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The Effect of Good Corporate Governance on The Sharia Firm Value Moderated by Financial Performance on The Jakarta Islamic Index 70

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Abstract: *Macroeconomic instability and low investor participation in Indonesia's capital market—especially among sharia-compliant investors—highlight the importance of corporate governance in enhancing firm value. This study examines the effect of Good Corporate Governance (GCG) mechanisms on the value of firms listed in the Jakarta Islamic Index 70 (JII70), and whether profitability, measured by Return on Assets (ROA), moderates this relationship. Using secondary data from 2022–2024 and applying multiple and moderated regression analysis in EViews 13, the results reveal that GCG components (institutional ownership, audit committee, and independent commissioners) do not directly influence firm value. However, profitability significantly moderates the relationship between independent commissioners and firm value. This study contributes to the understanding of GCG effectiveness in sharia firms and highlights the critical role of profitability in strengthening corporate value. The novelty lies in examining this interaction within the context of Indonesia's sharia capital market, offering practical implications for regulators, investors, and company management.*

Introduction

The economic condition of a country significantly influences the investment decisions of investors. When the situation in that country is

perceived as unsafe and not conducive to transparent economic activities, investors are typically reluctant to invest their capital. Research conducted by Bako & Isiaka (2022) indicates a positive relationship between the state of the capital market and the economy in Nigeria. They discovered that a robust capital market can enhance a country's economy. Consequently, regulators, particularly the government, play a crucial role in establishing a capital market ecosystem that is appealing to both domestic and international investors.

Unfortunately, the economic situation in Indonesia has recently become quite concerning due to the weakening exchange rate of the rupiah against the dollar. According to data from Kementrian Perdagangan in 2024, the exchange rate of the dollar to the rupiah reached Rp 16,253.00 by the end of May 2024. (Kementrian Perdagangan, 2024). If the rise in the dollar's value against the rupiah continues, there are fears that the rupiah will decline further, potentially falling below the level seen during the 1998 monetary crisis, which was Rp 16,800.00. Therefore, improvements and enhancements in Indonesia's economy are necessary to attract investor interest. Below is the projection of the dollar to rupiah exchange rate for the period from 2019 to 2024.

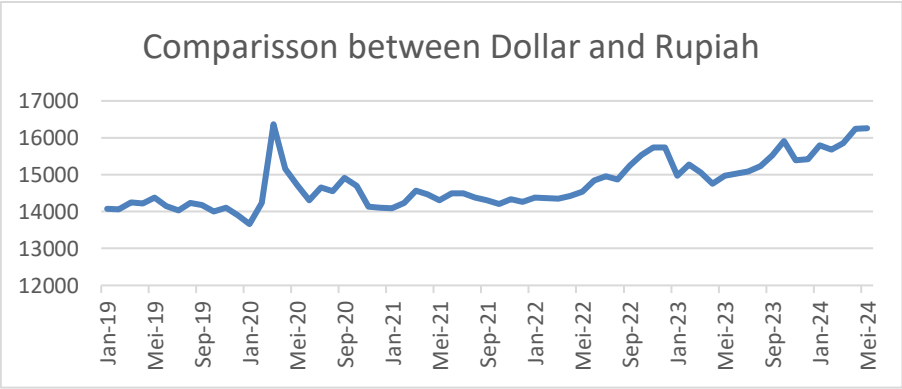

Figure 1: Comparisson between Dollar and Rupiah

Research conducted by Yusnaini (2023) indicates that the exchange rate of the rupiah has a negative and significant impact on the stock prices of banking companies in Indonesia. This suggests that as the value of the

rupiah increases, the valuation of these banking firms decreases. The depreciation of the rupiah raises operational costs and debt burdens, which can lead to a decline in profitability and stock prices. Consequently, in the face of unstable economic conditions and exchange rate fluctuations, companies in Indonesia must enhance the implementation of Good Corporate Governance (GCG) to maintain investor confidence and mitigate financial risks.

The modern business landscape is experiencing rapid growth, necessitating that every company competes vigorously. In this context, firms are required to develop optimal strategies to avoid the threat of bankruptcy. According to Sandi (2024), by mid-June 2024, approximately six textile factories in Indonesia had laid off around 10,000 workers. This situation is exacerbated by the low level of foreign investment in Indonesia. Prasatya (2024) notes that Apple has invested only Rp 1.6 trillion in Indonesia, while its investment in Vietnam has reached Rp 254 trillion. Similarly, Google has invested merely Rp 27.6 trillion in Indonesia compared to Malaysia's Rp 35.5 trillion. These facts illustrate that the Indonesian economy is facing significant challenges. Therefore, improvements are necessary in the Indonesian economy to attract investor interest.

As reported by Binekasri (2024), Sunandar, the Director of Information Technology and Risk Management at Bursa Efek Indonesia (BEI), indicated that out of Indonesia's total population of approximately 280 million, there are merely 12.4 million investors. Among this figure, 5.4 million individuals are engaged in the stock market. According to Putri (2023), Jeffrey Hendrik, the Director of Development at BEI, further noted that the current number of investors remains relatively low when compared to Indonesia's estimated population of around 270 million. In his analysis, he identified four factors contributing to the limited participation of the Indonesian populace in the capital market, one of which is the belief that stock investment does not align with halal principles. Jeffrey elaborated

that the Majelis Ulama Indonesia (MUI) has issued over 20 fatwas regarding the Bursa Efek Indonesia (BEI), ensuring that transactions in the capital market comply with sharia regulations. This is concerning, as more individuals are engaging in online loans than in stock investments, with the Otoritas Jasa Keuangan (OJK) reporting 19.72 million active borrowers in the online lending sector as of December 2022. According to Islamiati (2025), the OJK reported that the total funding for registered online loans reached IDR 77.02 trillion by the end of 2024, with 22.42 million active user accounts. Meanwhile, regarding stock investors, Prakoso (2024) noted that during 2024, the net purchases recorded by investors in the stock market amounted to only IDR 22.13 trillion. This indicates a concerning trend of consumerism amidst the ease of access to digital financing. Ironically, this stands in stark contrast to the low level of participation among the younger generation in productive investments.

The implementation of Good Corporate Governance (GCG), or the management of companies based on sound principles, plays a vital role in the decision-making process. Therefore, corporate governance must exist and be enforced as a necessity in the modern business environment. Ineffective governance practices can harm the interests of shareholders and potentially lead to corporate bankruptcy (Li et al., 2020). To achieve optimal governance standards, companies must implement fundamental principles that support it, which include five main aspects: transparency, independence, accountability, responsibility, and fairness (Burak et al., 2017). According to Asian Corpprate Governance Association (2023), the application of GCG in Indonesia has only reached 35.7%, a figure that remains significantly low. Consequently, improvements in corporate governance in Indonesia are essential.

The implementation of Good Corporate Governance (GCG) principles significantly influence the financial performance of businesses, both in the financial and non-financial sectors. Financial performance can be quantified using numerical indicators expressed in monetary values,

such as the profits earned or liquidity levels. To evaluate a firm's financial performance, various financial ratio approaches can be employed, including liquidity, profitability, leverage, activity, and market ratios. Strong financial performance positively impacts the firm value. One method to enhance a firm's profits is by optimizing its value, which in turn reflects the well-being of stakeholders. This study focuses on measuring financial performance through profitability ratios, particularly Return on Asset (ROA), which serves as an indicator of the income generated for shareholders from company asset (Meifari, 2023). ROA is particularly significant in the context of sharia stocks, as sharia investors tend to avoid speculative practices and place greater emphasis on a company's fundamental performance as the basis for investment decision-making. Consequently, the selection of samples listed in the Daftar Efek Syariah (DES) reflects a focus on companies that not only adhere to sharia principles but are also assessed based on their actual ability to generate profits for shareholders, as evidenced by the ROA ratio.

The index utilized to evaluate stock performance within the Daftar Efek Syariah (DES) is the Indeks Saham Syariah (ISS). According to the Bursa Efek Indonesia (2024), the Sharia stock index serves as a statistical measure that reflects the price movements of a selected group of Sharia-compliant stocks, chosen based on specific criteria aligned with Sharia principles. Notable indices in this category include the Indeks Saham Syariah Indonesia (ISSI), the Jakarta Islamic Index 30 (JII 30), and the Jakarta Islamic Index 70 (JII 70). For this study, JII 70 has been selected as the basis for sample selection due to its inclusion of Sharia-compliant companies with the largest market capitalization and high liquidity, thereby better representing firms with more established and transparent Good Corporate Governance (GCG) practices compared to ISSI. Furthermore, the broader scope of JII 70 relative to JII 30 allows for a more comprehensive analysis of variations in corporate financial performance, particularly in assessing profitability through Return on Asset (ROA) as a

moderating variable.

Agency Theory

The agency theory is a conceptual framework utilized to comprehend the relationship between the principal (owner or shareholder) and the agent (manager or executive) within an organization, where the agent acts on behalf of the principal. The agency relationship arises because shareholders typically lack the time, knowledge, or skills to directly manage the company, prompting them to contract agents (managers) to perform this role. However, conflicts of interest may arise when the objectives of the principal and agent do not always align. One of the early studies employing the agency theory concept in the banking context was conducted by Jensen and Meckling (1976).

Good Corporate Governance

The purpose of GCG is to establish a healthy, transparent, responsible, and accountable environment within companies, aiming to safeguard the interests of all stakeholders involved, including customers, employees, shareholders, suppliers, and the community that has a vested interest in the company. The principles of GCG typically encompass elements such as transparency, accountability, fairness, information openness, and the protection of shareholder interests. Companies that implement high-quality corporate governance practices must adhere to GCG guidelines, which include transparency, independence, accountability, responsibility, and fairness (Lubis & Susanto, 2019).

Financial Performance

According to Rahayu (2020), financial performance serves as a primary indicator for assessing the effectiveness of a company's operations, as reflected in its financial statements. One crucial financial ratio is profitability, which can be evaluated using Return on Asset (ROA). The ROA indicator represents the company's efficiency in generating profits for its own asset, measured through the net income available to firm assets.

Irnawati (2021) asserts that Return on Asset (ROA) is a vital profitability ratio for investors. This view is further supported by Meifari (2023), who states that ROA illustrates the extent to which a company can generate profits using its existing own assets. An increase in ROA can lead to a rise in the company's revenue, which ultimately influences the appreciation of its stock price.

Firm Value

According to Irnawati (2021), a firm's value is reflected in its stock price. The market price of a firm's shares, established between buyers and sellers during transactions, is referred to as the firm's market value, as the stock market price is considered a reflection of the true value of the firm's assets. The firm's value, as indicated by the market stock price, is significantly influenced by investment opportunities. One of the most common indicators, as noted by Irnawati (2021), is the assessment of financial performance through the profits or profitability generated. A higher growth in profits correlates positively with the firm's value or stock price. An effective instrument for evaluating a firm's value that is closely related to profitability is Tobin's Q. This instrument, also known as the Q ratio, measures the comparison between the market value of a firm's physical assets and the replacement cost of those assets, or whether the market value of the company is commensurate with the costs required to replace it (Hayes, 2024). A higher Tobin's Q value indicates an increase in the firm's stock price, as the market assumes that the company is engaged in activities not reflected in official reports. The expected Tobin's Q value is 1, which suggests that it can provide an accurate assessment of the company (market value of assets = book value of assets). If the Tobin's Q value is below 1 or above 1, the company may be categorized as overvalued, which could ultimately attract the attention of parties interested in following the business patterns employed by the company to gain greater profits.

Sharia Share

According to the Peraturan Otoritas Jasa Keuangan No. 17/POJK.04/2015 regarding the Issuance and Requirements of Sharia Securities in the form of Shares by Sharia Issuers or Sharia Public Companies (OJK, 2015), sharia shares are defined as shares that comply with sharia provisions, which include:

a. The contract, management methods, and business activities must not conflict with Sharia principles in the Capital Market.
b. The assets that serve as the foundation for the contract, management methods, and business activities must also align with Sharia principles.
c. The assets associated with the securities and their issuers must also adhere to Sharia principles.

Hypotheses Development

The Effect of Institutional Ownership on Firm Value

Institutional ownership is defined as the percentage of shares held by financial institutions such as pension funds, insurance companies, and other institutional investors. This reflects the extent of control and influence these institutions have over corporate decisions and policies (Jihadi et al., 2021). Agency conflicts arise when management acts in their own interests rather than those of the shareholders (Jensen, M.C., Meckling, 1976). Institutional ownership can effectively mitigate opportunistic management behavior through stringent oversight.

Numerous studies have indicated that institutional ownership positively impacts firm value, as evidenced by Ayuba et al. (2019) and Jihadi et al. (2021). Institutions can exert pressure on management to enhance operational and financial efficiency, which in turn positively affects firm value (Cornett et al., 2003). Companies with high levels of institutional ownership tend to be more attractive to other investors, as they are

perceived to be more stable and well-managed. Research conducted by Raharjo & Muhyarsyah (2021) also suggests that institutional ownership positively influences firm value, although the results were not statistically significant.

H1: Institutional ownership has a positive effect on firm value.

The Effect of the Audit Committee on Firm Value

The audit committee is a group of board members tasked with overseeing the financial reporting process, internal audits, and compliance with regulations. This committee typically comprises independent board members who possess expertise in accounting and finance. An effective audit committee enables a company to enhance transparency and accountability, which in turn can bolster investor confidence (Jia et al., 2019). According to the OECD Principles of Corporate Governance (2023), the presence of an effective Audit Committee is crucial for ensuring corporate transparency and accountability, ultimately fostering investor trust and enhancing firm value. In the context of improving the quality of corporate governance (GCG), the audit committee serves several important functions (OECD, 2023). Various research findings indicate that the audit committee significantly influences firm value, as evidenced by studies conducted by Jia et al. (2019) and Sarhan et al. (2018). Reliable financial reports that are free from manipulation increase investor confidence, which ultimately raises firm value. Overall, the audit committee has a positive impact on firm value, although some studies, such as Özcan (2021), suggest that while there are positive influences, they may not be statistically significant.

H2: The audit committee positively influences firm value

The Effect of Independent Commissioners on Firm Value

Independent commissioners are members of the board of commissioners who do not have any affiliation with controlling shareholders, directors, or the management of the company. They are appointed to ensure objectivity and independence in overseeing the company's performance (OECD, 2023). In their supervisory role, independent commissioners ensure that management acts in the interests of shareholders and avoids actions that could harm the company. Several research findings indicate that independent commissioners have a significant impact on the value of the company, as evidenced by Jia et al. (2019) and Sarhan et al. (2018). Research by Dahya et al. (2008) shows that companies with a higher number of independent commissioners tend to have better financial performance. Overall, independent commissioners positively influence the value of the company, although there are also instances where their influence is positive but not significant, as noted in the study by Dwima & Ruslim (2024).

H3: Independent commissioners positively significant influence on firm value

The Moderating Effect of Profitability on the Relationship between GCG Variables and Firm Value

According to Brigham & Houston (2018), profitability reflects a company's efficiency in utilizing its assets and capital to generate profits. Profitability serves as a key indicator of financial performance, illustrating the firm's ability to produce earnings from its operational activities. In the realm of corporate management, profitability not only acts as a final outcome of performance but also influences the impact of various corporate governance mechanisms on the firm's value. Therefore, it is crucial to investigate how profitability functions as a moderating variable in the relationship between corporate governance mechanisms and firm value.

Research conducted by Darniarty et al. (2023) indicates that there is an effect of Good Corporate Governance (GCG) on firm value, moderated by financial performance. Institutional ownership is expected to enhance effective oversight of management, given their significant interests in the firm. Similarly, the presence of an audit committee is essential for ensuring transparency and accountability in financial reporting, while independent commissioners are anticipated to provide objective oversight free from conflicts of interest. The following hypotheses are proposed.

H4: Profitability moderates the relationship between institutional ownership and firm value.

H5: Profitability moderates the relationship between the audit committee and firm value.

H6: Profitability moderates the relationship between independent commissioners and firm value.

Research Methods

Research Design

The population utilized for this research encompasses all publicly listed companies registered on the Bursa Efek Indonesia (BEI) that were indexed on the Jakarta Islamic Index 70 from 2022 to 2024. The sample employed is a purposive sample, where the population selected for the study consists of companies that meet the sampling criteria. The data were processed using Eviews 13, employing multiple regression and Moderated Regression Analysis (MRA). This study identifies the dependent variable as the firm value, represented by NP, while the independent variables include institutional ownership (KeI), audit committee (KA), and independent commissioners (KoI). Additionally, there is profitability (Pro) that moderates the relationship between the independent variables and the dependent variable of the research.

Tobin's Q ratio is employed to assess the relationship between market valuation and intrinsic value. In other words, this ratio estimates whether a business or market is overvalued or undervalued (Hayes, 2024). The formula for Tobin's Q has several variations. However, since this study utilizes ROA as a moderating variable, the formula to be applied is as follows:

$$Tobin's\ Q = \frac{Market\ Value\ of\ Equity\ +\ Book\ Value\ of\ Debt}{Book\ Value\ of\ Assets}$$

$$Tobin's\ Q = NP$$

Institutional ownership can be defined as the proportion of shares held by financial institutions. This reflects the extent of control and influence that these institutions have over corporate decisions and policies (Jihadi et al., 2021). This variable is measured based on the percentage of shares owned by institutions. To calculate the total outstanding shares, it is necessary to first separate them from the treasury stock. In annual financial reports, this separation is typically carried out directly. If formulated simply, the result is as follows:

$$KeI = \frac{The\ Quantity\ of\ Shares\ Held\ by\ Institutions}{Total\ Outstanding\ Shares}\ x\ 100\%$$

The audit committee is a group of board members tasked with overseeing the financial reporting process, internal audits, and compliance with applicable regulations. This variable is assessed by considering the proportion of financial expertise evident from the backgrounds of the individuals serving as members of the audit committee. This research variable is inspired by Al ahdal et al. (2020). The distinction lies in the current study's examination of the relationship between GCG and firm value, whereas the previous research focused on the relationship between GCG and financial performance. The following is its formulation:

$$KA = \frac{Number\ of\ Members\ with\ Financial\ Background}{Total\ Members\ of\ the\ Audit\ Committee}\ x\ 100\%$$

An independent commissioner is a member of the board of

commissioners who does not have significant ties to the company, whether financially or personally. They serve as objective overseers, unaffected by management interests (Jia et al., 2019). This variable is assessed by considering the proportion of individuals serving as independent commissioners in relation to the total number of board members. Most studies typically focus solely on the ratio of independent commissioners to the total board members, as demonstrated by Jia et al. (2019), Sarhan et al. (2018), and Kyere & Ausloos (2021). For clarity, here is the formula:

$$KoI = \frac{Independent\ Commissioner\ Members}{Total\ Board\ of\ Commissioners\ Members} x100\%$$

One of the measurement tools that can represent profitability is Return on Asset (ROA). According to Meifari (2023), ROA indicates the extent to which a company can generate profit using its existing assets. A high ROA reflects the company's effectiveness in producing earnings from its assets. Researchers consider ROA as a moderating variable because it not only serves as an ultimate outcome of performance but also acts as a factor that can either enhance or diminish the impact of various corporate governance mechanisms on firm value. The formula used is as follows:

$$Pro = \frac{After\ Tax\ Income}{Total\ Asset}\ x100\%$$

Model Selection

The research method employed purposive sampling based on the criteria of annual financial reports from companies indexed on the JII 70 for the period of 2022-2024. The data was subsequently processed using Eviews 13. The analysis process includes descriptive statistics, classical assumption testing, and hypothesis testing. Anwar (2009) stated that descriptive statistics is a type of statistics used to describe data or analyze research results without the aim of generalization. The statistical indicators utilized are mean, maximum, minimum, and standard deviation. This study utilizes panel data, which is a combination of time series data and cross-

sectional data, meaning that observations are conducted over several years across various companies, resulting in a broad and extensive dimension.

There are three estimation approaches that can be applied to panel data regression models, namely the Common Effect Model, Fixed Effect Model, and Random Effect Model. According to Gujarati & Porter (2009), the Chow Test is conducted to determine which approach is preferable, whether the Fixed Effect Model is superior to the Common Effect Model. The basis for the testing criteria to draw conclusions is as follows:

1. If the probability cross-section Chi-square value is ≥ 0.05 (significant value), then H0 is accepted, indicating that the most appropriate model to use is the Common Effect Model (CEM).
2. If the probability cross-section Chi-square value is ≤ 0.05 (significant value), H0 is rejected, suggesting that the most suitable model is the Fixed Effect Model (FEM), followed by the Hausman test.

The Hausman test is employed to ascertain whether the appropriate model is the Fixed Effect Model or the Random Effect Model (Gujarati, D.N, Porter, 2009). This testing is conducted using a Chi Square Statistic-based specification to evaluate the differences between the two models. The criteria for decision-making are as follows:

1. If the probability cross-section random value is ≥ 0.05 (significant value), then H0 is accepted, indicating that the most appropriate model is the Random Effect Model (REM).
2. If the probability cross-section random value is ≤ 0.05 (significant value), H0 is rejected, thus the suitable model is the Fixed Effect Model (FEM).

The Lagrange-Multiplier test is defined as the selection of the model, determining whether the Random Effect or Common Effect model is more appropriate (Gujarati, D.N, Porter, 2009). This test statistic follows the Breusch-Pagan method, with the decision-making criteria as follows:

1. If the Breusch-Pagan probability value is < 0.05, then H0 is rejected, and the model used is the Random Effect.
2. If the Breusch-Pagan probability value is > 0.05, then H0 is accepted, indicating that the most suitable model is the Common Effect.

Classical Assumption

The classical assumption tests encompass five primary aspects: normality, multicollinearity, heteroscedasticity, autocorrelation, and linearity. However, it is not mandatory to conduct all classical assumption tests (Gujarati, D.N, Porter, 2009). The following supporting arguments regarding classical assumption testing are provided by Basuki (2021):

1. Linearity tests are seldom performed on every linear regression model. This is due to the assumption that the model is inherently linear. If such a test is deemed necessary, its purpose is merely to assess the extent of existing linearity.
2. Normality testing is fundamentally not a prerequisite for BLUE (Best Linear Unbiased Estimator), and some opinions suggest that this condition does not need to be strictly fulfilled. This is particularly true when the sample size is large, as it adheres to the Central Limit Theorem (CLT).
3. Multicollinearity testing is essential when linear regression involves more than one independent variable. If there is only a single independent variable, multicollinearity cannot occur.
4. Heteroscedasticity typically arises in cross-sectional data, where panel data is more akin to the characteristics of cross-sectional data than to time series data.
5. Autocorrelation occurs solely in time series data. Testing for autocorrelation in non-time series data (cross-sectional or panel) is futile or meaningless.

Consequently, in panel data analysis, it is only necessary to conduct

tests for multicollinearity and heteroscedasticity. This applies to both the CEM and FEM models that utilize the Ordinary Least Squares (OLS) method. In contrast, the REM model has more flexible requirements as it employs the Generalized Least Squares (GLS) method. The estimators produced by this method are referred to as GLS estimators, which are considered BLUE (Gujarati, D.N, Porter, 2009). Therefore, in the REM model, classical assumption testing is not required.

Hypothesis Testing

In this test, multiple regression, the coefficient of determination, the F-test, the t-test, and Moderated Regression Analysis were conducted. Multiple regression is a statistical method employed to elucidate the relationship between one dependent variable and two or more independent variables (Gujarati, D.N, Porter, 2009). This model extends simple regression by incorporating additional factors that may influence the dependent variable. Subsequently, the coefficient of determination test aims to evaluate the extent to which the regression model can account for the variation in the dependent variable. A low R^2 value indicates that the independent variables have only a limited effect in predicting changes in the dependent variable (Gujarati, D.N, Porter, 2009). The F-test is a statistical method used in regression analysis to determine whether all independent variables in the model collectively have a significant impact on the dependent variable. This test assesses the overall significance of the regression model (Gujarati, D.N, Porter, 2009). If the F-test is significant, it implies that the regression model is capable of explaining the relationship between the variables collectively. The t-statistic test (t-test) is utilized to demonstrate the importance of the influence of each independent variable in explaining the dependent variable. If the t-test is significant, it indicates that the independent variable has a significant effect on the dependent variable. The testing criteria in this study employ a

significance level of 5% (Ghozali, 2018).

Moderated Regression Analysis (MRA) is a statistical analysis technique employed to evaluate moderating effects, which occur when a third variable (the moderator) influences the strength or direction of the relationship between independent and dependent variables. MRA is particularly valuable in understanding how specific conditions or factors can either enhance or diminish the relationship between two other variables within a regression model. Sugiono (2004)conducted the analysis in two stages that examine the regression coefficients. The first stage aims to assess whether the moderating variable significantly affects the relationship between the independent and dependent variables. Meanwhile, the second stage is utilized to determine if the interaction between the independent variable and the moderator is significant. Below is the matrix of types of moderating variables.

Table 1. The Matrix of Types of Moderating Variables

Interaction between the Moderator Variable and the Independent Variable	Significance of the Moderator Variable in Relation to the Independent and Dependent Variables	
	Significant	Not Significant
There is Interaction	Quasi Moderator	Pure Moderator
There is not Interaction	Intervening / Predictor	Homologizer Moderator

Source: (Sugiono, 2004)

Result and Discussion

Statistic Descriptive and Model Selection

The data utilized in this research is sourced from companies listed on the Indonesia Stock Exchange. The information gathered is derived from annual reports published by the Indonesia Stock Exchange for the period spanning 2022 to 2024. Furthermore, the data must be obtained from

the Jakarta Islamic Index 70 (JII 70). Below are the criteria for selecting the research sample.

Table 2. Research Sample

Sample Criteria	Total
Companies indexed on JII 70	70
Companies that have not been consistent on JII 70 for 3 years	-8
Companies with incomplete data	-5
Companies reporting negative profits	-3
Total number of companies meeting the criteria	54
Number of observations over 3 years	162

Source: Manually processed using Ms. Excel

The final sample size in this study encompasses a research period of three years, totaling 162 observations, with an equal distribution of samples per year, specifically 54 companies. Consequently, the sample data utilized in this research constitutes a balanced panel data set. Subsequently, a descriptive analysis was conducted to assess the condition of the data employed in the study. The described data conditions include the mean, maximum value, minimum value, and variance. Descriptive statistical testing was performed on the 162 observations using Eviews 13. The results are presented below.

Table 3. Statistic Descriptive

	NP	KEI	KA	KOI	PRO
Mean	1,902345	0,587643	0,794533	0,378041	0,090580
Median	1,102358	0,590708	0,800000	0,400000	0,069195
Maximum	22,037480	0,900808	1,000000	0,600000	0,454267
Minimum	0,231794	0,056433	0,200000	0,125000	0,001141
Std. Dev.	2,415343	0,179962	0,223792	0,094688	0,075726
Observations	162	162	162	162	162

Source: Manually processed using Eviews 13

Next, the selection of an appropriate regression model estimation for panel data is discussed. Regression model estimation is only conducted when a study applies regression analysis to panel data. There are three types of models: the Common Effect Model (CEM), the Fixed Effect Model

(FEM), and the Random Effect Model (REM), which are essential for obtaining a regression model; thus, this model estimation must be performed. To estimate the data, all three regression models can be utilized. During the analysis, the researcher will select the most efficient regression model. The use of the Chow test, Hausman test, and Lagrange multiplier is aimed at determining the most optimal model. The results of these tests are presented below.

Table 4. Chow, Hausmann, and Lagrange Multiplier Result

Chow Effects Test	Statistic	d.f.	Prob.
Cross-section F	16,342532	-52,99	0.0000
Cross-section Chi-square	359,354381	52	0.0000
Hausmann Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	9,912776	7	0,1936
	Test Hypothesis		
Breusch-Pagan (LM) Test	Cross-section	Time	Both
	99,22532	1,382695	100,608
	0,0000	0,2396	0,0000

Source: Manually processed using Eviews 13

After conducting three testing phases, namely the Chow Test, Hausman Test, and Lagrange Multiplier (LM) Test, the following conclusions can be drawn. First, based on the results of the Chow Test, a significance value of less than 0.05 was obtained, indicating that the Fixed Effect Model is more appropriate than the Common Effect Model. Subsequently, the testing proceeded with the Hausman Test to determine whether the more suitable model is the Fixed Effect Model or the Random Effect Model. The results of the Hausman Test showed a probability value greater than 0.05, leading to the acceptance of H0, and indicating that the Random Effect Model is more efficient than the Fixed Effect Model. Finally, based on the results of the LM Breusch-Pagan Test, a significance value of less than 0.05 was obtained, suggesting that the Random Effect Model is

superior to the pooled OLS model (Common Effect Model). Considering the results of these three tests in sequence, the most appropriate model for this research is the Random Effect Model (REM), as it effectively captures the unobserved individual variations among entities that influence the dependent variable. The Random Effect Model does not require classical assumptions because, according to Gujarati and Porter (2009), this model is based on Generalized Least Squares (GLS), which takes into account the errors present in Ordinary Least Squares (OLS) found in the CEM and FEM models. Therefore, the REM can proceed directly to hypothesis testing.

Hypothesis Testing

In this study, the testing of the hypothesis was conducted through the determination coefficient test, simultaneous significance test (F-test), and partial significance test (t-test). The Adjusted R-squared value of 0,158112 indicates that 15.81% of the variation in the dependent variable can be explained by the independent variables in the model. However, in socio-economic research, particularly in studies of companies or capital markets, a low Adjusted R-squared value is still considered acceptable, as market behavior is influenced by numerous external factors. Furthermore, the results of the F-test from the Random Effect Model demonstrate that the independent variables collectively have a significant impact on the value of the company (Tobin's Q), with an F-statistic value of 5,23 and a significance level of 0,000023. This implies that the independent variables simultaneously affect the dependent variable. Next, for the t-test, the results can be observed in the following table.

Table 5. t-Statistic Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2,186098	0,790861	2,764199	0,0064
KEI	-0,714505	1,062513	-0,672467	0,5023
KA	-1,430900	0,664267	-0,215410	0,8297
KOI	-1,463566	1,145354	-1,277828	0,2033
PRO	-10,403290	4,660640	-2,232159	0,0271
KEI*PRO	5,425075	6,525525	0,831362	0,4071
KA*PRO	4,286793	4,496964	0,953264	0,3420
KOI*PRO	2,648512	10,436240	2,537803	0,0122

Source: Manually processed using Eviews 13

Based on Table 5 of the t-test results, the t value for the institutional ownership variable is -0,672467 with a significance value of 0,5023, which exceeds the significance level of 0.05. This indicates that institutional ownership does not have a significant impact on the firm's value. Consequently, the first hypothesis in this study is deemed unsupported. For the next independent variable, namely the audit committee, the t statistic is found to be -0,215410 with a significance value of 0,8297, which is also greater than the significance level of 0.05. This suggests that the audit committee does not significantly influence the firm's value. Therefore, the second hypothesis in this research is also considered unsupported. Furthermore, for the independent commissioner variable, the t statistic is -1,277828 with a significance value of 0,2033, which is higher than the significance level of 0.05. This indicates that the independent commissioner variable does not have a significant effect on the firm's value. Thus, the third hypothesis in this study is likewise deemed unsupported. In summary, all GCG variables do not significantly affect the firm's value. The next step involves conducting a Moderated Regression Analysis. In accordance with the moderated regression analysis method outlined by Sugiono (2004), two analyses are performed to examine the regression coefficients. The first analysis assesses the significance of the moderator variable in relation to both the independent and dependent variables. The

second analysis investigates the interaction between the moderator variable and the independent variable. Below are the results of the first analysis.

Table 6. First Analysis Results

	Variable	Coefficient	Std. Error	t-Statistic	Prob.
KEI	**C**	2,186098	0,790861	2,764199	0,0064
	KEI	-0,714505	1,062513	-0,672467	0,5023
	PRO	-10,403290	4,660640	-2,232159	0,0271
	Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
KA	**C**	2,186098	0,790861	2,764199	0,0064
	KA	-1,430900	0,664267	-0,215410	0,8297
	PRO	-10,403290	4,660640	-2,232159	0,0271
	Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
KOI	**C**	2,186098	0,790861	2,764199	0,0064
	KOI	-1,463566	1,145354	-1,277828	0,2033
	PRO	-10,403290	4,660640	-2,232159	0,0271

Source: Manually processed using Eviews 13

Based on Table 6, the t statistic values obtained are all -2,232159. Meanwhile, the probability for all is 0,0271. Since the probability is less than 0.05, it can be concluded that there is a significant effect of profitability moderation on all GCG variables and firm value. The next analysis tested is the interaction between the moderating variable and the independent variable. In this section, the primary focus is on the regression coefficients of the interaction between profitability and the GCG variables. The following are the results.

Table 7. Second Analysis Results

	Variable	Coefficient	Std. Error	t-Statistic	Prob.
KEI	C	2,186098	0,790861	2,764199	0,0064
	KEI	-0,714505	1,062513	-0,672467	0,5023
	PRO	-10,403290	4,660640	-2,232159	0,0271
	KEIxPRO	5,425075	6,525525	0,831362	0,4071
	Variable	Coefficient	Std. Error	t-Statistic	Prob.
KA	C	2,186098	0,790861	2,764199	0,0064
	KA	-1,430900	0,664267	-0,215410	0,8297
	PRO	-10,403290	4,660640	-2,232159	0,0271
	KAxPRO	4,286793	4,496964	0,953264	0,3420
	Variable	Coefficient	Std. Error	t-Statistic	Prob.
KOI	C	2,186098	0,790861	2,764199	0,0064
	KA	-1,463566	1,145354	-1,277828	0,2033
	PRO	-10,403290	4,660640	-2,232159	0,0271
	KOIxPRO	2,648512	10,436240	2,537803	0,0122

Source: Manually processed using Eviews 13

Based on Table 7, a t statistic value of 0,831362 and a probability of 0,4071 were obtained for institutional ownership. It can be concluded that there is no significant interaction between the moderating variable of profitability and institutional ownership. Therefore, the type of moderating variable of profitability concerning institutional ownership and firm value can be classified as a moderator predictor. For the moderation on the audit committee, a t statistic value of 0,953264 and a probability of 0,3420 were obtained. It can be concluded that there is no significant interaction between the moderating variable of profitability and the audit committee. Thus, the type of moderating variable of profitability concerning the audit committee and firm value can be categorized as a moderator predictor. Lastly, for the moderation on independent commissioners, a t statistic

value of 2,537803 and a probability of 0,0122 were obtained. It can be concluded that there is a significant interaction between the moderating variable of profitability and independent commissioners. Therefore, the type of moderating variable of profitability concerning independent commissioners and firm value can be classified as a quasi moderator.

Conclusion and Recommendation

There is no significant effect of institutional ownership on firm value. Consequently, the hypothesis asserting that institutional ownership has a significant impact on firm value is rejected. The audit committee does not exert a significant influence on firm value. Therefore, the hypothesis claiming that the audit committee significantly affects firm value is also rejected. There is no significant relationship between the presence of independent commissioners and firm value. Thus, the third hypothesis in this study is rejected. The types of moderation of the profitability variable on GCG and firm value vary. In the case of institutional ownership moderation and audit committee moderation, the relationship is that of a moderator predictor. Meanwhile, regarding independent commissioners' influence on firm value, the status of profitability moderation is classified as quasi-moderation.

The recommendations based on the findings of this research indicate that issuers listed on the Sharia Stock Exchange should enhance the implementation of Good Corporate Governance (GCG) in a comprehensive manner, rather than merely as a formality to comply with existing regulations. For regulators and the Capital Market Authority, the results of this study can serve as an evaluative foundation for formulating or refining regulations and guidelines for GCG applicable to Sharia-compliant companies. For investors and stakeholders, this research suggests that profitability is a crucial factor in strengthening the impact of GCG mechanisms on corporate value. Furthermore, for future research,

considering that the findings of this study reveal limitations in the influence of certain GCG indicators on corporate value, it is recommended that subsequent researchers examine other factors that may act as intervening or moderating variables, such as liquidity, capital structure, or corporate reputation.

Limitation

This research has limitations as it is solely based on the JII70 sharia index, with sectors such as banking, manufacturing, insurance, etc., being combined. The R Square value of 0,158112 indicates that the dependent variable can be explained by the independent variables to the extent of 15.81%, while the remaining 84.19% is accounted for by other variables outside the scope of this study. The duration of the research is limited to a period of only three years.

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