



The Impact of Investment Decisions, Funding Strategies, and Financial Performance on Firm Value: The Moderating Role of GCG

Evi Erpina¹, Ahmad Rizal Budhiarto², Mardiyani³

¹²³**Universitas Swadaya Gunung Jati, Indonesia**

Correspondent: mardiyani@ugj.ac.id³

Received : February 3, 2025

Accepted : April 13, 2025

Published : April 30, 2025

Citation: Erpina, E., Budhiarto, A, R., Mardiyani. (2025). The Impact of Investment Decisions, Funding Strategies, and Financial Performance on Firm Value: The Moderating Role of GCG. *Ilomata International Journal of Tax and Accounting*, 6(2), 1-17.

<https://doi.org/10.61194/ijtc.v6i2.1693>

ABSTRACT: This study aims to analyze the impact of investment decisions, funding strategies, and financial performance on firm value in the Indonesian banking sector, while examining the moderating role of Good Corporate Governance (GCG) using Moderated Regression Analysis (MRA). Data were collected from banking companies listed on the Indonesia Stock Exchange (IDX) during 2019–2023 through purposive sampling. The analysis was conducted using MRA to examine the relationships between the independent variables (investment decisions, funding strategies, and financial performance), the dependent variable (firm value), and the moderating interactions of GCG. The results show that investment decisions have an effect but are not significant on firm value, while funding strategies and financial performance have a significant influence. The key finding from the moderation analysis reveals that GCG strengthens the relationship between financial performance and firm value. However, GCG fails to moderate the relationship between investment decisions and firm value, as well as between funding strategies and firm value. The implications of this study emphasize the importance of implementing GCG to enhance firm value through optimizing funding strategies and improving financial performance. For practitioners, these findings encourage the integration of GCG principles into financial decision-making. At the same time, for regulators, the results can serve as a basis for formulating policies that support better GCG implementation in the banking sector. For academics, this research provides a foundation for further studies on factors influencing firm value and the role of GCG across various industries.

Keywords: Investment Decision, Funding, Financial Performance, Good Corporate Governance, Firm Value



This is an open-access article under the CC-BY 4.0 license.

INTRODUCTION

Companies, especially in the banking industry, must concentrate on investment selections, financing choices, and improving financial performance in the face of growing global economic instability. Nonetheless, the intricacies of the worldwide economy embed it with weaknesses like

inflationary pressures, geopolitical uncertainties, and commodity price fluctuations. One example is the IMF, which indicates the potential for global recession in 2023, caused by rising inflation, interest rates, and also the OPEC oil production cuts ([Katadata, 2022](#)). Such circumstances highlight the importance of adaptive ways for the banking sector to weather economic uncertainties while assuring itself of continued sustainability in the future.

Notwithstanding these difficulties, Indonesia's state-owned banks have shown resilience under the backing of more digitization and greater financial inclusion, so improving sector stability and service efficiency ([CNBC Indonesia, 2022](#)). However, the market pressure that is not avoided is still very much visible in the performance of the banking sector stocks, which have resulted in a drop in the Indonesia Stock Exchange Composite Index of 0.90% in the early of 2023 ([Investor.id, 2023](#)). The most comprehensive approach is the key element of the integrated strategy, which will keep public confidence; build a fund professionally, through the whole commercialization process, to achieve the essential maximization of the value ([Hikmah et al., 2024; Saddam et al., 2021](#)).

This situation requires banks, especially digital banks throughout 2022, to create integrated strategies to solve the drop in stock values. Managing and distributing funds must be done professionally and accountably, as public trust must remain intact for banks ([Hikmah et al., 2024](#)). Such trust allows the banks to get their maximum profits, and they are demanded to contribute in a manner to improve the welfare of the shareholder and also maximize the value of the firm ([Saddam et al., 2021](#)). This is based on how the market views a company stock's growth rate based on performance and future potential risk.

Some such essential factors drive a firm's value. First, investment decisions play a central role in how resources are allocated to projects that underpin growth and sustainability ([Djuminah et al., 2023; Zaki et al., 2023](#)). Investing wisely is imperative for long-term profitability. However, it also signals to the public markets that the business is genuinely investing in innovative solutions and is ready for the future. Second, while funding decisions may seem secondary (capital structure of the company), they are just as important. An optimized capital structure strengthens financial stability while instilling lower perceived costs to borrow as well as greater value perception by the market ([Brigham et al., 2019](#)). Financial performance is a key factor in assessing firm value as well. Asset management and operational effectiveness drive strong profitability, which strengthens investor confidence and stock demand. On the contrary, low profitability suggests inefficiencies in operations that result in a waste of resources and profit potential. This creates a negative image that makes it hard for investors to believe the company, therefore decreasing the demand for the share which eventually reduces the market cap, and the company loses its competitive advantage in the future ([Aprilia et al., 2021](#)).

However, research results on the interaction between investment decisions, funding tactics, financial performance, and business value still vary, nevertheless. For instance, Susanto et al., (2024), found investment decisions significantly impact firm value, while Yuswandani et al., (2024), highlighted the influence of external factors like exchange rates and inflation. Similarly, studies on funding decisions show mixed results, with Bahrin et al., (2020), reporting a positive effect and Rachmadani et al., (2024) noting a slight negative impact. Although financial performance generally correlates positively with firm value ([Saputri et al., 2021](#)), the moderating role of Good Corporate

Governance (GCG) in these relationships remains underexplored. This study addresses this gap by examining how GCG, as a moderating variable, clarifies these dynamics, particularly under external macroeconomic pressures, offering insights into strengthening firm resilience and value.

Though GCG is a major determinant of company performance ([Sumani et al., 2022](#)). Specifically, this study fills existing gaps in the literature by exploring how GCG moderates financial dynamics in the highly regulated banking sector and how proper governance practices can act as a channel to enhance the link between financial choices and outcomes. In addition, this study emphasizes the importance of GCG in the RGEC framework (Risk Profile, Good Corporate Governance, Earnings and Capital) which, in general, is neglected because banks are more likely to be guided by financial performance. GCG is important in protecting the interests of stakeholders, including the public. The incorporation of GCG is not only a provision of regulation but also a strategic issue that can significantly impact the long-term stability and sustainability of bank institutions.

This research aims to examine the impact of investment decisions, funding, and financial performance on firm value by including GCG as the moderating variable. Thus, it fills some gaps in the literature and provides useful directions for banking companies to enhance their financial strategies and governance practices. It aims, ultimately, to allow for sustainable growth and enhance competitiveness in an increasingly intricate economic landscape.

Agency Theory and Signaling Theory

Agency theory analyses the relationship between two parties, the principal and the agent (management) ([Said et al., 2022](#)). Managers as agents carry out their responsibility as company operators, demanded by the principal to maximize company value or share value ([Hardiningsih et al., 2024](#)). This study also utilizes signal theory to complement agency theory. Signal theory explains how a company needs to deliver the appropriate information to the financial statements' users ([Ramadhani et al., 2024](#)). This hypothesis focuses on the information shared by a firm's internal stakeholders to third events ([Yuswandani et al., 2024](#)). Investors can use this data to assess the state of the company and its future opportunities

The Effect of Investment Decisions on Firm Value

Investment decisions are made by allocating funds to the investments investments ([Djuminah et al., 2023](#)). Investors in income-producing investments, such as businesses, value them more when they grow or invest more ([Silitonga et al., 2024](#)). Stock price is one of the major parts of corporates value, thus a well-thought investment decision can reflect a company's growth and increase the stock price ([Hariyanur et al., 2022](#)). The empirical evidence from several studies ([Adhitya et al., 2022](#); [Afşar et al., 2020](#); [Nugraha et al., 2020](#); [Susanto et al., 2024](#)), it is known that investment decisions are able to affect the value of the company. Hence the conjectured hypothesis is:

H1: Investment decisions have a significant effect on the firm value

The Effect of Funding on Firm Value

Determining the right funding source for each investment opportunity is another significant requisite to being accustomed to optimal capital structure modelling that maximizes company valuations ([Zaki et al., 2023](#)). Internal funding in retained earnings and external financing in debt and equity represent two alternative sources of funds ([Djuminah et al., 2023](#)). Highly structured risk-mitigating funding decisions receive encouraging signals from investors that improve stock demand and add corporate value ([Hariyanur et al., 2022](#)). The empirical evidence from several studies ([Andriyani et al., 2023](#); [Astawinetu et al., 2020](#); [Djuminah et al., 2023](#); [Meutia et al., 2021](#); [Sherine et al., 2022](#)), who stated that funding has an effect on business value in a significant. Thus, the hypothesized proposition is as follows:

H2: Funding has a significant effect on the firm value

The Effect of Financial Performance on Firm Value

Corporate financial performance directly affecting corporate value by showing that management is credible in carrying out business operations ([Taufik et al., 2024](#)). Improved financial performance attracts investors to invest in the company, which will influence the stock prices (Pamungkas et al., 2023). Numerous previous researches ([Bon et al., 2022](#); [Lestari et al., 2024](#); [Mohammed et al., 2020](#); [Priharta et al., 2022](#); [Robiyanto et al., 2021](#)), conclude that corporate financial performance significantly contributes to its value. Thus, the hypothesis being suggested is:

H3: Financial performance has a significant effect on firm value.

The Effect of Investment Decisions on Firm Value Moderated by Corporate Governance

Good Corporate Governance creates responsible, reliable, and transparent environment ([Detthamrong et al., 2017](#)). The effective implementation of GCG in companies enables them to make investment choices effectively, which in turn enhances the valorization of the organization ([Adhitya et al., 2022](#)). GCG has back to studies ([Amirullah et al., 2022](#); [Djuminah et al., 2023](#); [Kharisma et al., 2023](#)), which prove that GCG is able to affect the relationship between investment and corporate value. So, the hypothesis we propose is:

H4: Corporate governance moderates the effect of investment decisions on firm value.

The Effect of Funding on Firm Value Moderated by Corporate Governance

Corporate governance is a vital driver for a better business and improving the public perception of corporate value ([Chaidir et al., 2021](#)). GCG mechanisms restrict managerial opportunism associated with debt based financing and it improves the organizational performance and elevate the corporate value ([Tulcanaza-Prieto et al., 2024](#)). Studies ([Amirullah et al., 2022](#); [Kharisma et al., 2023](#); [Suta et al., 2016](#)), corroborates the finding that GCG affects the linear relationship between funding and corporate worth. Thus, the working hypothesis would be:

H5: Corporate governance moderates the effect of funding on firm value.

The Effect of Financial Performance on Firm Value Moderated by Corporate Governance

The principle of GCG is reflected in high Corporate Governance Perception Index (CGPI) scores ([Lestari et al., 2024](#)). Good corporate governance can be the foundation for these factors and can lead to effective financial performance and create a value for a company in the capital market ([Heling et al., 2024](#)). According ([Chaidir et al., 2021](#); [Irwanti et al., 2021](#); [Ndatika et al., 2024](#)), GCG can moderate the relationship between financial performance and corporate value. So, the proposed hypothesis is:

H6: Corporate Governance moderates the effect of financial performance on a firm value.

The research framework is depicted in the following figure:

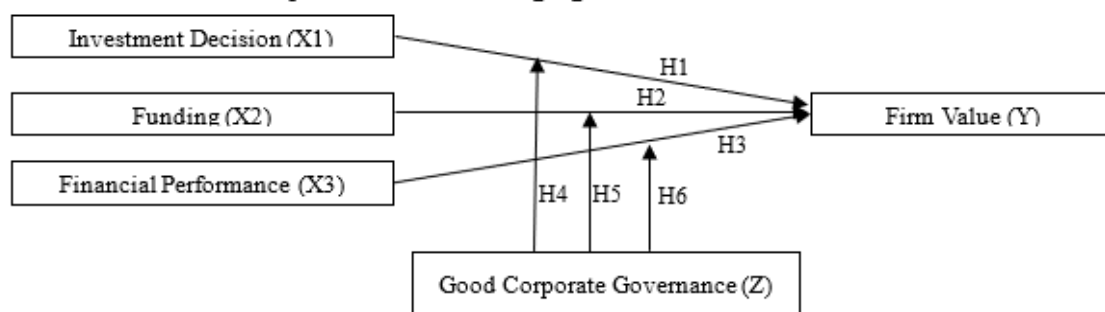


Figure 1. Conceptual Framework

METHOD

There were employed quantitative methods and causal-associative approaches to establish a causal relationship between two or more variables. It intends to measure the impact of the independent variables on the dependent variables. The study uses secondary data or documentation, which includes the information that already exists and is obtained indirectly through intermediaries ([Sugiyono et al., 2021](#)).

The population of this study is banking companies listed on the IDX from 2019 to 2023. The sampling technique used in this study is purposive sampling or sampling with criteria for the needs and objectives of the study ([Sumani et al., 2022](#)). The sample criteria are: (1) banks classified as foreign exchange banks, which operate in a highly regulated environment with significant exposure to international markets and currency fluctuations, making them an ideal context for examining the role of GCG in moderating financial dynamics; (2) banks that earn profits during the study period, as profitability is a central variable in the research, and including loss-making firms would introduce extreme values (negative profits), violating statistical assumptions such as normality and potentially biasing the results; and (3) banks that experience a decline in stock prices, selected to focus on suboptimal performance, test the effectiveness of GCG in challenging conditions, and enhance the relevance and practical value of the research. The research sample that met the criteria

The Impact of Investment Decisions, Funding Strategies, and Financial Performance on Firm Value: The Moderating Role of GCG

Erpina, Budhiarto, and Mardiyani

consisted of 16 companies, with observations conducted over a five-year period, yielding 80 observation data.

This study cover an entire region because it covering secondary data from IDX. Now it's available through IDX.co.id and the company's official websites. In this sense, since the main object of the study is banking in Indonesia, its location can be national.

Quantitative data was acquired from the company's annual report from the official IDX website. The following are the indicators used for each variable:

Table 1. Operating Variables

No	Variables	Indicator	Source
1	Firm Value (Y)	$PBV = \frac{\text{Stock Price Per Share}}{\text{Book Value Per Share}}$	(Yuswandani et al., 2024)
2	Investment Decision (X1)	$CAPEX = \text{Net increase in property plant and equipment} + \text{depreciation}$	(Satt et al., 2023)
3	Funding (X2)	$CAR = \frac{\text{Capital}}{\text{ATMR}} \times 100\%$	(Marsella et al., 2023)
4	Financial Performance (X3)	$ROA = \frac{\text{Net Income}}{\text{Total Asset}}$	(Syamsudin et al., 2020)

Source: Data processed by the author (2024)

Good corporate governance (moderating variables) is categorized as having high or low ratings.

Table 2. Good Corporate Governance Assessment Criteria

Category	Total Category	GCG Score	Total Category X GCG Score
Very good	11	5	55
Good.	63	4	252
Good enough	6	3	18
Less Good	0	2	0
Very Poor	0	1	0
Total Sample	80		
Total			325
Average			4,0625

Source: Data processed by the author (2024)

In determining the GCG rating category, the number of categories is multiplied by the GCG score and summed up so that the result is 325. Then, the number 325 is divided by the number of samples, namely 80, so an average value of 4.0625 is obtained. Hence, firms with GCG scores > 4.0625 are categorized in high governance and firms with GCG scores < 4.0625 categorized in low governance.

Literature and documentation were the primary methods used to obtain data for this study. The literature study searched for various literature, including journals and scientific publications pertinent to the research variables. In the meantime, the documentation study was carried out by

visiting the official IDX and company websites, after which reports about the variables under investigation and the observation period were downloaded.

The data in this study were analyzed using Moderated Regression Analysis (MRA) with the assistance of SPSS 30 software. This approach examined whether the moderating variable GCG, influences the relationship between the independent and dependent variables. Specifically, the analysis aimed to determine whether GCG strengthens, weakens, or alters the direction of these relationships. Before the MRA, classical assumption tests were performed to ensure the data met the necessary statistical requirements. These tests included: (1) the normality test, to confirm that the data were normally distributed; (2) the heteroscedasticity test, to check for constant variance in the residuals; (3) the autocorrelation test, to identify any correlations between residuals; and (4) the multicollinearity test, to ensure that there was no high correlation among the independent variables. Once the assumptions were satisfied, the MRA was conducted using the following equation model:

$$PBV = \alpha + \beta_1 CAPEX + \beta_2 CAR + \beta_3 ROA + \beta_4 CAPEX * GCG + \beta_5 CAR * GCG + \beta_6 ROA * GCG + e$$

Description:

PBV : Price Book Value (Y)

α : Constant

β : Regression Coefficient

CAPEX : Capital Expenditure (X1)

CAR : Capital Adequacy Ratio (X2)

ROA : Return On Assets (X3)

GCG : Good Corporate Governance (Z)

e : Error

The MRA results were interpreted to assess the moderating effect of GCG on the relationships between the independent variables (CAPEX, CAR, and ROA) and the dependent variable (firm value).

The secondary data utilized in this study encompass companies' sustainability reports, annual reports, and financial performance data registered on the IDX. This data can be accessed and obtained openly through the official IDX website, so it comes from a publicly available platform and has been published. Therefore, it can be used for research purposes without additional permission.

RESULT AND DISCUSSION

The classical assumption test is retrieved to verify the accuracy of the regression model. The test's outputs are displayed in the subsequent table.

The Impact of Investment Decisions, Funding Strategies, and Financial Performance on Firm Value: The Moderating Role of GCG

Erpina, Budhiarto, and Mardiyani

Table 3. Classical Assumption Test Results

Classical Assumption Test	Test Name	Qualification	Results	Decision
Normality Test	Kolmogorov-Smirnov	>0.05	0.627	Normally distributed
Multicollinearity Test	Tolerance VIF	T >0.10 VIF < 10	T 0.484 VIF 2.067 T 0.579 VIF 1.726 T 0.673 VIF 1.485 T 0.815 VIF 1.226	No Multicollinearity
Heteroscedasticity Test	Glejser	>0.05	0.756 0.692 0.659 0.096	No Heteroscedasticity
Autocorrelation Test	Durbin-Watson	du < dw < 4-du	1.7153 < 1.970 < 2.2847	No Autocorrelation

Source: Data processed by the author (2024)

The test results of Table 3 confirm that the normal sample distribution is evidenced by the Kolmogorov- Smirnov test results of $0.627 > 0.05$. There is no multicollinearity, as evidenced by the $VIF < 10$ and tolerance value > 0.10 on all variables. The Glejser test findings for the heteroscedasticity test indicate that all variables have a significance value above 0.05, so the residual differences between observations in the regression model are uniform. The Durbin-Watson test criteria have been met, as evidenced by the value of $1.7153 (du) < 1.970 (dw) < 2.2847 (4-du)$, so there is no autocorrelation. According to these results, the regression model used has met the criteria.

Hypothesis testing aims to assess the influence between variables in light of the study's goals. The outputs of the hypothesis test are displayed in the subsequent table:

Table 4. Hypothesis Test Results

Variables	Unstandardized Coefficient		p-value	Alpha	Description	Conclusion
	B	Std. error				
Constant	0,630	0.840	0.456	0.05		
CAPEX (X1)	-0.012	0.029	0.677	0.05	Not Significant	Rejected
CAR (X2)	-0.355	0.096	0.001	0.05	Significant	Accepted
ROA (X3)	0.144	0.034	0.001	0.05	Significant	Accepted
CAPEX*GCG	0.047	0.112	0.676	0.05	Not Significant	Rejected
CAR * GCG	-1.008	2.532	0.692	0.05	Not Significant	Rejected
ROA*GCG	0.849	0.369	0.024	0.05	Significant	Accepted

Source: Data processed by the author (2024)

Referring to the statistics test results, the moderate regression analysis (MRA) equation in this study is as follows:

$$PBV = 0,630 - 0,012 \text{ CAPEX} - 0,355 \text{ CAR} + 0,144 \text{ ROA} + 0,047 \text{ CAPEX*GCG} - 1,008 \text{ CAR*GCG} + 0,849 \text{ ROA*GCC} + e$$

Investment decisions as measured by CAPEX have a p-value of $0.677 > 0.05$ and a β coefficient of -0.012, which indicates that an increase in CAPEX has an insignificant effect on firm value and can reduce it by 0.012 points. Funding as measured by using CAR has a p-value of $0.001 < 0.05$. This confirms that funding affects firm value. The existence of a negative correlation shown by

the coefficient β -0.355 indicates that an increase in CAR can reduce the company value by 0.355 points. Financial performance as assessed by ROA has a p-value of 0.001 < 0.05, proving that financial performance affects corporate value. The β coefficient of 0.144 indicates that a rise in ROA results in a significant enhancement of firm value, equivalent to 0.144 points. The interaction of investment decisions with GCG has a p-value of 0.676 > 0.05, indicating that GCG does not moderate the relationship, although the β coefficient of 0.047 shows a positive relationship. The interaction of funding with GCG also has a p-value of 0.692 > 0.05, which means that the moderation hypothesis is not proven, with a β coefficient of -1.008, which indicates a negative relationship. In contrast, the interaction of financial performance with GCG has a p-value of 0.024 < 0.05, proving that GCG moderates this relationship significantly, with a β coefficient of 0.849, suggesting that GCG enhances the connection between financial performance and firm value by 0.849 points.

The Effect of Investment Decisions on Firm Value

The first hypothesis test revealed that investment decisions, represented by CAPEX, have an insignificant impact on firm value. This stems from the disproportionate wealth invested in capital expenditures (CAPEX) and towards fixed assets, such as buildings and physical infrastructure, which are largely irrelevant to the core functions of the banking sector, and an area of business that focuses more on credit distribution. In banks, firm value mainly stems from productive assets, like loan portfolios and financial investments, leading to earning interest income. Furthermore, if investment strategies do not align with the operational needs of banks, there could be a misallocation of resources, which ultimately decreases operational efficiency and investor confidence in the company's development capabilities. Investment decisions can enhance firm value through resource allocation strategies that align with business objectives. Stakeholder confidence in the bank's future profitability can be eroded through the operational inefficiencies associated with poorly sequenced investments. Thus, even though CAPEX is important for long-term growth, its impact on the bank's value is only positive when investments are directed towards strengthening core bank activities. These results contrast with the findings of Susanto et al., (2024), who stated that investment decisions have a significant influence on firm value. However, they align with the study by Yuswandani et al., (2024), who also found no straightforward connection between investment decisions and firm value.

The Effect of Funding on Firm Value

The second hypothesis test indicated that funding, represented by the CAR proxy, had a significant but negative effect on firm value. This inverse correlation shows that an increase in the Capital Adequacy Ratio (CAR) indicates that the capital is not being allocated optimally in terms of investing in extremely risky assets or mismanagement of the Net Interest Margin (NIM). Furthermore, a rise in CAR without a similar increase in lending indicates inefficient capital usage, which could adversely impact the bank's profitability and ability to pay dividends. However, such inefficiencies can create a bottleneck in business expansion and make a bank stock less attractive in the capital market. An excessively high CAR, in addition to being a measure of inefficiency, can

also limit credit growth and lead to opportunity costs, with capital becoming stagnant, when it could otherwise be used to earn optimum income. In the long run, weak capital allocation can chip away at a bank's competitive advantage and undermine its overall market worthiness. A high CAR provides solid ground during economic storms, but it can also indicate the bank being too conservative with lending, which can curtail profits and growth rates. These results contradict the findings of Bahrin et al., (2020), who discovered a positive relationship between funding and firm value. However, these findings are consistent with prior research by Sumani et al., (2022), which confirmed that funding significantly affects firm value with a negative correlation.

The Effect of Financial Performance on Firm Value

The third hypothesis test demonstrated that financial performance, represented by ROA, had a significant positive effect on firm value. Declining economic performance directly correlates to a decline in the value of a company because it indicates declining profitability, operational inefficiencies, and management failing to utilize assets to generate profits. Without the right way to manage assets and operations, it results in increased costs, shrinking profit margins, and shrinking cash flow, which is detrimental to the company's overall health. Such adverse conditions will erode investor confidence, lessen demand for company shares, and develop the selling pressure in the capital market leading to a fall in share prices. A low Return on Assets (ROA) in the banking industry indicates inefficient allocation of loans, increased non-interest expenditures, or over-reliance on non-fund income, which can hurt the bank's financial position. This limited profitability can ultimately limit business expansion and capital accumulation, thus diminishing the organization's competitive standing within the industry. In the long run, these challenges increase financial risk, keep stock prices under downward pressure, and further undermine market views of the banks' growth potential. Moreover, deteriorating profitability can limit the company's capacity to pay dividends or invest in strategic growth initiatives, triggering a negative investor perception leading to depressed long-run valuation in equity markets. These findings align with the research of Lestari et al., (2024), which states that financial performance has a significant effect on firm value

The Effect of Investment Decisions on Firm Value Moderated by Corporate Governance

The fourth hypothesis test revealed that corporate governance failed to moderate the relationship between investment decisions and firm value, leading to the rejection of the hypothesis. These results show that the special governance mechanisms such as the board of directors, board of commissioners, and audit committee have not performed effectively in assisting with high conservative strategic investment. The external determinants such as tough regulation policies, market fluctuations, and financial risks have a more pronounced impact on investment decisions in the banking sector than on internal governance structures. In addition, the bank expert is trained on capital adequacy compliance policies that vary by country, monetary contributions, and the risk of systemic failure, which ultimately apply to the domain of all factors for which the bank operator and bank investor are punished. Thus, although corporate governance improves transparency and accountability, its potential for creating additional value is still limited by external

factors and lack of strategic intervention in investment decisions. Such complexity and dominance of external factors restrict corporate governance's ability to underpin the link between investment decisions and firm value. This indicates that although corporate governance matters for careful financial resource allocation, the nature of investment risk and corporate organization limits the potential to achieve this goal. These results contrast with the findings of Djuminah et al., (2023) dan Kharisma et al., (2023), who identified a positive moderating effect of corporate governance on investment decisions in the banking sector. However, they align with the research by Adhitya et al., (2022), which found that corporate governance struggles to moderate the impact of investment decisions on firm value.

The Effect of Funding on Firm Value Moderated by Corporate Governance

The fifth hypothesis test indicated that corporate governance did not moderate the relationship between funding and firm value, resulting in the rejection of the hypothesis. The results of this study reflect a weak influence of a high GCG score on a better capital flow, which affirms that the performance of GCG is not strong enough in coordination and management of funding generation. This limitation is caused by ineffective funding management, reliance on specific funding sources, and inadequate debt risk management strategies. While corporate governance is intended to improve transparency and accountability, its application has not yet attained a level capable of addressing the complex dilemmas surrounding funding management. Even more so, these findings underscore that the connection between funding and firm value is driven largely by external and internal conditions like market forces, regulatory structures and financial management strategies—which many fall out of the domain of corporate governance mechanisms. This suggests that governance has not yet been shown to play a decisive role in the relationship between funding and firm value. This contrasts with the study by Amirullah et al., (2022), which found that GCG can enhance the effectiveness of financing strategies in maximizing firm value. However, these results are consistent with the findings of Adhitya et al., (2022), who concluded that corporate governance often fails to moderate the impact of funding on firm value.

The Effect of Financial Performance on Firm Value Moderated by Corporate Governance

The sixth hypothesis test showed that corporate governance significantly moderated the relationship between financial performance and firm value, leading to the acceptance of the hypothesis. This implies that firm profitability is positively correlated with firm value and the agents of corporate governance play a significant role in strengthening this relationship. Good governance system improves transparency and accountability, which leads the investors and towards the bank profitability through the risk management, operational efficiency, and growth. When supplemented by good governance principles, increased profitability brings about higher investor confidence, higher demand for shares, and higher firm value. Financial management and regulatory compliance can strengthen investor confidence and maintain balance and reliability of the financial sector in the highly regulated and high-risk banking industry. So, enhancing corporate governance improves the link of firm value with economic performance and strengthens stability in the banking sector and competitiveness in the financial market. This finding is supported by

research from Chaidir et al., (2021), who state that corporate governance can strengthen the positive effect of financial performance on firm value.

Comparative Analysis and Theoretical Implications

This study contributes to the existing literature by analysing the complex relationship between investment decisions, funding strategies, financial performance and corporate governance in shaping the value of firms. Some results corroborate prior studies, and others provide a novel view, particularly, on the minimal moderating influence of GCG in specific contexts. Notably, the insignificant impact of investment decisions on firm value and the inability of corporate governance to influence this relationship suggest that external factors such as market conditions and regulatory frameworks exert a stronger influence within the banking sector. Such insights point to a need for more explicit examination of the interplay between internal and external drivers of firm value. Future studies in this area should explore these complexities and differences across industries and regulatory environments, to build a more integrated and holistic view of the forces governing firm value.

CONCLUSION

Based on the analysis findings, it can be inferred that investment decisions involving CAPEX calculations have an insignificant impact on corporate value. Findings calculated by CAR and financial performance calculated by ROA significantly impact corporate worth. However, GCG cannot moderate the effect of investment and financing on corporate value. Nevertheless, GCG can enhance the impact of financial performance on corporate worth. In addition, Banks can strengthen corporate value by diversifying assets, improving credit risk assessment, and reducing NPLs. Emphasizing transparency and accountability in governance boosts investor confidence. A balanced capital structure, leveraging debt's tax benefits while minimizing risks, enhances profitability and stability. Shifting from short-term debt to long-term financing (e.g., bonds or sukuk) improves cash flow and dividend capacity. This approach reflects sound risk management, drives stock price growth, and increases firm value. Prudent financing, risk management, and strong governance ensure long-term stability, profitability, and market trust. This study is limited to the banking sector, restricting its applicability to other industries. Future research should explore sectors requiring high transparency and accountability, such as state-owned enterprises (SOEs), mining, or infrastructure, which often face governance challenges like corruption and inefficiency. Additionally, examining moderating factors like ownership structure, operational efficiency, or digital transformation in financial management could provide deeper insights. Such research would offer practical strategies for industries where strong governance and economic practices are crucial for sustainable growth and stakeholder trust.

REFERENCE

- Adhitya, D., Ardini, L., & Wahidahwati. (2022). The effect of investment decisions, funding, and profitability on company value with corporate governance as moderating variables. *Jurnal Administrare: Jurnal Pemikiran Ilmiah Dan Pendidikan Administrasi Perkantoran*, 9(1), 77–94. <https://doi.org/https://doi.org/10.26858/ja.v9i1.33091>
- Afşar, A., & Karaçayır, E. (2020). Effect of invesment and financing decisions on firm value; example of BIST Industrial Index. In *Usak University Journal Of Social Sciences* (Vol. 13, Issue 2, pp. 13–24). <https://dergipark.org.tr/en/download/article-file/1154095>
- Amirullah, W. H., & Pristiana, U. (2022). Analysis of Investment Decisions and Funding Decisions on Firm Value with Good Corporate Governance as a Moderating Variable in Food and Beverage Listed on IDX 2017-2020. *JEM17: Jurnal Ekonomi Manajemen*, 7(2), 213–234. <https://doi.org/10.30996/jem17.v7i2.7541>
- Andriyani, I., Zuliyana, M., Aryani, D. S., & Agustina, E. (2023). Effect of investment decisions, funding decisions, and inflation rate on company value in the basic and chemical industry sector listed on the Indonesia Stock Exchange for the 2017-2021 period. *Best Journal of Administration and Management*, 1(3), 106–110. <https://doi.org/https://doi.org/10.56403/bejam.v1i3.65>
- Aprilia, N., & Wahjudi, E. (2021). Pengaruh kinerja keuangan terhadap nilai perusahaan dengan variabel moderasi corporate governance. *Jurnal Riset Akuntansi Dan Keuangan*, 9(3), 525–534. <https://doi.org/10.17509/jrak.v9i3.32512>
- Astawinetu, E. D., Sri Handini, & Istiono. (2020). Analysis of the effect of funding decissions, macroeconomic, and profitability on the value of food and beverages companies in the Indonesia Stock Exchange period 2015-2018. *Ekspektra: Jurnal Bisnis Dan Manajemen*, 4(1), 35–44. <https://doi.org/https://doi.org/10.25139/ekt.v4i1.2659>
- Bahrin, M. F., Tifah, & Firmansyah, A. (2020). The Influence of Funding Decisions, Investment Decisions, Dividend Policy, and Free Cash Flow on Company Value. *Jurnal Ilmiah Akuntansi Kesatuan*, 8(3), 263–276. <https://doi.org/https://doi.org/10.37641/jiakes.v8i3.358>
- Bon, S. F., & Hartoko, S. (2022). The effect of dividend policy, investment decision, leverage, profitability, and firm size on firm value. *European Journal of Business and Management Research*, 7(3), 7–13. <https://doi.org/https://doi.org/10.24018/ejbmr.2022.7.3.1405>
- Brigham, E. F., & Houston, J. F. (2019). *Fundamentals of financial management* (15th ed). Cengage Learning.
- Chaidir, R., Rosidi, & Andayani, W. (2021). The effect of policy on debt and profitability with firm values with corporate governance as moderate variables. *International Journal of Research in Business and Social Science*, 10(8), 39–46. <https://doi.org/https://doi.org/10.20525/ijrbs.v10i8.1492>
- CNBC. (2022). *Ada ancaman resesi, bos bank BUMN optimistis tatap 2023*. CNBC Indonesia. <https://www.cnbcindonesia.com/market/20221213151731-17-396512/ada-ancaman-resesi-bos-bank-bumn-optimistis-tatap-2023>.

- Detthamrong, U., Chancharat, N., & Vithessonthi, C. (2017). Corporate governance, capital structure and firm performance: Evidence from Thailand. *Research in International Business and Finance*, 42(June), 689–709. <https://doi.org/10.1016/j.ribaf.2017.07.011>
- Djuminah, Rahmawati, Widagdo, A. K., Hartoko, S., Honggowati, S., Nurlaela, S., & Kiswanto, K. (2023). Investment, funding decisions, firm value with corporate governance as variable moderation in Indonesia Stock Exchange. *Accounting Analysis Journal*, 12(2), 94–101. <https://doi.org/10.15294/aaaj.v12i2.71005>
- Hardiningsih, P., Srimindarti, C., Anggana Lisiantara, G., & Kartika, A. (2024). How does environmental, social, governance disclosure and political connection performance affect firm value? An empirical study in Singapore. *Cogent Business and Management*, 11(1). <https://doi.org/10.1080/23311975.2024.2377764>
- Hariyanur, R., Septiyanti, R., & Idris, A. Z. (2022). The effect of investment and financing decision, dividend policy and cost of capital on Indonesian firm value. *Asian Journal of Economics And Business Management*, 1(2). <https://doi.org/https://doi.org/10.53402/ajebm.v1i2.121>
- Heling, P., & Sri, L. H. (2024). The influence of financial distress, earnings management, and financial performance on firm value with good corporate governance as a moderating variable. *Eduvest - Journal of Universal Studies*, 4(10), 9375–9393. <https://doi.org/10.57235/jetish.v3i2.3368>
- Hikmah, V. L., & Susilo, D. (2024). Pengaruh good corporate governance, capital adequacy ratio dan size terhadap return saham. *Jorunal of Accounting and Management's Student (JAM'S)*, 1(2), 1–11. <https://journals.unikal.ac.id/index.php/jams/article/view/113>
- Investor.id. (2023). *Saham bank berguguran, IHSG terkoreksi dalam di awal perdagangan*. Investor.Id. <https://investor.id/market/324416/saham-bank-berguguran-ihsg-terkoreksi-dalam-di-awal-perdagangan>.
- Irwanti, N. P. P. W., & Ratnadi, N. M. D. (2021). Good corporate governance moderate the effect of financial performance on firm value. *International Research Journal of Management, IT & Social Sciences*, 8(1), 91–101.
- Katadata. (2022). *Ancang-Ancang Indonesia Hadapi Resesi Global 2023*. Katadata.
- Kharisma, A. B., & Indriyani, F. (2023). The role of good corporate governance in the relationship between investment and funding activities on the value of sharia shares. *Indonesian Journal of Islamic Economics Research*, 3(1), 59–72. <https://doi.org/10.18326/ijier.v4i1.7306>
- Lestari, S., Febriansyah, R., & Firmansyah, E. A. (2024). Analysis determination of firm value : Corporate governance perception index as moderating variable. *The International Journal of Applied Business (TIJAB)*, 8(2), 212–225. <https://doi.org/https://doi.org/10.20473/tijab.v8.i2.2024.55008>
- Marsella, P., & Pangestuti, D. C. (2023). Assessment of bank's health using analysis risk profile, good corporate governance, earnings, capital (RGEC). *International Journal of Research in Business and Social Science (2147- 4478)*, 12(3), 237–248. <https://doi.org/10.20525/ijrbs.v12i3.2571>

- Meutia, R., Apridar, Mursidah, Mastuti, R., & Fuad, M. (2021). Investment decisions, financing and dividends to increase firm value : a case study of manufacturing companies in Indonesia. *Economic Annals-Xxi*, 194(11–12), 67–72.
- Mohammed, Z. O., Kareem, M., & Ani, A. (2020). The effect of intangible assets, financial performance and financial policies on the firm value : Evidence from Omani Industrial Sector. *Contemporary Economics*, 14(3), 379–391. <https://doi.org/10.5709/ce.1897-9254.411>
- Ndatika, U. W., Purwidiyanti, W., Tubastuvi, N., & Financial, K. K. (2024). The influence of financial performance and company size on company value with good corporate governance as a moderating variable. *Jurnal Ekonomi Dan Bisnis Digital (MINISTAL)*, 3(2), 231–246.
- Nugraha, N. M., Novan, D., Nugraha, S., & Sapitri, S. (2020). The effect of funding, investment and dividend policies on firm value in the manufacturing industry sectors. *Solid State Technology*, 63(3), 3858–3868.
- Pamungkas, I. D., Purwantoro, Sari, M. P., & Hersugondo. (2023). Corporate governance and financial performance on firm value: The case of Indonesia. *WSEAS Transactions on Business and Economics*, 20, 92–103. <https://doi.org/10.37394/23207.2023.20.10>
- Priharta, A., Buana, Y., Diana, D., & Sintarini, F. (2022). Corporate governance dan kinerja keuangan : Dampaknya pada nilai perusahaan. *Jurnal Akuntansi Dan Governance*, 3(1), 16. <https://doi.org/10.24853/jago.3.1.16-28>
- Rachmadani, A. P., Ratnawati, T., Ayu, I., & Brahmayanti, S. (2024). The effect of investment decisions, funding decisions, operational decisions on value of the firm through financial distress as intervening and good corporate governance (GCG) as moderating. *International Journal of Economics (IJE)*, 3(1), 563–580. <https://doi.org/10.55299/ijec.v3i1.852>
- Ramadhani, B. A., & Nur, D. I. (2024). Analysis of company value and financial performance as intervening variables in property, real estate and building construction companies on the Indonesia Stock Exchange. *International Journal of Economics (IJE)*, 3(1), 581–589. <https://doi.org/10.55299/ijec.v3i1.867>
- Robiyanto, R., Putra, A. R., & Lako, A. (2021). The effect of corporate governance and intellectual capital toward financial performance and firm value of socially responsible firms. *Contaduría y Administración*, 66(1), 1–24. <https://doi.org/10.22201/fca.24488410e.2021.2489>
- Saddam, M., Ali, O., & Ali, J. (2021). Pengaruh profitabilitas terhadap nilai perusahaan (Studi empiris pada perusahaan sektor industri barang konsumsi di Bursa Efek Indonesia tahun 2017-2019). *Jurnal Neraca Peradaban*, 1(2), 128–135. <https://doi.org/https://doi.org/10.55182/jnp.v1i2.36>
- Said, H. S., Khotimah, C., Ardiansyah, D., Khadrinur, H., & Putri, M. I. (2022). Teori agensi : Teori agensi dalam perspektif akuntansi syariah. *Fair Value: Jurnal Ilmiah Akuntansi Dan Keuangan*, 5(5), 2434–2439. <https://doi.org/10.32670/fairvalue.v5i5.2757>
- Saputri, I. A., & Supramono, S. (2021). Pengaruh kinerja keuangan terhadap nilai perusahaan dengan profitabilitas sebagai variabel intervening. *Jurnal Riset Ekonomi Dan Bisnis*, 14(2), 117. <https://doi.org/10.26623/jreb.v14i2.4228>

- Satt, H., Chetoui, Y., Ouahidi, O., Bodolica, V., & Lamiri, D. (2023). Capital expenditure and firm value in the MENA region: the role of market competition and information asymmetry. *Macroeconomics and Finance in Emerging Market Economies*. <https://doi.org/10.1080/17520843.2022.2163564>
- Sherine, C., Wiyanto, H., & Budiono, H. (2022). The effect of investment decision, funding decision, and profitability on the firm value of consumer goods industry registered in Indonesia Stock Exchange during 2017-2020. *Proceedings of the Tenth International Conference on Entrepreneurship and Business Management 2021 (ICEBM 2021)*, 653(Icebm 2021), 552–559. <https://doi.org/10.2991/aebmr.k.220501.084>
- Silitonga, R., & Marsono, A. D. (2024). The influence of intellectual capital and investment decision on firm value. *Eduvest – Journal of Universal Studies*, 4(4), 1890–1906. <https://doi.org/https://doi.org/10.59188/eduvest.v4i4.1139>
- Sugiyono, & Lestari, P. (2021). *Sugiyono, Lestari, P. M. S* (Sunarto, Ed.; 1st ed.). Alfabeta.
- Sumani, S., & Suryaningsih, I. B. (2022). The moderating role of good corporate governance : The influence of capital structure, profitability, dividend payment and inflation on the value of mining companies in Indonesia access to success. *General Management*, 23(188), 189–197. <https://doi.org/10.47750/QAS/23.188.25>
- Susanto, M. Y. P., & Mujiyati. (2024). Effect of investment decisions, funding decisions, and dividend policy on the value of the company. *Dinasti International Journal of Economics, Finance and Accounting (DIJEFA)*, 5(3), 1762–1771. <https://doi.org/https://doi.org/10.38035/dijefa.v5i3.3116>
- Suta, I. W. P., Anggya Agustina, P. A., & Sugiarta, I. N. (2016). Pengaruh kebijakan utang pada nilai perusahaan dengan kepemilikan institusional sebagai variabel moderasi. (Studi pada perusahaan manufaktur di Bursa Efek Indonesia). *Jurnal Bisnis Dan Kewirausahaan*, 12(3), 173–185. <https://ojs.pnb.ac.id/index.php/JBK/article/view/181>
- Syamsudin, S., Setiadi, I., Santoso, D., & Setiany, E. (2020). Capital Structure and Investment Capital Structure and Investment Decisions on Firm Value with Profitability Decisions on Firm Value with Profitability as a Moderator as a Moderator. *Jurnal Riset Akuntansi Dan Keuangan Indonesia*, 5(3), 287–295. <http://journals.ums.ac.id/index.php/reaksi/index>
- Taufik, A. R., Sanusi, A., & Assih, P. (2024). The role of financial performance, audit quality, and corporate social responsibility on firm value through cost of capital as mediation. *8th International Conference on Sustainability: Sustainable Economics, KnE Social Sciences*, 181–198. <https://doi.org/10.18502/kss.v9i29.17250>
- Tulcanaza-Prieto, A. B., Lee, Y., & Anzules-Falcones, W. (2024). The moderating role of corporate governance in the relationship between leverage and firm value: Evidence from the Korean Market. *Risks*, 12(1). <https://doi.org/10.3390/risks12010011>
- Yuswandani, A. E., Tubastuvi, N., Fitriati, A., Darmawan, A., & Jaroenwanit, P. (2024). Profitability as a moderator: Assessing the influence of capital structure, investment decision, and firm size on firm value. *Jurnal Riset Akuntansi Dan Keuangan Indonesia*, 9(1), 125–137. <https://doi.org/https://doi.org/10.23917/reaksi.v9i1.4044>

Zaki, P. F., Widiyanti, M., & Andriana, I. (2023). The influence of investment and funding decisions on company value with intervening variables of dividend policy in companies listed on the Jakarta Islamic Index. *Injury: Interdisciplinary Journal and Humanity*, 2(8), 674–679. <https://doi.org/https://doi.org/10.58631/injury.v2i8.115>.