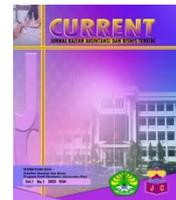




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HOW CORPORATE GOVERNANCE AND FINANCIAL POLICY SHAPE FIRM VALUE

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Abstract

This study aims to examine the dynamics of firm value creation by integrating Agency Theory, Signalling Theory, and Trade-off Theory. Despite the extensive literature on corporate governance and financial policy, inconsistent empirical findings in emerging markets post-pandemic have created a research gap that warrants further exploration. Using a purposive sampling method, this study analyzes 76 manufacturing companies listed on the Indonesia Stock Exchange for the period 2021–2023, resulting in 228 panel data observations processed using STATA 17. The analysis reveals that governance structures (Board of Directors and Commissioners) and capital structure play a crucial role in reducing agency costs and providing positive signals that enhance firm value. Conversely, the Audit Committee is found to have a negative influence, suggesting oversight redundancy or symbolic compliance. Anomalies are observed in dividend policy and audit quality, which are insignificant, indicating a shift in investor preferences in volatile markets. This research contributes internationally by providing empirical evidence on how internal control mechanisms and financial decisions interact to restore market confidence in emerging markets.

INTRODUCTION

Every company that starts a business does so with a specific goal. Maximizing profits for shareholders or owners is the main objective of the company. Everything that the company's financial management team does or decides impacts the stock price. A good value is the result of successful company operations. An increase in stock price is a good indicator for a growing company. Investors are more likely to invest their money in companies whose stock value is increasing (Ayu & Sumadi, 2019).

The views of investors, creditors, and other stakeholders on the company's health are reflected in its stock market value, which is a measure of the company's worth. Companies that perform well usually have a Price-to-Book Value (PBV) ratio greater than one, meaning their market value is higher than their book value. If so, the stock price is a good indicator of how investors perceive a company. When the stock price is high, it means investors are optimistic about the company's future (Pratama & Siswantini, 2023).



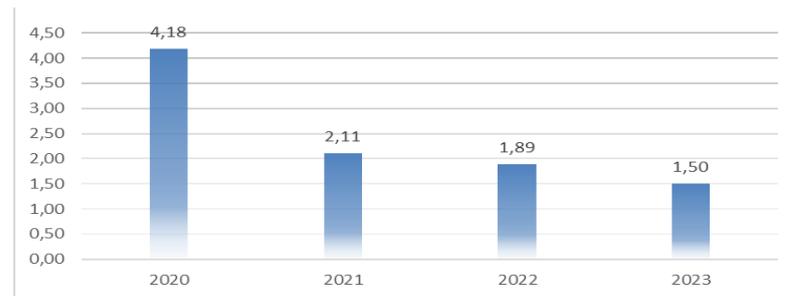


Figure 1.
PBV Analysis Chart of the Manufacturing Industry Sector 2020-2023

The PBV in the manufacturing industry sector declined annually between 2020 and 2023, as seen in Figure 1 above. This shows that the manufacturing sector's PBV is low, indicating a decline in the company's performance and quality. Companies must be able to sustain and increase the issued shares' financial value in order to keep them appealing to investors. The company's value is crucial since its objective is to raise its worth, which will impact the wealth of its owners.

A company's value is assessed by the market based on perceptions of its future performance and how sustainable the company is. This makes company value an important metric that investors need to consider. However, information gaps between shareholders and managers are a common driver of stock price volatility. A company's value is influenced by many factors, such as Good Corporate Governance (GCG) from Santoso dan Widowariti (2023) research, dividend policy from Marbun (2021) research, capital structure from Nurfaejri et al (2022) research, and audit quality from the research of Purmalita & Fauzan (2024). From the perspective of Agency Theory, conflicts of interest arise when managers place their personal interests above the interests of shareholders, thereby distorting the company's value. As a result, audit quality methods and Good Corporate Governance (GCG) exist as monitoring tools to reduce agency costs and align the interests of the parties involved.

According to Santoso dan Widowariti (2023), Good Corporate Governance (GCG) is a control mechanism that helps a company remain within set boundaries. As part of Good Corporate Governance, there are audit committees, boards of directors, and boards of commissioners. The Good Corporate Governance system enables better managerial oversight, which in turn increases the organization's value. Adopting good practices in corporate governance can enhance a company's value. Academics continue to debate whether Good Corporate Governance truly increases company value or not, despite its status as a crucial foundation of stability. From previous research, a research gap emerged. Santoso dan Widowariti (2023) stated that good corporate governance (GCG) has a positive and substantial effect on firm value because it helps solve problems and gives investors the expectation that they will reap benefits from competent management and the entity's compliance with relevant laws, whereas the research by Virliandita dan Sulistyowati (2024) stated that good corporate governance (GCG) has no effect on firm value.

In addition to governance factors, strategic financial decisions such as capital structure and dividend policy play a vital role in shaping a company's value. According to Marbun (2021), a company's dividend policy refers to the dividends that are paid and announced. An example of such a decision is the choice to pay dividends to shareholders or to retain the money for future use. Investors benefit from a higher dividend payout ratio, but the company may suffer as a result. On the other hand, a lower dividend payout ratio is good for the company's profits, but it is bad news for investors: they will not receive the dividends they expect. There is a research gap from previous studies. Rahmawati et al (2021) stated that paying dividends is a popular investment strategy among investors due to the transparency it provides regarding investment returns and its positive and substantial impact on company value. This means that

increasing dividend payments to shareholders is a good indicator of the company's profitability and performance. Meanwhile, research by Raha & Arifin (2022) stated that dividend policy has no effect on firm value.

Capital structure is one of the variables that, according to this research, can affect the value of a company. The tax benefits of debt and the potential consequences of bankruptcy must be balanced by businesses, according to the Trade-off Theory. To increase the value of a company, it is necessary to pay careful attention to its capital structure, as this aspect of financing strategy can determine the growth of the company. The company's capital structure is the third element that can influence its value (Larasati et al., 2022). Assuming the current capital structure is higher than the optimal target capital structure, the company's value will decrease as the debt level increases, as stated in capital structure theory. Therefore, debt is a component of a business's capital structure. Using debt as an additional source of borrowed funds will be riskier for the business. The financial risk associated with using debt is fixed costs, specifically debt (financial leverage), and is borne by the shareholders. From previous research, a research gap emerges from Pratama & Siswantini (2023) who stated that a company's capital structure is a key component in determining its value because, with an imperfect capital structure, an increase in the debt level will lead to a rise in value, whereas research by Faradila & Effendi (2023) states that capital structure has no effect on company value.

Financial reporting is greatly influenced by the quality of audits because audits are conducted to ensure the accuracy and reliability of financial statements. Accountants who conduct audits have a responsibility to act ethically and in accordance with GAAP at all times. Qualified auditors provide reliable financial statements to aid decision-making. For these reasons, it is crucial to improve audit quality to produce strong financial statements for a company, as this can enhance the organization's value (Purmalita & Fauzan, 2024). From previous research, a research gap emerges from Kamila (2024) stating that when a company is audited by a reputable accounting firm, such as one of the Big Four, it increases investor confidence. If investors are more optimistic, they will buy more company shares, which will raise the price. Meanwhile, research by Firdarini & Wiwaha (2023) states that audit quality has no effect on the company's value.

The object of this research is the manufacturing industry sector. According to the Central Statistics Agency BPS (2024), in absolute terms, the manufacturing sector is the driving engine of Indonesia's gross domestic product. The important position of this industry in the country's economic environment is reflected in its substantial contribution. Moreover, there is intense competition in the manufacturing sector, which can lead to price wars that are detrimental to the economy. Secondly, from 2020 to 2023, the Price-to-Book Value (PBV) ratio of the manufacturing sector declined every year, which is why we chose this sector as the object of our research. The quality and performance of these companies decline due to low PBV. Therefore, the researcher is interested in focusing on the industrial sector for their study.

By creating a comprehensive model for manufacturing companies listed on the Indonesia Stock Exchange between 2021 and 2023 that takes governance and financial decision factors into account, the study seeks to fill in gaps in the literature. This study contributes globally to the literature on international finance by offering actual data from emerging markets that react to global economic dynamics.

This research refers to the study by Purmalita & Fauzan (2024). Recommendations from previous studies suggested the inclusion of this variable. The addition of the good corporate governance (GCG) variable is based on the belief that its implementation can impact the company's value and address problems. Investors believe that managers and company management will benefit them by complying with various rules and regulations (Santoso & Widowariti, 2023). The company's value can be observed by including the dividend policy variable (Marbun, 2021). The company's value can be observed by adding the dividend policy



variable. Another distinguishing factor is the analytical approach. Unlike previous research that relied on multiple linear regression, this study uses panel data analysis. Factors such as the research phenomenon, year, and research object are further distinguishing characteristics. Companies that produce consumer goods are the subjects of this study, covering the years 2021–2023, while previous research covered the years 2019–2022.

HYPOTHESIS DEVELOPMENT

The Effect of Good Corporate Governance on Company Value

The Audit Committee, the Board of Commissioners, and the Board of Directors all review how GCG (Government-Corporate Governance) affects the organization's value. In its role as a mechanism to oversee management processes and provide advice to company managers, the board of commissioners is not affiliated with and can act independently of the company (Pradita et al., 2023). To carry out their duties effectively, members of the board of commissioners must be professional, which means they must possess competence and integrity. A company's value decreases as the number of board members increases. This is due to inefficiencies in decision-making. A company's value can increase or decrease depending on the presence of the board of commissioners. There are two opposing views. The first view argues that a larger number of board members increases the likelihood of improved performance and company value because diverse abilities can greatly assist in corporate decision-making. According to the second view, an excessive number of board members tends to make coordination activities ineffective, more difficult, and complex, often resulting in various problems, especially related to the company's decision-making process.

The corporate governance mechanism responsible for running and overseeing company operations is the board of directors. Effective communication among board members in a company largely depends on the board of directors. As a result, this can reduce managerial opportunistic behavior; the more board members there are, the better the company's management communicates with each other (Santoso & Widowariti, 2023). According to KNKG (2006) The company's decision-making process is greatly influenced by the board of directors. Therefore, the composition they must be considered so that decisions can be made accurately and quickly. The board is led by a chief director and has several directors. The board is responsible for running the company's operations. Each board member has different responsibilities and authorities. The company's performance is influenced by the size and diversity of the board of directors because this encourages relationships with external parties and ensures the availability of resources, both of which are beneficial to the company.

The Board of Commissioners' Audit Committee assists the board in carrying out its duties; this committee is part of the board and reports directly to the board. Management, the board of commissioners, and shareholders all work through the audit committee to resolve control and agency issues (Jannah & Sartika, 2022). According to agency theory, effective corporate governance practices can help resolve typical conflicts between institutions. Reducing agency conflicts, increasing the company's value and competitiveness, as well as benefits for all stakeholders are potential outcomes of better corporate governance. The relationship between management and investors can be significantly improved through good corporate governance (Santoso & Widowariti, 2023).

Within the framework of Agency Theory, the goal of GCG is to prevent managers and shareholders from having conflicting interests by implementing a system of oversight and balance. Opportunistic managerial behavior, including decision-making that primarily benefits internal parties, is mitigated through meaningful supervision provided by an effective Board of Directors and Board of Commissioners. The existence of a strong governance structure provides assurance to investors that their capital is managed efficiently, which in turn reduces investment risk and increases market valuation. Conversely, the Audit Committee plays a role in ensuring

the integrity of financial reporting; credible oversight will reduce information asymmetry, prompting a positive market response through increased stock prices.

Based on previous research findings by Santoso & Widowariti (2023) and (Jannah & Sartika, 2022), When investors believe that they will gain benefits from managers and business management as a result of the entity's compliance with various relevant rules and regulations, GCG can reduce problems and increase the value of the organization being studied. From the description above, the first hypothesis is:

H_{1a}: Audit committee affects company value.

H_{1b}: The board of directors affects company value.

H_{1c}: The board of commissioners affects company value.

The Effect of Dividend Policy on Company Value

Determining how profits are distributed to shareholders is the aim of dividend policy. The company's primary objective is to increase earnings for the benefit of its shareholders (Marbun, 2021). Among the proposed dividend policy hypotheses oleh Gordon (1956) and Lintner (1962) is "Bird-in-the-hand" Theory. This theory states that investors who buy stocks in the hope of receiving dividends expect the company to distribute most of their profits as dividends. If a company's dividend payments take a long time, investors will not invest in it. Companies that currently pay dividends can obtain higher prices from investors (Rahmawati et al., 2021). The expectation of current dividend payments comes from the belief that receiving dividends now presents a lower risk compared to earning capital gains in the future. The company's future cash flows cannot be predicted beyond the existence of risk (Marbun, 2021).

According to the findings of previous studies by Marbun (2021) and (Rahmawati et al., 2021), Dividend policies have an impact on a company's worth since investors prefer to put their money into businesses that pay dividends. They do this because they are confident in the profitability of their investment. The results of the study show a positive correlation between the company's performance and the dividends paid to shareholders. The second hypothesis, based on the previous description, is:

H₂: Dividend policy affects company value.

The Effect of Capital Structure on Company Value

Capital structure is a mix of equity and debt that forms a company's financial framework for the long term. However, the debt ratio is merely a reflection of the ideal debt-to-equity ratio that a business will strive for (Larasati et al., 2022). When it comes to a company's net profit, capital structure is the most important. A capital structure that aligns with the company's financing is optimal. In an ideal world, the capital structure would reduce the total or average cost of capital. Others will be cautious about investing in a company that has more debt than equity because it seems the company may not be able to repay the investment. Investors tend to think that a company is more willing to take risks in business expansion if it does not have debt. Therefore, equity should not exceed long-term debt. The company will feel the impact of a weak capital structure and large liabilities (Pratama & Siswanti, 2023).

The Trade-Off Theory focuses on the ideal ratio between debt and equity for a business to achieve a balance between costs and benefits. This theory is related to capital structure because a business must adjust profits with the percentage of expenses incurred to maximize benefits in order to achieve the ideal capital structure (Pratama & Siswanti, 2023). In line with the findings of previous research Larasati et al., (2022) and (Zahrani et al., 2023). From the description above, the third hypothesis is:

H₃: Capital structure affects company value.



The Effect of Audit Quality on Company Value

An auditor's competence in applying the appropriate standards and identifying indications of anomalies in financial statements determines the quality of the audit. Audit results and other relevant findings must form the basis of the auditor's opinion. The reliability and accuracy of a company's financial statements will improve if the reports contain an unqualified opinion (Nurfajri et al., 2022).

Signal theory was first developed by Spence (1973), explaining that management communicates with other parties using financial statements, which are sometimes referred to as external parties. Therefore, this theory states that to influence investment decisions made by outsiders, it is crucial to have access to relevant company information. When a company consciously and voluntarily disseminates all relevant information, it gives outsiders an advantage when deciding whether to invest in the business or not. Potential investors will receive a positive signal from this activity (Nurfajri et al., 2022). Increased investor confidence will boost demand for shares, which will raise the company's market value, according to findings from Ayu Arifiani Nurfajri et al., (2022) and (Melianis Yuli Purmalita & Fauzan, 2024). Based on the description above, the fourth hypothesis is:

H4: Audit Quality affects Company Value.

RESEARCH METHOD

165 manufacturing companies that were listed on the Indonesia Stock Exchange between 2021 and 2023 provided the secondary data for this study. A daily sampling strategy was used to collect the research sample.

Table 1.
List of Research Sample Criteria

No	Criteria	Amount
1	Manufacturing industry companies listed on the IDX in 2021-2023	165
2	Manufacturing industry sector companies listed after 2021 and delisted between 2021-2023	(50)
3	Companies that did not publish and provide financial report data on the IDX in 2021-2023 and have complete data for the variables studied during 2021-2023	(39)
Total sample		76
Total sample used in the study over 3 years (2021-2023)		228

The selection of 76 companies for the sample was carried out using these criteria. The sample adequacy requirement for panel data regression analysis was met with a total of 228 observations, obtained over a 3-year observation period. Using STATA 17 panel data regression, we analyzed the data. The Chow Test, Hausman Test, and Breusch-Pagan Lagrange Multiplier Test are formal tests used to determine the optimal model. Additional diagnostic tests were conducted in this study, such as tests for heteroskedasticity or autocorrelation and multicollinearity using the Variance Inflation Factor (VIF). If issues of heteroskedasticity or autocorrelation are found, the model will be estimated using Robust Standard Errors to ensure that the regression coefficients remain unbiased and efficient.

Table 2.
Measurement of Research Variables

No	Variable	Measurement	Reference
1	Company Value (Y)	The price to book value ratio	(Purmalita & Fauzan, 2024)
2	Good Corporate Governance (GCG) (X _i)	Proxy indicators of GCG mechanisms include the Audit Committee, The Board of Directors, and The Board of Commissioners. Audit Committee = Number of audit committee members in the company,	(Pradita et al., 2023)

No	Variable	Measurement	Reference
		The Board of Directors = Number of members of the board of directors The Board of Commissioners = Number of members of the board of Commissioners	
3	Dividend Policy (X ₂)	<i>The Dividend Payout Ratio</i>	(Marbun, 2021)
4	Capital Structure (X ₃)	The Debt-to-Equity Ratio	(Purmalita & Fauzan, 2024)
5	Audit Quality (X ₄)	using a dummy variable 1 = if the company is audited by a Big Four accounting firm 0 = if the company is audited by a Non-Big Four accounting firm.	(Purmalita & Fauzan, 2024)

RESULTS AND DISCUSSION

Results of descriptive statistical analysis

According to Table 3, the company is worth roughly 1.7 times its book value, which is consistent with the 1.712 average company valuation for the research period. The market's estimate of the company's book worth varies greatly; it ranges from -5.006% at the lowest to 44.857 at the best. These negative valuations show that certain enterprises are undervalued or suffer large losses. The standard deviation of 4.68 indicates that the company value of the samples varies significantly.

Table 3.

Descriptive Statistics Results

Variable	Obs	Mean	Std. Dev.	Min	Max
Firm Value (PBV)	228	1.712	4.68	-5.006	44.857
Audit Committee	228	3.083	0.512	1	5
Board of Directors	228	4.395	2.265	2	11
Board of Commissioners	228	3.776	1.392	2	8
Dividend Payout Ratio (DPR)	228	0.205	0.63	-0.063	7.476
Capital Structure (DER)	228	0.706	5.074	-30.153	53.509
Audit Quality	228	0.487	0.501	0	1

Source: Output STATA 17, 2025

Panel Data Regression Model Analysis

a. Chow Test

According to Table 4, it can be seen that the Prob > F value for the Fixed Effect model is 0.0000 < 0.05. As a result, H₀ is rejected. For the Chow test results involving panel data regression, the Fixed Effect model is therefore the best estimation model.

Table 4.

Chow Test Results

Effect Test	Prob.
F(5.147)	23.03
Prob. > F	0.0000

Source: Output STATA 17, 2025

b. Lagrange Multiplier (LM) Test

According to Table 5, H₀ is rejected because the Prob.chibar2 > F value is 0.0000 < 0.05. As a result of the LM test, the Random Effect model is suitable for panel data regression.



Table 5.
Lagrange Multiplier Test Results

Effect Test	Prob.
Chibar2(01)	203.99
Prob > chibar2	0.0000

Source: Output STATA 17, 2025

c. Hausman Test

Table 6 shows that H0 can be accepted because the Prob.chibar2 > F value is 0.1114 > 0.05. Consequently, a Random Effect is the proper estimate model for the panel data regression, according to the Hausman test result.

Table 6.
Hausman Test Results

	Coef.
Chi-square (3)	8.942
Prob.chibar2 > F	0.1114

Source: Output STATA 17, 2025

These panel data regression results using the random effect model show that it is the best model option based on the results of the three tests discussed above.

Table 7.
Panel Data Regression Results Using the Random Effect Model

PBV	Coef.	St. Err.	t-value	p-value	[95% Conf Interval]	Sig
Audit Committee	-1.096	0.503	-2.18	0.029	-2.082 - .111	**
Board of Directors	0.284	0.137	2.07	0.039	0.015 0.553	**
Board of Commissioners	0.32	0.159	2.01	0.045	0.008 0.632	**
Dividend Payout Ratio (DPR)	0.002	0.111	0.01	0.988	-0.216 0.219	
Debt-to-Equity Ratio (DER)	0.143	0.014	10.43	0	0.116 0.17	***
Audit Quality	1.507	1.041	1.45	0.148	-0.533 3.547	
Constant	-1.58	0.99	-1.59	0.111	-3.521 0.362	
Mean dependent var			1.712	SD dependent var	4.680	
Overall r-squared			0.130	Number of obs	228	
Chi-square		124.429		Prob > chi2	0.000	
R-squared within		0.438		R-squared between	0.119	

*** $p < .01$, ** $p < .05$, * $p < .1$

Source: Output STATA 17, 2025

The results of additional diagnostic tests show that this research model does not exhibit symptoms of multicollinearity and autocorrelation, so the results of decisions in this research model can address the research hypothesis. In Table 8, we can see that the Mean VIF value is 2.69, which means that the data used does not show signs of multicollinearity because the VIF value is less than 10. The results of the Wooldridge test indicate that the data used in this study do not exhibit autocorrelation, as the probability value of 0.5413 is greater than the significance level of 0.05.

Table 8.
Multicollinearity Test Results

Variable	VIF	1/VIF
Dewan Komisaris	4.35	0.230007
Dewan Direksi	3.70	0.270362
Kualitas Audit	2.74	0.364622
DPR	2.34	0.428201
Komite Audit_c	1.86	0.537060
DER	1.16	0.865223
Mean VIF	2.69	

Source: Output STATA 17, 2025

Model Explanatory Power (R^2)

The coefficient of determination (R^2) indicates the extent to which the independent variables explain the variation in the dependent variable. The regression results show an R-square value of 0.130, meaning that approximately 13% of the variation in firm value can be explained by the variables included in the model. This level of explanatory power can be categorized as relatively weak, indicating that the variables examined in this study explain only a limited portion of firm value. The remaining variation is likely influenced by other factors not included in the model, such as profitability, growth opportunities, firm performance, and broader market conditions. This finding suggests that firm value is a multidimensional construct influenced by various financial and governance-related determinants beyond those examined in this study (Ghozali, 2018).

Hypothesis Testing

The results of hypothesis testing using the t-test are presented in Table 9. This test aims to examine the individual effect of each independent variable on firm value. A variable is considered to have a significant effect when the p-value is less than the significance level of 0.05.

Table 9.
T-Test Results

Variabel	t-hitung	t-tabel	P value	n	Result
Komite Audit	-2.18	1.971	0.029	0.05	H _{1a} Accepted
Dewan Direksi	2.07	1.971	0.039	0.05	H _{1b} Accepted
Dewan Komisaris	2.01	1.971	0.045	0.05	H _{1c} Accepted
Kebijakan dividen	0.01	1.971	0.988	0.05	H ₂ Rejected
Struktur Modal	10.43	1.971	0.000	0.05	H ₃ Accepted
Kualitas Audit	1.45	1.971	0.148	0.05	H ₄ Rejected

Source: Output STATA 17, 2025

Based on Table 9, several variables show significant effects on firm value, while others do not. The audit committee variable has a t-value of -2.18 with a p-value of 0.029, which is below the 0.05 significance level, indicating a significant effect. Therefore, Hypothesis H1a is accepted, although the relationship is negative. The board of directors variable has a t-value of 2.07 and a p-value of 0.039, which is lower than 0.05, indicating a significant positive effect on firm value. Thus, Hypothesis H1b is accepted. Similarly, the board of commissioners variable shows a t-value of 2.01 with a p-value of 0.045, which also meets the significance criterion. Therefore, Hypothesis H1c is accepted.

In contrast, dividend policy does not show a significant effect on firm value, as indicated by a t-value of 0.01 and a p-value of 0.988, which is greater than 0.05. Consequently, Hypothesis H2 is rejected. The capital structure variable shows the strongest effect, with a t-value of 10.43 and a p-value of 0.000, indicating a highly significant positive relationship. Therefore, Hypothesis H3 is accepted. Finally, audit quality does not significantly affect firm



value, as indicated by a t-value of 1.45 and a p-value of 0.148, which exceeds the significance level of 0.05. Thus, Hypothesis H4 is rejected.

Discussion

Good Corporate Governance (GCG), represented by the audit committee, board of directors, and board of commissioners, plays an important role in influencing firm value. The results of this study indicate that the audit committee has a negative effect on firm value, while the board of directors and board of commissioners show positive effects. The negative relationship associated with the audit committee suggests that the existence of this governance mechanism does not automatically ensure effective oversight. In some cases, audit committees may function primarily as formal compliance structures rather than as active monitoring bodies. From the perspective of agency theory, governance mechanisms are designed to reduce conflicts of interest and information asymmetry between managers and shareholders (Jensen & Meckling, 1976). However, the effectiveness of these mechanisms depends on factors such as independence, expertise, and the intensity of monitoring activities. In contrast, the positive influence of the board of directors and the board of commissioners indicates that effective leadership and supervisory oversight contribute to improving firm value. Strong board governance enhances managerial accountability, improves decision-making quality, and strengthens investor confidence in the company's management. Consequently, firms with more effective governance structures tend to experience higher market valuation. These findings are consistent with previous studies which report that strong corporate governance practices positively influence firm value (Santoso & Widowariti, 2023; Jannah & Sartika, 2022).

The findings also show that dividend policy does not have a significant effect on firm value. This suggests that dividend distribution may not be the primary factor considered by investors when evaluating company performance. From a theoretical perspective, this result supports the dividend irrelevance theory proposed by Miller and Modigliani (1961), which argues that dividend policy does not affect firm value in efficient capital markets. Investors may instead focus more on company growth prospects, profitability, and long-term performance rather than dividend payouts. These findings are consistent with prior research conducted by Rahma and Arifin (2022) and Mujino and Wijaya (2021), which also found no significant relationship between dividend policy and firm value.

Capital structure, on the other hand, is found to have a significant effect on firm value. This result indicates that financing decisions related to the use of debt and equity can influence investor perceptions and market valuation. According to signaling theory, companies that utilize debt financing may signal confidence in their future performance and financial stability. In addition, the use of debt may serve as a disciplinary mechanism that reduces agency problems by limiting managerial discretion and encouraging more efficient resource allocation (Jensen & Meckling, 1976). These findings support previous research showing that capital structure plays a significant role in shaping firm value (Pratama & Siswantini, 2023; Nurfajri et al., 2022).

Finally, the results indicate that audit quality does not significantly influence firm value. This finding suggests that the presence of high-quality auditors, such as Big Four audit firms, may not be a decisive factor in investor decision-making. In some market contexts, investors may place greater emphasis on financial performance, growth opportunities, and market conditions rather than on the reputation of external auditors. Moreover, the credibility provided by external audits may already be perceived as a standard requirement for publicly listed firms, reducing its direct impact on market valuation. These findings are consistent with previous studies that also reported no significant relationship between audit quality and firm value (Zahrani et al., 2023; Firdarini & Wiwaha, 2023).

Overall, the results of this study highlight the importance of governance mechanisms and financing decisions in shaping firm value, while dividend policy and audit quality appear to have a more limited direct influence in the context of the companies examined in this research.

CONCLUSION

The purpose of this study is to find and evaluate the influence of capital structure, dividend policy, corporate governance (GCG), and audit quality on business value. These findings reinforce the theory that the audit committee, capital structure, board of commissioners, and board of directors play a role in determining company value. The relationship between audit quality, dividend policy, and company valuation is very minimal.

According to agency theory, the data shows that managerial positions influence business value. These results reinforce the trade-off theory by demonstrating that choices related to a company's capital structure significantly affect its value. In this context, a company's value will increase if its debt is well managed. The implications of this research for investors are that they can consider good corporate governance indicators and capital structure as important factors in investment decision-making, rather than focusing solely on dividend policy or audit quality. Meanwhile, for management or the company, this involves strengthening the effectiveness of the board of directors and the board of commissioners, as well as reevaluating the function of the audit committee so that it contributes tangibly to the company's value. Management also needs to design an optimal capital structure to drive the company's value.

Due to methodological limitations, the researcher recommends that future researchers shift the approach from a direct deterministic model to a mechanism- and context-based model by developing a moderation model. Variables such as company size, environmental sales, or performance volatility can serve as variables that strengthen or weaken the relationship between financial decisions and firm value.

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