

The Effect Of Good Corporate Governance, Profitability, and Company Size on Company Value

(Empirical Study on the Infrastructure Sector Listed on the Indonesia Stock Exchange from 2021 - 2023)

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Abstract

The capital market plays a strategic role in accommodating public investment needs through various financial instruments while providing access to funding for companies to foster economic growth. A decline in stock value, which negatively affects the Composite Stock Price Index (IHSG), highlights the importance of examining internal factors influencing firm value. One such factor is Good Corporate Governance (GCG), which promotes sound management and increases investor confidence. Additionally, a company's profitability reflects managerial efficiency in utilizing resources and generating sustainable profits. Firm size also serves as a key aspect, indicating the scale of operations and market competitiveness, which may contribute to increasing firm value. This research examines companies in the infrastructure sector listed on the Indonesia Stock Exchange (IDX) over the 2021–2023 period, drawing on a purposively selected sample of 28 firms and a total of 84 observations. To evaluate the impact of internal determinants on firm value, multiple linear regression analysis using a Random Effect Model (REM) was conducted via Eviews 12. Good Corporate Governance (GCG) was operationalized by employing proxies such as the proportion of managerial shareholding, institutional ownership, and the presence of independent commissioners. Profitability was represented through Return on Assets (ROA), whereas firm size was expressed using the logarithmic scale of total assets. To measure the dependent variable, firm value, the Tobin's Q metric was applied, enabling a data-driven exploration of these internal influences.

Based on the analysis results, it was found that managerial ownership and institutional ownership exert a positive and significant influence on firm value. In contrast, the independent board of commissioners and firm size demonstrate a negative and significant effect. Meanwhile, the profitability variable does not show a significant relationship with firm value. These findings contribute to enriching the empirical literature on internal factors affecting firm value and offer practical implications for both management and investors in formulating strategic decisions, particularly within the infrastructure sector.

Keywords: *firm value, good corporate governance, profitability, firm size, infrastructure.*

1. Introduction

Investment activities in the capital market drive economic growth, enabling the allocation of public funds to support the development of various industrial sectors and create new jobs. The market's assessment of a company's promising future prospects is generally reflected in the high price of its shares (Fiqriyah et al., 2022). Stock returns are a form of return received by investors for their share ownership, and indicate how the market responds to a company's performance and prospects. In practice, investors can directly observe stock price movements in the market to assess the potential returns on their investments.

All relevant information was collected directly from IDX's official database site indicates that the capital market experienced an increase of 1.85 million investors, raising the overall count to 12.16 million across stocks, bonds, and mutual funds. Specifically for stock investors, there was an increase of 811 thousand, bringing the total to 5.25 million

investors. This phenomenon reflects a positive achievement, highlighting growing public enthusiasm for participating in Indonesia's capital market. In the long-term perspective, maximizing firm value is a fundamental target for every corporation. According to Damarani et al. (2024), in efforts to maximize company value, agency issues often arise, when misalignment exists between the interests of managers acting as "agents" and shareholders as "principals". Such problems may be mitigated by adopting effective Good Corporate Governance (GCG) mechanisms, which provides clarity regarding procedures, structure, and the distribution of authority within the company.

According to Suci et al., (2023), The enforcement of effective governance frameworks within companies (GCG) increases shareholder confidence in management, particularly in terms of transparency in the presentation of financial reports and company information. The core objective of Good Corporate Governance (GCG) is to enhance value for all stakeholders engaged in corporate oversight and management. In practical terms, GCG is operationalized through several governance mechanisms, encompassing ownership by management and institutions, oversight by independent board members, and the function of the audit committee.

Through this ownership, managers play a dual role as shareholders and strategic decision-makers, thereby driving performance and increasing company value (Kusmiyati & Machdar, 2023). Meanwhile, institutional ownership plays a role in enhancing company value as an effective external oversight body over managerial actions, thereby reducing agency conflicts (Angga & Hapsari, 2024). Independent board members have no vested interests with the company's directing board, fellow supervisory figures, and majority stakeholders, or the company, but they are able to perform their supervisory functions independently and operate with the company's long-term success as a priority (Hidayat et al., 2021). Furthermore, the audit committee provides oversight assistance to the board of commissioners in executing its role to oversee corporate governance and management practices, particularly regarding financial reporting, compliance with GCG principles, and the implementation of audits (Permatasari & Musmini, 2023).

Amidst unstable economic conditions, state-owned construction companies with significant managerial ownership have experienced a decline in share value, a phenomenon revealed in a report by CNBC Indonesia (2023) that illustrates the complexity of the challenges faced by these companies. In the news, Bank Indonesia's tightening of monetary policy through a rise in the benchmark rate to 6% has created new challenges for the construction sector, particularly SOEs that have historically relied on debt financing for large-scale infrastructure projects. IDX's noted that PT PP (Persero) Tbk. (PTPP) shares fell by 6.2% over the week, followed by PT Adhi Karya (Persero) Tbk. This situation highlights the connection between ownership structure and how companies respond to external risks. In light of this condition, the practice of GCG mechanisms is crucial to maintaining a balance between long-term goals and profitability expectations.

Profitability serves not only as a gauge of corporate operational success but also as a critical determinant in drawing investor interest, enhancing market trust, and increasing the perceived credibility of the firm among stakeholders. It reflects how effectively a company can generate net income, making it one of the key indicators investors rely on to evaluate corporate performance (Laksono & Rahayu, 2021). ROA represents a financial ratio that assesses a company's efficiency in utilizing its total assets to produce net income. It illustrates how effectively the invested resources are transformed into profits, indicating the return generated from each unit of asset owned by the company (Agustin et al., 2023).

One phenomenon related to corporate profitability can be seen at PT Bukit Asam Tbk (PTBA). According to the company's official report, PTBA recorded its highest financial and operational performance in its history in 2022, with a net profit of Rp12.6 trillion, up 159% from Rp7.9 trillion in 2021. This profit increase aligns with revenue growth to Rp42.6 trillion, up 146% from the previous year. This success reflects the effectiveness of management strategies in capitalizing on market opportunities and implementing cost leadership. However, this surge in performance was not accompanied by a rise in stock prices. PTBA shares actually declined by -2.89% in December 2022 compared to a 4.23% increase in December 2021. This indicates that improved profitability is not always positively responded to by the market, thereby opening up further analysis about the connection between financial achievements and corporate valuation.

The next factor is company size, which is often considered an important determinant in influencing company value. Company size can be determined based on total assets, total sales, and stock value, which reflect the scale of a company (Alifian & Susilo, 2024). If a company has sufficient total assets, it can make strategic investments and increase production capacity without worrying about funding constraints, thereby enabling the company to manage and drive value growth more freely.

There is a phenomenon experienced by PT Pertamina Geothermal Energy Tbk (PGEO), which recorded assets as of December 2023 amounting to US\$ 2.96 billion, which does not always correlate as represented by the firm's valuation through its stock market performance, based on news reported by CNBC Indonesia (2023). The stock price decline as of December 29, 2023, was in the red zone at -1.27%, reaching Rp 1,170 per share. This indicates a weak inconsistency between corporate size alongside its financial standing. This phenomenon underscores that the company's size, as determined by the full scale of its asset base, is not always the primary factor in determining the firm's value in the eyes of shareholders.

This research seeks to address existing gaps in prior studies by investigating the influence of internal factors such as Good Corporate Governance (GCG), profitability, and company size on company value, which has been limited in previous studies. By focusing on infrastructure companies listed on the IDX from 2021 to 2023, this study offers updated and sector-specific insights into key determinants of firm value, particularly within an industry characterized by significant regulatory oversight and long-term capital commitments.

2. Material and Method

2.1 Prior Research

In Shaumi & Srimindarti (2022) study entitled "The Influence of Company Size, Good Corporate Governance, and Corporate Social Responsibility on Company Value in Manufacturing Companies from 2018 to 2020." The findings of this study indicate that firm size and institutional shareholders contribute significantly to enhancing the value of a company. Meanwhile, the involvement of managers as shareholders has a notable negative influence on corporate worth. This occurs due to the rising proportion of equity held by management acts according to its own decisions. Additionally, Corporate Social Responsibility does not influence company value, as investors tend to view CSR as not a key factor in stock purchases.

A study conducted by (Latief & Fauziah, 2023) entitled "Corporate Governance, Profitability, Size, Growth, and Company Value" revealed that both profitability with firm size showing a significant and advantageous impact on company valuation, contributing to its

enhancement. In contrast, firm growth was found to have no meaningful influence on value creation. The study further highlighted that corporate governance solidifies the interplay between a firm's scale and its perceived value, suggesting that larger firms benefit from more robust governance practices in building investor and shareholder trust. However, governance mechanisms were not found to moderate the role of profitability or expansion in determining a firm's overall worth.

Iman et al. (2021) conducted an empirical study titled "The Effect of Liquidity and Profitability on Company Value". The empirical findings suggest that liquidity plays a demonstrates a strong and affirmative impact on enhancing the value of the company. Accordingly, it can be inferred that companies featuring stronger liquidity positions are more likely to be perceived as valuable in the eyes of investors. Furthermore, profitability also demonstrates a strong and statistically meaningful association with the value of the firm, reinforcing the notion that highly profitable firms tend to be more highly valued in the market. The researchers note that intensifying market competition amid dynamic economic conditions pushes companies to continuously optimize their performance in order to meet strategic business goals.

2.2 Research Design

An empirical investigation is carried out to determine the extent to which GCG practices, profitability metrics, and company size affect firm valuation. Three primary indicators—managerial shareholding, institutional shareholding, and the percentage of independent board members—serve as proxies for Good Corporate Governance (GCG) in this research. ROA serves as the measurement for profitability, while firm size is determined by the Ln Total Assets. Firm value, as the dependent variable, is proxied by Tobin's Q. This study is based on agency theory and signaling theory, which explain the importance of governance mechanisms and financial information in reducing conflicts of interest and influencing investor decisions.

Company Value

The value of a firm serves as an indicator of investor confidence in the company's ability to generate future returns, typically reflected in its stock price. Rising stock prices typically represent a strengthened perception of firm value by investors and demonstrates improved shareholder wealth, which can be influenced by several internal and external factors (Hadiansyah et al., 2022).

Managerial Ownership

According to Barokah et al. (2023), managerial ownership is a mechanism that allows managers to own shares in the companies they manage, thereby aligning their interests with prioritizing shareholder value while facilitating the company's value growth.

Institutional Ownership

Zubaidah et al. (2021) define the proportion of a company's shares owned by institutional investors held by entities such as insurance firms, banks, pension funds, or other financial institutions.

The Proportion of independent Commissioners

The Independent Board of Commissioners (DKI) is composed of individuals who do not maintain any financial, managerial, ownership, or familial relationships engaging with the management board, other supervisory board members, and principal shareholders that might compromise their impartiality or ability to prioritize the company's best interests (Hidayat et al., 2021).

Profitability

According to Latief & Fauziah (2023), profitability is the level of net profit generated by a company from its operational activities. Therefore, a high level of profitability provides an opportunity for companies to allocate profits to operational activities, while increasing their attractiveness in the eyes of investors.

Company Size

Company size is defined as an indication of the capacity or scale of a company in carrying out its operations (Wijaya & Yasa, 2022). Large companies tend to give the impression of having a higher going concern than small companies and find it easier to access external financing.

2.3 Method

This research adopts a quantitative approach, utilizing secondary data sourced from the financial and annual financial reports submitted by infrastructure-based corporations on the IDX for the period 2021 to 2023. Samples were deliberately chosen based on specific criteria using purposive sampling. To examine the effect of each independent variable on firm value, A random effects model within a multiple linear regression analysis is employed to examine the influence of the independent variables, processed using EViews 12 software. This study obtained 28 companies as samples, resulting in a total of 84 observations.

3. Result

3.1 Descriptive Analysis

Table 1. Result of Descriptive Analysis

	Tobin's Q	KM	KI	DKI	ROA	SIZE
<i>Mean</i>	1.214405	0.101548	0.740952	43.03464	0.053333	29.53440
<i>Median</i>	1.130000	0.000000	0.830000	40.00000	0.040000	29.36000
<i>Maximum</i>	2.260000	0.790000	1.000000	100.0000	0.240000	33.29000
<i>Minimum</i>	0.650000	0.000000	0.010000	16.67000	0.000000	25.67000
<i>Std. Dev.</i>	0.366555	0.214417	0.276818	15.45935	0.049414	2.037232
<i>Observations</i>	84	84	84	84	84	84

According to the outcome of the descriptive analysis, the firm value measured by Tobin's Q reflects an average of 1.214 with a range between 0.650 and 2.260 and a standard deviation of 0.366. Managerial ownership shows an average of 0.101, with a maximum value of 0.790 and a standard deviation of 0.214, which is greater than the average. Institutional ownership has an average of 0.740 with a range of 0.010 to 1.000 and a standard deviation of 0.276. Furthermore, the independent board of commissioners obtained a value of 16.670 to 100.00 with an average value of 43.04 and a standard deviation of 15.459. Profitability (ROA) has an average of 0.053, with a minimum of 0.001, a maximum of 0.240, and a standard deviation of 0.049. Firm size (Ln Total Assets) has an average of 29.534, with a minimum value of 25.670 and a maximum of 33.290, and a standard deviation of 2.037.

3.2 Model Selection Test

1. Chow Test

Table 2. Result of Chow Test

Effects Test	Prob.
Period F	0.4375
Period Chi-square	0.4010

The results of the Chow test show a Prob (F-statistic) of 0.4375 and a Prob (Chi-square) of 0.4010, both of which exceed the significance level of 0.05. Therefore, As the null hypothesis is accepted, the results indicate no substantial heterogeneity across entities, supporting the application of the Common Effect Model.

2. Lagrange Multiplier Test

Table 3. Result of Lagrange Multiplier Test

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	56.28441	0.252669	56.53708
	(0.0000)	(0.6152)	(0.0000)

The Breusch-Pagan (LM test) results show a cross-section and combination

Table 4. Result of Panel Data Regression

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.712213	1.016227	2.668904	0.0093
X1	1.212128	0.347086	3.492302	0.0008
X2	1.105326	0.262108	4.217065	0.0001
X3	-0.008559	0.004182	-2.046748	0.0441
X4	-0.164671	0.648176	-0.254052	0.8001
X5	-0.069842	0.032211	-2.168293	0.0332
Weighted Statistics				
Root MSE	0.123199	R-squared		0.243283
Mean dependent var	0.254958	Adjusted R-squared		0.194775
S.D. dependent var	0.142476	S.E. of regression		0.127850
Sum squared resid	1.274961	F-statistic		5.015357
Durbin-Watson stat	1.812614	Prob(F-statistic)		0.000491

probability of 0.0000, indicating a value less than the standard significance level of 0.05. Therefore, given that H_0 is not accepted, the Random Effect Model (REM) is deemed more appropriate compared to the Common Effect Model (CEM) within the context of this research.

3.3 Classical Assumption Test

1. Normality Test

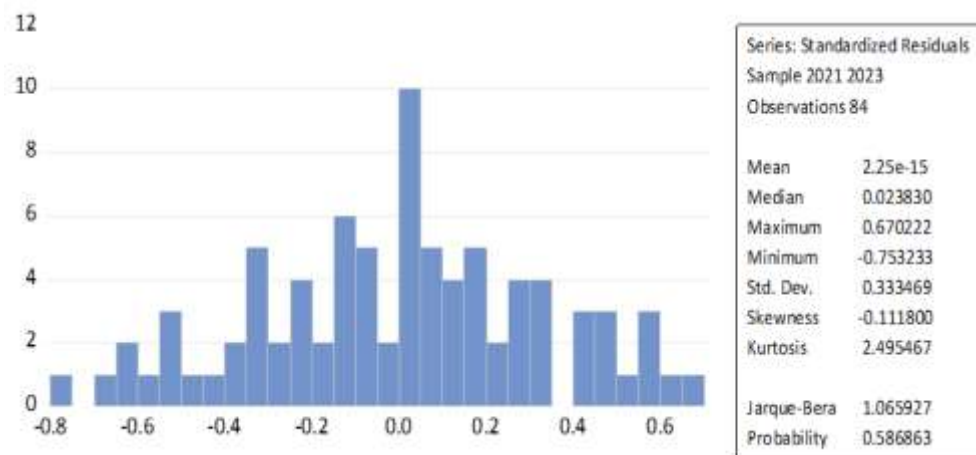


Figure 2. Result of Normality Test

As the Jarque-Bera probability of 0.586863 exceeds 0.05, the null hypothesis of normality is accepted, confirming that the distribution of residuals is statistically normal.

2. Multicollinearity Test

Table 5. Result of Multicollinearity Test

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.390104	302.6899	NA
X1	0.083115	3.620044	2.947094
X2	0.047965	23.24604	2.809640
X3	5.72E-06	9.270366	1.048243
X4	0.623673	2.534104	1.153911
X5	0.000390	265.1302	1.239971

According to the empirical findings, each of the independent variables demonstrates VIF values below the threshold of 10, with the highest value recorded in X2 at 2.809640 and the lowest in X3 at 1.048243. There is no indication of multicollinearity, as evidenced by the diagnostic results.

3. Heteroscedasticity and Autocorrelation Tests

Table
Result

Cross-sectional time-series EGLS regression	
<i>estimated generalized least squares</i>	
Coefficients	
Panels	homoskedasticity
Correlation	no autocorrelation

6.
of

Heteroscedasticity and Autocorrelation Tests

Based on the estimation results using the Generalized Least Squares (GLS) method, the model shows no problems with heteroscedasticity and autocorrelation, as indicated by the statement “no autocorrelation.” This indicates that the model has met the classical assumptions in the autocorrelation test and is suitable for use in panel data regression testing.

3.4 Multiple Linear Regression Equation

Table 7. Result of Panel Data Regression

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.712213	1.016227	2.668904	0.0093
X1	1.212128	0.347086	3.492302	0.0008
X2	1.105326	0.262108	4.217065	0.0001
X3	-0.008559	0.004182	-2.046748	0.0441
X4	-0.164671	0.648176	-0.254052	0.8001
X5	-0.069842	0.032211	-2.168293	0.0332
Weighted Statistics				
Root MSE	0.123199	R-squared	0.243283	
Mean dependent var	0.254958	Adjusted R-squared	0.194775	
S.D. dependent var	0.142476	S.E. of regression	0.127850	
Sum squared resid	1.274961	F-statistic	5.015357	
Durbin-Watson stat	1.812614	Prob(F-statistic)	0.000491	

$$Y = 2.712213 + 1.212128X_1 + 1.105326X_2 - 0.008559X_3 - 0.164671X_4 - 0.069842X_5$$

- 1) The constant term (C) of 2.712213 suggests that, in the absence of influence from the independent variables, the estimated baseline value of the company is 2.712213. This serves as the model's intercept, representing the initial value in the absence of explanatory variables.
- 2) Managerial Ownership (X1) exhibits a positive coefficient of 1.212128, an increase of one unit in managerial ownership is projected to enhance firm value by 1.212128 units, holding other variables constant.
- 3) Institutional Ownership (X2) carries a positive coefficient of 1.105326, suggesting that a one-unit increase in institutional ownership may lead to an increase in firm value by 1.105326 units, assuming other variables remain constant.
- 4) A negative coefficient of -0.008559 for variable Independent Commissioners (X3) suggests that expanding the proportion of independent commissioners tends to slightly diminish the overall valuation of the company.
- 5) An ROA (X4) coefficient of -0.164671 reveals an inverse link between profitability and firm value, where each additional unit of ROA potentially reduces the company's valuation by approximately 0.164671 units
- 6) The data reveals a -0.069842 coefficient for company size (X5), indicating that increasing scale may not always translate into higher firm value, but instead reflects a modest negative association.

3.5 Hypothesis Test Results

Table 8. Hypothesis Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.712213	1.016227	2.668904	0.0093
X1	1.212128	0.347086	3.492302	0.0008
X2	1.105326	0.262108	4.217065	0.0001
X3	-0.008559	0.004182	-2.046748	0.0441
X4	-0.164671	0.648176	-0.254052	0.8001
X5	-0.069842	0.032211	-2.168293	0.0332

1. Partial Test (t-statistics)

- 1) Empirical findings underscore the role of managerial ownership (X1) as a key driver of firm value, supported by significant statistical evidence—namely, a t-score of 3.492302 and a p-value below 0.05 (0.0008).
- 2) The analysis confirms a statistically meaningful and positive link between Institutional Ownership (X2) and firm value, supported by a strong t-statistic (4.217065) and a highly significant p-value (0.0001).
- 3) A statistically significant adverse effect of Independent Commissioners (X3) on firm value is observed, as evidenced by the p-value ($0.0441 < 0.05$) and a t-statistic of -2.046748 , which lies beyond the lower bound of the critical region.
- 4) With a p-value of 0.8001 and a t-statistic of -0.254052 , the profitability (X4) variable (ROA) fails to show a meaningful influence on the firm's value, highlighting its statistical irrelevance in this context.
- 5) Company Size (X5) demonstrates a negative and statistically significant influence on firm value, as evidenced by a probability value of 0.0332 ($p < 0.05$) and a t-statistic of -2.168293 , which exceeds the critical threshold ($-t_{\text{table}} = -2.003$) in the negative direction.

2. Coefficient of Determination

Table 9. Hypothesis Test Results

R-squared	0.243283
Adjusted R-squared	0.194775

The modified R^2 value, or Adjusted R-squared, is set at 0.194775 in the coefficient of determination test. Thus, the coefficient of determination (R^2) suggests that only 19.48% of the shifts in company value can be attributed to the influence of managerial ownership (X1), institutional ownership (X2), independent board of commissioners (X3), profitability (X4), and company size (X5). The statistical findings highlight the relatively minor role played by the independent variables in explaining fluctuations in firm value, with the remaining 80.52% implying that a substantial portion of the variation is driven by unobserved factors outside this research design.

4. Discussion

1) Managerial Ownership (X1) Has a Positive Effect on Company Value (Y)

Based on the regression results on the managerial ownership variable, it shows that managerial ownership demonstrates a statistically significant positive impact on company value. This is evident through the positive regression coefficient value of 1.212128 and the probability value (p-value) of 0.0008, which is below the significance level of 0.05. This indicates that managerial participation in share ownership promotes alignment between the interests of owners and management. The empirical findings lend support to the theoretical propositions of Jensen and Meckling's (1976) agency model, which states that managerial ownership can reduce agency conflicts between agents and principals. This study aligns with the findings of Pratama et al. (2022), Sari & Wulandari (2021), and Fabisik et al. (2021), who found An increase in managerial ownership can enhance firm value by aligning ensuring strategic coherence between company executives and its shareholders, which helps minimize agency problems.

2) Institutional Ownership (X2) Has a Positive Effect on Company Value (Y)

These results imply that institutional investors may play an effective role in corporate governance, thereby contributing positively to the firm's market valuation. This is reflected in the regression coefficient of 1.105326 and a p-value of 0.0001, which is substantially below the 0.05 significance threshold. Institutional ownership is regarded as capable of promoting more professional corporate governance because institutions generally have adequate analytical capabilities and resources to monitor the company's operations. From an agency theory perspective, institutional ownership is an effective external oversight mechanism. As shareholders, institutions tend to have long-term interests and the capacity to closely monitor management in implementing strategies and making decisions. This study, along with those by Shaumi & Srimindarti (2022), Angga & Hapsari (2024), and Nguyen & Dao (2022), found that institutional ownership serves as a positive determinant of company value.

3) Independent Board of Commissioners (X3) Has a Negative Effect on Company Value (Y)

The negative coefficient of -0.008559 , along with a probability value of 0.0441, reveals that independent commissioners significantly diminish the company's valuation in the tested model. These findings show that an increase in the proportion of independent commissioners is actually associated with a decrease in company value. This result contradicts expectations based on agency theory, which states that independent commissioners should be able to perform objective and

effective oversight functions to protect the interests of shareholders. However, in reality, despite their monitoring role, a high proportion of independent commissioners does not always enhance firm value. The negative direction of this influence can be explained by the possibility that the presence of independent commissioners is not yet fully effective functionally. This finding aligns with the research of Safelia et al. (2023), Putriaisyah & Sulfitri (2024), and Fuzi et al. (2023), interestingly, the research found that independent boards of commissioners negatively influence company value, suggesting that their presence does not always align with enhanced firm performance.

4) Profitability (X4) Has No Effect on Company Value (Y)

The regression analysis indicates that profitability, proxied by Return on Assets (ROA), does not significantly influence the value of the company within this model. With a coefficient of -0.164671 and a p-value of 0.8001 ($p > 0.05$), the result is statistically insignificant. Thus, these results indicate that the amount of profit earned by a company does not directly affect the company's market value as reflected in Tobin's Q value. In the context of signaling theory, companies with high profitability should be able to send positive signals to investors regarding promising financial performance and prospects. However, the insignificant effect of ROA in this study may occur because investors do not respond directly to profits, especially if the company chooses to retain most of its profits. This aligns with the findings of Mercyana et al. (2022), Jahan & Islam (2020), and Harmono et al. (2023), who state that profitability does not have a direct effect on company value.

5) Company Size (X5) Has a Negative Effect on Company Value (Y)

This finding suggests that larger firms may face diminishing returns in terms of value creation or may encounter inefficiencies that negatively impact their market valuation. This is indicated by a regression coefficient value of -0.069842 and a probability value of 0.0332 , which is smaller than the significance level of 0.05 . This negative effect can be explained by the potential for inefficiency in the management of large companies. In addition, large companies often face high operational burdens and overhead costs, which indirectly reduce their attractiveness to investors. As a result, the market may assess that the size of assets does not necessarily reflect efficiency or optimal performance. These results are consistent with research by Pangesti et al. (2020), Hutabarat (2024), and Mercyana et al. (2022), which states that company size has a negative effect on company value.

5. Summary of Findings, Implications, and Proposed Actions

5.1 Summary

This research explores how Good Corporate Governance (GCG), profitability, and firm size influence the value of companies operating in the infrastructure sector in Indonesia for the period 2021–2023, using 84 observations and using the Random Effect Model approach, the analysis reveals that both managerial and institutional ownership have a positive and statistically significant influence on firm value, indicating their role in aligning managerial actions with shareholder interests and enhancing corporate governance effectiveness. This finding highlights the crucial role of ownership structures in strengthening governance mechanisms and contributing to value enhancement. Conversely, independent board members and firm size demonstrate a statistically demonstrates a notable negative impact on the company's value, indicating

that these factors may hinder value creation within the company, reflecting that the presence of independent board members is not yet optimal and larger firms are not necessarily more efficient in creating value. Meanwhile, profitability did not demonstrate a meaningful impact on the company's value, indicating it may not play a substantial role in determining firm performance, indicating that profit is not yet a primary factor in investor valuation in this sector.

5.2 Implication

1. Theoretical Implication

The theoretical implications of this study reinforce the existing literature on the determinants of firm value, particularly within the framework of GCG, profitability, and firm size. These findings support agency theory by showing that managerial and institutional ownership can increase firm value through effective oversight mechanisms. Conversely, the negative influence of independent boards of commissioners and company size confirms that the effectiveness of governance and business scale depends on the quality of their implementation. The lack of a significant effect of profitability on company value suggests that investors may place greater emphasis on other performance indicators or governance factors when assessing firm value in certain contexts, market expectations are more dominant than financial performance in determining perceptions of company value.

2. Practical Implication

These findings offer strategic guidance for company management to enhance firm value through the strengthening of internal governance mechanisms. Managerial and institutional ownership have been shown to contribute positively to company value, so companies are advised to encourage shareholder involvement in strategic decision-making to minimize agency conflicts. On the other hand, the negative results for the independent board of commissioners variable and company size indicate that the effectiveness of oversight and business scale are not solely determined by quantity but also by the quality of functions and managerial efficiency. Additionally, the finding that no significant relationship is found between profitability and corporate value underscores the importance of considering external factors, such as market expectations and growth prospects, in corporate value enhancement strategies.

5.3 Proposed Actions

1. In order to gain a more comprehensive understanding of the factors that influence company value, it is recommended that future researchers include more external variables, such as foreign ownership structure, audit committees, or liquidity levels.
2. To produce more representative and applicable findings, future research could expand the scope of the industrial sector.
3. Additionally, it is recommended to extend the observation period to allow for a more in-depth and consistent analysis of the relationships between variables over time. As a result, the research findings can reflect market conditions more comprehensively and be relevant for strategic decision-making.

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