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BOARD GENDER DIVERSITY AS A MODERATOR IN THE CORPORATE GOVERNANCE AND FIRM VALUE RELATIONSHIP

KERAGAMAN GENDER DI DEWAN DIREKSI SEBAGAI MODERATOR DALAM HUBUNGAN TATA KELOLA KORPORAT DAN NILAI PERUSAHAAN

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ABSTRACT
This study investigates the effect of corporate governance on firm value, with a particular emphasis on the moderating role of board gender diversity (BGD). A quantitative approach is employed using secondary data obtained from Bloomberg, covering publicly listed firms in Indonesia from 2017 to 2023. The analysis utilizes moderated regression analysis (MRA) with three alternative measures of BGD: dummy, proportion, and Blau Index. The results reveal that corporate governance, when assessed independently, does not have a significant direct effect on firm value. However, the interaction between corporate governance and BGD is found to be positive and statistically significant across all models, indicating that gender diversity enhances the governance–firm value relationship. These findings highlight the importance of inclusive board composition in strengthening governance effectiveness, particularly in emerging market contexts.
Keywords: *Corporate Governance; Firm Value; Board Gender Diversity*

ABSTRAK
Penelitian ini mengkaji pengaruh tata kelola korporasi terhadap nilai perusahaan, dengan penekanan khusus pada peran moderasi keragaman gender dewan direksi (BGD). Pendekatan kuantitatif digunakan dengan data sekunder yang diperoleh dari Bloomberg, mencakup perusahaan terdaftar di Indonesia dari tahun 2017 hingga 2023. Analisis menggunakan regresi moderasi (MRA) dengan tiga ukuran alternatif BGD: dummy, proporsi, dan Indeks Blau. Hasil penelitian menunjukkan bahwa tata kelola korporat, ketika dievaluasi secara independen, tidak memiliki pengaruh langsung yang signifikan terhadap nilai perusahaan. Namun, interaksi antara tata kelola korporat dan BGD ditemukan positif dan secara statistik signifikan di semua model, menunjukkan bahwa keragaman gender memperkuat hubungan antara tata kelola dan nilai perusahaan. Temuan ini menyoroti pentingnya komposisi dewan direksi yang inklusif dalam memperkuat efektivitas tata kelola, terutama dalam konteks pasar emerging.
Kata Kunci: Tata Kelola Korporat; Nilai Perusahaan; Keragaman Gender Dewan Direksi

PENDAHULUAN

In the contemporary corporate landscape, the role of businesses extends beyond profit generation to broader responsibilities encompassing ethical conduct, transparency, and sustainability (Dandapani & Shahrokhi, 2022; Ludwig & Sassen, 2022). Over the past decade, numerous corporate scandals and financial crises have underscored the need for stronger governance mechanisms to maintain stakeholder trust and ensure long-term corporate stability (Hossain et al., 2024). The collapse of major corporations due to mismanagement, fraud, and lack of oversight has triggered global regulatory responses, pushing companies to adopt more stringent governance frameworks (Ludwig & Sassen, 2022). At the same time, investors and society at large have become increasingly critical of corporate practices, demanding greater accountability and ethical leadership from business entities (Rayat et al., 2024; Wiersema & Koo, 2022). These shifts indicate a fundamental transformation in how firms are expected to operate, emphasizing governance structures that promote responsible decision-making and sustainable growth (Foeh et al., 2023). However, despite the growing emphasis on governance improvements, corporate failures and governance-related controversies continue to persist, raising questions about the effectiveness of current governance frameworks in safeguarding firm value and corporate integrity.

The increasing scrutiny on corporate behavior and governance practices can be explained through Agency Theory posits that conflicts arise between principals (shareholders) and agents (managers) due to differences in interests and asymmetrical access to information (Khandelwal et al., 2023). In the absence of effective governance mechanisms, managers may prioritize personal gains over shareholder value, leading to inefficiencies, mismanagement, and even corporate scandals. To mitigate agency problems, firms implement governance structures such as independent boards, transparency measures, and performance-based incentives that align managerial decisions with shareholder interests (Obermann et al., 2020).

The increasing emphasis on corporate governance as a response to agency conflicts and stakeholder demands has led to the widespread adoption of governance frameworks aimed at enhancing corporate accountability and performance (Chen, 2024). Corporate Governance (CG) serves as a fundamental framework that regulates corporate behavior through principles such as transparency, accountability, responsibility, independence, and fairness (Sarma et al., 2024). By implementing effective governance structures, companies can reduce information asymmetry, mitigate managerial opportunism, and establish trust with investors and other stakeholders (Biçer & Şit, 2023; N et al., 2023). Empirical evidence suggests that firms with strong governance mechanisms tend to finds that superior financial performance, greater operational efficiency, and improved risk management (Ben Fatma & Chouaibi, 2023; Yoon et al., 2018). Furthermore, adherence to governance best practices has become increasingly crucial as regulatory bodies and institutional investors place greater scrutiny on corporate conduct and governance compliance. Given that governance structures are designed to enhance corporate performance and sustainability, it becomes essential to examine their impact on firm value as a key measure of corporate success.

Firm value serves as a critical indicator of a company's financial health, market perception, and long-term sustainability, reflecting the effectiveness of corporate governance mechanisms in enhancing shareholder confidence and corporate performance (Ben Fatma & Chouaibi, 2023). It is commonly measured through Tobin’s Q, market capitalization, price-to-book ratio (P/B), and return on assets (ROA), which capture both market and accounting perspectives on corporate valuation (Puni & Anlesinya, 2020). A well-governed firm is expected to generate higher firm value by ensuring managerial accountability, reducing agency conflicts, and fostering investor trust. Empirical findings suggest that firms with robust governance structures tend to attract premium valuations due to their lower risk profiles, greater transparency, and stronger financial discipline (Manita et al., 2018; Qureshi et al., 2020; Zagorchev, 2024). Moreover, effective governance enhances a company's ability to secure external financing, maintain operational efficiency, and navigate economic uncertainties, further strengthening its market position (Foeh et al., 2023). However, the extent to which corporate governance directly influences firm value remains a subject of debate, as its impact may be moderated by various firm-specific and external factors, including board composition and diversity. In particular, board gender diversity has emerged as a key governance attribute that may enhance or alter the governance-value relationship by introducing diverse perspectives, improving decision-making quality, and addressing stakeholder concerns about inclusivity and ethical leadership (Kamarudin et al., 2022).

LITERATURE REVIEW

Board gender diversity (BGD) has emerged as a critical aspect of corporate governance, with increasing regulatory and societal pressure advocating for greater female representation in boardrooms (Qureshi et al., 2020). A more diverse board is believed to enhance decision-making quality by incorporating varied perspectives, reducing groupthink, and fostering more comprehensive discussions on corporate strategy and risk management (Jayaraman et al., 2025; Yarram & Adapa, 2021). Additionally, studies suggest that female directors tend to finds that stronger ethical considerations, greater oversight, and a higher commitment to corporate social responsibility (CSR), which can positively influence firm value and investor confidence (Kamran et al., 2023). However, despite these potential benefits, the empirical evidence on the impact of board gender diversity remains mixed, with some findings suggesting a positive relationship while others indicate that its effects are contingent on contextual factors such as industry characteristics, cultural norms, and the firm's existing governance structure (Jayaraman et al., 2025). Moreover, the issue of tokenism remains a concern, as symbolic female appointments without meaningful participation may not yield significant governance improvements. Given these complexities, board gender diversity may serve as a moderating factor that influences the effectiveness of corporate governance in driving firm value, making it essential to examine its role in strengthening or altering this relationship.

Recent studies have explored the impact of corporate governance (CG) and board gender diversity on firm value. Several papers found that gender diversity positively moderates the relationship between CG and firm value (Grau & Bel, 2022; Wati et al., 2024). However, Chin et al. (2019) reported no significant moderating effect. Board independence and size were found to positively influence firm value (Chin et al., 2019; Karina, 2021). (Yogiswari & Badera, 2019) and (Panjaitan, 2019) observed that nationality diversity, educational background, and the presence of female directors positively affect firm value. Overall, these studies indicate that while board gender diversity can enhance the effectiveness of CG in improving firm value, its moderating impact is not uniform across all scenarios, highlighting the need for further research to understand the conditions under which gender diversity in boards contributes most effectively to firm value.

Despite extensive research on CG and firm value, the findings remain inconsistent, particularly regarding the role of BGD as a moderating factor. While some studies suggest that diverse boards enhance governance effectiveness and corporate performance, others indicate that gender diversity has either an insignificant or context-dependent impact. The research gap lies in the limited exploration of how board gender diversity moderates the CG–firm value relationship, particularly in emerging markets, where governance frameworks and cultural dynamics differ from those in developed economies (Attah-Boakye et al., 2020; Khandelwal et al., 2023). Moreover, prior studies have largely examined BGD as an independent variable, rather than as a moderating factor, leaving a gap in understanding how diversity influences the effectiveness of governance mechanisms in shaping firm value. This study is motivated by the need to bridge this gap by investigating the moderating role of board gender diversity in the CG–firm value relationship, offering a more nuanced perspective on how governance effectiveness can be enhanced through board composition. The novelty of this study lies in its integrative approach, which not only assesses direct relationships but also explores the interaction between governance quality and gender diversity, providing practical insights for policymakers, regulators, and corporate leaders seeking to optimize governance structures while promoting inclusivity in corporate leadership.

Building on the research gap and the need for deeper exploration of governance effectiveness, this study seeks to address a fundamental question: Does board gender diversity moderate the relationship between CG and firm value? While CG is widely recognized as a key driver of firm value, existing findings on its effectiveness remain inconclusive, particularly regarding the role of board gender diversity as a potential moderating factor. Some studies suggest that diverse boards strengthen governance mechanisms and enhance firm performance, while others indicate that the benefits of diversity are highly context-dependent, influenced by industry characteristics, regulatory environments, and cultural factors. To bridge this gap, this study aims to examine the direct impact of CG on firm value and assess whether board gender diversity enhances or weakens this relationship, particularly in emerging markets where governance structures and institutional settings differ from those in developed economies. By doing so, this research contributes to corporate governance literature by providing empirical evidence on how diversity influences governance effectiveness, emphasizing board gender diversity as more than just a structural characteristic but as a mechanism that could potentially enhance corporate decision-making and long-term performance. Additionally, the findings offer valuable insights for policymakers, regulators, and corporate leaders in designing governance frameworks that promote inclusivity while maximizing firm value. To achieve these objectives, this paper is structured as follows: the next section reviews relevant literature and theoretical foundations, followed by the research methodology, data analysis, discussion of findings, and finally, conclusions and practical implications.

The conceptual foundation for understanding the Corporate Governance (CG)–firm value relationship is established through Agency Theory, originally developed by (Jensen & Meckling, 1979). This theory describes the principal-agent problem, where shareholders (principals) delegate managerial authority to executives (agents) to operate the company on their behalf. However, due to information asymmetry and misaligned incentives, managers may act in their own interests rather than maximizing shareholder wealth, leading to agency conflicts that can undermine firm value (Kasbar et al., 2023). To mitigate these conflicts, corporate governance mechanisms such as board independence, transparency, and accountability play a crucial role in aligning managerial decisions with shareholder objectives and ensuring corporate efficiency (Ben Fatma & Chouaibi, 2023). Firm value serves as a key performance indicator, reflecting how effectively governance structures minimize agency problems and enhance financial performance (Pratiwi, 2020). In this governance framework, board gender diversity (BGD) has been increasingly recognized as a factor that could strengthen governance effectiveness by enhancing oversight, improving decision-making, and reducing managerial opportunism. However, empirical evidence on the moderating role of BGD in the CG–firm value relationship remains inconclusive, warranting further investigation into its influence on governance outcomes in various corporate settings.

Corporate Governance (CG) is widely recognized as a critical determinant of firm value, as it ensures managerial accountability, reduces information asymmetry, and strengthens investor confidence. According to Agency Theory, strong governance mechanisms help mitigate agency conflicts by aligning managerial interests with shareholder objectives, thereby improving corporate decision-making and financial outcomes (Jensen & Meckling, 1979). Firms that adopt transparent disclosure practices, independent board structures, and effective risk management policies are more likely to enhance their market valuation and long-term financial sustainability (Khandelwal et al., 2023; Saha, 2024). Empirical studies suggest that well-governed firms tend to exhibit higher profitability, lower financial risk, and greater operational efficiency, reinforcing the positive relationship between CG and firm value (Agwili & Gerged, 2020; Ting et al., 2019). Therefore, this study posits the following hypothesis:

H_1: Corporate Governance has a positive effect on Firm Value.

In recent years, Board Gender Diversity (BGD) has emerged as an essential governance attribute that may influence the effectiveness of CG in enhancing firm value. A gender-diverse board is believed to contribute to better strategic oversight, improved risk assessment, and ethical leadership, which can strengthen corporate governance effectiveness (Muhammad et al., 2023; Nadeem et al., 2020). Female directors are often associated with higher monitoring intensity, reduced earnings manipulation, and greater stakeholder orientation, leading to improved corporate credibility and investor trust (Navarro-García et al., 2022). However, empirical findings regarding the moderating role of BGD remain mixed; while some studies highlight its positive impact on governance quality, others suggest that its effectiveness is contingent upon industry characteristics, firm-specific factors, and board integration dynamics. Given these considerations, this study hypothesizes that:

H_2: Board Gender Diversity strengthens the positive relationship between Corporate Governance and Firm Value.

The relationship between the research variables to be tested is presented in Figure 1 below.

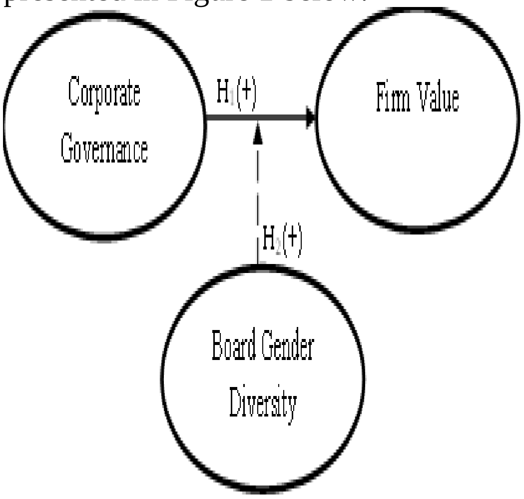

Figure 1. Conceptual Framework

DATA AND METHOD

This study employs a quantitative research approach utilizing secondary data sourced from Bloomberg Terminal, ensuring high levels of data accuracy and consistency. The dataset comprises firm-level financial and corporate governance data from publicly listed companies on the Indonesia Stock Exchange (IDX), covering the period 2017–2023. By focusing on this timeframe, the study captures recent developments in corporate governance practices, board composition, and financial performance, allowing for a comprehensive analysis of trends and relationships within the governance framework. The use of Bloomberg Terminal ensures the reliability of the data, as it provides standardized, globally recognized financial and governance metrics that enhance the robustness and credibility of the findings.

CG encompasses a set of principles and mechanisms aimed at promoting corporate transparency, accountability, and ethical management, ensuring that managerial decisions are aligned with shareholder interests and long-term corporate sustainability (Elsayih et al., 2018). In this study, CG is measured using governance score index obtained from Bloomberg's Environmental, Social, and Governance (ESG) database, which includes key variables such as Board Independence, Board Size, Audit Committee Independence, and Ownership Structure, all of which serve as critical proxies for assessing the effectiveness of governance frameworks in mitigating agency conflicts and enhancing firm performance.

Firm value represents the market's perception of a company's financial health and growth potential, reflecting how effectively corporate governance mechanisms enhance long-term performance (Esan et al., 2022). In this study, firm value is measured using Tobin's Q, a widely recognized metric that captures both market-based and book-based valuation. Tobin's Q is particularly relevant as it not only reflects investor expectations regarding a firm's future profitability but also serves as an indicator of investment efficiency and governance effectiveness in optimizing financial performance (Ramana, 2024).

$$Tobin's\ Q = \frac{\mathrm{EMV} + \mathrm{LMV}}{\mathrm{EBV} + \mathrm{LBV}}$$

Notes:
EMV : Market Value of Equity
LMV : Market Value of Liabilities
EBV : Book Value of Equity

LBV : Book Value of Liabilities

BGD refers to the representation of female directors within a company's board structure, which plays a crucial role in enhancing governance effectiveness by incorporating diverse perspectives, strengthening oversight, and improving decision-making quality (Mehmood et al., 2023). In this study, BGD is measured using data from Bloomberg's Board Composition and ESG Governance dataset, specifically through the Proportion of Female Directors, which reflects the percentage of board seats occupied by female members as an indicator of gender inclusivity in corporate leadership. Furthermore, to comprehensively capture the degree of gender diversity on corporate boards, this study employs three distinct measurement approaches: (1) a dummy variable indicating the presence of at least one female director, (2) the proportion of female board members to total board members, and (3) the Blau Index, a widely accepted diversity metric that quantifies gender heterogeneity based on the distribution of male and female members. The combination of these measures allows for a more nuanced and robust assessment of board gender diversity, ranging from binary presence to proportional representation and heterogeneity structure. the Blau Index based on the distribution of male and female board members. The index ranges from 0 (perfect homogeneity) to 0.5 (maximum diversity), providing a robust measure of gender diversity on the board. It is calculated using the formula:

$$BGD = 1 - \left(\left(\frac{F}{T}\right)^2 + \left(\frac{M}{T}\right)^2\right)$$

Notes:

BGD : Board Gender Diversity
F : Total Female Directors
T : Total Number of Boards
M : Total Male Directors

To enhance the robustness of the regression model and control for firm level heterogeneity, this study includes control variables thats firm age and total assets. Firm age is measured as the number of years since the company's establishment. This variable serves as a proxy for organizational maturity, which may influence firm value through accumulated experience, reputation, and strategic stability. Total assets are included to control for firm size, as larger firms may exhibit different valuation dynamics compared to smaller firms due to economies of scale, market power, or resource availability. Both control variables are standard in corporate governance literature and help isolate the specific effects of governance quality and board gender diversity on firm value. The research data included panel data types and was analyzed with the help of Software Statistic and Data (STATA) version 14.

RESULT AND DISCUSSION

The results of the sample selection are 837 firms as shown in Table 1 for a seven-year observation period that meet the selection criteria that have been set.

Table 1. The Process of Determining Research Samples

Information	Sum
Observations available in the Bloomberg database for the 2017-2023 period	6,672
Less: Observation with missing data on G score	5,823
Less: Observation with missing data on Firm Value	7
Less: Observation with missing data on the number of female board members	5
Final Sample	**837**

Sources: Research Data, 2025

The observation period from 2017 to 2023 was deliberately selected to reflect a critical phase of development in corporate governance practices within the Indonesian capital market. During this period, there was a notable increase in regulatory attention, investor pressure, and voluntary corporate initiatives aimed at enhancing transparency, accountability, and board effectiveness. The timeframe also coincides with a growing emphasis on board gender diversity, supported by global ESG integration trends and the increased availability of standardized governance-related disclosures in commercial databases such as Bloomberg. Moreover, the inclusion of the pre-pandemic, pandemic, and post-pandemic periods allows for a comprehensive evaluation of how firms adapted their governance structures and board composition in response to varying macroeconomic conditions and external shocks. This temporal scope is expected to yield richer insights into the dynamics between corporate governance quality, gender diversity on boards, and firm value. Following sample selection, the dataset was subjected to descriptive analysis to ensure the reliability, completeness, and representativeness of all variables employed, as presented in Table 2.

Table 2. Descriptive Statistical Results

Variable	N	Mean	Std. dev.	Min	Max
Tobin's Q	837	1.929	1.137	0.343	42.790
CG	837	70.932	74.082	29.651	98.615
ln_firmage	837	3.601	3.689	0.000	4.852
ln_totalassets	837	7.699	7.558	3.830	11.764

Sources: Research Data, 2025

Table 2 presents the descriptive statistics for the main variables used in this study. The average value of Tobin's Q, a proxy for firm value, is 1.929 with a minimum of 0.343 and a maximum of 42.790, indicating a high variation in firm valuation across the sampled companies. The mean score for corporate governance is 70.932, ranging from 29.651 to 98.615, which suggests considerable heterogeneity in governance quality among listed firms.

It is important to note that the variable Board Gender Diversity (BGD) is not included in this descriptive summary. This is due to the nature of the BGD variable, which is constructed through three derived measures: (1) the Blau Index, (2) a dummy variable indicating the presence of at least one female director, and (3) the proportion of female board members, which captures gender heterogeneity. Since these measures are the result of data transformations and are later used in interaction terms for moderation analysis, they are not treated as standalone explanatory variables in the descriptive table. The control variables, firm age and total assets, have been transformed using the natural logarithm (*ln*) to mitigate the impact of skewness and extreme values, thereby fulfilling the normality assumption in linear regression modeling. The transformed variable ln_firmage has a mean of 3.601, while ln_totalassets has an average of 7.599, indicating a diverse range of firm sizes and establishment periods in the dataset.

To examine the linear relationships between the research variables, a Pearson correlation analysis was conducted. Table 3 summarizes the correlation coefficients among firm value, corporate governance, and the three measurements of BGD are dummy, proportional, and Blau Index as well as control variables.

Table 3. Correlation Pearson

	Firm value	CG	proportional	dummy	blau	ln_firmage	ln_total assets
Firm value	1.000						
CG	-0.076**	1.000					
	(0.027)						
Proportional	0.216***	-0.032	1.000				
	(0.000)	(0.358)					
Dummy	0.069**	0.057*	0.802***	1.000			
	(0.045)	(0.096)	(0.000)				
Blau	0.121***	-0.005	0.964***	0.902***	1.000		
	(0.000)	(0.878)	(0.000)	(0.000)			
ln_firmage	-0.162***	0.128***	-0.058*	0.041	-0.016	1.000	
	(0.000)	(0.000)	(0.092)	(0.232)	(0.635)		
ln_totalassets	-0.184***	0.324***	-0.088**	0.065*	-0.031	0.208***	1.000
	(0.000)	(0.000)	(0.011)	(0.061)	(0.367)	(0.000)	

p-values in parentheses
* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Sources: Research Data, 2025

The correlation analysis reveals several key insights. First, *Tobin's Q* is significantly and positively correlated with all three BGD measures, with the strongest correlation observed between Tobin's Q and the proportional measurement (r = 0.216, p < 0.01), followed by Blau Index (r = 0.121, p < 0.01) and dummy (r = 0.069, p < 0.05). These findings suggest that firms with higher board gender diversity tend to exhibit higher firm value, which is consistent with the theoretical premise that diverse boards enhance firm reputation, strategic oversight, and ethical governance.

Conversely, the correlation between *Tobin's Q* and *G Score* is negative and significant (r = -0.076, p < 0.05), indicating a weak inverse association. This may imply that governance quality, as measured by the aggregated G Score, does not directly align with market valuation across all firms—potentially due to contextual or implementation differences in governance practices.

Additionally, high correlations among the BGD indicators, especially between the Blau Index and both proportional (r = 0.964***) and dummy (r = 0.902***) variables, confirm strong internal consistency across the three operationalizations of gender diversity. The relatively low correlations between control variables and the dependent variable also support their use as controls rather than confounders in the regression analysis.

This section presents the results of the moderated regression analysis (MRA) conducted to test the hypotheses developed in this study. Specifically, the analysis investigates the direct effect of Corporate Governance on Firm Value and examines whether Board Gender Diversity moderates this relationship. Three models are tested, each using a different operationalization of BGD: a dummy variable, the proportion of female directors, and the Blau Index.

Table 4. Moderated Regression Analysis

	(1) firm value		(2) firm value		(1) firm value
corporate governance	-0.001	corporate governance	-0.000	corporate governance	-0.003
	(-0.07)		(-0.05)		(-0.27)
inter_blau	0.021**	inter_dummy	0.007**	inter_prop	0.046**
	(2.30)		(2.46)		(2.21)
ln_firmage	-0.694***	ln_firmage	-0.717***	ln_firmage	-0.665***
	(-2.94)		(-2.99)		(-2.93)
ln_totalassets	-0.274***	ln_totalassets	-0.297***	ln_totalassets	-0.239**
	(-2.68)		(-2.88)		(-2.30)
_cons	5.969***	_cons	6.152***	_cons	5.748***
	(4.06)		(4.16)		(3.97)
Year FE	Yes	Year FE	Yes	Year FE	Yes
Industry FE	Yes	Industry FE	Yes	Industry FE	Yes
r2	0.105	r2	0.102	r2	0.122
r2_a	0.086	r2_a	0.082	r2_a	0.103
N	837	*N*	837	*N*	837

t statistics in parentheses
* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Sources: Research Data, 2025

Based on the results of the moderated regression analysis, the variable corporate governance exhibits a negative coefficient across all models, though it is not statistically significant. In the model using BGD as a dummy variable, the coefficient for G Score is -0.000 (t = -0.05; p > 0.1). Similarly, in the proportional and Blau models, the coefficients are -0.003 (t = -0.27; p > 0.1) and -0.001 (t = -0.07; p > 0.1), respectively. These results indicate that corporate governance quality, does not have a direct and significant impact on firm value in the sampled firms.

In contrast, the main finding of this analysis lies in the interaction terms between G Score and Board Gender Diversity (CG × BGD), which show consistently positive and statistically significant effects across all three measurement approaches. In the dummy model, the interaction coefficient is 0.007 with a t-value of 2.46 ($p < 0.05$). In the proportional model, the interaction coefficient is 0.046 ($t = 2.21$; $p < 0.05$), while in the Blau index model, the coefficient is 0.021 ($t = 2.30$; $p < 0.05$). These positive and significant coefficients suggest that board gender diversity strengthens the relationship between corporate governance and firm value. In other words, in firms with higher gender diversity on the board of directors, the effectiveness of corporate governance mechanisms in enhancing firm value becomes more pronounced.

Control variables such as firmage and total assets consistently exhibit significant negative effects on firm value across all models. For instance, in the dummy model, firmage has a coefficient of -0.717 ($t = -2.99$; $p < 0.01$), while total assets has a coefficient of -0.297 ($t = -2.88$; $p < 0.01$). These findings imply that older and larger firms tend to be valued lower in the market, potentially due to organizational complexity or declining operational efficiency as firms mature and grow in size.

The models yield R^2 values ranging from 0.102 to 0.122, with adjusted R^2 values between 0.082 and 0.103. Although relatively modest, these values are typical in firm-level panel studies, as firm value is influenced by a multitude of internal and external factors not fully captured in the model. Importantly, all models include year and industry fixed effects, enhancing the robustness of the regression results.

The findings reveal that corporate governance does not have a significant direct effect on firm value. Based on institutional theory, formal governance structures are often adopted by organizations not necessarily to improve operational efficiency, but rather to gain legitimacy in the eyes of external stakeholders (Chedrawi et al., 2020). Recent studies indicate that CG mechanisms often function symbolically rather than substantively, serving as procedural formalities without exerting real influence on managerial behavior or strategic outcomes (Aluchna & Kuszewski, 2020; Areneke et al., 2019). In developing economies with weak governance enforcement, aggregate governance indicators do not always correlate with market-based performance measures (Agwili & Gerged, 2020; Rahman, 2024).

In the context of Indonesia, many publicly listed firms exhibit concentrated ownership structures, family-dominated boards, or politically connected stakeholders, which can undermine the independence and effectiveness of corporate governance mechanisms. Under such conditions, governance practices may exist in form but not in function, creating a decoupling between structural compliance and actual managerial accountability. Furthermore, standardized scores such as the G Score may fail to capture firm-specific nuances, including informal power dynamics, internal boardroom culture, or latent conflicts of interest. As a result, investors may not regard governance ratings as a reliable indicator of value creation potential.

In contrast to the weak direct effect of corporate governance, the interaction between corporate governance and board gender diversity is positive and statistically significant across all models. This result provides robust support for Agency Theory, particularly its extended interpretation, which emphasizes the role of board characteristics in enhancing monitoring effectiveness and mitigating agency conflicts. Gender diverse boards are believed to scrutinize managerial decisions more critically, reduce groupthink, and signal ethical leadership to the market.

The findings of this study are consistent with the empirical literature. Grau & Bel (2022) dan Wati et al. (2024) highlight that gender-diverse boards strengthen governance practices and contribute to greater transparency and accountability. Likewise, Alkhawaja et al. (2023) emphasize that the presence of women in boardrooms enhances responsiveness to stakeholder expectations, particularly in the context of ESG related concerns, which may positively influence investor perception and market-based valuation.

From a contextual perspective, the moderating role of board gender diversity is particularly relevant in emerging markets like Indonesia, where formal governance mechanisms may lack enforceability or stakeholder trust. In such environments, the composition of the board becomes a more credible and visible signal of governance quality. The inclusion of female directors may represent a shift towards inclusive, transparent, and socially responsible corporate leadership factors that resonate positively with investors and the broader market.

Therefore, while corporate governance alone may not exert a significant influence on firm value, its effectiveness is amplified when complemented by gender diverse leadership. This underscores the importance of viewing board composition not merely as a demographic variable, but as a strategic element that enhances the effectiveness of governance mechanisms.

CONCLUSION

This study aimed to examine the relationship between corporate governance and firm value, with particular emphasis on the moderating role of board gender diversity. Utilizing a panel dataset of publicly listed firms in Indonesia from 2017 to 2023, and employing moderated regression analysis across three distinct measures of gender diversity, the study concludes that corporate governance, when considered in isolation, does not consistently predict firm value. However, board gender diversity plays a significant role in shaping the strength and direction of the governance–value relationship. These conclusions are presented with caution and are interpreted in light of the institutional context and governance development stage of the Indonesian capital market during the observation period.

Although the findings offer meaningful insights, they are subject to several limitations. First, the analysis is restricted to firms listed on the Indonesia Stock Exchange, which may limit the generalizability of the results to private companies or those in other ASEAN economies. Second, the use of the Bloomberg G Score as a proxy for governance quality may fail to capture the full spectrum of governance practices, particularly those of a qualitative or informal nature. Third, board gender diversity is assessed solely based on compositional metrics, without consideration of the specific roles, influence, or engagement levels of female directors. Future research is encouraged to investigate the interaction between board gender diversity and specific governance dimensions—such as board independence, audit committee effectiveness, or ownership structure—and to explore whether the nature of female participation (e.g., executive versus non-executive roles) influences firm outcomes. Comparative cross-country and industry-level studies may also yield deeper insights into how institutional environments and regulatory frameworks shape the effectiveness of governance mechanisms and board diversity.

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