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THE INFLUENCE OF FINANCIAL DISTRESS, EARNINGS MANAGEMENT, AND FINANCIAL PERFORMANCE ON FIRM VALUE WITH GOOD CORPORATE GOVERNANCE AS A MODERATING VARIABLE

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ABSTRACT

This study examines the influence of financial distress, earnings management, and profitability on firm value, with good corporate governance (institutional ownership) as a moderating variable. Focusing on infrastructure sector companies listed on the Indonesia Stock Exchange from 2019 to 2023, this research employs Tobin's Q to measure firm value, the Altman Z-Score for financial distress, the modified Jones model for earnings management, and Return on Assets (ROA) for profitability. The findings reveal that profitability positively and significantly affects firm value, while financial distress and earnings management show no significant impact. Additionally, institutional ownership does not moderate the effects of financial distress and earnings management on firm value, though it successfully moderates the relationship between profitability and firm value. These results underscore the importance of profitability and good corporate governance in enhancing firm value, with implications for investor decision-making and corporate strategy in Indonesia's infrastructure sector.

KEYWORDS *Financial Distress, Firm Value, Good Corporate Governance, Indonesia Stock Exchange*

INTRODUCTION

Company value is a reflection of how the company has managed to achieve optimal financial performance and stability in the face of global competition and uncertain economic fluctuations. The importance of company value is not only limited to financial aspects, but also affects the company's image and reputation in the eyes of investors and the general public. The ever-changing and dynamic global

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economy has presented various challenges for companies, especially in managing financial risks and maintaining company value.

Good Corporate Governance acts as a watchdog to ensure that management is not only responsible for transparent and ethical practices, but also for managing financial risks well, preventing harmful earnings management practices, and encouraging business strategies that are oriented towards long-term profitability. With strong Good Corporate Governance, companies have a greater chance of overcoming potential Financial Distress, minimizing harmful earnings management practices, and increasing profitability on an ongoing basis, which in turn can result in an increase in overall company value.

The case of PT Nusa Konstruksi Enjiniring Tbk (DGIK), is known to have revised its financial statements in the first quarter of 2023, from previously recording a loss of Rp5.22 billion to a profit of Rp5.12 billion or a net profit jump of 198% at the General Meeting of Shareholders (GMS). This was questioned by a number of shareholders, the irregularities in the financial statements because it has the potential to harm minority shareholders, creditors and potential investors,

The construction company, WSKT, the Financial Services Authority (OJK) said that the BUMN Karya's debt to all banks has now touched IDR 46.21 trillion. The impact of WSKT's current debt has triggered its shares to be suspended with a special notation of a request for postponement of debt payment obligations (PKPU), where the current share price is at Rp202 per share.

The case illustrates a lack of transparency in financial reporting and manipulation that harmed investors and the company's reputation. The impact of competition in the construction sector is high, creating a price war that leads to an unhealthy market ecosystem. Decreasing revenue while costs continue to increase if this continues, it will experience financial distress and the possibility of doing earnings management is very large, especially if there is an opportunity. The case above also shows that although Indonesia is showing signs of recovery post-Covid, most issuers are still fragile, one of which is in the infrastructure and construction sector, where they are still facing significant pressure.

The results of research from Tan (2015), Damayanti et al. (2023), Hikmah and Haldy (2024), state that financial distress has a significant negative effect on firm value, Ahmad et al. (2020), Chaiyakul (2021), Bhimavarapu et al. (2023), state that financial distress has a significant positive effect on firm value, but contrary to the research results from Arista et al. (2020), Tanjung (2023), where financial distress has no effect on firm value.

Other research conducted by Riswandi and Yuniarti (2020), concluded that earnings management has a significant positive effect on firm value, Thenmozhi et al. (2019), Rahmawati and Putri (2020), Ahmed and Ali (2022), Sabina et al. (2024), concluded that earnings management has a significant negative effect on firm value. But contrary to the research results from Fahmi and Prayoga (2018), Widyowati and Rani (2019), Indarto and Purwanto (2023), where earnings management has no effect on firm value.

Research from Bui et al. (2023), Fatima et al. (2023), Hardianti et al. (2023), Munzir et al. (2023), and Sucuahi and Cambarihan (2016) concluded that profitability (ROA) has a significant positive effect on firm value, but contrary to

the research results from Hidayat and Khotimah (2022), Fauziah and Nurhayati (2023), Latif et al. (2023), profitability (ROA) has no effect on firm value.

Research from Tarighi et al. (2022), Utami and Taqwa (2023), Sari and Pujiati (2023), Nugraha and Wirajaya (2024), state that institutional ownership has a significant positive effect on financial distress, but contrary to the results of research from Putra and Muslih (2019), Utami and Dirman (2022), institutional ownership has no effect on Financial Distress.

Research from Winarta et al. (2019), Sinatraz and Suhartono (2021), state that institutional ownership is able to weaken the effect of earnings management on firm value, and research from Rahmawati and Putri (2020), state that institutional ownership is able to strengthen the effect of earnings management on firm value but contrary to the results of research from Sabina et al. (2024) institutional ownership is unable to moderate the relationship between earnings management and firm value.

Other research conducted by Zulhelmy and Zareva (2017), Christanty and Asyik (2019), Dahlan et al. (2023) state that Good Corporate Governance (institutional ownership) is able to moderate the relationship between financial performance proxied by return on assets and firm value and contradicts Alif and Khalifaturofiah (2023), Latif et al. (2023), Cahyaningrum et al. (2023), Hardianti et al. (2023), where GCG (institutional ownership) is unable to moderate the relationship between profitability and firm value.

Literature Review

Signaling Theory

Signal theory according to Brigham and Houston (2019) is an action taken by company management by providing clues to investors about how the company views the company's prospects.

In the context of a company, company owners have better knowledge of the company's true condition than investors. However, investors want to get accurate and reliable information to make informed investment decisions. In this case, company owners can use signals to communicate useful information to investors.

Agency Theory

Agency Theory, first proposed by Jensen and Meckling in 1976, describes the relationship between principals (owners) and agents (managers) within a company. The theory highlights the imbalance of interests between the two parties. This separation creates a phenomenon known as information asymmetry where the agent has access to more information than the principal (Scott, 2015).

Company Value

In Tanjung (2023), according to Gustian (2017), the value of a company is the value that can be measured through the performance of the company itself, which is reflected in the value of its shares which is determined by demand and supply factors in the capital market. In assessing the *value of the* company, there are several indicators used. Indicators of company value include financial records, market conditions, management experience, and company assets. The value of a company

can change with various important factors and components, both internally and externally.

Financial Distress

Financial distress is the process of declining financial position experienced before the company experiences bankruptcy or liquidation (Sari and Pujiati, 2023). The financial problems faced by a company can vary, ranging from liquidity difficulties (technical insolvency), where the company is unable to meet financial obligations on a temporary basis, to *solvency* difficulties (bankruptcy), where the company's financial obligations have exceeded its wealth (Tanjung, 2023).

Earnings Management

Earnings management is a decision or action taken by a manager both in accounting policies and real actions to influence earnings in order to achieve certain objectives in financial reporting (Scott, 2015). The main objective of earnings management practices is to adjust financial statements to make them look more favorable than their actual performance, which can provide benefits for the companies or individuals involved.

Profitability

Profitability ratio is a ratio to assess the company's ability to seek profit or profit in a certain period (Kasmir, 2023). *Return On Assets* (ROA) is one of the profitability ratios that is generally used to evaluate the company's ability to generate profits through the utilization of its assets.

Good Corporate Governance (GCG)

Good Corporate Governance (GCG) is a company management system designed to improve performance (Dahlan *et al*., 2023). According to *The Organization for Economic Corporation and Development* (OECD), *corporate governance* can be explained as a framework used to direct and manage company activities. This *corporate governance* regulates how duties, rights, and obligations are shared between shareholders, boards, managers, and other parties who have an interest in the survival of the company.

Institutional Ownership

Institutional ownership is the ownership of institutions such as insurance companies, banks or other institutions at the end of the year. High institutional ownership or more than 5% of the company explains its ability to control management. The higher the degree of institutional ownership of the company, the more efficiently the company's assets are used (Hardianti *et al*., 2023). Institutional investors often have a significant influence in the companies they own, because they can play an active role in making corporate governance decisions, including the selection of the board of directors, dividend policy, business strategy, and so on. The presence of strong institutional investors can influence the direction and long-term performance of a company.

Conceptual Framework and Hypothesis

The Effect of Financial Distress on Company Value

Companies experiencing *financial distress* tend to give negative signals to shareholders, investors, lenders and other parties, where this negative signal will have an influence on firm value because this signal indicates that the company is at risk of bankruptcy or decreased financial performance. So it can be explained that the *financial distress* variable has a negative effect on firm value. In line with research from Tan (2015), Damayanti *et al.* (2023), Hikmah and Haldy (2024), *financial distress* has a significant negative effect on firm value.

Based on the explanation above, the hypothesis in this study is as follows

H1: *Financial distress has a* negative effect on firm value

The Effect of Earnings Management on Firm Value

Based on agency theory, earnings management practices often occur due to a conflict of interest between shareholders as principals and management as agents. Earnings management can be used by managers to pursue their personal interests, such as increasing bonuses, which may not always be in line with the long-term interests of shareholders. This practice can also lead to information asymmetry between managers and shareholders, which in turn can undermine the trust and efficiency of the capital market. In line with the research results from Rahmawati and Putri (2020), Ahmed and Ali (2022), Sabina *et al*. (2024) concluded that earnings management has a significant negative effect on firm value.

Based on the explanation above, the hypothesis in this study is as follows:

H2: *Earnings Management has a* negative effect on firm value

Effect of Profitability on Company Value

A high ROA (*Return on Asset*) reflects the company's ability to generate profits from its assets, indicating good operational and management efficiency, which in turn can increase investor confidence and attract market interest. A high ROA can also be considered as a positive signal from management to the market, indicating that the company has strong fundamentals and good growth prospects. Therefore, high ROA not only affects firm value directly by improving financial performance, but also indirectly through positive signals that lead to increased investor confidence and perception. In line with research from Bui *et al.* (2023), Fatima *et al.* (2023), Hardianti *et al.* (2023), Munzir *et al.* (2023), and Sucuahi and Cambarihan (2016) state that profitability (ROA) has a positive and significant effect on firm value.

Based on the explanation above, the hypothesis in this study is as follows:

H3: Profitability has a positive effect on firm value

The effect of financial distress on firm value with institutional ownership as a moderating variable

Institutional ownership is often associated with better governance and more effective risk management. Institutional investors tend to have the resources and expertise to monitor and evaluate company performance more effectively. They can also provide additional impetus in the form of capital or strategic advice, which can

help the company manage risks and overcome potential *financial distress* and ultimately strengthen the long-term stability and value of the company. *Financial distress* occurs when companies cannot improve their financial performance and do not implement *good corporate governance mechanisms* properly (Vionita and Lusmeida, 2019). The higher the proportion of institutional ownership, the stronger the supervision of management, which in turn can reduce the risk of the company experiencing financial difficulties, (Febriyanti and Khalifaturofi'ah, 2023). In line with research from Utami and Taqwa (2023), Sari and Pujiati (2023), Nugraha and Wirajaya (2024), institutional ownership has a positive and significant effect on *financial distress*.

Based on the explanation above, the hypothesis in this study is as follows:

H4: Institutional ownership weakens the effect of *financial distress* on firm value.

The effect of Earnings management on firm value with institutional ownership as a moderating variable

Significant institutional ownership can weaken the effect of earnings management on firm value because these institutions tend to have an incentive to ensure that financial reports reflect actual performance. In addition, the presence of strong institutional investors can improve the company's reputation in the capital market, so that company management tends to be more careful in maintaining the quality of its financial statements to maintain investor confidence. Thus, strong institutional ownership can create pressure on management to reduce unethical earnings management practices, which in turn can affect market perceptions and firm value. In line with the research results from Winarta *et al.* (2019), Sinatraz and Suhartono (2021), institutional ownership is able to weaken the effect of earnings management on firm value.

Based on the explanation above, the hypothesis in this study is as follows:

H5: Institutional ownership weakens the effect of *earnings management* on firm value.

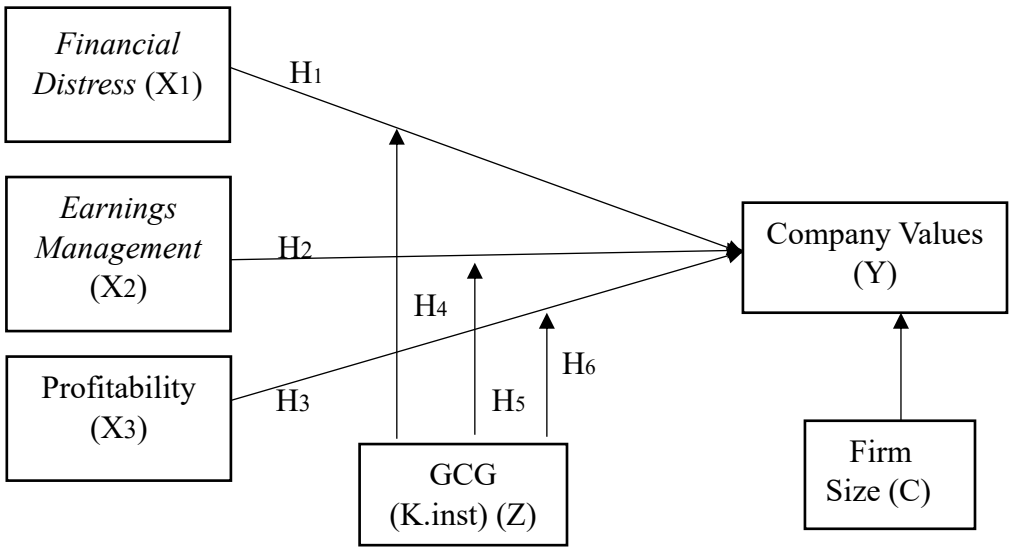
The effect of profitability on firm value with institutional ownership as a moderating variable

Institutional investors tend to have a significant influence in corporate decision-making and pay attention to other factors that affect company valuation. With their deep involvement in the supervision of company management, holistic fundamental analysis, and good reputation and credibility in the capital market, institutional ownership can provide important signals to the market about the quality of the company, and the sustainability of the company. This will encourage healthy financial performance and increase company value in the long run. In line with the research results from Zulhelmy and Zareva (2017), Christanty and Asyik (2019), Dahlan *et al*. (2023), *Good Corporate Governance* (institutional ownership), is able to moderate the relationship between Financial Performance proxied by *return on assets* with Company Value.

Based on the explanation above, the hypothesis in this study is as follows:

H6: Institutional ownership strengthens the effect of profitability on firm value

Conceptual Framework



RESEARCH METHOD

Population and Sample

This study uses secondary data on infrastructure sector companies in the 2019-2023 period, obtained from the official website of the Indonesia Stock Exchange (BEI), while stock price data is obtained from *yahoo finance*. The variables in this study consist of independent variables, namely *financial distress*, earnings management, and profitability (ROA). The dependent variable is firm value, and the moderating variable is GGC (institutional ownership) with the control variable being firm size.

Table 1. Selection of Population and Research Sample

No.	Criteria
1.	Infrastructure sector companies listed on the IDX for the period 2019-2023 and published consecutive financial reports during the research period.
2.	Financial statements that have been audited and are not in a state of loss during the period of the study year.
3.	Have complete data for the variables studied.

Variables and Measurements

Company Value

Firm value is measured using Tobin's Q (Hardianti et al., 2023). This ratio is able to reflect market conditions reflected in the value of shares. If the Tobin's Q

ratio is more than 1, then the company's asset investment is considered profitable and provides higher added value than the total investment. If the Tobin's Q ratio is less than 1, then asset investment is considered less attractive.

$$Tobin'q = \frac{\text{Total Market Value } + \text{ Total Book Value of liabilities}}{Total\ Book\ Value\ of\ Assets}$$

Financial Distress

In Tanjung's research (2023), *Financial distress is* measured by the Altman Z-Score model. This model combines several financial ratios that have been proven to be indicators of potential bankruptcy.

Z = 6.56 (X1) +3.26 (X2) +6.72 (X3) +1.05 (X4)

Description:

$X1$ = working capital / total assets

$X2$ = retained earnings / total assets

$X3$ = earnings before interest and tax / total assets

$X4$ = market value of equity / total liabilities

The financial condition categories in the Altman Z-Score model are divided into three categories, namely:

Z < 1.10 = Potential bankrupt company;

2.60 < Z < 1.10 = Company in gray *area;*

Z > 2.60 = Healthy company.

Earnings Management

In Rahmawati and Putri (2020), earnings management is measured by the *modified jones model*. The modified version of the *Jones Model* states that earnings management is responsible for all fluctuations in credit sales during the period in question. This is based on the assumption that earnings management is simplified when discretion is exercised with respect to revenue recognition for credit sales rather than cash sales. Earnings management estimates should no longer have a bias towards zero in samples where earnings management has been practiced through revenue management (Fiqriansyah *et al.,* (2024). The full formula of the modified *John Model* is as follows:

1. Calculating total accruals (TAC), namely net income in year t minus operating cash flow in year t with the following formula:

   $$\text{TAC} = NI_{it} - CFO_{it}$$

   Furthermore, total accrual (TA) is estimated with *Ordinary Least Square* as follows:

   $$\frac{TA_{it}}{A_{it-1}} = \beta1\left(\frac{1}{A_{it-1}}\right) + \beta2\left(\frac{\Delta Rev_{it}}{A_{it-1}}\right) + \beta3\left(\frac{\Delta PPE_{it}}{A_{it-1}}\right) + \varepsilon$$

2. With the regression coefficient as in the formula above, *nondiscretionary accruals* (NDA) are determined with the following formula:

   $$NDA_{it} = \beta1\left(\frac{1}{A_{it-1}}\right) + \beta2\left(\frac{\Delta Rev_{it}}{A_{it-1}} - \frac{\Delta REC_{it}}{A_{it-1}}\right) + \beta3\left(\frac{\Delta PPE_{it}}{A_{it-1}}\right)$$

3. Finally, *discretionary accruals* (DA) as a measure of earnings management is determined by the following formula: $DA_{it} = \frac{TA_{it}}{A_{it-1}} - NDA_{it}$

Description:
DAit = *Discretionary Accruals of* company i in the period of year t
NDAit = *Nondiscretionary Accruals of* company i in the period of year t
TAit = Total accruals of company i in the period of year t
NIit = Net income of company i in the period of year t
CFOit = Cash flow from operating activities of company i in the period of year t
Ait-1 = Total assets of company i in the period of year t-1
ΔRevit = Company i's revenue in year t minus company I's revenue in year t-1.
PPEit = Fixed assets of company i in the period of year t
ΔRecit = Company I's accounts receivable in year t minus company I's revenue in year t-1
ε = Error

ROA

By analyzing ROA (*Return on Asset*), the company can compare the efficiency of capital use in its company with other competitors, so that it can be analyzed that the company is below, above, or the same as its competitors. That way, the company can find out the weaknesses and strengths of its company. Profitability is measured using the ROA proxy (Hardiatnti *et al.*, 2023), with the formula:

$$\text{ROA} = \frac{\text{Net Income}}{\text{Total Asset}}\ x\ 100\%$$

Good Corporate Governance **(Institutional Ownership)**

Institutional ownership has the ability to control management through an effective monitoring process. When the level of institutional ownership is high, this tends to encourage greater monitoring efforts by institutional investors. This can inhibit *opportunistic* behavior on the part of management and minimize the risk of fraud that can harm firm value.

Institutional investors who have significant ownership in a company have an incentive to ensure that management runs the business properly and in accordance with the interests of shareholders. They tend to actively monitor company performance, strategic decisions, corporate governance, and the use of company funds. Institutional ownership (Hardianti *et al.,* 2023), measured by the formula:

$$KI = \frac{Jumlah\ Saham\ yang\ dimiliki\ Institusi}{\text{Jumlah Saham Beredar}}$$

Research Hypothesis Testing

In this study, the classic assumption tests used are normality test, multicollinearity test, autocorrelation test and heteroscedasticity test. Classical assumption testing is used to test the feasibility of the regression model used by knowing that the data is normally distributed, there is no multicollinearity and autocorrelation and there is no heteroscedasticity between the variables that explain the regression model, the test is carried out with IBM SPSS 29 *software* .

The equation for testing the overall hypothesis in this study is as follows:

$Y = \alpha + \beta_1 X_1(FD) + \beta_2 X_2\ (EM) + \beta_3 X_3\ (ROA) + \beta_4 K_1\ (SIZE) + \varepsilon$

Description:

Y	: Company Value
α	: Constant
β1-β4	: Regression Coefficient
XI	: *Financial Distress*
X2	: Earnings Management
X3	: Profitability
K1	: Company size
ε	: Error

MRA Regression Model (Moderated Regression Analysis)

MRA is a moderation regression analysis that uses an analytical approach that maintains sample integrity and provides a basis for controlling the influence of moderating variables. As for the testing stages carried out before the MRA model is proposed, the classical assumption test is carried out first. Due to the type of research data used is panel data, a model feasibility test will be carried out with IBM SPSS 29 software. After submitting the MRA model, hypothesis testing is carried out to answer the research hypothesis.

$$Y = \rho_1 X_1 + \rho_2 X_2 + \rho_3 X_3 + \rho_4 KI + \rho_5 Z + \rho_6 X_1 * Z + \rho_7 X_2 * Z + \rho_8 X_3 * Z + \varepsilon$$

Description:

Y	: Company Value
ρ	: Probability
XI	: *Financial Distress*
X2	: Earnings Management
X3	: Profitability
Z	: Institutional Ownership
K1	: Company Size
ε	: Error

RESULT AND DISCUSSION

Descriptive Statistics

Descriptive analysis describes data statistics such as mean, sum, standard deviation, variance, range, and others to measure data distribution with skewness and kurtosis.

Table 2. Descriptive Statistics

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Tobin's Q	95	0.6489	2.2902	1.1755	0.3692
FD	95	-0.1295	17.8697	4.2179	3.4214
EM	95	-4.3171	5.2246	0.1105	1.3986
ROA	95	0.0006	0.2423	0.0492	0.0401
Firm Size	95	26.5222	33.2906	29.8058	1.7283
KInst	95	0.1171	0.9454	0.6666	0.1598
Valid N (listwise)	95				

Sumber: Data diolah melalui SPSS, 29 2024

Based on the descriptive statistical test results in table 4.1 it can be concluded:

1. The Company Value (Y) variable is measured by Tobin's Q, which is a sample with a minimum value of 0.6489 and a maximum value of 2.2902 with an average value of 95 sample data is 1.1755, this indicates that the average company in the sample has a higher market value than the book value of its assets. And the standard deviation of the Company Value (Y) variable is 0.3692, this indicates that the Tobin's Q values of the companies in the sample are not too different from each other, but there is still some variation.
2. *The Financial Distress* (X1) variable in the sample with a minimum value of -0.1295 indicates that there are companies that have a negative Z score, which means that this company is in very bad condition and potentially bankrupt and the maximum value of 17.8697 indicates that there are companies that are very healthy, with a value far above the limit of 2.60, with an average value of 95 sample data is 4.2179, indicating that overall, the companies in the sample are above the healthy limit (Z> 2.60), and the standard deviation value of *Financial Distress* (X1) is 3.4214, indicating a very large variation in the level of *financial distress* there are companies that are very healthy and some are in very bad financial condition or even on the verge of bankruptcy.
3. *The Earnings management* (X2) variable which is sampled with a minimum value of - 4.3171 and a maximum value of 5.2246 with an average value of 95 sample data is 0.1105, this indicates that overall the company does not do much earnings management. And the standard deviation value of *Earnings management* (X2) is 1.3986, indicating that some companies may do earnings management.
4. *The Return On Asset* (X3) variable which is sampled with a minimum value of 0.0006 and a maximum value of 0.2423 with an average value of 95 sample data is 0.0492, this indicates that the ability of the company's assets to generate profits from their assets is 4.92%. And the standard deviation value of the *Return On Asset* (X3) variable is 0.0401, meaning that *Return On Asset* (X3) has a low level of data variation.
5. The control variable (K1) proxied by firm size (*Firm Size*), which is a sample with a minimum value of 26.5222 and a maximum value of 33.2906 with an average value of 95 sample data is 29.8058, this indicates that the average size of the company in the sample is quite large. And the standard deviation value of the *Firm Size* (K1) variable is 1.7283, this indicates that there is significant variation in the size of the companies in the sample. That is, there are some companies that may have a size that is much larger or smaller than the average, while others may be around the average.
6. *The Good Corporate Governance* (Z) variable proxied by institutional ownership in the sample with a minimum value of 0.1171 and a maximum value of 0.9454 with an average value of 95 sample data is 0.6666, this indicates that institutions own around 66.67% of the company's shares. And the standard deviation value of the institutional ownership variable (Z) of 0.1598 indicates that there is significant variation in institutional share

ownership among companies in the sample. That is, some companies may have levels of institutional ownership that are well above or below the average, while others may be around the average.

Classical Assumption Test

Table 3. Classical Assumption Test

Asumsi	Kriteria	Hasil		Keterangan
Multikolinearitas	Tolerance > 0,10 dan VIF < 10	FD	(Tol 0,243 dan VIF 4,121)	
		EM	(Tol 0,410 dan VIF 2,437)	
		ROA	(Tol 0,678 dan VIF 1,475)	Memenuhi
		Firm Size	(Tol 0,215 dan VIF 4,648)	
		Kinst	(Tol 0,583 dan VIF 1,715)	
Heterokedastisitas	Sig. > 0,05	FD	(Sig. 0,777)	
		EM	(Sig. 0,343)	
		ROA	(Sig. 0,622)	Memenuhi
		Firm Size	(Sig. 0,112)	
		Kinst	(Sig. 0,899)	
Normalitas	Sig. KS > 0,05	KS = 0,054		Memenuhi
Autokorelasi	Du<DW<4-Du	1,778 < 1,951 < 2,222		Memenuhi

Hypothesis Test Results

Multiple Linear Regression Analysis

Table 4. Multiple Regression Results

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	-4.577	1.176		-3.893	0.00019
	FD	0.051	0.017	0.476	2.964	0.00389
	EM	0.064	0.033	0.242	1.908	0.05952
	ROA	3.331	0.875	0.362	3.806	0.00026
	Firm Size	0.180	0.038	0.843	4.796	0.00001

a. Dependent Variable: Tobin's Q

Sumber: Data diolah melalui SPSS, 29 2024

Based on table 4 regression results above, the regression equation can be obtained as follows:

$$Y = -4{,}577 + 0{,}051\ FD + 0{,}064\ EM + 3{,}331\ ROA + 0{,}180\ SIZE + \varepsilon.$$

This equation can be explained as follows:

1. The constant value is -4.577, which means that when all independent variables (*Financial Distress*, EM, ROA, and Firm Size) are zero, the value of Tobin's Q (dependent variable) is -4.577.
2. The coefficient of *Financial Distress* is 0.051, indicating that every one unit increase in *Financial Distress* will increase Tobin's Q by 0.051 units, assuming other variables are constant. The very small p value of 0.00389 indicates that this relationship is statistically significant.

3. The coefficient of *Management Earnings* is 0.064, indicating that every one unit increase in EM will increase Tobin's Q by 0.064 units, assuming other variables are constant. The p value of 0.05952 indicates that this relationship is not statistically significant.
4. The coefficient of ROA is 3.331, indicating that every one unit increase in ROA will increase Tobin's Q by 3.331 units, assuming other variables are constant. The p value of 0.00026 indicates that this relationship is highly statistically significant. It also shows that ROA has a large influence on Tobin's Q.
5. *The Firm Size* coefficient is 0.180, indicating that every one unit increase in *Firm Size* will increase Tobin's Q by 0.180 units, assuming other variables are constant. The p value of 0.00001 indicates that this relationship is highly statistically significant.

Table 5. Moderated Regression Analysis (MRA) Results

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	-4.786	1.282		-3.733	0.00034
	FD	-0.027	0.082	-0.249	-0.326	0.74494
	EM	0.060	0.187	0.226	0.319	0.75067
	ROA	13.454	4.474	1.463	3.007	0.00346
	Firm Size	0.172	0.039	0.806	4.429	0.00003
	KInst	0.696	0.463	0.301	1.503	0.13643
	X1*Z	0.075	0.091	0.664	0.828	0.41003
	X2*Z	0.019	0.331	0.040	0.058	0.95376
	X3*Z	-12.870	5.426	-1.096	-2.372	0.01993

a. Dependent Variable: Tobin's Q

Sumber: Data diolah melalui SPSS, 29 2024

Based on the results of the data output in table 5 above, the regression equation is obtained as follows:

$$Y = -4.786 - 0.027\ FD + 0.060\ EM + 13.454\ ROA + 0.172\ SIZE + 0.696\ KInst + 0.075*KInst + 0.019*KInst - 12.870*KInst + \varepsilon$$

Table 6. Statistical Test Results and Hypotheses

Model Regresi 1	Koefisien	T	Sig.	Kesimpulan
(Constant)	- 4.5766	-3.8933	0.0002	
FD	0.0513	2.9640	0.0039	Signifikan
EM	0.0639	1.9085	0.0595	Tidak signifikan
ROA	3.3307	3.8057	0.0003	Signifikan
Firm Size	0.1800	4.7963	0.0000	Signifikan
Adjusted R squared	0.3529			Nilai Tobin's Q dapat dijelaskan oleh FD,EM,ROA, dan Firm size dengan tingkat R squared 35,29% dan sisanya 64,71% dijelaskan oleh variabel lain yang tidak diteliti
F Hitung	13.8149		0.0000	Nilai sig. 0,000 < 0,05, maka Variabel FE,EM,ROA, dan Firm Size berpengaruh terhadap Nilai Perusahaan (Y).
Model Regresi2	**Koefisien**	**T**	**Sig.**	**Kesimpulan**
(Constant)	- 4.7861	-3.7332	0.0003	
FD	- 0.0269	-0.3264	0.7449	H1 Ditolak
EM	0.0597	0.3188	0.7507	H2 Ditolak
ROA	13.4540	3.0071	0.0035	H3 Diterima
Firm Size	0.1721	4.4291	0.0000	Signifikan
KInst	0.6960	1.5033	0.1364	Tidak signifikan
X1*KInst	0.0753	0.8279	0.4100	H4 Ditolak
X2*KInst	0.0193	0.0582	0.9538	H5 Ditolak
X3*KInst	-12.8699	-2.3718	0.0199	H6 Diterima
Adjusted R squared	0.3665			Nilai Tobin's Q dapat dijelaskan oleh FD,EM,ROA,KInst dan Firm size dengan tingkat R squared 36,65% dan sisanya 63,35% dijelaskan oleh variabel lain yang tidak diteliti
F Hitung	7.7988		0.0000	Nilai sig. 0,000 < 0,05, maka Variabel FD,EM,ROA,Firm Size, dan KInst secara bersama –sama (simultan) berpengaruh terhadap Nilai Perusahaan (Y).

Discussion

The Effect of Financial Distress on Company Value

Based on the test results on the effect of the *Financial distress* variable on firm value, it is found that hypothesis one (H1) is rejected. This is evidenced by the calculated t value of -0.3264 and a significant value of 0.7449> 0.05, it can be concluded that *financial distress* does not have a significant effect on firm value. The results of this study are in line with the findings of research conducted by Arista *et al.* (2020), and Tanjung (2023) who concluded that *financial distress has* no effect on firm value.

Although *financial distress* can be an important indicator, its impact on firm value is not significant in the context of this study. This suggests that *financial distress* signals may not be strong enough or ignored by investors and creditors if there are other stronger and more positive signals. Therefore, companies should not only focus on managing bankruptcy risk, but should also pay attention to and manage other positive signals that can increase the value of the company in the eyes of investors and creditors.

The Effect of Earnings Management on Firm Value

Based on the results of testing the effect of earnings management variables on firm value, it is found that the first hypothesis (H2) is rejected because the t value is 0.3188 and the significant value is 0.7507> 0.05, it can be concluded that earnings management has no effect on firm value. The results of this study support research from Fahmi and Prayoga (2018), Widyowati and Rani (2019), Indarto and Purwanto (2023), where earnings management has no effect on firm value.

Earnings management may not be considered a credible signal by investors. Investors may perceive earnings management as an attempt to mask true performance, so they are more cautious and focus on other more reliable indicators, such as operational performance, growth prospects, and transparent management strategies.

Effect of Profitability on Company Value

Based on the results of testing the effect of the *Return on Asset* (ROA) variable on firm value, it is found that hypothesis three (H3) is accepted because the t value is 3.0071 and the significant value is 0.0035 <0.05, it can be concluded that ROA has a positive and significant effect on firm value.

The results of this study support the research of Bui *et al.* (2023), Fatima *et al.* (2023), Hardianti *et al.* (2023), Munzir *et al.* (2023), and Sucuahi and Cambarihan (2016) which state that ROA has a positive and significant effect on firm value. This result can be concluded that the higher the ROA, the higher the company's ability to generate profits, which results in the company's profitability will also be high. A high ROA value is considered a positive signal from management to the market, indicating that the company has strong fundamentals and good growth prospects.

This is an attraction and increases investor confidence to own the company's shares which will increase the share price so that the company's value increases. ROA needs to be considered by investors in investing in stocks, because it acts as an indicator of the company's efficiency in using assets to generate profits.

The effect of financial distress on firm value with institutional ownership as a moderating variable

Based on the test results, the t value is 0.8279 and the significant value is 0.4100> 0.05, it can be concluded that hypothesis four (H4) is rejected, institutional ownership is unable to moderate the effect of *financial distress* on firm value. These results indicate that there is still an agency problem, where there is a conflict of interest between the owner (institution) and the agent (manager). The institution only acts as a supervisor of the actions of company agents and does not play an active role in the decision-making process and company policy making. Therefore, investors cannot fully trust the company's ability to generate profits that reflect the company's value. Although strict supervision by institutions can increase investor confidence, this does not guarantee that the company will completely avoid financial difficulties.

The results of this study are in line with the research of Ararat *et al.* (2017), found that institutional ownership does not always improve company performance. Likewise, research from Putra and Muslih (2019), Utami and Dirman (2022), institutional ownership has no influence on *Financial Distress*.

The effect of Earnings management on firm value with institutional ownership as a moderating variable

Based on the test results, the t count is 0.0582 and the significant value is 0.9538> 0.05, it can be concluded that hypothesis five (H5) is rejected, institutional ownership is unable to moderate the effect of *earnings management* on firm value. Institutional ownership is expected to function as a supervisory mechanism that can reduce *earnings management* practices because institutions have the resources and incentives to monitor management, but the test results of this study show the opposite result that supervision from institutional owners may not be effective enough in reducing the negative impact of *earnings management* on firm value.

consistent with previous research by *Sabina et al*. (2024) institutional ownership is unable to moderate the relationship between *earnings management* and firm value.

The effect of profitability on firm value with institutional ownership as a moderating variable

Based on the test results, the t count is -2.3718 and the significant value is 0.0199 <0.05, it can be concluded that hypothesis six (H6) is accepted, institutional ownership is able to moderate the relationship between profitability (ROA) and firm value. The results of this study support research from Zulhelmy and Zareva (2017), Christanty and Asyik (2019), Dahlan *et al.* (2023), *Good Corporate Governance* (institutional ownership), is able to moderate the relationship between Financial Performance proxied by *return on assets* and Company Value. Institutional ownership generally has a large proportion of ownership so that some of the owners are majority owners, with a high level of institutional ownership it will lead to better supervision efforts and monitoring processes for management.

CONCLUSION

This study found that financial distress and earnings management have no significant effect on firm value, while ROA shows a positive and significant effect. Institutional ownership is unable to moderate the effect of financial distress and earnings management on firm value, but is able to moderate the relationship between ROA and firm value. Partially, financial distress, ROA, and company size have a significant positive effect on firm value (Tobin's Q), but simultaneously institutional ownership has no effect on firm value (Tobin's Q). This study is limited to the use of institutional ownership indicators for good corporate governance and three independent variables. Future research is recommended to consider other factors that affect firm value, expand the sample with various industrial sectors, and use other good corporate governance moderating variables such as independent commissioners, audit committees, or managerial ownership.

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