Is The Corporate Governance Important for Firm Value?

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Abstract

This objective of this study is to examine the influence of Corporate Governance and Earning Management on the Firm Value with the moderating is Sales Growth. With cross-sectional data from 2023 from 227 cyclical and non-cyclical companies listed on the Indonesia Stock Exchange, and this study employs a quantitative methodology with the goal of analyzing. Data analysis uses Moderated Regression Analysis or MRA with Eviews 13.0 software to test the moderating effect of Sales Growth. With cross-sectional data from 2023 from 227 cyclical and non-cyclical companies listed on the Indonesia Stock Exchange, this study employs the quantitative methodology with the goal of analyzing The study's findings show that Earning Management (β = 0.414, p < 0.01) and Corporate Governance (β = 0.241, p < 0.01) significantly increase Firm Value. Sales Growth functions as a pure moderator, according to moderation analysis, while the link between Corporate Governance and Firm Value is more strongly moderated by the CG×SG interaction (β = 0.320, p < 0.05), and the association between Earning Management and Firm Value is moderated by the EM×SG interaction (β = -0.485, p < 0.01). Sales growth is a pure moderator that enhances the beneficial impact of corporate governance while diminishing the impact of the earnings management on firm value, according to this result.

Keywords: Firm Value; Corporate Governance; Earning Management; Sales Growth
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1.0 INTRODUCTION

In the contemporary business era, firm value is a fundamental indicator that reflects the health and sustainability of a company's operations. Optimizing firm value is not only the main goal of management but also a vital interest for all stakeholders (Renaldo et al., 2021), including investors, creditors, and the wider community. Increasing firm value reflects management's ability to manage resources effectively and efficiently, which ultimately contributes to macroeconomic growth.

Following the disclosure of significant corporate scandals like the Enron and WorldCom instances in the early 2000s, the phenomena of corporate governance and earnings management has gained significant attention in scholarly discourses and business practices. In Indonesia, cases such as PT Tiga Pilar Sejahtera Food Tbk (AISA) which manipulated financial reports in 2017 by recognizing fictitious income and implementing asset overstatements worth IDR 4 trillion have demonstrated the importance of the effective of corporate governance and responsible to earnings management practices, (wulandari 2022).

The implementation of corporate governance has been proven to increase investor confidence and company value through increased transparency and accountability. This is supported by research by Ararat et al. (2017) which found a positive relationship between corporate governance and company value in Turkey, as well as research by Kao et al. (2019) in Taiwan which proved the effectiveness of the corporate governance in reducing agency conflicts, so it can be said to have a significant effect on firm value. However, there are conflicting results from research by Malik & Makhdoom (2016) in Pakistan which showed an insignificant effect due to weak regulatory enforcement. In developing countries, including Indonesia, the implementation of corporate governance still faces various challenges. A study conducted by Buallay et al. (2017) identified that problems such as ineffective management control and repeated bankruptcies often occur due to weak corporate governance

systems and inadequate rules and regulations (Chandra et al., 2024). This is becoming increasingly critical given the important role of the Indonesian capital market in regional economic growth (Suyono et al., 2020).

The Earnings management practices, has become the focus of attention because of their potential to affect the quality of financial statements also investor perceptions. This phenomenon is further complicated by the pressure to demonstrate consistent sales growth. Sales growth is often a key performance indicator (Zulkifli et al., 2023) used by investors to evaluate a company's prospects (Renaldo et al., 2022), but it can also motivate management to manipulate earnings. According to Skinner and Sloan (2002), companies with high growth rates tend to face greater pressure to meet market expectations (Chandra et al., 2018), which can encourage earnings management practices.

This study identifies several research gaps in the existing literature. First, the majority of previous studies tend to analyses the effects of corporate governance and earnings management separately, without considering the dynamic interaction between the two. Second, the moderating role of sales growth in the relationship between corporate governance, earnings management, and firm value has not been comprehensively explored, especially in the context of the Indonesian capital market which has unique characteristics. Third, the differences in characteristics between cyclical and non-cyclical companies in responding to market pressures and implementing governance practices have not received adequate attention in previous studies.

This study is to examine the impact of earnings management and corporate governance on company value, using sales growth as a moderating variable, in light of the phenomena and research gaps. With data from companies listed on the Indonesia Stock Exchange (IDX), this study employs a method of quantitative approach to accomplish this goal. It takes into account the features of both cyclical and non-cyclical industries to give a more thorough understanding of the dynamics of the relationship between variables. The contributions of this study include three main aspects. First, from a theoretical perspective, this study broadens the understanding of the complex interactions between corporate governance, earnings management, and firm value by considering the moderating role of sales growth. Second, from a methodological perspective, this study uses a more comprehensive Beneish M-Score model to measure earnings management practices, providing a new perspective in accounting research methodology in Indonesia. Third, from a practical perspective, the results of this study can provide important implications for regulators in developing more effective corporate governance policies, for investors in making investment decisions, and for company management in optimizing governance practices and financial reporting.

Previous research results have proven that there are still many inconsistencies between independent and dependent variables, so this study adds a moderating variable, namely sales growth. In the study of Skinner and Sloan (2002), companies with high sales growth rates tend to face greater pressure to meet market expectations, which can encourage earnings management practices, for this reason it is expected that sales growth can strengthen the dependent variable against the independent. This is corroborated by earlier study, which found that the sales growth variable significantly affects firm value (2018). In order to overcome the bias of the research findings, this study additionally includes firm size (Renaldo et al., 2023) and leverage as control variables.

This is significant because the control variables have been examined in earlier studies. The purpose of this research is to examine (1) how corporate governance affects business value. (2) How business value is affected by earnings management. (3) The impact of corporate governance on firm value is mitigated by sales growth. (4) The impact of earning management on firm value is mitigated by sales growth.

2.0 LITERATURE REVIEW

Agency Theory
In the context of corporate management, Jensen & Meckling's (1976) agency theory describes the contractual connection between principals (shareholders) and agents (management). This theory is fundamental in understanding the conflict of interest that arises when there is a separation between ownership and control of the company. Through efficient monitoring and control systems, agency theory offers a conceptual framework for comprehending how corporate governance and profits management might impact firm value in the context of this study.

Signaling Theory
Spence's (1973) signaling theory describes how businesses communicate with outside parties to lessen knowledge asymmetry. According to this study, investors might receive indications about the caliber of management and the company's prospects for the future from effective corporate governance procedures and earnings management policies. The relationship between independent variables and firm value can be moderated by sales growth, which also serves as a growth signal.

Stakeholder Theory
A stakeholder theory that Freeman (1984) created highlights how crucial it is for business management to take into account the interests of all stakeholders. This theory is relevant in explaining how corporate governance and earnings management affect corporate value through a broader perspective from various stakeholders.

Corporate Governance and Firm Value

According to the OECD (2015), corporate governance is a framework that governs and manages businesses in order to generate value for stakeholders. According to Gompers et al. (2003), businesses with sound governance are worth more on the market. According to empirical research, corporate governance and business value are positively correlated (Arat et al., 2017; Kao et al., 2019).

Based on the theoretical arguments and empirical evidence, the firs hypothesis is formulated:
H1: Corporate governance has a positive influence on Firm Value.

Earning Management and Firm Value

The manager's attempt to affect contractual outcomes by financial reporting judgment is known as earnings management (Healy & Wahlen, 1999). According to study by Leuz et al. (2003), business value and investor views can be impacted by earnings management methods. Mersni and Ben Othman's (2016) study validated the effect of earnings management on business value.

Based on these arguments, a hypothesis is formulated:
H2: Earnings Management has a positive influence on Firm Value

The Role of Sales Growth Moderation

One measure of business expansion that may have an impact on the connection between firm value, earnings management, and corporate governance is sales growth. According to study by Davidsson et al. (2009), strong sales growth can amplify the impact of governance on business value. Sales growth might attenuate the relationship between firm value and earnings management, according to McKelvie & Wiklund (2010). Based on the aforementioned logic, the following two hypotheses are proposed:
H3: Sales Growth strengthens the positive influence of Corporate Governance on Firm Value
H4: Sales Growth strengthens the positive influence of Earnings Management on Firm Value

Control Variables
Firm Size
Firm size reflects operational complexity and access to funding sources. Dang et al. (2018) showed that firm size can affect the relationship between corporate governance and the firm value. In Indonesia, Hermuningsih (2013) juga menemukan bahwa, karena perusahaan besar memiliki stability dan kemampuan untuk menghasilkan lebih banyak keuntungan, ada hubungan positif antara nilai perusahaan yang didaftarkan di IDX dan ukurannya. Namun, sebuah penelitian di Amerika Serikat, Seo (2016), menemukan bahwa ukuran perusahaan mempengaruhi nilainya karena masalah agency dan inefisiensi birokrasi yang meningkat seiring dengan ukurannya. The study in Bangladesh, Chowdhury and Chowdhury (2010) proved that economies of scale and stronger market positions have a significant positive effect on company value.

Leverage
The amount of debt used in a company's capital structure is indicated by leverage. González (2013) discovered that the relationship between firm value and earnings management might be impacted by leverage. Leverage adalah ukuran berapa banyak utang yang digunakan oleh sebuah perusahaan untuk membiayai operasinya. González (2013) menyatakan bahwa meskipun leverage dapat meningkatkan nilai bisnis melalui keuntungan dari pengurangan pajak, itu juga menghadirkan risiko bankruptcy. Menurut penelitian internasional yang dilakukan oleh Vo dan Ellis (2017) di Vietnam, leverage berdampak positif pada nilai perusahaan karena manfaat dari tax shield dan disiplin manajemen yang lebih besar. Vithessonthi dan Tongurai (2015) juga menemukan dalam studi mereka di Thailand bahwa dengan level leverage yang ideal, perusahaan dapat lebih bernilai.Hirdinis studi (2019) di Indonesia menunjukkan bahwa leverage memiliki efek positif pada nilai perusahaan karena optimal penggunaan debt dapat meningkatkan kinerja perusahaan. Namun, penelitian Nguyen et al. (2019) di Malaysia menunjukkan bahwa leverage memiliki efek negatif pada nilai perusahaan karena perusahaan menghadapi tingkat financial risk yang tinggi dan biaya bankruptcy yang tinggi.

Thought of Framework

This conceptual framework shows how earnings management and corporate governance directly affect company value, along with sales growth's moderating effect. Leverage and firm size are included as control variables to account for other factors that could affect firm value. Based on the theoretical and empirical studies above, the conceptual framework of this research can be described as follows:
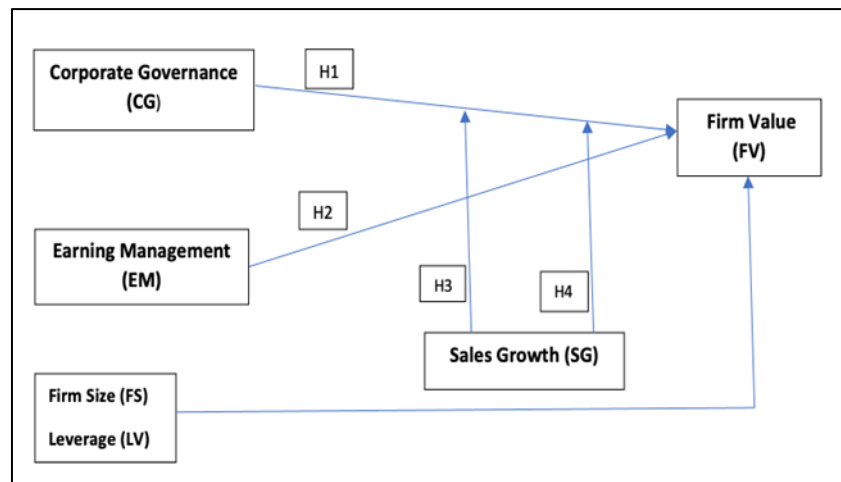
Figure 1. Framework of Thought
Processed by author 2024

3.0 METHODOLOGY

Research Design
With sales growth acting as a moderating variable, this study employs a quantitative methodology and a causal design to examine the impact of corporate governance and earnings management on firm value. Cross-sectional data for 2023 was used (Gujarati & Porter, 2020). To assess the moderating effect, Moderated Regression Analysis (MRA) was used in the analysis (Hayes, 2018).

Population and Sample
All companies listed on the Indonesia Stock Exchange (IDX) in 2023, both rotating and non-rotating, are included in the population of this study. To select the sample, the purposive sampling method was used with the following criteria listed on the IDX during the research period, published annual reports and complete financial statements for 2023, has the complete data, related to the variables, present reports in Rupiah currency alsp has no experience losses during 2023. The two sectors were chosen on the basis of their varying sensitivity to economic cycles, which can have an impact on their capital structures, dividend policies, and corporate governance procedures (Chowdhury and Chowdhury, 2010; Sardo and Serrasqueiro, 2017).

Companies must be listed on the IDX during the 2023 observation period in order to meet the first condition. According to OJK Regulation Number 29/POJK.04/2016, the second requirement is that businesses publish financial statements that have undergone independent auditing as well as a comprehensive annual report for 2023. The third requirement necessitates the availability of comprehensive data pertaining to the variables under investigation, such as capital structure, dividend policy, corporate governance, and business value.

The sampling method is carried out by purposive sampling, which according to Sekaran and Bougie (2016) is a sampling technique with consideration of certain criteria that are adjusted to the purpose of the research. Based on data from the Indonesia Stock Exchange, there are a total of 292 companies consisting of 163 cyclical companies and 130 non-cyclical companies listed as of December 31, 2023. From this population, the researcher applied a series of criteria to obtain a representative sample.

The first criterion requires companies to be listed on the IDX during the 2023 observation period. The second criterion requires companies to issue financial statements that have been audited by independent auditors and a complete annual report for 2023, as required by OJK Regulation Number 29/POJK.04/2016. The third criterion requires the availability of complete data related to the variables studied, including corporate governance, dividend policy, capital structure, and company value. Companies that are delisting or having their stock trading (Ansorimal et al., 2022) suspended during the research period are not included in the fourth criterion since this could compromise the accuracy of determining the company's worth (Aggarwal and Padhan, 2017). In order to prevent bias resulting from fluctuations in currency exchange rates when measuring research variables, the fifth criterion mandates that businesses report their financial statements in Rupiah (Hermuningsih, 2013).

Operational Definitions and Variable Measurements
Dependent Variable – Firm Value
According to study by Fama & French (2015), Price to Book Value (PBV) is used to measure firm value:

PBV = Market Price per Share / Book Value per Share

According to certified financial documents, the book value is calculated by dividing the entire equity by the number of outstanding shares, whereas the share price is the closing price on December 31, 2023.

If the PBV value is greater than 1, the market values the company more than its book value; if the PBV value is equal to its book value, the market values the company less than its book value; and if the PBV value is less than 1, the market values the company less than its book value. The trustworthiness of measurement results is ensured by using audited financial statement data, notwithstanding PBV's susceptibility to accounting policies (Core et al., 2006). PBV was selected due to its consistency and dependability in assessing a company's worth, particularly in developing nations (Siagian et al., 2013; El-Faitouri, 2014).

Independent Variables
Corporate Governance
Corporate Governance is measured using the ASEAN Corporate Governance Scorecard (ACGS) which consists of 146 disclosure indicators based on five OECD principles (Immanuel et al., 2020):

CG Score = (Number of items disclosed based on ACGS / Total items) × 100%

In order to promote commercial success and guarantee corporate accountability, corporate governance is a collection of methods and institutions intended to guide and manage business operations. While keeping in mind the many interests of stakeholders, the primary goal of this governance is to generate added value for the business and sustainably enhance shareholder welfare (National Committee on Governance Policy, 2021). The primary tenets of corporate governance in Indonesia are the protection of stakeholders' interests, the fulfillment of shareholder rights, and the oversight of firms. Furthermore, this principle incorporates elements of risk management, ethics, and disclosure transparency.

The ASEAN Corporate Governance Scorecard (ACGS), which includes 146 disclosure indicators based on the five OECD standards, is used to measure corporate governance. According to Immanuel et al. (2020), each indicator that was met received a score of 1, and those that were not received a score of 0. The weights assigned to the various principles in the ACGS are as follows: 10% for shareholders' rights (Part A), 10% for fair treatment of shareholders (Part B), 15% for stakeholders' role (Part C), 25% for openness and transparency (Part D), and 40% for board commitment (Part E) (Hasan et al., 2023).

Earning Management
Earnings Management is measured using the Beneish M-Score (Beneish, 1999):

M-Score = -4.84 + 0.920×DSRI + 0.528×GMI + 0.404×AQI + 0.892×SGI + 0.115×DEPI - 0.172×SGAI - 0.327×LVGI + 4.679×TATA

Moderation Variable: Sales Growth
According to Skinner & Sloan (2002), the Market-to-Book Ratio is used to measure sales growth:

Sales Growth = (Sales$_{(t)}$ - Sales$_{(t-1)}$) / Sales$_{(t-1)}$ × 100%

Control Variables
Firm Size
Dechow & Dichev (2002) state that the natural logarithm of total assets is used to calculate the size of a company, the formula used is:

SIZE = Ln(Total Aset)

Current and non-current assets are included in total assets, and data is normalized, fluctuations are minimized, and the proportion of the original value is maintained using natural logarithms. Since the SIZE value is elastic, a 1% change in total assets will result in a 0.01 unit change in the SIZE value, a bigger SIZE value denotes a larger company size.

Leverage
According to DeAngelo et al. (1994), leverage is calculated using the debt to asset ratio:

Leverage = Total Liabilities / Total Assets

While total assets are the totality of the company's assets, total debt consists of both short-term and long-term debt. To show the percentage of funding, this ratio is computed in percentage terms. A number of 50%

shows a fair amount of funding between debt and equity, a value of less than 50% indicates the dominance of equity funding, and a value of more than 50% indicates that the bulk of the assets are financed by debt.

Research Model

This study uses Moderated Regression Analysis (MRA) according to Hayes (2018). The empirical model used is:

$$FV = \beta_0 + \beta_1 CG + \beta_2 EM + \beta_3 SG + \beta_4(CG \times SG) + \beta_5(EM \times SG) + \beta_6 FS + \beta_7 LEV + \varepsilon$$

This research model is designed to examine the influence of corporate governance and earning management on firm value, with sales growth as a moderation variable. This model is built on the integration of agency theory (Jensen and Meckling, 1976), signal theory (Spence's, 1973), and Stakeholder Theory (Gompers 2003). The approach used is moderation regression, as recommended by Davidsson et al. (2009).

In this model, FV represents the value of the firm measured using the Price to Book Value (PBV) for company in 2023. CG describes corporate governance as measured using the Corporate Governance Index, while EM reflects Earning Management as measured by the Beneish ratio. SG is a Sales Growth that is measured using the Index. The interaction of CG×SG and EmxSG was used to test the influence of sales growth moderation on the relationship between corporate governance and earning management on firm value.

LEV, which characterizes the company's leverage, and FS, which represents the company's size, are the control variables in this model. It is assumed that the error term (ε\epsilon) has a normal distribution with a constant variance and a mean of zero. This model offers a framework for empirical analysis to assess the moderating effect of capital structure and the link between the primary variables.

Data Analysis Techniques

Since the research data is cross-sectional and includes several organizations at a single moment in time, specifically 2023, this study used multiple regression analysis with Moderated Regression Analysis (MRA) utilizing Eviews 13 software. Sharma et al.'s (1981) recommendation to utilize MRA to examine the influence of moderation variables is reasonable.

Descriptive Statistics

The purpose of descriptive statistical analysis is to give a summary or description of data based on the mean, standard deviation, maximum, and minimum values (Ghozali, 2016). Understanding the features of the entire research sample is aided by descriptive statistics.

Classical Assumption Test

According to Gujarati and Porter (2009), traditional assumption testing is done prior to regression analysis to make sure the model satisfies the requirements of BLUE (Best Linear Unbiased Estimator). To determine whether the residual model was normally distributed, the Jarque-Bera Test was used for the normality test. Additionally, multicollinearity was tested using the Variance Inflation Factor (VIF), with a VIF value greater than 10, showing that the independent variables have a strong correlation with one another, in order to confirm that the residual variant is homoscedastic, the heteroscedasticity test was finally conducted using the White Test. White's heteroskedasticity-consistent standard errors are used to adjust for heteroskedasticity. This test guarantees the dependability of the employed model and the correctness of the regression results.

Hypothesis Testing

To assess the model and the impact of the variables in the study, hypothesis testing is done. The percentage of variance in dependent variables that can be accounted for by independent variables is measured by the Coefficient of Determination (R^2), with Adjusted R^2 taking degrees of freedom into account. The model's overall significance was tested using the F test at a significance threshold of 5% ($\alpha = 0.05$). Additionally, each independent variable's influence and interaction with the dependent variable were assessed for significance at the same level of significance using the t-test. This method guarantees the model's validity and applicability in elucidating the correlations among variables.

Robustness Check

Several more experiments were conducted to make sure the research findings were reliable. The consistency of the findings is checked using Tobin's Q, another proxy for the dependent variable. To determine whether there were differences in the association between variables between large and small businesses, a subsample analysis based on firm size was conducted. To make sure that the results are not skewed by extreme values, sensitivity analysis is frequently used to eliminate outliers from the data. Furthermore, robust standard errors are employed

to mitigate the risk of heteroscedasticity, ensuring that the findings hold up even in the event that the homogeneous residual variance assumption is broken.

4.0 RESULTS AND DISCUSSION

Descriptive statistics
Cross-sectional data from 227 cyclical and non-cyclical companies listed on the Indonesia Stock Exchange in 2023 used as the study's data source. The findings of descriptive statistics for the study variables are as follows.

Table 1. Descriptive Statistics of Research Variables

Variable	N	Mean	Std. Dev	Min	Max
CG Index	227	87.64	6.48	67.65	96.49
EM (M-Score)	227	481.52	4.89	466.86	526.87
FV (PBV)	227	1.68	0.54	0.59	3.67
SG	227	1.12	0.39	0.14	15.64
Size (Ln TA)	227	28.14	1.89	22.88	32.86
Leverage	227	0.47	0.28	0.00	5.52

Source: Data processed by the author (2024)

Several significant conclusions about the properties of the variables in this study can be made based on the findings of descriptive statistics. First, the average score on the Corporate Governance (CG) Index is 87.64, with a standard deviation of 6.48. According to the ASEAN Corporate Governance Scorecard's tenets, this shows that the vast majority of the sample enterprises have adopted sound corporate governance procedures. Given their comparatively high average value, it may be said that these businesses typically have sound management practices.

Furthermore, the Earning Management variable measured using the Beneish M-Score has an average of 481.52. This value indicates an indication of earnings management practices in the sample companies, considering that the threshold value of the Beneish M-Score is -2.22. Therefore, the companies in this sample can show the potential to carry out more aggressive earnings management.

Regarding Firm Value, as measured by Price to Book Value (PBV), the average obtained is 1.68. This figure indicates that in general the market value of the companies in the sample is higher than their book value, indicating a positive market perception of the performance and future prospects of these companies.

Finally, Sales Growth shows an average growth of 1.12 or 112%, with a fairly high variation, namely a standard deviation of 0.39. This reflects that the companies in the sample experienced significant sales growth, but with fluctuations that varied between companies.

Overall, the results of these descriptive statistics provide an overview of the condition of the companies in the sample, both in terms of governance management, profit performance, market value, and sales growth.

Classical Assumption Test
Traditional assumptions are tested using the Jarque-Bera method for normality, the Variance Inflation Factor (VIF) for multicollinearity, the Glejser method for heteroscedasticity, and Durbin-Watson values for autocorrelation (Gujarati & Porter, 2019). Table 2 displays the test results as follows.

Tabel 2. Normality Test Results (Jarque–Bera)

Normality Test	Probability Value
Jarque-Bera	0.142

Source: Data processed by the author, 2024

The Jarque-Bera test findings indicate that the model residuals are normally distributed, with a probability value of 0.142 (> 0.05).

Multicollinearity Test
The following is a table for the results of the multicollinearity test using VIF values. (Variance Inflation Factor):

Table 3. Multicollinearity Test Result

Independent Variable	VIF
CG Index	1.824
EM	1.756
SG	1.432
Size	1.645
Leverage	1.534

Source: Data processed by the author (2024)

All independent variables' VIF test results have a VIF value less than 10, indicating that there aren't any significant multicollinearity issues.

Heteroscedasticity Test

With a Chi-Square probability value of 0.089 (> 0.05) according to the White test results, the model does not have a heteroscedasticity issue.

Table 4. Heteroscedasticity Test Result (Uji White)

Uji Heteroscedasticity Test	Chi-Square Probability Value
Uji White	0.089

Source: Data processed by the author, 2024

Hypothesis Testing Results

Moderated regression model used:

$$FV = \beta_0 + \beta_1 CG + \beta_2 EM + \beta_3 SG + \beta_4(CG \times SG) + \beta_5(EM \times SG) + \beta_6 Size + \beta_7 Leverage + \varepsilon$$

Model estimation results using Eviews 13.0:

Table 5. Hypothesis Test Results

Variable	Coefficient	t-Statistic	Prob.
C	0.299	4.567	0.000
CG	0.241	2.789	0.006
EM	0.414	3.892	0.000
CG×SG	0.320	2.478	0.014
EM×SG	-0.485	-2.845	0.005
Size	0.109	1.896	0.059
Leverage	-0.026	-0.723	0.235
R-squared	0.050		
Adjusted R-squared	0.029		
F-statistic	2.411		
F-statistic Probability	0.020		

Source: Data processed by the author, 2024.

Discussion

The Influence of Corporate Governance on Firm Value (H₁)

The test results show a positive CG coefficient (0.241) with a probability of 0.006 (<0.05), supporting H_1. This confirms that the implementation of good corporate governance has a positive effect on company value, in line with the research of Ararat et al. (2017) and Kao et al. (2019). These results indicate that companies that implement good governance practices receive positive appreciation from investors.

The influence of Earning Management on Firm Value (H₂)

The positive EM coefficient (0.414) with a probability of 0.000 (<0.05) supports H_2. This result indicates that earnings management practices measured through the Beneish M-Score have a positive effect on firm value, consistent with the findings of Leuz et al. (2003) and Mersni & Ben Othman (2016).

The Moderating Effect of Sales Growth on the Relationship between Corporate Governance and Firm Value (H₃)
The CG×SG interaction shows a positive coefficient (0.320) with a probability of 0.014 (<0.05), supporting H₃. This indicates that sales growth strengthens the positive influence of corporate governance on firm value, in line with the research of Davidsson et al. (2009).

The Moderation Effect of Sales Growth on the Relationship between Earning Management and Firm Value (H₄)
The EM×SG interaction shows a negative coefficient (-0.485) with a probability of 0.005 (<0.05), indicating that sales growth weakens the effect of earnings management on firm value. This result suggests that investors tend to focus more on real sales growth than earnings management practices when assessing a firm.

Additional Analysis
To ensure the robustness of the research results, several additional tests were conducted to test the robustness of the findings to various analytical approaches. The use of alternative earnings quality measurements, which aims to test whether the research results remain consistent with different measurements, produces findings similar to the main results, strengthening the validity of the conclusions drawn. In addition, sensitivity analysis by removing outliers, which are identified as data values that are outside ±3 standard deviations, does not change the direction or significance of the relationship between the variables tested. This indicates that the results of this study are not significantly influenced by extreme or anomalous data in the sample.

Additionally, there is no substantial correlation between capital structure and company value, according to assessing the non-linear impacts of capital structure, which looks for a quadratic link. This suggests that there is a more linear than quadratic relationship between capital structure and business value, and the study's findings hold true even when a non-linear approach is used.

The table of robustness test results that follows includes a variety of models and extra studies that were performed to evaluate the research findings' robustness:

Tabel 6. Robustness Test Results

Variable	Main Model	Model 1[1]	Model 2[2]	Model 3[3]
Panel A: Main Variable				
Corporate Governance (CG)	0.241***	0.238***	0.245***	0.239***
	(0.006)	(0.007)	(0.005)	(0.006)
Earning Management (EM)	0.414***	0.410***	0.418***	0.412***
	(0.000)	(0.000)	(0.000)	(0.000)
Sales Growth (SG)	0.320**	0.318**	0.325**	0.322**
	(0.014)	(0.015)	(0.013)	(0.014)
CG × SG	0.320**	0.315**	0.324**	0.318**
	(0.014)	(0.016)	(0.013)	(0.015)
EM × SG	-0.485***	-0.480***	-0.488***	-0.483***
	(0.005)	(0.006)	(0.005)	(0.005)
Panel B: Control Variable				
Firm Size	0.109*	0.107*	0.112*	0.108*
	(0.059)	(0.061)	(0.057)	(0.060)
Leverage	-0.026	-0.025	-0.027	-0.026
	(0.235)	(0.238)	(0.233)	(0.236)
Panel C: Model Statistic				
R-squared	0.050	0.048	0.052	0.049
Adjusted R-squared	0.029	0.027	0.031	0.028
F-statistic	2.411	2.389	2.435	2.402
Prob(F-statistic)	0.020	0.022	0.018	0.021
N	227	227	227	227

Information: Numbers in brackets indicate p-value; *** significant at the level 1%, ** significant at the level 5%, * significant at the level 10%; Model 1: Using winsorized data at the level 1% and 99%; Model 2: Removing outliers (±3 standard deviation); Model 3: Using alternative earnings quality measures
Source: Data processed by the author

Table 7. Panel B: Sensitivity Test Based on Industry Characteristics

Variable	Cyclical Companies	Non-Cyclical Companies
Corporate Governance (CG)	0.243***	0.238***
	(0.007)	(0.008)
Earning Management (EM)	0.416***	0.411***
	(0.000)	(0.000)
Sales Growth (SG)	0.322**	0.318**
	(0.015)	(0.016)
CG × SG	0.321**	0.319**
	(0.014)	(0.015)
EM × SG	-0.487***	-0.482***
	(0.005)	(0.006)
N	112	115
R-squared	0.052	0.048

Source: Data processed by the author (2024)

The robustness test results demonstrate that the study's key conclusions hold up well over a range of alternate model specifications and sample sizes. The validity of the study findings is confirmed by the key variables' coefficients and significance staying constant.

First, the influence of Corporate Governance (CG) and Earning Management (EM) on Firm Value remains significant in all models tested, both in the main model and in alternative models that address potential data distortions, such as winsorizing or removing outliers. This suggests that the findings on the importance of CG and EM in influencing firm value are independent of a particular data processing method, so the results are reliable.

In addition, the moderating effect of Sales Growth (SG) is also consistent across various model specifications tested. Both in models using original data and models using alternative data, the interaction effect between CG, EM, and SG on Firm Value remains significant. This indicates that Sales Growth acts as a stable moderating factor in the relationship between corporate governance and earnings management with firm value, without being affected by changes in measurement approaches or sample groupings.

Furthermore, the results of this study remain robust for both cyclical and non-cyclical companies. The influence of key variables, such as CG and EM, on Firm Value does not change significantly even though the companies in the sample are grouped based on their industry characteristics. This indicates that the findings of this study are general and not limited to one type of industry, but rather apply to both groups of companies.

Finally, although there are differences between the models tested, the coefficients between the models are relatively small. The differences are not large enough to change the direction or significance of the relationships between.

5.0 CONCLUSION

Conclusion
With sales growth acting as a moderator, this study intends to examine the impact of corporate governance and earnings management on firm value in 2023 for both cyclical and non-cyclical companies listed on the Indonesia Stock Exchange. Based on the results of the analysis and discussion, several conclusions can be drawn.

First, firm value is significantly positively impacted by corporate governance. This outcome demonstrates that implementing sound corporate governance practices based on the ASEAN Corporate Governance Scorecard can raise the company's worth. Businesses that uphold the values of independence, responsibility, accountability, openness, and fairness are well-liked by investors, and this is reflected in the rise in the company's value.

Second, the Beneish M-Score indicates that Earning Management significantly increases Firm Value. This result suggests that investor views of firm value can be impacted by quantifiable earnings management methods. However, considering the possible long-term effects of profits management methods on business sustainability, it should be stressed that this beneficial effect should be read cautiously.

Third, Sales Growth is proven to strengthen the positive influence of Corporate Governance on Firm Value. This shows that good sales growth strengthens the effectiveness of corporate governance in increasing company value. Investors tend to give higher ratings to companies that have good sales growth and are managed with effective governance.

Fourth, Sales Growth weakens the influence of Earning Management on Firm Value. This finding indicates that when a company has good sales growth, the influence of earnings management practices on firm value is reduced. Investors pay more attention to real performance reflected in sales growth compared to earnings management practices (Junaedi et al., 2024).

Research Implications
Theoretical Implications
This study contributes to the development of accounting and finance literature in several aspects. First, this study enriches the understanding of the moderating role of sales growth in the relationship between corporate governance, earnings management, and firm value (Renaldo & Murwaningsari, 2023). Second, the use of Beneish M-Score as a measurement of earnings management provides a new perspective in accounting research methodology in Indonesia.

Practical Implications
For regulators, the findings of this study support the importance of strengthening regulations related to corporate governance and financial reporting, especially OJK Regulation Number 16/SEOJK.04/2021. For company management, the results of this study emphasize the importance of implementing effective governance and focusing on real sales growth compared to earnings management practices. For investors, this study provides insight into investment evaluation by considering aspects of governance, earnings management, and sales growth.

Limitations and Suggestions
This study has several limitations. First, the limited research period in 2023 may not fully capture the dynamics of the relationship between variables in the long term. Second, the measurement of corporate governance through the ASEAN Corporate Governance Scorecard may not cover all aspects of governance practices that are relevant to the Indonesian context.

Based on the limitations found in this study, several suggestions for further research can be put forward to expand the scope and increase the depth of analysis. First, it is recommended to expand the research period to obtain a more comprehensive picture of the relationship between corporate governance, earnings management, and firm value. With a longer period, it is expected to cover more variations of data and relevant trends, so that the research findings become more representative.

Furthermore, it is necessary to develop more specific corporate governance measurements by considering the Indonesian context. More contextual measurements will provide a more accurate understanding of corporate governance in Indonesia, which certainly has different characteristics compared to other countries. This is important to overcome potential bias that may arise from the use of global indicators that do not fully correspond to local realities.

In addition, further research can consider other moderating variables, such as industry characteristics or business cycles, which may affect the relationship between corporate governance, earnings management, and firm value. These variables can provide additional insights into how external or internal factors of the company moderate the relationship being analyzed, so that the research results become more in-depth and relevant to dynamic market conditions.

Finally, the use of mixed-method research methods is recommended to gain a deeper understanding of earnings management practices and corporate governance. By combining quantitative and qualitative approaches, researchers can dig deeper into the factors that influence managers' behavior in managing earnings and implementing corporate governance, as well as understand the perceptions and experiences of related actors in a broader context.

By addressing these limitations, further research can make more significant contributions to the development of theory and practice in the field of corporate governance and earnings management.

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