

THE EFFECT OF FINANCIAL PERFORMANCE ON COMPANY VALUE WITH GOOD CORPORATE GOVERNANCE AS A MODERATING VARIABLE IN THE COMPANY FOOD AND BEVERAGE COMPANIES LISTED ON THE IDX IN 2020 – 2024

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Abstract

This study aims to analyze the effect of financial performance on firm value with Good Corporate Governance (GCG) as a moderating variable. Financial performance is measured using Return on Assets (ROA) and Return on Equity (ROE), while firm value is measured through Price to Book Value (PBV). GCG in this study is proxied by two main indicators, namely managerial ownership and institutional ownership. The objects of the study are food and beverage subsector companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. Data were obtained from annual financial reports officially published through the website [www.idx.co.id](<http://www.idx.co.id>). This study uses a quantitative method with an explanatory approach. The sample was selected using a purposive sampling technique which resulted in 16 companies as samples, with a total of 80 annual observations. Data analysis was conducted using panel data regression and Moderated Regression Analysis (MRA) using EViews 12 software. Classical assumption tests were conducted to ensure model validity, including tests for normality, multicollinearity, heteroscedasticity, and autocorrelation. The results showed that ROA had a significant positive effect on firm value, while ROE had no significant effect. The findings also showed that managerial ownership moderated the relationship between ROE and firm value, but not ROA. Conversely, institutional ownership was shown to moderate the relationship between ROA and firm value, but not ROE. These results emphasize the importance of GCG in strengthening the effectiveness of financial performance towards creating corporate value. Therefore, companies need to improve strategic ownership structures as part of good governance practices. This research provides practical implications for investors, management, and stakeholders in optimizing corporate value sustainably.

Keywords: *Return on Assets, Return on Equity, Price to Book Value, Good Corporate Governance, Managerial Ownership, Institutional Ownership*

INTRODUCTION

Global economic changes have created an increasingly competitive business landscape. Competition between companies demands efficiency and optimal performance for business continuity. In this context, every company is required to continuously improve its financial performance to maintain its existence and create long-term value for shareholders. Company value reflects market expectations of future prospects and management's effectiveness in managing its resources (Brigham & Daves, 2019). Therefore, measuring financial performance is a crucial indicator in evaluating a company's value. The main indicators used to measure financial performance are profitability ratios, specifically Return on Assets (ROA) and Return on Equity (ROE). ROA measures management's ability to utilize assets to generate profits, while ROE evaluates the effectiveness of shareholder equity use to create added value (Kasmir, 2019). However, previous research has shown that the effects of ROA and ROE on firm value are inconsistent. Some studies found a significant positive effect, while others showed insignificant or even contradictory results (Pratiwi & Asyik, 2023; Siagian, 2024).

To explain these inconsistencies, non-financial dimensions such as the implementation of Good Corporate Governance (GCG) are of crucial importance. GCG is considered a governance system capable of strengthening the relationship between financial performance and firm value through greater transparency, accountability, and managerial oversight (Farooq *et al.*, 2022). By using proxies such as managerial and institutional ownership, GCG is believed to act as a moderating variable that clarifies or even changes the direction of the relationship between financial performance and firm value. Studies by Nurhidayati *et al.* (2023) and Adnan & Hidayati (2025) support the importance of GCG in strengthening the influence of financial performance on firm value. However, several empirical studies have shown contradictory results regarding the effectiveness of GCG as a moderating variable. Tsaniatuzaima (2022) and Siagian (2024) found that GCG did not significantly moderate the relationship between ROA and firm value. These findings indicate that the influence of GCG on firm value can be contextual, depending on industry characteristics and the company's ownership structure. Therefore, a more comprehensive and contextual approach to GCG measurement, incorporating managerial and institutional ownership proxies, is essential for a more comprehensive understanding.

The food and beverage sector was selected as the research object based on its significant contribution to the national Gross Domestic Product (GDP) and its consistent growth trend. In 2022, this sector contributed 38.35% to the non-oil and gas manufacturing industry and recorded 4.90% growth (BPS, 2023). Furthermore, this sector is one of the leading sectors in national exports, reaching a value of USD 48.61 billion throughout 2022. This rapid growth makes the food and beverage sector a primary focus for Indonesian economic development. Therefore, understanding the determinants of company value in this sector is highly relevant. Considering the complex relationship between financial performance, GCG, and firm value, as well as the evolving dynamics in the food and beverage sector, this study aims to deeply analyze the influence of ROA and ROE on firm value, considering GCG as a moderating variable. A more comprehensive combination of GCG indicators is also expected to provide a more accurate picture of the role of corporate governance in value creation. This research not only contributes practically by providing input for corporate policymakers and investors, but also enriches the academic literature on financial accounting and corporate governance. By examining the relationship between financial performance and firm value from a more comprehensive corporate governance perspective, this study is expected to provide a strong empirical basis for developing strategic policies based on the principles of sustainability and good governance.

LITERATURE REVIEW

Company value reflects market perception of an entity's performance and future prospects, generally measured by indicators such as Price to Book Value (PBV), Price Earnings Ratio (PER), and Tobin's Q (Manurung, 2019; Sudaryo *et al.*, 2020). A high value indicates investor confidence in management's ability to generate long-term profits and growth. Financial performance is often evaluated through profitability ratios such as Return on Assets (ROA) and Return on Equity (ROE). ROA measures the efficiency of asset utilization to generate profit, while ROE reflects a company's ability to provide returns to shareholders (Kasmir, 2019; Fabiany, 2024). Previous research has shown that ROA tends to have a more consistent positive effect on firm value than ROE (Pratiwi & Asyik, 2023). Good Corporate Governance (GCG) serves as a non-financial factor that can moderate the relationship between financial performance and firm value. Good GCG, measured through managerial and institutional ownership, is believed to increase transparency, accountability, and investor confidence (Farooq *et al.*, 2022; Puni & Anlesinya, 2019). However, several studies have shown inconsistent results regarding the effectiveness of GCG as a moderating variable (Tsaniatuzaima, 2022; Siagian, 2024).

METHOD

This study uses a quantitative approach with an explanatory method, aiming to examine the relationship between financial performance (ROA and ROE) and firm value (PBV), with Good Corporate Governance (GCG) as a moderating variable. The data used are secondary data obtained from the annual financial reports of food and beverage companies listed on the Indonesia Stock Exchange (IDX) for the period 2020–2024. The population of this study consisted of 57 food and beverage subsector companies listed on the Indonesia Stock Exchange. Using a purposive sampling technique, 16 companies met the criteria, resulting in 80 observations (16 companies × 5 years). The independent variables in this study were ROA and ROE, the moderating variables were managerial and institutional ownership as a proxy for GCG, and the dependent variable was firm value (PBV).

RESULTS AND DISCUSSION

Hypothesis Testing

Hypothesis testing in this study uses the results of the Fixed Effect Model (FEM) regression estimation. This model is used to determine the contribution of independent variables in explaining the dependent variable through analysis of the coefficient of determination, T-test, and F-test.

Analysis of the Coefficient of Determination (R²)

The coefficient of determination (R²) analysis is used to measure the extent to which the independent variable is able to explain the variation that occurs in the dependent variable. Based on the data processing results, the analysis output is as follows:

Table 1 Results of the Analysis of the Coefficient of Determination (R²)

R-squared	0.976699	Mean dependent variable	2.156744
Adjusted R-squared	0.970310	SD dependent var	4.575590
SE of regression	0.788408	Akaike info criterion	2.557505
Sum squared residual	38.53836	Schwarz criterion	3.093461
Log likelihood	-84.30019	Hannan-Quinn criter.	2.772385
F-statistic	152.8733	Durbin-Watson stat	1.655113
Prob(F-statistic)	0.000000		

Based on the table above, it can be seen that the Adjusted R-Squared value is 0.970310. This means that the role or contribution of the independent variables, namely profitability (ROA and ROE), which are able to explain the dependent variable, namely company value (PBV), simultaneously or together is 97%, while the remaining 3% is explained by other variables.

F test

The F-test is used to test the significance of the influence of all independent variables simultaneously on the dependent variable. This test aims to determine whether the regression model used has joint explanatory power. The results of data processing for the F-test using EViews software are presented as follows:

Table 2 F Test Results

R-squared	0.976699	Mean dependent variable	2.156744
Adjusted R-squared	0.970310	SD dependent var	4.575590
SE of regression	0.788408	Akaike info criterion	2.557505
Sum squared residual	38.53836	Schwarz criterion	3.093461
Log likelihood	-84.30019	Hannan-Quinn criter.	2.772385
F-statistic	152.8733	Durbin-Watson stat	1.655113
Prob(F-statistic)	0.000000		

Based on the table, the Prob. (F-statistic) value is recorded at 0.00000, which is below the 0.05 significance level. Thus, it can be concluded that all independent variables, namely profitability as measured by ROA and ROE, simultaneously have a significant influence on the dependent variable, namely company value.

T-test

The t-statistic test is used to evaluate the extent to which each independent variable partially influences the dependent variable. The results of the t-statistic test are presented in the following table:

Table 3 T-Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.334451	0.100164	23.30631	0.0000
X1	7.819060	0.793664	9.851856	0.0000
X2	-3.025064	0.073268	-41.28769	0.0000

The basis for taking the t-test by looking at the significant probability value is as follows:

- If the probability value is significant > 0.05 then H_0 is accepted and H_A is rejected
- If the significant probability value is < 0.05 then H_0 is rejected and H_A is accepted.

The ROA variable regression coefficient of 7.819060 indicates that ROA has a positive influence on firm value as measured by Price to Book Value (PBV). The probability value for the ROA variable is recorded at 0.0000, which is below the 0.05 significance level. This indicates that ROA significantly influences PBV at the 5% significance level. Thus, it can be concluded that profitability, as measured by ROA, has a positive and significant influence on firm value. The regression coefficient for the ROE variable is -3.025064, indicating that ROE has a negative effect on firm value, as measured by Price to Book Value (PBV). The probability value of the ROE variable is 0.0000, which is below the significance threshold of 0.05, indicating that the effect is significant at the 5% level. Therefore, it can be concluded that Return on Equity (ROE) has a negative and significant effect on firm value.

Moderated Regression Analysis (MRA)

This test aims to determine whether the moderating variable can moderate the relationship between the independent variable and the dependent variable. The moderating variable acts as a variable that can strengthen or weaken the relationship between the independent variable and the dependent variable.

Table 4 Results of the MRA Test of Managerial Ownership

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.882289	0.416304	6.923514	0.0000
X1	6.173743	1.827699	3.377877	0.0013
X2	-3.073787	0.082357	-37.32282	0.0000
Z1	-5.251223	5.691081	-0.922711	0.3599
X1Z1	-36.95507	38.60308	-0.957309	0.3423
X2Z1	27.13065	12.98839	2.088839	0.0410

Based on the results of the Moderated Regression Analysis (MRA), it was obtained that the probability value for the interaction between the ROA and Managerial Ownership (X1Z1) variables was 0.3434, which is greater than 0.05, with a coefficient of -36.95507. This indicates that Managerial Ownership does not act as a moderating variable in the relationship between ROA and firm value (PBV). Meanwhile, the probability value for the interaction between ROE and Managerial Ownership (X2Z1) was 0.0410, smaller than 0.05, with a coefficient of 27.13065. Thus, it can be concluded that Managerial Ownership acts as a moderating variable that strengthens the influence of ROE on firm value.

Table 5 Results of the MRA Test of Institutional Ownership

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.490463	1.009777	1.476032	0.1453
X1	-19.09526	12.94041	-1.475631	0.1454
X2	10.40548	6.666956	1.560754	0.1239
Z2	1.549454	1.489265	1.040415	0.3024
X1Z2	33.49220	16.66657	2.009543	0.0491
X2Z2	-17.50249	8.698314	-2.012170	0.0488

From the MRA test results above, it can be seen that the probability value of the X1Z2 variable is 0.0491 (< 0.05) with a coefficient of 33.49220. This means that Institutional Ownership is able to moderate ROA on company value (PBV). Furthermore, it can be seen that the probability value of the X2Z2 variable is 0.0488 (< 0.05) with a coefficient of -17.50249. This means that Institutional Ownership does not weaken the relationship between ROE and Company value.

DISCUSSION

The Influence of ROA on Company Value

The results of the test on the effect of Return on Assets (ROA) on firm value support the first hypothesis (H1), which states that ROA influences firm value. The coefficient value of 7.819060 with a significance level of 0.000, which is below the 0.05 threshold, indicates that the hypothesis is accepted. This finding indicates that ROA has a positive and significant influence on firm value. An increase in Return on Assets (ROA) reflects a company's efficiency in generating profits from its total assets, thus directly increasing profitability. A high ROA is viewed as a positive signal by investors, as it reflects strong financial performance and the potential for good returns. This can encourage investor interest, which in turn contributes to increased share prices and company value. Therefore, ROA is a crucial indicator worth considering when making stock investment decisions.

Return on Assets (ROA) reflects a company's efficiency in utilizing all of its assets to generate expected profits. This ratio can be used to assess how optimally a company is utilizing its assets to support business operations. A high ROA indicates a company's ability to generate profits effectively. The results of this study are consistent with the findings of Pratiwi and Asyik (2023), Novianty *et al.* (2023), and Hardianti *et al.* (2023), which showed a positive and significant influence between profitability (ROA) and firm value. However, these findings differ from the research of Siagian and As'ari (2024), Saragih and Forever (2024), and Tsaniatuzaima (2022), which stated that ROA had no significant influence on firm value.

The Influence of ROE on Company Value

The results of the test on the effect of Return on Equity (ROE) on firm value did not confirm the second hypothesis (H2), which states that ROE has a negative effect on firm value. With a coefficient value of -3.025064 and a significance level of $0.000 < 0.05$, this second hypothesis was rejected. This conclusion indicates that ROE has a negative and significant effect on firm value. This indicates that the higher a company's ROE, the lower its value. In other words, the higher the company's return on equity, the lower its value. The results of this study align with those of Adnan and Hidayati (2025) and Henrita and Inggarwati (2021), which found that ROE negatively impacts firm value. This means that company management has not achieved the primary goal of financial management, which is to maximize firm value for shareholders. Therefore, companies need to evaluate and adjust their prospects and current operational activities to increase productivity. This way, shareholders are expected to obtain optimal returns relative to their cost of capital. The results of this study do not support the research conducted by Pratiwi and Asyik (2023), Nainggolan and Wardayani (2020) which stated that ROE has no effect on company value.

Managerial Ownership Moderates the Effect of ROA on Firm Value

Based on the results of this study, it was found that managerial ownership was unable to moderate ROA on firm value. With a coefficient value of -36.95507 and a significance level of $0.3434 > 0.05$, hypothesis 3 was rejected. This conclusion indicates that managerial ownership is unable to moderate ROA on firm value. One of the factors that causes managerial ownership to be unable to moderate the influence of financial performance on company value is because the presence of managerial ownership is unable to properly monitor its duties in disciplining a company's financial performance. According to Jensen and Meckling (1976), agency problems arise when the proportion of share ownership by managers does not reach 100%. In these conditions, managers tend to focus more on their personal interests than on the interests of shareholders as a whole, so that funding decisions are no longer based on the main objective of maximizing company value. The results of this study are in line with research conducted by Pratiwi and Asyik (2023), Tsaniatuzaima (2022), Siagian and As'ari (2024), Wulandari and Widyawati (2019) which stated that managerial ownership is unable to moderate ROA on company value.

Managerial Ownership Moderates the Effect of ROE on Firm Value

Based on the results of this study, it was found that managerial ownership can moderate ROE on firm value. With a coefficient value of 27.13065 and a significance level of $0.0410 < 0.05$, hypothesis 4 is accepted. This means that managerial ownership can moderate the negative relationship between ROE and firm value. Managerial ownership is considered an effective way to mitigate agency conflicts that can lead to agency costs. Agency conflicts occur when managers' and shareholders' goals are not aligned, leading managers to prioritize their own interests over the company's. By owning shares in a company, managers will share the same interest as shareholders in increasing the company's value. This will help increase managers' motivation to manage the

company because they not only feel like external parties managing the company but also have a portion of ownership in it. The results of this study are in line with research conducted by Pratiwi and Asyik (2023), Adnan and Hidayati (2025), Henrita and Inggawati (2021), which show that managerial ownership strengthens the negative relationship between ROE and company value. This contradicts the research results of Ermawati and Triyono (2024) which stated that managerial ownership is unable to strengthen or weaken the relationship between ROE and company value.

Institutional Ownership Moderates the Effect of ROA on Firm Value

Based on the results of this study, it was found that institutional ownership can moderate ROA on firm value. This means that institutional ownership can strengthen the relationship between ROA and firm value. This can be seen from the coefficient of 33.49220, with a significance level of $0.0491 < 0.05$, thus accepting Hypothesis 5. This suggests that the interaction between institutional ownership and ROA can moderate the company's profit growth. The explanation suggests that institutional ownership plays a significant role. High average share ownership enhances institutional monitoring, leading to improved management performance. The findings of this study align with those of Christanty and Asyik (2019), which showed that institutional ownership can strengthen the influence of ROA on firm value. The presence of institutional ownership as a moderator in this study reflects its crucial role in minimizing agency problems. Institutional ownership is viewed as an effective oversight mechanism to mitigate potential conflicts between management and company owners. This research contradicts Hermawan and Ajimat (2020) who stated that institutional ownership is unable to strengthen the relationship between ROA and company value.

Institutional Ownership Moderates the Effect of ROE on Firm Value

Based on the results of this study, it was found that institutional ownership can moderate ROE on firm value. The probability value is $0.0488 < 0.05$, with a coefficient of -17.50249. This means that institutional ownership moderates the relationship between ROE and firm value (PBV), so hypothesis 6 is accepted. Institutional ownership can act as an effective oversight mechanism. If institutional investors have significant ownership, they can push management to improve performance, as reflected in ROE, and make better decisions for the benefit of all shareholders (Christanty, 2019). The results of this study are in line with the research of Adnan and Hidayati (2025) which states that institutional ownership is able to moderate the relationship between ROE and company value.

CONCLUSION

The following conclusions can be drawn based on the research results and discussion in the previous chapter:

1. Financial performance measured using the Return on Assets (ROA) ratio is proven to have a positive and significant partial influence on company value, which is proxied through Price to Book Value (PBV).
2. Financial performance proxied by the Return On Equity (ROE) ratio partially has a negative and significant effect on company value proxied by Price to Book Value (PBV).
3. Managerial ownership is not able to moderate spatial performance proxied through ROA against company value proxied through Price to Book Value (PBV).
4. Managerial ownership is able to moderate spatial performance as proxied through ROE against company value as proxied through Price to Book Value (PBV).
5. Institutional ownership is able to moderate spatial performance proxied through ROA against company value proxied through Price to Book Value (PBV).
6. Institutional ownership is able to moderate spatial performance as proxied through ROE against company value as proxied through Price to Book Value (PBV).

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