value.

**2.2.3 The Effect of Activity Ratio on Firm Value**

The activity ratio in this study is proxied by total assets turnover. A higher total assets turnover indicates the company is able to generate more sales from each unit of assets it owns, reflecting strong operational efficiency that can enhance firm value. Rifayani and Yunita (2023), in their study Effect of Current Ratio, Return on Equity, Net Profit Margin, Total Assets Turnover, and Debt to Assets Ratio on Firm Value, found that total assets turnover positively affects firm value. Dewi et al. (2022) also reported a similar outcome in their study on the influence of CR, DER, TATO, and ROA on PBV at PT Indomobil Sukses Internasional Tbk. Likewise, Simorangkir and Nurhasanah (2021), in their research on liquidity, solvency, profitability, and activity ratios toward firm value among companies listed in the LQ45 index on the Indonesia Stock Exchange for the 2012–2015 period, found that total assets turnover has a positive influence on firm value. The higher the total assets turnover, the better the company’s asset utilization, which builds investor confidence and consequently improves firm value. Hence, the hypothesis proposed is:

H3: The activity ratio has a positive effect on firm value.

**2.2.4 The Effect of Profitability Ratio on Firm Value**

The profitability ratio in this study is proxied by net profit margin. A high net profit margin indicates operational efficiency and the company’s ability to maximize its profit from sales. This attracts investors due to the potential for higher returns, which may lead to increased share prices. Rifayani and Yunita (2023), in their study, showed that net profit margin positively affects firm value. Suartama et al. (2023), in their research on The Influence of NPM, ROE, DER, DPR, and Asset Growth on Firm Value in LQ-45 Companies, also found a positive relationship. Likewise, Ali et al. (2021), in their study on the impact of profitability on firm value in the consumer goods sector listed on the IDX from 2017 to 2019, reported a positive effect of net profit margin on firm value. A higher net profit margin typically reflects stronger company performance and increases investor interest, which in turn enhances firm value. Based on the above, the proposed hypothesis is:

H4: The profitability ratio has a positive effect on firm value.

**2.2.5 The Effect of Liquidity Ratio on Firm Value Moderated by Corporate Governance**

Effective corporate governance can moderate the relationship between the current ratio and firm value. Therefore, it is important for companies not only to manage their assets and liabilities to maintain good liquidity but also to continually strengthen their governance standards. Hadmojo (2024), in his study The Influence of Profitability, Liquidity, Leverage, Company Size on Company Value with GCG as a Moderating Variable, found that corporate governance moderates the relationship between the current ratio and firm value. Ummah and Yuliana (2023), in their study on liquidity, profitability, gender diversity, company size, and firm value, also confirmed that corporate governance moderates this relationship. Similarly, Farhan et al. (2019), in their study on Indian pharmaceutical companies, found that investors consider corporate governance information in investment decisions, reinforcing its moderating role. Therefore, the hypothesis is:

H5: Corporate governance moderates the effect of the liquidity ratio on firm value.

**2.2.6 The Effect of Leverage Ratio on Firm Value Moderated by Corporate Governance**

Good corporate governance practices can boost investor confidence and mitigate concerns related to high leverage. When investors trust that a firm is well-managed, they may perceive its use of debt as a strategic tool for long-term growth rather than a short-term necessity. Strong governance can reduce the negative effects of a high debt-to-assets ratio by assuring stakeholders that the firm has a sound plan for managing leverage. This is supported by research from Harnida et al. (2021), Widyowati and Rani (2022), and Chandra and Rusliati (2019), all of which found that corporate governance moderates the relationship between leverage and firm value. Thus, the hypothesis is:

H6: Corporate governance moderates the effect of leverage ratio on firm value.

**2.2.7 The Effect of Activity Ratio on Firm Value Moderated by Corporate Governance**

Effective corporate governance can strengthen the relationship between total assets turnover and firm value, as it reassures investors that operational efficiency is a result of responsible strategic decisions. Strong governance also facilitates better communication and long-term planning, which promotes sustainable growth and further enhances firm value. Harnida et al. (2021) and Hudzaifah et al. (2024) found that corporate governance significantly moderates the relationship between total assets turnover and firm value. Based on these findings, the hypothesis is:

H7: Corporate governance moderates the effect of the activity ratio on firm value.

**2.2.8 The Effect of Profitability Ratio on Firm Value Moderated by Corporate Governance**

Corporate governance reinforces the positive interpretation of high net profit margins, indicating that profits are earned through sound and reliable business practices. Strong governance also helps mitigate investor concerns about future financial or operational issues by ensuring better risk management and market navigation. Saragih and Forever (2024), Hadmojo (2024), and Suartama et al. (2023) all support the conclusion that corporate governance moderates the relationship between profitability and firm value. Investors view high profitability as sustainable and backed by robust governance practices. Thus, the final hypothesis is:

H8: Corporate governance moderates the effect of profitability ratio on firm value.

3. RESEARCH METHODS

The population in this study consists of 87 energy sector companies listed on the Indonesia Stock Exchange (IDX) during the 2019–2023 period. The sample was selected using purposive sampling, resulting in 31 companies and a total of 154 observations that met the following sampling criteria:

**Table 1. Sample Selection Process Based on Criteria**

|  |  |
| --- | --- |
| **Research Sample Data** | **Total** |
| Energy sector companies listed on the Indonesia Stock Exchange | 87 |
| **Less:**1. Energy companies delisted from the IDX
2. Energy companies that did not publish complete financial reports for the period 2019–2023
3. Energy companies listed after 2019
4. Energy companies without managerial share ownership
5. Energy companies with no revenue from sales
 | (5)(1)(23)(26)(1) |
| Number of sample companies | 31 |
| Observation period 2019 - 2023 | 5 |
| Number of observations | 155 |
| **Less :** 1. Energy companies with no revenue from sales.
 | (1) |
| **The final number of observations analyzed** | 154 |

This study employs four independent variables, namely liquidity (CR), leverage (DAR), activity (TATO), and profitability (NPM). The dependent variable is firm value (PBV), while the moderating variable is corporate governance (KM). The operational definitions of the variables used in this research are presented in Table 2 below:

**Table 2. Operational Definition of Variables**

|  |  |  |
| --- | --- | --- |
| **Variable** | **Proxy** | **Indicator** |
| Liquidity | Current ratio (CR) | CR = Current Assets / Current Liabilities |
| Leverage | Debt to asset ratio (DAR) | DAR = Total Liabilities / Total Assets |
| Activity | Total asset turnover (TATO) | TATO = Sales / Average Total Assets |
| Profitability | Net profit margin (NPM) | NPM = Net Profit / Net Sales |
| Firm Value | Price Book Value (PBV) | PBV = Stock Price / (Total Equity / Number of Outstanding Shares) |
| *Co*rporate Governance | Managerial Ownership (KM) | KM = Number of Managerial Shares / Total Outstanding Shares |

The moderated regression analysis in this study is used to determine whether corporate governance (CG) can strengthen the influence of the independent variables—liquidity ratio (CR), leverage ratio (DAR), activity ratio (TATO), and profitability ratio (NPM)—on the dependent variable, firm value (PBV). The moderated regression model used in this research is as follows:

PBV = α + β1 CR + β 2 DAR + β 3 TATO + β 4 NPM + β 5 CR\*CG + β 6 DAR\*CG + β 7 TATO\*CG + β 8 NPM\*CG ……………………………………………………………………………………………... (1)

Description:

α: Constant; β: Regression coefficient; PBV: Firm value; CR: Liquidity ratio; DAR: Leverage ratio; TATO: Activity ratio; NPM: Profitability ratio; CG: Corporate Governance; CR\*CG: Interaction between CR and CG; DAR\*CG: Interaction between DAR and CG; TATO\*CG: Interaction between TATO and CG; NPM\*CG: Interaction between NPM and CG.

Hypothesis testing in this study involves classical assumption tests, model feasibility test (F-test), coefficient of determination test (R²), and t-test. The classical assumption tests are intended to ensure that the regression model meets the BLUE criteria (Best Linear Unbiased Estimator). A regression model that satisfies the BLUE criteria is considered a reliable and trustworthy estimator—meaning it is unbiased, consistent, normally distributed, and efficient. The model feasibility test (F-test) is used to determine whether the moderating variable is appropriate in strengthening or weakening the relationship between independent and dependent variables. The coefficient of determination (R²) measures how well the model explains the variance in the dependent variable. The t-test is used to examine the effect of each independent variable on the dependent variable.

4. results and discussion

**4.1 RESULTS**

This observation is systematically presented through descriptive statistical analysis, including the mean, minimum, maximum, and standard deviation values (Sugiyono, 2019:206). The results of the descriptive statistical analysis obtained from data processing are presented in the following table:

**Table 3. Descriptive Statistics**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Variable** | **N** | **Min** | **Max** | **Mean** | **Std. Dev** |
| CR | 154 | .014 | 14.880 | 2.23404 | 2.027381 |
| DAR | 154 | -.652 | 15.047 | 1.72042 | 2.304675 |
| TATO | 154 | .116 | 6.284 | .77351 | .691952 |
| NPM | 154 | -1.410 | .813 | .04823 | .266824 |
| PBV | 154 | .064 | 85.200 | 2.64563 | 7.887428 |
| CG | 154 | .000 | .676 | .09628 | .149618 |

The current ratio (CR) shows a minimum value of .14 and a maximum value of 14.88. The average value obtained is 2.23404, indicating that, on average, current assets are 2.23 times greater than current liabilities. The standard deviation is 2.027381, suggesting relatively low variation among energy companies during the 2019–2023 period. The debt to asset ratio (DAR) has a minimum value of -.652 and a maximum value of 15.047. The mean value of 1.72042 indicates that, on average, total liabilities are 1.72 times greater than total assets. The standard deviation of 2.304675 indicates a relatively high level of variation. The total asset turnover (TATO) ranges from a minimum of .116 to a maximum of 6.284. The average turnover is .77351, suggesting that, on average, asset turnover is .77 times relative to sales. The standard deviation of .691952 indicates low variation among the companies. The net profit margin (NPM) shows a minimum of -1.410 and a maximum of .813. The mean value of .04823 indicates strong capability in generating net profit. The standard deviation of .266824 suggests a relatively high degree of variation. The price to book value (PBV) has a minimum value of .064 and a maximum of 85.20. The mean value of 2.64563 indicates that, on average, the company’s stock price is 2.65 times higher than its book value. The standard deviation of 7.887428 reflects a high level of variation. Corporate governance, as measured by managerial ownership, has a minimum value of .000 and a maximum value of .676. The average value is .09628, indicating the proportion of shares held by management. The standard deviation of .149618 reflects a high variation across firms.

**4.1.1 Classical Assumption Test**

Classical assumption test is carried out which consist of normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test. There is an explanation regarding the results of the classical assumptions in this research.

**Table 4. One-Sample Kolmogorov-Smirnov Test**

|  |  |
| --- | --- |
|  | **Unstandardized Residual** |
| *Asymp..* *Sig.* (2-tailed) | .200 |

Based on Table 4, the Asymp. Sig. (2-tailed) value is .200 > 0.05. This indicates that the data are normally distributed and meet the assumption of normality.

**Table** **5**. **Multicollinearity Test**

|  |  |  |
| --- | --- | --- |
| **Variable** | **Tolerance** | **VIF** |
| CR | .894 | 1.119 |
| DAR | .850 | 1.176 |
| TATO | .923 | 1.084 |
| NPM | .852 | 1.174 |
| CG | .987 | 1.014 |

Table 5 indicates each independent variables and the moderating variable have tolerance values > 0.1 and VIF values < 10 This means that there is no correlation among the independent variables, and thus no multicollinearity exists in the model.

**Table 6**. **Heteroscedasticity Test**

|  |  |  |  |
| --- | --- | --- | --- |
| Obs\*R-squared | 10 .25207 | Prob. Chi-Square | .0684 |

Based on table 6, the Prob. Chi-Square Obs\*R-Square value of .0684 > 0.05, this means that the regression model does not contain heteroscedasticity.

**Table 7.** **Autocorrelation Test**

|  |  |
| --- | --- |
| **Durbin Watson** | **Description** |
| 1.956 | No Autocorrelation |

The results of the data analysis show that the Durbin-Watson value in the regression model is 1.956, which lies between dU and (4 – dU) or 1.8040 < 1.956 < 4 – dU, it can be concluded that no autocorrelation is present in the regression model, meaning there is no correlation among the disturbance (error) terms.

**4.1.2 Moderated Regresion Analysis**

Moderated regression analysis is used to determine whether corporate governance can strengthen the influence of financial performance on firm value. The results of the regression equation using moderated regression analysis are as follows:

**Table 8**. **Moderated Regresion Analysis**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Model** | **Unstandardized Coefficients** | **Standardized Coefficients** | **t** | ***Sig.*** |
| **B** | **Std. Error** | **B** |
| 1 | (Constant) | -.092 | .038 |  | -2.447 | .016 |
| CR | -.063 | .010 | -.228 | -6.289 | .000 |
| DAR | .124 | .009 | .508 | 13.559 | .000 |
| TATO | .300 | .025 | .368 | 11.792 | .000 |
| NPM | -.621 | .075 | -.294 | -8.269 | .000 |
| CR\_CG | -.252 | .071 | -.172 | -3.539 | .001 |
| DAR\_CG | -.338 | .066 | -.194 | -5.102 | .000 |
| TATO\_CG | .345 | .167 | .111 | 2.061 | .041 |
| NPM\_CG | 8.658 | .533 | .735 | 16.232 | .000 |

The liquidity regression coefficient (CR) has a negative value of - .063, indicating that there is an opposite relationship between liquidity and firm value. The leverage regression coefficient (DAR) has a positive value of .124, indicating that there is a unidirectional relationship between leverage and firm value. The activity regression coefficient (TATO) is positive at .300, indicating that there is a unidirectional relationship between activity and firm value. The profitability regression coefficient (NPM) is negative at - .6210, indicating that there is an opposite relationship between liquidity and firm value. The regression coefficient of liquidity (CR) and corporate governance (CG) is negative -.252, indicating that there is an opposite relationship between liquidity (CR) and corporate governance (CG) with firm value. The leverage (DAR) and corporate governance (CG) regression coefficient is negative -.338, indicating that there is an opposite relationship between leverage (DAR) and corporate governance (CG) with firm value. The regression coefficient of activity (TATO) and corporate governance (CG) is positive at .345, indicating that there is a unidirectional relationship between activity (TATO) and corporate governance (CG) with firm value. The regression coefficient of profitability (NPM) and corporate governance (CG) is positive at 8.658, indicating that there is a unidirectional relationship between profitability (NPM) and corporate governance (CG) with firm value.

**4.1.3 Hypothesis Testing**

Hypothesis testing in this study involves model feasibility test (F-test), coefficient of determination test (R²), and t-test. The results of the regression equation using moderated regression analysis are as follows:

**Table 9**. **Feasibility Test (F-Test)**

|  |  |  |
| --- | --- | --- |
| **F** | **Sig** | **Description** |
| 135.936 | .000 | Appropriate for use |

The results of the model feasibility test (F test) have a calculated F value of 135.936 with a significant value of .000 <0.05. This indicates that the regression model is statistically valid and appropriate for use.

**Table 10. Coefficient of DeterminationTest (R2 Test)**

|  |  |  |  |
| --- | --- | --- | --- |
| **R** | **R Square** | **Adj. R Square** | **Std. Error of the Estimate** |
| .939a | .882 | .876 | .198526 |

Based on the table above, the R Square (R²) value is .882, or 88.2%. This indicates a very strong relationship between the independent variables and the dependent variable, where 88.2% of the variation in firm value can be explained by the model, while the remaining 11.8% is influenced by other factors not examined in this study.

**Table 11**. **Hypothesis Test (t-Test)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Model** | **Unstandardized Coefficients** | **Standardized Coefficients** | **t** | ***Sig.*** |
| **B** | **Std. Error** | **B** |
|  | (Constant) | -.092 | .038 |  | -2.447 | .016 |
| CR | -.063 | .010 | -.228 | -6.289 | .000 |
| DAR | .124 | .009 | .508 | 13.559 | .000 |
| TATO | .300 | .025 | .368 | 11.792 | .000 |
| NPM | -.621 | .075 | -.294 | -8.269 | .000 |
| CR\_CG | -.252 | .071 | -.172 | -3.539 | .001 |
| DAR\_CG | -.338 | .066 | -.194 | -5.102 | .000 |
| TATO\_CG | .345 | .167 | .111 | 2.061 | .041 |
| NPM\_CG | 8.658 | .533 | .735 | 16.232 | .000 |

Based on Table 11, it can be seen that there is a partial effect of financial performance on firm value, as indicated by the significance values of each proxy being 0.000 < 0.050. The same thing also happens to the moderating interactions between financial performance and firm value show significant values < 0.050, indicating that corporate governance successfully moderates the effect of financial performance on firm value.

**4.2 DISCUSSION**

**4.2.1 The Effect of Liquidity Ratio on Firm Value**

Based on the test results, the significance value of liquidity (CR) is .000 < 0.05 with a negative regression coefficient of -.63. This indicates that liquidity, as measured by the current ratio (CR), has a negative effect on firm value and means that hypothesis 1 which states "Liquidity ratio has a positive effect on firm value," is rejected. This means that the company’s ability to pay short-term liabilities through its current assets does not contribute to an increase in firm value. As a result, current ratio information is insufficient for investors to assess the company’s current and future financial condition. This can be caused by the company's lack of optimality in utilizing its current assets. The results of this study are in line with Tsaniatuzaima and Maryanti (2022) and Nazariah, et al. (2019) which state that liquidity has a negative effect on firm value.

**4.2.2 The Effect of Leverage Ratio on Firm Value**

Based on the test results, the significance value of leverage (DAR) is .000 < .05 with a positive regression coefficient of .124. This indicates that leverage, as measured by the Debt to Asset Ratio (DAR), has a positive effect on firm value. and means that hypothesis 2 which states “The leverage ratio has a negative effect on firm value”, is rejected. This means that proper debt management with the assets owned will help the company be able to pay its debts on time. This can attract potential investors because they think that investing in the company is guaranteed to be safe, which in turn affects the increase in firm value. These results are consistent with the findings of Sofiani and Enda Mora Siregar (2022) and Ayuningrum et al. (2021), who also found that DAR has a positive effect on firm value.

**4.2.3 The Effect of Activity Ratio on Firm Value**

Based on the test results, the significance value of activity (TATO) is .000 < 0.05 with a positive regression coefficient of .30. This indicates that activity, as measured by Total Asset Turnover (TATO), has a positive effect on firm value. and means hypothesis 3 which states “Activity ratio has a positive effect on firm value”, is accepted. This implies that the more effectively the company uses assets to obtain the desired sales, the greater the company's profit is expected. The better the company's performance will have an impact on the increase in stock prices which will further increase the company's value. This is supported by research by Rifayani and Yunita (2023) and Hertina (2021) showing that TATO has a positive effect on firm value.

**4.2.4 The Effect of Profitability Ratio on Firm Value**

Based on the test results, the significance value of profitability (NPM) is .000 < 0.05 with a negative regression coefficient of -.621. This suggests that profitability, as measured by Net Profit Margin (NPM), has a negative effect on firm value and means that hypothesis 4 which states “Profitability ratio has a positive effect on firm value”, is rejected. This implies that changes in profitability do not directly influence investor assessments because they are not considered key variables and consider other factors outside of profitability. This supports research by Saragih and Forever (2024) and Priatna and Sakir (2023) which explain that NPM has no effect on firm value.

**4.2.5 The Effect of Liquidity Ratio on Firm Value Moderated by Corporate Governance**

Based on the test results, the significance value for the interaction between liquidity (CR) and corporate governance (CG) is .001 < 0.05. This indicates that corporate governance, as measured by managerial ownership, moderates the effect of liquidity—measured by the current ratio (CR)—on firm value. Therefore, Hypothesis 5, which states that “Corporate governance moderates the effect of liquidity ratio on firm value,” is accepted. This means that companies applying strong corporate governance principles help shareholders better understand liquidity, enabling more informed investment decisions and reducing risks that could harm shareholders, ultimately enhancing firm value. This finding is in line with Hadmojo (2024) and Latifah and Rochiyah (2017), which found that corporate governance moderates the relationship between liquidity and firm value.

**4.2.6 The Effect of Leverage Ratio on Firm Value Moderated by Corporate Governance**

Based on the test results, the significance value for the interaction between leverage (DAR) and corporate governance (CG) is .000 < 0.05. This implies that corporate governance, measured by managerial ownership, effectively moderates the influence of leverage—measured by the debt to asset ratio (DAR)—on firm value. Therefore, Hypothesis 6, which states that “Corporate governance moderates the effect of leverage ratio on firm value,” is accepted. This suggests that corporate governance ensures that companies utilize debt appropriately for productive and accountable purposes. As a result, the company can accelerate its growth and increase market value through higher investment returns. These results are consistent with the findings of Sabela and Purnamasari (2023) and Widyowati and Rani (2022), which showed that corporate governance moderates the relationship between leverage and firm value.

**4.2.7 The Effect of Activity Ratio on Firm Value Moderated by Corporate Governance**

Based on the test results, the significance value for the interaction between activity (TATO) and corporate governance (CG) is .041 < 0.05. This indicates that corporate governance, as measured by managerial ownership, moderates the effect of activity—measured by total asset turnover (TATO)—on firm value. Therefore, Hypothesis 7, which states that “Corporate governance moderates the effect of activity ratio on firm value,” is accepted. This means that the faster asset turnover supports increased sales revenue, resulting in higher company profits. This condition is strengthened by the existence of corporate governance, which is proxied by managerial ownership, which has the same objectives as the company owner so that the disclosure of financial statement information is transparent and reliable. Such transparency attracts investors and contributes to increasing firm value. This research is supported by Aprianingrum and Imanda (2022) and Hudzaifah et al. (2024), who found that good corporate governance has a significant positive moderating effect on the relationship between TATO and financial performance.

**4.2.8 The Effect of Profitability Ratio on Firm Value Moderated by Corporate Governance**

Based on the test results, the significance value for the interaction between profitability (NPM) and corporate governance (CG) is .000 < 0.05. This indicates that corporate governance, as measured by managerial ownership, moderates the effect of profitability—measured by net profit margin (NPM)—on firm value. Therefore, Hypothesis 8, which states that “Corporate governance moderates the effect of profitability ratio on firm value,” is accepted.This suggests that a high NPM can increase firm value, especially when supported by strong corporate governance. In such cases, the company can maintain financial stability and enhance investor confidence, ultimately reinforcing the positive relationship between profitability and firm value. This result is consistent with the studies by Saragih and Forever (2024) and Tricahyani and Martinus (2024), although the latter also noted that managerial ownership may not always sustain the effect of NPM on firm value.

4. Conclusion

This study aims to obtain empirical evidence regarding the effect of financial performance on firm value with corporate governance as a moderating variable. Based on the results of the research conducted, the following conclusions can be drawn:

1. Liquidity ratio, proxied by the Current Ratio, has a negative effect on firm value.
2. Leverage ratio, proxied by the Debt to Asset Ratio, has a positive effect on firm value.
3. Activity ratio, proxied by the Total Asset Turnover, has a positive effect on firm value.
4. Profitability ratio, proxied by the Net Profit Margin, has a negative effect on firm value.
5. Corporate governance moderates the relationship between the liquidity ratio and firm value.
6. Corporate governance moderates the relationship between the leverage ratio and firm value.
7. Corporate governance moderates the relationship between the activity ratio and firm value.
8. Corporate governance moderates the relationship between the profitability ratio and firm value.

This study is limited to companies in the energy sector; therefore, the findings cannot be generalized to other sectors listed on the Indonesia Stock Exchange (IDX). The observation period is also limited to the years 2019–2023. In addition, many companies do not have managerial ownership, which is one of the proxies used to assess corporate governance. The overall contribution of financial performance variables to firm value in this study is 88.2%, meaning that 11.8% is explained by other variables not included in this model.

Future research is expected to broaden the scope by analyzing companies from various sectors at the national, regional, or international levels to obtain more comprehensive results. It is also recommended that future studies extend the observation period or use alternative proxies to examine the relationships between variables from other perspectives, such as institutional ownership, audit committee, stock price, or firm size.

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