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Moderating Role of Good Corporate Governance in the Effects of Green Finance, Leverage, and Profitability on Firm Value

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A B S T R A C T

This study analyzes the influence of green finance, leverage, and profitability on firm value, with Good Corporate Governance (GCG) as a moderating variable, in energy companies listed on the Indonesia Stock Exchange (IDX) from 2020 to 2024. Using a quantitative explanatory approach, the study employs secondary data from annual and sustainability reports, with purposive sampling resulting in 11 firms and 72 firm-year observations. Panel data regression using Fixed Effect Model (FEM) and Moderated Regression Analysis (MRA) was applied, measuring firm value by Price-to-Book Value (PBV), green finance by Green Finance Disclosure Index (GFDI), leverage by Debt-to-Asset Ratio (DAR), profitability by Net Profit Margin (NPM), and GCG by institutional ownership. The results indicate that green finance positively and significantly affects firm value, while leverage has a negative and significant effect. Profitability shows no significant influence. Moreover, GCG moderates the relationships between green finance and firm value and between leverage and firm value by reducing their effects, but it does not moderate profitability. These findings highlight the importance of governance in improving firm value.

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INTRODUCTION

Corporate value is a key indicator of a company's success because it reflects the level of shareholder prosperity and the prospects for business sustainability. This value is reflected in stock prices on the capital market and serves as the basis for investment decisions. In the context of global competition and financial market dynamics, companies are required not only to improve short-term financial performance but also to create sustainable long-term value for all stakeholders.

The development of sustainability issues is encouraging companies to integrate environmental, social, and governance (ESG) aspects into their business strategies, one of which is through the implementation of green finance. Green finance is seen as a crucial instrument to support the transition to a green economy, particularly in the energy sector, which contributes significantly to carbon emissions. However, empirical findings show mixed results: on the one hand, green finance is considered capable of enhancing a company's reputation and value in the long term, but on the other hand, it can depress financial performance and company value in the short term due to high implementation costs and risks.

Indonesia's energy sector plays a strategic role in the national economy, but also faces significant challenges in the form of fluctuating commodity prices, environmental regulatory pressures, and demands for a clean energy transition. The divergence in corporate value trends between fossil fuel and clean energy companies demonstrates that investors increasingly place a higher value on companies focused on sustainability. This indicates that green finance policies have the potential to become a source of competitive advantage if managed effectively.

Besides green finance, leverage and profitability are fundamental financial factors that influence company value. Leverage can increase company value through tax benefits and additional capital, but it also increases financial risk if not managed optimally. Meanwhile, profitability reflects a company's ability to generate profits and is generally perceived as a positive signal by investors. However, the influence of these two factors on company value is often inconsistent, suggesting the existence of other factors influencing the relationship.

Good Corporate Governance (GCG) is considered a key factor that can strengthen or weaken the influence of green finance, leverage, and profitability on company value. Good governance ensures transparency, accountability, and effective risk management, thereby increasing investor confidence. The discrepancies in previous research findings and the limited study of the energy sector following the implementation of sustainable finance policies in Indonesia underscore the importance of this study, which examines the role of GCG as a moderating variable in sustainably increasing the value of energy companies.

LITERATURE REVIEW

Signaling Theory

StudyBaharudin and Arifin (2023) shows that green finance functions as a positive signal that increases company value. Hidayat et al. (2024) found that sustainable investments in Islamic banks have a positive and significant impact on profitability. Meanwhile, Marlene and Nainggolan (2023) proves that sustainability transparency can increase a company's market value because it is considered an indicator of a company's honesty and responsibility towards stakeholders.

Stakeholder Theory

According toWang et al., (2021) shows that corporate governance performance has a significant negative effect on a company's funding costs. The better the governance, the lower the funding costs. Meanwhile, Pongilatan et al., (2022) found that GCG did not significantly mediate the relationship between corporate policy and corporate value, confirming that the success of sustainability strategies is highly influenced by stakeholder support.

According to Dianty (2022) Stakeholder theory is also closely related to green accounting practices as a form of social responsibility towards the environment.Lastanti and Salim (2019) states that green accounting and good corporate governance practices can reduce risk, improve operational efficiency, and ultimately increase a company's profitability and value. Thus, stakeholder theory explains that stakeholder engagement and perceptions are crucial elements in linking green finance policies and good corporate governance to corporate performance and sustainability.

Trade-Off Theory

Kraus and Litzenberger, (1973) states that the value of a company that uses debt is the result of the difference between the tax benefits of debt and the present value of bankruptcy costs, so that the company will not use debt excessively, but at a level that is able to maximize the company's value.

The primary implication of the Trade-Off Theory is that the relationship between leverage and firm value is not linear. Using debt at a certain level can provide benefits by increasing firm value, but if leverage exceeds the optimal level, increased financial risk can actually decrease firm value.

Sustainability

This theory assumes that companies are not only responsible for generating profits but also must consider their impact on society (the public) and the environment. In financial management, sustainability theory serves as an important basis for strategic decision-making, such as green finance, which is aimed at supporting environmentally friendly projects, renewable energy, energy efficiency, and carbon emission reduction. Through this sustainable financing, companies strive to create value not only for shareholders but also for future generations.

Green Finance

According to the International Finance Corporation (IFC), green finance aims to direct capital flows toward investments that generate direct environmental benefits while supporting economic growth. Green finance is crucial for energy companies because this sector is a significant contributor to carbon emissions. Therefore, the transition to low-carbon energy requires financing schemes that support new and renewable energy (EBT) projects.

Leverage

The research conducted by Ayu Pangestika and Sunarto, (2025) stated that leverage has a positive effect on company value. However, the results of this study differ from those conducted by H. Suhardi, (2021)) states that leverage has a negative effect on company value. In this study, the analysis focuses on the leverage ratio, namely the Debt-to-Asset Ratio.Hery (2016:166) The Debt to Asset Ratio (DAR) is used to assess the proportion of debt compared to a company's assets. This ratio refers to the extent to which debt is used to finance assets and how much debt contributes to the company's overall asset structure. A high debt ratio can indicate an increased risk for a company in meeting its financial obligations. In general, it is recommended that a company maintain its debt ratio below 0.5; however, this figure is relative and can vary depending on the industry in which the company operates.

Profitability

Profitability is a key indicator reflecting a company's ability to generate profit from its operational activities over a specific period. In general, profitability indicates the level of management efficiency in utilizing existing resources—such as assets, equity, and working capital—to generate revenue and net income. Profitability is an important measure in assessing a company's financial performance because it reflects a business entity's ability to create economic value and maintain long-term business sustainability (Sartono, 2018).

Good Corporate Governance (GCG)

According to Jensen and Meckling (1976), agency theory explains the relationship between capital owners (principals) and management (agents), where conflicts of interest can arise due to differing goals and asymmetric information. In this study, GCG functions as a control mechanism capable of mitigating agency conflicts by ensuring that management acts in accordance with shareholder interests.

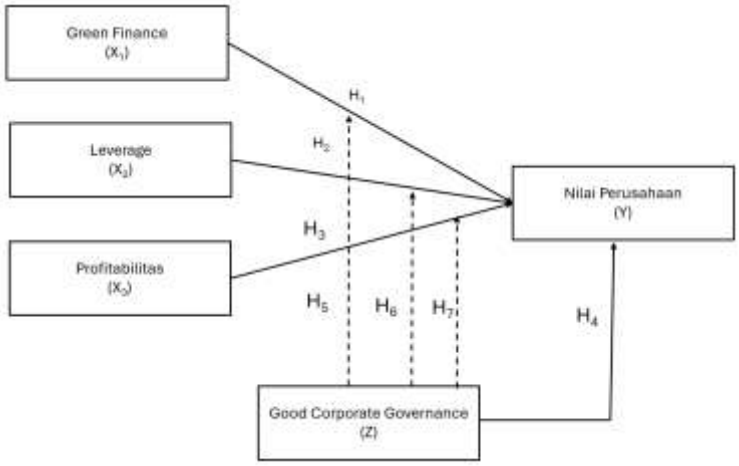

Figure 1. Framework of Thought
Source: Processed by Researchers, 2025

METHODOLOGY

This research employs a quantitative approach using an explanatory design to analyze the causal relationships between the independent and dependent variables through hypothesis testing. The study examines energy sector companies listed on the Indonesia Stock Exchange over the 2020–2024 period. It aims to evaluate the effects of green finance, leverage, and profitability on firm value, with Good Corporate Governance (GCG) incorporated as a moderating variable.

The data used is secondary data obtained from company annual reports and sustainability reports. Purposive sampling was used, with specific criteria applied, to select 11 energy companies that met the research requirements, resulting in a total of 72 panel data observations (firm-year).

The dependent variable in this study is firm value, measured using Price to Book Value (PBV). Independent variables include green finance, proxied by the Green Finance Disclosure Index (GFDI), leverage, measured by the Debt to Asset Ratio (DAR), and profitability, proxied by Net Profit Margin (NPM). Meanwhile, Good Corporate Governance (GCG), as a moderating variable, is measured through institutional ownership, which reflects external oversight mechanisms for management.

The data analysis method used was panel data regression, with the best model selected through the Chow test and the Lagrange Multiplier test, resulting in a Fixed Effects Model (FEM) as the primary estimation model. To test the role of moderating variables, this study employed Moderated Regression Analysis (MRA) by including interaction variables between GCG and each independent variable.

Prior to hypothesis testing, descriptive statistical analysis and classical assumption tests were performed to ensure the validity and reliability of the model. Hypothesis testing was conducted using simultaneous tests (F-test), partial tests (t-test), and coefficient of determination (R^2) to assess the ability of the independent variables to explain variations in company value. All tests were

conducted at a predetermined significance level to obtain accurate and reliable empirical conclusions.

RESEARCH RESULTS

Panel Data Regression Analysis Results

The first regression equation is used to test the influence of Green Finance, Leverage, and Profitability on Firm Value, while also examining the role of Good Corporate Governance (GCG) as a moderating variable that can strengthen or weaken the relationship between the independent variables and Firm Value. Therefore, the regression model used includes not only the direct effect but also the interaction between each independent variable and GCG. The regression equation used is formulated as follows:

Equation 1:

$$PBVit=\alpha+\beta_1\ GFit\ +\beta2\ DARit\ +\beta3\ NPMit+\beta4\ KIit+\ \beta5\ (GFit\times KIit)\ +\beta6\ (DARit\times KIit)\ +\beta_7(NPMit\times KIit)\ +e_{it}$$

Regression Model Equation 1

1) Chow Test

Table 1. Chow Test Results for Equation 1

Effects Test	**Statistics**	**df**	**Prob.**
Cross-section F	7.1438	(11.41)	0.0000
Cross-section Chi-square	64.2260	11	0.0000

Source: Data processed by Eviews 12, 2025

To determine whether the CEM or FEM model is more suitable, a Chow test was performed. If the Chi-square probability is > 0.05, CEM is chosen. However, if the probability is < 0.05, FEM is more suitable. The test results on the model show that the Prob of Cross-Section Chi-Square is 0.00 < 0.05, so the selected model is FEM.

2) Hausman test

From the results chow test FEM is obtained as a feasible model. Then, it is continued with the Hausman test, to determine between FEM or REM. If the cross-section random probability > 0.05, then REM is considered feasible. If the probability < 0.5, then FEM is the best model. Below are the results of data processing using the Hausman test.

Table 2. Hausman Test Results for Equation 1

Test Summary	**Chi-Sq. Statistic**	**Chi-Sq. df**	**Prob.**
Random cross-section	58.3522	7	0.0000

Source: Data processed by Eviews 12, 2025

3) Lagrange Multiplier Test

This test was not performed because the FEM model was selected. The LM test was performed to determine the best model between REM and CEM. Based

on the results of the model selection that has been carried out, the summary of the results is as follows:

Table 3. Results of Regression Model Selection for Equation 1

Test Test	**Criteria**	**t-statistic**	**Test Results**	**Conclusion**
Chow Test	*Cross-section Chi-square*	64.2260	0.0000	Best FEM Model
Hausman test	*Random cross-section*	58.3522	0.0000	Best FEM Model

Source: Data processed by Eviews 12, 2025

The table above shows the selected model, namely the Fixed Effect Model.

Table 4. Panel Data Regression Test Results Equation 1

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-6.073143	1.635132	-3.714160	0.0006
GF	9.118784	2.662988	3.424268	0.0014
DAR	-10.64483	1.941889	-5.481685	0.0000
NPM	-1.045507	2.674977	-0.390847	0.6979
KI	8.053532	1.797467	4.480489	0.0001
GF_KI	-11.00367	3.095724	-3.554472	0.0010
DAR_KI	15.62740	3.100419	5.040416	0.0000
NPM_KI	1.815938	3.464122	0.524213	0.6030

Source: Data processed by Eviews 12, 2025

Referring to the results of the first equation regression shown in the table above, the equation is formulated as follows:

Conclusion:

PBV= -6,073 + 9,119 GF -10,644 DAR – 1,045 NPM + 8,053KI – 11,003 (Gf_KI) + 15,627 (DARxKI) + 1,815 (NPMxKI)

1) Constant (C) The constant value is -6.073 and is significant at the 5% significance level (Prob. = 0.0000). This indicates that if Green Finance (GF), Leverage (DAR), and Profitability (NPM) are zero, then the Company Value (PBV) and the interaction variable with good corporate governance (KI) are estimated at -6.073.
2) The Green Finance (GF) coefficient of 9.119 suggests that a one-unit increase in green finance is associated with a 9.119 increase in Firm Value (PBV), assuming other variables remain constant. This finding implies that the market increasingly recognizes the implementation of green finance as a positive signal that contributes to enhancing firm value.
3) The Leverage Coefficient (DAR) of -10.644 indicates that increasing leverage levels will decrease Firm Value. The higher the debt ratio, the greater the financial risk a company faces, thus reducing investor confidence, assuming all other variables remain constant. This suggests that the higher the leverage, the lower the Firm Value.

4) The Profitability Coefficient (NPM) of –1.045 indicates that each one-unit increase in NPM tends to decrease the Firm Value (PBV) by 1.045, assuming other variables remain constant. This indicates that the company's profit level has not been a major factor in determining the value of energy sector companies during the study period.
5) The good corporate governance (KI) coefficient of 8.053 points shows that the higher the institutional ownership, the higher the company value, because stronger supervision can increase investor confidence.
6) The GF_KI interaction coefficient is -11.003, indicating that good corporate governance (KI) tends to weaken the positive effect of green finance on firm value (PBV). The stronger the corporate governance, the more cautious the market is in assessing the benefits of green finance.
7) The DAR_KI interaction coefficient of 15.627 indicates that good corporate governance tends to strengthen the influence of leverage on Company Value. This shows that the implementation of good GCG is able to reduce the negative impact of leverage and increase the effectiveness of debt management on Company Value.
8) The interaction coefficient of NPM_KI of 1.815 indicates that Good Corporate Governance does not significantly moderate the relationship between profitability (NPM) and firm value. Although the coefficient is positive, the effect is not statistically significant; therefore, institutional ownership has not been empirically proven to strengthen or weaken the relationship between profitability and firm value in this research model.

Table 5. Results of the Test of the Coefficient of Determination of Equation 1

R-squared	0.882947
Adjusted R-squared	0.831558

Source: Data processed by Eviews 12, 2025

Based on the results of the coefficient of determination test, the Adjusted R-squared value was obtained at 0.83, or approximately 83%. This indicates that 83% of the variation in Firm Value (PBV) can be explained by the variables Green Finance (GF), Leverage (DAR), Profitability (NPM), and the interaction between each independent variable and Good Corporate Governance (KI), while the remainder is explained by other variables from outside the model.

Table 6. F Test Results for Equation 1

F-statistic	17.18164
Prob(F-statistic)	0.000000

Source: Data processed by Eviews 12, 2025

The F-test results yielded a statistical value of 17.18 with a probability value of 0.00 < 0.05. This indicates that the regression model used is consistently significant. Therefore, it can be concluded that Green Finance, Leverage, and Profitability, as well as the interaction between each of these variables and Good Corporate Governance (GCG), collectively have a significant effect on Firm Value (PBV).

Table 7. Result of t-test for Equation 1

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-6.073143	1.635132	-3.714160	0.0006
GF	9.118784	2.662988	3.424268	0.0014
DAR	-10.64483	1.941889	-5.481685	0.0000
NPM	-1.045507	2.674977	-0.390847	0.6979
KI	8.053532	1.797467	4.480489	0.0001
GF_KI	-11.00367	3.095724	-3.554472	0.0010
DAR_KI	15.62740	3.100419	5.040416	0.0000
NPM_KI	1.815938	3.464122	0.524213	0.6030

Source: Data processed by Eviews 12, 2025

The Green Finance (GF) variable has a probability value of 0.0014 < 0.05 with a negative regression coefficient of 9.118, so H_1 accepted. This shows that Green Finance has a significant and positive effect on Company Value (PBV).

The Leverage variable (DAR) has a probability value of 0.00 > 0.05 with a positive regression coefficient of -10.644 so that H_2 accepted. This indicates that leverage has a negative and significant effect on firm value (PBV). Therefore, the higher a company's leverage, the greater the financial risk it faces, ultimately leading to a decline in firm value.

The Profitability Variable (NPM) has a probability value of 0.697 > 0.05 with a negative regression coefficient of -1.0455 so that H_3 rejected. Thus, it can be concluded that profitability does not affect company value (PBV).

The Good Corporate Governance variable, proxied by institutional ownership, has a coefficient of 8.053532 with a probability value of 0.0001 < 0.05, thus H4 is accepted. This indicates that GCG has a positive and significant effect on Firm Value. This means that the higher the institutional ownership, the stronger the oversight of management, thereby increasing investor confidence and firm value.

The interaction variable of Green Finance and Good Corporate Governance (GF×KI) has a probability value of 0.001 < 0.05 with a positive regression coefficient of -11.003 so that H5 is accepted. This indicates that good corporate governance is able to moderate the influence of green finance on Company Value, by weakening the negative influence of Green Finance so that the relationship becomes more positive when the level of GCG increases.

The interaction variable of Leverage and Good Corporate Governance (DAR×KI) has a probability value of 0.000 < 0.05 with a positive regression coefficient of 15.627, so H6 is accepted. This indicates that good corporate governance is able to moderate the effect of leverage on Company Value by weakening the negative effect of leverage. The better the implementation of corporate governance, the smaller the effect of leverage on Company Value.

The interaction variable of Profitability and good corporate governance (NPM×KI) has a probability value of 0.603 > 0.05 with a positive regression coefficient of 1.815, thus H7 is rejected. This indicates that good corporate governance is unable to moderate the effect of Profitability on Firm Value.

DISCUSSION

Table 8. Summary of Hypothesis Test Results

Variables	Direction Coefficient	t-Test Results	Hypothesis Conclusion
GF → PBV	Positive (+)	Significant	Accepted
DAR → PBV	Negative (-)	Significant	Accepted
NPM → PBV	Negative (-)	Not Significant	Rejected
KI → PBV	Positive (+)	Significant	Accepted
GF _KI → PBV	Negative (-)	Moderating	Accepted
DAR_KI → PBV	Positive (+)	Moderating	Accepted
NPM_KI → PBV	Positive (+)	No Moderation	Rejected

Source: Data processed by researchers, 2025

The Influence of Green Finance on Company Value

The results of the study indicate that green finance significantly influences firm value, as proxied by Price to Book Value (PBV), with a positive effect. This finding indicates that the increased implementation and disclosure of green finance in energy sector companies has been appreciated by the market as a factor capable of increasing firm value. Therefore, the hypothesis that green finance influences firm value is accepted.

These findings can be explained through Signaling Theory Spence (1973) which states that non-financial information, such as Green Finance disclosures, can serve as a positive signal for investors in assessing a company's quality and prospects. In energy sector companies with high environmental and regulatory risks, the implementation of green finance is perceived as a risk mitigation effort and an adaptation strategy for the sustainable energy transition. This increases investor confidence and is reflected in an increase in the company's market value.

Thus, this discussion confirms that green finance is a strategic instrument for enhancing corporate value in the energy sector. To optimize its impact, companies need to ensure consistent implementation, improve the quality of disclosure, and clearly communicate the economic and sustainability benefits of green investments to investors. This is crucial so that green finance is viewed not only as an environmental obligation but also as a strategy for creating sustainable corporate value in the future.

The Effect of Leverage on Company Value

The results of the study show that Leverage, proxied by Debt to Asset Ratio (DAR), has a negative and significant effect on Company Value, proxied by Price to Book Value (PBV).

These findings indicate that the higher the proportion of debt used by energy sector companies, the lower the company's value perceived by investors. Thus, the hypothesis that leverage influences company value is accepted. The negative effect of leverage indicates that investors perceive high debt use as a source of increased financial risk, particularly in the case ofThe energy sector is characterized by its capital-intensive nature, high levels of uncertainty, and is heavily influenced by commodity price volatility. Increasing debt increases

interest expenses and fixed payment obligations, ultimately stifling financial flexibility and increasing the risk of default. This situation has the potential to undermine investor confidence and corporate value.

This finding is in line with*Trade-Off Theory* (Kraus & Litzenberger, 1973)which states that while using debt provides benefits in the form of a tax shield, excessive debt increases bankruptcy costs and agency costs. In energy companies, the tax benefits of using debt appear to be insufficient to offset the increased financial risk perceived by investors, resulting in leverage negatively impacting firm value.

The results of this study are consistent with the findingsSusanto & Indrabudiman, (2023)as well asMarlene & Nainggolan (2023)which found that leverage has a negative effect on company value, especially in sectors with high levels of industrial risk.Sari et al. (2023)also shows that increasing leverage tends to lower PBV because the market responds negatively to the company's increased financial risk. Thus, this discussion confirms that in energy sector companies, leverage is a factor that can reduce company value if not managed optimally. Therefore, company management needs to be careful in determining debt financing policies and balance this with the company's ability to generate cash flow and manage financial risk, so as not to negatively impact the company's value in the eyes of investors.

The Influence of Profitability on Company Value

Empirical test results indicate that profitability, as measured by Net Profit Margin (NPM), has no effect on firm value, thus rejecting the third hypothesis. Although profitability is theoretically a key indicator of firm performance, these results indicate that profit is not yet a primary factor in determining a firm's market value in the energy sector.

The results of this study can also be explained through Signaling Theory *(Spence, 1973)*, which states that financial information will impact a company's value if it is perceived by investors as a credible and sustainable signal. In this case, fluctuating earnings influenced by external factors such as global energy prices are less likely to be perceived as a strong signal for increasing company value.

This finding is in line with research Ikhsan & Wijayanti (2021) who found that profitability had no effect on company value because investors placed more emphasis on performance stability and growth prospects than on immediate profits. Similar results were also presented byMaharani et al., 2025) which states that profitability does not have a significant effect on Company Value in sectors that have a high level of industrial risk.

The Influence of Good Corporate Coverage on Company Value

The results of the study indicate that Good Corporate Governance (GCG), as proxied by institutional ownership, has a positive and significant effect on Firm Value, as measured by Price to Book Value (PBV). This finding indicates that the higher the level of institutional ownership, the higher the value of energy sector companies. Thus, the hypothesis stating that GCG influences Company

Value is accepted. The positive influence of GCG indicates that the presence of institutional investors is able to carry out a supervisory function more effective management. High institutional ownership encourages increased managerial discipline, transparency in decision-making, and more accountable corporate governance. This reduces the potential for agency conflicts and increases investor confidence, ultimately reflecting an increase in the company's market value.

This finding is in line with Agency Theory (Jensen & Meckling, 1976) which states that corporate governance mechanisms, such as institutional ownership, play a crucial role in minimizing conflicts of interest between management and shareholders. With stronger oversight, management is encouraged to act in accordance with shareholder interests, thereby minimizing the risk of adverse decision-making and enhancing company value.

Thus, this discussion confirms that GCG is a fundamental factor in increasing corporate value in the energy sector. Strengthening the role of institutional ownership as part of good corporate governance is a crucial strategy for maintaining investor confidence and sustainably increasing corporate value.

Good Corporate Governance in Moderating the Effect of Green Finance on Firm Value

The results of the study show that the interaction between Green Finance and Good Corporate Governance (GF_KI) significantly influence Company Value with a positive coefficient direction. This finding indicates that Good Corporate Governance (GCG) can moderate the influence of green finance on Company Value by weakening the positive influence of green finance. This means that the better the implementation of GCG, the greater the influence of Green Finance on company value.

Empirically, these results show that although*green finance*Directly appreciated positively by the market, the existence of strong corporate governance makes investors more rational and selective in assessing the economic benefits of green finance. Investors not only respond to the existence of green finance itself but also evaluate how these policies are planned, monitored, and executed by company management. Thus, GCG acts as a control mechanism that balances market expectations regarding green finance.

This finding is in line with Agency TheorybyJensen & Meckling (1976), which states that corporate governance serves to mitigate conflicts of interest between management and shareholders. In this green finance study, GCG ensures that green investment decisions are made objectively, measurably, and oriented toward long-term value creation, not simply to meet compliance or build a corporate image. With strong oversight, the potential for overinvestment or inefficiency in green projects can be minimized.

Good Corporate Governance in Moderating the Effect of Leverage on Firm Value

Unlike other variables, the research results show that Good Corporate Governance (GCG) significantly moderates the effect of leverage on Firm Value, thus accepting the sixth hypothesis. The positive interaction coefficient between leverage and GCG indicates that GCG mitigates the negative effect of leverage

on Firm Value. This means that the better the implementation of corporate governance, the smaller the negative impact of debt use on Firm Value.

These findings indicate that in companies with good governance, debt use is not necessarily perceived as a source of increased risk that could reduce company value. Investors are more concerned with a company's ability to manage financial risk and maintain a stable capital structure rather than simply the proportion of debt used. Thus, GCG acts as a control mechanism that balances benefits and risks leverage.

These results are consistent with Agency Theory by Jensen & Meckling (1976) which states that strong monitoring mechanisms, such as institutional ownership, can suppress agency conflicts and limit opportunistic management behavior in financing decision-making. With good GCG, management tends to be more cautious in using debt, so that financing decisions are more oriented towards company sustainability rather than increasing short-term company value.

Good Corporate Governance in Moderating the Effect of Profitability on Company Value

The results of the study show that*Good Corporate Governance*(GCG) was unable to moderate the effect of profitability on firm value, thus rejecting the seventh hypothesis. This indicates that good corporate governance has not strengthened the relationship between the level of profit generated by the company and the company's market value, as reflected in Price to Book Value (PBV).

These findings indicate that corporate profitability, particularly in the energy sector, is not yet fully perceived as a strong signal for corporate value formation, even though companies have implemented good corporate governance practices. Investors tend to view profit as a short-term performance measure that is heavily influenced by external factors, such as fluctuations in energy commodity prices, macroeconomic conditions, and global demand dynamics. Therefore, the presence of corporate governance does not significantly change how investors respond to profitability information.

Theoretically, this can be explained through Signaling Theory by Spence (1973), which states that information will impact a company's value if it is perceived by investors as a credible and sustainable signal. Under these conditions, fluctuating profitability is not seen as a strong enough signal, even if the company has implemented good governance. Investors place more emphasis on the sustainability of a company's performance and long-term cash flow stability than on short-term profit levels.

CONCLUSION

1) *Green Finance* has a positive and significant effect on Company Value..This shows that the implementation of Green Finance is starting to be appreciated by the market as a positive signal that can increase company value.

2) *Leverage* has a negative and significant effect on Company Value. This finding indicates that the higher the level of debt usage, the greater the financial risk borne by the company, thus impacting on the decline in Company Value.
3) Profitability has no significant impact on firm value. This result indicates that profit levels are not yet a primary factor investors consider when assessing energy sector companies.
4) *Good corporate governance* has a positive and significant effect on Company Value. This shows that the higher the institutional ownership, the stronger the supervision of management, thereby increasing investor confidence and Company Value.
5) *Good corporate governance* able to moderate the influence of Green Finance on Firm Value. The interaction between green finance and good corporate governance has a statistically significant effect, indicating that GCG weakens the positive influence of green finance on Firm Value.
6) *Good corporate governance* able to moderate the influence of leverage on Company Value. The significant interaction coefficient indicates that good GCG implementation is able to weaken the negative impact of leverage on Company Value through more effective financial risk control.
7) *Good corporate governance* unable to moderate the influence of Profitability on Company Value. The interaction between profitability and good corporate governance does not show a significant influence, so GCG has not played a role in strengthening the relationship between profitability and company value.

RECOMMENDATION

1) For Companies

Energy sector companies are advised to optimize the implementation of Green Finance as part of their long-term business strategy, as research shows that Green Finance has a positive and significant impact on Corporate Value. However, companies need to ensure that green finance implementation is planned, transparent, and well-communicated to investors so that its economic benefits are optimally perceived by the market.

Furthermore, companies need to carefully manage their leverage levels, as leverage has been shown to negatively impact corporate value. Excessive use of debt can increase financial risk and undermine investor confidence. In this regard, the implementation of strong good corporate governance, particularly through the role of institutional ownership, needs to be continuously improved, as it has been proven to mitigate the negative impact of leverage and strengthen the credibility of corporate financial policies.

2) For Investors

Investors are advised to look beyond a company's profitability performance, given that research shows that profitability is not yet a primary determinant of company value in the energy sector. Instead, investors should pay closer attention to the quality of corporate governance, leverage levels, and the company's commitment to implementing green finance. The research results found that companies with good corporate governance are able to manage

leverage risks and financial policies more effectively, thus having the potential for more stable and sustainable company value.

ADVANCED RESEARCH

Future researchers are advised to expand the observation period and scope of industrial sectors, and use more diverse proxies for Green Finance and Good Corporate Governance, such as green bonds, ESG indices, or board characteristics. Furthermore, future research could add other variables, such as business risk, company size, or dividend policy, to gain a more comprehensive understanding of the factors influencing firm value.

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