FINANCIAL PERFORMANCE MEDIATES THE EFFECT OF GOOD GOVERNANCE ON COMPANY VALUE IN INDONESIAN MANUFACTURING COMPANIES

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ABSTRACT

This study is a quantitative study to assess financial performance mediating the influence of good governance on the value of manufacturing companies in Indonesia, the food & beverage sub-sector manufacturing listed on the Indonesia Stock Exchange (IDX) in 2019-2023. The population of manufacturing companies in the food and beverage sub-sector listed on the IDX in 2019-2023 is 102 companies, but only 23 companies meet the criteria and requirements that publish their financial reports consecutively. Data processing uses the EViews application. The results of the study indicate that good governance has an effect on company value, good governance does not affect financial performance value, and financial performance does not affect company value. And financial performance is unable to mediate the influence of effective governance on company value.

Keywords: *Financial Performance; Good Governance; Company Value*

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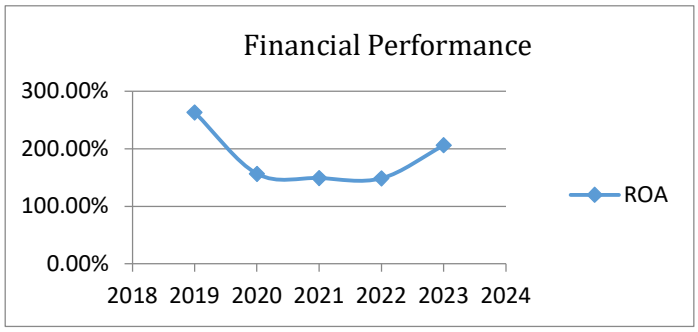
INTRODUCTION

In an increasingly complex and competitive business world, company value is one of the tools for stakeholders to assess the success of a company (Nurzaeni et al., 2023). Company value not only reflects the financial performance of this compilation, but also future growth prospects (Jamaludin et al., 2024). Therefore, efforts to increase company value are a basic emphasis for management, especially in the manufacturing industry which has its own characteristics and challenges (Wati et al., 2023).

The current economic conditions have created competition between companies, competition in the manufacturing industry is characterized by the large number of imported products and illegal products that easily enter the Indonesian market, thus becoming an obstacle for manufacturing companies in Indonesia to dominate the market (Hidayat, 2022). One of the important objectives of establishing a company is to increase the welfare of its owners or shareholders, or maximize shareholder wealth, by improving company performance (Ahmad et al., 2023). The improvement of the company's performance can be achieved if the company is able to operate by achieving the targeted profit so that it can increase the company's value and be superior in facing business competition. The company's value is indicated by the company's stock price which reflects investment, spending and dividend decisions (Nazariah et al., 2023). The higher the company's stock price, the higher the value of the company, conversely, the lower the stock price, the lower the value of the company (Nuradawiyah & Susilawati, 2020).

To measure the rate of return on assets issued by the company, the return on assets (ROA) is calculated (Raharjo et al., 2020). This study on the effect of financial performance in this case ROA on company value shows inconsistent results. A positive ROA indicates that from the total assets used to operate, the company is able to provide profit to the company. Conversely, if the ROA is negative, it indicates that the company is experiencing losses. The higher the ROA, the better the company's performance, because the funds invested in assets can generate higher Earning After Tax (EAT) (Erawati & Wea, 2021).

The Food and Beverages sector was chosen as the research object because this manufacturing subsector is subject to the strictest quality control, hygiene, safety, and public consumption regulations. This industry directly impacts the basic needs of the community, leading to a high level of public trust and sensitivity to corporate governance issues. Furthermore, the Food and Beverages subsector has a relatively stable and defensive market structure, allowing changes in company value to be better explained by internal factors such as the quality of Good Corporate Governance implementation and financial performance, rather than simply fluctuations in the economic cycle. Given these characteristics, this subsector is considered the most relevant for examining whether financial performance mediates the influence of corporate governance on company value, as the impact of governance implementation in this subsector is much more visible financially, reputationally, and in terms of market response than in other manufacturing subsectors. Based on the results of the return on assets calculation, in food and beverage companies listed on the IDX for the 2019-2023 period. The average return on assets in 2019 was 263.38%, in 2020 it fell to 156.66%, in 2021 it fell again to 149.08%, in 2022 it was worth 148.78% and in 2020 it rose drastically to 206.17%. For more details, see the following graph:



Source: idx.com, 2024

Figure 1
Return on Assets (ROA) graph

Based on this phenomenon, it can be explained that good corporate governance has an effect on the value of manufacturing companies in the food & beverage sub-sector listed on the Indonesia Stock Exchange (IDX) in 2019-2023 (Kurniawan & Asyik, 2020; Franita, 2018). Good Corporate Governance (GCG) is a system, principle, and mechanism used to regulate and control a company to create a balance between the interests of management, shareholders, and other stakeholders (Titania & Taqwa, 2023). The implementation of good GCG contributes to increasing the company's value in both the short and long term (Kurniawan & Asyik, 2020). Good governance creates transparency and accountability, which can strengthen investor confidence in company management (Franita, 2018). When investors believe that a company is well-managed and ethical, they are more interested in investing. This increases demand for the company's shares, driving up the company's share price and market value.

The purpose of this study is to determine and analyze how the implementation of Good Corporate Governance affects company value in manufacturing companies in the Food and Beverages subsector in Indonesia. Furthermore, this study also aims to identify the extent to which Good Corporate Governance can improve company financial performance. This study also aims to examine how financial performance affects company value. Furthermore, this study was conducted to test whether financial performance plays a mediating role in the relationship between Good Corporate Governance and company value. Thus, this study is expected to provide a more comprehensive picture of the relationship between corporate governance, financial performance, and company value, thus contributing both theoretically and practically to investors, management, and regulators in the Indonesian capital market, particularly in the Food and Beverages subsector.

LITERATURE REVIEW, RESEARCH FRAMEWORK, AND HYPOTHESES (IF ANY)

Good Corporate Governance is a set of rules designed to ensure that companies are managed in an ethical and responsible manner (Hidayat et al., 2021). The goal is to protect the interests of all stakeholders, including shareholders, employees, customers and the wider community (Mirza, 2020). GCG also focuses on improving the company's long-term performance through transparency and accountability. Company Value is the investor's perception of the manager's level of success in managing the company's resources entrusted to him, which is often associated with stock prices (Wardana, 2022). In addition, the company value is a value that reflects how much the investor is willing to pay for a company (Irawan & Apriwenni, 2021). High stock prices also make the company

value high. The stock price is the price that occurs when the stock is traded on the market (Siswantoro, 2020). Company value is a certain condition that has been achieved by a company as a depiction of public trust in the company after going through a process of activities for several years, namely since the company was founded until now (Handayani & Mardiansyah, 2021). The company's financial performance is generally defined as the company's capability in carrying out business capital turnover where the funds will return to the company and generate returns or profits (Apryanti, 2022). Financial performance is a company's achievement in optimizing all existing resources with recorded performance results and can be known through financial reports published in a certain period (A'iniyah & Taufiqurahman, 2021). The level of financial performance can be used as a basis for business owners in assessing the success or failure of the company's operational performance where the formulated strategic policies are implemented by the managerial ranks (Izzudin & Dahtiah, 2020). The following is the research framework and hypothesis in this study:

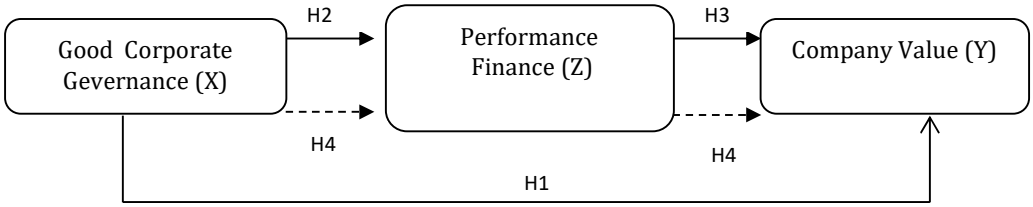


Figure 2
Research Framework

Based on previous theories and research, the framework of thought formed for the proposed hypothesis is as follows:

H1: Good Corporate Governance has a positive effect on company value in manufacturing companies listed on the IDX for the 2019-2023 period

H2: Good Corporate Governance has a positive effect on the financial performance of corporate relations in manufacturing companies listed on the IDX for the 2019-2023 period

H3: Financial performance has a positive effect on the company value of manufacturing companies listed on the IDX for the 2019-2023 period

H4: Financial performance mediates the effect of Good Corporate Governance on the company value of manufacturing companies listed on the IDX for the 2019-2023 period

METHOD

The type of data in this study is quantitative and uses secondary data in the form of documentation of the Company's financial reports. The data objects in this study are manufacturing companies in the food and beverage sub-sector listed on the IDX in 2019-2023 that publish their financial reports consecutively.

The population in this study was 102 companies and only 23 companies that met the criteria in this study published their financial reports consecutively. Data processing was carried out using the Eview application, where this study is a study with cross-section and time series data in panel data analysis with Eviews providing more accurate and in-depth results. The data analysis technique used in this study is a descriptive analysis

technique, panel data regression model, classical assumption test, hypothesis testing by selecting a test model, namely the chow test, hausman test and LM test (Agung, 2011).

RESULTS AND DISCUSSION

Data Analysis

The selection of CEM, FEM, and REM models was carried out to determine the appropriate method for the research being conducted, therefore the Chow test, Hausman test, and Lagrange multipler test were used (Agung, 2011).

1. Uji Chow

The Chow test is a statistical testing method used to determine whether there are differences in regression structure parameters between two data sets or two different time periods. This test is conducted to determine whether the regression models used should be combined into one overall model or separated into two separate models due to their different characteristics and influencing variables (Agung, 2011). In a research context, the Chow Test is typically used to test for structural breaks or structural changes in the relationship between variables, for example, before and after an economic crisis, before and after the implementation of a particular policy, or to compare two groups of companies (e.g., companies with high versus low governance). If the Chow Test results indicate that the regression models differ significantly, then the models cannot be compared, so separate analysis models are needed for each group or period. The main purpose of the Chow Test is to determine whether the two regression models being compared have the same parameters. Through these test results, researchers can decide whether the regression models can be analyzed as a single model or need to be treated separately. Thus, the Chow Test helps improve the accuracy of regression model selection and avoids misinterpretation of research results due to undetected differences in data structure. The following are the results of the Chow Test Structure I:

Table 1
Chow Test Structure I

Effects Test	Statistic	d.f.	Prob.
Cross-section F	2.602128	(22,91)	0.0008
Cross-section Chi-square	56.122186	22	0.0001

Source: Eviews Output 13, 2024

Based on table 1, it can be seen that the results of the chow test on the influence of good corporate governance on company value produce a cross-section F probability value of 0.0008 and a cross-section Chi-square of 0.0001 where in the chow test if the p-value or probability value is smaller than n at a significant level of 0.05, then H0 is rejected and Ha is accepted. Therefore, the estimation model based on the results of the chow test is the Fixed Effect Model (FEM).

The Chow Structure II test is a Chow test model used to compare two periods/two groups of data in the same regression model to determine whether there is a change in the structure of the regression parameters (Agung, 2011). It is called structure II because the comparison is not only the change in the intercept, but also all the regression parameters. Therefore, the focus is to determine whether the two models have the same structure or whether they are significantly different. The Chow Structure II test examines whether the regression models in the two groups/two periods can be combined into one general model or whether they must be separated because their parameters are different.. The purpose of the Chow Structure II Test is to determine

whether there is a difference in model structure (structural break) between two periods or two observation groups, to determine whether the two data groups have the same or different variable relationships so that the model is suitable to be combined or not and to ensure the validity of the model selection before further analysis. The test criteria are if the calculated F> F table there is a difference in model structure and if the calculated F ≤ F table then there is no difference in model structure. Decision Making is if the models are significantly different (F calculated> F table or p < 0.05) the models cannot be combined and must be analyzed separately (because the regression parameters are different). If the models are not different (F calculated ≤ F table or p ≥ 0.05) the models may be combined into one general unified model. The following are the results of the Chow Structure II test.

Table 2
Chow Test Structure II

Effects Test	Statistic	d.f.	Prob.
Cross-section F	13.115326	(22,90)	0.0000
Cross-section Chi-square	165.198031	22	0.0000

Source: Eviews Output 13, 2024

Based on table 2, it can be seen that the results of the chow test on the Influence of good corporate governance on company value produce a cross-section F probability value of 0.0000 and a cross section Chi-square of 0.0000 where in the chow test if the p-value or probability value is smaller than n at a significant level of 0.05 then H0 is rejected and Ha is accepted. Therefore, the estimation model based on the results of the chow test is the Fixed Effect Model (FEM).

2. Hausman Test

The Hausman test is a statistical test used in panel data analysis to determine which model is most appropriate to use between the Fixed Effect Model (FEM) or the Random Effect Model (REM) (Agung, 2011). This test checks whether there is a correlation between the independent variable and the error term. If there is a correlation, then the appropriate model is the Fixed Effect. If there is no correlation, then the Random Effect is more appropriate to use. This test is included in the model specification test that determines the selection of the best panel model before further regression estimation is carried out. The purpose of the Hausman Test is to choose the best panel data analysis model, whether the Fixed Effect model or Random Effect. This is to determine whether the random effect assumption (that each individual has a random effect and is not correlated with the independent variable) is acceptable or not and to avoid model estimation bias due to the wrong choice of regression method. The Hausman Test can be tested from the probability value (p-value) or Chi-Square value. If the p-value <0.05, there is a correlation between the independent variable and the error, and the Fixed Effect Model is used. If the p-value ≥ 0.05, there is no correlation between the independent variable and the error, and the Random Effect Model is used. So, the Hausman Test is the stage of determining the main panel analysis model to ensure that the analysis and interpretation of regression results are unbiased and more accurate. The following are the results of the Hausman Test Structure I.

Table 3
Hausman Test Sctructure I

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	3.365122	2	0.1859

Source: Eviews Output 13 2024

In table 3, the results of the Hausman test are shown with a random cross-section probability value of 0.1859. The conclusion that can be drawn because the probability value > significance level 0.05 accepts H_0 and rejects H_a which means determining REM as the best model to use.

The Hausman Structure II Test is a development of the Hausman test which is used to test whether there are differences in the structure of the regression coefficients and the overall model covariance variance between the two groups or two periods being compared (Agung, 2011). If the Hausman test is usually used to select a fixed effect vs random effect model in panel data, then the Hausman Structure II is used to see whether the overall structure of the regression model in the two groups/two periods is identical or not. The purpose of the Hausman Structure II Test is to ensure whether the regression models in the two groups/two periods have the same parameter estimation structure, to determine whether the regression models can be combined or should be treated as two separate models, to identify whether there are structural breaks in the intercept, slope of the variable, or the overall covariance variance. The Hausman Structure II test criteria are based on the Chi-Square p-value (probability) if the p-value <0.05 there is a difference in the parameter structure of the model cannot be combined, if the p-value ≥ 0.05 there is no difference in the parameter structure of the model can be combined. The Hausman Structure II test is used to determine whether the structure of the regression model in the two groups/two research periods is the same or different. If the result is significant (p <0.05) then the model structure is different and cannot be combined. If it is not significant (p ≥ 0.05) then the model structure is the same and the models can be combined. The following are the results of the Hausman Test Structure II test.

Table 4
Hausman Test Structure II

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.703216	1	0.4017

Source: Eviews Output 13, 2024

Based on table 4, the results of the Hausman test with a random cross-section probability value of 0.417 are visible. The conclusion that can be drawn because the probability value > significance level 0.05 accepts H_0 and rejects H_a, which means determining REM as the best model to use.

3. Lagrange Multiplier Test

The Lagrange Multiplier Test or Breusch-Pagan LM Test is a statistical test in panel data analysis that is used to determine whether the Random Effect model is more appropriate than the Common Effect/Pooled OLS model (Agung, 2011). This test is performed after the fixed effect vs. random effect model has been decided by the Hausman Test. So the LM

Test is the initial stage of model selection before entering FEM vs. REM. The LM Test looks at whether the presence of unique individual company/individual effects in panel data has a significant influence or not. If the cross-sectional effect is significant, then the Random Effect model is more appropriate than the usual Pooled OLS. The purpose of the Lagrange Multiplier Test is to distinguish whether the panel regression model should use Pooled OLS (Common Effect) or Random Effect Model, to test whether the error variance between individuals/companies is different or actually the same (homogeneous), and to determine whether the panel data has a variation between units strong enough to be used with a random effect approach. The test criteria are if the p-value <0.05 there is a difference between individuals Random Effect Model is suitable for use. And if the p-value ≥ 0.05 there is no significant difference between individuals Pooled OLS is sufficient to use. The following are the results of the Lagrange Multiplier Test Structure I.

Table 5
Lagrange Multiplier Test Structure I

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	12.04883 (0.0005)	0.325799 (0.5681)	12.37463 (0.0004)
Honda	3.471143 (0.0003)	-0.570788 (0.7159)	2.050861 (0.0201)
King-Wu	3.471143 (0.0003)	-0.570788 (0.7159)	0.836446 (0.2015)
Standardized Honda	3.699880 (0.0001)	-0.290924 (0.6144)	-1.616790 (0.9470)
Standardized King-Wu	3.699880 (0.0001)	-0.290924 (0.6144)	-2.039559 (0.9793)
Gourieroux, et al.	--	--	12.04883 (0.0009)

Source: Eviews Output 13, 2025

Based on table 5, the results of the LM test with a probability value of 0.00 are visible. The conclusion that can be drawn because the probability value < significance level of 0.05 accepts H_0 and rejects H_a which means determining REM as the best model to use.

The Lagrange Multiplier (LM) Structure II test is a form of LM testing that is used to see whether the regression models in two groups / two different periods have different error variance structures and whether the models should be separated or combined (Agung, 2011). This Structure II tests the entire variance parameter between groups, not just the intercept. LM Structure II is used to test whether there is a difference in error heterogeneity between two models / two data groups so that it is necessary to choose whether the models need to be differentiated or can be combined. The purpose of the LM Structure II Test is to determine whether the regression models used for the two periods or two data groups can still be combined in one general model or must be separated into two different models due to differences in variance structure. The test criteria are if the p-value <0.05 there is a difference in variance structure between the model groups

should not be combined, if the p-value ≥ 0.05 there is no difference in variance between the model groups can be combined. The following are the results of the Lagrange Multiplier Structure II test :

Table 6
Lagrange Multiplier Structure II

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	102.3927 (0.0000)	1.976944 (0.1597)	104.3697 (0.0000)
Honda	10.11893 (0.0000)	-1.406038 (0.9201)	6.160944 (0.0000)
King-Wu	10.11893 (0.0000)	-1.406038 (0.9201)	2.675603 (0.0037)
Standardized Honda	10.58722 (0.0000)	-1.219164 (0.8886)	3.001472 (0.0013)
Standardized King-Wu	10.58722 (0.0000)	-1.219164 (0.8886)	0.062542 (0.4751)
Gourieroux, et al.	--	--	102.3927 (0.0000)

Source: Eviews Output 13, 2024

Based on table 6, the P value <0.05 was obtained. So it can be concluded that the selected model is REM.
Structure I : Y = 2.70911365436 + 0.463287339286*X + [CX=R]
Structure II: Y = 2.5765329491 + 0.205525965042*X + 3.7327365653*Z + [CX=R]

Hypotesis Test

The t table is a table of critical values used in the Student's t-distribution which functions as a reference in determining whether a statistical test result is significant or not in hypothesis testing, especially when the sample size is small (generally n < 30) or when the population variance is unknown (Agung, 2011). The t-table provides a critical value that will be compared with the calculated t obtained from the research statistical calculation. The purpose of using the t-table is to determine the limits of rejection and acceptance of statistical hypotheses in the t-test, to decide whether an independent variable has a significant effect on the dependent variable partially (in regression). After obtaining the calculated t, it is then compared with the t-table value at a certain level of significance (for example, α = 0.05) and degrees of freedom (df = n – k). If the calculated t exceeds the standard, then the variable is proven to have a significant effect. The following are the results of the calculated t-test.

Table 7
t Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.576533	0.721496	3.571100	0.0005
X	0.205526	0.385769	0.532769	0.5952
Z	3.732737	1.679925	2.221966	0.0283

Source: Eviews Output 13, 2025

Based on table 7, the P value is >0.05 in structure I, this means that Ha is rejected and H0 is accepted, besides that, the P value is also <0.05, so Ha is accepted and H0 is rejected.

The F-Test Structure I is used to test the equality of intercepts between groups of regression models. If the test result is significant, then the intercept structures are different and the models cannot be combined. However, if it is not significant, the models can be combined (Gujarati, 2021). The following are the test results.

Table 8
F Test Structure I

R-squared	0.013598
Adjusted R-squared	0.004869
S.E. of regression	2.023433
F-statistic	1.557745
Prob(F-statistic)	0.214576

Source: Eviews Output 13, 2025

Based on table 8, the P value is >0.05, so Ha is rejected and H0 is accepted, so it can be concluded that X simultaneously has no effect on Y. The R-squared value of 0.013 shows that around 13% of the variation in changes in financial performance (Z) can be explained by variable X. Meanwhile, the remaining 87% is explained by other factors outside the model.

F Test Structure II is a test used to determine whether there is a difference in the overall regression parameter structure between two groups / two periods being compared, both in terms of the intercept and the slope coefficient of the independent variable. In other words, F Test Structure II tests whether the two regression models truly have identical functional forms or differ overall, not only in the intercept as in Structure I (Wooldridge, 2016). This test provides model justification whether the same regression can be applied to all data groups with the same parameters, or cannot be generalized. Thus, F Test Structure II helps determine whether a regression model can be combined or not, based on the simultaneous differences in intercept and slope coefficient in the model structure. The following are the results of the calculated f test on structure II.

Table 9
F Test Structure II

R-squared	0.054549
Adjusted R-squared	0.037666
S.E. of regression	2.020578
F-statistic	3.230969
Prob(F-statistic)	0.043231

Source: Eviews Output 13, 2025

Based on table 9, the P value is >0.05, so Ha is rejected and H0 is accepted, so it can be concluded that X simultaneously has no effect on Y. The R-squared value of 0.054 shows that around 5% of the variation in changes in financial performance (Z) can be explained by variable X. Meanwhile, the remaining 95% is explained by other factors outside the model.

R Square Test

The magnitude of the contribution of the good coverate gonance variable to the company's value can be seen in its determination coefficient (Adjusted R-squared) or goodness of fit, which is 0.037666 or 96.23%. This means that the good coverate gonance variable to the company's value to explain the dependent variable, namely the company's value, is 96.23%. While the remaining 3.77% is a contribution from other variables related to the company's value outside this study, so that it becomes a concern for further researchers regarding stock prices.

The Influence of Good Governance on Company Value in Manufacturing Companies

Based on the results of partial regression analysis, it shows that good governance does not affect company value. The results of this study are in line with the study by Laiya et al., (2023), Maryanto et al., (2017), and Khasanah & Sucipto, (2020). Good governance usually has a long-term impact. In the short term, the company's value can be more influenced by external factors such as market conditions, stock price fluctuations, government policies, economic crises. Good governance does not affect the company's value if the implementation of good governance is only symbolic, so it is natural that it does not have an impact on the company's value. In some developing countries or markets that are not yet efficient, investors may not pay much attention to the governance aspect. They focus more on short-term revenue growth or dividends. Therefore, good governance does not provide sufficient market incentives to increase the company's value.

The Influence of Good Governance on Financial Performance in Manufacturing Companies

Based on the results of partial regression analysis, it shows that good governance does not affect financial performance. The results of this study are in line with the study by Titania & Taqwa, (2023), Suryanto & Refianto (2019), Aprila et al., (2022). This is because financial performance is often influenced by internal operational factors, such as cost efficiency, business strategy, resource management, as well as external factors such as macroeconomic conditions, industry competition, and market demand. Therefore, although good corporate governance is important in the long term, in the short term its impact on financial performance cannot be seen directly, or even vaguely by other more influential factors. Good governance does not affect financial performance shows that GCG implementation alone is not enough without the quality and effectiveness of its implementation, financial performance is influenced by many factors, so the impact of GCG may not be seen directly or quickly, it takes time and strong integration between GCG principles and business strategy to truly affect financial performance.

The Influence of Financial Performance on Company Value in Manufacturing Companies

Based on the results of partial regression analysis shows that financial performance does not affect the value of the company. This finding indicates that although the company has

good financial performance is not necessarily reflected in the increase in the value of the company. This is influenced by the value of the company in the eyes of investors not only influenced by historical financial performance, but also by expectations of future growth, business risks and market threats, macroeconomic conditions, market sentiment and management reputation. In addition, the value of the company is determined by a complex combination of financial and non-financial factors, as well as market perceptions of the company's future. Therefore, companies need to build long-term value not only through profitability, but also through investor trust, growth strategies, and management quality. The results of this study are in line with the results of research by Apriandi & Lastanti, (2023), dan Anggara & Ardini, (2021).

Financial Performance Mediates the Influence of Good Governance on Company Value in Manufacturing Companies

Based on the results of the analysis, it shows that financial performance is unable to mediate the influence of good governance on company value. The influence of good governance on company value does not occur through financial performance. This is in line with the results of the study by Kurniawan & Asyik, (2020). In other words, even though the company implements good governance principles, this does not significantly improve financial performance, and ultimately does not provide a real contribution to increasing the company's value through financial performance mechanisms. In practice, many companies implement aspects of good governance only to meet regulations and formalities, such as the existence of an independent board of commissioners, an audit committee, or transparency of financial reports. If the implementation is not substantial, then good governance does not have a real impact on the company's operational efficiency or profitability, which are the main components of financial performance.

Company value is not only formed by profit and financial ratios, but also by market perception, reputation, business wealth, innovation, and expectations of future growth. Good governance can increase company value by increasing investor confidence, reducing managerial and corruption risks, and perceptions of long-term stability. However, if this impact is not reflected through financial performance, then the mediating role of financial performance becomes statistically insignificant. In addition, company value is determined by market sentiment, industrial sector, external risk (macroeconomics), and growth strategy (Nugroho et al., 2025).

CONCLUSION AND SUGGESTION

Based on the results of the analysis and discussion, it can be concluded that financial performance is not able to mediate the influence of good governance on company value. This means that the application of good corporate governance principles has not been able to provide a significant impact on the company's financial performance, and therefore, does not contribute indirectly to increasing company value. This shows that the path of influence of good governance on company value does not occur through the mechanism of financial performance, but rather through direct channels such as investor perception, public trust, and company reputation in the market.

This finding also confirms that company value is not only influenced by internal financial aspects, but also by external factors and market perceptions of governance and long-term desires. Companies should not only focus on implementing governance administratively, but also ensure that good governance values such as transparency, accountability, and integrity are truly internalized into the organizational culture in order to have a real impact on performance and market perception. Investors are advised not

only to assess companies based on financial reports, but also to examine the quality of governance and the company's long-term strategy in maintaining reputation, subscribing to business, and managing risk.

It is recommended to develop a research model by adding other variables as mediators, such as company reputation, managerial risk, or investor confidence levels, to further understand how good governance indirectly affects company value. Meanwhile, for regulators and capital market authorities, it is necessary to implement strengthening policies that not only encourage the implementation of good governance structurally, but also emphasize the effectiveness of its implementation so that it really has an impact on company performance and value.

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