International Journal of Environmental Sciences
ISSN: 2229-7359
Vol. 11 No. 2, 2025
https://www.theaspd.com/ijes.php

The Role Of Corporate Governance As A Moderator: Profitability And Leverage On Company Value.

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Abstract
The present study focuses on the impact of profitability and leverage on the firm value, with the specific interest given to the moderating effect of corporate governance, characterized by the ownership structure. Understanding this association is important to enhance corporate financial policy and investor confidence. Evidence were obtained trough secondary data, derived from the JKSE-listed manufacturing company' financial statements throughout 2019 to 2022. Modulation regression analysis was performed with EViews to test the moderating role of each moderator. The results show the significance of both profitability and leverage on firm value. In addition, corporate governance, as manifested by the ownership structure, has an important effect in moderating interventions' impact. It magnifies the favorable influence of profitability to firm value and moderates the negative leverage structure. The paper concludes that good corporate governance enhances the association between financial performance and firm value. These findings highlight the significance of ownership structure in corporate governance mechanisms aimed at enhancing the sustainability of corporate value. The results add to extant literature by considering governance as an essential moderation role while having important policy and company stakeholder implications for promoting management transparency and accountability.

Keywords: *Profitability, Leverage, Company Value, Corporate Governance, Manufacture Company.*

INTRODUCTION

The manufacturing industry in Indonesia has grown significantly in recent years and has become an essential component of the national economy. This sector significantly contributes to GDP and employment creation and is supported by government policies, innovations and increased foreign direct investment (Awunyo-Vitor and Sackey 2018). Given the reconfiguration of global supply chains in the aftermath of the pandemic, the strategic location of Indonesia in addition to its expanding industrial base is contributing to its heightened attractiveness to investors (Surianta and Patunru n.d.). In addition, a rising economic condition encourages firms to maximize value of their market and gain confidence of any investors (Bekaert and Harvey 1998). The development of Competitive environment in the sector makes necessary to optimize the level of financial performance of the entities, in this connection, contributes to the formation of the value of business in the stock market. The worth of a firm depends not only on operational success but also on its capacity to manipulate external perceptions through good financial ratios such as profitability and leverage. Recent research conducted in developing countries highlights the importance of these variables in influencing firm performance and sustainability (Dharmayanti et al. 2023; Zahra and Garvis 2000).

Notwithstanding years of studies, the phenomenon of the impact of profitability on leverage and value of the firm still becomes debate, particularly in emerging markets such as Indonesia. Many studies find that profitability plays an essential role in enhancing firm value, while others argue that this impact depends on context, such as market conditions or internal corporate governance mechanisms (Boachie and Mensah 2022; Kyere and Ausloos 2021). At the same time, The effect of leverage to firm value yet the studies on it has shown inconsistency, some researchers argue for that it indicates financially disciplined, others state that it is an indication of financial risk (Naseer et al. 2024; Ugur, Solomon, and Zeynalov 2022). These disparities underscore the importance of a more sophisticated framework that takes moderating factors like corporate governance into account. Amid increasing investor demands for transparency and accountability, particularly in the post-COVID-19 era, governance mechanisms have increasingly determined the relationship between financial performance and corporate value quality (Al-ahdal et al. 2020; Coelho, Jayantilal, and Ferreira 2023).

This study is based on the premise that signaling and agency theories are essential to understanding the relationship between profits, leverage, firm value, and corporate governance. According to signaling theory, higher profits send positive signals to investors and increase firm value (Spence 1978). Agency theory explains how managers act as intermediaries between shareholders. It also posits that good corporate governance in the form of oversight reduces agency costs. Furthermore, good corporate governance aligns managers' interests with those of shareholders (Fama and French 1997; Jensen and Meckling 2019). The main theory explains the concept of leverage. This is the trade-off theory. It balances the tax benefits of debt with the risk of bankruptcy (Kraus and Litzenberger 1973). Overall, these models provide a strong theoretical foundation for understanding how internal performance measures and governance influence value.

Although the literature has given much attention to the direct effects of profitability and leverage on the value of the firm, limited research has focussed on the moderation of corporate governance. (Belo et al. 2022; Wong et al. 2021) could not even find the profitability on firm value while the research result of Aydoğmuş, Gülay, and Ergun (2022), Boisjoly, Conine, and McDonald (2020) was significant. Another negative impact of profitability and positive of leverage were found in Panjaitan & Supriyati (2023) atypical anticipation. These discrepancies indicate a lack of empirical consistency. In addition, it is yet to investigate corporate governance as a moderator variable in an Indonesian manufacturing setting (Sadaa et al. 2023). Recent research calls for the incorporation of governance mechanisms to demonstrate the process through which firms transform financial power into market value (Liu et al. 2023; McWilliam et al. 2020; Yan, Mao, and Ho 2022). The originality of the present study lies in the fact that ownership structure (a significant dimension of corporate governance) is examined as a moderating variable in the profitability value and leverage value association. In so doing, it adds to calls for a more integrative model representing governance complexity in emerging economies and contributes to developing theoretical and practical knowledge of value creation for firms (Bacq and Aguilera 2022; Zhao et al. 2022).

The first objective of this study is to investigate the effect of profitability and leverage on firm value, while the second objective is to identify the role of corporate governance measured through ownership structure as a moderating variable. This study tests four hypotheses: profitability has a significant influence on firm value; leverage has a significant influence on firm value; corporate governance moderates the relationship between profitability and firm value; and corporate governance moderates the relationship between leverage and firm value. Implications - It is expected that the results of this study will provide strategic implications for corporate policymakers, investors, and regulatory authorities with the potential to improve financial strategies and governance. By combining efficiency and leverage constraints with governance quality, this study aims to provide some practical ways to enhance firm value. Second, this study contributes to general knowledge by providing empirical evidence on the interaction between financial performance and governance mechanisms, which adds to the understanding of sustainable firm growth and increased competitiveness in their markets in developing countries.

METHOD

The type of research used is descriptive quantitative. This research manages data in numerical form and then provides explanations or insights regarding that data. The primary data source comes from the official website of the Indonesia Stock Exchange, www.idx.co.id. This research empirically examines the impact of profitability and leverage on firm value, with corporate governance serving as a moderating factor. The type of data used by the researchers in this study is secondary data, namely in the form of financial statements. Researchers obtained the data source from the Indonesia Stock Exchange through its official website (Idx.com 2023). Researchers employed a purposive sampling method to select 219 companies. The companies in the sample must be manufacturing firms that regularly publish complete and audited financial statements for the years 2019 to 2022. They also must not have been removed from the stock market, returned to the market, or changed their industry during this time. Their reports should be in Indonesian rupiah, and they should not have any capital shortages.

Measurement of company value using Tobin's Q Method (Gharaibeh and Qader 2017), obtained from the market value of equity divided by the book value of equity. Profitability is measured using Return on Assets (ROA), which indicates how efficiently a company generates profit from its total assets (Duho et al. 2020; Grzelak and Staniszewski 2025);(Singh, Gupta, and Chaudhary 2023). Leverage is a ratio used to measure or predict how far a company's assets are financed by debt, which in this study is proxied by the debt-to-equity ratio (Mareta et. al. 2023). In this study, the moderating variable used is corporate governance, proxied by managerial ownership. Managerial ownership refers to the percentage of company shares held by management. The measurement of this variable involves calculating the total number of outstanding shares owned by management as a percentage of the total outstanding share capital of the company, which is then measured using a ratio scale (Li et al. 2021). Data processing and analysis involve using software tools, such as EViews, to analyze data. This includes testing multiple linear regression models and examining the effects of mediation variables. EViews was chosen for its strong capability in handling time series and cross-section data, which are often used in panel data-based research, such as this study (Abusharbeh 2022; Xie, Wu, and Wang 2021).

RESULT AND DISCUSSION

The descriptive analysis presents the characteristics of the variables under study. This table serves as a valuable tool for understanding the conditions and characteristics of the population, as well as providing useful insights for discussion and research. It also displays the lowest value (minimum), the highest value (maximum), the average value (mean), and the standard deviation. The results of the descriptive analysis are presented in Table 1.

Table 1: Outcomes of Descriptive Statistics

	Firm Value	**Profitability**	**Leverage**	**Corporate Governance**
Mean	2.184854	0.058189	1.082961	7.235075
Median	1.022145	0.040500	0.706500	5.000000
Maximum	23.28630	0.526700	9.554600	40.00000
Minimum	0.304140	-0.1761	-5.0213	2.000000
Std. Dev.	3.140846	0.098887	1.450484	5.802037
Skewness	3.833835	1.539234	2.311997	2.681313
Kurtosis	19.45163	7.572047	14.45850	11.91048
Jarque-Bera	3678.850	339.2499	1704.910	1207.725
Probability	0.000000	0.000000	0.000000	0.000000
Sum	585.5408	15.59456	290.2335	1939.000

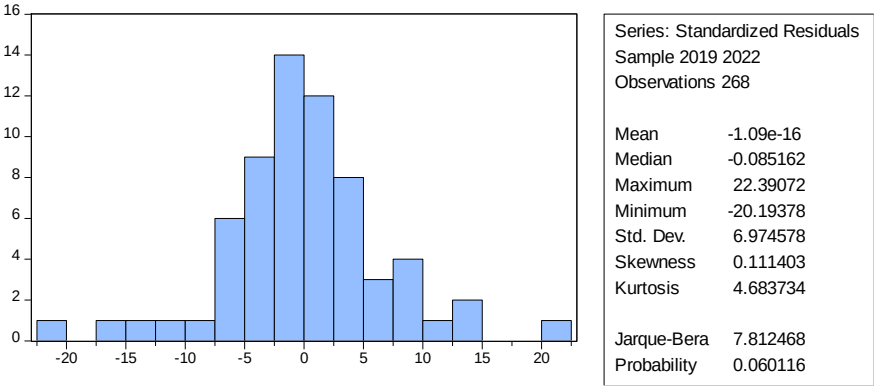
Source: Author (2025)

Based on Table 1, the results of the descriptive analysis test obtained the following data. First, profitability has a minimum value of -0.176100 and a maximum value of 0.526700, with an average value of 0.058189 and a standard deviation of 0.098887. Second, leverage has a minimum value of -5.021300 and a maximum value of 9.554600, with an average value of 1.082961 and a standard deviation of 1.450484. The third moderating variable, corporate governance, has a minimum value of 2.000000 and a maximum value of 40.00000, with an average value of 7.235075 and a standard deviation of 5.802037. Lastly, the dependent variable, company/firm value, has a minimum value of 0.304140 and a maximum value of 23.28630,

International Journal of Environmental Sciences
ISSN: 2229-7359
Vol. 11 No. 2, 2025
https://www.theaspd.com/ijes.php

with an average value of 2.184854 and a standard deviation of 3.140846. This data was obtained from 2019 to 2022 during the COVID-19 pandemic era.

The first step in data analysis is to conduct classical assumption testing to ensure the accuracy and validity of the regression model. The purpose of the classical assumption test is to ensure that the basic requirements of linear regression analysis are met, allowing the estimation results to be interpreted accurately and without bias. The normality test checks how the data is spread out, the multicollinearity test looks for strong links between variables that are not related to each other, the heteroscedasticity test checks if error variances are equal, and the autocorrelation test finds the link between model residuals. The following Figure 1 illustrates the results of the classical assumption test for data normality. We use the image to determine whether the regression model satisfies the feasibility criteria for further analysis.



Source: Processed Data (2024)

Figure 1: Normality Test Outcome

The primary purpose of implementing the classical normality assumption test is to determine whether the disturbance variables, research data, or other residuals are normally distributed. When the research data is stated to be normally distributed or approximately normal, it can be concluded that the regression model will yield good results. The Jarque-Bera normality test, accompanied by a histogram, is a statistical test used to assess normality. Figure 1 shows that the Jarque-Bera value (JB statistic) follows a Chi-square distribution with two degrees of freedom (df). Based on the results shown in the image above, the Jarque-Bera value = 7.812468 and the Probability value = 0.060116. The Jarque-Bera value compared to Chi-square 2 df at a 5% significance level = 5.991, shows that the Jarque-Bera value is smaller than the significance level, and the Probability value = 0.060116 is more significant than alpha 0.05. It can be concluded that the assumption of normally distributed residuals is met.

The multicollinearity test is part of the classical assumption test used to determine whether the independent variables in the regression model have perfect or high correlation. A regression model is considered good or valid when there is no ideal or high correlation among the independent variables in it. A high correlation among the independent variables will severely disrupt the relationship between the independent and dependent variables. Table 2 below presents detailed data on the results of the multicollinearity test.

Table 1 Outcome of Multicollinearity Test

	Profitability	Leverage	Corporate Governance	Profitability_ Corporate Governance	Leverage _ Corporate Governance
Profitability	1.000000	-0.173303	-0.078092	0.707479	-0.204025

Leverage	-0.173303	1.000000	-0.007578	-0.159836	0.722619
Corporate Governance	-0.078092	-0.007578	1.000000	0.340920	0.517053
Profitability_ Corporate Governance	0.707479	-0.159836	0.340920	1.000000	-0.051545
Leverage _ Corporate Governance	-0.204025	0.722619	0.517053	-0.051545	1.000000

Source: Processed Data (2024)

The statistical tests in Table 2 reveal no significant correlation between the coefficients of the independent variables in the regression model. This is evident from the fact that there are no correlation values between the independent variables that exceed 0.8 or are close to 1, which is typically a sign of multicollinearity problems. Multicollinearity occurs when the model's independent variables exhibit a strong linear relationship with each other. This can make it difficult to estimate the regression parameters accurately and render the analysis results less reliable. There are no signs of multicollinearity in this model, indicating that each independent variable plays a distinct role in explaining the dependent variable. This means that the estimation of regression coefficients is still valid and can be correctly interpreted. The results indicate that the regression model satisfies one of the key classical assumptions. This means that it can be used for more research without changing or transforming the independent variables any further.

Researchers use the heteroscedasticity test to determine if the residuals in the regression model exhibit unequal variance across observations. This inequality can lead to inefficient estimation results and impact the accuracy of model interpretation. In this study, we conducted a heteroskedasticity analysis using EViews 10 software despite the limitations of the available features in detecting this issue more thoroughly. One of the methods used is observing the probability values of each independent variable. The best regression model is one that meets the assumption of homoscedasticity. This means that the variance of the residuals remains constant throughout the entire dataset. If the model experiences heteroscedasticity, the regression results can become biased and less reliable. Therefore, this test becomes a crucial step in ensuring the model's validity before proceeding to the next stage of analysis. The results of the heteroscedasticity test are presented in Table 3 below as a basis for assessing the feasibility of the regression model used in this study.

Table 2: Outcomes of Heteroscedasticity Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Constant	0.986315	0.208373	4.733405	0.0000
Profitability	-0.078409	0.047306	-1.657503	0.1039
Leverage	0.178745	0.117586	1.520130	0.1301
Corporate Governance	0.034224	0.028513	1.200305	0.2315
Profitability _ Corporate Governance	-0.218065	0.208924	-1.043755	0.2979
Leverage _ Corporate Governance	-0.022038	0.018573	-1.186567	0.2368

Source: Processed Data (2024)

The test results in Table 3 indicate that the probability values for the independent variables (profitability and leverage) exceed the 0.05 significance level. This suggests that there is no issue of heteroscedasticity in the regression model used. The estimated model meets the homoscedasticity assumption because the residual variance remains constant across the entire range of data. The regression model doesn't exhibit heteroskedasticity, which means that the relationship between the independent and dependent variables can be examined without being skewed by changes in residual variance. Consequently, the regression estimation findings are more stable and may be understood with greater precision. This

finding strengthens the model's validity by showing that changes in residual variance do not affect the results. This means that more confident analyses can be done in the future.

In a linear regression model, the autocorrelation test is used to determine the relationship between residuals from one period and those from the previous period. Autocorrelation can render estimates of regression parameters unreliable, thereby lowering the accuracy of predictions and the reliability of analytical results. Therefore, for a regression model to be effective, it must not exhibit any autocorrelation. This is especially true for data that reveals patterns over time or in a specific sequence. The Durbin-Watson (DW) test is used to find autocorrelation in this model. The upper bound (dU) and lower bound (dL) from the Durbin-Watson table are compared to the Durbin-Watson statistic that is derived from the regression results. If the Durbin-Watson statistic lies between dU and (4 - dU), the model is considered devoid of autocorrelation. Suppose the value isn't within that range. In that case, it means that there is either positive or negative autocorrelation that needs to be addressed in a specific way, such as by adding independent variables or using a more suitable regression model. The results of the autocorrelation test in this study are presented in Table 4 below. This information is used to judge the model's usefulness before it is used in other studies.

Table 3: Outcome of Autocorrelation Test

Cross-section fixed (dummy variables)			
R-squared	0.864444	Mean dependent var	3.332000
Adjusted R-squared	0.844456	S.D. dependent var	1.317857
S.E. of regression	1.37E-15	Akaike info criterion	-65.41088
Sum squared resid	4.31E-29	Schwarz criterion	-65.08393
Log likelihood	988.1632	Hannan-Quinn criteria.	-65.30629
F-statistic	4.48E+30	Durbin-Watson stat	1.969724
Prob(F-statistic)	0.000000		

Source: Processed Data (2024)

Based on the results of the classical assumption test related to autocorrelation in Table 4, the Durbin-Watson (DW) value obtained in this study falls between the upper bound (dU) and the tolerance limit (4-dU). In this study, the value of dU was recorded at 1.85, while the value of 4-dU was 2.15. With a DW value of 1.96, which falls within the range of $1.85 < 1.96 < 2.15$, it can be concluded that the regression model used is free from autocorrelation issues. This shows that the regression model's residuals don't have a clear pattern of relationships between observation periods. This means that the estimated model meets the assumption of residual independence. As a result, the correlation between residuals does not distort the interpretation of the regression results, potentially reducing the model's validity. This conclusion reinforces the feasibility of the regression model used for further analysis.

The Chow test is a strategy employed to ascertain the most appropriate regression model between the Common Effect Model (CEM) and the Fixed Effect Model (FEM). This test checks for significant changes in the structure of cross-sectional data that would enable the model to represent the data's features more accurately and effectively. If the Chow test returns a probability value lower than the set significance level (for example, 0.05), the null hypothesis that the Common Effect model is better must be rejected. This means that the Fixed Effect model is better for the job. If the probability value exceeds 0.05, the standard effect model is applicable because there are no significant differences in the data structure. The outcomes of the Chow test in this study are presented in Table 5, which will inform the selection of the optimal regression model for further examination.

Table 4: Outcome of Chow Test

Effects Test	Statistic	df.	Prob.
Cross-section F	2.483051	(66,196)	0.0000
Cross-section Chi-square	1978.057682	66	0.0000

Source: Processed Data (2024)

Table 5 shows the results of the Chow test. The chi-square probability value of 0.0000, which is less than the 0.05 level, indicates that the FEM model is the better fit for the panel data analysis compared to the CEM model. The Hausman test is a statistical method used to determine the best regression model between the Fixed Effect Model (FEM) and the Random Effect Model (REM) in panel data analysis. This test aims to examine whether there is a correlation between the independent variables and the unobserved individual effects in the model. If the Hausman test results yield a probability value below the 0.05 significance level, then the null hypothesis that the Random Effect Model is more appropriate must be rejected, making the Fixed Effect Model the more suitable choice. If the probability value is more significant than 0.05, the Random Effect model can be used because the independent variables and individual effects are uncorrelated. The regression analysis will be more accurate at showing the relationships between variables and making more valid estimates if the right model is chosen based on the results of the Hausman test. The results of the Hausman test in this study are presented in Table 6, which serves as a basis for determining the most suitable regression model for further analysis.

Table 5: Outcome of the Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	22.917255	5	0.0004

Source: Processed Data (2024)

The Hausman test above shows that the FEM model is the better fit for the panel data test than the REM model. This is clear from the chi-square probability value of 0.0004, which is less than 0.05. Therefore, researchers accept H0 and reject H1. Thus, the appropriate regression model to use in a study is the Random Effect Model (REM). The Hausman test above shows that the FEM model is the better fit for the panel data test than the REM model. This is clear from the chi-square probability value of 0.0004, which is less than 0.05. Therefore, researchers accept H0 and reject H1. Thus, the appropriate regression model to use in a study is the Random Effect Model (REM). The Lagrange Multiplier (LM) test is a statistical method used to determine the optimal regression model in panel data analysis. It compares the Random Effect Model (REM) and the Common Effect Model (CEM). The goal of this test is to determine whether adding random effects to a regression model can improve the accuracy of estimates compared to a model that doesn't include individual or time impact. Researchers choose the Random Effect Model as the better model if the LM test results show a probability value less than the significance level of 0.05. Therefore, the researchers reject the null hypothesis that the Common Effect Model is superior. On the other hand, if the probability value is more significant than 0.05, then the Common Effect Model is more appropriate to use because there is no significant difference in individual or time effects. The LM test facilitates the selection of the regression model to be used in the study. This means that the estimation results are more accurate in illustrating the relationship between the independent and dependent variables. The results of the LM test in this study are presented in Table 7 below as a basis for determining the best regression model for further analysis.

Table 6: Outcome of Lagrange Multiplier Test

Null (no random effect)	**Cross-section**	**Period**	**Both**

Alternative	One-sided	One-sided	
Breusch-Pagan	4.063161	1.807322	5.870483
	(0.0438)	(0.1788)	(0.0154)
Honda	-2.015728	-1.344367	-2.375946
	(0.9781)	(0.9106)	(0.9912)
King-Wu	-2.015728	-1.344367	-1.735125
	(0.9781)	(0.9106)	(0.9586)
GHM	--	--	0.000000
	--	--	(0.7500)

Source: Processed Data (2024)

The probability value of 0.04 or less than 0.05 for the REM model in the Breusch-Pagan test indicates that it was selected from the panel data test between REM and CEM based on the Lagrange multiplier (LM) test. This indicates that the individual effects of the model are better modelled as random variables rather than constants. Thus, the Random Effect Model (REM) is more suitable because it can capture unobserved individual variations more effectively than the Common Effect Model (CEM).

Table 7: Outcome of Coefficient Test Determination (R^2) and t-Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Firm Value	3.332000	4.26E-16	7.83E+15	0.0000
Profitability	26.37115	2.873808	9.176378	0.0000
Leverage	-0.526969	0.239268	2.202422	0.0288
Corporate Governance	1.42E-16	3.46E-17	4.094750	0.0004
Profitability _ Corporate Governance	6.28E-16	2.88E-16	2.183157	0.0395
Leverage _ Corporate Governance	0.073774	0.025647	2.876570	0.0078
	Effects Specification			
Cross-section fixed (dummy variables)				
R-squared	0.864444	Mean dependent var		3.332000
Adjusted R-squared	0.844456	S.D. dependent var		1.317857
S.E. of regression	1.37E-15	Akaike info criterion		-65.41088
Sum squared resid	4.31E-29	Schwarz criterion		-65.08393
Log likelihood	988.1632	Hannan-Quinn criteria.		-65.30629
F-statistic	4.48E+30	Durbin-Watson stat		1.969724

Prob(F-statistic)	0.000000

Source: Processed Data (2024)

The Coefficient of Determination (R^2) aims to measure the extent to which the model can explain the variation in the dependent variable. The results in Table 8 indicate that the outcome obtained from the coefficient of determination (R^2) test is 0.864444, corresponding to 86.4%. This value indicates that the variables of profitability and leverage impact the company's value. Simultaneously, other variables not included in the panel data research regression model influence the remaining 13.6%. The simultaneous test, also known as the F test, aims to determine whether all independent variables contained in the model jointly or simultaneously affect the dependent variable. The F test results show that the calculated F value is higher than the table F value (4.48 vs. 2.515), and the probability value is lower than the significance value (0.000000 < 0.05). Therefore, profitability, leverage, the moderation of company size on profitability, and the moderation of company size on leverage have a positive and significant impact on a company's value. The hypothesis test in Table 8 indicates that a company's value increases when it generates profits. This is shown by the coefficient of 26.37115 and the probability level of 0.0000, which is less than the 0.05 significance level. This indicates that an increase in profitability actually has a beneficial impact on the company's value. On the other hand, leverage has been shown to lower the company's value, with a coefficient of 0.526969 and a p-value of 0.0288, which is less than 0.05. This means that lowering leverage leads to a higher value for the company. There is also a positive relationship between profitability and company value that is moderated by corporate governance. This is indicated by a coefficient of 6.28 and a p-value of 0.0395, which is less than 0.05. This condition suggests that corporate governance can enhance the impact of profitability on a company's value. On the contrary, corporate governance has a positive moderating effect on the relationship between leverage and company value, as indicated by a coefficient of 0.073774 with a probability of 0.0078, which is less than 0.05. This suggests that the greater the corporate governance, the stronger the influence of leverage on company value.

The t-test results for the second hypothesis indicate that leverage has a significantly positive impact on the company's value. This is demonstrated by the fact that the t-statistic value is 2.202422, which exceeds the t-table value of 1.972, and the probability level is 0.0288, which is lower than the 0.05 significance level. The use of debt in the company's financial structure not only increases profitability but also impacts the company's overall value. Companies with high profitability tend to utilize debt as a strategy to optimize tax burdens by increasing leverage ratios. As long as debt continues to provide financial benefits, the company can utilize it as a tool to reduce tax liabilities and enhance economic efficiency. Moreover, the controlled use of debt can help mitigate conflicts of interest between shareholders and management, while also limiting the potential for inefficient cash flow utilization. From an economic perspective, when a company issues new shares as a source of funding, the increase in the number of shares outstanding can lead to a decrease in the stock price in the market. The results of this study are in line with the research conducted by (Bon and Hartoko 2022), which concluded that leverage has a positive impact on increasing the value of the company.

DISCUSION

Based on the t-test results, it was found that the t-statistic value of 9.176378 is greater than the t-table value of 1.972, with a probability level of 0.0000, which is below the significance threshold of 0.05. This indicates that profitability has a significant positive effect on the value of companies in the manufacturing sector listed on the IDX for the period 2019-2022. These findings suggest that a company's value can increase proportionally to its profitability. The research results also confirm that the company is able to manage equity efficiently and effectively, thereby increasing shareholder confidence in the sustainability of dividend payments. Thus, the company can continue to improve productivity in order to achieve more optimal profits. These findings are in line with the research conducted Barauskaite (2021) Zhou, Liu, and Luo (2022), which concluded that profitability positively contributes to the increase in company value. However, these results contradict the research by Aydoğmuş, Gülay, and Ergun (2022), Mangesti Rahayu, Suhadak, and Saifi (2020), which found that profitability actually has a negative impact on the value of the company.

The t-test results for the second hypothesis show that leverage has a strongly positive impact on the value of the company. This is shown by the fact that the t-statistic value is 2.202422, which is higher than the t-table value of 1.972, and the probability level is 0.0288, which is lower than the 0.05 significance level. The use of debt in the company's financial structure not only increases profitability but also impacts the increase in the company's value. Companies with high profitability tend to utilize debt as a strategy to optimize tax burdens by increasing leverage ratios. As long as debt still provides financial benefits, the company can use it as a tool to reduce tax liabilities and improve financial efficiency. Moreover, the controlled use of debt can help reduce conflicts of interest between shareholders and management while also limiting the possibility of inefficient cash flow usage. From an economic perspective, when a company chooses to issue new shares as a source of funding, the increase in the number of shares outstanding can lead to a decrease in the stock price in the market. The results of this study are in line with the research conducted by (Okafor, Adeleye, and Adusei 2021a, 2021b), which concluded that leverage has a positive impact on increasing the value of the company.

Corporate governance has a positive coefficient and a significance value less than the 5% level of confidence because it moderates the effect of profitability on company value. The Individual Parameter Significance Test (t-test) revealed this. Moreover, the t-statistic value of 2.183157 is greater than the t-table value of 1.972. Moreover, the t-statistic value of 2.183157 is greater than the t-table value of 1.96. These findings demonstrate the positive moderating effect of good corporate governance on the relationship between profitability and company value. The results of this study are also in line with the research conducted by Wasista & Asmara Putra (2019) and Noviani et al. (2019), which show that excellent corporate governance mechanisms can strengthen the relationship between profitability and the increase in company value. This significant influence can occur because the greater the managerial ownership in the company, the greater the incentive for management to optimize profits and increase the stock price in the market. In addition, managerial ownership is a sign of good corporate governance because it lowers the chance of agency conflicts between principals and agents. This helps strengthen the link between financial performance and company value. This is due to stricter oversight of company management. With the increasing proportion of managerial ownership, management has a greater incentive to act in the interests of shareholders, which ultimately also benefits them as part of those shareholders.

The Individual Parameter Significance Test (t-test) results indicate that corporate governance has a significant impact on leverage and company value. The t-test's significance value was less than 5%, and the coefficient was positive. Additionally, the t-statistic value of 2.876570 is greater than the t-table value of 1.972. These findings demonstrate the positive moderating effect of good corporate governance on the relationship between leverage and company value. Corporate governance is a way to make sure that the use of debt is managed well and doesn't raise too much financial risk. This can moderate the effect of debt on the value of a company. The results of the findings are consistent with the research by Gustiandika and Hadiprajitno (2014), which states that corporate governance influences the moderation of leverage on firm value.

In companies with good governance, oversight from the board of commissioners and the audit committee can ensure that leverage is used for productive investments, thereby contributing to the increase in the company's value. In addition, corporate governance can also reduce agency conflicts between management and shareholders, where well-supervised management tends to make more prudent financial decisions and prioritize the long-term interests of the company. With a strict oversight system in place, corporate governance helps companies avoid excessive debt usage, which can increase interest costs and the risk of bankruptcy. Additionally, strong corporate governance can enhance the trust of investors and creditors, allowing the company to access funding sources with lower capital costs, which ultimately contributes to an increase in the company's value. Thus, corporate governance can act as a moderating factor that strengthens or weakens the relationship between leverage and company value.

CONCLUSION

The results of the study on manufacturing sector companies listed on the Indonesian Stock Exchange (IDX) for the period 2019–2022 show sufficient evidence that profitability and leverage affect the value of the company, but there is not enough

evidence that leverage negatively affects the value of the company. This indicates that while profitability and leverage are influential factors in determining a company's value, the expected negative impact of leverage on value is not strongly supported by the data. Therefore, it suggests that higher leverage may not necessarily lead to a decrease in company value within this specific context. As for the moderation variable, there is sufficient evidence that corporate governance can strengthen the influence of profitability and leverage on firm value.

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