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FINANCIAL DETERMINANTS OF FIRM VALUE IN INDONESIA'S INDUSTRIAL SECTOR: THE MODERATING ROLE OF GOOD CORPORATE GOVERNANCE

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Abstract

This study analyzes the effect of Debt to Equity Ratio (DER), Return on Assets (ROA), and Asset Growth on Firm Value with Good Corporate Governance (GCG) as a moderating variable in industrial sector companies listed on the Indonesia Stock Exchange during the 2022–2024 period. The research method uses a quantitative associative approach with a sample of 65 companies and a total of 195 observations. The analysis technique used is Moderated Regression Analysis (MRA). The simultaneous test results show that DER, ROA, Asset Growth, GCG, and the moderating interaction variable have a significant effect on Firm Value with a significance value of 0.000 < 0.05. Partially, DER has a positive and significant effect on Firm Value, while ROA and Asset Growth do not have a significant effect on Firm Value. Good Corporate Governance has a positive and significant effect on Firm Value. Good Corporate Governance is able to moderate the effect of DER on Firm Value. Good Corporate Governance is not able to moderate ROA on Firm Value, and weakens the effect of Asset Growth on Firm Value.

Keywords: *Debt to Equity Ratio, Return on Assets, Asset Growth, Firm Value, Good Corporate Governance.*

1. INTRODUCTION

Firm value reflects investors' assessment of a company's performance, prospects, and level of success, which is commonly observed through stock price movements in the capital market (Kamaludin, 2020). In Indonesia, the capital market functions as a funding mechanism for companies and an investment facility through stock trading activities on the Indonesia Stock Exchange (IDX). The Indonesia Stock Exchange classifies listed companies into twelve main sectors, including the industrial sector, which is closely related to manufacturing, production, and national logistics activities (IDX, 2023). During the 2022–2024 period, stock prices of industrial sector companies showed different patterns. Several issuers, such as UNTR and ASII, recorded relatively stable stock prices, while other companies experienced declining stock prices or did not record stock prices in certain periods, such as ASGR and TRIL (IDX, 2024). These differences indicate that firm value in the industrial sector did not move uniformly among companies during the observation period.

The variation in firm value is closely related to differences in corporate financial conditions, particularly capital structure, profitability, and asset growth. In terms of capital

structure, total debt data show that several companies, such as IMPC, KOBX, and SINI, experienced increases in debt, while AMFG and VOKS recorded decreases in liabilities during the observation period (IDX, 2024). This condition is relevant to the Debt to Equity Ratio (DER), which measures the proportion of debt compared to company capital (Sofian & Nurhayati, 2020). At the same time, total equity among industrial sector companies also showed considerable variation. KBLI and SCCO experienced increases in equity, while IBFN, INTA, and MDRN recorded negative equity in several observation years (IDX, 2024). These differences show that funding structures among industrial sector issuers have different characteristics, which may influence investors' assessment of firm value.

Profitability also showed uneven conditions among industrial sector companies. Net profit data indicate that IMPC, KBLI, and SPTO experienced increases in profit during the 2022–2024 period, while IBFN, KIAS, and KOBX recorded losses or declining net profits (IDX, 2024). Profitability in this study is proxied by Return on Assets (ROA), which measures a company's ability to generate profit from its total assets (Leon et al., 2021). Besides profitability, asset growth also displayed different patterns across companies. Asset growth reflects changes in total assets from one period to another and is related to business expansion and operational capacity (Aurelia & Setijaningsih, 2021). IMPC, SCCO, and SMIL consistently recorded increases in total assets, while ICON, ARKA, and VOKS experienced asset declines in certain periods (IDX, 2024). These conditions indicate that DER, ROA, and Asset Growth may have different implications for firm value, depending on how investors interpret the company's financial structure, earning capacity, and growth direction.

Besides financial indicators, Good Corporate Governance (GCG) is also an important factor in explaining firm value. Good Corporate Governance refers to a system that regulates and controls companies to create added value for stakeholders (Harjito & Martono, 2021). In industrial sector companies, the implementation of GCG also varied among issuers. Data on GCG disclosure indicators show that UNTR, SCCO, and IMPC had relatively high disclosure levels, while KOBX, IKAI, and FOLK showed lower and unstable disclosure levels (IDX, 2024). The Financial Services Authority reported that GCG implementation in Indonesian industrial sector companies remained within the range of 60–70%, particularly in management transparency and accountability (OJK, 2023). The Indonesian Institute for Corporate Directorship also identified differences in the quality of corporate governance among industrial sector companies in Indonesia (IICD, 2022). These conditions show that governance practices have not been implemented evenly, even though GCG may influence how investors respond to debt policy, profitability, and asset growth.

Previous studies have shown inconsistent findings regarding the relationship between financial factors, Good Corporate Governance, and firm value. (Aristawati & Hariyanto, 2025) found that DER and ROA did not significantly affect firm value in financial sector companies listed on the Indonesia Stock Exchange. Devi et al. (2025) found that asset growth had a positive and significant effect on firm value in the basic industry and chemical sector on the IDX. Listorini & Putri, (2022) showed that Good Corporate Governance had a significant role as a moderating variable on firm value, while Ardiansah & Achmad, (2024) found that Good Corporate Governance had a positive and significant effect on firm value in companies listed on the Jakarta Islamic Index. These different findings indicate that the

influence of DER, ROA, Asset Growth, and GCG on firm value remains inconsistent across sectors and research objects.

Based on these empirical conditions and previous research differences, this study examines Good Corporate Governance as a moderating variable in the relationship between Debt to Equity Ratio, Return on Assets, and Asset Growth on Firm Value. This study focuses on industrial sector companies listed on the Indonesia Stock Exchange during the 2023–2024 period, with firm value measured using Tobin's Q. This object differs from previous studies that focused on the financial sector, basic industry and chemical sector, manufacturing companies, or companies included in the Jakarta Islamic Index.

Therefore, this study aims to analyze the effect of Debt to Equity Ratio (DER), Return on Assets (ROA), and Asset Growth on Firm Value with Good Corporate Governance (GCG) as a moderating variable in industrial sector companies listed on the Indonesia Stock Exchange during the 2023–2024 period.

2. RESEARCH METHOD

This study uses an associative method with a quantitative approach to analyze the effect of Debt to Equity Ratio (DER), Return on Assets (ROA), and Asset Growth on Firm Value with Good Corporate Governance (GCG) as a moderating variable. Sugiyono, (2023) explains that associative research is used to determine the relationship between two or more variables, while the quantitative approach according to Sugiyono, (2023) is a positivism-based research method that uses statistical analysis in hypothesis testing. This study uses secondary data in the form of annual reports and corporate governance reports of industrial sector companies listed on the Indonesia Stock Exchange (IDX) during the research period. The research population consists of 65 industrial sector companies listed on the Indonesia Stock Exchange, using a saturated sampling technique so that the entire population is used as the research sample. The research was conducted over a three-year observation period, producing 195 firm-year observations, calculated by multiplying the number of companies by the number of years of observation (65 companies × 3 years = 195 firm-year observations). The independent variables include Debt to Equity Ratio (DER), Return on Assets (ROA), and Asset Growth, while Firm Value is placed as the dependent variable and Good Corporate Governance as the moderating variable.

Debt to Equity Ratio (DER) in this study is measured using the comparison between total debt and total equity of the company (Kasmir, 2016). Return on Assets (ROA) is measured using net income after tax divided by total assets (Kasmir, 2016). Asset Growth is calculated based on changes in the company's total assets from the previous period (Karimah et al., 2024). Firm Value is measured using Tobin's Q ratio Pramono & Bustaman, (2025), while Good Corporate Governance is proxied by institutional ownership (Ghozali, 2018).

Data analysis is conducted using Moderated Regression Analysis (MRA) as explained by (Ghozali, 2018), with two regression models, namely regression without moderation and interaction regression. Classical assumption tests include normality test using One Sample Kolmogorov-Smirnov, multicollinearity test through tolerance and Variance Inflation Factor (VIF) values, heteroscedasticity test using the Glejser method, autocorrelation test with Durbin-Watson, and linearity test using the Lagrange Multiplier Test (Ghozali, 2018). Hypothesis testing is performed through partial tests (t-test),

simultaneous tests (F-test), coefficient of determination (R^2), and moderation tests to observe the interaction effect between the independent variables and Good Corporate Governance on Firm Value.

3. RESULTS AND DISCUSSION

3.1 Classical Assumption Test

3.1.1 Normality Test

In this study, the normality test was conducted to determine whether the residual data is normally distributed as the basis for determining further analysis. Normality testing using the Kolmogorov-Smirnov (K-S) method is presented in Table 1.

Table 1. Normality Test Results (I)

Test	Value
N (Sample)	195
Test Statistic	0.106
Asymp.Sig.(2-tailed)	.068[c]
a. Test distribution is Normal.	

Source: Processed Data, 2026

Based on the table, the Kolmogorov-Smirnov significance value is 0.068 (>0.050), indicating that the data is normally distributed. The normality test results for equation 2 are presented in Table 2.

Table 2. Normality Test Results (II)

Test	Value
N (Sample)	195
Test Statistic	0.033
Asymp.Sig.(2-tailed)	.068[c,d]
a. Test distribution is Normal.	

Source: Processed Data, 2026

Based on Table 2, the Kolmogorov-Smirnov significance value is 0.068. A significance value above 0.050 indicates that the data is normally distributed.

3.1.2 Multicollinearity Test

The multicollinearity test was conducted to ensure that there is no high correlation between independent variables that could affect the stability of the regression model. The test uses Tolerance and Variance Inflation Factor (VIF) values, with criteria of Tolerance > 0.10 and VIF < 10. The multicollinearity test results of this study are presented in Table 3.

Table 3. Multicollinearity Test Results (I)

Variable	Tolerance	VIF
DER	0.418	2.390
ROA	0.791	1.265
Asset Growth	0.421	2.378
Dependent Variable: Firm Value (Y)		

Source: Processed Data, 2026

Based on the multicollinearity test in Table 3, the regression model does not show multicollinearity among the independent variables. This is indicated by the tolerance values of DER, ROA, and Asset Growth being > 0.10 and VIF values < 10.

Table 4. Multicollinearity Test Results (II)

Variable	Tolerance	VIF
DER	0.562	1.781
ROA	0.688	1.455
Asset Growth	0.441	2.270
Good Corporate Governance	0.607	1.648
DER*Good Corporate Governance	0.205	4.872
ROA*Good Corporate Governance	0.312	3.206
Asset Growth *Good Corporate Governance	0.189	5.291
Dependent Variable: Firm Value (Y)		

Source: Processed Data, 2026

Based on Table 4, the regression model does not show multicollinearity among the independent variables. This is indicated by all variables, including the moderating variable, having tolerance values > 0.10 and VIF values < 10.

3.1.3 Heteroscedasticity Test

The heteroscedasticity test aims to determine the presence of unequal residual variances across observations in the regression model. The test was conducted using the Glejser test by regressing the absolute residual values. A model is declared free from heteroscedasticity if the significance value > 0.05. The results of the heteroscedasticity test are presented in Tables 5 & 6.

Table 5. Heteroscedasticity Test Results (I)

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	23.308	4.156		5.608	.000
	DER	-.024	.160	-.038	-.151	.881
	ROA	.161	.091	.270	1.765	.186
	Asset Growth	-.242	.101	-.579	-2.395	.222
a. Dependent Variable: Firm Value (Y)						

Source: Processed Data, 2026

Based on Table 5, all independent variables have significance values > 0.05, so it can be concluded that the regression model is free from heteroscedasticity.

Table 6. Heteroscedasticity Test Results (II)

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.105	0.842		2.500	.015
	DER	-.056	.040	-.106	-1.400	.165
	ROA	.028	.034	.082	.824	.411
	Asset Growth	.031	.028	.097	1.107	.272
	GCG	-0.022	.031	-.063	-.710	.481
	DER*GCG	.007	.019	.059	.836	.714
	ROA*GCG	-.009	.017	-.072	-.529	.600
	Asset Growth*GCG	.012	.015	.104	-.800	.430
a. Dependent Variable: Firm Value (Y)						

Source: Processed Data, 2026

Based on the heteroscedasticity test results for Equation 2 in Table 6, all variables have significance values > 0.05. Therefore, the regression model is declared free from heteroscedasticity and is suitable for further analysis.

3.1.4 Autocorrelation Test

The autocorrelation test is conducted to determine the presence of correlation between residuals in the current period and previous periods in the regression model. The test was conducted using the Durbin-Watson (DW) method, with the criteria that the model is free from autocorrelation if the DW value is within the range of 1.5–2.5. The autocorrelation test results are presented in Tables 7 & 8.

Table 7. Autokorelasi Test results (I)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.414[a]	.171	.149	.17973	1.978

Source: Processed Data, 2026

Based on the Durbin-Watson test results for Equation I, the value obtained is 1.978, which falls within the range of 1.5–2.5. Thus, the regression model is declared free from autocorrelation.

Table 8. Autokorelasi Test results (II)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.225[b]	.051	.019	3116348.8612656	2.034

Source: Processed Data, 2026

Based on the Durbin-Watson test results for Equation II, the value obtained is 2.034. This value falls within the range of 1.5–2.5, so it can be concluded that there is no autocorrelation in the regression model.

3.2 Statistic Analysis Test

3.2.1 Moderated Regression Analysis (MRA)

This study uses Moderated Regression Analysis (MRA), which is an extension of multiple linear regression involving interaction variables. MRA aims to test the influence of independent variables on the dependent variable by considering the role of a moderating variable, which can strengthen or weaken the relationship.

Equation 1

Equation 1 is used to test the influence of independent variables on the dependent variable without involving a moderating variable. The results of Equation 1 without moderation are presented in Table 9.

Table 9. MRA Results (I)

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.184	0.327		3.621	0.000
	DER	0.314	0.119	0.248	2.639	0.009
	ROA	0.128	0.117	0.094	1.094	0.276
	Asset Growth	0.287	0.108	0.271	2.657	0.009
a. Dependent Variable: Firm Value (Y)						

Source: Processed Data, 2026

Based on Table 9, the obtained regression equation is:

$$Y = 1.184 + 0.314X1 + 0.128X2 + 0.287X3 + e$$

From this equation, it can be explained that:

1) The constant value of 1.184 indicates that if DER, ROA, and Asset Growth are 0, the Firm Value is 1.184.
2) The DER coefficient of 0.314 indicates that each one-unit increase in DER will increase the Firm Value by 0.314.
3) The ROA coefficient of 0.128 indicates that each one-unit increase in ROA will increase the Firm Value by 0.128.
4) The Asset Growth coefficient of 0.287 indicates that each one-unit increase in Asset Growth will increase the Firm Value by 0.287.

Equation 2

Equation 2 is used to test the influence of independent variables on the dependent variable with the inclusion of a moderating variable. The results of Equation 2 are presented in Table 10.

Table 10. Multiple Linear Regression Results (II)

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.728	0.352		2.068	0.040
	DER	0.318	0.117	0.245	2.718	0.007
	ROA	0.062	0.115	0.041	0.539	0.591
	Asset Growth	0.092	0.114	0.076	0.806	0.421
	Good Corporate Governance	0.462	0.98	0.430	4.715	0.000
	DER*Good Corporate Governance	0.097	0.039	0.403	2.487	0.014
	ROA*Good Corporate Governance	0.018	0.032	0.061	0.563	0.574
	Asset Growth *Good Corporate Governance	-0.089	0.037	-0.420	-2.405	0.017
a. Dependent Variable: Firm Value (Y)						

Source: Processed Data, 2026

Based on Table 10, the obtained multiple linear regression equation with moderation is:

Y = 0.728 + 0.318X1 + 0.062X2 + 0.092X3 + 0.462Z + 0.097X1*Z + 0.018X2*Z – 0.089X3*Z

From this equation, it can be explained that:

1) The constant value of 0.728 indicates that if DER, ROA, Asset Growth, and Good Corporate Governance are 0, the Firm Value is 0.728.
2) The DER coefficient of 0.318 indicates that each one-unit increase in DER will increase the Firm Value by 0.318.
3) The ROA coefficient of 0.062 indicates that each one-unit increase in ROA will increase the Firm Value by 0.062.
4) The Asset Growth coefficient of 0.092 indicates that each one-unit increase in Asset Growth will increase the Firm Value by 0.092.
5) The Good Corporate Governance coefficient of 0.462 indicates that each one-unit increase in Good Corporate Governance will increase the Firm Value by 0.462.
6) The interaction coefficient of DER and Good Corporate Governance of 0.097 indicates that the moderation of Good Corporate Governance strengthens the effect of DER on Firm Value.
7) The interaction coefficient of ROA and Good Corporate Governance of 0.018 indicates that the moderation of Good Corporate Governance strengthens the effect of ROA on Firm Value.
8) The interaction coefficient of Asset Growth and Good Corporate Governance of -0.089 indicates that the moderation of Good Corporate Governance weakens the effect of Asset Growth on Firm Value.

3.2.2 Correlation Coefficient Analysis (R)

The correlation coefficient test is conducted to determine the strength of the relationship between independent and dependent variables and the influence of the moderating variable in that relationship.

Equation 1

Equation 1 (without moderation) is used to analyze the effect of Asset Growth, ROA, and DER on Firm Value without including the moderating variable in the research model.

Table 11. Correlation Coefficient Test Results (R) (I)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.587[a]	0.345	0.331	0.74358

Predictors: (Constant), Asset Growth, ROA, DER.

Source: Processed Data, 2026

Based on Table 11 in the first equation model, the correlation coefficient (R) obtained is 0.587, indicating a fairly strong relationship between DER, ROA, and Asset Growth on Firm Value. Thus, the independent variables have a sufficient contribution to the dependent variable. The following presents the results of the correlation coefficient analysis for Equation II.

Equation 2

Equation 2 (with moderation) is used to test the effect of Asset Growth, ROA, and DER on Firm Value by involving Good Corporate Governance as a moderating variable.

Table 12. Correlation Coefficient Test Results (R) (II)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.641a	0.411	0.387	0.70321

Predictors: (Constant), Asset Growth *Good Corporate Governance, Asset Growth, ROA, Good Corporate Governance, DER, ROA*Good Corporate Governance, DER*Good Corporate Governance

Source: Processed Data, 2026

Based on Table 12 in the second equation model, the correlation coefficient (R) obtained is 0.641, indicating a strong relationship between DER, ROA, and Asset Growth with Good Corporate Governance as a moderating variable on Firm Value.

3.2.3 Determination Coefficient Analysis (R^2)

The determination coefficient test (R^2) is conducted to measure the ability of the independent variables in explaining the variation of the dependent variable. Based on Table 11, the R^2 value in the first equation model is 0.345, which means DER, ROA, and Asset Growth can explain 34.5% of the variation in Firm Value, while 65.5% is influenced by other variables outside the study. Meanwhile, based on Table 12, the R^2 value in the second equation model is 0.411, which indicates that DER, ROA, and Asset Growth with Good Corporate Governance as a moderating variable can explain 41.1% of the variation in Firm Value, while the remaining 58.9% is influenced by variables outside the study.

3.2.4 Simultaneous Effect Test (F Test)

The F test is used to test the significance of the regression model simultaneously to determine whether all independent variables together significantly affect the dependent variable, thus assessing whether the regression model is feasible for the study.

Equation 1

Equation 1 (without moderation) in the F statistical test is used to test the simultaneous effect of Asset Growth, ROA, and DER on Firm Value. The test results are presented in Table 13.

Table 13. Simultaneous Test Results (F Test) Equation I

Model	Sum of Squares	Mean Square	F	Significance
Regression	43.276	3	14.425	22.184
Residual	126.724	191	0.664	

Dependent Variable: Firm Value (Y)
Predictors: (Constant), Asset Growth , ROA, DER

Source: Processed Data, 2026

Based on Table 13, the significance value obtained is 0.000 < 0.05, indicating that DER, ROA, and Asset Growth simultaneously have a significant effect on Firm Value. Next, the test results for the second equation are presented in Table 14.

Table 14. Simultaneous Test Results (F Test) Equation II

Model	Sum of Squares	Mean Square	F	Significance
Regression	58.364	7	8.338	14.729
Residual	110.636	187	0.592	

Dependent Variable: Firm Value (Y)
Predictors: (Constant), Asset Growth *Good Corporate Governance, Asset Growth , ROA, Good Corporate Governance , DER, ROA*Good Corporate Governance, DER*Good Corporate Governance

Source: Processed Data, 2026

Based on Table 14, the significance value of 0.000 < 0.05 shows that the regression model with DER, ROA, Asset Growth, GCG, and interaction variables simultaneously has a significant effect on Firm Value.

3.2.5 Partial Effect Test (t Test)

The t-test is used to examine the effect of each independent variable partially on the dependent variable in the regression model. The t-test results for the first equation model are presented in Table 15.

Table 15. Partial Test Results (t Test) Equation I

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.184	0.327		3.621	0.000
	DER	0.314	0.119	0.248	2.639	0.009

	ROA	0.128	0.117	0.094	1.094	0.276
	Asset Growth	0.287	0.108	0.271	2.657	0.009
a. Dependent Variable: Firm Value (Y)						

Source: Processed Data, 2026

Based on Table 15, with a t-table value of 1.653, the partial test results can be explained as follows:

1) The DER variable has a Sig. value of 0.009 < 0.05 and t-count 2.639 > 1.653, so DER has a significant partial effect on Firm Value.
2) The ROA variable has a Sig. value of 0.276 > 0.05 and t-count 1.094 < 1.653, so ROA does not have a significant partial effect on Firm Value.
3) The Asset Growth variable has a Sig. value of 0.009 < 0.05 and t-count 2.657 > 1.653, so Asset Growth has a significant partial effect on Firm Value.

Next, the partial test results for Equation II are presented in Table 16.

Table 16. Partial Test Results (t Test) Equation II

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.728	0.352		2.068	0.040
	DER	0.318	0.117	0.245	2.718	0.007
	ROA	0.062	0.115	0.041	0.539	0.591
	Asset Growth	0.092	0.114	0.076	0.806	0.421
	Good Corporate Governance	0.462	0.98	0.430	4.715	0.000
	DER*Good Corporate Governance	0.097	0.039	0.403	2.487	0.014
	ROA*Good Corporate Governance	0.018	0.032	0.061	0.563	0.574
	Asset Growth *Good Corporate Governance	-0.089	0.037	-0.420	-2.405	0.017
a. Dependent Variable: Firm Value (Y)						

Source: Processed Data, 2026

Based on Table 16, with a t-table value of 1.653, the partial test results can be explained as follows:

1) The DER variable has a Sig. value of 0.007 < 0.05 and t-count 2.718 > 1.653, so DER has a significant partial effect on Firm Value.
2) The ROA variable has a Sig. value of 0.591 > 0.05 and t-count 0.539 < 1.653, so ROA does not have a significant partial effect on Firm Value.
3) The Asset Growth variable has a Sig. value of 0.421 > 0.05 and t-count 0.806 < 1.653, so Asset Growth does not have a significant partial effect on Firm Value.
4) The Good Corporate Governance variable has a Sig. value of 0.000 < 0.05 and t-count 4.715 > 1.653, so it has a significant partial effect on Firm Value.
5) The DER*Good Corporate Governance interaction variable has a Sig. value of 0.014 < 0.05 and t-count 2.487 > 1.653, indicating that Good Corporate Governance moderates the effect of DER on Firm Value.

6) The ROA*Good Corporate Governance interaction variable has a Sig. value of 0.574 > 0.05 and t-count 0.563 < 1.653, indicating that Good Corporate Governance does not moderate the effect of ROA on Firm Value.
7) The Asset Growth*Good Corporate Governance interaction variable has a Sig. value of 0.017 < 0.05 and t-count -2.405 < 1.653, indicating that Good Corporate Governance moderates the effect of Asset Growth on Firm Value with a negative relationship direction.

3.3 DISCUSSION

The Effect of Debt to Equity Ratio (DER) on Firm Value

The t-test results in Equation II show that DER has a significance value of 0.007 < 0.05 with a t-count of 2.718 > t-table 1.653. The regression coefficient value of 0.318 indicates a positive relationship, meaning that an increase in DER is followed by an increase in Firm Value. This condition indicates that the use of debt is still perceived to support the company's operations and activities, thereby providing a positive response to Firm Value. This finding differs from the research of Savira & Ferdian, (2024), which shows that Debt to Equity Ratio has only a low influence on Firm Value.

Based on signaling theory, the use of debt can be viewed as a signal that the company has confidence in its business prospects and its ability to meet financial obligations. When debt is used to support operational activities and business expansion, investors may interpret it as a productive financing decision. Therefore, the significant effect of DER indicates that the capital structure of industrial sector companies is one of the important pieces of information considered by investors in assessing firm value.

The Effect of Return on Assets (ROA) on Firm Value

ROA in Equation II obtained a significance value of 0.591 > 0.05 with a t-count of 0.539 < t-table 1.653. This value indicates that ROA does not have a significant effect on Firm Value. This condition suggests that profitability has not yet become a primary consideration for investors in evaluating industrial sector companies, so investors tend to pay more attention to other factors such as capital structure, company stability, and business growth prospects. This finding differs from the research of Zurriah, (2021), which shows that Return on Assets (ROA) has a positive and significant effect on Firm Value.

Based on signaling theory, ROA should serve as a signal of a company's profitability performance. However, the insignificant result indicates that the profitability signal is not strong enough to influence investors' assessment of industrial sector companies. Investors may pay more attention to other factors, such as capital structure, company stability, growth prospects, or corporate governance. Thus, profits generated from company assets are not necessarily translated directly by the market into an increase in firm value.

The Effect of Asset Growth on Firm Value

The Asset Growth variable in Equation II has a significance value of 0.421 > 0.05 with a t-count of 0.806 < t-table 1.653. The regression coefficient of 0.092 indicates that Asset Growth does not have a significant effect on Firm Value. This result indicates that in the model including the moderating variable Good Corporate Governance, the direct effect of asset growth on firm value becomes insignificant, because the contribution of asset growth

to firm value is more influenced by its interaction with corporate governance. This finding is consistent with the research of Luthfiyyah et al. (2025), which shows that asset growth does not have a significant effect on Firm Value.

Good Corporate Governance on Firm Value

Good Corporate Governance obtained a significance value of 0.000 < 0.05 with a t-count of 4.715 > t-table 1.653. The regression coefficient of 0.462 indicates a positive relationship with Firm Value. This result shows that the implementation of good corporate governance can increase investor confidence in the company, thereby impacting the increase in Firm Value. Mechanisms of supervision, transparency, and control that function effectively tend to provide a positive perception of the company's prospects in the market. This finding is consistent with the research of Yosephus et al. (2021),which states that Good Corporate Governance affects Firm Value.

Good Corporate Governance Moderates the Effect of DER on Firm Value

The DER*Good Corporate Governance interaction obtained a significance value of 0.014 < 0.05 with a t-count of 2.487 > t-table 1.653. The interaction coefficient of 0.097 indicates a positive moderation, meaning that Good Corporate Governance can strengthen the effect of Debt to Equity Ratio (DER) on Firm Value. This condition shows that the implementation of good corporate governance increases investor confidence in the company's debt policy, thus making the DER-Firm Value relationship stronger. This finding differs from the research of Ais, (2026),which states that Good Corporate Governance cannot moderate the effect of leverage on Firm Value in food and beverage manufacturing companies listed on the Indonesia Stock Exchange during 2020–2024.

Based on agency theory, GCG plays a role in reducing conflicts between management and shareholders through supervision, transparency, and accountability. When a company has a high DER, the risk associated with debt usage also increases. However, if the company implements good corporate governance, investors are more likely to believe that debt is managed carefully and is not used solely for managerial interests. Therefore, GCG can strengthen the effect of DER on firm value. Based on signaling theory, GCG also provides a positive signal to investors that the company's debt policy is properly monitored. With strong corporate governance, DER is not only viewed as a risk but also as a financing strategy that can support company growth.

Good Corporate Governance Moderates the Effect of ROA on Firm Value

The ROA*Good Corporate Governance interaction variable has a significance value of 0.574 > 0.05 with a t-count of 0.563 < t-table 1.653. The result indicates that Good Corporate Governance cannot moderate the effect of Return on Assets (ROA) on Firm Value. This condition shows that the implementation of corporate governance has not yet influenced the relationship between profitability and Firm Value. This finding is consistent with the research of Nurafifah et al. (2025) ,which shows that Good Corporate Governance does not moderate the relationship between Return on Assets (ROA) and Firm Value.

Good Corporate Governance Moderates the Effect of Asset Growth on Firm Value

The Asset Growth*Good Corporate Governance interaction obtained a significance value of 0.017 < 0.05 with a t-count of -2.405. The regression coefficient of -0.089 indicates a negative moderation. This result shows that Good Corporate Governance weakens the effect of Asset Growth on Firm Value. This condition indicates that an increase in assets does not necessarily directly increase Firm Value when the company implements stricter supervision and governance in expansion and investment activities.

4. CONCLUSION

This study shows that in Equation I, Debt to Equity Ratio (DER) and Asset Growth have a positive and significant effect on Firm Value. The t-test results indicate that DER obtained a significance value of 0.009 < 0.05 with a t-value of 2.639 > t-table 1.653, while Asset Growth obtained a significance value of 0.009 < 0.05 with a t-value of 2.657 > t-table 1.653. Return on Assets (ROA) does not have a significant effect on Firm Value, with a significance value of 0.276 > 0.05 and a t-value of 1.094 < t-table 1.653. In Equation II, Good Corporate Governance (GCG) has a positive and significant effect on Firm Value with a significance value of 0.000 < 0.05 and a t-value of 4.715 > t-table 1.653. In addition, the interaction variable DERGood Corporate Governance obtained a significance value of 0.014 < 0.05 with a t-value of 2.487 > t-table 1.653, indicating that Good Corporate Governance is able to moderate the effect of DER on Firm Value. The interaction variable ROAGood Corporate Governance obtained a significance value of 0.574 > 0.05 with a t-value of 0.563 < t-table 1.653, indicating that it is unable to moderate the effect of ROA on Firm Value. Meanwhile, the interaction variable Asset Growth*Good Corporate Governance obtained a significance value of 0.017 < 0.05 with a t-value of -2.405 < t-table 1.653, indicating a negative moderating effect on Firm Value.

Theoretically, this study contributes to the literature regarding the effect of Debt to Equity Ratio, Return on Assets, and Asset Growth on Firm Value with Good Corporate Governance as a moderating variable in industrial sector companies listed on the Indonesia Stock Exchange. Practically, the findings may serve as consideration for companies in managing capital structure, profitability, asset growth, and corporate governance implementation to improve Firm Value. This study is limited to three independent variables, one moderating variable, and industrial sector companies as the research object. Therefore, future studies may include additional variables, considering that 58.9% of Firm Value variation is explained by factors outside the research model. Future research may consider variables such as liquidity, firm size, dividend policy, earnings per share (EPS), and other profitability ratios.

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