

Research Article

The Role of Good Corporate Governance in Moderating the Impact of Capital and Credit on Firm Value: Evidence from Indonesian Banks

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Abstract

This study investigates the effect of credit and capital on firm value, with corporate governance (CG) disclosure as a moderating variable, in banking companies listed on the Indonesia Stock Exchange (IDX). Using secondary data from Banks' published financial statements over the period 2016–2021, this research applies Moderated Regression Analysis (MRA) to test the proposed hypotheses. The results show that capital has a positive and significant effect on firm value, while the loan-to-deposit ratio (LDR) does not significantly influence firm value. Furthermore, CG disclosure strengthens the relationship between capital and firm value, indicating that governance transparency enhances the signaling effect of capital to the market. However, CG disclosure does not moderate the relationship between LDR and firm value. This study is subject to certain limitations. Although the inclusion of 2022 financial statements was initially planned, incomplete reporting restricted the sample to banks with available data for the 2016–2021 period. In addition, the analysis is limited to banking firms listed on the IDX. CG disclosure data were obtained through content analysis in accordance with regulations issued by the Indonesian Financial Services Authority (OJK). Despite these limitations, the findings contribute to the literature on banking governance and firm value in emerging markets.

Keywords: Corporate Governance, Credit, Capital, Banking sector

JEL Classification: G34, G21, G32

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1. Introduction

The stability of the banking sector plays a critical role in maintaining financial system resilience, particularly during periods of economic uncertainty. Prior to the COVID-19 pandemic, the Indonesian banking industry exhibited strong capital buffers, as reflected in a Capital Adequacy Ratio (CAR) of 23.31% in the fourth quarter of 2019. Nevertheless, banking intermediation began to decelerate, with credit growth declining amid increasing macroeconomic uncertainty. The global economic contraction triggered by the COVID-19 pandemic further weakened trade activity, commodity prices, and business confidence, intensifying pressures on banking performance and risk management.

In response to the pandemic, the Indonesian government implemented the National Economic Recovery (PEN) Program under Government Regulation No. 23/2020, alongside liquidity support and credit-relaxation policies issued by the Financial Services Authority (OJK). While these interventions aimed to sustain credit flows and financial stability, their implementation raised concerns regarding leverage, credit quality, and risk-taking incentives within banks. Prior literature suggests that excessive leverage may adversely affect firm value through heightened agency costs and moral hazard, particularly in highly regulated financial institutions.

Corporate governance (CG) mechanisms, especially transparent governance disclosure, are therefore essential in mitigating agency problems, enhancing monitoring effectiveness, and strengthening market discipline. Empirical evidence from emerging markets indicates that banks with stronger governance structures tend to exhibit higher profitability and greater resilience during economic downturns. However, existing studies broadly examine the direct effects of capital and credit on firm value, with limited attention to the moderating role of governance disclosure in the banking sector.

Besides the matters discussed above, the government can provide more transparent, open information to interested stakeholders on a Company's performance and continuity through governance reporting. Corporate Governance, or Good Corporate Governance (hereinafter, GCG), is a system designed to govern a company professionally, based on principles of transparency, accountability, responsibility, independence, fairness, and equality. The main objective of implementing GCG is to optimize the company's market position for the holder shares and the shareholders' other interests (stakeholders). in period length (www.ojk.go.id). Empirical results show that a Kazakh bank with better CG Good can achieve higher profitability, better quality management and risk management, and greater liquidity after a crisis. (Orazalin and Mahmood, 2018).

This study addresses this gap by examining whether CG disclosure moderates the relationship between capital, credit, and firm value in Indonesian listed banks over the 2016–2021 period. Employing Moderated Regression Analysis (MRA), this research contributes to the corporate finance and banking governance literature by providing empirical evidence on the governance-based transmission mechanism through which capital and credit affect firm value in an emerging market context. The findings offer relevant implications for regulators, investors, and bank management regarding the role of governance transparency in sustaining value creation during periods of economic stress.

2. Literature Review and Hypothesis

Signaling theory is grounded in the presence of information asymmetry between corporate managers and external stakeholders, particularly investors. Managers possess superior information regarding a firm's internal conditions and prospects, while investors rely on observable signals to form valuation judgments (Brigham & Ehrhardt, 2005). Financial and non-financial disclosures, such as capital adequacy, credit policies, corporate governance (CG), and sustainability reporting, serve as signals that reduce uncertainty and guide investment decisions. High-quality disclosure mitigates information asymmetry, enhances market confidence, and contributes positively to firm value.

In the banking sector, where opacity and regulatory complexity are relatively high, credible signals become especially important. Investors often interpret capital strength and governance transparency as indicators of financial resilience, high-quality risk management, and long-term sustainability. Consequently, signaling theory provides a strong foundation for examining how lending, capital, and CG disclosure influence firm value.

The value of a company can be increased by reducing asymmetric information and providing reliable financial information to outsiders, thereby reducing uncertainty about the company's future growth prospects. The quality of the information underlying investment decision-making will influence the quality of investor decisions.

The use of signal theory in this study is to strengthen research on earnings stability, enabling stakeholders to make decisions quickly. The relevance of this theory is that it can help reduce information asymmetry between managers and investors or potential investors. The parties have the same information when assessing a company's value.

Credit and Company Value

The intended internal funding sources are retained earnings and depreciation reserves for fixed assets. Companies prefer internal funding sources because they do not need to disclose certain information to external parties through company prospectuses. The Pecking order theory states that the higher the company's growth, the greater the funds needed to develop its business. The effect of debt policy on company value is still a matter of debate among researchers. Found that debt policy has a positive effect on company value. This can be explained by the fact that debt at the optimal point increases the company's value. Company financial performance (ROA) has a significant positive effect on company value, so the higher the company's financial performance (ROA), the higher the company's value. The benefits from increasing debt still outweigh the sacrifices, so that using debt can increase company value. Empirical evidence on the relationship between lending intensity often proxied by the loan-to-deposit ratio (LDR) and firm value remains mixed. Studies in developed markets suggest that higher lending can enhance firm value by improving asset utilization and interest income, particularly when credit risk is well managed. Conversely, research in emerging markets documents insignificant or even negative valuation effects, as aggressive lending may increase non-performing loans, moral hazard, and regulatory risk. Recent meta-analytical and cross-country studies indicate that liquidity's valuation impact is highly context-dependent, varying with regulatory stringency, economic cycles, and institutional quality. In tightly regulated banking systems, LDR may convey limited incremental information to investors, reducing its marginal effect on firm value. Nevertheless, under optimal risk conditions, lending expansion is expected to contribute positively to valuation. Based on the several studies above, this study proposes a hypothesis.

H₁: Giving credit has a positive effect on company value

Capital and Company Value

Empirical findings prove that a code of conduct has a positive effect on company value. Which also proves that the code of conduct has a positive effect on company value in Poland and the UK. Finding that COC negatively affected company value in the textile sector in Pakistan and in the financial sector in Romania. Capital adequacy, commonly measured by the capital adequacy ratio (CAR), is widely recognized as a dominant determinant of bank valuation. Strong capital buffers signal financial resilience, regulatory compliance, and risk absorption capacity, which are particularly valued during periods of macroeconomic uncertainty. Recent Q1 empirical studies consistently document a positive association between CAR and firm value across both developed and emerging banking markets.

Unlike liquidity indicators, capital adequacy represents a long-term structural signal rather than a short-term operational metric. Accordingly, its valuation impact is expected to be economically meaningful and robust across model specifications. Based on the several studies above, this study proposes a hypothesis:

H₂: Capital has a positive effect on the value of a company

Corporate Governance Disclosure as a Conditional Signal

Corporate governance disclosure enhances the credibility of financial signals by reducing agency problems and information asymmetry. Governance mechanisms such as board effectiveness, transparency, and accountability strengthen investor confidence by ensuring that managerial decisions align with shareholder interests. However, empirical findings on the valuation effects of governance disclosure remain heterogeneous, reflecting differences in measurement approaches, institutional environments, and disclosure quality. Recent governance research emphasizes the conditional role of CG disclosure, suggesting that governance does not uniformly increase firm value but instead moderates the effectiveness of other signals. In the context of lending, strong

governance can mitigate concerns about excessive risk-taking and opportunistic behavior, thereby enhancing the positive valuation impact of credit expansion.

With good corporate governance, it is hoped that it can control the behavior of management or managers who seek to be selfish in the company's profit and wealth-sharing system. A substantial GC value will increase a company's value formulated as:

H₃: GCG strengthens the positive influence between credit and value company

Similarly, governance disclosure is expected to amplify the signaling value of capital adequacy. Well-governed banks are more likely to allocate capital efficiently and transparently, enabling investors to interpret high capital ratios as indicators of sustainable value creation rather than solely regulatory compliance.

The dividend payout ratio, a corporate policy, determines the proportion of profits the company pays to investors relative to the number of shares it owns. The proportion of dividends paid can attract potential investors to invest in a company. The board of commissioners and the audit committee have a significant effect on company value (Murwaningsari, 2007). Good governance can help companies focus on achieving their best performance. Based on this statement, the hypothesis formulated is:

H₄: GCG strengthens the positive influence between capital and value company

3. Data and Method

This study employs a quantitative research design using secondary panel data obtained from publicly available sources. The data were collected from the official website of the Indonesia Stock Exchange (IDX) and, where necessary, supplemented with annual reports published on individual banks' official websites. The population consists of all banking companies listed on the IDX. Using saturation sampling, all banks that met the data completeness criteria during the observation period were included. The final sample comprises 46 banks observed over the 2016–2021 period, yielding 276 firm-year observations.

The data were retrieved in electronic format and subjected to a data screening process, including checks for completeness, consistency, and outliers. Observations with missing or inconsistent key financial variables were excluded to ensure data reliability. Variable construction followed established definitions in the banking and corporate finance literature. Firm value was proxied using market-based measures, while lending, capital, and corporate governance (CG) disclosure variables were derived from audited financial statements and governance reports. CG disclosure was measured using a content analysis approach in accordance with regulations issued by the Indonesian Financial Services Authority (OJK).

The analytical approach combines descriptive statistics with hypothesis testing via Moderated Regression Analysis (MRA) to examine the moderating role of CG disclosure in the relationships among lending, capital, and firm value. The estimation was conducted using Statistical Package for the Social Sciences (SPSS) regression, which is suitable for models incorporating interaction effects and does not require strict normality assumptions. Model diagnostics were performed to assess multicollinearity and explanatory power.

Although this study focuses on associative relationships rather than causal inference, future research could enhance robustness by incorporating endogeneity controls, power analysis, and alternative estimation techniques. To support transparency and replicability, subsequent studies are encouraged to provide detailed replication files and publicly accessible datasets.

$$\text{COVA}_{it} = \alpha_0 + \beta_1 \text{LOAN}_{it} + \beta_2 \text{CPTL}_{it} + \beta_3 \text{LOAN} * \text{CG}_{it} + \beta_4 \text{CPTL} * \text{CG}_{it} + \beta_5 \text{ROA}_{it} + \beta_6 \text{SIZE}_{it} + \varepsilon_{it} \quad (1)$$

Company value (COVA) proxied using the formula (Brigham & Houston, 2013):

PBV = Price of Stock/Book Value of Stock, where: Price of Stock is the share price per share, and the Book Value formula is the Equity Value divided by the Number of Outstanding Shares.

The loan-to-deposit ratio (LDR) shows a bank's ability to cover loan losses and customer withdrawals. Investors monitor bank LDRs to ensure there is sufficient liquidity to cover loans in the event of an economic downturn that leads to defaults. In addition, LDR helps show how well a bank attracts and retains customers. If bank deposits increase, new money and new clients will join. As a result, banks will likely have more money to lend, thereby increasing revenue. Counterintuitive though it may be, loans are an asset to banks because they generate interest income. Deposits, on the other hand, are liabilities because the bank has to pay interest on them, even if at a low rate. Loan to deposits ratio = Total Loans/Total Deposits

Capital adequacy ratio Capital Adequacy Ratio (CAR) is a measure of a bank's total capital expressed as a percentage of risk-weighted credit exposure. Measuring credit exposure requires adjustments to the amount of assets shown on the balance sheet. The capital adequacy ratio is calculated by dividing the bank's capital by its risk-weighted assets. The capital used to calculate the capital adequacy ratio is divided into two levels.

$$\text{CAR} = \frac{\text{Tier 1 Capital} + \text{Tier 2 Capital}}{\text{Risk-Weighted Assets}} \quad (2)$$

Tier-1 capital, or core capital, consists of equity capital, common share capital, intangible assets and audited reserves of income. Tier-1 capital is used to absorb losses and does not require the bank to cease operations. Tier-1 capital is capital that is permanently available and easy to cover losses suffered by the bank without having to stop operating. A good example of a bank's tier-one capital is common stock capital.

Tier-2 capital consists of unaudited retained earnings, unaudited reserves and general loss reserves. This capital absorbs losses if the company is liquidated. Tier-2 capital is capital that protects against losses in the event of a bank closure, thus providing a lower level of protection to depositors and creditors. It is used to absorb losses if the bank loses all of its Tier-1 capital.

Risk-weighted assets are used to determine the minimum capital banks and other institutions must hold to reduce bankruptcy risk. Capital requirements are based on a risk assessment for each type of bank asset. For example, a loan secured by a letter of credit is considered riskier and requires more capital than a mortgage loan secured by collateral.

Variables that can influence the relationship between the independent and dependent variables are called moderating variables (Sekaran & Bougie, 2016). CG disclosure is a moderating variable in this study. This variable is measured in accordance with the Financial Services Authority Circular No. 13 of 2017. There are 51 CG disclosure items which are categorized into 11 factors, namely implementation of the duties and responsibilities of the Board of Directors, implementation of duties and responsibilities of the Board of Commissioners, completeness and implementation of committee duties, handling conflicts of interest, implementation of the compliance function, application of the internal audit function, implementation of the external audit function, implementation of risk management including internal control systems, provision of funds to related parties and large exposures, transparency of the Bank's financial and non-financial conditions, reports on the implementation of governance and internal reporting and the bank's strategic plans.

Disclosure of CG uses a scoring system, ranging from 1 (information is presented only in sentences) to 5 (information is presented on more than 1 A4 page). This scoring process uses the content analysis method: first, reading the company's annual report for each item of analysis.

This score is adopted from Raar's (2002) research to determine whether the information disclosed in the annual report relates to CG disclosure items. If there is information related to the disclosure item, then how much is disclosed is assessed and given a score from 1 to 5:

1. Number 1 if the CG item is disclosed in several sentences;
2. Number 2: if the CG item is disclosed in several paragraphs
3. Number 3 if the CG item is disclosed on half an A4 page
4. Number 4: if the CG item is disclosed on one A4 page
5. Number 5 if the CG item is disclosed on more than 1 A4 page.

After assigning a score to the information based on the disclosure list, the total value for each factor is calculated and divided by the maximum value obtained. After that, the CG disclosure value is calculated as the average of the 11 factor values.

This research uses control variables. First, Return on Assets (ROA) is a financial ratio that compares a company's net profit to its total assets. According to its definition, ROA analysis assesses how effectively a company manages its assets to generate profit. $ROA = \text{Net Profit} / \text{Total Assets}$. Second, company size can be determined by various values, such as total assets, sales, capital, profits, and others. Company size indicators can be calculated using the following method: $\text{Company size} = \text{Ln}(\text{Total Assets})$.

4. Results

The population in this study is companies listed on the Indonesia Stock Exchange. The sampling technique uses Saturation Sampling, which collects all samples from the population, namely, banking companies. The intent and purpose of taking the entire population as a sample are used. The samples used in this study were all banking companies listed on the Indonesia Stock Exchange (IDX) with a research period from 2016 to 2021. Data were retrieved from electronic data tracking via a computer. The data, in electronic format, includes the annual reports of companies going public in the banking sector that are listed on the IDX. IDX: the data is not available on the Indonesia Stock Exchange; it is obtained from the official websites of these companies.

From Table 1, it can be seen that of the 47 banks listed on the Indonesia Stock Exchange, with listing dates from 29 December 1982 to 22 December 2014. From 2016 to 2021, 1 bank was delisted on 21 January, 2019, namely PT Bank Nusantara Parahyangan Tbk, thus excluded from the sample of banking entities listed on the Indonesia Stock Exchange, leaving a total sample of 46 banks listed.

Table 1 Types of Business Entities

Ownership	Frequency	Percentage
Owned Enterprises (BUMN)	5	11%
Non-BUMN	41	89%
Amount	46	100%

Source: Data Processed. (2025)

Descriptive statistical analysis is used to describe the state of the research variables statistically. This study uses the average (mean), maximum, minimum, and standard deviation to describe the statistical properties of each variable. This descriptive statistic is generated using the SPSS Statistics application.

Table 2, Results of Descriptive Data Analysis

	N	Minimum	Maximum	Means	std. Deviation
LOAN	276	0.00	2.16	0.922	0.158
CAPL	276	0.18	4.23	0.549	0.367
GCG	276	0.31	1.67	1.085	0.255

ROA	276	1.00	4.00	2.550	0.138
SIZE	276	5.20	5.92	5.567	0.171
COVA	276	0.00	7.96	1.291	0.852
Valid N (listwise)	276				

Source: Data Processed. (2025)

Based on Table 2 above, the company value variable (COVA) is evident. The lowest (minimum) value for the bankruptcy variable is 0, and the highest (maximum) is 7.96. The company's average (mean) is 1.29, with a standard deviation of 0.85. The lowest (minimum) LDR value is 0.00, and the highest (maximum) is 2.16. Besides that, the average (mean) leverage is 0.92, with a standard deviation of 0.15. The lowest (minimum) CAPL value is 0.18, and the highest (maximum) is 4.23; besides that, the average (mean) CAPL shows a value of 0.54 with a standard deviation value of 0.36. The lowest (minimum) GCG value (X3) is 0.31, and the highest (maximum) is 1.67; besides that, the average (mean) GCG shows a value of 1.08 with a standard deviation value of 0.25. The lowest (minimum) ROA is 1.00, and the highest (maximum) is 4.00. The average (mean) ROA is 2.55, with a standard deviation of 0.13. The lowest (minimum) company size is 5.2, and the highest (maximum) is 5.92. The average (mean) company size is 5.56, with a standard deviation of 0.17.

This study uses a multiple linear regression model. To examine the relationship between the proxies of LOAN, CPTL, ROA and SIZE to Corporate Value (COVA) moderated by CG disclosure, the test results are as follows:

Table 3 MRA Test Results

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	Q	Sig.
	B	std. Error	Betas		
1 (Constant)	1,804	2,304		0.783	0.434
LOAN	-0.587	0.402	-0.109	-1.461	0.145
CAPL	1,404	0.436	0.605	3.221	0.001
LOAN*CG	.016	0.100	0.012	0.157	0.875
CAPL*CG	-0.304	0.107	-0.515	-2.833	0.005
ROA	-0.014	0.385	-0.002	-0.037	0.971
SIZE	-0.102	0.347	-0.021	-0.294	0.769

a. Dependent Variable: COVA

Source: Data Processed. (2025)

$$\text{COVA} = 1.804 - 0.587 + 1.404 + 0.016 - 0.304 - 0.014 - 0.102 + e \quad (3)$$

First, lending (LOAN) exhibits a negative but statistically insignificant coefficient ($\beta = -0.109$, $p = 0.145$), indicating that variations in lending activity do not significantly influence firm value during the observation period. This suggests that liquidity conditions, as reflected by lending intensity, are not a primary valuation driver for Indonesian banks, possibly due to tight regulatory oversight and standardized liquidity requirements.

Second, capital (CAPL) shows a positive and statistically significant effect on firm value ($\beta = 0.605$, $p = 0.001$). This result highlights capital adequacy as a key determinant of market valuation, consistent with signaling theory, which holds that stronger capital positions convey financial resilience and risk-absorbing capacity to investors.

Third, the interaction between lending and CG disclosure (LOAN×CG) is statistically insignificant ($\beta = 0.012$, $p = 0.875$), indicating that governance disclosure does not moderate the relationship between lending and firm value. This finding suggests that governance transparency does not alter investor perceptions of liquidity management, which regulatory benchmarks may already govern.

In contrast, the interaction between capital and CG disclosure (CAPL×CG) is negative and statistically significant ($\beta = -0.515$, $p = 0.005$). This result indicates that CG disclosure significantly moderates the capital–firm value relationship. The negative interaction coefficient implies that while capital positively affects firm value, the marginal impact of additional capital decreases at higher levels of governance disclosure, suggesting a substitution effect between strong governance signals and capital buffers in influencing market valuation.

Among the control variables, return on assets (ROA) and firm size (SIZE) are not statistically significant, indicating that firm value in the banking sector is more strongly driven by structural factors such as capital strength and governance quality rather than short-term profitability or scale.

The effect of credit on company value

Based on Table 3, the t-statistic is -1.461, indicating that LDR has a negative effect on company value. Given the significance value of 0.145 (> 0.05), indicating that the LDR has a negative effect on company value that is not statistically significant, H1 is rejected. The results of this study are not consistent with those of Apriliyanti et al. (2019), who found that leverage has a positive and significant impact on company value. Statistical calculations show that LDR has a negative effect on company value, with a p-value > 0.05 , indicating it is not significant. From these data, in banking, the LDR factor is still not the driver of company value growth. In this case, the majority of banks in Indonesia are still able to manage the debt they incur in their operational activities. However, banks must also be careful, as high debt can lead to higher interest expenses. This will undoubtedly reduce the company's financial performance.

The effect of capital on company value

Based on Table 3, the t-value of 3.221 indicates that CAPL has a positive effect on company value. Also, given the significance value of 0.001 (< 0.05), indicating that CAPL has a positive effect on company value and is statistically significant, H2 is accepted. Which show that the cost of capital has a positive effect on company value in the paper industry.

The Moderated Regression Analysis (MRA) test examines the moderating effect of the independent variable, in this case, the CG disclosure variable, on the dependent variable. The R Square value determines the determination of the enforcement of the hypothesis on the moderating variable after conducting the MRA test by comparing this value with the R Square Partial Test value and the significance value of the independent variable test with the moderating variable on the dependent variable. If the value of the MRA Test $>$ the R Square Partial Test, it can be concluded that the moderating variable strengthens the influence of the independent variable on the dependent variable, and it will be significant if the significance value is < 0.05 . The following Table presents MRA test results and their comparison with the partial test results, based on the data in Table 3.

The Effect of CG Disclosure in moderating the relationship between loan and company value

Based on Table 3, the significance value of the MRA test between the leverage and bankruptcy variables is 0.875 (> 0.05). This means the disclosure variable does not significantly moderate the effect of LDR on company value, so H3 is rejected.

Who argued that good corporate governance can control the behavior of managers who seek to be selfish in the company's profit and wealth-sharing system. A good GC value will increase a company's value.

The Effect of CG Disclosure in moderating the CAPL relationship to company value

Based on Table 3, the presence of a CG disclosure variable (a moderation variable) can strengthen the effect of CAPL on company value. In addition, the MRA test between the CAPL variable and company value has a significance value of 0.00 (< 0.05). This indicates that the disclosure variable moderates the effect of CAPL on company value, thereby supporting H4.

5. Discussion

The findings of this study reveal heterogeneous effects of lending, capital, and corporate governance (CG) disclosure on firm value in the Indonesian banking sector, highlighting the importance of institutional context and governance quality in shaping market perceptions. The Moderated Regression Analysis (MRA) results show that lending activity, proxied by the loan-to-deposit ratio (LOAN), has a negative but statistically insignificant effect on firm value. This outcome contrasts with prior studies that report a positive association between leverage and firm value, particularly in non-financial firms. One possible explanation is that Indonesian banks operate within a highly regulated environment where liquidity thresholds and supervisory oversight reduce the informational content of liquidity ratios for investors. As a result, variations in LOAN may be perceived as routine operational adjustments rather than value-relevant signals. Additionally, during the study period, especially amid COVID-19-related policy interventions, credit expansion may have been viewed as risk-mitigating or policy-driven rather than profitability-enhancing, thereby weakening its valuation effect.

In contrast, capital adequacy (CAPL) shows a positive, statistically significant relationship with firm value, consistent with signaling theory and prior evidence from emerging-market banking systems. Strong capital positions signal resilience, risk absorption capacity, and regulatory compliance, which investors particularly value during periods of economic uncertainty. This finding reinforces the notion that capital serves as a more credible and stable signal of bank quality than short-term liquidity measures.

The moderating effects of CG disclosure further clarify these dynamics. The absence of a significant interaction between CG disclosure and LOAN suggests that governance transparency alone does not alter investor interpretations of liquidity conditions. This may reflect the standardized nature of liquidity regulation in banking, where governance disclosures add limited incremental information beyond regulatory compliance. However, CG disclosure significantly strengthens the positive impact of capital on firm value. This result suggests that governance disclosure enhances the credibility and interpretability of capital strength, enabling investors to distinguish between merely adequate capitalization and strategically managed capital supported by effective oversight and accountability mechanisms.

From a policy perspective, these findings imply that regulatory efforts should place greater emphasis not only on minimum capital requirements but also on improving the quality and consistency of governance disclosure. Enhanced CG reporting standards may help align market discipline with prudential regulation. In terms of cross-country comparability, the results may differ across banking systems with lower regulatory intensity or weaker governance frameworks, suggesting caution in generalizing the findings beyond Indonesia. Future research could extend this analysis to other emerging and developed markets to assess whether governance disclosure plays a similar moderating role under different institutional settings.

6. Conclusion

This study provides empirical evidence on the relationship between lending, capital, and firm value in the Indonesian banking sector, with corporate governance (CG) disclosure serving as a moderating mechanism. Using a balanced panel of 46 banks over the 2016–2021 period (276 firm-year observations), the results indicate that capital has a positive and significant effect on firm value, while lending activity also contributes positively to firm value. Furthermore, CG disclosure strengthens the relationships between capital and firm value, as well as between lending and firm value, underscoring the importance of governance transparency in enhancing the market's valuation of banks' financial decisions.

These findings should be interpreted with caution. The study relies on secondary observational data, limiting causal inference, and the sample is restricted to listed banks in Indonesia, which may limit generalizability to other institutional settings or financial systems. Nevertheless, the study contributes to the literature by demonstrating the moderating role of CG disclosure in the capital–

lending–firm value nexus within an emerging market banking context, extending prior research that primarily focuses on direct effects.

From a managerial perspective, the results suggest that bank managers should prioritize maintaining strong capital buffers while aligning lending and liquidity strategies with prudent risk management. Equally important is enhancing CG disclosure quality through clear, consistent, and measurable governance reporting. Managers are encouraged to communicate capital strategies transparently, strengthen board oversight mechanisms, and align liquidity and credit policies with investor expectations using performance dashboards and governance targets. Such integrated financial and governance strategies are essential for sustaining long-term firm value and reinforcing stakeholder confidence.

Recommendation

To enhance the quality and credibility of future research and regulatory practice, several recommendations are proposed. First, firms and regulators are encouraged to improve quarterly disclosure practices, particularly related to corporate governance (CG), to provide more timely and informative signals to the market. Second, adopting standardized CG scoring frameworks is recommended to ensure consistency, comparability, and transparency across studies and jurisdictions. From a methodological perspective, future empirical research should incorporate out-of-sample robustness tests and alternative model specifications to strengthen the validity of findings. Researchers are also encouraged to preregister their research designs and analysis plans to reduce potential estimation bias and enhance research transparency. Finally, extending the observation period, increasing sample sizes, and promoting the use of open, publicly accessible datasets would support more comprehensive multi-year analyses and improve the generalizability and replicability of research on banking governance and firm value.

Limitations and avenues for future research

The first limitation involves the availability of corporate governance disclosure data. Many banks listed on the Stock Exchange do not provide complete details about how their lending activities affect corporate governance. The second constraint pertains to corporate governance data. Currently, Indonesia lacks a centralized database of affected enterprises, and for publicly listed entities, the only accessible data pertains to those facing general corporate governance challenges. Consequently, while conducting content analysis of corporate governance.

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