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THE IMPACT OF CORPORATE GOVERNANCE (CGPI) AND INVESTMENT EFFICIENCY ON FIRM VALUE

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Abstract:
Corporate governance and investment effectiveness's effects on a company's worth are the focus of this study. To measure the effectiveness of investments, one looks at the ROA, whereas the Corporate Governance Perception Index (CGPI) depicts corporate governance. The PBV ratio is a useful tool for assessing a company's worth. Businesses that are part of the CGPI and listed on IDX from 2021 to 2024 make up the study population. A total of 34 observational data points were obtained from the sample, which was selected using a purposive sampling strategy. This experiment makes use of SPSS software to construct a multiple linear regression. A favorable but statistically negligible influence of corporate governance on business value was found, according to the data. On the other hand, corporate value is significantly and positively impacted by investment efficiency. Corporate governance and investment efficacy have a substantial impact on the value of the firm when considered collectively. CGPI and ROA variables account for approximately 14.7% of the fluctuations in firm value, as indicated by the adjusted R-squared value of 0.147. The remaining variance is likely driven by external elements outside the scope of this model, including macroeconomic trends, market volatility, and industry competition. These results suggest that investors prioritize a firm's profitability in their evaluations, and the market has not yet fully acknowledged the benefits of robust governance practices on firm value. Therefore, this research recommends that businesses enhance their governance practices and optimize asset management efficiency to foster sustainable firm value.

Keywords: Investment Efficiency, Corporate Governance (CGPI), Firm Value

INTRODUCTION

Amidst intensifying global competition and market integration, the capacity of an organization to create wealth for its shareholders is primarily reflected in its firm value. This metric serves as a market-based assessment of how efficiently management utilizes resources and executes strategic long-term planning (Brigham & Ehrhardt, 2023). A strong increase in the firm's worth suggests that investors are optimistic about its ability to compete, manage risk, and expand into other industries (Irwan et al., 2023). The widely acknowledged PBV ratio is a typical way to compare a company's market value to its book value (Nashar et al., 2022). Investor confidence in the firm's performance and prospects is directly correlated with the PBV. The Corporate Governance Perception Index (CGPI) report, which was released by IICG in the context of governance, has shown that companies with superior governance ratings tend to receive more favorable market responses, which in turn impacts the increase in firm value.

According to (Bakhtiar & Rokhayati, 2023). The formation of investor perception is heavily influenced by the firm's ability to generate profits efficiently and its application of good corporate governance. There will be a steady rise in the firm's worth thanks to solid financial performance and good corporate governance standards. The effectiveness of investment decision-making and the

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nature of corporate governance are two additional factors that contribute to a firm's value beyond financial metrics. Applying concepts like independence, impartiality, responsibility, openness, and accountability forms the bedrock of corporate governance. These principles lay the groundwork for the regulations that govern the interactions between shareholders, the board of directors, management, and other interested parties (Shleifer & Andrei Shleifer, 1997). The implementation of effective corporate governance can minimize agency conflicts, prevent the misuse of assets, and ensure that all strategic decisions focus on enhancing long-term value.

In Indonesia, there was a substantial increase in the focus on Good Corporate Governance (GCG) following the 1998 economic crisis. Public companies are subject to governance principles that have been established by the OJK (Otoritas Jasa Keuangan, 2021). Working in tandem with SWA Magazine, the Indonesian Institute for Corporate Governance (IICG) created the CGPI. This evaluation tool assesses the efficacy of GCG implementation according to criteria like honesty, openness, responsibility, and equity. Nevertheless, findings from the ASEAN Corporate Governance Scorecard reveal that the governance quality of Indonesian listed companies still lags behind that of other ASEAN countries. The report identifies challenges related to the effectiveness of internal oversight and the quality of reporting, including insufficient training for oversight personnel and the absence of standardized reporting practices across companies.

Companies across different industrial sectors significantly contribute to the economy and exhibit high management complexity, which can lead to challenges in decision-making and accountability. Therefore, the implementation of GCG is essential to ensure operational stability and to attract investors, as it encourages organizations to make decisions ethically, be open and accountable, and transparent. Keeping a business doing well relies heavily on governance procedures, including the responsibilities of the board of commissioners, audit committees, and disclosure quality, especially during periods of crisis (Adi et al., 2023). Governance mechanisms, particularly the roles of the board of commissioners and the audit committee, as well as the quality of disclosures, are crucial for sustaining the stability of a firm's performance during crises (Omara & Rashed, 2024).

Beyond corporate governance, a firm's value is also substantially shaped by its investment efficiency, which denotes the capacity to optimally allocate capital to projects, thereby preventing both excessive and insufficient investment. The Free Cash Flow Hypothesis explains that overinvestment happens when a firm possesses high free cash flow but lacks effective oversight mechanisms, leading management to invest in less profitable projects for personal benefit.

(Michael Cole Jensen, 1986). On the contrary, underinvestment may occur as a result of economic uncertainty, market pressures, or information asymmetry, which can lead to managers being overly cautious (Jeremy Charles Stein, 2003).

There is a consistent correlation between corporate valuation and investment efficacy, as demonstrated by empirical studies. Investment efficiency can be enhanced by reducing the hazards associated with both over- and under-capitalization through the use of superior financial reporting quality (Gary C. Biddle et al., 2009). These findings confirm that information transparency is crucial for enabling managers to make more accurate and valuable investment decisions for the firm. Research conducted in Asia shows that strong corporate governance, in particular, safeguarding shareholder rights, can improve the efficiency of free cash flow supervision and lessen the likelihood of wasteful investments (Shimin Chen et al., 2011). A robust system of corporate governance may lower the cost of equity, which boosts the firm's value by inspiring more trust from investors. The findings indicate that in order to improve investment effectiveness by decreasing information asymmetry, high-quality financial reporting is crucial (Gary C. Biddle et al., 2009). Corporate

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governance acts as a moderator between investment efficiency and company value, allowing investment efficiency to have a more favorable effect on the increase of firm value (Shimin Chen et al., 2011).

Research indicates that the results can vary, as GCG does not consistently exert a significant influence on the value of companies in emerging markets. This inconsistency can be attributed to differences in ownership structure, regulatory environments, and organizational cultures (Basil Al-Najjar & Ephraim Clark, 2017). The inconsistency of previous research findings reveals a significant research gap that warrants further examination, particularly concerning companies involved in the CGPI program. Typically, CGPI participant companies exhibit relatively strong governance practices and encounter the challenges associated with long-term investment management, making them pertinent subjects for exploring the relationship between corporate governance, investment efficiency, and firm value.

As a result, the main objective of this study is to examine the effect of corporate governance and ROA-based financial performance on firm value in companies participating in the CGPI and listed on the Indonesia Stock Exchange. Although the study initially frames ROA as an investment efficiency proxy, operationally, ROA is more appropriately interpreted as an accounting-based profitability indicator. Therefore, the empirical interpretation in this article is directed toward the role of profitability in explaining firm value. This study is expected to provide empirical evidence regarding whether governance quality and financial performance contribute to firm value in the Indonesian market, while also offering practical implications for managers, investors, and regulators.

H1: Corporate Governance has a Positive Impact on Firm Value

Corporate governance, as reflected by the Corporate Governance Perception Index (CGPI), is essential for fostering openness, accountability, and equity within businesses. These principles are essential for edifice shareholder confidence and fostering long-term investment value. However, the correlation between good corporate governance and a company's worth has been the subject of mixed results in the literature. While it is commonly believed that improved governance practices lead to increased market value, empirical evidence suggests that this effect may be less significant, particularly in emerging markets like Indonesia, where investors often prioritize financial performance over governance practices, indicating that a focus on short-term gains can overshadow the benefits of strong governance (Basil Al-Najjar & Ephraim Clark, 2017).

H2: Profitability (ROA) has a Positive Impact on Firm Value

Return on Assets (ROA) is an accounting-based profitability indicator that reflects a firm's ability to generate earnings from its total assets. A higher ROA indicates more effective asset utilization and stronger financial performance, both of which are relevant to investors when assessing a firm's prospects. Prior studies generally show that profitability is positively associated with firm value because stronger earnings performance tends to be rewarded by the market. Accordingly, this hypothesis proposes that firms with higher ROA will exhibit higher firm value as reflected in PBV.

H3: The Combined Influence of Corporate Governance and Investment Efficiency on Firm Value

This hypothesis asserts that the synergy between robust corporate governance and strong profitability sends positive signals to investors, potentially leading to higher market value. Corporate governance is expected to reduce agency conflicts, while profitability reflects the firm's ability to convert resources into earnings. The interaction of these two dimensions is expected to strengthen investor confidence and improve firm value, particularly among firms included in the

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Corporate Governance Perception Index (CGPI), which generally represent companies with relatively high governance standards.

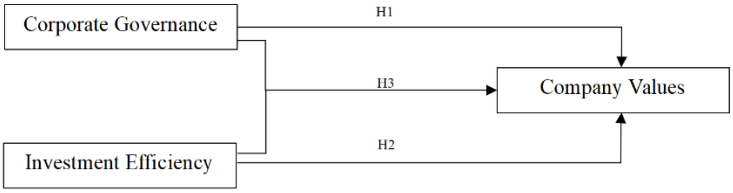

Figure 1. Conceptual Framework

METHODS

This study used an associative quantitative approach to examine the relationship between corporate governance (X1) and profitability (X2), as proxied by Return on Assets (ROA), and firm value (Y). The dependent variable is firm value measured by Price to Book Value (PBV). Although the initial research framing referred to investment efficiency, the empirical operationalization in this study relies on ROA; therefore, the variable is interpreted analytically as profitability rather than as a direct measure of investment efficiency. This causal-associative design was employed to explain the relationship between the independent variables and firm value based on empirical evidence.

Population and Sample. The research population consists of all firms that were listed on the IDX between 2021 and 2024 and were included in the CGPI.

Businesses were chosen using a purposive sample technique based on established criteria:

1. Businesses that appeared in the CGPI ranking on a regular basis throughout the study.
2. Businesses that release detailed yearly reports and financial accounts.
3. Availability of data required to measure Corporate Governance (CGPI Score), profitability (ROA), and Firm Value (PBV).

Based on these criteria, 34 firm-year observations were obtained as the final research sample.

Data Type and Data Source. This study utilizes secondary quantitative data. Corporate governance data were obtained from official CGPI reports published by the IICG. The information required to calculate ROA and PBV was obtained from annual reports and financial statements published on the Indonesia Stock Exchange website and the respective companies' official disclosures.

Data Collection Technique. Documentation methods were employed to collect the data, including tracing, recording, and compiling published reports from official institutions and company disclosures. This approach was selected because all variables in this study can be quantified using publicly accessible secondary data.

Operational Definition of Variables: Dependent. Firm Value (PBV). PBV is a proxy for firm value that reflects the market's perception of the firm. The equation is as follows:

$$PBV = \frac{Stock\ Price\ Per\ Share}{Book\ Value\ Per\ Share}$$

Independent Variables. Corporate Governance (CGPI Score). The IICG's Corporate Governance Perception Index (CGPI) score, which measures transparency, accountability, responsibility, independence, and fairness, is used to gauge corporate governance.

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Table 1. CGPI Criteria

CGPI Index	Value
Very Reliable	85-100
Trusted	70-84.99
Quite Trustworthy	55-69.99

Profitability (ROA). Return on Assets (ROA) measures the firm's ability to generate profit from its total assets and, in this study, is used as an accounting-based profitability proxy. Accordingly, ROA should be interpreted as a measure of financial performance rather than as a direct residual-based proxy of investment efficiency.

$$ROA = \frac{Net\ Income}{Total\ Assets}$$

Data Analysis Method. Using pooled firm-year observations from 2021 to 2024, this study applies a multiple linear regression approach. Because the dataset consists of repeated observations for several firms across multiple years, the structure is not purely cross-sectional. However, given the limited number of observations and the scope of the study, the analysis employs pooled OLS as the baseline model. Therefore, the findings should be interpreted with caution, and future studies are encouraged to consider panel-data techniques when the number of observations is larger and model specification permits.

Descriptive Statistical Test. The fundamental traits of every variable examined are described using descriptive statistics, which summarize minimum values, mean figures, and standard deviation. This approach is employed to portray the data in their raw form, refraining from broad generalizations beyond the sampled observations, thus delivering a preliminary synopsis before supplementary regression assessment is executed (Ghozali, 2021; Heykal et al., 2024).

Classical Assumption Test. The model is required to meet Classical assumptions prior to the implementation of multiple linear regression, ensuring the production of a BLUE (Best Linear Unbiased Estimator) regression conclusion (Mardanny & Suhartono, 2022). Consequently, a suite of diagnostic evaluations is administered to guarantee the practicality of the regression model.

Normality Test. The normalcy test seeks to ascertain if the regression model's errors follow a normal distribution pattern. In order to assess the residuals in this research, the Kolmogorov-Smirnov and Shapiro-Wilk tests are utilized. Assuming the residuals follow a normal distribution, a significance level higher than 0.05 indicates (Ghozali, 2021).

Multicollinearity Test. Finding out if the regression model's independent variables are correlated is the goal of the multicollinearity test. When evaluating regression models for multicollinearity, the Tolerance and VIF are used. There is no multicollinearity if the VIF is < 10 and the tolerance is > 0.10 (Ghozali, 2021).

Heteroscedasticity Test. When looking for evidence of residual variance variation across data, the heteroscedasticity test is useful. Using the Glejser test, the regression model in this study is shown to be heteroscedasticity-free with a significance value better than 0.05 (Ghozali, 2021).

Autocorrelation Test. Because this study uses pooled firm-year observations rather than purely cross-sectional data, the Durbin-Watson statistic is reported only as a supplementary diagnostic. In this context, the test is not the primary basis for model validity, but it is used to provide an additional indication of whether serial correlation is likely to be present in the residuals.

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Multiple Linear Regression Analysis. The main goal is to examine how corporate governance and profitability affect firm value using multiple linear regression. In this study, Corporate Governance is represented by the CGPI Score (X1), profitability is represented by ROA (X2), and firm value is represented by PBV (Y). Because ROA is an accounting-based profitability measure, the interpretation of X2 throughout the analysis refers to profitability rather than direct investment efficiency.

$$Y = \alpha + b1\ x1 + b2\ x2 + e$$

Description:
Y= Firm Value (PBV)
X1= Good corporate governance (CGPI Score)
X2= Profitability (ROA)
a= Constant
b = Regression coefficient
e = Error term (residual)

Hypothesis Testing. In this research, the hypotheses are evaluated to examine the direction and statistical significance of the relationship between corporate governance, profitability, and firm value. This procedure allows the study to generate conclusions that are interpretable within the context of financial and managerial analysis.

T-Test (Partial Analysis). The t-test is used to determine the partial effect of each independent variable on firm value. A variable is considered statistically significant when its probability value is below the significance level of 0.05. In this study, the t-test is used to assess the partial effect of the CGPI Score and ROA on PBV.

F-Test (Simultaneous Analysis). The F-test is used to determine whether corporate governance and profitability jointly have a significant effect on firm value. A significance level below 0.05 indicates that the regression model is statistically feasible and that the independent variables, taken together, explain variation in the dependent variable.

Coefficient of Determination (R^2). The coefficient of determination is used to identify the extent to which Corporate Governance (CGPI Score) and profitability (ROA) explain variation in Firm Value (PBV). A higher R^2 indicates stronger explanatory power of the regression model.

RESULTS AND DISCUSSION

Table 2. Descriptive Statistics

Descriptive Statistics					
	N	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
CGPI Score	34	78,57	95,38	90,4432	4,11391
Roa	34	,02	28,17	4,0345	6,42896
PBV	34	,41	2,80	1,4387	,65948
Valid N (listwise)	34				

Source: SPSS 27 Result Data (Self-Processed, 2026)

Based on the descriptive statistical table, this study utilized 34 sample data from the companies that are the object of the research.

1. Corporate Governance (CGPI Score). The corporate governance variable is proxied by CGPI. The score has a minimal value of 78.57 and a maximal value of 95.38, with an average value of

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90.4432. The standard deviation value of 4.11391 suggests that the variation in CGPI Score data is relatively small. It indicates that the majority of the companies in the research sample have good corporate governance levels and tend to be homogeneous.

2. Investment Efficiency (ROA). The profitability variable proxied by Return on Assets (ROA) has a minimum value of 0.02 and a maximum value of 28.17, with an average value of 4.0345. The standard deviation of 6.42896 indicates substantial variation in profitability across the sampled firms.
3. Firm Value (PBV). The PBV variable, which is indicative of the firm's value, has an average value of 1.4387, a minimum value of 0.41, and a maximum value of 2.80. The standard deviation of 0.65948 shows that the variation in PBV values between companies in the sample is not too large, so the relative firm value is in the range close to average.

Overall, the descriptive results show that the sampled firms tend to have relatively strong corporate governance scores, heterogeneous profitability levels, and moderate firm value. These findings provide an initial overview of the data characteristics before further hypothesis testing is conducted.

Verification Analysis. The results of the classical assumption evaluation, hypothesis testing (including the t-test and the F-test), multiple linear regression analysis, and coefficient of determination are presented in this section. Additionally, the SPSS program was employed to analyze the data in order to ascertain the influence of investment efficiency (X2) and corporate governance (X1) on the firm value (Y).

Normality Test.

Table 3. Normality Test Results

Tests of Normality						
	Kolmogorov-Smirnov			Shapiro-Wilk		
	Statistic	df	Say.	Statistic	df	Say.
Unstandardized Residual	,096	34	,200*	,961	34	,255

*. This is a lower bound of the true importance.
a. Lilliefors Significance Correction

Source: SPSS 27 Result Data (Self-Processed, 2026)

Finding out if the regression model's residuals follow a normal distribution is the goal of the normalcy test. In this work, the normality test was applied to the unstandardized residual values using the Kolmogorov-Smirnov and Shapiro-Wilk techniques. The Kolmogorov-Smirnov test yields a significant value of 0.200, while the Shapiro-Wilk test yields a significant value of 0.255, as indicated by the normality test results. Both significant levels exceed the established significance threshold of 0.05. Therefore, it is possible to infer that the residuals in the regression model have a normal distribution, thereby satisfying the condition of normality and preparing the data for multiple linear regression analysis.

Table 4. Multicollinearity Test Results

Coefficients[a]		
Model	Collinearity Statistics	
	Tolerance	LIVE

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1	ROA	,975	1,026
	CGPI	,975	1,026

a. Dependent Variable: pbv

Source: SPSS 27 Result Data (Self-Processed, 2026)

The corporate governance (CGPI) and profitability (ROA) variables had tolerance values of 0.975 and variance inflation factor (VIF) values of 1.026, respectively. Because the tolerance values are above 0.10 and the VIF values are below 10, the regression model does not indicate multicollinearity among the independent variables.

Thus, the regression model in this investigation is devoid of multicollinearity, so it is suitable for multiple linear regression analysis.

Table 5. Autocorrelation Test Results

Model Summary[b]

Model	R	R-Square	Adjusted R-Square	Std. Error of the Estimate	Durbin-Watson
1	,194[a]	,038	-,026	,54399	1,635

a. predictors: (Constant), lag_x2, lag_x1
b. Dependent Variable: lag_y

Source: SPSS 27 Result Data (Self-Processed, 2026)

This study reports the Durbin-Watson (DW) statistic as a supplementary diagnostic because the dataset consists of pooled firm-year observations. The test is interpreted cautiously and is not treated as the sole basis for judging model adequacy.

If dU <dW <4−dU, then there is no autocorrelation.

Based on the results of the calculation, the following values were obtained:

$$dl=1,332$$
$$du=1,580$$
$$4-du=2.419$$
$$DW=1,635$$

So that the relationship is obtained:

$$dU < DW < 4 - dU$$
$$1,580 < 1,635 < 2,419$$

Thus, the reported DW statistic does not indicate serious autocorrelation. Nevertheless, because the sample is relatively small and the data structure is pooled rather than purely cross-sectional, this result should be interpreted prudently.

Heteroscedasticity.

Table 6. Heteroscedasticity Test Results

Coefficients					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Say.
	B	Std. Error	Beta		

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1	(Constant)	3,174	5,394		,588	,560
	ROA	-,078	,040	-,336	-1,976	,057
	CGPI	-,582	1,198	-,082	-,485	,631

a. Dependent Variable: absres_var

Source: SPSS 27 Result Data (Self-Processed, 2026)

The Glejser test, which regresses the absolute residual value (absres_var) on the independent variables, was used to detect heteroscedasticity. The significance value of each independent variable serves as the basis for inference.

Based on the table of heteroscedasticity test results, the significance value was obtained:

- Investment efficiency variable (ROA) of 0.057
- Corporate governance variable (CGPI) of 0.631

Because all significance values are greater than 0.05, the regression model does not indicate heteroscedasticity. Therefore, the model is considered acceptable for further regression analysis.

Multiple Linear Regression Analysis.

Table 7. Multiple Linear Regression Analysis Results

Coefficients						
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Say.**
		B	**Std. Error**	**Beta**		
1	(Constant)	-11,946	8,039		-1,486	,147
	ROA	,122	,059	,335	2,060	,048
	CGPI	2,693	1,786	,245	1,508	,142

Dependent Variable: pbv

The regression equation obtained:

Source: SPSS 27 Result Data (Self-Processed, 2026)

The regression equations derived from the preceding table are as follows:

$$PBV = -11.946 + 0.122(ROA) + 2.693(CGPI) + e$$

From the regression equation, it can be concluded that:

1. The constant value is -11.946. It indicates that when ROA and CGPI are assumed to be zero, PBV would be negative. However, because such a condition is outside the realistic range of the observed data, the constant mainly functions as an intercept term and should not be overinterpreted economically.
2. The regression coefficient for ROA is 0.122 and is positive. It indicates that higher profitability is associated with higher firm value. In other words, firms with stronger earnings generation from their asset base tend to receive more favorable market valuation.
3. The reported regression coefficient for CGPI is positive at 2.693, suggesting a positive directional association between governance quality and firm value. However, this coefficient should be interpreted with substantial caution because its magnitude appears disproportionate relative to the scale of CGPI and PBV reported in the descriptive statistics. It raises the possibility of a scaling, decimal, or output transcription issue, so the original SPSS output should be rechecked before drawing a substantive economic interpretation from this coefficient.

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Coefficient Determination Analysis.

Table 8. Results of Determination Coefficient Analysis

Model Summary[b]				
Model	**R**	**R-Square**	**Adjusted R-Square**	**Std. Error of the Estimate**
1	,446[a]	,199	,147	,47127
a. predictors: (Constant), cgpi, roa				

Source: SPSS 27 Result Data (Self-Processed, 2026)

The adjusted R-square value is 0.147. It means that corporate governance and profitability explain only 14.7% of the variation in firm value, while other factors outside the model likely explain the remaining 85.3%. Accordingly, the model has limited explanatory power, and future studies should consider incorporating additional determinants such as firm size, leverage, growth opportunity, dividend policy, firm age, and market conditions.

Hypothesis Test, Partial Test T.

Table 9. Partial Test Results T

Coefficients						
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**T**	**Say.**
		B	**Std. Error**	**Beta**		
1	(Constant)	-11,946	8,039		-1,486	,147
	ROA	,122	,059	,335	2,060	,048
	CGPI	2,693	1,786	,245	1,508	,142
a. Dependent Variable: pbv						

Source: SPSS 27 Result Data (Self-Processed, 2026)

1. The t-test results show that CGPI has a positive coefficient, but the effect is not statistically significant because the significance value of 0.142 is greater than 0.05. Therefore, the hypothesis stating that corporate governance has a positive effect on firm value is not supported. One possible explanation is that the sampled CGPI firms are relatively homogeneous in governance quality, which reduces variation in the CGPI score and weakens its explanatory power. Another possibility is that the market does not immediately price governance scores into valuation, especially when investors place a stronger weight on short-term financial performance.
2. The t-test results show that ROA has a positive and statistically significant effect on firm value because the t-statistic exceeds the critical value, and the significance value of 0.048 is below 0.05. It indicates that profitability contributes positively to firm value. The result suggests that the market responds more strongly to observable financial performance than to governance ratings in this sample.

Simultaneous Test F.

Table 10. Simultaneous Test Results F

ANOVA						
Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Say.**
1	Regression	1,708	2	,854	3,845	,032[b]
	Residual	6,885	31	,222		

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	Total	8,593	33

a. Dependent Variable: PBV
b. Predictors: (Constant), CGPI, ROA

Source: SPSS 27 Result Data (Self-Processed, 2026)

The F-test reveals that the significance value of 0.032 is less than 0.05 and that the computed F value of 3.845 is higher than the table F value of 3.305. Thus, the regression model is statistically feasible at the simultaneous level. In conclusion, CGPI and ROA jointly affect firm value. However, this simultaneous significance should still be interpreted alongside the relatively low adjusted R-square and limited sample size.

CONCLUSION

This study finds that corporate governance proxied by the CGPI Score has a positive but statistically insignificant effect on firm value (PBV). Accordingly, the first hypothesis is not supported. This result suggests that, within the sampled firms, governance ratings alone are not sufficient to explain variation in firm value. The relatively limited variation in CGPI scores and the possibility that investors focus more heavily on observable earnings performance help explain this outcome.

In contrast, ROA has a positive and significant effect on firm value. This finding indicates that profitability remains an important signal for investors in valuing firms. Because ROA is an accounting-based profitability indicator, the empirical results of this study should be interpreted as evidence of the role of profitability rather than as direct proof of investment efficiency in the residual-model sense.

Although CGPI and ROA jointly have a significant effect on firm value, the model explains only a limited portion of firm-value variation, as reflected by the adjusted R-square of 0.147. Therefore, the findings should be interpreted cautiously, especially given the relatively small sample of 34 firm-year observations and the use of pooled OLS. Future studies are encouraged to re-examine the specification of the investment efficiency variable, verify the CGPI coefficient scale using the original output, and incorporate additional determinants of firm value to improve model robustness.

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