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Analysis Determination of Firm Value: Corporate Governance Perception Index as Moderating Variable

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Abstract

Background: The firm value is a crucial metric that accurately represents financial performance. Various elements influence the worth of a company inside the framework of a constantly changing worldwide market. These factors are crucial for managers, investors, and stakeholders. Establishing public trust is a crucial factor in enabling success. In 1998, Indonesia faced a monetary crisis triggered by inadequate implementation of corporate governance. Having a CGPI as a business controller enhances the comprehension of the many aspects that impact the value of a firm. Implementing GCG is an essential strategy for continually enhancing the value of a business.
Objective: This research examines how the CGPI acts as a moderator, influencing the impact of profitability, dividend policy, and earnings management on firm value.
Methods: This study applies a quantitative approach using purposive sampling. The object of research is companies listed on the CGPI, with data sources from the IDX and the results of the IICG assessment from 2017-2021. Methods of data analysis using Moderate Regression Analyze (MRA) with SPSS 29.
Results: The research results demonstrate how businesses inform investors and lend credibility to signalling. This suggests that characteristics that influence a firm's value might be used as indicators to make decisions regarding investments. Moreover, the utilization of CGPI indicates improved financial results, suggesting efficient and clear earnings management. The CGPI effectively prevents managers from engaging in opportunistic earnings management.
Conclusion: Various factors, including profitability, dividend policy, and earnings management, impact a business's value. Establishing the CGPI is essential to encouraging sustainable growth in corporate valuation.

Keywords: Dividend Policy; Profitability; Earnings Management; Firm Value.

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1. Introduction

The prognosis of a possible global recession resulted in most investors incurring losses, as recessions significantly impact stock prices. In addition, stock exchanges in the Asia Pacific region are underperforming as international conditions are not in line with market expectations. This can affect stock prices and reduce investors' interest in investing. Reporting from bps.go.id data in 2022, foreign investment, especially from European countries, decreased by US$ 2,901 from the previous year of US$ 3,453. However, overall investment realization in Indonesia in 2022 experienced a significant increase of 314.8 trillion. Foreign Investment (PMA) was recorded at 175.2 trillion or an increase of 43.3%, and Domestic Investment (PMDN) of IDR 139.6 trillion or 17%. Meanwhile, in 2022, the Jakarta Composite Index (JCI) only recorded a growth of around 4.08% compared to the previous year, which reached 10.08%. Nonetheless, the capitalization value of Indonesia's capital market increased by 15%, reaching IDR 9,495 trillion.

Firm value is an indicator that represents the performance and welfare of shareholders. In the context of a dynamic global economy, various factors can affect company value. One of the things that drive the improvement in business value is to create trust from the public by conducting assessments through Good Corporate Governance (GCG). Indonesia is an exciting research subject in the context of GCG for two crucial reasons. First, in terms of corporate governance, Indonesia still has significant weaknesses ACGA (2018). Second, there are differences in policy systems between Indonesia and several Asian countries, and different corporate governance characteristics impact company policies (Kim et al., 2020). In addition, in 1998, Indonesia experienced a monetary crisis caused by a lack of effective corporate governance. This issue became a considerable concern, especially from the government. Therefore, the Indonesian Institute for Corporate Directorship (IICD) began to award companies that implemented GCG practices. The program was launched in 2001, with each company rated highly trusted, trusted, and moderately trusted. Implementing corporate governance is increasingly becoming a key strategic factor for companies to increase corporate value consistently.

Dividend policy plays a role in determining the business value. Lestari et al. (2021) elaborate that dividend policy is essential for companies because the DPR significantly affects stock prices. Providing good dividends can increase investor confidence and increase company value. According to Linter (1956), consistent and predictable dividend policy positively impacts firm value. This research is reinforced by research by Ashary and Kasim (2019), proving a positive and significant influence of dividend policy on firm value. A dividend policy can indicate the business's financial health, and the sustainability of dividend payments can mean the business's financial performance is stable and reliable.

Profitability is recognized as a determinant of corporate value. Companies that earn substantial profits typically have greater market valuations. This will draw prospective investors to the firm. Previous research conducted by Hidayat and Khotimah (2022) stated that profitability significantly and positively affects firm value.

Earnings management has also been widely studied in terms of firm value. Sally (2015) states that profit is one of the parameters that can be used to assess a business's operational performance. Based on research by Akbar and Ike Purnomo (2021), earnings management actions affect firm value. If the reported profit looks high, it can increase investors' perceptions of the business performance and share value. Earnings management can also be used strategically to supply positive signals about the enterprise's future performance to the market. Low earnings quality can preside over to decision-making errors, which in turn can reduce firm value.

The existence of the Corporate Governance Perception Index (CGPI) in business control further strengthens the understanding of the factors that affect firm value by including moderating variables. CGPI is an index that measures the quality of corporate governance based on various parameters such as transparency, accountability, and responsibility. Research by Black et al. (2020) shows that companies with high CGPI scores tend to have higher market values because good governance increases investor confidence and reduces risk. Most previous studies that raised this topic made Corporate Social Responsibility a research variable in increasing the company's value (Aggasi & Ulum, 2023; Rehanil et al., 2021; Santoso, 2023; Sulbahri, 2021). Meanwhile, this study uses the CGPI as a variable that moderates the factors that affect firm value. The principal objective of this study is to analyze and evaluate the relation among factors such as dividend policy, profitability, and earnings management as independent variables of firm value. In addition, it measures the extent to which the influence of the CGPI as a moderator strengthens or weakens certain factors on firm value.

2. Literature Review

2.1. *Signaling Theory*

According to Bringham & Houston (2011), Signal theory elucidates the correlation between management's opinion of the firm's future growth and the subsequent impact on potential investors' response towards the company. This information holds significant value as it is a crucial indicator for investors in their decision-making process. The information provided by the company and received by investors can be interpreted as either a positive or negative indication. (Jogiyanto, 2010). Signalling theory states that not all information can be conveyed through direct communication, and in some cases, signals are more effective (Puspaningsih & Pratiwi, 2017).

2.2. *Firm Value*

Firm Value is the market value of a company; if the stock price is higher, shareholder welfare increases, increasing investor perceptions of firm value (Gede et al., 2016). For public companies, the movement of stock value is a consideration for potential investors when making the right investment decisions. Investors can use company value as a signal to see the business performance in the future period (Sembiring & Trisnawati, 2019). A method that can be used to measure firm value is a PBV (Suwardika & Mustanda, 2017). Investors will benefit if the company's stock price is high. The high value of PBV can affect investors' confidence in investing in the company (Mufidah & Purnamasari, 2018).

2.3. *Good Corporate Governance (GCG)*

Corporate governance is a structured framework that oversees and manages the operations of a corporation to generate value for all parties involved and foster a relationship characterized by integrity, equity, and transparency (Dwiridotjahjono, 2009). Corporate governance is the most appropriate practice in a market economy system to promote a fair, competitive environment and a suitable business climate to maintain the company's sustainable growth (Himie, 2022). Corporate governance aims to create value-added opportunities for stakeholders.

The CGPI ranking conducted by the Indonesian Institute for Corporate Governance (IICG) is one indicator of corporate governance in Indonesia. The purpose of this program is to incentivize enterprises to enhance the quality of their application of corporate governance principles through continuous reviews and benchmarking. Promising research results or CGPI scores might show a corporation's state. This will serve as a favourable indication for investors contemplating investment choices.

2.4. *Dividend Policy and Firm Value*

Dividend policy refers to the strategic choice made by a firm to either divide its earnings to shareholders or preserve them for reinvestment purposes. The higher the dividends paid, the lower the amount of retained earnings, which can slow down company growth (Silaban & Purnawati, 2016). The DPR is the percentage of profit paid to shareholders. High dividend payments indicate good company prospects and are responded to by investors by buying shares to enhance the business value (Adam et al., 2015). Consistent with signal theory, high dividend payments by companies indicate that the business has good profit prospects. The dividend distribution signals investors to describe good management performance in managing the company. Research results by Handayani and Kurnianingsih (2021) stated that the dividend policy projected through the DPR significantly affects firm value.

H1: Dividend policy has a significant effect on firm value.

2.5. *Profitability and Firm Value*

Profitability is the company's ability to earn returns in corporate management (Ratih & Eka Damayanthi, 2016). This study uses ROA as a proxy to calculate profitability. The contribution of return on assets lies in evaluating the company's operational performance by considering the profit generated from operating activities. Ayu and Suarjaya (2017) explained that profitability can be used to measure the business's financial performance and assess the company. Referring to signalling theory, high profitability reflects the optimal performance of a company so that it can supply a high level of confidence to investors to invest their capital. This statement is supported by research by Hadi and Budiman (2023) and Widyaningsih et al. (2022), which reveals that the profitability variable partially has a positive significance on firm value.

H2: Profitability has a significant effect on firm value.

2.6. *Earnings Management and Firm Value*

Increasingly optimal earnings management will encourage maximum profits to increase the business value and attract investor interest (Kristanti & Maswar Patuh Priyandi, 2016; Kurnia & Arafat, 2015). Earnings management is accomplished by utilizing accrual items in the financial report, and discretionary accruals are used to reduce or increase reported earnings through accounting policies chosen subjectively by management (Kurnia & Arafat, 2015). Signal theory states that companies use earnings management practices to signal investors about the company's performance or condition. Management must be able to present reports that have high quality (persistent).

H3: Earnings management has a significant effect on firm value.

2.7. *CGPI Moderates the Effect of Dividend Policy and Firm Value*

Companies can regulate dividends paid to shareholders through a general meeting, which aims to establish revenue allocation among cash dividends and retained earnings as a source of funds. GCG is expected to manage the company and supervise managers in making dividend policies to minimize errors in decision-making and increase profits while increasing company value. Adhiprasetya (2019) stated that a higher CGPI score indicates that potential investors and stakeholders trust the company more. Implementing dividend distribution policies accompanied by good corporate governance practices and effective management by managers can influence investor perceptions and benefit the company by further increasing company value. Research by Nova et al. (2018) shows that GCG can moderate the relationship between dividend policy and firm value.

H4: CGPI moderates the effect of dividend policy on firm value.

2.8. *CGPI Moderates the Effect of Profitability and Firm Value*

The concept of good corporate governance is reflected in a high CGPI score. This can affect the perception of the company's overall performance Mahromatin et al. (2023). Priharta et al. (2022) explain that profitability is a fundamental picture of company performance; good financial performance can positively impact stock prices, increasing company value. High CGPI conditions cause the relationship between profitability and firm value to become stronger. This happens because investors and other stakeholders gain confidence in efficient management and good corporate governance so that this information becomes a positive signal for potential investors and stakeholder welfare. This is supported by research by Kusumawati and Wahyudi (2019) and Rahmawati and Sudaryanto (2020). This study examines the impact of corporate governance as a moderating factor in the association between profitability and company value. The implementation of GCG will enhance the impact of ROA on the overall worth of the organization.

H5: CGPI moderates the effect of profitability on firm value.

2.9. *CGPI Moderates the Effect of Earnings Management and Firm Value*

Management takes opportunistic actions by practising earnings management to increase company value. The existence of GCG in the company will limit the possibility of actions to practice earnings management due to the control mechanism in the company structure (Rahmawati & Putri, 2020). The results of research conducted by Vajriyanti et al. (2015) show that earnings management affects firm value with the CGPI indicator as a moderating variable. The CGPI has a significant relationship with earnings management (Ridwan & Gunardi, 2013) because it can monitor management to align different interests between owners and management and minimize financial fraud in the company.

H6: CGPI moderates the effect of earnings management on firm value.

2.10. *Research Model*

This study has three independent variables: Dividend Policy, Profitability, and Earnings Management, and one moderating variable, the CGPI. The dependent variable is Firm Value. This study follows the conceptual framework as shown in Figure 1.

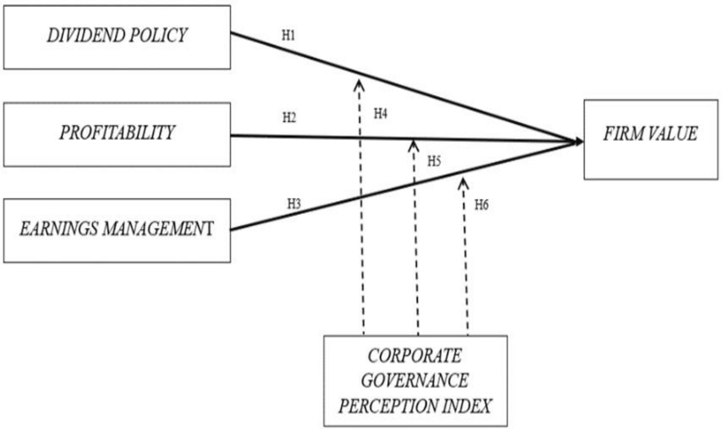

Figure 1. Conceptual Framework

3. **Method**

3.1. *Sample*

The methodology for this research is quantitative through a causal associative method to examine the influence of two or more variables by analyzing the effect of the independent variable on the dependent variable. This study utilizes pre-existing data obtained from secondary sources, namely data obtained by researchers indirectly through intermediaries, such as other people or documents (Sugiyono & Hidayat, 2017). The study's population consists of companies listed on the Indonesia Stock Exchange between 2017-2021, sourced from the Website www.idx.co.id. This research involves a purposive sampling based on sample criteria: (1) CGPI-indexed companies issued by IICG; (2) companies that have complete financial statement data; and (3) companies that pay dividends during the observation period. The research sample was obtained from as many as ten companies with an observation period of five years, with 50 observation data used.

3.2. *Measurement*

3.2.1 *Firm Value*

The stock price of a corporation indicates its worth to investors. A higher share price signifies a more excellent firm value. According to research by Sembiring and Trisnawati (2019), firm value is a proxy using price-to-book value (PBV).

$$PBV = \frac{Stock\ Price\ Per\ Share}{Book\ Value\ Per\ Share}$$

3.2.2 *Dividend Policy*

The dividend policy is a statement of the profits, determined by the dividend payout ratio (DPR), that a firm distributes to its shareholders for each share they own (Sheisarvian et al., 2015).

$$DPR = \frac{Cash\ Dividend}{Nett\ Income}$$

3.2.3 *Profitability*

The capacity of a business to efficiently use its resources is known as profitability. A greater ratio denotes a better business worth. This profitability indicator is measured using return on assets (ROA) (Abrori, 2019).

$$ROA = \frac{Earning\ Before\ Tax}{Total\ Asset}\ x\ 100\%$$

3.2.4 *Earnings Management*

Discretionary accruals, which divide total accruals into non-discretionary and discretionary components using the modified Jones Model, can be used to evaluate earnings manipulation. The purpose of the modified Jones Model is to reduce the time that incorrect estimates are used to evaluate discretionary accruals that exceed profits (Sally, 2015).

(i)	Total Accruals	$TAC_{it} = NI_{it} - CFO_{it}$
(ii)	Total Accruals with OLS	$\frac{TA_{it}}{A_{it-1}} = \alpha_1\left(\frac{1}{A_{it-1}}\right) + \alpha_2\left(\frac{\Delta REV_{it}}{A_{it-1}}\right) + \alpha_3\left(\frac{PPE_{it}}{A_{it-1}}\right) + e$
(iii)	Non-Discretionary Accruals	$NDA_{it} = \alpha_1\left(\frac{1}{A_{it-1}}\right) + \alpha_2\left((\Delta REV_{it} - \Delta REC_{it}\right) + \alpha_3\left(\frac{PPE_{it}}{A_{it-1}}\right)$
(iv)	Discretionary Accruals	$DA_{it} = (TAC_{it}/A_{it-1}) - NDA_{it}$

3.2.5 *Corporate Governance Perception Index (CGPI)*

The CGPI is a variable that serves as a moderator, especially in assessing the influence of CGPI on the relation between the independent and dependent variables. This influence can strengthen or weaken the connection between the independent and dependent variables. According to Solimun (2011), types of moderating variables can be identified through 4 types of classification, namely: (1) Pure Moderation refers to a moderation variable that is considered pure if β2 is not significant and β3 is significant; (2) Quasi-Moderation, refers to a moderation variable that is considered quasi if both β2 and β3 are significant; (3) Homologizer Moderation is a potential moderation variable if both β2 and β3 are insignificant; (4) The moderation Predictor functions solely as a predictor variable in the established relationship model. This condition occurs when the value of β2 is significant but β3 is not significant. The calculation of GCG through the CGPI index is adjusted to the criteria below, which can be viewed in Table 1:

Table 1. CGPI Criteria

CGPI Index	Value
Very Reliable	85-100
Trusted	70-84.99
Quite Trustworthy	55-69.99

3.3. *Data analysis*

The data in the study were analyzed using SPSS 29 software and the Moderate Regression Analysis (MRA) test. This technique is used to determine whether moderating variables may enhance, lessen, or even reverse the direction of the connection between the independent and dependent variables. Before data analysis, a typical assumption test is performed first as a prelude to hypothesis testing. A goodness of fit test (*Chi-Square test*) is then run to evaluate how well the model matches the distribution of observed data. The t-test is used in hypothesis testing to assess each independent variable's unique explanatory ability concerning the dependent variable. The following is the MRA equation model that was applied in this study:

$$\mathbf{PBV = \alpha + \beta_1 DPR + \beta_2 ROA + \beta_3 DA + \beta_4 DPR*CGPI + \beta_5 ROA*CGPI + \beta_6 DA*CGPI + e}$$

4. Results

4.1 *Classical Assumptions Test*

The classical assumption test is used to evaluate the suitability of the regression model with Ordinary Least Squares (OLS) assumptions. The steps taken include a data distribution normality test using Kolmogorov-Smirnov (with p-value > 0.05), multicollinearity test with T > 0.01 and VIF < 10 criteria, homoscedasticity test with Glejser test (with p-value > 0.05), and autocorrelation test using Durbin-Watson model (with DW value between 0 and 4 and DU < DW < 4-DU). The classical assumption test results are presented in Table 2.

Table 2. Classical Assumption Test Results

Classical Assumption Test	Test Name	Qualification	Outcome	Conclusion
Normality Test	*Kolmogorov -Smirnov*	> 0.05	0.112	Pass Normality Test
Multicollinearity Test	Tolerance VIF	T > 0.01 VIF < 10	T 0.430 VIF 2.328 T 0.280 VIF 3.569 T 0.211 VIF 4.732	Pass Multicollinearity Test
Heteroscedasticity Test	*Glejser*	> 0.05	0.715 0.282 0.793	Pass Heteroscedasticity Test
Autocorrelation Test	*Durbin-Watson*	Du < dw < 4 - du	2.286	Pass Autocorrelation Test

4.2 *Goodness of Fit Test*

According to the Goodness of Fit test results in Table 3, the chi-square value achieved is 8.000. The critical value for a single degree of freedom at a significance level of 5% is 3.841. The hypothesis is deemed accepted because the calculated chi-square value of 8,000 is higher than 3,841. This attests to fulfilling the prerequisites for the goodness of fit testing.

Table 3. Goodness of Fit Test Results

Test Statistics	CGPI Index
Chi-Square	8.000[a]
Df	1
Asymp. Sig.	0.005

4.3 *Hypothesis Test*

Hypothesis testing is done using regression models with moderation variables to evaluate the effect of CGPI disclosure in moderating DPR, ROA, and DA factors on firm value. The significance probability value (P-value) of each variable in the output of SPSS regression results can be used to conduct a statistical evaluation, with a significance level of 0.05 (α = 5%). Table 4 presents the descriptive statistics for each variable and the outcomes of hypothesis testing in this study.

Table 4. Results of the Compiled Hypothesis Test

	Unstandardized Coefficient		Coefficient P-Value	Alpha	Significance	Conclusion
	B	Std. Error				
(Constant)	-88.921	59.511	0.142	0.05		
DPR	-0.055	0.153	0.724	0.05	Not Significant	Rejected
ROA	3.923	1.159	0.002	0.05	Significant	Accepted
DA	-0.568	0.189	0.004	0.05	Significant	Accepted
DPR*CGPI	-0.065	0.351	0.853	0.05	Not Significant	Rejected
ROA*CGPI	11.578	3.528	0.002	0.05	Significant	Accepted
DA * CGPI	0.100	0.570	0.862	0.05	Not Significant	Rejected

Based on the statistical test results in Table 4, the Moderate regression analysis (MRA) equation in this study is as follows:

$$PBV = -88.921 - 0.055\,DPR + 3.923\,ROA - 0.568\,DA - 0.065\,DPR*CGPI + 11.578\,ROA*CGPI + 0.100\,DA*CGPI + e$$

The Dividend policy using the DPR proxy has a p-value of 0.724 (>0.05). Thus, the initial theory stating that DPR substantially influences firm value is refuted. There is a negative correlation between the dividend payout ratio and firm value, as indicated by the coefficient β -0.055. Thus, a higher DPR value can cause a lower firm value.

The profitability with the ROA ratio metric has a p-value of 0.002 (<0.05) for significance. As a result, the second hypothesis, that profitability significantly impacts business value, is accepted. Profitability and firm value have a positive association, as indicated by the coefficient of β 3.923. Therefore, a more excellent ROA value can raise the firm's value.

The Earnings Management with Discretionary Accruals has a significant p-value of 0.004 (<0.05). As a result, it is agreed upon that profit management significantly affects business value, according to the third hypothesis. Firm value and earnings management have a negative connection, as the coefficient of β -0.568 indicates. Consequently, a more excellent value of earnings management may result in a lower business value.

The interaction of the Dividend Policy relationship with CGPI on Firm Value shows a significance value of p-value of 0.853 (>0.05). Thus, the fourth hypothesis regarding CGPI moderates the relationship between dividend policy and firm value is rejected. With a coefficient of β -0.065, we interpret a negative relationship between the interaction of dividend policy and CGPI on firm value. CGPI weakens the relationship between dividend policy and firm value, and CGPI is categorized as a moderating homologizes because the coefficients β1 and β4 show insignificant results.

The interaction of the relationship between Profitability and CGPI on Firm Value shows a p-value of 0.002 (<0.05). Thus, the fifth hypothesis regarding CGPI moderates the relationship between profitability and firm value is accepted with a coefficient of β 11.578, a positive relationship between the interaction of profitability and CGPI on firm value. CGPI can strengthen the relationship between profitability and firm value, and CGPI is categorized as quasi-moderation because the coefficients β2 and β5 show significant results.

The interaction of the earnings management relationship with CGPI on Firm Value shows a p-value of 0.862 (>0.05). The sixth hypothesis regarding CGPI moderating the relationship between earnings management and firm value is rejected with a coefficient value of β 0.100; there is a positive relationship between the interaction of earnings management and CGPI on firm value. CGPI is categorized as a moderating predictor because coefficient β3 shows significant results while β6 is not.

5. **Discussion**

5.1 *The Effect of Dividend Policy, Profitability, and Earning Management on Firm Value*

The results showed that dividend policy, as measured by DPR, has no significant effect on firm value and has no direct correlation with shareholder wealth. Lower dividends will increase firm value as they increase the total amount of internal funds available for investment, and lower dividend payouts result in greater retained earnings. According to signal theory, dividend policy communicates information to investors. Stakeholders assess that the more significant the portion of dividend payments, the smaller the portion of retained earnings will hinder the company's growth rate. The outcome of this study is consistent with research by Luqman Ilhamsyah and Soekotjo (2017) and Nelwan and Tulung (2018), stating that dividend policy has no significant effect on firm value. This indicates that the dividend policy does not have a beneficial or substantial impact on the value of a company. Because fewer resources are available, the growth rate will slow down, dropping the stock price.

The study's conclusions make it clear that profitability, as measured by ROA, is a significant factor in determining a company's worth. This suggests that the business can efficiently utilize its resources to optimize earnings. According to signal theory, a high degree of profitability gives investors a good indication of the company's financial stability. In essence, the firm sends a stronger signal to investors about its financial performance and potential for profit, the more significant its profitability. The results of research that supports this research were conducted by Laksono and Rahayu (2021) and Mentari and Idayanti (2021), who concluded that profitability as measured by ROA has a significant effect on firm value. A rise in share price due to this improved investor confidence gives investors more significant rewards. Strong share demand also causes the company's value to increase beyond what is shown on the balance sheet; as profitability rises, so does the company's total worth.

The study's conclusions make it clear that discretionary accruals, which measure earnings management, are critical in determining a company's worth. According to the theory, there is a greater possibility for profit maximization and growth in the organization's total worth with more effective earnings management procedures. This is consistent with signal theory, which holds that the market views maximum earnings favourably and increases the value of the company's shares. The study also reveals that financial statements and stakeholder views of the company's performance may be impacted by managerial pressure to achieve short-term profit optimization through accrual earnings management.

This result is in line with the research conducted by Rajab et al. (2022) and Sodikin & Dewi (2021), which reveals that earnings management as measured by the discretionary accrual proxy of Jhon's modified model has a significant effect on firm value.

5.2 *The Effect of Dividend Policy, Profitability, and Earning Management on Firm Value Moderated by CGPI*

The study's conclusions make it clear that the CGPI has no additional effect on how the dividend policy affects business value. This indicates that the CGPI needs to control the relationship between dividend policy and firm valuation effectively. The effectiveness of dividend policy in enhancing business value is relatively unaffected by applying good corporate governance. This is mainly because investors do not trust the CGPI ratings that IICG issues. Even if many Indonesian firms have excellent CGPI ratings, this does not guarantee a positive investor reaction. The primary factor influencing dividends is the company's accumulated earnings rather than the assessment of corporate governance. Setyorini and Sulhan (2023) and Amanda Dewi and Dwija Putri (2017) support this research with the same results: GCPI cannot moderate the relationship between Dividend Policy and Firm Value.

The study's findings suggest that the CGPI may moderate the relationship between profitability and business value. The study's results support the idea that profitability and company value correlate and imply that CGPI may strengthen this relationship. A high CGPI encourages investors to put money into the company, which raises stock prices and increases the firm's worth. As a result, there is a cycle whereby greater profitability and stock demand lead to the expansion of company value through sound corporate governance principles. A well-managed corporate governance system may promote sustainability and growth by strengthening the bond between company value and profitability. This is supported by research by Darussalam and Herawaty (2019), which showed that applying CGPI can moderate the relationship between profitability using ROA and firm value.

The study's conclusions make it clear that the CGPI cannot strengthen the relationship between earnings management and company value. The relationship between firm value and earnings management is undermined when a lack of robust corporate governance monitoring on earnings manipulation exists. Businesses that use very little in earnings management cannot apply this situation. Profits above goals have a more significant impact on the company's value than earnings manipulation does, and good corporate governance is essential to controlling profits. Moreover, the CGPI evaluation procedure in Indonesia continues to be optional. The non-mandatory nature of this evaluation causes firms' annual participation in the CGPI ranking to vary. Because there is no discernible effect on a firm's performance compared to those that do not participate in the CGPI ranking, the market needs clarification about the ranking outcomes due to the uncertainty surrounding corporate engagement in the CGPI ranking. This research is strengthened by the statement that implementing GCG cannot reduce the impact of earnings management on firm value Kristanti (2016).

6. **Conclusions**

Based on the analysis and discussion results, it can be concluded that dividend policy with the DPR calculation has no significant effect on firm value. Profitability calculated by ROA significantly affects firm value. Earnings management and Jones' modified discretionary accrual calculation significantly affect firm value. CGPI cannot moderate the relationship between dividend policy and earnings management on firm value. However, CGPI can moderate and strengthen the connection between profitability and firm value.

These results validate earlier study findings and add to the corpus of knowledge on business value. In this setting, the signalling theory, which examines how businesses convey information to investors, becomes more pertinent. This study concludes that the company's management should carefully consider its dividend distribution policies and understand how they affect firm value, as this may help investors make wise selections. Moreover, adopting sound governance principles indicates higher profitability and effective, open-profit management. By lowering the likelihood of unethical activity, using CGPI can help reduce the negative consequences of earnings management and preserve investor confidence and company value.

Companies should reevaluate how well-retained earnings and dividend policies balance each other to modify capital needs. These ratios influence the company's worth and act as a signal to investors when they decide what to buy. Reducing financial expenses and raising net income through capital structure optimization can increase profitability. This may indicate the profitability of the business to potential investors. Companies may lease information asymmetry and signals to outside parties by supplying open and accountable financial information. This will strengthen their bonds with investors and other stakeholders and promote the long-term viability and expansion of the business.

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