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The Influence of Good Corporate Governance (GCG) and Profitability on Company Value

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ABSTRACT

Objective: *This study aims to test the effect of independent variables on the dependent variable. The independent variables used in this study are Good Corporate Governance (GCG) and Profitability, and the dependent variable is Company Value.* ***Method:*** *The method used in this study is a quantitative method. The population in this study was 32 technology companies listed on the Indonesia Stock Exchange (IDX) in 2021-2023. The sampling technique used in this study was the purposive sampling technique and obtained a sample of 27 companies during the 2021-2023 period with a total sample of 81 financial reports. Hypothesis testing in this study used multiple linear regression analysis with the help of Statistical Package for the Social Sciences (SPSS) version 25 software.* ***Results:*** *In the results of this study, there were extreme data that caused the data to not be normally distributed, so it was necessary to do outlier data. After outlier, the data shows n or the number of samples is 65 from the total initial sample of 81 because 16 of the samples have extreme values or values that are very different from other data so they must be removed from the sample, because by removing data from the sample, the data can return to normal. The results of the study indicate that Good Corporate Governance (GCG) and Profitability do not affect the value of the company.* ***Novelty:*** *This study provides insights into the impact of Good Corporate Governance (GCG) and Profitability on Company Value, highlighting the necessity of data preprocessing through outlier removal to achieve normal distribution.*

INTRODUCTION

Technology companies are entities that specialize in the development and implementation of technologies related to software, hardware, cloud services, mobile applications, and various other technologies. Overall, these companies have a significant role in driving innovation and the advancement of the digital economy. With a strong focus on technology, they continue to create solutions that provide great benefits to the global community. However, amidst the rapid advancement of information and technology today, these companies are required to remain competitive in increasing the value of the company [1].

Technology companies are not only focused on business competition, but also face changes in stock prices. Stocks are a popular financial instrument chosen by companies for funding and investors for investment because they offer attractive profit potential. An increase in stock prices increases investor confidence, thereby increasing the value of the company. Conversely, a decrease in stock prices reduces investor confidence and makes them consider moving their investment to other more profitable companies [2].

The selection of this technology company is because technology companies are one of the companies that play an important role in driving innovation and progress in the

digital economy. With a strong focus on technology, technology companies continue to create solutions that can help the global community at large.

Based on the description in the introduction above, the formulation of the problem in this study is (1) Does the Independent Board of Commissioners have a positive and significant effect on Company Value in technology companies listed on the IDX in 2021-2023?, (2) Does the Audit Committee have a positive and significant effect on Company Value in technology companies listed on the IDX in 2021-2023?, (3) Does Profitability have a positive and significant effect on Company Value in technology companies listed on the IDX in 2021-2023?

Agency Theory

Agency theory helps auditors understand the conflict between agents (managers) and principals (owners). This conflict arises due to information asymmetry, where managers hide information from owners, creating an information imbalance [3].

Signal Theory

Signaling theory provides an overview of signals or signals. Signaling theory is an action taken by company management to provide investors with clues about how management views the company's prospects. The main assumption in signaling theory is that management has accurate information about the company's value that is unknown to outside investors, and management always tries to maximize the expected incentives. This means that management generally has more complete and accurate information than parties outside the company regarding the factors that affect the company's value [4].

Good Corporate Governance (GCG)

Good Corporate Governance (GCG) is a set of rules that govern the relationship between internal and external parties related to rights and obligations [5]. The purpose of Good Corporate Governance (GCG) is essentially to create added value for all stakeholders [6]. These parties are internal parties including the board of commissioners, directors, employees, and external parties including investors, creditors, government, society and other interested parties (stakeholders). Good Corporate Governance (GCG) is one of the steps taken by the company in managing its company and being responsible for the company's stakeholders. In this study, GCG is practiced with an independent board of commissioners and an audit committee.

Profitability

Profitability is a company's benchmark that can state whether the company has good or bad performance in operating. Profitability is the company's ability to generate profits that can be considered as a company signal to attract 20 investors to invest their capital in the company[7].

Company Value

Company value is an investor's view of a company related to its stock price[5].

RESEARCH METHOD

Type of Research and Research Population

The type of research used is quantitative research using secondary data using financial reports and annual reports on technology companies. Quantitative research methods are research methods used to research certain populations or samples, data collection using research instruments, quantitative / statistical data analysis, with the aim of testing the established hypothesis [8]. The data analysis technique in this study uses the Statistical Package for the Social Sciences (SPSS) software version 25. The Statistical Package for the Social Sciences (SPSS) is a data processing application that is able to analyze data and perform statistical calculations. The population used in this study were technology companies listed on the Indonesia Stock Exchange (IDX) for a period of 3 years, namely from 2021-2023.

Sampling Technique

Sampling in this study was carried out based on the purposive sampling method. The purposive sampling method is a sampling determination technique whose information is obtained using certain considerations or criteria: (1) Technology companies listed on the Indonesia Stock Exchange (IDX) in 2021-2023, (2) Technology companies that present financial statements and annual reports during 2021-2023, (3) Technology companies that experienced profits during the research period, namely 2021-2023. Based on these criteria, a research sample of 27 companies was obtained from 34 companies.

Variables and Operational Definitions of Variables

Dependent Variable

The dependent variable in this study is the company's value. The measurement of company value in this study uses Tobin's Q. The following is the Tobin's Q formula:

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

Description:

Market Value of Equity = Number of common shares outstanding multiplied by closing stock price

Total Debt = Total of short-term debt plus long-term debt

Total Assets = Total of current assets plus non-current assets

Independent Variables

The independent variables in this study consist of two variables, namely good corporate governance and profitability. The Good Corporate Governance (GCG) mechanism in this study uses two proxies, namely: (1) independent board of commissioners (2) audit committee. To measure the independent board of commissioners, it is calculated from the number of independent commissioners in the company's leadership ranks. The independent board of commissioners can be measured using the formula:

$$\textbf{DKI} = \text{Number of Independent Commissioners}$$

Description:
DKI = Independent Board of Commissioners

To measure the audit committee, namely by calculating the number of audit committees owned by the company. The Audit Committee in this study was measured using the formula:

$$\textbf{KA} = \text{Number of Audit Committee Members}$$

Description:
DKI = Independent Board of Commissioners

Profitability (Return on Investment)

The independent variable of profitability in this study uses measurement with Return on Investment (ROI). The following is the ROI formula:

$$\textbf{ROI} = \frac{\text{Earning After Interest and Tax}}{\text{Total Assets}}$$

Description:
ROI = Return on Investment

Descriptive statistics is a data analysis method used to analyze and describe the characteristics of research data specifically [9]. The goal is to present information about research variables, such as minimum, maximum, average and standard deviation values, without making general conclusions. Multiple Linear Regression Analysis is a statistical method used to analyze the relationship between two or more independent variables with one dependent variable, to understand the influence of these variables simultaneously [10]. The independent variables in this study are the Independent Board of Commissioners (DKI), Audit Committee (KA) and Profitability (Profit) and the dependent variable is Company Value (NP). The Independent Board of Commissioners (DKI) and Audit Committee (KA) variables are proxies for the Good Corporate Governance (GCG) variable.

RESULTS AND DISCUSSION

In the results of this study, there are extreme data that cause the data to not be normally distributed and the data to be biased, so it is necessary to carry out data outliers. Outliers are data that have very different and unusual values compared to other data, so they are considered exception data [11]. After conducting outliers in this study, the data showed n or the number of samples was 65 from the total initial sample of 81 because 16 of the samples had extreme values or values that were very different from the other data so they had to be removed from the sample, because by removing the data from the sample, the data could return to normal.

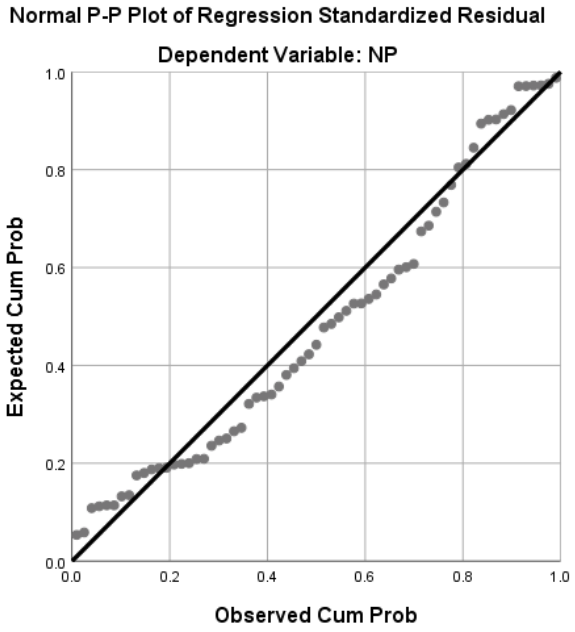
Table 1. Descriptive statistical test after outliers.

Descriptive Statistics					
	N	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
DKI	65	1	4	1.46	.663
KA	65	0	4	2.85	.667
Profit	65	.0000000000	.5365857230	.058368450028	.0815172300109
NP	65	.086327198	3.966866253	1.58375885745	1.028321641188
Valid N (listwise)	65				

Source: Data Processed by Researchers, 2025

Based on the Descriptive Statistical Test Results After Outlier in Tabel 1 above, it shows the sample results amounting to 65 with the interpretation of the descriptive statistical results as follows:

1. The Independent Board of Commissioners variable has a minimum value of 1, a maximum value of 4, an average value of 1,46 and a standard deviation of 0,66.
2. The Audit Committee variable has a minimum value of 0,00, a maximum value of 4, an average value of 2,85 and a standard deviation of 0,66.
3. The Profitability variable has a minimum value of 0,00, a maximum value of 0,53, an average value of 0,05 and a standard deviation of 0,08.
4. The Company Value variable has a minimum value of 0,08, a maximum value of 3,96, an average value of 1,58 and a standard deviation of 1,02.



Source: Data Processed by Researchers, 2025

Figure 1. Results OF normality test after outliers.

Based on the results of the probability-plot normality test after outliers in Figure 1 above, it can be seen that after the outlier, the data shows that it has been normally

distributed because the points are close to and in the same direction as the diagonal line. This shows that the data has met the probability-plot normality test criteria.

Table 2. Results of normality test after outliers.

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		65
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	1.00589015
Most Extreme Differences	Absolute	.098
	Positive	.098
	Negative	-.072
Test Statistic		.098
Asymp. Sig. (2-tailed)		.200[c,d]
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		
d. This is a lower bound of the true significance.		

Source: Data Processed by Researchers, 2025

Based on the results of the normality test in table 2 above, the significance value is 0,200 which indicates that the value is more than 0,05. This indicates that the data is considered normal and has met the Kolmogorov-Smirnov test criteria.

Table 3. Multicollinearity test results.

Coefficients[a]			
		Collinearity Statistics	
Model		**Tolerance**	**VIF**
1	DKI	.969	1.032
	KA	.991	1.009
	Profit	.978	1.023
a. Dependent Variable: NP			

Source: Data Processed by Researchers, 2025

Based on table 3 above, the results of the calculation of the tolerance value show that each independent variable has a tolerance value greater than 0,10, which means there is no correlation between the independent variables. In addition, the VIF value also shows that no independent variables have a VIF value of less than 10,00. This can be concluded that there is no multicollinearity among the independent variables. Thus, it can be concluded that the regression model in this study meets the requirements to be a

good regression model because there is no correlation between the independent variables.

Table 4. Autocorrelation test results.

Model Summary[b]

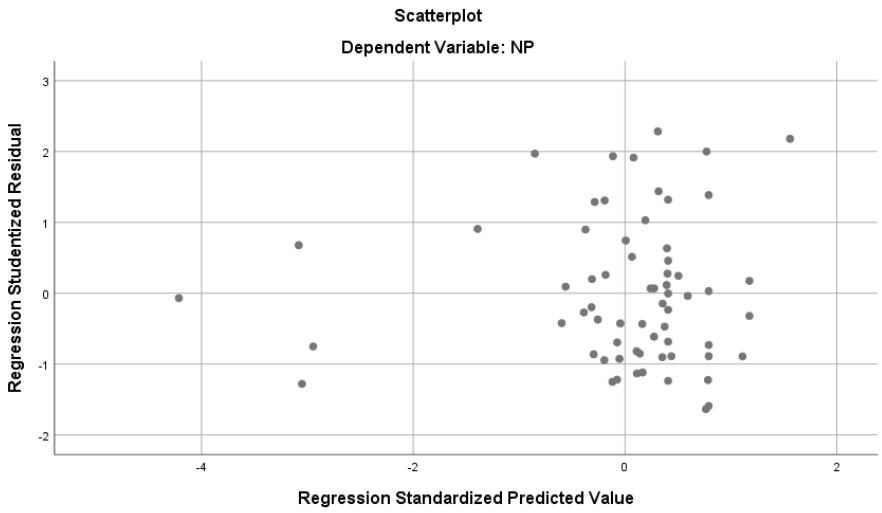
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.208[a]	.043	-.004	1.030328290215	1.922

a. Predictors: (Constant), Profit, KA, DKI

b. Dependent Variable: NP

Source: Data Processed by Researchers, 2025

Based on table 4, the results of the Durbin-Watson test above show that the Durbin-Watson value of 1,922 is compared to using a significance value of 0,05, the number of samples (T) = 65. By looking at the Durbin-Watson table, it is found that the dL value = 1,503 and dU = 1,696. Based on the Durbin-Watson value of 1,922, it is greater than dU, which is 1,696 and less than 4-dU, which is 2,304. So as the basis for the decision in the Durbin test above, it can be concluded that there is no autocorrelation.



Source: Data Processed by Researchers, 2025

Figure 2. Heteroscedasticity test results.

Based on Figure 2 above, it can be seen that there is no heteroscedasticity because the points do not form or spread above and below 0 on the Y axis.

Table 5. T-test results.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.898	.624		1.438	.155

DKI	.082	.197	.053	.416	.679
KA	.230	.194	.149	1.186	.240
Profit	-1.529	1.598	-.121	-.957	.342

a. Dependent Variable: NP

Source: Data Processed by Researchers, 2025

The following is the formula for the multiple linear regression equation, the following equation can be seen:

$$NP = 0{,}898 + 0{,}082DKI + 0{,}230KA - 1{,}529Profit + e$$

Based on table 5, the results of the T test above can be seen as follows:

1. Independent Board of Commissioners Variable on Company Value
   Based on table 5 above, it is known that the t-value of the Independent Board of Commissioners variable is 0,416 because the t-value of 0,416 < t table 1,670 and the sig. value of 0,679 > 0,05. So it can be concluded that the first hypothesis is rejected. This means that there is no influence between the independent board of commissioners on company value.
2. Audit Committee Variable on Company Value
   Based on table 5 above, it is known that the t-value of the audit committee variable is 1,186 because the t-value of 1,186 < t table 1,670 and the sig. value of 0,240 > 0,05. So it can be concluded that the second hypothesis is rejected. This means that there is no influence between the audit committee on company value.
3. Profitability Variable on Company Value
   Based on table 5 above, the calculated t value of the Profitability variable is -0,957 because the calculated t value is -0,957 < t table 1,670 and the sig. value is 0,342 > 0,05. So it can be concluded that the third hypothesis is rejected. This means that there is no influence between the audit committee and company value.

CONCLUSION

Fundamental Finding : This study reveals that Good Corporate Governance (GCG), as proxied by the Independent Board of Commissioners and the Audit Committee, along with Profitability, does not have a significant influence on the Company Value of technology companies listed on the Indonesia Stock Exchange during the 2021–2023 period. Specifically, the presence of independent commissioners and audit committees did not statistically affect firm value, indicating that merely having these structures in place is insufficient without assessing their quality and effectiveness. Similarly, profitability also showed no significant effect, suggesting that short-term profit performance is not the primary consideration for investors in evaluating the worth of technology firms, especially when many of these firms are still experiencing net losses.
Implication : The findings imply that investors in Indonesia's technology sector may place less emphasis on traditional indicators like governance structure and profitability when assessing firm value. This could be due to the unique characteristics of technology

companies, where growth potential, innovation, and market positioning might outweigh financial metrics or governance benchmarks. For policymakers and corporate leaders, this highlights the importance of focusing not only on compliance with governance standards but also on enhancing the quality and credibility of those mechanisms. It also suggests a need to reconsider investor education and disclosure practices to better align market perception with corporate fundamentals. **Limitation :** Despite providing relevant insights, this study has several limitations. It only covers a three-year period (2021–2023) and is limited to technology companies listed on the Indonesia Stock Exchange, which may not capture broader industry dynamics or long-term patterns. The use of only quantitative proxies, such as the number of independent commissioners and audit committee members, without evaluating their actual function or performance, might not fully reflect the true effectiveness of corporate governance. Additionally, external macroeconomic factors that may influence company value were not included in the analysis, which may have affected the interpretation of the results. **Future Research :** Future studies should consider a broader time frame and include a more diverse sample of companies from different sectors to explore whether these findings are consistent across industries. It is also recommended to incorporate qualitative assessments of governance quality, such as the expertise, independence, and involvement of board members and audit committees. Moreover, examining other variables that may influence company value—such as innovation capability, customer base, or ESG factors—would provide a more comprehensive understanding of what drives investor decisions in the technology sector. Exploring investor perceptions through surveys or interviews could also enrich the findings and offer practical recommendations.

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