

GOOD CORPORATE GOVERNANCE, FINANCIAL PERFORMANCE, AND FIRM VALUE IN LQ45 COMPANIES DURING ECONOMIC UNCERTAINTY

Belinda Mora Siagian*¹, Hermanto²

^{1,2}Departemen Manajemen, Universitas Sriwijaya, Jl. Palembang-Prabumulih, KM 32 Inderalaya, Kabupaten Ogan Ilir, Sumatera Selatan

Correspondence: belindamorasiagian@fe.unsri.ac.id^{1*}, hermanto@fe.unsri.ac.id²

Submitted: 11 Mei 2026 | Accepted: 29 Mei 2026 | Published: 08 Juni 2026

Abstract

This research investigates how Good Corporate Governance, financial performance, and economic uncertainty influence firm value among firms categorized within the LQ45 index throughout 2020–2024. The originality of this study lies in the inclusion of economic uncertainty proxied by the BI Rate together with managerial ownership and financial performance in explaining firm value during unstable economic conditions in Indonesia. This study aims to analyze the effect of managerial ownership (KM), Return on Assets (ROA), and the BI Rate on firm value proxied by Price to Book Value (PBV), with firm size used as a control variable. This study employed a quantitative approach using panel data obtained from annual reports and official publications of companies listed in the LQ45 index. The data were analyzed using panel data regression with STATA software. The results indicate that ROA has a positive and significant effect on firm value, while the BI Rate has a negative and significant effect on firm value. Meanwhile, managerial ownership does not significantly affect firm value. Firm size was found to positively influence firm value. These findings imply that profitability and macroeconomic stability are important factors in maintaining investor confidence and increasing firm value during periods of economic uncertainty.

Keywords: Good Corporate Governance; Financial Performance; Economic Uncertainty; Firm Value; BI Rate

INTRODUCTION

Economic uncertainty has become one of the major challenges faced by companies in maintaining operational stability and business sustainability in recent years (Shen et al., 2020). Global economic conditions have experienced significant pressure due to inflation, monetary tightening policies, geopolitical conflicts, and the post-pandemic economic recovery process, which have affected business activities and capital markets in many countries, including Indonesia (Baker et al., 2022). These conditions have caused investors to become more cautious in making investment decisions because changes in economic conditions may affect profitability, corporate financial capability, and future growth prospects (Akben-Selcuk, 2024). Therefore, companies are required to maintain financial performance, strengthen corporate governance, and adjust business strategies in order to preserve investor confidence during unstable economic conditions (Khatib et al., 2021; Zimon et al., 2021).

In capital market activities, firm value is widely used to describe how investors assess a company's performance and future business potential (Widnyana & Budiya, 2022). Companies with higher firm value are generally viewed more positively by investors because they are considered capable of generating sustainable profits and maintaining business growth over the long term (Hussain et al., 2023; Baker et al., 2022).

This study measures firm value using Price to Book Value (PBV), which compares the company's market price with its book value to capture market appraisal toward the company (Silalahi & Lestari, 2023). An increasing PBV ratio generally reflects stronger investor optimism regarding the company's future performance and stability (Lambey et al., 2021). Therefore, increasing firm value becomes one of the primary objectives of companies because it is directly related to shareholder wealth maximization (Silalahi & Lestari, 2023).

According to signaling theory, companies provide signals to investors through financial information, managerial policies, and corporate governance quality that reflect the company's future prospects (Putri et al., 2023). Information showing favorable corporate performance can strengthen investor trust and contribute to the improvement of company value in financial markets (Putri et al., 2023). Conversely, weak corporate governance and poor financial performance may reduce investor interest and lower firm value (Suteja et al., 2023). During periods of economic uncertainty, investors tend to pay greater attention to corporate information as the basis for investment decisions in order to minimize investment risk (Hussain et al., 2023). Therefore, corporate governance and financial performance become important factors in determining firm value.

One of the factors believed to influence firm value is Good Corporate Governance (GCG) (Santosa et al., 2023). Good Corporate Governance can be understood as a managerial and supervisory framework that aims to ensure transparency, accountability, fairness, and responsibility in the company's decision-making and operational processes (Zattoni & Pugliese, 2021). This concept is closely related to agency theory, which explains the existence of conflicts of interest between shareholders as principals and management as agents (Ramadhan et al., 2022). Such conflicts may occur when management prioritizes personal interests over shareholder interests, which may reduce company performance and firm value (Silalahi & Lestari, 2023). Therefore, corporate governance mechanisms are needed to minimize agency conflicts and improve investor confidence in the company (Ramadhan et al., 2022).

In this study, Good Corporate Governance is proxied by managerial ownership (KM) (Rafsanjani et al., 2024). The proportion of company stock held by executives and managers involved in corporate decision-making represents managerial ownership (Di, 2021). A higher level of managerial ownership is expected to encourage management to improve company performance because management also receives direct benefits from increases in firm value (Silalahi & Lestari, 2023). Managerial ownership is also believed to reduce agency conflicts because management and shareholders share similar objectives in maximizing firm value (Rafsanjani et al., 2024). However, earlier studies examining the relationship between managerial ownership and company value have produced inconsistent results.

Previous empirical studies have produced different findings regarding the relationship between managerial ownership and firm value. Research conducted by Rafsanjani et al. (2024) indicated that greater managerial ownership may strengthen the alignment of interests between managers and shareholders, thereby contributing to higher firm value. However, Suriawinata and Nurmalita (2022) stated that managerial share ownership did not show a significant contribution to company valuation since market participants tended to pay greater attention to corporate profitability as well as overall economic conditions. Previous studies also explained

that corporate governance mechanisms do not always improve firm value under all corporate conditions (Santosa et al., 2023). The differences in previous research findings highlight an unresolved issue regarding the effect of managerial ownership on firm value, indicating that further examination is still necessary, especially in LQ45 companies facing uncertain economic conditions.

Despite previous studies examining governance mechanisms and firm value, empirical findings remain inconsistent, particularly regarding managerial ownership under uncertain economic conditions (Rafsanjani et al., 2024; Suriawinata & Nurmawati, 2022). Most prior studies investigate governance mechanisms separately from macroeconomic conditions and mainly focus on normal economic periods, while limited studies integrate governance mechanisms, financial performance, and economic uncertainty simultaneously (Santosa et al., 2022; Hussain et al., 2023). Therefore, a theoretical gap exists regarding how governance mechanisms, financial performance, and economic uncertainty jointly influence firm value in highly liquid firms operating in emerging markets. Furthermore, empirical evidence focusing specifically on LQ45 companies during post-pandemic economic conditions remains limited (Shen et al., 2020; Zimon, 2021).

Apart from corporate governance, financial performance is also considered an important determinant of firm value since it illustrates how efficiently a company utilizes its resources in producing earnings (Jonnius & Marsudi, 2021). Investors are generally more interested in companies with high profitability because profitability indicates operational efficiency and the company's ability to generate returns from its assets (Jonnius & Marsudi, 2021). In this research, financial performance is assessed through Return on Assets (ROA), since this ratio reflects how productively company assets are managed to create profits. (Jonnius & Marsudi, 2021). A higher ROA indicates better company capability in utilizing assets to generate profits (Suteja et al., 2023). Based on signaling theory, high profitability provides positive signals regarding company prospects and stability, which has the potential to enhance firm value (Putri et al., 2023).

Existing literature provides diverse evidence on whether profitability represented by ROA contributes to changes in firm valuation. Profitability positively affects firm value because profitable companies tend to have better prospects in the eyes of investors (Jonnius & Marsudi, 2021). Similar findings were reported by Suteja et al. (2023), who stated that ROA is capable of increasing firm value through enhanced investor confidence. However, previous studies stated that the relationship between profitability and firm value can differ according to economic circumstances and market conditions (Putri et al., 2023). These differences indicate that the relationship between financial performance and firm value remains relevant for further investigation.

Another factor affecting firm value is economic uncertainty, which in this study is proxied by the BI Rate (Hussain et al., 2023). The BI Rate is employed as a proxy for economic uncertainty because monetary policy adjustments generally reflect policymakers' responses toward inflation pressure, macroeconomic instability, and economic slowdown conditions. Changes in benchmark interest rates influence borrowing costs, financing decisions, investment activities, and investor expectations, making them relevant indicators during uncertain

economic periods (Baker et al., 2022; Akben-Selcuk, 2024). In the context of emerging markets such as Indonesia, fluctuations in interest rates are often associated with changing market sentiment and capital market volatility (Prananta, 2024). Nevertheless, the BI Rate may not fully capture multidimensional economic uncertainty; therefore, findings should be interpreted primarily within the context of monetary policy conditions. The BI Rate represents the reference lending rate established by the central bank of Indonesia, which affects investment activity, corporate funding expenses, and overall market conditions (Otoritas Jasa Keuangan, 2024). An increase in interest rates may increase borrowing costs and reduce company profitability and investment opportunities (Akben-Selcuk, 2024). In addition, higher interest rates may encourage investors to shift investments from stocks to lower-risk financial instruments such as deposits and bonds (Prananta, 2024). Consequently, rising interest rates may weaken stock demand and decrease company valuation within financial markets (Hussain et al., 2023).

Previous empirical evidence related to economic uncertainty and company valuation has demonstrated mixed research outcomes. Hussain et al. (2023) found that economic uncertainty negatively affects firm value because it increases investment risk and reduces investor confidence. Previous studies also explained that unstable economic conditions may reduce corporate market performance (Akben-Selcuk, 2024). However, several large companies are still able to maintain firm value despite economic pressure because they possess stronger operational stability and financial capability (Widnyana & Budiayasa, 2022). Therefore, examining the effect of the BI Rate on firm value remains important, especially in Indonesian LQ45 companies. This study also uses firm size as a control variable because company size may influence operational stability and firm value (Prayudha et al., 2023). Larger companies generally possess broader access to funding, stronger operational capability, and higher investor confidence compared to smaller firms (Prayudha et al., 2023). Therefore, firm size is used to control differences in company characteristics within this study.

This study focuses on publicly listed companies categorized in LQ45 and traded on Indonesia's stock market during 2020 until 2024. The selection of LQ45 companies is important because these firms represent highly liquid companies with large market capitalization and active trading activities, making them more sensitive to macroeconomic changes and investor sentiment (Otoritas Jasa Keuangan, 2024; Santosa et al., 2022). Furthermore, the 2020–2024 period represents a unique economic period characterized by post-pandemic recovery, inflationary pressure, monetary tightening policies, and fluctuations in interest rates that significantly influenced capital market dynamics (Shen et al., 2020; Baker et al., 2022). Unlike previous studies that mainly focused on normal economic conditions or examined governance and financial performance separately, this study integrates managerial ownership, profitability, and economic uncertainty simultaneously within highly liquid firms operating in emerging markets (Hussain et al., 2023; Zattoni & Pugliese, 2021). LQ45 companies were selected because they represent companies with high liquidity and large market capitalization, making them representative of the Indonesian capital market (Otoritas Jasa Keuangan, 2024). In addition, LQ45 companies tend to attract greater investor attention because they have active stock trading activities and relatively stable performance (Santosa et al., 2023). Nevertheless,

LQ45 companies remain exposed to economic pressure and market volatility during periods of economic uncertainty, making them important research objects.

Considering the research background, inconsistent empirical evidence, and the identified research gap, this study aims to investigate the influence of Good Corporate Governance represented through managerial ownership (KM), financial performance measured by Return on Assets (ROA), and economic uncertainty reflected by the BI Rate toward firm value proxied through Price to Book Value (PBV) among LQ45 firms during 2020–2024, while company size is utilized as the control variable. Results from this study are expected to enrich the literature related to corporate governance, financial performance, economic uncertainty, and firm value from both theoretical and empirical perspectives. In addition, the findings of this study are expected to provide practical implications for investors, company management, and policymakers in improving capital market stability and corporate management quality in Indonesia. This study contributes theoretically by extending discussions regarding the relationship between corporate governance, financial performance, economic uncertainty, and firm value within emerging market settings. Methodologically, this study applies panel data estimation using robust standard errors to improve estimation reliability during periods of economic uncertainty. Practically, the findings provide insights for investors, managers, and policymakers regarding factors influencing firm value among highly liquid companies in Indonesia.

Conceptual Framework

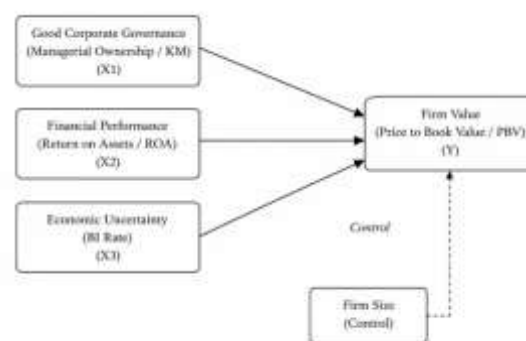


Figure 1. Conceptual Framework of the Research

This study examines the influence of Good Corporate Governance, Financial Performance, and Economic Uncertainty on Firm Value, with Firm Size as a control variable. Good Corporate Governance is proxied by Managerial Ownership (KM), Financial Performance is proxied by Return on Assets (ROA), Economic Uncertainty is proxied by the BI Rate, and Firm Value is measured using Price to Book Value (PBV).

Hypothesis Development

Effect of Managerial Ownership on Firm Value

Agency theory explains that managerial ownership may influence managerial behavior and reduce agency conflicts between managers and shareholders (Ramadhan et al., 2022).

However, previous studies have shown inconsistent findings regarding its relationship with firm value (Rafsanjani et al., 2024).

H1: Managerial ownership has a significant effect on firm value.

Effect of Financial Performance on Firm Value

Financial performance reflects management effectiveness in utilizing company resources. According to signaling theory, profitability provides information regarding company prospects and financial stability (Putri et al., 2023).

H2: Financial performance has a significant effect on firm value.

Effect of Economic Uncertainty on Firm Value

Economic uncertainty represented by the BI Rate may affect financing costs, investment decisions, and investor behavior under unstable economic conditions (Hussain et al., 2023).

H3: Economic uncertainty has a significant effect on firm value.

METHODS

This research applies agency theory and signaling theory as the main theoretical perspectives to explain the relationship between Good Corporate Governance, financial performance, economic uncertainty, and firm value. Agency theory explains the existence of conflicts of interest between management as agents and shareholders as principals, thereby requiring corporate governance mechanisms to minimize such conflicts (Ramadhan et al., 2022). Meanwhile, signaling theory suggests that companies communicate information to investors through financial reports and corporate policies as indicators of future business prospects (Putri et al., 2023). In this study, firm value is influenced by managerial ownership, profitability, and economic conditions reflected through changes in the BI Rate.

This research applies quantitative methods through an associative framework to examine how Good Corporate Governance, financial performance, and economic uncertainty influence firm value. Quantitative research was selected because this study utilizes numerical data analyzed through statistical testing to determine the relationships among research variables (Sugiyono, 2022). The study uses panel data, which combines cross-sectional and time-series data.

Public companies consistently classified within the LQ45 index during 2020–2024 formed the population of this study, with data obtained from firms listed on the Indonesia Stock Exchange. The sampling process applied a purposive sampling method, where samples were selected based on specific considerations aligned with the objectives of the study (Sugiyono, 2022). The sampling criteria consisted of: (1) firms that continuously remained in the LQ45 category throughout the research timeframe, and (2) firms that published full financial report data from 2020 to 2024, (3) companies providing complete data related to managerial ownership, profitability, total assets, BI Rate, and stock prices, and (4) companies possessing complete data required for all research variables. Based on these criteria, selected companies were used as the research sample. Based on the purposive sampling criteria, the final sample consisted of 14 companies that fulfilled all research requirements. Since the observation period

covered five years from 2020 to 2024, the study generated a total of 70 firm-year observations used in panel data analysis. Companies included in the final sample were those satisfying all selection criteria and maintaining accessible financial and ownership records during the study timeframe.

This study uses secondary data obtained from publicly available sources. Financial reports and annual reports were obtained from the official website of the Indonesia Stock Exchange as well as the respective official websites of the sample companies. Data related to the BI Rate were obtained from publications issued by Bank Indonesia, while supporting data were obtained from reports published by the Financial Services Authority. The data collection technique used in this study was documentation by collecting, recording, and organizing data relevant to the research variables.

The operational definitions of the variables used in this study are presented in the following table:

Table 1. Operational Definition of Variables

Variable	Formula
Price to Book Value (PBV)	$PBV = \frac{\text{Market Price per Share}}{\text{Book Value per Share}}$
Managerial Ownership (KM)	$KM = \frac{\text{Managerial Shares}}{\text{Total Outstanding Shares}} \times 100 \%$
Return On Assets (ROA)	$ROA = \frac{\text{Net Income}}{\text{Total Assets}}$
BI Rate	BI Rate = Benchmark interest rate issued by Bank Indonesia
Firm Size (SIZE)	$SIZE = \ln(\text{Total Assets})$

Firm value is proxied through Price to Book Value (PBV), since this measurement reflects investor appraisal toward business worth and future corporate prospects (Widnyana & Budiya, 2022). Good Corporate Governance is represented through managerial ownership (KM), reflecting how much company stock is possessed by managerial parties relative to the total shares circulating in the market (Rafsanjani et al., 2024). Financial performance in this research is represented by Return on Assets (ROA), which illustrates the firm's ability in producing profits through overall asset utilization (Jonnius & Marsudi, 2021). Economic uncertainty is proxied by the BI Rate since interest rates are closely related to financing costs and corporate investment activities (Otoritas Jasa Keuangan, 2024). Furthermore, company size functions as the control variable and is measured using the natural log value of overall assets since asset ownership reflects business scale along with operational capability (Prayudha et al., 2023). The regression model used in this study is formulated as follows:

$$PBV_{it} = \alpha + \beta_1 KM_{it} + \beta_2 ROA_{it} + \beta_3 BIR_{it} + \beta_4 SIZE_{it} + \epsilon_{it}$$

Panel regression techniques were applied in this research since the dataset combines cross-sectional observations with time-series information simultaneously (Widarjono, 2020). Panel data analysis is considered capable of providing better estimation results because it allows researchers to observe variations across companies and observation periods. The research data were processed and analyzed with the assistance of STATA software.

Descriptive statistics were utilized to illustrate the distribution of each variable through mean values, standard deviation, as well as the lowest and highest data values. The observations used in this research were limited to firms that fulfilled the selection requirements and continuously disclosed the necessary information needed for analysis (Ghozali, 2021). The multicollinearity test employed the Variance Inflation Factor (VIF), while heteroscedasticity along with autocorrelation testing was carried out to ensure reliable and unbiased estimation outcomes. To address potential violations of classical assumptions commonly found in panel data estimation, robust standard errors were employed to mitigate heteroscedasticity and autocorrelation problems, thereby producing more reliable coefficient estimates (Widarjono, 2020; Ghozali, 2021). Panel data regression analysis was employed because the study combines cross-sectional and time-series observations simultaneously (Widarjono, 2020). The estimation model applied the Fixed Effect approach with robust standard errors clustered by firm to improve coefficient reliability and minimize potential heteroscedasticity and autocorrelation problems commonly encountered in panel data estimation (Ghozali, 2021; Widarjono, 2020). The final sample consisted of 14 companies observed during the 2020–2024 period, resulting in 70 firm-year observations used in the analysis.

Hypothesis evaluation utilized statistical testing through the t-test, F-test, and Adjusted R-Square. Partial relationships among variables were identified through the t-test, whereas simultaneous relationships were assessed through the F-test. Statistical decisions in this research applied a 5 percent significance threshold (0.05).

RESEARCH RESULTS AND DISCUSSION

Descriptive Statistics

Descriptive statistics were applied to describe the data distribution of each research indicator through mean values, standard deviation, as well as the highest and lowest observations. The results indicate that financial performance proxied by Return on Assets (ROA) had a positive and significant effect on firm value. Economic uncertainty proxied by the BI Rate showed a negative and significant effect on firm value, indicating that increases in interest rates tend to reduce investor confidence and market valuation. Meanwhile, Good Corporate Governance represented by managerial ownership (KM) was not found to significantly influence firm value. Firm size as the control variable showed a positive relationship with firm value. These results suggest that profitability and macroeconomic factors were more influential in explaining firm value during periods of economic uncertainty.

Table 2. Results of Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
PBV	70	4.761051	10.76628	0.4598119	56.79623
KM	70	0.0074188	0.0209329	0.00000171	0.1239558
ROA	70	0.0824802	0.0848301	0.0036799	0.3488678
SIZE	70	16.45126	6.001104	8.761237	32.10481
BI Rate	70	4.75	0.9656506	3.52	6.00

Source: Processed using STATA output, 2026.

Based on Table 2, the average firm value measured by PBV was 4.761051, indicating that the market generally valued the sample companies above their book value. However, the relatively high standard deviation suggests considerable differences in firm value among the sample companies during the observation period. Managerial ownership (KM) had a relatively low average value, indicating that managerial ownership in LQ45 companies was generally limited. The average ROA value of 0.0824802 shows that the sample companies were capable of generating profits from their total assets during the observation period. In addition, firm size showed considerable variation among companies, reflecting differences in company scale and operational capability. Meanwhile, the BI Rate fluctuated during the observation period, reflecting changes in monetary policy conditions from 2020 to 2024.

Classical Assumption Test

A series of preliminary assessments were performed before model estimation to verify that the dataset was appropriate for further statistical analysis. One of the tests conducted in this study was the multicollinearity test using the Variance Inflation Factor (VIF).

Table 3. Results of Multicollinearity Test

Variable	VIF	1/VIF
SIZE	1.16	0.864780
ROA	1.14	0.880109
KM	1.04	0.964221
BI Rate	1.00	0.996915
Mean VIF	1.08	

Source: Processed using STATA output, 2026.

Table 3 shows that all independent variables had VIF values below 10. An average VIF score of 1.08 demonstrates the absence of serious correlations among the independent variables. Therefore, all variables used in this study fulfilled the requirements for regression analysis and could be included in the panel regression model.

Panel Data Regression Analysis

Panel regression estimation in this study employed the Fixed Effect Model with robust standard errors clustered by firm to improve estimation reliability. The regression model utilized 70 observations obtained from 14 companies observed during the 2020–2024 period. The use of robust estimation was intended to minimize potential heteroscedasticity and autocorrelation problems that frequently occur in panel data analysis, thereby improving the consistency of coefficient estimates (Ghozali, 2021; Widarjono, 2020).

Table 4. Model Information

Model Information	Value
Estimation Method	Fixed Effect Model
Robust Standard Error	Yes
Number of Observations	70
Number of Firms	14
Prob > F	0.0002
Within R2	0.3348

Source: Processed using STATA output, 2026.

Based on Table 4, the regression model employed the Fixed Effect Model with robust standard errors clustered by firm to improve estimation reliability. The model utilized 70 observations from 14 companies during the 2020–2024 period. The within R-squared value of 0.3348 indicates that approximately 33.48 percent of the variation in firm value could be explained by the independent variables included in the model. Furthermore, the probability value of 0.0002 indicates that the regression model was statistically significant.

Table 5. Results of Panel Data Regression

Variable	Coefficient	Std. Error	t-Statistic	Prob.
KM	13.70548	7.336881	1.87	0.084
ROA	1.281675	0.4936648	2.60	0.022
SIZE	0.0663994	0.0256953	2.58	0.023
BI Rate	-0.0651223	0.0254664	-2.56	0.024
Constant	-0.3069313	0.5080414	-0.60	0.556

Source: Processed using STATA output, 2026.

Table 5 shows that Return on Assets (ROA) positively influenced firm value with a probability score of 0.022, indicating statistical significance at the 5 percent level. The result implies that firms with stronger profitability tend to obtain higher company valuation. Companies capable of generating greater profits are generally perceived positively by investors because profitability reflects operational efficiency and better future prospects. This finding supports signaling theory, which explains that strong financial performance can deliver positive signals to investors regarding the company's quality and future business sustainability (Putri et al., 2023). The result also supports previous studies conducted by Jonnius and Marsudi (2021) and Suteja et al. (2023), which found that profitability positively affects firm value. Economically, this result suggests that investors tend to reward firms with stronger profitability because profitability reflects operational efficiency, future growth potential, and business sustainability, which become important considerations under uncertain economic conditions (Putri et al., 2023; Jonnius & Marsudi, 2021).

The regression results also show that managerial ownership (KM) had a positive coefficient but was not statistically significant at the 5 percent significance level because the probability value was 0.084. This finding indicates that managerial ownership was not able to significantly influence firm value in LQ45 companies during the observation period. One possible explanation is that managerial ownership in the sample companies was relatively low, limiting management influence on company policy and market perception. In addition, investors may pay greater attention to company profitability and macroeconomic conditions rather than ownership structure. This finding is in line with studies conducted by Suriawinata and Nurmalita (2022), which found that managerial ownership does not always significantly influence firm value. This finding indicates that investors in LQ45 companies may place greater emphasis on profitability and macroeconomic conditions rather than ownership structures when evaluating firm value. The relatively small proportion of managerial ownership among sample firms may also limit management's ability to significantly influence market valuation,

particularly in highly liquid firms where investor decisions are more responsive to market performance indicators (Suriawinata & Nurmalita, 2022; Santosa et al., 2022).

Company size, which functioned as the control factor, showed a positive and significant relationship with firm value through a probability score of 0.023. This result implies that larger companies are more likely to have higher firm value due to their stronger operational capacity, wider market reach, and more stable financial condition. Investors generally perceive large companies as less risky and more capable of surviving during uncertain economic conditions. This result is consistent with the research of Widnyana and Budiayasa (2022), which reported that larger company size contributes positively to company valuation.

Economic uncertainty represented by the BI Rate showed a negative and significant effect on firm value, with a probability value of 0.024. This finding indicates that higher interest rates tend to decrease firm value. Higher interest rates may increase financing costs for companies and reduce investment attractiveness in the stock market because investors may shift investments to lower-risk financial instruments such as deposits and bonds. Consequently, rising interest rates may reduce stock demand and market valuation. This finding supports the argument that macroeconomic instability influences investor behavior and company performance during uncertain economic conditions. This finding is in line with previous studies by Shen et al. (2020) and Hussain et al. (2023), which reported that economic uncertainty has a negative impact on firm value. These findings imply that monetary conditions remain an important consideration for investors because changes in interest rates directly affect financing costs, investment attractiveness, and market expectations. Consequently, monetary instability may weaken investor confidence and influence capital market performance (Hussain et al., 2023; Prananta, 2024).

From a theoretical perspective, these findings support signaling theory, indicating that investors respond more strongly to profitability signals and macroeconomic conditions when assessing firm value (Putri et al., 2023). Practically, the findings suggest that Indonesian capital market participants should consider both company fundamentals and monetary conditions when making investment decisions under uncertain economic conditions (Hussain et al., 2023).

CONCLUSION

Results from this research confirm that profitability represented through Return on Assets (ROA) positively and significantly contributes to company valuation among LQ45 firms throughout 2020–2024. The analysis indicates that firms generating stronger profits are generally viewed more favorably by investors because they are considered more capable of sustaining business operations and maintaining future growth opportunities. Economic uncertainty represented by the BI Rate was found to negatively and significantly influence firm value. This condition indicates that increases in interest rates may reduce investor interest in the stock market because investors tend to shift investments to lower-risk financial instruments. Meanwhile, Good Corporate Governance proxied by managerial ownership (KM) did not significantly affect firm value, indicating that managerial ownership in LQ45 companies was not able to significantly influence investor perceptions during the observation period. Furthermore, company size, which functioned as the control factor, showed a positive

relationship with company valuation, indicating that larger firms generally possess stronger operational stability along with higher investor confidence.

Overall, this study highlights that firm value in LQ45 companies is not determined solely by governance mechanisms but is also influenced by profitability and macroeconomic conditions. These findings indicate that investors place considerable attention on company fundamentals and economic stability when assessing company valuation under uncertain market conditions. This study has several advantages because it combines internal corporate factors such as corporate governance and financial performance with external factors such as economic uncertainty in explaining firm value in LQ45 companies. In addition, the research applied panel regression techniques through the Fixed Effect approach with the assistance of STATA software, resulting in more reliable estimation outcomes. Nevertheless, this study has several limitations since it only examined companies included in the LQ45 index during the 2020–2024 period, meaning that the findings may not fully represent all companies in Indonesia. Furthermore, this study only used managerial ownership as the proxy for Good Corporate Governance, which may not fully represent all corporate governance mechanisms.

Based on the findings and limitations of this study, future research is suggested to incorporate additional Good Corporate Governance variables such as independent commissioners, audit committees, or institutional ownership to obtain more comprehensive results. Further studies are recommended to expand the research timeframe and involve firms from different industrial sectors so that the research outcomes can represent broader business conditions. Subsequent investigations may also consider additional macroeconomic indicators to provide broader insights into determinants of company valuation in Indonesia.

REFERENCES

- Akben-selcuk, E. (2024). *Economic Policy Uncertainty and Financial Performance in Emerging Markets*. 15(1), 256–264. <https://doi.org/10.5296/bms.v15i1.21923>
- Baker, S. R., Bloom, N., Davis, S. J., & Kost, K. (2022). *Policy News and Stock Market Volatility*. *Journal of Financial Economics*, 145(2), 545-563.
- Di, M. (2021). *The Relationship Between Managerial Ownership and Firm Performance : Reviewing and Evaluating*. 615(Ichess), 1467–1473.
- Ghozali, I. (2021). *Aplikasi Analisis Multivariate dengan Program IBM SPSS 26* (10th ed.). Badan Penerbit Universitas Diponegoro.
- Hussain, S., Ali, R., Emam, W., Tashkandy, Y., Mishra, P., Fahlevi, M., & Matuka, A. (2023). *Economic Policy Uncertainty and Firm Value : Impact of Investment Sentiments in Energy and Petroleum*.
- Jonnius, J., & Marsudi, A. S. (2021). *PROFITABILITY AND THE FIRM ' S VALUE*. 3(1), 23–47.
- Khatib, S. F. A., & Nour, A. I. (2021). *The Impact of Corporate Governance on Firm Performance During The COVID-19 Pandemic : Evidence from Malaysia*. 8(2), 943–952. <https://doi.org/10.13106/jafeb.2021.vol8.no2.0943>

- Lambey, R., & Tewal, B. (2021). *The Effect Of Profitability , Firm Size , Equity Ownership And Firm Age On Firm Value (Leverage Basis) : Evidence From The Indonesian Manufacturer Companies*. 9(1).
- Otoritas Jasa Keuangan. (2024). *Statistik Pasar Modal Indonesia 2024*. <https://ojk.go.id/id/kanal/pasar-modal/data-dan-statistik/statistik-pasar-modal/default.aspx?>
- Prananta, B. (2024). *Exchange rates , bond yields and the stock market : Nonlinear evidence of Indonesia during the COVID-19 period* *Exchange rates , bond yields and the stock market : nonlinear evidence of Indonesia during the COVID-19 period*. <https://doi.org/10.1108/AJEB-12-2022-0157>
- Prayudha, A., Miswanto, M., Rafifah, U. R., Soares, C., & Savuth, H. E. K. (2023). *The Effect of Leverage , Profitability , Liquidity , and Firm Size on Firm Value with Good Corporate Governance as Moderation*. 05, 1–14.
- Putri, I. A. J., Budiyo, & Triyonowati. (2023). *Financial Performance and Firm Value : The Role of Signaling Theory*. 11(04), 4775–4783. <https://doi.org/10.18535/ijssrm/v11i04.em01>
- Rafsanjani, M., Widiyanti, M., & Husni, K. (2024). *The Effect of Managerial Ownership and Institutional Ownership on Firm Value with Profitability as an Intervening Variable in Mining Companies Listed on the Indonesia Stock Exchange*. 8(2), 52–62.
- Ramadhan, E. M. R., Wijaya, M. B. L., & Ruslan, B. (2022). *Corporate Governance and Principal-Agent Theory : a Critical Review*. 10(2), 1391–1404. <https://doi.org/10.37676/ekombis.v10i2>
- Santosa, P. W., Setianingrum, A., & Yusuf, C. (2022). *Corporate governance and leverage on firm value : Evidence of Indonesian large firms*. 26(4), 862–873. <https://doi.org/10.26905/jkdp.v26i4.7764>
- Shen, H., Fu, M., Pan, H., Yu, Z., & Chen, Y. (2020). The Impact of the COVID-19 Pandemic on Firm Performance The Impact of the COVID-19 Pandemic on Firm. *Emerging Markets Finance and Trade*, 56(10), 2213–2230. <https://doi.org/10.1080/1540496X.2020.1785863>
- Silalahi, B. M. U., & Lestari, T. U. (2023). The effect of managerial ownership, institutional ownership, and market activity on firm value. *Gema Wiralodra*, 14(2), 629–637. <https://doi.org/10.31943/gw.v14i2.485>
- Sugiyono. (2022). *Metode Penelitian Kuantitatif, Kualitatif, dan R&D* (2nd ed.). Alfabeta.
- Suriawinata, I. S., & Nurmawati, D. M. (2022). *OWNERSHIP STRUCTURE , FIRM VALUE AND THE MODERATING EFFECTS OF FIRM SIZE : EMPIRICAL EVIDENCE FROM INDONESIA*. 24(1), 91–104. <https://doi.org/10.9744/jmk.24.1.91>
- Suteja, J., Gunardi, A., & Alghifari, E. S. (2023). *Investment Decision and Firm Value : Moderating Effects of Corporate Social Responsibility and Profitability of Non-Financial Sector Companies on the Indonesia Stock Exchange*.
- Widarjono, A. (2020). *Ekonometrika: Pengantar dan Aplikasinya Disertai Panduan STATA* (5th ed.). UPP STIM YKPN.

- Widnyana, I. W., Putu, I. G., & Budiayasa, E. (2022). *Open Access EFFECT OF COMPANY SIZE , PROFITABILITY AND CAPITAL STRUCTURE ON FIRM VALUE IN INDONESIA. 1*, 268–273.
- Zattoni, A., & Pugliese, A. (2021). *Corporate Governance Research in the Wake of a Systemic Crisis : Lessons and Opportunities from the. July*. <https://doi.org/10.1111/joms.12693>
- Zimon, G. (2021). *Effects of the COVID-19 Global Crisis on the Working Capital Management Policy : Evidence from Poland*.